

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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October 4, 1993

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES PERMANENT FUND DIVIDEND HOLD HARMLESS PROGRAM

October 4, 1993

Audit Control Number

06-4457-94

This audit discusses the evolution of the Permanent Fund Dividend Hold Harmless Program. The report also presents the cost of the Hold Harmless Program and discusses the circumstances surrounding its increasing cost.

The audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section of this report.



Randy S. Welker, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, an audit was conducted to review the evolution and cost of the Permanent Fund Dividend Hold Harmless (PFD-HH) Program.

Objectives

The objective of the review was to gain an understanding of the PFD-HH fiscal and program structure and the component programs covered under its provisions. Specific objectives of the review were to:

1. Determine the legislative intent for the PFD-HH program and evaluate whether its operations have been conducted in accordance with legislative intent.
2. Determine the amount of funding appropriated and expended for each component covered under the PFD-HH program for fiscal years 1983 - 1993 and determine the cause for each significant increment/decrement in program cost.
3. Determine the types of changes that occurred in program structure and funding source since the program's inception in fiscal year 1983 and evaluate the changes for legality and compliance with legislative intent.

Scope

We focused our examination of the PFD-HH program on the Department of Health and Social Services (DHSS), and the five component programs held harmless by the permanent fund dividend fund for fiscal years 1983 - 1993.

In addition to the PFD-HH program, the Alaska Longevity Bonus Hold Harmless (ALB-HH) program holds harmless benefits lost when a recipient is deemed ineligible due to receiving the monthly Alaska Longevity Bonus. Created in June 1985, the ALB-HH program is fully funded by the general fund compared to PFD-HH programs which are funded by the permanent fund dividend fund.

ALB-HH program hold harmless expenditures approximated \$2 million in FY 93. Because the ALB-HH program is not funded by the permanent fund dividend fund it has not been included as part of this review.

Methodology

Our evaluation of the PFD-HH program involved review and analysis of the following documents:

1. Alaska Statute 43.23.075, Eligibility for Public Assistance.
2. Alaska Statute 47.25, Public Assistance.
3. Enabling legislation creating the hold harmless program, the fiscal notes that accompanied the enabling legislation, and testimony before legislative committees.
4. Various Attorney General Memorandums concerning the PFD-HH program.
5. Various studies and reports discussing the PFD-HH program.
6. Agreements between DHSS and various federal agencies concerning the PFD-HH program.
7. Documents supporting costs for the program.
8. Policy manuals for the Aid to Families with Dependent Children and PFD-HH programs and procedures for DHSS' Eligibility Information System.
9. Departmental Issue Paper concerning the PFD-HH program and various options for reducing the program's budgetary impact.

We also relied extensively on interviews with the following individuals:

- Administrative Officer, Division of Public Assistance, DHSS
- Public Assistance Program Officer, Division of Public Assistance, DHSS
- Division Director, Permanent Fund Dividend Division, Department of Revenue
- Public Assistance Payments Manager, Division of Public Assistance, DHSS
- Administrative Officer, Division of Medical Assistance, DHSS
- Public Assistance Analyst, Division of Public Assistance, DHSS
- Finance Officer, DHSS
- Staff within the Division of Finance, Department of Administration

ORGANIZATION AND FUNCTION

The Permanent Fund Dividend Hold Harmless (PFD-HH) program was created by Chapter 102, SLA 82, which also authorized the initial \$1,000 permanent fund dividend. Alaska Statute 43.23.075 directs how the State treats the receipt of a permanent fund dividend by individuals receiving public assistance benefits.

Alaska Statute 43.23.075(a) requires the Department of Health and Social Services (DHSS) to disregard the permanent fund dividend as income when determining eligibility for state funded public assistance programs unless required to do so by federal law or regulation. Sections (b) and (c) address how the State is to compensate individuals who, because of federal law or regulation, become ineligible for assistance benefits as a result of receiving a permanent fund dividend. Under section (b), the State must ensure those individuals who become ineligible for medical assistance programs are held harmless by replacing their lost benefits with state assistance. Section (c) is similar to section (b) except that it holds harmless recipients of public assistance. Both sections (b) and (c) require that individuals held harmless are to receive the same level of benefits as they would have been eligible for had they not received a dividend.

A total of five assistance programs are held harmless. Four of the programs are administered by DHSS and one is administered by the federal government.

Division of Public Assistance (DPA)

DPA administers the hold harmless program for four of the five assistance programs. DPA is responsible for determining when a public assistance recipient qualifies for hold harmless coverage. DPA is also responsible for informing recipients about the effects that receiving a permanent fund dividend can have on a household's benefits. When possible, DPA negotiates with federal agencies to simplify administration of the hold harmless program.

