



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Commerce,
Community, and Economic
Development**

ALCOHOL AND MARIJUANA CONTROL OFFICE
550 West 7th Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

*transmitted via email
legaudit@akleg.gov*

November 30, 2022

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

RECEIVED

NOV 30 2022

LEGISLATIVE AUDIT

Dear Ms. Curtis:

I write in response to your letter dated November 3, 2022 inquiring on the status of the Alcoholic Beverage Control Board's efforts to resolve 2021 legislative audit findings. You have asked for a report on five recommendations. On behalf of the ABC Board, I reply as follows.

1. Response to Recommendation Number One. The board should significantly enhance or replace its licensing database and automate the application process where possible. What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

AMCO completed a scoping document and needs assessment for an online licensing in March 2022. The Alaska State Legislature appropriated funding for an automated licensing system effective July 1, 2022. The Alcohol & Marijuana Control Office (AMCO) followed that appropriation with a series of internal meetings and external research to determine whether to build the licensing system in-house or issue a request for proposal for the same. Because many off-the-shelf automated systems accomplished many requirements of the scoping document, AMCO elected to pursue a request for proposal rather than build in house. AMCO proposed a draft request for proposal to the Department of Commerce on October 7, 2022. After additional revisions by the Department and

submission of the proposal to the Office of Information Technology's Investment Review Board, the request for proposal was released today. Proposals are due December 22, 2022, and the successful vendor will be selected by January 6, 2023. As proposed under the current schedule, a vendor will be selected in January 2023, phase one of the automated licensing system -- which will permit licensees to apply and examiners to review applications -- will be operational in September 2023. This is the same timeframe in which AMCO is permitted to accept applications for licenses, endorsements, and permits authorized under the Senate Bill 9, ch. 8 SLA 2022 (Title 4 Rewrite).

2. Response to Recommendation Number Two. The board and AMCO's Director should strengthen procedures for entering restricted purchasers in the statewide database of written orders. What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

In response to the audit, AMCO created and implemented a policy for the Written Order database in April 2021 and amended AMCO's Enforcement Unit policies in September 2021 to include it. Under that policy (attached here), AMCO updates the database after receiving notice from the Alaska Court System of final judgments restricting alcoholic beverage purchases. AMCO's policy is designed to ensure those updates occur on at least a quarterly basis. The policy further permits the Director to remove restricted purchasers should conditions restricting their acquisition cease. Effective January 1, 2023, the Director or AMCO's Project Coordinator will audit through random selection the database on a monthly basis to ensure the database is updated as designed and accessible to licensed package stores for timely review.

3. Response to Recommendation Number Three. The Board and AMCO Director should implement procedures to ensure municipalities receiving refunds of biennial licensing fees are actively enforcing alcoholic beverage laws. What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

Beginning January 2022, AMCO's Administrative Officer was directed to release funds to municipalities only after receipt of enforcement reports describing local enforcement actions. Beginning January 2023, the Administrative Officer's proposed remittances are reviewed by AMCO's Director or its Program Coordinator prior to disbursement. AMCO's local government specialist will reach out to local governments that are not filing reports to determine how AMCO can assist these governments with Title 4 enforcement that would entitle them to revenue sharing. Last, AMCO's enforcement team continues to visit remote communities, both in person and virtually, to train local law enforcement on Title 4 requirements.

4. Response to Recommendation No. 4. The Department of Commerce, Community, and Economic Development commissioner should ensure the AMCO staff vacancies are filled in a timely manner and the AMCO director should implement written licensing procedures. What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

Much like the rest of State government, AMCO struggles to fill vacancies on a timely basis. This is due to a number of factors it cannot control, such as available wages for graded positions and a workforce requesting more amenities than State employment can often permit. Notwithstanding these factors, AMCO strives to create a positive work environment to retain and promote employees from within. Many of the vacancies in AMCO have occurred because employees are promoted internally. Other vacancies have occurred for employees to receive promotions outside the Division. The below table describes vacancies in AMCO from the date of the audit –September 2021 to the present. The ABC Board respectfully submits that the State of Alaska can improve its hiring processes to reduce the time it requires for AMCO to receive permissions to post positions and then to hire positions. Much of this is even outside of Department of Commerce control.

