

MEETING AGENDA

Meeting: Audit & Risk Committee
Date: July 26, 2022
Time: 8:30 AM
Location: online via webinar and teleconference
Teleconference: (844) 740-1264 / Meeting Number: 2454 486 6538 # / Attendee Number: #
<https://alaskamentalhealthtrust.org/>
Trustees: Kevin Fimon (Chair), Verné Boerner, Rhonda Boyles, Brent Fisher,
Anita Halterman, Agnes Moran, John Sturgeon

Tuesday, July 26, 2022

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8:30	<u>Call Meeting to Order (Kevin Fimon, Chair)</u> Roll Call Announcements Approve Agenda Ethics Disclosure Approval of Minutes – October 20, 2021	4
8:35	Staff Report CEO Report	
8:45	Audit Planning and Committee Consultation <ul style="list-style-type: none">• Bikky Shrestha, BDO Anchorage Office	hand-out
9:10	Staff Report and Planning Items Risk Management Plan <ul style="list-style-type: none">• Carol Howarth, CFO• Valette Keller, Administrative Manager	7
9:30	Adjourn	

Future Meeting Dates

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

(Updated – June 2022)

- | | | |
|--------------------------------|----------------------------|------------------------|
| • Audit & Risk Committee | July 26, 2022 | (Tue) |
| • Finance Committee | July 26, 2022 | (Tue) |
| • Resource Mgt Committee | July 26, 2022 | (Tue) |
| • Program & Planning Committee | July 27-28, 2022 | (Wed, Thu) |
| • Full Board of Trustee | August 24-25, 2022 | (Wed, Thu) – Anchorage |
| | | |
| • Audit & Risk Committee | October 19, 2022 | (Wed) |
| • Finance Committee | October 19, 2022 | (Wed) |
| • Resource Mgt Committee | October 19, 2022 | (Wed) |
| • Program & Planning Committee | October 20, 2022 | (Thu) |
| • Full Board of Trustee | November 16-17, 2022 | (Wed, Thu) – Anchorage |
| | | |
| • Audit & Risk Committee | January 5, 2023 | (Thu) |
| • Finance Committee | January 5, 2023 | (Thu) |
| • Resource Mgt Committee | January 5, 2023 | (Thu) |
| • Program & Planning Committee | January 6, 2023 | (Fri) |
| • Full Board of Trustee | January 25-26, 2023 | (Wed, Thu) – Juneau |
| | | |
| • Audit & Risk Committee | April 19, 2023 | (Wed) |
| • Finance Committee | April 19, 2023 | (Wed) |
| • Resource Mgt Committee | April 19, 2023 | (Wed) |
| • Program & Planning Committee | April 20, 2023 | (Thu) |
| • Full Board of Trustee | May 24-25, 2023 | (Wed, Thu) – TBD |

Future Meeting Dates

Statutory Advisory Boards

(Updated – June 2022)

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

AMHB: <http://dhss.alaska.gov/amhb/Pages/default.aspx>

ABADA: <http://dhss.alaska.gov/abada/Pages/default.aspx>

Executive Director: Bev Schoonover, (907) 465-5114, bev.schoonover@alaska.gov

- Executive Committee – monthly via teleconference (Second Tuesday of the Month)
- Fall Meeting: October TBD / Fairbanks

Governor’s Council on Disabilities and Special Education

GCDSE: <http://dhss.alaska.gov/gcdse/Pages/default.aspx>

Acting Executive Director: Patrick Reinhart, (907)269-8990, patrick.reinhart@alaska.gov

- Fall Meeting: October 13-15, 2022 / Girdwood & via Webinar

Alaska Commission on Aging

ACO: <http://dhss.alaska.gov/acoa/Pages/default.aspx>

Executive Director: Jon Haghayeghi, (907) 465-4879, jon.haghayeghi@alaska.gov

- Fall Meeting: TBD

ALASKA MENTAL HEALTH TRUST AUTHORITY

AUDIT & RISK COMMITTEE MEETING

October 20, 2021

8:30 a.m.

WebEx Videoconference/Teleconference

Originating at:

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

Trustees Present:

Anita Halterman, Chair
Chris Cooke
John Sturgeon
Brent Fisher
Verne' Boerner
Kevin Fimon
Rhonda Boyles

Trust Staff Present:

Mike Abbott
Steve Williams
Carol Howarth
Miri Smith-Coolidge
Luke Lind
Michael Baldwin
Katie Baldwin-Johnson
Valette Keller
Allison Biastock
Kat Roch

Trust Land Office Staff Present:

Jusdi Doucet
Sarah Morrison

Also participating:

Myranda Walso; Nicholas Stoudt; Bikki Shrestha; Michelle Kiese.