The four public assistance programs which qualify for hold harmless protection are:

Aid to Families with Dependent Children (AFDC) — AFDC is a nationwide state and federal matching financial aid program (50% federal/50% state) that helps needy families with children who are deprived of support and care because at least one parent is unemployed, absent, disabled, or deceased. The amount of assistance is intended to be adequate to provide the basic necessities for eligible families, thereby enabling the family to stay together. According to DHSS, approximately 12,500 Alaskan families receive AFDC benefits each month.

Food Stamps — Food Stamps provide federally-funded assistance (100% federally funded) to low-income households to purchase food. The program's objective is to improve the nutrition level of low-income recipients. Eligibility for food stamps and the benefits which participants receive are determined by each household's size and

financial situation. The amount of benefits is also adjusted for local food costs in Alaska.

Supplemental Security Income (SSI) — Supplemental Security Income is a 100% federally-funded and federally-administered assistance program that provides cash assistance to aged, blind, or disabled adults who meet certain income and resource requirements. The program is designed to bring recipients' income to a level determined to be the minimum necessary to provide basic necessities.

Adult Public Assistance (APA) — Adult Public Assistance is a 100% state-funded program that provides cash assistance to aged, blind, or disabled adults who meet certain income and resource requirements. APA supplements the federal SSI program. The essential difference between APA and SSI is APA's higher income standard for eligibility. Generally, APA recipients receive Medicaid coverage.

Division of Medical Assistance (DMA)

DMA administers the hold harmless coverage for the Medicaid program. The division works with DPA to identify cases that are in hold harmless status. Eligibility Technicians working for the eligibility section of DPA code a case with a special code when it is determined to fall within hold harmless coverage. Each week case information is downloaded from the Eligibility Information System onto the division's Medicaid Management Information System. When Medicaid claims are received for a case that is under hold harmless coverage, the Medicaid cost is charged to a hold harmless account.

Medicaid - Medicaid is a state/federal matching (50%/50%) medical assistance program that provides medical assistance to qualified low income individuals and families. Medicaid benefits are automatically available to persons receiving financial assistance from AFDC, Old Age Assistance, Aid to the Blind, Aid to the Disabled, or the federal SSI program.

Medicaid benefits are also available to foster children, mental health inpatients of qualifying age, certain nursing home residents, and all low income children under age 6 who are not eligible for AFDC. Federal law permits each state to define the scope of its Medicaid program. Alaska Statute identifies the eligible groups and medical services which the Medicaid program covers.

EVOLUTION OF HOLD HARMLESS PROGRAM

Establishment of the Permanent Fund Dividend Hold Harmless Program

The Permanent Fund Dividend Hold Harmless (PFD-HH) program was established by Chapter 102, SLA 1982, which also authorized the original \$1,000 permanent fund dividend (PFD) distribution in 1982. The enabling legislation has been codified in statute as Alaska Statute 43.23.075. The legislation has three parts. The first forbids all state public and medical assistance programs from considering the dividend as income when determining eligibility unless required to do so by federal law. The second section states that all medical assistance recipients found ineligible solely as a result of receiving the dividend will be held harmless and enjoy the same level of benefits as they would have had had it not been for the dividend. The last section is similar to the second but instead holds public assistance recipients harmless. Both provide for up to four months of hold harmless coverage.

The hold harmless concept evolved from the belief that all Alaskans should benefit equally from the State's oil wealth. During the initial planning stages for the PFD, it became apparent that the lowest income strata of Alaska's population would benefit the least because, as a result of receiving the dividend, they would become ineligible for a percentage, if not all, of their assistance benefits. The PFD-HH program was designed to ensure all Alaskans benefitted equally from the PFD by allowing low-income residents to retain their eligibility for needs-based assistance.

It was the original intent of the legislation that the PFD-HH program replace the federal share of the benefits lost with general fund monies.

During the first years of the program, four assistance programs qualified for hold harmless coverage: Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, and Supplemental Security Income (SSI). Medicaid and AFDC are 50% federally funded and SSI and Food Stamps are 100% federally funded. The original PFD-HH program replaced the lost federal benefits with general fund monies. The State continued to fund the general fund match portion of AFDC and Medicaid benefits from the general fund.

PFD-HH funding source and budgeting methodology

The funding source for the PFD-HH program was changed in FY 86 from the general fund to the permanent fund dividend fund. This change occurred at the same time the State was experiencing a sharp decline in oil revenues.

During FY 86 and FY 87, the first years the program was funded from the permanent fund dividend fund, the PFD-HH program continued to hold harmless only the federal share of benefits lost as a result of dividend related ineligibility. PFD-HH expenditures remained fairly stable, never surpassing the program's first year expenditures of \$4.1 million.

