

**TOP EIGHT AUDIT FINDINGS/ISSUES**

| PRIORITY | PRIORTY NAME  | ASSOCIATED FINDINGS  | LEGISLATIVE AUDIT POSITION   | AUDITEE RESPONSE   | STATUS/LB&A ACTION RECOMMENDATION   |
|----------|---|--|--|--|---|
| 1a       | Financial Statement Opinion Modifications - CBRF Transfers                | 2021-019, 2021-064   | 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.  | None Required. DOR and DNR's position documented in prior year. Litigation in progress.  | (12/8/22): Moving forward with the next steps of litigation approved by LB&A committee. Litigation currently in progress .<br><br><b>Recommended Actions:</b><br><b>- Stay informed on litigation.</b>  |
| 1b       | Financial Statement Opinion Modifications - Perm Fund Transfers           | 2021-063   | 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.  | None Required. DOR's position documented in prior year. Resolved via FY 22 supplemental budget.  | (12/8/22): Resolved via FY22 Supplemental Budget.<br><br><b>Recommended Actions:</b><br><b>- None</b>   |
| 1c       | Financial Statement Opinion Modifications - General Fund Assigned Balance | 2021-008   | Based on guidance from the attorney general, fund balances for certain subfunds were considered assigned instead of swept into the CBRF.   | None required. Department of Law's position documented in prior year.  | (12/8/22): Being examined by Leg Audit as part of FY22 audit process.<br><br><b>Recommended Actions:</b><br><b>- Follow-up upon completion of FY22 Audit</b>  |
| 2        | Financial Statement Errors  | 2021-001, 2021-006, 2021-007, 2021-009, 2021-010, 2021-011, 2021-026, 2021-027, 2021-051, 2021-065, 2021-069 | Although improvements were noted regarding the number and severity of FY 21 errors, there were still significant errors and repeat findings. The Division of Finance is understaffed in terms of resources and needs training. Department accounting staff routinely turned over and lack experience.  | DOA - Improved procedures, created filters, added IT controls, and provided training to agencies.<br>DOH - Plans to continue working on reconciliation for the unsupported receivable but work hasn't progressed due to staff turnover and retirements.<br>DNR - In the process of valuing all lands and has developed an action plan. Final adjustment to accounting system is planned for August 2023.<br>DOT - Improved procedures. Plans to improve job aids and provide training to regional staff. | (12/8/22): DOA, DOH, DOT - See "AUDITEE RESPONSE" Column<br>DNR: Response received from DNR states that they have an action plan. Being examined by Leg Audit as part of FY 22 audit process.<br><br><b>Recommended Actions:</b><br><b>- Referral to DNR Finance Subcommittees with recommendation to request status of corrective action during budget subcommittee meeting.</b> |
| 3        | Medicaid Eligibility Determinations                                       | 2021-045, 2021-046   | <u>Significant Errors in Accuracy and Timeliness of Eligibility Determinations:</u><br><br>- DPA 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.<br><br>- Inaccurate eligibility determinations found in 20% of Medicaid cases tested and 8% of CHIP cases tested.<br><br>- 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. | Strengthened online training offerings, which include courses on MAGI/CHIP, Medicaid, and ARIES. Statewide Case Review Team spends 80% of time reviewing cases with goal of increasing timeliness and accuracy. Provided staff training on the use of electronic document management system and eligibility verification system. Procured a contractor to automate renewal process (contract effective March 2022).  | (12/8/22): Being examined by Leg Audit as part of FY22 audit process.<br><br><b>Recommended Actions:</b><br><b>- Follow-up upon completion of FY22 Audit</b>  |

| PRIORITY | PRIORTY NAME  | ASSOCIATED FINDINGS                    | LEGISLATIVE AUDIT POSITION   | AUDITEE RESPONSE  | STATUS/LB&A ACTION RECOMMENDATION   |
|----------|---|--|--|---|---|
| 4        | Medicaid Behavioral Health  | 2021-042, 2021-043, 2021-048           | <p><u>Significant Errors with new Behavioral Health System and with Provider Screening:</u></p> <ul style="list-style-type: none"><li>- New system had a defect, which caused claims to be paid despite invalid procedure code and modifier combinations.</li><li>- Logic flaws in new system resulted in paying for ineligible services. Further, the system paid several wrong providers and unenrolled providers.</li><li>- Certain behavioral health providers were not screened and enrolled in accordance with federal eligibility requirements.</li></ul>   | <p>For system findings - department increased monitoring of the Administrative Services Organization (ASO) activities including routine validation of the covered services grid (CSG), quarterly sampling of paid claims, engaging the Optum Quality team, and 60-day post-implementation monitoring of specific procedure code/modifier combinations. Department is also pursuing corrective action by the fiscal agent, such as issuing cure letters. The Division of Behavioral Health is working with the ASO to ensure the accurate load of provider information into the FACETS Medicaid system.</p> <p>Regarding provider enrollment, the department is pursuing the co-location of agency enrollment staff at the fiscal agent's worksite; revising the provider enrollment grid; strengthening policy documentation; and collaborating with CMS in the use of Data Compare Services.</p> | <p>(12/8/22): The department stated that they are 'pursuing' solutions. Being examined by Leg Audit as part of FY22 audit process.</p> <p><b>Recommended Actions:</b></p> <ul style="list-style-type: none"><li>- Referral to DOH Finance Subcommittees with recommendation to request status of corrective action during budget subcommittee meetings.</li><li>Follow-up upon completion of FY22 Audit</li></ul> |
| 5        | Temporary Assistance for Needy Families (TANF) Program Deficiencies | 2021-032, 2021-036, 2021-037, 2021-038 | <p><u>Material Weakness and Material Noncompliance Over Eligibility and Special Tests and Provisions:</u></p> <ul style="list-style-type: none"><li>- 13 of 45 cases (29%) lacked documentation to support the request and use of data exchanges necessary for determining eligibility and benefit amount.</li><li>- 6 of 12 child support noncooperation alerts tested (50%) were not assessed a penalty to reduce benefits when determined necessary.</li><li>- 37 of 45 cases tested (82%) reported work activities that were inaccurate, unsupported, or unverified.</li><li>- 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.</li><li>- New system had a defect, which caused claims to be paid despite invalid procedure code and modifier combinations.</li></ul> | <p>Department has submitted a state plan amendment and is requesting retroactive approval for waiving eligibility requirements during public health emergency. Division-wide training is being scheduled to retrain all eligibility staff at the end of the public health emergency. The department will continue to rely on its statewide case review team and learning specialists to address quality issues. Training was provided to improve document retention.</p>  | <p>(12/8/22): Being examined by Leg Audit as part of FY22 audit process.</p> <p><b>Recommended Actions:</b></p> <ul style="list-style-type: none"><li>- Follow-up upon completion of FY22 Audit</li></ul>   |