Position	Vacancy Date/New Position Date	Permission to Post Position Granted	Permission to Hire	Position Filled (Indicate Whether Internal Hire & New Position Opens
Project Assistant – Second Candidate (Title 4 Rewrite)	11.8.22		11.25.22	12.12.22
Program Coordinator	10.25.22	11.25.22	Outstanding	Outstanding/ Filled on an Acting basis by Regulations Specialist
Admin. Asst.	10.17.22 (resignation for promotion to	10.22.22/Repost ed for lack of qualifying	Outstanding (Currently interviewing)	Outstanding

	licensing examiner)	candidates 11.7.22		
Admin. Asst.	10.7.22 (resignation for promotion in another department)	10.29.22	11.1.22	Filled 11.7.22
Local Government Specialist	9.20.22 (resignation due to unrelated matter)	10.19.22	Outstanding (Currently interviewing)	Outstanding
Licensing Examiner	8.16.22 (resignation)	9.15.22	10.17.22	Filled 10.18.22 Internally
Project Assistant – First Candidate (Title 4 Rewrite)	7.11.22	8.22.22	10.19.22	Filled 11.7.22 Employee resigned 11.8.22. Position filled again with 12.12.22 start date
Admin. Officer 1	3.6.22 (for promotion outside Department)	(dates not avail)	(dates not avail.)	Filled 4.7.22 Externally
Licensing Examiner	3.6.22	(dates not avail.)	(dates not avail.)	Filled 4.7.22 Externally
Licensing Examiner	9.26.21	(dates not avail.)	(dates not avail.)	Filled 12.20.21 Externally

This recommendation also requests the Director to implement written licensing procedures. While AMCO already has procedures guidelines for assisting licensing examiners to examine applications, much of this will be revisited as AMCO develops its automated licensing system. The ABC Board will continue to update the Division of Legislative Audit when those benchmarks are achieved.

5. Response to Recommendation Number 5. The AMCO director should improve procedures and fill vacancies in a timely manner to ensure refunds to municipalities are appropriately reviewed. What corrective actions had been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

Please see the above responses to Recommendations Numbers Three and Four. As described therein, AMCO continues to address vacancies by filling them as quickly as the State process allows and by continuing to offer an excellent working environment with long-term retention of excellent employees as its goal. AMCO ensures refunds to municipalities are appropriately reviewed by: (1) having its Administrative Officer review and release payments; (2) effective the first quarter of 2023, having AMCO's Director or Project Coordinator review the Administrative Officer's work product before funds are released to local governments; (3) effective the first quarter of 2023, having AMCO's Local Government Specialist reach out to local governments requesting and not requesting shared revenues to improve communications and information exchanges in both cases; and (4) ensuring AMCO's enforcement unit continues to offer training both virtually and in person to local governments' law enforcement units.

In conclusion, thank you for this opportunity to reply to the Division of Legislative Audit. Please contact me should you have additional questions or concerns.

Respectfully,

/s. Dana Walukiewicz/

Dana Walukiewicz
Alcoholic Beverage Control Board
Chair

cc: Members of the ABC Board
Julie Sande, Commissioner, Dept. of Commerce
Joan Wilson, AMCO Director

Written Order Database

(Adopted and effective April 1st, 2021, Amended September 9th, 2021)

Authority:

3 AAC 304.645. Written orders for alcoholic beverages; other transporting of alcoholic beverages; local governing body authority

(l) The board will, in its discretion, maintain a list of persons who, under AS 04.16.200, are convicted after 10/24/87 of a violation of AS 04.11.010, and will, in its discretion, provide this list to package store licensees. A licensee who receives the list may not sell alcoholic beverages by written order to a person whose name appears on it until the board gives written notice to the licensee that such sales are no longer prohibited.

Procedure to update database:

Upon receiving a final judgment from the courts, AMCO Enforcement will update the restricted purchaser's list located under the Written Order's database. Quarterly request for violations under AS 04.11.010 will be obtain from the courts.

The pathway to the restricted purchaser's list is as follows.