PROCEEDINGS

CALL TO ORDER

CHAIR HALTERMAN called the meeting to order and began with roll call. She stated that all trustees were present; and then asked for any announcements. There being none, she moved to approval of the agenda.

APPROVAL OF THE AGENDA

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

After the roll-call vote the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fisher, yes; Trustee Sturgeon, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Boerner, yes; Chair Halterman, yes.)

CHAIR HALTERMAN continued to the approval of the minutes of July 29, 2021.

APPROVAL OF THE MINUTES

MOTION: A motion to approve the minutes of July 29, 2021, was made by TRUSTEE BOERNER; seconded by TRUSTEE COOKE.

After the roll-call vote the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fisher, yes; Trustee Sturgeon, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Boerner, yes; Chair Halterman, yes.)

CHAIR HALTERMAN asked for any ethics disclosures. There being none, she asked Carol Howarth to introduce Bikki Shrestha for the annual audit presentation.

FY21 ANNUAL AUDIT PRESENTATION

MS. HOWARTH stated that the Full Board would be accepting the final FY21 audited financial statements in November. The preliminary financial audited financial statements were submitted to the State last week, and the auditors will share their draft audit of the financials. She continued that BDO, the auditor, has a long history with the Trust; and they have a good knowledge of the activities and financials. They take their work seriously and are fun to work with. She introduced Bikki Shrestha who made partner in 2018 and leads a team of 80 auditors locally. Michelle Kiese is a CPA, senior assurance manager, whose roots are in the Midwest.

MR. SHRESTHA stated that he is the audit partner on the job and that Michelle Kiese will present the audit draft-up and the draft.

MS. KIESE thanked Ms. Howarth and her team for all their hard work preparing for, getting through the audit, and turning things around quickly to stay on track with the State deadline. She went through a few of the required communications for the audit and highlighted a few things within the financial statement. She stated that the overall objective of the audit was to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement. The scope of the work performed was substantively the same as discussed earlier with the audit planning communications. An unmodified opinion on the internal controls over financial reporting and on compliance on other matters based on the audit

of financials was performed in accordance with Government auditing standards and was expected to be issued before the end of the month. An unmodified opinion is a good one. She continued her presentation and pointed out that there were no significant changes to the accounting or auditing standards this year. There is a summary of the recently issued accounting pronouncements that are included within the financial statements within Note 16. She also identified that there were no significant or unusual transactions, or any lack of guidance over those. She added that the Trust was assisted with booking two adjustments which are detailed and out there for review. She explained that, as part of the audit, BDO was required to understand and evaluate key controls as the checks and balances of the Trust to make sure they are well designed. She continued going through her presentation, explaining as she went through the Statement of Activities.

A brief question-and-answer discussion ensued.

MR. SHRESTHA thanked the Trust and Trust staff and added that this is the timeliest that the draft and the audit have been presented.

CHAIR HALTERMAN thanked both Mr. Shrestha, Ms. Kiese and the entire team at BDO. She stated appreciation for the amount of work that goes into those kinds of efforts and was comforted to know that they are the Trust auditors. She recognized Ms. Howarth and Mr. Abbott for comments.

MS. HOWARTH emphasized that the financial statements will be finalized and then will be presented at the November board meeting. There will be an opportunity to review them prior to that date. She stated that the only other item with regard to Audit & Risk was to have the risk management planning process done with the Board of Trustees. The other item is following from best practices, that the Trust Land Office start the process of having an audit or financial review of the commercial real estate LLCs. The audit will provide comfort and assurance that the financial statements are correct, but what is most important is the fair market value of the investments. The management and condition of those assets are being monitored by Harvest and the Trust Land Office asset managers, which ensure that they continue to appreciate.

CHAIR HALTERMAN asked for any questions. There being none, she entertained a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE STURGEON; seconded by TRUSTEE COOKE.

After the roll-call vote the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fisher, yes; Trustee Sturgeon, yes; Trustee Cooke, yes; Trustee Fimon, yes; Trustee Boerner, yes; Chair Halterman, yes.)

CHAIR HALTERMAN adjourned the meeting.

