

MEETING AGENDA

Meeting: Audit & Risk Committee
Date: January 3, 2020
Time: 8:30 AM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Meeting Number: 800 302 957 # / Attendee Number: #
<http://thetrust.webex.com>
Trustees: Anita Halterman (Chair), Verné Boerner, Chris Cooke, Laraine Derr, Ken McCarty, Mary Jane Michael, John Sturgeon

Friday, January 3, 2020

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8:30	<u>Call Meeting to Order (Anita Halterman, Chair)</u> Roll Call Announcements Approve Agenda Ethics Disclosure Approval of Minutes – August 1, 2019	4
8:35	Audit Report Approval <ul style="list-style-type: none">Bikky Shrestha, BDO Anchorage Office	7
9:00	Adjourn	

Future Meeting Dates

Full Board of Trustee / Program & Planning / Resource Management / Audit & Risk / Finance

(Updated – December 2019)

- | | | |
|--------------------------------|-----------------------------|------------------------|
| • Audit & Risk Committee | January 3, 2020 | (Fri) |
| • Finance Committee | January 3, 2020 | (Fri) |
| • Program & Planning Committee | January 3, 2020 | (Fr1) |
| • Resource Mgt Committee | January 29, 2020 | (Wed) – Juneau |
| • Full Board of Trustee | January 29-30, 2020 | (Wed, Thu) – Juneau |
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| • Audit & Risk Committee | April 22, 2020 | (Wed) |
| • Finance Committee | April 22, 2020 | (Wed) |
| • Resource Mgt Committee | April 22, 2020 | (Wed) |
| • Program & Planning Committee | April 22, 2020 | (Wed) |
| • Full Board of Trustee | May 20, 2020 | (Wed) – TBD |
| | | |
| • Program & Planning Committee | July 28-29, 2020 | (Tue, Wed) |
| • Audit & Risk Committee | July 30, 2020 | (Thu) |
| • Finance Committee | July 30, 2020 | (Thu) |
| • Resource Mgt Committee | July 30, 2020 | (Thu) |
| • Full Board of Trustee | August 26-27, 2020 | (Wed, Thu) – Anchorage |
| | | |
| • Full Board of Trustee | November 18-19, 2020 | (Wed, Thu) – Anchorage |

Future Meeting Dates Statutory Advisory Boards (Updated – December 2019)

Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse

- Executive Committee – monthly via teleconference (First Wednesday of the Month)
- January 14-16, 2020 – Board Meeting (Anchorage).

Governor’s Council on Disabilities and Special Education

- February 4, 2020 – Council Meeting (Anchorage)
- February 6-7, 2020 – Joint Key Campaign Efforts w/GCDSE (Juneau)

Alaska Commission on Aging

- February 24-27, 2020 – Board Meeting (Juneau)

ALASKA MENTAL HEALTH TRUST AUTHORITY

AUDIT & RISK COMMITTEE MEETING

**August 1, 2019
8:30 a.m.**

**Taken at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska**

Trustees Present:

Laraine Derr, Chair
Mary Jane Michael
Chris Cooke
Paula Easley
John Sturgeon
Ken McCarty
Verne' Boerner

Trust Staff Present:

Mike Abbott
Kelda Barstad
Mike Baldwin
Eric Boyer
Jimael Johnson
Steve Williams
Miri Smith-Coolidge
Andy Stemp
Luke Lind
Valette Keller
Carrie Predeger
Autumn Vea

PROCEEDINGS

CALL TO ORDER

CHAIR DERR called the Audit & Risk Committee to order and stated that all the trustees were present. She asked for any announcements. There being none, she asked for a motion to approve the agenda.

APPROVAL OF AGENDA

MOTION: A motion was made to approve the agenda by TRUSTEE MICHAEL;
seconded by TRUSTEE EASLEY.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

CHAIR DERR asked for any Ethics Disclosures. There being none, she moved to the approval of the minutes.

APPROVAL OF MINUTES

MOTION: A motion was made to approve the minutes by TRUSTEE EASLEY; seconded by TRUSTEE MICHAEL.

There being no objection, the MOTION was approved.

CHAIR DERR moved to the Audit and Planning Committee consultation.

