
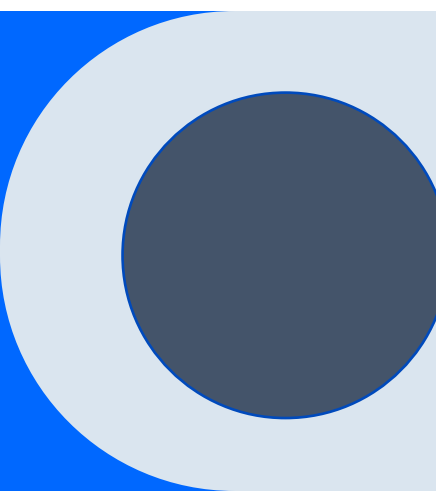




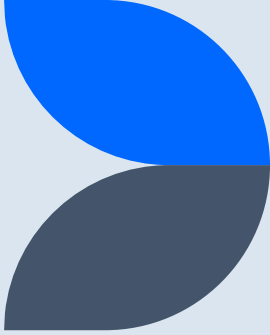
LB&A Oversight

Top Audit Issues



Kris Curtis, CPA, CISA
Legislative Auditor
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Audit Oversight Process



1. Financial Statement Opinion Modifications

Issues That Led to Qualified Audit Opinion

- Revenues eligible for transfer to the Constitutional Budget Reserve Fund (CBRF) due to Federal Energy Regulatory Commission decisions were not transferred during FY 18 through FY 21 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.
- Based on guidance from the attorney general, fund balances for certain subfunds were considered assigned instead of swept into the CBRF.

Single Audit Findings (Reference)

- 2021-019, 2021-064 (CBRF transfers)
- 2021-063 (Perm Fund transfers)
- 2021-008 (General Fund assigned balance)

2. Financial Statement Errors

Significant Errors in Draft Statements

- Although improvements were noted regarding the FY 21 number and severity of errors, there were still significant errors and repeat findings. The Division of Finance is understaffed in terms of resources and training. Department accounting staff suffer from routine turnover and lack of experience.

Single Audit Findings (Reference)

- 2021-001, 2021-006, 2021-007, 2021-009, 2021-010, 2021-011, 2021-026, 2021-027, 2021-051, 2021-065, 2021-069

3. Medicaid Eligibility Determinations

Significant Errors in Accuracy and Timeliness of Eligibility Determinations

- Division of Public Assistance eligibility technicians did not process applications in a timely manner or redetermine eligibility when required for 32.5% of Medicaid cases tested and 72% of Children's Health Insurance Program (CHIP) cases tested.
- Inaccurate eligibility determinations found in 20% of Medicaid cases tested and 8% of CHIP cases tested.
- Special audit 06-30094-20 found that, during FY 19, the Department of Health and Social Services paid \$28 million in State general funds for ineligible benefits due to eligibility errors.

Single Audit Findings (Reference)

- 2021-045, 2021-046

4. Medicaid Behavioral Health

Significant Errors With New Behavioral Health System and With Provider Screening

- New system had a defect, which caused claims to be paid despite invalid procedure code and modifier combinations.
- Logic flaws in new system resulted in paying for ineligible services. Further, the system paid several wrong providers and unenrolled providers.
- Certain behavioral health providers were not screened and enrolled in accordance with federal eligibility requirements.

Single Audit Findings (Reference)

- 2021-042, 2021-043, 2021-048

5. Temporary Assistance for Needy Families Program Deficiencies

Material Weakness and Material Noncompliance Over Eligibility and Special Tests and Provisions

- 13 of 45 cases (29%) lacked documentation to support the request and use of data exchanges necessary for determining eligibility and benefit amount.
- 6 of 12 child support noncooperation alerts tested (50%) were not assessed a penalty to reduce benefits when determined necessary.
- 37 of 45 cases tested (82%) reported work activities that were inaccurate, unsupported, or unverified.
- Of 15 case files of clients that were not engaged in work activities and did not have a good cause exemption, 8 were not assessed a penalty, even though documentation showed that a penalty should have been assessed, and 3 lacked sufficient documentation to determine whether a penalty should have been assessed.

Single Audit Findings (Reference)

- 2021-032, 2021-036, 2021-037, 2021-038

6. Alaska Mental Health Trust Authority

2021 Audit Made Five Recommendations

Audit Control Number 04-30099-21

1. The Authority's board of trustees should consider liquidating the Trust Land Office managed commercial real estate investments or transferring the investments to the Alaska Permanent Fund Corporation as inflation-proofing.
2. The board of trustees should develop written procedures to ensure that annual withdrawals are correctly calculated.
3. The board of trustees should develop written policies to ensure Trust income reserves are correctly determined.
4. The board of trustees should consider developing written policies that require inflation-proofing occurs annually if Trust income reserves are sufficient.
5. The board of trustees should develop written policies to annually evaluate whether Trust income must be transferred to the General Fund.

7. Alcoholic Beverage Control Board

2021 Audit Made Five Recommendations

1. The Department of Commerce, Community, and Economic Development (DCCED) commissioner should ensure the Alcohol and Marijuana Control Office (AMCO) staff vacancies are filled in a timely manner and the AMCO director should implement written licensing procedures.
2. The board should significantly enhance or replace its licensing database and automate the application process where possible.
3. The board and AMCO director should strengthen procedures for entering restricted purchasers in the statewide database of written orders.

Audit Control Number 08-20127-21

4. The board and AMCO director should implement procedures to ensure municipalities receiving refunds of biennial licensing fees are actively enforcing alcoholic beverage laws.
5. The AMCO director should improve procedures and fill vacancies in a timely manner to ensure refunds to municipalities are appropriately reviewed.

8. Board of Pharmacy Controlled Substance Prescription Database

2021 Audit Made Three Recommendations

Audit Control Number 08-20126-22

1. Applicable occupational boards and the Division of Corporations, Business and Professional Licensing (DCBPL) director should continue to coordinate efforts to improve the monitoring and enforcement of the Controlled Substance Prescription Database (CSPD) requirements.
2. DCCED's commissioner should allocate sufficient resources to ensure licensees holding a Drug Enforcement Administration registration number are consistently recorded in DCBPL's licensing database.
3. DCCED's commissioner should allocate sufficient resources to ensure the CSPD requirements are enforced.

Next Steps – LB&A Oversight

Legislative Auditor sends letters on behalf of the LB&A Committee to the auditees asking for the status of corrective action. A summary of the responses will be presented at the December LB&A meeting. For those audit findings that warrant consideration by other legislative committees, the findings will be forwarded to the appropriate committees for consideration during the 2023 legislative session.