| PRIORITY | PRIORTY NAME                         | ASSOCIATED FINDINGS                               | LEGISLATIVE AUDIT POSITION  | AUDITEE RESPONSE  | STATUS/LB&A ACTION RECOMMENDATION  |
|----------|--------------------------------------|---|---|---|--|
| 6        | Alaska Mental Health Trust Authority | Audit Control Number 04-30099-21<br>Findings #1-5 | <u>2021 Audit Made Five Recommendations:</u><br><br>- 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.<br>- The board of trustees should develop written procedures to ensure that annual withdrawals are correctly calculated.<br>- The board of trustees should develop written policies to ensure Trust income reserves are correctly determined.<br>- The board of trustees should consider developing written policies that require inflation proofing occur annually if Trust income reserves are sufficient.<br>- The board of trustees should devleop written policies to annually evaluate whether Trust income must be transferred to the general fund.   | Plan to methodically dispose of commercial real estate properties as opportunities arise and will transfer proceeds to Perm Fund for investment.<br>Step by step instructions were developed for calculating annual withdrawal.<br>Procedures were documented to ensure Trust Statutory Net Income and budget reserves are correctly determined.<br>Board engaged consultant to advise regarding inflation-proofing policy. Trustees are reviewing the consultant's recommendation.<br>A policy for evaluating whether Trust income must be transferred to the general fund will be considered at an upcoming Finance Committee meeting.  | (12/8/22): AMHTA has taken first steps and has a plan of action for future steps<br><br><b>Recommended Actions:</b><br>- No recommended action necessary   |
| 7        | Alcoholic Beverage Control Board     | Audit Control Number 08-20127-21<br>Findings #1-5 | <u>2021 Audit Made Five Recommendations:</u><br><br>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.<br>2. The board should significantly enhance or replace its licensing database and automate the application process where possible.<br>3. The board and AMCO director should strengthen procedures for entering restricted purchasers in the statewide database of written orders.<br>4. The board and AMCO director should implement procedures to ensure municipalities receiving refunds of biennial licensing fees are actively enforcing alcoholic beverage laws.<br>5. The AMCO director should improve procedures and fill vacancies in a timely manner to ensure refunds to municipalities are appropriately reviewed. | ABC Board Response (DCCED sent same response)<br>1. Funding provided through Title 4 rewrite. Vendor selected in January 2023. Expect new system operational by September 2023.<br>2. New policies implemented Sept 2021.<br>3. Procedure updated to ensure funds are released only after receipt of enforcement report. Outreach and training provided to communities regarding enforcement of Title 4 requirements.<br>4. Licensing procedures will be revised based on implementing new licensing system. Board chair believes most of the issues with filling vacancies is outside the Office's control.<br>5. Procedures will change the first quarter of 2023 to require director review before funds are released. | (12/8/22): ABC is working towards new regulations, policies, and procedures as outlined by the recently passed Title 4 rewrite (SB-9 2022).<br><br><b>Recommended Actions:</b><br>- Recommend a referral to Labor and Commerce committee to request status update on item2 during hearing. |

| PRIORITY | PRIORTY NAME   | ASSOCIATED FINDINGS                            | LEGISLATIVE AUDIT POSITION  | AUDITEE RESPONSE   | STATUS/LB&A ACTION RECOMMENDATION   |
|----------|--|--|---|--|---|
| 8        | Board of Pharmacy Controlled Substance Prescription Database | Audit Control Number 08-20126-22 Findings #1-3 | <p><b><u>2021 Audit Made Three Recommendations:</u></b></p> <p>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.</p> <p>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.</p> <p>3. DCCED’s commissioner should allocate sufficient resources to ensure the CSPD requirements are enforced.</p> | <p>DCCED</p> <p>1. No action taken except for discussion of the issue at the monthly PDMP Board chairs meeting. DCBPL has "enhanced" staffing.</p> <p>DCBPL contracted with a research firm to review program. Report is due 12/31/22.</p> <p>2. 2 new staff positions were created and filled to focus on CSPD data entry and analysis, training and quality control. Changed PDMP license procedures to reduce staff efforts and revised license application language to incorporate new process.</p> <p>3. New grant funded PDMP investigator position filled.</p> <p>Investigative procedures improved to address process flow and referral process.</p> | <p>(12/8/22): Possible referral to H&amp;SS or Labor and Commerce standing committees for suggested hearing to go over results of the study.</p> <p><b>Actions:</b></p> <p>- Referral to HSS committees with recommendation to hold a hearing reviewing the results of the study.</p> <p>- Referral to Finance committees to inform</p> |