

ALASKA MENTAL HEALTH TRUST AUTHORITY

**AUDIT & RISK COMMITTEE MEETING
HYBRID/WEBEX**

**JULY 25, 2023
8:30 a.m.**

**Originating at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, Alaska**

Trustees Present:

Kevin Fimon, Chair
Anita Halterman
Rhonda Boyles
John Morris
Agnes Moran
John Sturgeon

Trust Staff Present:

Steve Williams
Katie Baldwin-Johnson
Miri Smith-Coolidge
Michael Baldwin
Eric Boyer
Alison Biastock
Kat Roch
Kelda Barstad
Debbie DeLong
Valette Keller
Travis Welch
Janie Ferguson

Trust Land Office Staff Present

Jusdi Warner
Jeff Green
Sarah Morrison

Also participating:

John Springsteen; Stephanie Hopkins; Asley Oien; Bikky Shrestha.

PROCEEDINGS

CALL TO ORDER

CHAIR FIMON called the meeting to order and began with a roll call. All trustees were present. He asked for any announcements. There being none, he moved to a motion for the approval of 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 Halterman, yes; Trustee Sturgeon, yes; Trustee Boyles, yes; Trustee Fisher, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fimon, yes.)

CHAIR FIMON asked for any ethics disclosures. There being none, he moved to the minutes of January 6, 2023.

APPROVAL OF THE MINUTES

MOTION: A motion to approve the minutes of January 6, 2023, 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 Moran, yes; Chair Fimon, yes.)

AUDIT PLANNING AND COMMITTEE CONSULTATION

CHAIR FIMON stated that first up was the planning and discussion for the upcoming audit. He recognized Kat Roch to make a brief introduction.

MS. ROCH explained that the meeting would start with a short presentation from BDO, the independent external auditors, to give a brief overview of the annual audit that they will perform. She added that the interim audit started yesterday. She introduced Bikky Shrestha, who was online.

MR. SHRESTHA stated that he was Bikky Shrestha and was a partner at BDO. He continued that they were doing the financial statement for the Alaska Mental Health Trust Authority for 2023. He explained that the beginning of the audit is called interim, which normally happens before year-end. They do it now, and then the majority of the rest of the work would be done in September when everything was closed. He moved to the audit guiding document which was provided, and he noted a few highlights. He added that it is their responsibility as auditor to perform the audit and form an opinion about financial statements. At the end of the audit, a report with that opinion will be provided. He continued that a recent development within the industry and regulatory environment that impacts the Trust financial statements is GASB 96 for substance and revenue. That is the only new standard that could have an impact on the financial statements. He was asked for an explanation of inherent risk in the Trust and replied that, based on prior history and regulatory environment, certain items would be considered to be more risky than others. He went through a couple of examples. He added that there were not too many

issues at the Trust, based on past history. He went through some areas for the planning areas that were focused on, and anytime an audit is done fraud risk has to be addressed. He stated that the audit is based on the internal control over finance and reporting which depends on if the internal controls are strong or not as strong when a strategy is changed. They also focus attention on the real estate investments. If any impairment is found that needs to be posted, it would then be discussed with management with focus on that area. He added that, because the Trust is a component of the State, the audit is performed in accordance with Government Auditing Standards. He then moved to the overall timeline and added that most of the work would actually be at the end of August and September.

CHAIR FIMON thanked Mr. Shrestha and moved to the Risk Management Plan. He turned it over to Ms. Roch.

RISK MANAGEMENT PLAN

MS. ROCH stated that there would be an educational presentation by Valette Keller, who is the admin manager at the Trust Authority Office, to discuss the Trust hiring and separation process. That fits into the risk management plan in that there are inherent risks with hiring and retaining personnel. She recognized Valette Keller.