The program underwent a drastic change in budgeting methodology in FY 88. According to the Department of Health and Social Services (DHSS), Division of Public Assistance (DPA) a "budgetary exercise" was performed which demonstrated, hypothetically, how DHSS would cope with various levels of budgetary cuts. As part of this exercise, DPA reviewed the consequences of eliminating the PFD-HH program. According to DPA the exercise demonstrated that by eliminating the hold harmless program the State would not only save the hold harmless funds that were being used to replace the lost federal benefits, but would also save the general fund match portion of the benefits. From this analysis of hypothetical cost savings arose a new method of budgeting for PFD-HH costs which increased costs to the PFD-HH program and reduced general fund requirements — from this point on hold harmless costs were now interpreted by DHSS to include the entire amount of lost benefits.

Instead of replacing only the federal share of lost benefits, the PFD-HH program was now budgeting for the entire amount of lost benefits which included the general fund match portion that historically had been paid from the general fund. In addition to picking up the general fund match portion of lost benefits, DPA began to budget hold harmless funds for the Adult Public Assistance (APA) program, a program for aged, blind, or disabled adults. APA had previously been considered ineligible for hold harmless coverage because it was a state-only program and prohibited by the hold harmless statutes from regarding a dividend as income for eligibility purposes. Under the new budgeting methodology, DPA considered APA to qualify under the hold harmless provisions. The new budgeting method employed by DPA caused the costs of the PFD-HH program to more than double, going from \$3.5 million in FY 87 to \$7.6 million in FY 88.

Administration of the PFD-HH program

Although the PFD-HH program has been clearly defined in statute, administration of the program is complex as it involves diverse eligibility requirements of the programs it covers. Each program has a unique way of determining countable income for eligibility purposes.

The issue of the PFD as countable income is addressed individually by the various federal agencies. AFDC and SSI have historically considered the dividend as countable income in the month of receipt and rendered cases ineligible if the dividend raised income above the predefined maximum. Because the federal agencies consider the dividend as income in the month received, both AFDC and SSI have fallen under hold harmless coverage since the inception of the program.

The Medicaid program has never viewed the dividend as countable income in the month received. As a result, Medicaid eligibility requirements do not render individuals ineligible for Medicaid when they receive a dividend. Medicaid hold harmless costs are a result of dividend retention in months following receipt.

The federal agency that administers the food stamp program did not originally consider the dividend as countable income in the month of receipt. The federal agency had allowed

Alaska to disregard the dividend as countable income in the month received, but required any dividend money retained after the month of receipt be treated as a countable resource in determining eligibility. In FY 90, the federal agency began to consider the dividend as countable income in the month of receipt. The impact on PFD-HH costs was dramatic. In FY 89, hold harmless funds supplemented only 154 food stamp case months. In FY 90, 5,900 food stamp case months qualified for hold harmless coverage. This caused hold harmless costs for food stamps to escalate from \$38,500 in FY 89 to \$1,653,700 in FY 90.

Administration simplified through agreements with federal agencies

Several agreements with federal agencies have been reached to help administer the hold harmless provisions. An agreement exists between the federal Administration for Children and Families in the U.S. Department of Health and Human Services and DHSS which greatly simplifies the administration of the PFD-HH coverage for AFDC. The agreement is essentially a buy-out arrangement whereby DHSS reduces federal reimbursement claims for the federal portion of AFDC benefits that fall under PFD-HH coverage. This agreement allows the AFDC program to continue without interruption during periods of hold harmless coverage and eliminates the need to close and reopen AFDC PFD-HH cases.

A buy-out agreement also exists between the federal Social Security Administration and DHSS concerning the administration of the SSI program. Under this agreement, the Social Security Administration determines how much they have overpaid SSI recipients due to dividend caused ineligibility and then notifies the State. The State reimburses SSI for the amount of overpayment and reimburses their expenses incurred in determining the overpayment. This agreement allows SSI benefit payments to continue without interruption.

In FY 90, when the federal agency ruled that the PFD was countable income for determining food stamp eligibility, DHSS tried to negotiate a buy-out agreement similar to the AFDC agreement whereby individuals would continue to receive their food stamps without interruption. The federal agency claimed this type of agreement was not possible because federal law did not permit the distribution of food stamps to ineligible recipients. In lieu of distributing food stamps, DHSS provides direct "hold harmless" cash payments to those recipients deemed ineligible. However, an agreement was reached that permitted the State to place food stamp cases back on the federal food stamp program without processing new applications.

PFD Division discloses hold harmless deduction on PFD check stubs

The change in the funding source for the PFD-HH program from the general fund to the permanent fund dividend fund reduced the amount of money available to pay dividends. In FY 86 and FY 87, the amount by which each PFD was reduced was not disclosed on PFD check stubs. In 1987, legislation passed that required the disclosure to PFD recipients of the amount their dividends were reduced as a result of the hold harmless program. Since FY 88

the hold harmless deduction has appeared on each PFD check stub showing the amount each dividend was reduced for hold harmless costs.