1. <https://int.commerce.alaska.gov/dcced/intranet/> (diagram A)
2. [Written Orders](#) (second selection on diagram A)



Diagram A

3. Input Purchaser ID Number & click find Purchaser (Diagram B)

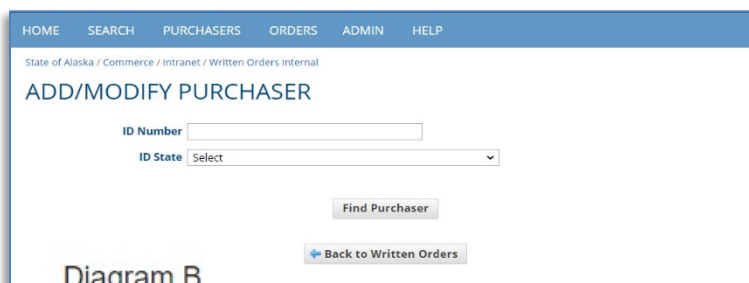
A screenshot of the 'ADD/MODIFY PURCHASER' form. The form is part of the 'State of Alaska / Commerce / Intranet / Written Orders Internal' system. It has a navigation bar with 'HOME', 'SEARCH', 'PURCHASERS', 'ORDERS', 'ADMIN', and 'HELP'. The form contains two input fields: 'ID Number' and 'ID State' (a dropdown menu). Below these fields is a 'Find Purchaser' button. At the bottom of the form is a 'Back to Written Orders' button.

Diagram B

4. If there is no record, complete all required information and in the drop-down menu next to Purchaser Status, select Restricted then Update to save.

HOME SEARCH PURCHASERS ORDERS ADMIN HELP

State of Alaska / Commerce / Intranet / Written Orders Internal

No purchaser record found for 0001111 -

ADD/MODIFY PURCHASER

ID Number

ID State

Purchaser Info

ID Number 0001111 -

IdType

First Name

Middle Name

Last Name

Suffix

Address

Address Line 2

Zip

Zip4

Community

Purchaser Status

Deceased ☐

Comments

5. Once the board or the director provides written notice that alcohol sales to the individual are no longer prohibited, you must select Active next to the Purchaser Status and press Update.

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NOV 28 2022
LEGISLATIVE AUDIT

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MEMO

Date: November 28, 2022
To: Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit
From: Anita Halterman, Chair, Board of Trustees *Anita M. Halterman*
Re: 2021 Legislative Audit Status Request

Thank you for your November 3, 2022 letter requesting an update to recommendations outlined in the 2021 legislative audit of the Alaska Mental Health Trust Authority.

On behalf of the board of trustees and staff I am pleased to share the attached responses that describe actions taken by the Trust since the 2021 audit was finalized. These responses should be considered in concert with our comments in the Trust's [full response](#) to the 2021 audit submitted to your agency in August of 2021.

Over the last year the Trust has continued to engage in financial practices that are prudent, aligned with the board's fiduciary responsibilities, and in the best interest of Trust beneficiaries. We carefully and seriously considered the recommendations in the 2021 audit and have responded to all of them.

I am proud of the work undertaken by the Trust's board and staff, with the support of consultants Callan and Harvest Capital Partners, to continue to improve our management of Trust assets and income for current and future Trust beneficiaries.

STATUS OF CORRECTIVE ACTION

Recommendation No. 1

The Alaska Mental Health Trust Authority's (Authority) 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.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The Trust agreed with the recommendation to consider liquidation. Since the fall of 2019, the Trust has engaged Harvest Capital Partners, an SEC-registered investment advisor that provides trustees with a hold-sell recommendation for each asset.

- December 2021, the Trust engaged Callan, an independent investment advisor, to review asset allocation.
- April 2022, Callan presented its report to Trustees. It did not recommend liquidation of the commercial real estate assets, rather a methodical disposal. It recommended continuing to work with Harvest Capital, "and in accordance with the Asset Management Policy Statement, to review the opportunities to sell the commercial real estate properties as they arise over time with the proceeds transferred to the Alaska Permanent Fund [Corporation (APFC) for management]."
- July 2022, Harvest Capital recommended to Trustees that two assets be prepared for sale once the assets are stabilized.
- August 2022, a work group was established with senior managers and Harvest Capital to review and update, if needed, the commercial real estate investment discipline for trustee decision-making.

Regarding use of sales proceeds for inflation proofing, please see response to recommendation 4.