(Audit & Risk Committee meeting adjourned at 9:07 a.m.)

Risk Management Plan

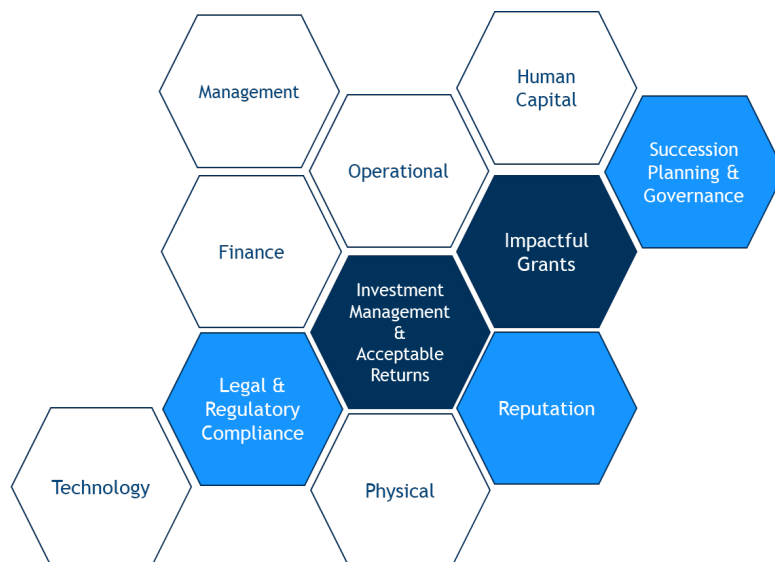
Overview

The Alaska Mental HealthTrust Authority (the Trust) outlines risk management expectations in the *Charter of the Audit & Risk Committee*, revised October 27, 2017.

In consultation with the chief executive officer and the chief financial officer of the Trust, and others as necessary, the Audit & Risk Committee ensures systems are in place to conduct a forward-looking analysis of organization risk in the areas of finance, human capital, operations, technology, reputation, physical, governance, and management, and that systems are in place to address identified risk.

The management of financial risk, non-financial risk, and strategic risk leads to the protection of the Trust's core operations, that of:

- providing impactful grant funding to enhance the lives of current Trust beneficiaries, and
- ensuring investment management is expected to generate sustainable returns to fund grants that can equitably benefit the lives of future Trust beneficiaries.



Risk Management Tools

As a semi-independent public corporation of the State of Alaska, the Trust benefits from the risk management tools of a large organization through services provided by the State. Alaska statutes and regulations—both Trust-specific and those applicable to all State entities and agencies—provide tools to minimize, monitor and control risks. The Trust also exercises its authority to mitigate risks through its bylaws and charters, and with Trust-specific policies and procedures that guide decisions and actions specific to and supporting the Trust's mission and objectives.

The Trust has tools in place to enhance risk awareness, and tools that are engaged for eliminating or mitigating the risk exposure outside the risk appetite of the State and the Trust. Some risk management tools are rooted to core principles, such as government transparency, and seldom change. Other tools are dynamic, such as those related to information technology, and must advance proactively. These resources are summarized in this Risk Management Plan document.

A role of the Audit & Risk Committee is to annually review the organization's risk management plan.

Statewide Services

Risk management systems and controls are administered within State departments and divisions, in particular:

Department of Administration

- Administrative Services
- Finance
- Personnel & Benefits
- Procurement & Property Management
- Office of Information Technology
- Risk Management
- Shared Services

Department of Revenue

- Treasury

Department of Natural Resources

- Project Management & Permitting

Department of Law

- Civil Division
- Executive Branch Ethics

Office of the Governor

- Office of Management & Budget
- Boards & Commissions

In addition, the State Legislature enacts new statute and revises existing statutes that may apply to the Trust.

Trust Statute, Regulations, Bylaws and Charters

The 1956 Alaska Mental Health Enabling Act and 1994 Settlement Agreement provide the framework for Trust statute, which in turn frame Trust regulations and policies. Risk is mitigated through these and their requirements, such as partner agreements, planning processes and reviews, and public engagement processes.

