



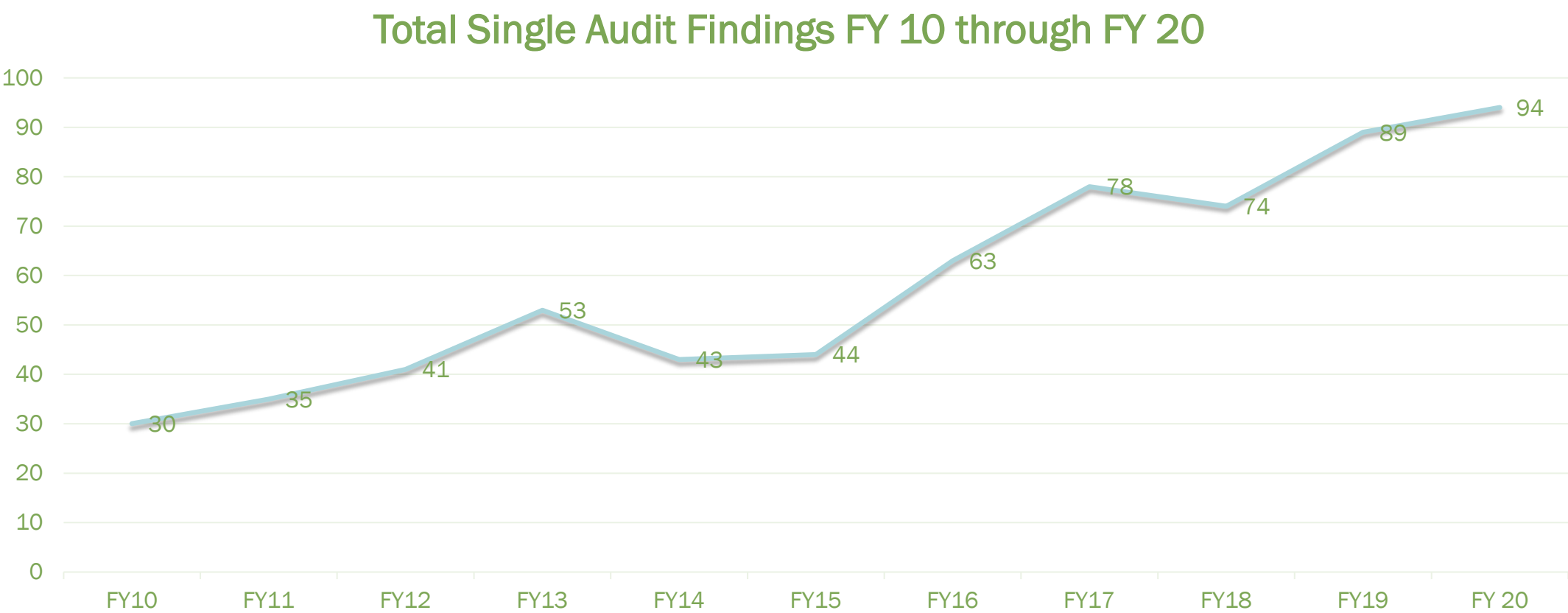
LB&A Oversight - Top 10 Audit Issues

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Growth of Audit Findings FY 10 through FY 20



Suggested LB&A Oversight Process

01. Focus

Identify top audit findings in terms of fiscal or societal impact and degree of difficulty in addressing findings.

02. Communicate

Work with auditees to identify corrective action for top audit findings.

03. Evaluate

Determine whether corrective action requires legislative action. Refer to legislative committee for consideration.

04. Measure

Examine progress through the legislative finance committee process.

05. Repeat

Once Single Audit is released - repeat. Process covers all audit reports issued over a fiscal year.



Top Ten

1. ACFR Opinion Modifications

Issues that led to Qualified Audit Opinion

- Revenues eligible for transfer to the Constitutional Budget Reserve Fund (CBRF) due to FERC decisions were not transferred during FY 18 through FY 20 and fund balances that should have remained in the CBRF were moved to the General Fund.
- The Department of Natural Resources did not transfer to the Alaska Permanent Fund all dedicated mineral lease revenues received during FY 18 and FY 19.

Single Audit Findings (Reference)

- 2020-019, 2020-068 (CBRF transfers)
- 2020-067 (Perm Fund transfers)

Top Ten

2. ACFR Errors and Timeliness

Significant errors and late draft statements

- FY 20 draft financial statements provided to Legislative Audit six weeks late – similar to past 5 years.
- Although improvements noted in the FY 20 number and severity of errors compared to prior three years, auditors still note a lack of support provided to division responsible for preparing financial statements in terms of resources and training.