Since the first PFD hold harmless deduction in FY 86, which has been estimated by the Department of Revenue at \$6.94, hold harmless expenditures have steadily increased. The FY 93 PFD hold harmless deduction was \$38.74 — more than a 450% increase from the original FY 86 deduction (see graph on page 10).

AUDITOR'S CONCLUSION

The Permanent Fund Dividend Hold Harmless (PFD-HH) program is a unique program and represents an uncomplicated concept. However, its execution, as well as its financial and social effects, are indeed complex. This report addresses only the background of the hold harmless program and its costs.

Since its creation in 1982, the costs of the PFD-HH program have steadily risen. As described in greater detail in the Auditor's Analysis section of this report, the rising costs are mainly attributable to increased caseloads, past funding-source policy decisions, and policy reversals by the federal government in the definition of countable income.

At its inception, the PFD-HH program was funded by the general fund and monies were expended to hold harmless only the federal share of benefits lost because of the receipt of a permanent fund dividend (PFD). Costs remained fairly stable for the first three years of the program. PFD-HH expenditures from FY 84 to FY 87 never exceeded the approximate \$4 million expended in FY 83, the first year of the program. However, in FY 88 PFD-HH costs increased significantly and have risen every year to a FY 93 cost of \$18.1 million (see Figure 1 on page 11).

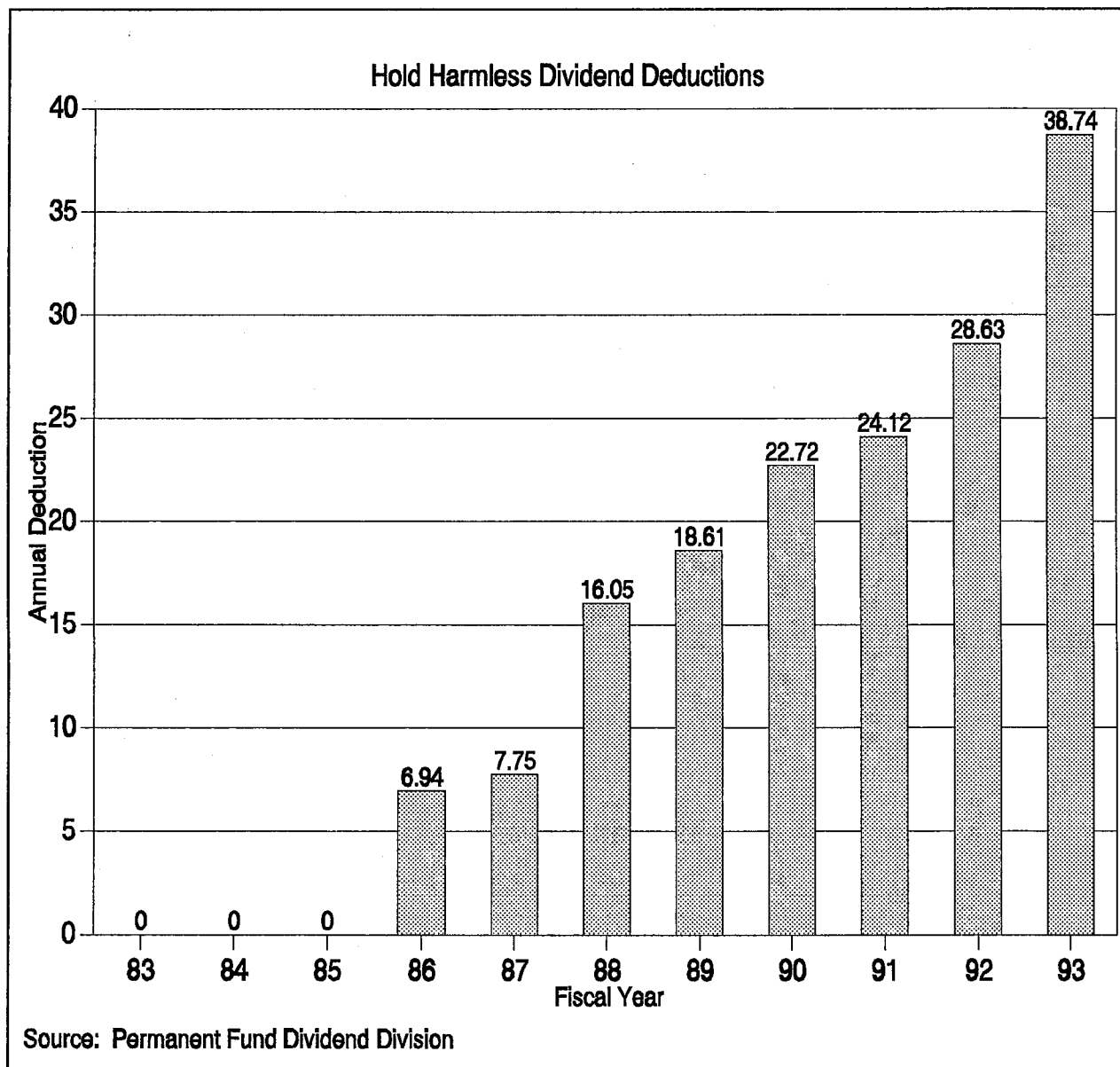
Since FY 85 a series of events occurred which significantly impacted the cost of the PFD-HH program. Those events were:

1. The first significant change in the PFD-HH program occurred in FY 86 when the program's funding source was changed from the general fund to the permanent fund dividend fund. While not increasing the cost of the PFD-HH program, the funding source change did, for the first time in FY 86 and in subsequent PFD's, impact the amount distributable in the form of a dividend (see graph on next page).
2. As discussed further in the Auditor's Analysis section, the second significant change occurred in FY 88 when, in a major policy shift, DHSS budgeted hold harmless coverage for the entire amount of benefits lost due to the PFD — both the lost federal benefit and the state match historically funded by the general fund. Also in FY 88, DHSS began budgeting PFD-HH funds for the Adult Public Assistance program, a state-only program historically paid from general funds.
3. Prior to FY 90, the federal agency responsible for the food stamp program did not consider the PFD as income in the month of receipt. The federal agency reversed this long standing policy and began considering the dividend as income. This significantly impacted the cost of the PFD-HH program. In FY 90 alone, this change caused food stamp related hold harmless costs to increase 4,200%.
4. In FY 91 and FY 92 AFDC hold harmless costs increased significantly due to an increasing caseload and the start up of the new federal AFDC Unemployed Parent

program. AFDC related hold harmless costs grew by a total of \$3.0 million during fiscal years 1991 and 1992.

5. In FY 93 a policy change by the federal agency overseeing AFDC had a significant impact on PFD-HH costs. The AFDC program now considered food stamp hold harmless cash payments as income to the recipients. This policy change increased the amount of lost benefits requiring hold harmless protection. AFDC PFD-HH related costs increased by \$2.3 million in FY 93.

Since FY 86, deductions from the Permanent Fund Dividend have increased in correlation to the increasing costs of the PFD-HH program (see graph below), mainly attributable to the issues discussed in items 1 - 5 above and in greater detail in the Auditor's Analysis section of this report.



AUDITOR'S ANALYSIS

Hold harmless costs remained fairly stable for the first three years of the program. Program expenditures from FY 84 to FY 87 never surpassed the approximate \$4.0 million expended in FY 83, the program's first year. Costs for the program were funded from the general fund and funds were used to hold harmless only the federal share of benefits lost because individuals received a dividend. State match funds continued to be paid from the general fund.

The first significant change in the program occurred in FY 86 when the hold harmless funding source was changed from the general fund to the permanent fund dividend fund. Two years after the funding source was changed the program experienced its first dramatic increase in program costs. In FY 88 the PFD hold harmless costs increased 116%. Presented below is an analysis of the annual increase in the hold harmless costs for fiscal years 1988 - 1993.

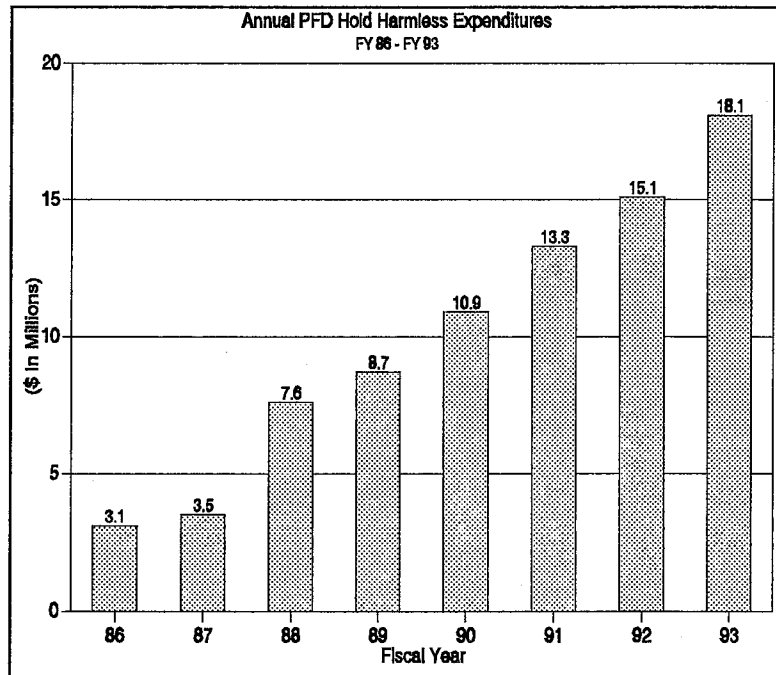


Figure 1

FY 88 increase of \$4,089,330 (116% increase from prior year)