Recommendation No. 2

The board of trustees should develop written procedures to ensure annual withdrawals are correctly calculated.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The board has an established policy through the Trust's Asset Management Policy Statement (AMPS) that articulates the procedure for calculating the annual withdrawal.

- June 2021, the Trust Authority staff updated the Trust's *AMHTA Admin Policy & Procedures* with step-by-step instructions for calculating the annual withdrawal.
- April 2022, Callan reported to Trustees on its review and evaluation of the Trust's Spending Policy. It reaffirmed the Spending Policy in the Trust's AMPS.

Recommendation No. 3

The board of trustees should develop written policies to ensure Trust income reserves are correctly determined.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

In consultation with APFC and Callan, the Trust has confirmed its policy for income determination, and has documented procedures to ensure Trust Statutory Net Income (SNI) and budget reserves are correctly determined.

- Policy: the calculation of income is stated in Alaska Statute (AS 37.14.031 (c)).
- Effective June 30, 2021 the Finance Committee reviews Statutory Net Income (SNI) and APFC-managed non-spendable reserves on a quarterly basis.
- August 2021, Trust Authority staff updated the Trust's *AMHTA Admin Policy & Procedures* with step-by-step instructions for calculating SNI and Statutory Budget Reserves. This process was confirmed by APFC.
- October 2022, the Trust's financial auditor updated its methodology for auditing SNI to ensure consistency with the 2009 AG opinion on APFC SNI calculation.

The Trust's Asset Management Policy Statement did not include the commercial real estate (CRE) in the annual calculation of POMV. The Trust requested Callan to address whether or not it should be included.

- April 2022, Callan presented its report to trustees. It advised trustees against including the CRE portfolio in the asset allocation and spending framework.

Recommendation No. 4

The board of trustees should consider developing written policies that require inflation-proofing occur annually if Trust income reserves are sufficient.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The Trust agreed written policies for protecting purchasing power are important. As allowed by statute, trustees have exercised discretion regarding transferring income into the Trust's principal account as a form of inflation proofing. Callan was requested to review the Trust's inflation proofing practices.

- April 2022, Callan presented its report to Trustees on its review of the Trust's inflation proofing policy. No changes in policy were recommended. It did not recommend annual inflation proofing.
- Callan recommended moving from formal budget reserve transfers to the corpus, to managing investments that—while varying year by year above or below target—will over the long run cover spending, inflation, and expenses. Implementing this recommendation requires additional analysis and would require amendment to the AMPS. It would not conflict with statute. The Trust plans to further explore this recommendation.

Recommendation No. 5

The board of trustees should develop written policies to annually evaluate whether Trust income must be transferred to the general fund.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The Trust agreed the board should annually evaluate the Trust's income to determine if there was a surplus of funds that should be transferred to the general fund. It was expected this could be completed prior to the statutory budget transmittal deadline each year.

- January 2022, Trust Authority staff presented to the Finance Committee recommended methodologies that could be standardized for No Surplus Determination.
- March 2022, staff evaluated procedural methods for the No Surplus Determination. Timing for the applying methodology was more appropriate for after the financial audit.
- At an upcoming Finance Committee meeting staff will present to trustees a) the recommended policy based on statutorily required, intergenerational equity of beneficiary support, and b) the supporting No Surplus Determination.



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November 21, 2022

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NOV 28 2022

Kris Curtis
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811

LEGISLATIVE AUDIT

Dear Ms. Curtis:

Thank you for the request for a status update on audit findings related to the Controlled Substance Prescription Database (CSPD). Please find our responses below.

Recommendation No. 1: Applicable occupational boards and Division of Corporations, Business and Professional Licensing's (DCBPL) director should continue to coordinate efforts to improve the monitoring and enforcement of CSPD requirements.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The division has enhanced staffing and clarified procedures for investigative referrals, explained below. The PDMP Coordinator continues to work with boards and their executive administrators, where applicable, to assist them in closing gaps in their regulations. Recommendations to set standards for safe practice have been provided by the PDMP Coordinator to each of the prescribing boards at each quarterly meeting since 2020. Considerable conversation about this gap also took place at the monthly PDMP Board Chairs meetings; however, no board has proposed or adopted new regulations addressing this concern since the issue was raised in the latest Board of Pharmacy legislative audit report in 2021.