MS. KELLER stated that she would talk a bit about the recruitment and separation processes at the Trust. These processes are pretty similar across both offices. She began by touching on DEI, which stands for Diversity, Equity and Inclusion, the act of recognizing the value of diverse voices and emphasizing inclusivity in the workplace. It increases employee retention and makes for a stronger and more effective organization when there is an eye on DEI through all of the HR process. She defined each for a baseline: Diversity ensures that different groups and marginalized voices are represented. These different groups may be race, gender identity, and also socioeconomic status, age, physical ability, ethnicity. There are a variety of differences that need to be considered with diversity: Equity is the fair treatment for all while also considering each person's unique circumstances. Not everyone comes to the same place with the same background and same starting point. Recognizing that all start at different levels can help make more equitable playing fields. Inclusion is ensuring diverse voices are heard and respected. This is supporting diversity by fostering a culture of belonging and respect and making sure that employees and teams are heard in the organization. She continued that the way the Trust incorporates DEI with the hiring and separation processes is that position descriptions are analyzed to make sure to identify any unconscious bias that may be present in the position description, as well as the other hiring practices used. She added that the biases do creep in unnoticed, and is a thing that happens. She could not say that they do not exist because they do exist in all systems. That is constantly reviewed to see where adjustments could be made to reduce those biases. The individual and organizational professional networks are broadened to make sure that the networks are not full of people that look the same, noting age and socioeconomic status, as well as gender. There is a need to make sure that personal and organizational networks are really broad so they are reaching out to groups that are different from us in a variety of ways. She added that those were the ways that the Trust and Trust Land Office incorporate DEI in the hiring and separation practices.

CHAIR FIMON asked how did they check themselves.

MS. KELLER replied that it is hard to see the unconscious biases, and we have started the

process of seeking an external contractor to do a kind of internal organizational development to look at that for both offices. She stated that the Trust has personnel policies that are relied on, but they are out of date. Those policies were created and approved by trustees in 2015. That date was before the charters were created, and the organizational structure of the Trust was very different back then. The process of updating those policies is underway, but has not been completed. She added that the trustees may have seen a redline version of those newer policies. She continued that the Department of Administration has regulations for personnel rules. If there is something not covered in the internal policies, then they could fall back on the State's personnel rules. Those cover things like appointment, probationary periods, evaluation, training, separation, demotion, leave, the paperwork that is required to make sure that all of the practices are kept legal and fair. The Department of Administration, Division of Personnel Labor Relations, or DOPLR, have a number of sections within that division that can also be tapped for assistance. She added that they process all the payroll and Family Medical Leave Act requests for the Trust. Aspire Alaska has some professional development resources. They have a section called EPIC, Employee Planning and Information Center, and it holds on to all the formal employee records. If an employer calls for a reference, EPIC could be called, and they can get the actual personnel file. She continued that, in addition, they have the department-specific HR managers. She moved to recruitment and explained that recruitment begins the moment they know about a vacancy. The existing position description is reviewed as soon as it is known that someone would be leaving. This is done to make sure that it accurately reflects the organization's need for that position. She talked about the online postings of positions, and reaching out to any industry-specific websites or groups, like Philanthropy Northwest. She added that the Trust Land Office has a variety of industry-specific places and trade magazines and groups that they publish to, depending on the individual they are needing. We also alert staff and the trustees with e-mails that there is a recruitment going on and how they could apply. She continued explaining the process, the interviews, the reference checks, and the hire approval process.

TRUSTEE MORAN stated that the application review is generally where the implicit bias is. She asked how do they ensure that they are really reflecting diversity and equity.

MS. KELLER replied that it is not always just her and the supervisor. It depends on the position and the needs for that position. There are often others involved. She continued and talked about the scorecard that is different for each position depending on the needs of that role. She added that, in all the application reviews and interviews, they are looking for hard skills and also soft skills and diversity. She stated that DEI is not something that is ever completed. It is always a process of improvement.

CEO WILLIAMS stated that this was a great conversation, and it is an ongoing process. There are a couple of things done in the way the work with the partners is conducted externally so that the communities can see the Trust as an employer looking for and respects the DEI qualities discussed. One way to continue improving is to continue doing outreach so that when positions become available there is an ability to increase the opportunities for applicants that may want to be interested in the position. He asked Jusdi Warner if there was a TLO perspective.