In a major policy shift, DHSS budgeted for the entire amount of benefits lost because of the PFD as qualifying for hold harmless coverage — including both the federal portion and the match portion historically paid from the general fund. This change in policy resulted in hold harmless costs for Aid to Families with Dependent Children (AFDC) and Medicaid to more than double. AFDC hold harmless costs increased by \$2,547,723 (Figure 5) and Medicaid hold harmless costs rose by \$417,708 (Figure 4). Also, for the first time, DHSS considered the Adult Public Assistance program (APA), the State's supplemental program to the federal Supplemental Security Income program (SSI), as eligible for hold harmless coverage. By doing so, APA benefits were held harmless and were added to SSI causing the SSI hold harmless cost to increase \$1,148,685 (Figure 2). (Note: Figure 2 expenditures include both SSI and APA. DHSS tracked both programs using the same accounts. However, because APA was not held harmless until FY 88, FY 86 and FY 87 expenditures represent only SSI costs).

FY 89 increase of \$1,106,649 (15% increase from prior year)

SSI contributed over half of the growth in hold harmless costs in FY 89 over FY 88 totalling \$651,887. As discussed under FY 88 above the SSI component program includes both APA and SSI. The FY 89 increase in the SSI component is attributed to both those programs. According to DHSS personnel, fluctuations in annual SSI expenditures are not necessarily related to normal variables of case load and benefit amount. SSI is administered solely by the federal government which has two years to determine the amount of previous SSI overpayment. Because of the delay in determining overpayment, annual SSI expenditures and related hold harmless costs can fluctuate. Hold harmless costs also increased due to a 9% rise in APA caseload, and increases in the AFDC and Medicaid programs totalling \$442,822.