At a March 31, 2022 House Finance hearing, the DCBPL director testified that the department had worked with the Division of Public Health to identify a funding source to procure a study to evaluate the CSPD and the Prescription Drug Monitoring Program to determine how the database and program fits into the State's

opioid crisis management. The study would make recommendations regarding board and department practices and make recommendations for legislation. Please describe the progress that has been made in procuring the study and the status of the project.

The division contracted with a research firm this summer and will review a draft the first week of December. The firm has conducted more than 50 interviews with providers, stakeholders, and national resources in addition to conducting a literature review and policy analysis. A final report is due to the division by December 31. Pending the results of the report, the division expects to evaluate needed legislative changes or additional resources required to improve the program.

Recommendation No. 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.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

This spring, two additional staff positions were created and filled to focus on CSPD data entry and analysis, training, and quality control. This summer, the PDMP Coordinator's position was reclassified a Program Coordinator 2 to strengthen expectations and capacity for this role. In early 2022, the division migrated from a separate PDMP license to a designation on the provider's primary license, reducing licensee and staff workload and, subsequently, reducing opportunities for errors. The PDMP language on all license applications and forms has been revised to account for the streamlined process and language regarding reviewing and reporting requirements has been updated to provide more clarity.

Recommendation No. 3: DCCED's commissioner should allocate sufficient resources to ensure the CSPD requirements are enforced.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

An additional, new, grant-funded PDMP Investigator position was filled this year. The director, Chief Investigator, and PDMP Coordinator created a process flow this spring to ensure clarity in the investigative referral process while retaining sidebars to protect the CSPD subpoena process required in statute. As federal grant funds may become available, the division will continue to evaluate allocating additional funds toward licensing and investigative positions to ensure timely investigation of possible CSPD violations.

Recommendation No. 4: DCCED's commissioner should ensure the Alcohol and Marijuana Control Office (AMCO) staff vacancies are filled in a timely manner.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

Much like the rest of State government, AMCO struggles to fill vacancies on a timely basis. This is due to a number of factors it cannot control, such as available wages for graded positions and a workforce requesting more amenities than state employment can often permit. Notwithstanding these factors, AMCO strives to create a positive work environment to retain and promote employees from within to retain institutional knowledge. Many of the vacancies in AMCO have occurred because employees are promoted internally. Other vacancies have occurred for employees to receive promotions outside the Division. AMCO has prioritized posting recruitments and continues to work to decrease the length of time positions are vacant.

Recommendation No. 5: The board and AMCO director should strengthen procedures for entering restricted purchasers in the statewide database of written orders.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

In response to the audit, AMCO created and implemented a policy for the Written Order database in April 2021 and amended AMCO's Enforcement Unit policies in September 2021 to include it. Under that policy (attached here), AMCO updates the database after receiving notice from the Alaska Court System of final judgments restricting alcoholic beverage purchases. AMCO's policy is designed to ensure those updates occur on at least a quarterly basis. The policy further permits the Director to remove restricted purchasers should conditions restricting their acquisition cease. Effective January 1, 2023, the Director or AMCO's Project Coordinator will audit through random selection the database on a monthly basis to ensure the database is updated as designed and accessible to licensed package stores for timely review.

Recommendation No. 6: The board and AMCO director should implement procedures to ensure municipalities receiving refunds of biennial licensing fees are actively enforcing alcoholic beverage laws.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

AMCO continues to require enforcement reports from local governments to verify Title 4 enforcement before dispensing the local government's share of the biennial licensing fee. AMCO has also assigned its local government specialist to

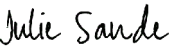
reach out to local governments that are not filing reports to determine how AMCO can assist these entities with Title 4 enforcement. AMCO's enforcement team continues to visit remote communities, both in person and virtually, to train local law enforcement on Title 4 requirements. Its effort in 2023 will be to alert those local governments to changes in the law on the Title 4 Rewrite legislation, effective January 1, 2024.

Recommendation No. 7: The AMCO director should improve procedures and fill vacancies in a timely manner to ensure refunds to municipalities are appropriately reviewed.

