

MEETING AGENDA

Meeting: Audit & Risk Committee
Date: August 1, 2019
Time: 8:30 AM
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: (844) 740-1264 / Meeting Number: 809 966 172 # / Attendee Number: #
<http://thetrust.webex.com>
Trustees: Laraine Derr (Chair), Verné Boerner, Chris Cooke, Paula Easley, Ken McCarty, Mary Jane Michael, John Sturgeon

Thursday, August 1, 2019

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8:30a	<u>Call Meeting to Order (Laraine Derr, Chair)</u> Roll Call Announcements Approve Agenda Ethics Disclosure Approval of Minutes – 01/03/19	4
8:35	Audit Planning and Committee Consultation <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 – June 2019)

- Program & Planning Committee July 31, 2019 (Wed)
- Audit & Risk Committee August 1, 2019 (Thu)
- Finance Committee August 1, 2019 (Thu)
- Resource Mgt Committee August 1, 2019 (Thu)
- Full Board of Trustee August 28-29, 2019 (Wed, Thu) – Anchorage

- Full Board of Trustee November 6-7, 2019 (Wed, Thu) – Anchorage

- Audit & Risk Committee January 3, **2020** (Fri)
- Finance Committee January 3, **2020** (Fri)
- Resource Mgt Committee January 3, **2020** (Fri)
- Program & Planning Committee January 3, **2020** (Fr1)
- Full Board of Trustee January 29-30, **2020** (Wed, Thu) – Juneau

- 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

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

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

- Executive Committee – monthly via teleconference (First Wednesday of the Month)
- September 23-27, 2019 – Kenai or Anchorage <tentative>

Governor’s Council on Disabilities and Special Education

- Oct 2-3, 2019 - Anchorage (pre-meeting for Autism Ad Hoc on Oct 1)

Alaska Commission on Aging

- September 12-15, 2019 – ACOA Rural Outreach

ALASKA MENTAL HEALTH TRUST AUTHORITY

AUDIT AND RISK COMMITTEE MEETING

January 3, 2019

8:30 a.m.

Taken at:

**3745 Community Park Loop, Suite 120
Anchorage, Alaska**

OFFICIAL MINUTES

Trustees Present:

Mary Jane Michael, Acting Chair
Laraine Derr (via Speakerphone)
Jerome Selby (via Speakerphone)
Paula Easley
Carlton Smith
Chris Cooke
Verne' Boerner

Trust Staff Present:

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

Trust Land Office:

Wyn Menefee
Jusdi Doucet
Sarah Morrison
Paul Slenkamp
Aaron O'Quinn

PROCEEDINGS

CALL TO ORDER

ACTING CHAIR MICHAEL called the meeting to order and called the roll.

ROLL CALL

TRUSTEES DERR, BOERNER, COOKE, EASLEY, SELBY, and SMITH were present.

APPROVAL OF AGENDA

MOTION: A motion was made to approve the agenda by TRUSTEE COOKE; seconded by TRUSTEE BOERNER.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES

There were no ethics disclosures.

APPROVAL OF MINUTES (October 17, 2018)

MOTION: A motion to approve the minutes of October 17, 2018, was made by TRUSTEE COOKE; seconded by TRUSTEE DERR.

There being no objection, the MOTION was approved.

AUDIT REPORT

ACTING CHAIR MICHAEL stated that the audit report is before all trustees. This meeting is a follow-up to the BDO presentation of the audit report. She recognized Andy Stemp.

MR. STEMPT stated that he reviewed the final report and noted no material differences from the draft report that was presented earlier. He requested that the committee make a motion to recommend accepting the report to the Full Board as represented.

MOTION: A motion that the Audit & Risk Committee accept the annual auditor's report for the year-end of June 30, 2018, and to pass it on for consideration to the Full Board was made by TRUSTEE COOKE; seconded by TRUSTEE BOERNER.

MR. ABBOTT called attention to the last page in the BDO document and recognized that the audit found that there are two action items that had to be resolved in order to complete this process. He formally recognized the significant contributions of Andy Stemp, CFO, to the development of this report. He stated that these are important findings that were anticipated. He explained that to a certain degree they were beyond Mr. Stemp's control, or beyond the control of the Trust during this reporting period. He noted that the two findings represent the progress that has been made: first, in addressing the issues raised by the legislative audit; and second, in improving the internal reporting processes, especially as they relate to the interaction with the State of Alaska.