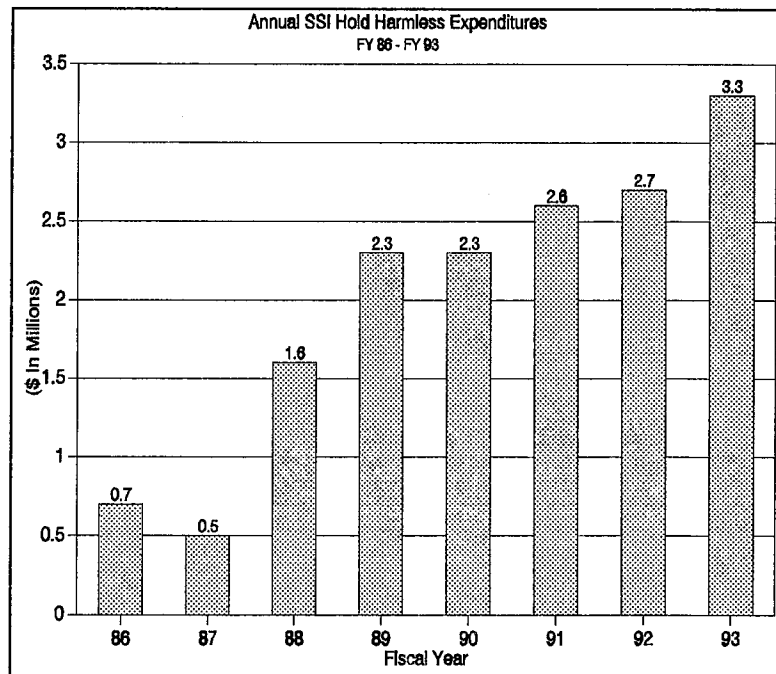


Figure 2

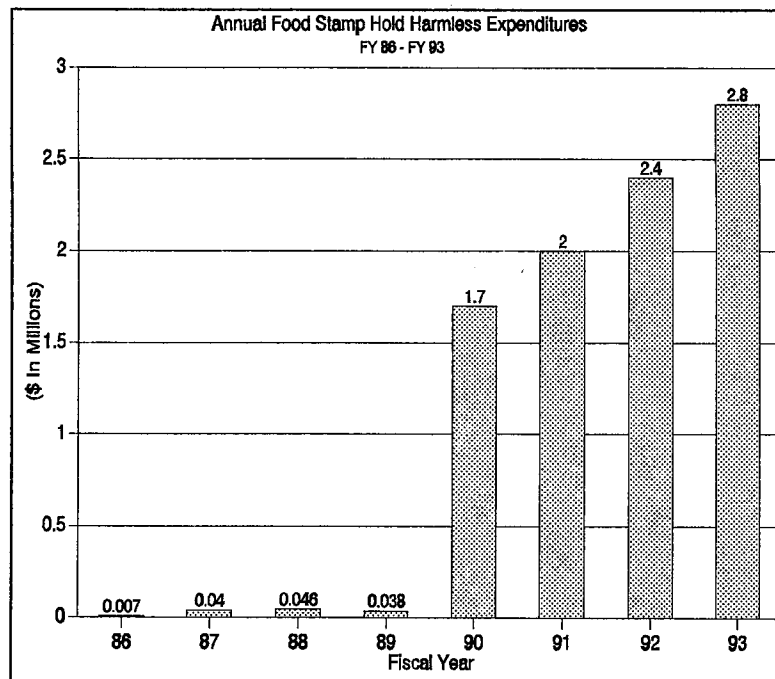


Figure 3

FY 90 increase of \$2,158,470 (25% increase from prior year)

In FY 90, the food stamp program accounted for 75% of the increase in hold harmless costs over FY 89. This was primarily due to a change in the way the federal agency in charge of the food stamp program viewed the dividend. In the past the federal agency did not regard the dividend as countable income of the recipient for determining eligibility. Therefore, recipients were not rendered ineligible for food stamps in the month they received the dividend. The

federal agency reversed this long standing policy in FY 90 and considered the dividend as countable income.

Under the new policy a majority of food stamp recipients were rendered ineligible for food stamps in the month they received the dividend. Those individuals who lost their food stamp eligibility were given cash assistance through the hold harmless program. Food stamp related hold harmless costs skyrocketed, from \$38,460 in FY 89 to \$1,653,723 in FY 90, an increase of 4,200%. (Figure 3). Also, net hold harmless costs in the AFDC, SSI, and Medicaid programs increased approximately \$500,000.

FY 91 increase of \$2,397,662 (22% increase from prior year)

The 22% rise in FY 91 hold harmless costs was due to increases in several programs. Medicaid hold harmless expenditures grew by \$742,065. (Figure 4). Upon review by DHSS it was determined that many nursing home resident finances are managed by trustees or guardians. In FY 91, many of these trustees/guardians were unusually slow in "spending down" the residents' dividends. This caused residents to remain in Medicaid hold harmless status. Spending down refers to the practice of spending dividend income by an amount that would bring a recipient's countable income within eligibility standards of a program. The

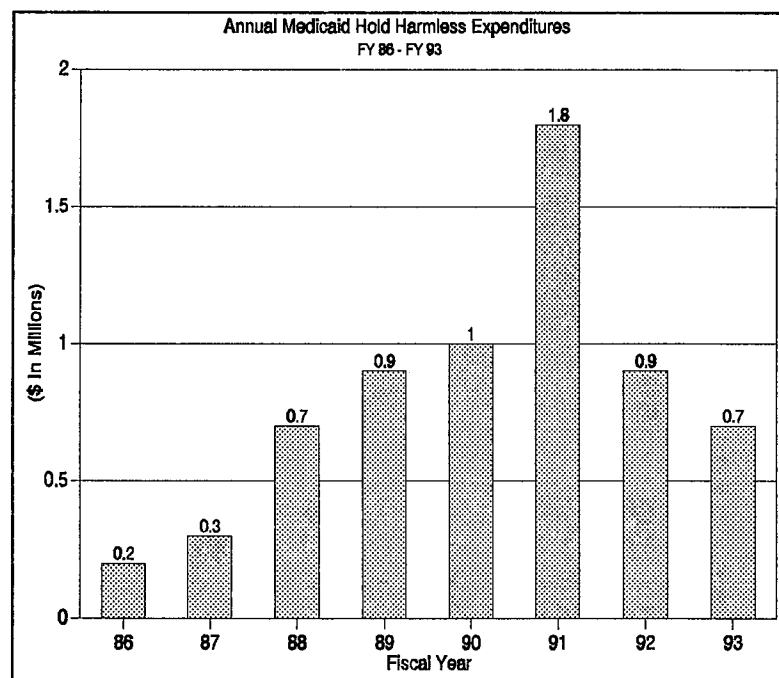


Figure 4

hold harmless program provides four months to spend down dividend income and "re-qualify" under a program's income eligibility standards.

In an effort to reduce Medicaid hold harmless costs, DHSS informed resident trustees/guardians that, although the PFD hold harmless program provides a four month period to spend down dividend income, spending down sooner would expedite residents eligibility for federally matched Medicaid thereby reducing hold harmless costs. Because of this effort, costs of Medicaid hold harmless were reduced in both FY 92 and FY 93.