Single Audit Findings (Reference)

- 2020-001, 2020-006, 2020-007, 2020-008, 2020-009, 2020-011, 2020-025, 2020-057, 2020-067, 2020-068, 2020-070, 2020-078, 2020-015

Top Ten

3. Medicaid Eligibility Determinations

Significant errors in accuracy and timeliness of eligibility determinations

- Division of Public Assistance (DPA) eligibility technicians did not process applications in a timely manner or redetermine eligibility when required for 27.5 percent of Medicaid cases tested and 36 percent of CHIP cases tested.
- Inaccurate eligibility determinations found in 32.5 percent of Medicaid cases tested and 40 percent of CHIP cases tested.
- Special audit 06-30094-20 found that, during FY 19, DHSS paid \$28 million in State general funds for ineligible benefits due to eligibility errors.

Single Audit Findings (Reference)

- 2020-045, 2020-046

Top Ten

4. Medicaid Eligibility System - ARIES

Material weakness in internal controls

- DHSS staff did not maintain, in all material respects, effective internal controls for the Alaska Resource for Integrated Eligibility Services (ARIES) System during FY 20.
- System control deficiencies contribute to eligibility errors.

Single Audit Finding (Reference)

- 2020-044

Top Ten

5. Medicaid Claims Reprocessing Errors

Cumbersome process for analyzing claims outside MMIS is prone to error

- Services provided to Medicaid-eligible American Indian/Alaska Native members received through a Tribal Health Organization but rendered at a non-IHS/Tribal provider are eligible for 100 percent federal reimbursement if certain requirements are met. Eligible claims are reprocessed outside MMIS based on DHSS staff analysis.
- Errors led to \$1,007,134 in questioned costs. Similar error in prior year.

Single Audit Finding (Reference)

- 2020-043

Top Ten

6. Medicaid Dental Overutilization

Likely overutilization of dental services by individuals under the age of 21

- Children's dental services require prior authorization at a much lower rate than adult dental services.
- Review of FY 20 claims for those under the age of 21 found alarming indications of likely overutilization.
- DHSS's surveillance and utilization and control procedures were not effective at identifying and following up suspicious billing patterns.
- Similar deficiency identified for FY 19.

Single Audit Finding (Reference)

- 2020-040

Top Ten

7. Medicaid SURS Program

DHSS has not implemented an effective statewide surveillance and utilization control program to safeguard against unnecessary or inappropriate use of Medicaid services.

- SURS program historically carried out by Medicaid fiscal agent.
- Department took over program during FY 19 but has program is not effective.

Single Audit Finding (Reference)

- 2020-050

Top Ten

8. TANF Eligibility

Material weakness and material noncompliance over eligibility and special tests and provisions

- High rate of error in determining eligibility. (18 of 58 cases or 31 percent)
- 28 of 58 cases (48 percent) lacked documentation to support the request and use of data exchanges necessary for determining eligibility and benefit amount.
- DPA has been unable to allocate the necessary resources to fully develop and implement adequately designed internal controls to ensure compliance.

Single Audit Findings (Reference)

- 2020-033, 2020-037

Top Ten

9. UI Subsystem

Unemployment claims were paid to Department of Corrections inmates that were unavailable for work.

- New UI subsystem was not programmed to cross-match with DOC or outside source data.

Single Audit Finding (Reference)

- 2020-060

Top Ten

10. DOR Investment Oversight

The DOR commissioner's decision to loan up to \$22.5 million to MOC 1 under the authority of the department's investment statutes was not appropriate when compared with behavior that a prudent person would consider reasonable.

- The legislature should consider enhancing oversight of DOR's investment functions.

Audit Report Finding Reference

- Audit Control Number 04-30093-20
Recommendation No. 4

Suggested Oversight Process

Letters from LB&A Committee to audit agencies asking for corrective action plan.

- Letters drafted by Legislative Auditor and reviewed by Chair.
- Request corrective action plan and dates for resolution.

LB&A Committee evaluates responses

- Legislative Auditor reviews agency responses and presents summary to LB&A Committee.
- Committee determines whether any action is necessary to facilitate resolution.
- Information is forwarded to the appropriate legislative committee for consideration. Single Audit findings and corrective action are sent to finance committees for follow-up during the budget process.

Oversight Timeline

May – Sep

Identify Top 10 audit issues. LB&A Committee sends letter to executive branch agencies asking for corrective action.

Jan – April

Finance committees review progress in resolving audit issues. Other committees consider legislative action, if determined necessary.

Oct – Dec

LB&A Committee reviews corrective action, identifies issues for legislative consideration, refers to appropriate committees for consideration.

Apr – Jun

Legislative Audit identifies Top 10 audit issues for next cycle and evaluates progress from prior year.

Summary

Audit findings are not being resolved timely.

A process is needed to encourage collaboration and resolution.

The LB&A Committee, working through the Legislative Auditor, is well-positioned to encourage resolution.

Utilizing the finance committees can facilitate accountability and collaboration.