TRUSTEE SELBY thanked Mr. Stemp for the outstanding job and especially commended him for jockeying this all through and getting it done in good order.

ACTING CHAIR MICHAEL asked for any further discussion, and then for any objection.

There being no objection, the MOTION was approved.

ACTING CHAIR MICHAEL thanked Mr. Stemp, and asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE DERR; seconded by TRUSTEE BOERNER.

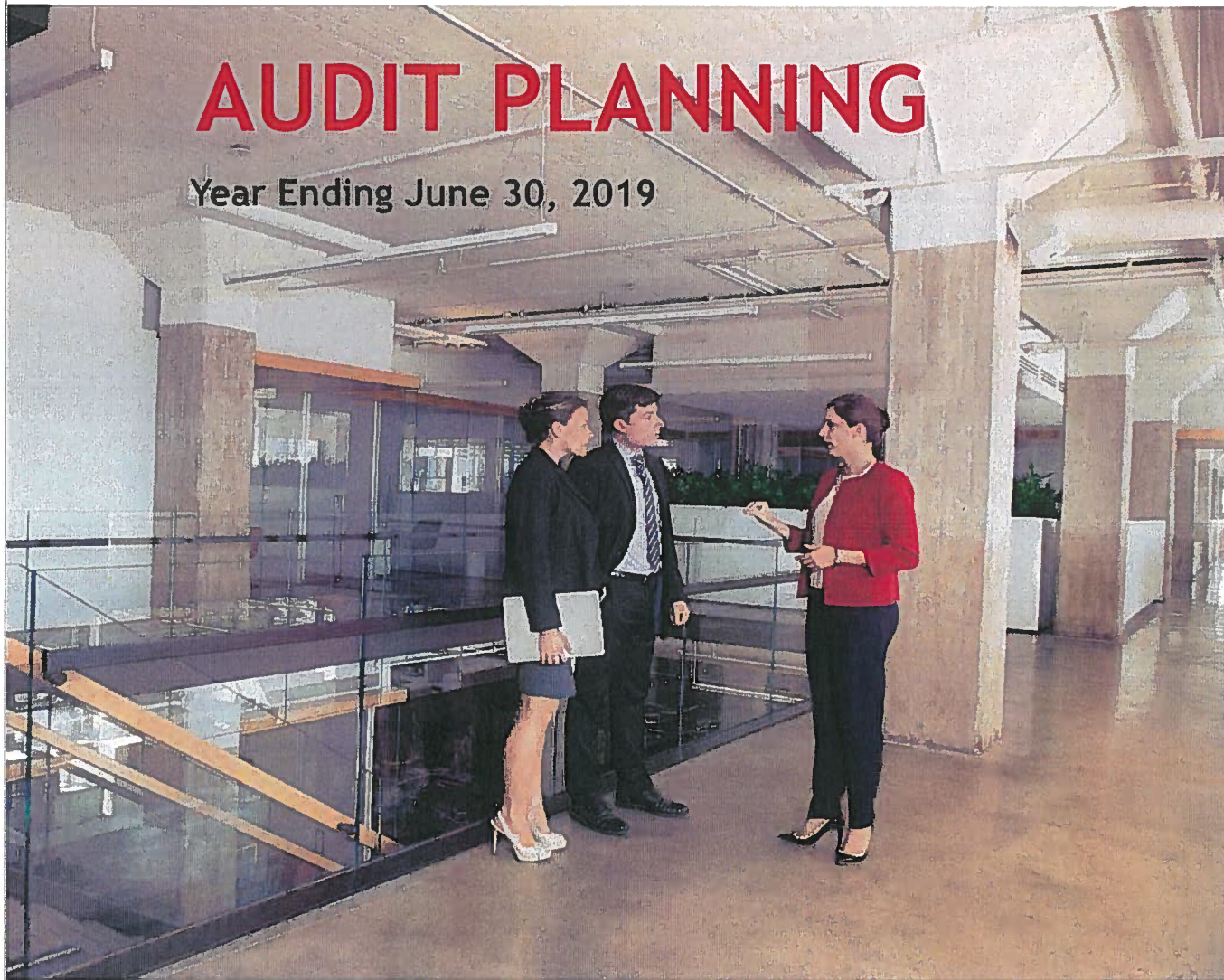
There being no objection, the MOTION was approved.