The AFDC hold harmless program also experienced a significant growth in expenditures in FY 91, increasing by \$811,276 (Figure 5). We have been informed that the additional hold harmless costs can be attributed to increases in the AFDC-basic caseload and benefit amount,

and the start of a new federally mandated program called AFDC to Unemployed Parents (AFDC-UP). AFDC-UP is different than AFDC-basic in that families with two parents, both of which are unemployed, are eligible for benefits versus the traditional single parent concept under AFDC-basic. Benefit payments to AFDC-UP are larger than AFDC-basic. The program was effective in October 1990 thereby increasing AFDC hold harmless costs in FY 91.

Additional hold harmless costs were also recorded in the food stamp and SSI programs in the amount of \$351,150 and \$388,791, respectively, and in the administration of the hold harmless program in the amount of \$104,378.

FY 92 increase of \$1,815,525 (14% increase from prior year)

Most of the FY 92 increase was a result of a \$2,173,891 growth in AFDC hold harmless costs (Figure 5). This large increase was partially offset by a large decrease in Medicaid Hold Harmless costs of \$862,094 (Figure 4).

As discussed above, under federal mandate the AFDC program was broadened to include families with two unemployed parents. Although this was mandated in October 1990, the full effect on the PFD hold harmless program was not felt until FY 92. During FY 92 the AFDC hold harmless caseload had increased 24%. In addition to increased caseload the average benefit amount also went up, mainly attributable to the new AFDC-UP program.

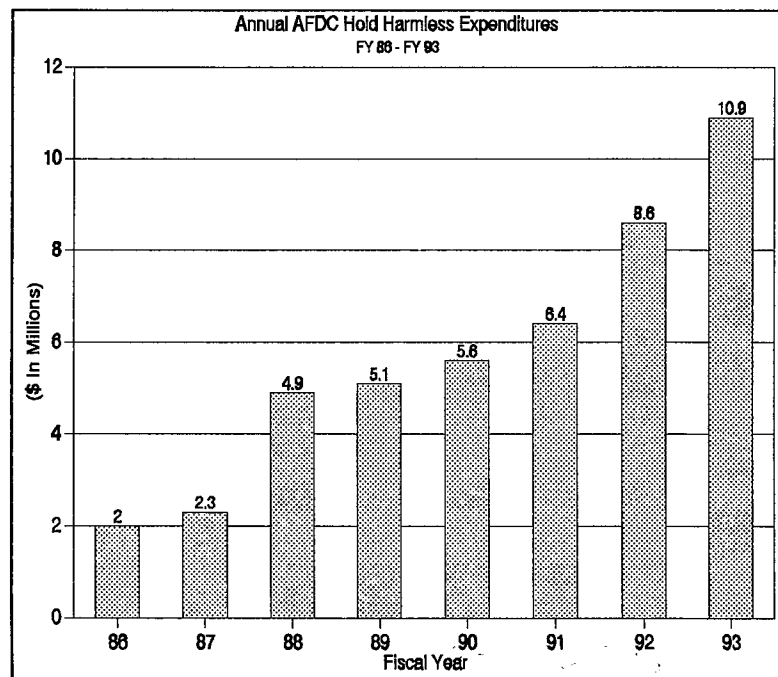


Figure 5

Also impacting FY 92 hold harmless costs was a caseload increase in the food stamp program in the amount of \$432,141.

The sharp drop in Medicaid hold harmless was the result of the effort made by the Division of Medical Assistance to encourage trustees to spend down dividends. This is discussed under FY 91 above.

FY 93 increase of \$3,044,560 (20% increase from prior year)

A major part of the FY 93 rise in hold harmless costs was attributed to an expanding AFDC caseload and a significant policy change by the federal agency in charge of AFDC. Because of those factors, AFDC hold harmless costs grew by \$2,315,709 (Figure 5). Beginning in FY 93, the federal government regarded food stamp hold harmless cash payments as income when determining AFDC eligibility. This policy change increased the amount of lost benefits requiring hold harmless protection.

Food stamps and SSI also increased \$398,808 and \$565,520 respectively. Food stamp costs increased as a result of a 19% growth in caseload. The SSI increase is a result of increases in caseload for both SSI and APA. Medicaid hold harmless costs decreased \$230,019 from FY 92 (Figure 4).

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LEGISLATIVE AUDIT

Dear Mr. Welker:

We have reviewed the preliminary audit report, *Department of Health and Social Services, Permanent Fund Dividend Hold Harmless Program, October 4, 1993*. We identified no substantial area of disagreement with its conclusions and analysis.

Since the report does not cite any problems with the Department's administration of this program and does not contain recommendations, we are not responding with an implementation plan.

Thank you for the opportunity to be involved in this audit process.

Sincerely,

Margaret R. Lowe

Margaret R. Lowe, M.Ed., Ed.S
Commissioner

Enclosure

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