MS. WARNER stated that the TLO had a lot of turnover, and salaries could not be competitive in reality. She talked about mining companies that pay three times what we pay geologists.

Recently an employee was lost to a mining company. We explain that we have a great mission, but getting paid three times more with probably a little less work is what they go with. She added that the work-from-home flexibility, work-life balance, and being stuck in the dinosaur age of having to work a full week and needing them to be available and in the seat does not work for a lot of people anymore. The leadership team at the TLO is really struggling with that. The Governor and the DNR Commissioner embrace making it flexible for the workforce.

CHAIR FIMON stated appreciation for the input.

TRUSTEE HALTERMAN asked if there is a need to do a classification study to try to increase salaries for some of the key positions within the Trust Land Office.

MS. WARNER replied that it is evaluated on a regular basis and talked about, walking a fine line. She talked about Karsten, a certified chief geologist, one of the best in the business.

TRUSTEE BOYLES stated that the geologist is brilliant. She asked if there are exit interviews and how they were conducted.

MS. KELLER moved to employee separation and talked about the variety of reasons that people leave jobs. This was not specific to the Trust Authority or Trust Land Office, but, in general, people leave jobs for a variety of reasons, including retirement and being recruited by another organization. She explained that all of the staff are subject-matter experts in their fields. They are highly skilled, and those skills are highly sought after. So in order for someone to find career advancement, they need to go somewhere else. She added that it is hard to compete with the private sector, being a public-sector organization. The TLO specifically finds it difficult to offer that competitive salary.

CHAIR FIMON stated that he was sure that there was data out there that could be brought forward at some point where the Board could see where the salary structure was on some of those hirings. That would be a good thing for them to have some knowledge of, especially if there is going to be a chance to raise something or change policy, or just have a discussion of what they were up against.

MS. KELLER replied that did exist and that information could be pulled together and included. She continued on to what occurs with notification that someone is leaving a position, and talked about the separation paperwork.

TRUSTEE HALTERMAN asked about the 2015 policies and procedures and the role the Board should play with regard to these revisions. She stated that it would be helpful for the Board to be informed of that process.

CEO WILLIAMS replied that, going back to 2015, the process of developing those policies and procedures was an internal personnel process of staff looking at what the State required, the latitudes in the processes that other State departments and employers do not have. That was pulled together, and the existing 2015 policies were drafted and presented. It was the joint work of the TAO, TLO drafting it and eventually presenting it to the Full Board. He added that updating is pretty straightforward.

MS. KELLER stated that more important than the separation processes and the exit interviews is employee retention. It is the organizational goal of keeping talented employees and reducing turnover. This is most beneficial to the organization to keep as many talented employees as possible for the organizational planning and processes and the projects that are being worked on. It is cheaper and more effective for the organization to maintain the employees that they have. In order to do that, there is a need to foster a diverse and inclusive work atmosphere. This means treating employees with dignity and respect, encouraging open communication, accepting feedback, valuing that feedback, asking for it, and then acting on what things could be done differently and better for the workforce. The way to do that is to offer professional development opportunities, focus on balance and flexibility, working from home on certain days. Really supporting the staff and employees with family needs and their life outside of the office is important to employee retention. She then talked about regular coaching and mentoring, which is more one-on-one supervision which provides growth and support. She added that dialogue is really important for employee retention, helping them feel heard and acting on that feedback.

CHAIR FIMON stated that it was a great presentation and he appreciated the discussion that came with it.

TRUSTEE HALTERMAN stated appreciation for what Ms. Keller does, especially with HR issues and for her insight. She shared her comments about policies and procedure development for the 2014 policies that exist. She continued that there are a couple of areas that are deficient. First is: On the exit interview process, there are three positions that answer to the CEO; not to the Board. She would like to see interviews shared with staff or with the Board for those key positions. Next is having no grievance process if someone is upset with the CEO. She added that it would be worth having written materials to reference.

