

Top Audit Issues

Status of Corrective Action

DOR Commissioner Mahoney, December 2021

MOC 1 Special Audit Finding No. 4

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

Does the Department plan to seek a statutory change to the Department of Revenue's investment statutes to enhance oversight? If yes, please explain the action and the expected completion date. If no, please explain.

The 7/24/2020 audit report entitled "MUSTANG OPERATIONS CENTER 1 LLC LOAN ACN 04-30093-20," noted that "A lack of procedures governing non-routine investments and a lack of formal oversight of the DOR commissioner's investment functions contributed to the actions described [MOC 1 loan approval]."

The audit report is referring to decisions that were made by the Walker administration. In the time since that audit report was released, the Dunleavy administration has updated the Investment Policies and Procedures manual

(https://treasury.dor.alaska.gov/Portals/0/docs/blue_book/Blue%20Book_V6.0_FINAL_9.30.2021.pdf) to include a new Investment Advisory Council (IAC) for Commissioner's funds. The IAC is a nonpolitical, external investment commission of fiduciaries for the Commissioner's assets. This group of three independent advisors is selected by the Alaska Retirement Management Board based upon qualifications and investment expertise. The group has been meeting quarterly to review investments and make recommendations concerning investment policies, strategies, and procedures. Additionally, the IAC has agreed to be available on an as needed basis for non-traditional type investments that may come before the Commissioner. A robust vetting process has been implemented for all non-routine investments that is summarized below:

Non-Routine Investment Process is initiated when The Department of Revenue is presented with non-routine investment opportunities that fall outside the scope of its existing investment profile.

The new procedures are as follows:

1. Document the investment opportunity and determine if it merits further diligence and/or if it is more suitable for other funding sources.
2. Seek legal advice on DOR eligibility.
3. Seek guidance from external auditors.
4. Use an impartial external expert to evaluate the opportunity and to provide an opinion on the investment.
5. Seek advice from the Investment Advisory Council.
6. Notify the Office of Management and Budget.
7. Complete diligence and investment documentation.
8. Inform the Chairs of the Senate and House Finance Committees of any decision to move forward with an investment.