

**ALASKA MENTAL HEALTH TRUST AUTHORITY**

**AUDIT & RISK COMMITTEE MEETING**

**October 19, 2022**

**8:30 a.m.**

**WebEx Videoconference/Teleconference**

**Originating at:**

**Alaska Mental Health Trust Authority  
3745 Community Park Loop, Suite 120  
Anchorage, Alaska**

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**Trustees Present:**

Kevin Fimon, Chair  
Brent Fisher  
Anita Halterman  
Rhonda Boyles  
Verne' Boerner  
Agnes Moran  
John Sturgeon

**Trust Staff Present:**

Steve Williams  
Katie Baldwin-Johnson  
Carol Howarth  
Miri Smith-Coolidge  
Kelda Barstad  
Michael Baldwin  
Eric Boyer  
Valette Keller  
Autumn Vea  
Allison Biastock  
Luke Lind  
Debbie DeLong  
Travis Welch  
Jimael Johnson  
Carrie Predeger

**Trust Land Office Staff Present**

Jeff Green

**Also participating:**

Bikky Shrestha; Vasily Shportko; Mary David; Patrick Reinhardt; Lesley Thompson; Beverly Schoonover; Josephine Stern.

## PROCEEDINGS

### CALL TO ORDER

CHAIR FIMON called the meeting to order and began with a roll call. He asked for any announcements. There being none, he moved to the agenda.

### APPROVAL OF THE AGENDA

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

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

CHAIR FIMON asked for any ethics disclosures. There being none, he moved to the minutes of July 26, 2022.

### APPROVAL OF THE MINUTES

**MOTION:** A motion to approve the minutes of July 26, 2022, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

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

### ANNUAL AUDIT PRESENTATION/UPDATE

CHAIR FIMON moved to the work from BDO on the audit. He asked CFO Carol Howarth to do the introductions.

CFO HOWARTH introduced Bikky Shrestha, who had been the assurance partner at BDO since 2018, and has been involved with the Trust for a very long time. She explained that a new contract was started this year, and we have a new auditing team. Although BDO is the auditor, the manager of the audit is Vasily Shportko. He is the assurance director at BDO and got his CPA and master's in accounting from the University of North Carolina. He was assigned to the Trust because of his depth of experience in government agencies similar to the Trust, such as AIDEA, the autonomous agencies, and has a depth of experience in all government accounting. She really appreciated this new team that brought a new insight, looked at things slightly differently, giving us the ability to learn from them. She thanked everybody that worked on the audit. She asked Mr. Shrestha and Mr. Shportko to walk through the preview of the audit.

MR. SHRESTHA began by thanking everyone at the Alaska Mental Health Authority for getting all the information together. It was a tough audit this year. There was the implementation of GASB 87, which was one of the harder standards that has come into government accounting, especially if there are a lot of leases, which the Trust has. He stated that staff did everything that needed to be done to get through that. At this point, all are in agreement and on the same page. He added that the draft would not be presented because there is still work to be done on it, and he gave an update. At this point the pension, the PERS, and the OBED portion of that need to be

finished, and we are still waiting for some information from the State for that. He pointed out that the objective of an audit is to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatements. They follow auditing standards; do risk assessments; focus on areas that are higher dollar value; and also apply a lot of random sampling throughout the process. They ask about any significant accounting estimates throughout the process. He continued that the scope of the audit had not changed from when they started, and the plan is to issue an unmodified or a clean opinion on the financial statements. All records and information requested has been freely available for inspection. He also talked about corrected and uncorrected misstatements, and noted a couple of corrected misstatements that will show up in the representation letter. They were not aware of any uncorrected misstatements at this point. He presented a couple of different significant deficiencies in internal control. The first was the financial reporting close process, and there were some leases in the GASB 87 schedule that needed to have some corrections. He explained that some of the leases that were treated as out of scope were not, and then there were some changes in the interest rate being used. The next one was for land reporting. Other than that, there were no significant plan changes to the audit. He asked Mr. Shportko if he wanted to add anything.

MR. SHPORTKO replied no.

CFO HOWARTH explained GASB 87 in more detail. It was a ruling that came out of the Accounting Board from the private sector where a lot of companies chose to start leasing their buildings instead of owning them. This increases the return on investment unless people really look into the financial statements, and it is a movement to create greater transparency on financial statements. She stated, in her personal opinion, it to be a best value for publicly traded corporations. The market value reflects the economic value of that lease.

A brief discussion and explanation ensued.

CHAIR FIMON noted that one of the hard things about conducting this audit was not having control of the timing of all the information that comes out.

CEO WILLIAMS stated that the goal was to have something to present, in finality, to the trustees at the November board meeting.

CHAIR FIMON thanked Ms. Howarth and all the staff helping with the accounting, the TLO, and everyone who chipped in. He also thanked Mr. Shrestha and Mr. Shportko at BDO and their staff. He moved forward to the staff report on the Risk Management Plan.

## **STAFF REPORT**

### **RISK MANAGEMENT PLAN**

CEO WILLIAMS stated that the overview of all of the various elements of the Risk Management Plan was gone through at the last Audit Risk Committee meeting. He continued that there were various places that came into play for the Trust that make up the plan, and that we have to adhere to in the course of the day-to-day business.

CHAIR FIMON asked CFO Howarth to walk through it.

CFO HOWARTH noted that they had their own standard operating procedures at the Trust, and she focused the discussion on what was mitigating the risks, and not on the broader governance topics. The charter does state that trustees review the Risk Management Plans, and there are comprehensive elements in it. Recommended was focusing on the grant process; the Authority Grants and the MHTAAR grants. She focused on the Authority Grants, and stated that she would focus on the MHTAAR Grants closer to the next budgeting process, because they are different. She explained that in the regulations, the Administrative Code, there were other grant processes, which are small grants, the competitive grants, and the designated grants. They could be used, if needed. But the Trust strategy now focuses on the partnership grant in the focus area, as well as the mini-grants and the emergency grants. She continued, focusing on the partnership and the focus-area grants. The high-level perspective of the Authority Grant life cycle is getting a funding request, getting funding approval and the monitoring of it, and then it was closed at the completion of that grant. There are two risk-mitigation tools: the rules and procedures, and then controls internal to the process. She explained this in greater detail. In terms of financial controls, there were a lot of policies and procedures outlined.

A discussion and clarification ensued.

CEO WILLIAMS stated, for the record, that for-profit organizations are not filtered out, and he went over the parameters of the grants.

TRUSTEE HALTERMAN asked if there was a perception that for-profit businesses were denied Trust funds. She stated that there had been some requested that were denied for legitimate reasons, and there was a misunderstanding. She suggested that a better job of educating the public in that area could be done. She added that she would like to see some more person-centered measurements for the grant awards. It is important to focus on the beneficiaries. She requested receiving some kind of feedback from staff about which agencies have grants funded that received technical support from the Trust. She asked for a report to be generated to identify that, which may help clarify some of the processes where partners are engaged.

CEO WILLIAMS thanked the trustees for the flexibility. He noted that this type of conversation is necessary so that the processes provided are in place to assure that Trust funds are being approved appropriately, which is how the partners and communities are engaged in the process.

CHAIR FIMON thanked the staff and asked for a motion for adjournment.

**MOTION: A motion to adjourn the meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FISHER.**

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

(Audit & Risk Committee adjourned at 9:58 a.m.)