TRUSTEE MORRIS stated, as a matter of process, if a motion and a vote was needed to formalize Trustee Halterman's idea.

TRUSTEE HALTERMAN replied that it could wait, and that it was just a comment at this point. When they start talking about governance work, it might be a conversation for that discussion.

CHAIR FIMON agreed that they were not ready for a motion. He welcomed all the feedback and input. He continued on to the process of funds transfer, and recognized Kat Roch.

OVERVIEW – FUND TRANSFERS BETWEEN TAO & TLO

MS. ROCH stated that she would go over the process of funds transfers; specifically, when the trustees approve a project presented by the Land Office. This is the process of getting funds from the Trust Authority, the bigger accounts, over to the Land Office so that the project could be funded. She explained that the State's mechanism to get funds from one agency to another is called a Reimbursable Service Agreement, an RSA. This is between two agencies where one agency provides a service and the other one pays for it. It is used only when the contracting agency does not have the skills or the capability to carry it out. It is a mechanism used to transfer approved Trust funds not appropriated by the Legislature from the Trust Authority Office to the Trust Land Office. She spoke briefly about projects approval and showed a basic outline of the Land Office presenting a project for funding approval.

TRUSTEE MORRIS stated that there is a long runway of work determining the feasibility of

moving forward and if it made financial sense to embark on some large project and move it to the Trust Authority.

MS. ROCH explained that after the project is approved, the Land Office staff initiates a funding request with the Trust Authority staff. This includes a memo from the Land Office to the Trust Authority and any documents that were provided throughout the process which is presented to the Resource Management Committee. She moved to the actual process of how they get the money, which is the RSA initiation. She stated there are a lot of steps to go through and explained them as she went through them. She continued that the typical process when the money is available, the RSA gives the Land Office the authority to spend money, and it is typically on a quarterly basis. DNR bills the RSA, which then moves the actual money, the revenue, over to cover those expenses. The money does stay in a Trust account and earns interest. Once it is spent is when it moves over and covers the expenses. She added that is what happens throughout the life cycle of the project, which is typically several years. Once the project is completed, the RSA needs to be closed out. That process is a bit easier and is basically the Land Office letting the Trust Authority Office know the project is complete and all of the expenses were paid. There is no longer a need for this RSA. Then the Trust Authority Office notifies the Department of Revenue that the RSA is good to close out. If there were any unexpended funds, they go back to the Trust.

TRUSTEE HALTERMAN asked when the Icy Cape project would close out that RSA.

MS. WARNER replied that the project is anticipated to be completed in two more years and that would be when the RSA closes out.

TRUSTEE HALTERMAN asked if there would be some residual funds that would not be expended.

MS. WARNER replied that there could be. They are experiencing the fluctuation of inflation and have been able to mitigate that. She stated that they had a sophisticated staff monitoring that project and anticipated coming in under the \$10 million mark. She added that Icy Cape is a cost recovery project and once cash starts flowing from the project that would come in as spendable income to the Trust.

CHAIR FIMON stated that the goal was to try and provide information and background to everybody on how different things work. He stated appreciation for all the input.

CEO WILLIAMS commented that the presentation had produced a really good dialogue, and he appreciated it. He highlighted that even though there are two separate teams and leaders, the Trust Authority and the Trust Land Office work together a lot. He complimented the staff of both organizations in being able to follow through with direction from the trustees on approved funds for particular projects being done by the TLO.

TRUSTEE BOYLES stated that Ms. Roch is doing a really good job, and she thanked her.

CHAIR FIMON issued a big thank you to Ms. Roch. He was very appreciative for all the work and all the information. He entertained a motion to adjourn.

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

After the roll-call vote, the MEETING was ADJOURNED. (Trustee Halterman, yes; Trustee Sturgeon, yes; Trustee Boyles, yes; Trustee Fisher, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fimon, yes.)

(Audit & Risk Committee meeting adjourned at 9:57 a.m.)