(Audit & Risk Committee Meeting adjourned at 8:43 a.m.)

Alaska Mental Health Trust Authority

AUDIT PLANNING

Year Ending June 30, 2019



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Trustees and Audit Committee) and, if appropriate, management of the Trust and is not intended and should not be used by anyone other than these specified parties.

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June 26, 2019

Board of Trustees
Alaska Mental Health Trust Authority

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audit of the financial statements of Alaska Mental Health Trust Authority (the Trust) as of and for the year ending June 30, 2019 including a summary of the nature, scope, and timing of the planned audit work.

Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. In addition, our audit will be conducted in accordance with standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor's and management's responsibilities.

Overall Audit Strategy and Planned Scope

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures responsive to assessed risks. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. In connection with our audit, we will obtain a sufficient understanding of the Trust's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control. In addition, Government Auditing Standards requires that we also plan and perform the audit to obtain reasonable assurance about whether the Trust has complied with applicable statutes, regulations and laws that may have a direct and material effect on the Trust.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- a) Prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the Trust's operations.
- b) Inherent risk within the Trust,
- c) Recent developments within the industry, regulatory environment and general economic conditions.
- d) Recently issued and effective accounting and financial reporting guidance,
- e) The Trust's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
- f) The control environment and the possibility that the control systems and procedures may fail to prevent or detect a material error or fraud.
- g) Information about systems and the computer environment in which the related systems operate.
- h) A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Trust.

Based upon our initial assessment, our planned scope for the audit is described below:

- The areas indicated below relate to significant risks identified during our risk assessment procedures:
 - Fraud Risk
 - Internal Control Over Financial Reporting
 - Revenue Recognition
 - Pension and Other Postemployment Benefits
 - Evaluation of Related Party Relationships and Transactions and Going Concern
 - Other Matters, including Significant Unusual Transactions

Our audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit. Our goals include focusing resources on high risk areas and other areas of concern for management and the Board of Trustees.

Overall Audit Timeline

Planning is anticipated to occur in July 2019 and year-end fieldwork will occur September 2019 with release of the opinion and all financial statements and reports in accordance with *Government Auditing Standards* expected to occur by October 2019.

Group Audit

The audit of the Trust requires financial presentation for the component of the reporting entity. The reporting entity is comprised of the Trust, itself (its funds and accounts) as well as its “component units” as defined by GAAP. This collection of individual reporting entities comprises the “Group”. The Trust audit considered a “Group Audit”.

Included within the reporting entity is the Schedule of Investments Managed by the Alaska Permanent Fund Corporation. The Schedule of Investments Managed by the Alaska Permanent Fund Corporation has been contracted with KPMG LLP (the component auditor) to conduct the audit of the Schedules of Investments Managed by the Alaska Permanent Fund Corporation. As part of our planned audit strategy, we will initiate required communications with the component auditor which will include confirmation of their independence with respect to the entire group, identification of related parties, identification of audit risks, and other required communication. At the completion of the audit, our audit report will make reference to those other auditors.

Independence Communication

Our engagement letter to you dated June 26, 2019 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Trust with respect to independence as agreed to by the Trust. Please refer to that letter for further information.

Significant Accounting and Reporting Matters

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - Fiduciary Activities - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 - Leases - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset.

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for interest cost incurred before the end of a construction period. It will improve financial reporting by providing users of the financial statements with more relevant information about capital assets and cost of borrowing for a reporting period.

GASB 90 - Majority Equity Interests, An Amendment of GASB Statement No. 14 and No. 61 - Effective for year-end June 30, 2020, with earlier application encouraged - This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It will improve financial reporting by providing the users of the financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

GASB 91 - Conduit Debt Obligations - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. It will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

Client Service Team

As a matter of policy, we attempt to provide continuity of service to our clients to the greatest extent possible. Where engagement team rotation is necessary, we will discuss this matter with you and determine the appropriate individuals to be assigned to the engagement based on particular experience, expertise, and engagement needs.

The following is the contact information for the engagement partner responsible:

Bikky Shrestha - Engagement Partner
bshrestha@bdo.com

Michelle Kiese - Engagement Manager
mkiese@bdo.com

We are pleased to be of service to the Trust and look forward to answering questions you may have regarding our audit plan as well as other matters that may be of interest to you.

Respectfully,

BDO USA, LLP