Please see the above responses to Recommendations Numbers Four and Six. As described therein, AMCO continues to address vacancies by filling them as quickly as the State process allows and by continuing to offer an excellent working environment with long-term retention of excellent employees as its goal. AMCO ensures refunds to municipalities are appropriately reviewed by: (1) having its Administrative Officer review and release payments; (2) effective the first quarter of 2023, having AMCO's Director or Project Coordinator review the Administrative Officer's work product before funds are released to local governments; (3) effective the first quarter of 2023, having AMCO's Local Government Specialist reach out to local governments requesting and not requesting shared revenues to improve communications and information exchanges in both cases; and (4) ensuring AMCO's enforcement unit continues to offer training both virtually and in person to local governments' law enforcement units.

Again, thank you for the opportunity for the department to provide input on this matter. Should you have any questions about the contents of this letter, please do not hesitate to contact me at 907-465-2500.

Sincerely,

DocuSigned by:

58AE8EAA5D47472...

Commissioner

CC: Sara Chambers, Division Director
Joan Wilson, Division Director



THE STATE
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

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November 3, 2022

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NOV 05 2022

LEGISLATIVE AUDIT

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit
PO Box 113300
Juneau, AK 99811-3300

Re: Status of Corrective Action

Dear Ms. Curtis,

Thank you for the opportunity to provide a written response to the Status of Corrective Action for the Fiscal Year Ended June 30, 2021. The Corrective Action Plan for the finding below is attached.

Finding No. 2021-065

Land Additions/Delections

Sincerely,

A handwritten signature in black ink, appearing to read "Akis Gialopsos".

Akis Gialopsos, Acting Commissioner
Department of Natural Resources



STATUS OF CORRECTIVE ACTION

Single Audit Finding No. 2021-065

Department of Natural Resources land additions and deletions were not recorded in the State's accounting system before the deadline and a reconciliation of land amounts has not occurred. A similar finding was noted in the FY 20 single audit.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The Division of Mining Land and Water is in the process of valuing all lands, has developed an action plan, and a final adjustment to bring the accounting system will occur when the review is complete. It is anticipated the completion will be by August 31, 2023.



THE STATE
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Department of Administration

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LEGISLATIVE AUDIT

November 25, 2022

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RE: Status of Corrective Action Plan, Department of Administration (DOA)

Dear Ms. Curtis:

This is in response to the Status of Corrective action plan request dated, November 3, 2022.

Status of Corrective Action Plan

Single Audit Finding Nos. 2021-001, 2021-006, 2021-007, 2021-010, 2021-011, 2021-013

FY 21 draft financial statements contained errors that if not corrected via audit adjustments, would have materially misstated the statements. The errors included:

- **Activity between the general fund and the constitutional budget reserve fund**
- **Classification of governmental activities revenue**
- **Capital assets in the governmental activities statement of net position and related footnote**
- **Reporting funds that should have been forwarded to the Alaska Housing Finance Corporation**
- **General Fund budgetary comparison schedule (2.01)**
- **Schedule of Expenditures of Federal Awards**

The errors were caused, in part, by inadequate procedures. Some of the errors have been detected each year since the new accounting system was implemented in FY 16.

What corrective actions have been taken and/or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

- DOF updated our procedures in September 2022, and we have assigned this section to the ACFR Coordinator to ensure the process is done correctly.
- DOF updated our procedures in September 2022, and we have provided extensive training for the accountant completing this section of the ACFR. Review of this section is being performed daily by the ACFR Coordinator.
- DOF is in the process of updating our procedures, they will be completed by December 2022. We also created filters to ensure assets are recorded and depreciated in the proper funds. DOF added controls in IRIS Advanced that requires all capital asset audit adjustments to be approved by DOF.
- DOF updated our procedures in September 2022, to review all elimination activity to avoid over elimination of expenditures.
- DOF updated our procedures in September 2022, updated ALDER reports and completed extensive testing to verify the amounts are reported correctly.
- DOF updated the FY22 Federal Schedule instructions in August 2022, addressed these areas in the FY22 Federal Schedule Kick-Off meeting on September 13, 2022, and followed up with State Agencies during the creation of the FY22 SEFA.

Sincerely,

A handwritten signature in dark ink, reading "Paula Vrana". The signature is written in a cursive, flowing style.