Trust Statute

- AS 37.14.001-13.14.099
Special Funds, Mental Health Trust
- AS 47.30.22- AS 47.30.061
Alaska Mental Health Trust Authority
- AS 38.05.802
Management Of Mental Health Trust Land

Regulations

- 20 AAC 40

Bylaws & Charters

- Board of Trustees
- Board Officers
- Committees

Policy Statements

- Asset Management
- Resource Management Strategy

Agreements

- Alaska Permanent Fund Corporation
- Department of Natural Resources
- Department of Revenue (in process)

Planning & Reviews

- Comprehensive Integrated Mental Health Program
- Budgeting process
- Grant process and agreements
- External financial audits

Statutory Advisors

- Commissioners of Health, Natural Resources & Revenue
- Alaska Mental Health Board/Advisory Board on Alcoholism and Drug Abuse
- Alaska Commission on Aging
- Governor's Council on Disabilities and Special Education

Trust Operating Procedures

The Trust has built operating procedures specific to the Trust related to finance, human capital, operations, management, and the Trust's reputation. These complement statutes and regulations and collectively mitigate risk, protecting the Trust. These operating procedures focus on standardizing procedures within the Trust, strengthening organizational capacity, and building transparency with the public and stakeholders .

The following chart, "Risk Management Tools in Place," summarizes the risk management resources at the State and Trust levels.

The Trust benefits from three levels of risk management tools:

- 1) State of Alaska advisory services, policies and procedures,
- 2) Trust statutes, regulations, charters and bylaws, and
- 3) Trust operating procedures.

State of Alaska Services

Risk Management	Finance & Administration	Information Technology	Personnel	Law	Investments & Cash Management	Natural Resources
<ul style="list-style-type: none"> Property, casualty, specialty insurance & risk mitigation 	<ul style="list-style-type: none"> Policies and controls for budgeting, accounting, procurement, publications, and enterprise 	<ul style="list-style-type: none"> IT systems security IT security awareness training 	<ul style="list-style-type: none"> Policies & controls for personnel & payroll Policies & procedures for recruitment through retention 	<ul style="list-style-type: none"> Legal advisor Executive Branch ethics 	<ul style="list-style-type: none"> Financial risk management policies at APFC and DOR 	<ul style="list-style-type: none"> Permitting process

Trust Statute, Regulations, Charters and Bylaws

Governance	Finance	Operations & Human Capital	Reputation	Management
<ul style="list-style-type: none"> Board training (i.e. ethics, governance, fiduciary, etc.) Committee charter reviews Memorandums of Agreement, DOR, APFC and DNR RMS: strategic plan for real assets 	<ul style="list-style-type: none"> Asset Management Policy Statement (AMPS): Investment management guidelines, performance objectives, authority Revenue determination 4-year averaging External Audits -Trust and APFC 	<ul style="list-style-type: none"> Comprehensive Integrated MH Program Grant guidelines, approval authority Annual budgeting process 	<ul style="list-style-type: none"> Trustee oversight Advisory Board engagement Public Notice process 	<ul style="list-style-type: none"> CEO Roles & Responsibilities Board development and performance evaluation

Trust Operating Procedures

Finance	Human Capital	Operations	Reputation	Management
<ul style="list-style-type: none"> Procedures Internal Controls 	<ul style="list-style-type: none"> Annual performance evaluations Annual professional development objectives Succession planning 	<ul style="list-style-type: none"> Standard Operating Procedures Grant process, (i.e. award to agreement to closure) 	<ul style="list-style-type: none"> Communications strategy Team grant recommendation Stakeholder meetings 	<ul style="list-style-type: none"> Codified position descriptions Personnel guide

IT Technology Risk Management

Valette Keller
Administrative Manager

Trust
Alaska Mental Health
Trust Authority

Information Technology Risks

- Environmental Risks
 - Natural disasters
 - Power outages
 - Hardware failure
- Human Risks
 - Hardware theft
 - Malicious emails
 - Social engineering
 - Network attacks



Environmental Risks—Mitigation

- Natural disasters, power outages, hardware failure
 - The Office of Information Technology (OIT) State Security Office (SSO) sets and enforces digital information security, privacy, and protection standards and practices to safeguard sensitive information assets
 - Robust data backup
 - Hardware upgrade policies



Human Risks—Mitigation

- Hardware theft
 - Quarterly user password reset requirements
 - Multifactor authentication
- Malicious email and social engineering
 - Quarterly security awareness trainings



Human Risks—Mitigation

- Network attack—Trust servers
 - Security managed by OIT
 - Rigorous data backup processes
 - Grants database hosted by third party
- Network attack—Trust website
 - Managed by communications contractor
 - Small impact on core services



Questions and Discussion