CONSULTATION

MR. STEMPE began with a bit of background about the Audit & Risk Committee. That was the governance change that was adopted several years ago and is considered to be a best practice to have a committee to work on the issues. He explained that one of the best practices that has been in place is to have a preliminary consultation. This is kind of a give-and-take or dialogue around the organization, changes in the environment, in regulations, and in accounting standards. It is a briefing that brings everyone up to speed on the different factors that the organization faces. He stated that the Trust will do a single audit report that will just be a financial audit. The report will ultimately be consolidated into the State of Alaska's report. He described the process in more detail. He added that the final report is rendered as an opinion. Last year a clean opinion was received.

CHAIR DERR stated that last year there were two findings. One was in regard to the Legislative Audit, and the other was in regard to the internal process. She asked if that had been corrected for the last year.

MR. STEMPE replied that the first finding is the Governmental Accounting Standards finding and compliance. The auditors felt obligated to comment on it because that report had been made. He stated that he had been in consultation with Bikky Shrestha, the audit partner, and they have taken the position that was a one-time, single-year writeup based on the timing of that report. The appropriate action plan was shared, and it is not expected to be a repeat finding. The second item was called the "significant efficiency" and focused on the year-end closing process. That is unique in that our processes are heavily dependent upon the partners, the Division of Finance, Treasury Department, and other people outside of the immediate line of control at the Trust. There is also a lot of interaction with the Department of Natural Resources. He talked about the previous two years and the comments received. In terms of the time table, the report is presented to the trustees in January. Once that report is in hand, those numbers are used to support the decision-making on the annual distribution out of the portfolio. There is also the hope of enjoying a clean report for FY2019. He continued that the other piece that comes up from time to time is the responsibility to inquire and make reasonable efforts to deal with compliance, conduct, and fraud. The results of those inquiries were that there were no areas of concern around compliance or fraud. He moved to the Audit Planning packet. He stated that this was a formal communication from the auditors to the board, and this states the outline, the strategies engaged by the auditor to do the work. All of the pieces are lined out here. The overall audit strategy and planned scope is detailed. He went through the bullet points, explaining as he went

through them. He continued that there are some upcoming significant accounting reporting matters. They are communications that the audit firm is providing. They are not all relevant, but are emerging issues highlighted for planning purposes and discussion. He suggested that if the trustees had specific areas of interest or some areas that may need some attention or needs, to direct them to the committee chair. He concluded his presentation.

CHAIR DERR asked for any questions. There being none, she asked for anything else to come before the Audit & Risk Committee.

TRUSTEE COOKE commented on how smooth the audit and financial reporting process is going. He thanked Mr. Stemp for the good work.

CHAIR DERR adjourned the meeting.

(Audit & Risk Committee meeting adjourned at 8:55 a.m.)

To: Anita Holterman, Audit & Risk Committee Chair
Through: Mike Abbott, Chief Executive Officer
From: Sarah Morrison, Interim Chief Financial Officer
Date: December 11, 2019
Re: Acceptance of FY2019 Financial Audit

REQUESTED MOTION

The Audit & Risk Committee recommends that the board of trustees approve the FY2019 Financial Audit.

Background:

The FY2019 Final Audit Report has been released. This audit contains one finding – a repeat from FY2018 – that was not fully resolved. The finding, ‘Significant Deficiency in Internal Controls’, relates to certain accounts not being reconciled for closeout which required large journal entries to be completed by auditors in order to correctly represent the Trust’s financial position. Activities related to the Corrective Action Plan (page 73 of the audit) are already in progress.

The FY2018 audit contained a compliance finding related to the Legislative Audit. The Legislative Audit findings asserted that Trust Authority Development Account (TADA) expenditures and real estate investments were not allowable under current statutes. As a response to the legislative audit finding, the Trust ceased new real estate acquisitions and made a transfer of reserves (\$41.3 M) to the Permanent Fund to account for all TADA expenditures. Actions taken by the Trust in response to the Legislative Audit were found by BDO to be satisfactory and the finding was not repeated for the FY2019 audit.

Recommendation:

It is recommended that the Audit & Risk Committee concurs with BDO’s FY2019 Final Audit Report and transmit to the board of trustees for acceptance.

Attachments:

FY2019 BDO Basic Financial Statements and Auditor’s Report
FY2019 Audit Wrap Up