Paula Vrana
Commissioner
Department of Administration



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Health

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December 2, 2022

The Honorable Natasha von Imhof
Legislative Budget and Audit Committee Chair
1500 W. Benson Boulevard
Anchorage, AK 99503

The Honorable Chris Tuck
Legislative Budget and Audit Committee Vice Chair
1500 W. Benson Boulevard
Anchorage, Alaska 99503

Legislative Budget and Audit Committee
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

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DEC 05 2022

LEGISLATIVE AUDIT

RE: Department of Health (DOH), State of Alaska, Status of Corrective Action on Single Audit Findings for the Fiscal Year Ended June 30, 2021

Dear Senator von Imhof and Representative Tuck,

The Department of Health (DOH) appreciates the opportunity to review and provide responses to the specific findings as requested by the Legislative Auditor, Kris Curtis in correspondence dated November 03, 2022, on your behalf.

Single Audit Finding Nos. 2021-045, 2021-046

Significant errors associated with the accuracy and timeliness of Medicaid and Children's Health Insurance Program (CHIP) eligibility determinations were identified. The ongoing problem reflects a lack of training and quality assurance controls.

What actions have been taken or are planned to be taken to improve Medicaid and CHIP eligibility determinations?

The Division of Public Assistance (DPA) continues to strengthen online staff development and training offerings available in the department's electronic training portal which include courses on MAGI/CHIP Medicaid and ARIES. The agency continues to streamline the Statewide Case Review Team and the case review guidelines reflecting the team's requirement to spend 80% of their time reviewing cases with the goal of increasing timeliness and accuracy.

The agency also continues to streamline internal processes, including staff training on the use of the electronic document management system (ILINX) and the Instant Eligibility Verification System (IEVS) to increase accurate and timely eligibility renewals. The department also completed a procurement during FY22 to secure a contractor, who is serving as the primary resource in implementing an automated renewal process. The contract became effective 03/01/2022.

The department does not concur with the questioned costs. CMS has notified the state that financial recoveries based on eligibility errors can only be pursued when identified by programs operating under CMS' Payment Error Rate Measurement (PERM) program, under section 1903(u) of the Social Security Act and regulations at 42 CFR Part 431, Subpart Q.

Single Audit Finding No. 2021-026

During FY 17, Department of Health and Social Services accountants processed one cumulative receivable revenue transaction to account for a population of transactions that should have created receivables. Accountants have not liquidated the receivable (\$22.3 million outstanding at the end of FY 21) in a timely manner and did not provide adequate evidence to show the amounts were collectible. This was first reported in the FY 19 single audit and the department has made no progress in addressing the finding.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

FMS revenue staff continue to work through the complex reconciliation process; however, the work has been adversely impacted by additional staff turnover and retirements.

Single Audit Finding No. 2021-042, 2021-043

The new Medicaid behavioral health system had a defect, which caused claims to be paid despite invalid procedure code and modifier combinations. Further, logic flaws in the new system resulted in paying for ineligible services. Additionally, the system paid wrong providers and unenrolled providers due to errors in processing enrollment data between the traditional Medicaid management system and the new behavioral health system.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The department is increasing the monitoring of the Administrative Service Organization (ASO) activities including routine validation of the covered services grid (CSG), implementing quarterly sampling of paid claims, engaging the Optum Quality team, and 60-day post implementation monitoring of specific procedure code/modifier combinations after deployed in production and update in the CSG. The agency is pursuing corrective action by the fiscal agency, such as issuing cure letters.

The Division of Behavioral Health (DBH) is also working with the ASO to ensure accurate load of provider information into the Facets Medicaid Management Information System (MMIS) and to implement routine monitoring procedures, including quarterly sampling, of paid claims.

Single Audit Finding No. 2021-048

A review of Medicaid/CHIP behavioral health providers found that certain providers were not screened and enrolled in accordance with federal requirements. Deficiencies were due to inadequate training and human error. The finding was identified in both the FY 20 and FY 21 single audits.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

The department is pursuing multiple courses of corrective action including the co-location of agency enrollment staff at the fiscal agent's worksite to provide additional oversight; revising the provider enrollment grid; strengthening policy and procedure documentation; and collaborating with the Centers for Medicare and Medicaid Services (CMS) in the use of Data Compare Services.

Single Audit Finding No. 2021-032

Material weaknesses and material noncompliance were identified associated with Temporary Assistance for Needy Families Program eligibility determinations and special requirements. Deficiencies include errors in determining eligibility and a lack of documentation supporting the request and use of income and benefit information through the Income Eligibility and Verification System and other data exchanges necessary for determining eligibility.

What corrective actions have been taken or are planned to be taken to resolve the finding, including the date(s) completed or expected to be completed?

This finding is partially corrected as it relates to the timeliness of processing eligibility determinations. A State Plan Amendment is pending approval from the Administration of Children and Families to address the eligibility redetermination requirements being waived. The amendment will be approved retroactively and carry forward throughout the duration of the Public Health Emergency (PHE).

Division-wide training is being scheduled for staff to retrain all Eligibility Technicians at the end of the Public Health Emergency, to include training on the Income Eligibility and Verification System (IEVS).

The State Plan for Alaska does not require the agency to use the Income Eligibility and Verification System. Use of these data are completely voluntary on the part of Alaska. The policy associated with the IEVS processing for TANF was implemented in January 2021.

The division continues to address quality control and training efforts using the statewide care review teams and the statewide eligibility and learning specialists (SEALS) teams. Most of the missing documentation for these findings were due to insufficient case notes documenting the review occurred. This is being addressed through case reviews and continued training.

Corrective action has been taken during SFY2022 to address the accuracy and timeliness of the work performed by entry level office assistant staff to ensure incoming work is scanned and classified correctly in the document management system.

Single Audit Finding No. 2021-036, 2021-037, 2021-038

The Division of Public Assistance has material internal control weaknesses related to preventing, or detecting and correcting, noncompliance with federal requirements for the Temporary Assistance for Needy Families Program, including requirements associated with child support noncooperation, penalty for refusal to work, and penalty for failure to comply with work verification plan. Further, 82 percent of work activity fields in mandatory reports were inaccurate, unsupported, or unverified.


What corrective actions have been taken or are planned to be taken to resolve the finding including the date(s) completed or expected to be completed?

The department did not agree with finding 2021-036 and 2021-038. A state plan amendment is pending retroactive approval from ACF and will carry forward throughout the duration of the public health emergency.

The department did not agree with finding 2021-037. The availability of the system is outside the control of the division and was restricted due to a cyberattack.

I welcome the opportunity to further address your concerns and provide additional information which you may determine as necessary for your review.

Sincerely,



Heidi Hedberg,
Acting Commissioner

CC: Sylvan Robb, Assistant Commissioner
Emily K. Ricci, Deputy Commissioner
Courtney Enright, Legislative Liaison

December 2, 2022

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Shawnda O'Brien, Director, Division of Public Assistance
Renee Gayhart, Director, Division of Health Care Services
Gennifer Moreau-Johnson, Director, Division of Behavioral Health
Linnea Osborne, FMS Division Operation Manager
Sara Phillips, FMS Finance Officer
Kris Curtis, Alaska Legislative Auditor



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Transportation and Public Facilities

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November 23, 2022

Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED

NOV 25 2022

LEGISLATIVE AUDIT

Dear Ms. Curtis:

This letter is in response to the recommendations contained in prior year single audit findings letter, Department of Transportation and Public Facilities (DOT&PF), FY22 Statewide Single Audit dated November 3, 2022. The department's response to the audit recommendation is outlined below.

Finding No. 2021-069

Prior Year Finding: 2021-069

Capital assets were not consistently entered into the state accounting system accurately or not tracked accurately. Deficiencies were caused by human error, untimely submission of final inspection documents, and ineffective capital asset procedures, including monitoring procedures. This type of finding has been reported each year since the new state accounting system was implemented in FY 16.

Department response: *This finding has been partially corrected. During FY22, DOT&PF made numerous improvements to the capital asset procedures and processes. The area of identifying CIP projects that should be early capitalized based on final inspections and/or letters of completion continues to need improvements. The department will continue to revise procedures, job aids, and work with the regions to address this issue. DOT&PF expects that this deficiency will be resolved by August 31, 2023.*

The department appreciates the opportunity to resolve deficiencies and improve business processes throughout the department.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Anderson".

Ryan Anderson, P.E.
Commissioner

cc: Elizabeth Dunayski, CIP Accountant,
Cris Cowles-Brunton, Finance Officer,
Dom Pannone, Director