

**ALASKA MENTAL HEALTH TRUST AUTHORITY
AUDIT & RISK COMMITTEE MEETING
October 20, 2023
12:45 p.m.**

**Originating at:
Alaska Mental Health Trust Authority
3745 Community Park Loop, #200
Anchorage, Alaska 99508**

Trustees Present:

Kevin Fimon, Chair
Brent Fisher
Rhonda Boyles
John Morris
John Sturgeon
Anita Halterman (Virtual)
Agnes Moran

Trust Staff Present:

Steve Williams
Katie Baldwin-Johnson
Julee Farley
Eric Boyer
Miri Smith-Coolidge
Luke Lind
Michael Baldwin
Autumn Vea
Debbie DeLong
Doreen Schenkenberger
Valette Keller
Allison Biastock
Kelda Barstad

Trustee Land Office staff present:

Jusdi Warner
Jeff Green
Blain Alfonso
Sarah Morrison
Tracy Salinas

Also participating:

Stephanie Hopkins; Charlene Tautfest; Shane Carson; Bikky Shrestha.

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 continued to the agenda.

APPROVAL OF THE AGENDA

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

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

CHAIR FIMON asked for any ethics disclosures. There being none, he moved to the minutes of July 25, 2023.

APPROVAL OF THE MINUTES

MOTION: A motion to approve the minutes of July 25, 2023, was made by TRUSTEE MORAN; seconded by TRUSTEE FISHER.

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

ANNUAL AUDIT PRESENTATION/UPDATE

CHAIR FIMON welcomed Julee Farley, the new CFO, to do an introduction and to help get through the presentation.

CFO FARLEY introduced Bikky Shrestha with BDO. He is the assurance partner on the engagement, and has been for five years. He would provide an update, and give the trustees more information on the audit process.

CHAIR FIMON reminded the trustees that there were two handouts, along with the paperwork for the audit wrap-up. There were some financials that the trustees can reference, if needed, as assistance. He welcomed Bikky Shrestha.

MR. SHRESTHA stated that he is one of the audit partners in the Anchorage BDO office. He continued that he has been working with the organization on and off since 2007 or so, and has been the partner in charge since 2018. He added that, throughout this time, they have gone through all kinds of audits. The last few years had some adjustments, but the audits went really well, and BDO was able to present and finish the audit in a timely manner. First, he thanked all staff involved with the audit for their help throughout the audit. The preliminary work began in July, and the bulk was done in September. He went through the audit wrap-up document. He reminded all that professional standards require communication with the board of directors or the Audit Committee regarding matters related to the audit that, in his professional judgment, were significant and relevant to the trustees' responsibility overseeing the financial reporting process. This document highlights some of the information that is necessary for your responsibility in overseeing the financial statements. He moved to the status of the audit and stated that the BDO

was substantially completed with the audit. He stated that they were not expecting any changes in the draft presented. If something big comes up by the time it is printed, then there may be changes. Usually, at the end, there is a need to update any subsequent events which may get reflected in the financial statements. Other than that, they were not expecting any changes. There was no major information that they were waiting on from management to finish the audit. He also emphasized that since they report as a government and a company of the State of Alaska, the audit is also subject to an audit with Government Auditing Standards, which is on top of the financial audit. There is a little more responsibility as to independence and that type of documentation is related to Government Auditing Standards. He explained that the object of an audit is to obtain reasonable -- not absolute -- assurance about financial statements. He noted that they do not audit the statements or the balances managed by the Permanent Fund Corporation. He explained the results of the audit and the major accounting policies and practices that were tied in to the notes in the financial statements.

TRUSTEE MORRIS asked about the \$8 million discrepancy that had been detected in previous audits.

CHAIR FIMON replied that it was in the book and is detected. It is on every report that they had done, and it has not been resolved.

MR. SHRESTHA stated that there had been other findings, and they were all resolved. This particular one just has not been resolved.

CFO FARLEY stated that the goal for next year is to complete the process in IRIS+, and she hoped that this will not be an issue on next year's audit.

MR. SHRESTHA moved to the internal control over financial reporting and stated that the first part of the audit was to get an understanding of the internal controls over the financial reporting process. Once there is an understanding, any issues noticed throughout the audit would be reported depending on the significance of the issue. He talked about three criteria described: controlled deficiency, a significant deficiency, and a material weakness. Anything severe enough to cause major material problems would go into the material weakness categories. He noted that any major disagreements with management regarding accounting issues would also be reported there. When the final audit wrap-up document gets released, it will be through the representation letter that management will sign as part of the audit. The financial statements are management's responsibility. He moved on to the financial statement itself and talked about the statement of net position, which showed all liabilities and deferred inflows of resources; basically, everything that is owed. He stated that, at the end of June 30, 2023, the total deferred outflow of resources was \$929 million. He noted that the majority of that asset is cash and investments of \$854 million, with an actual breakdown of what went into that in the financial statement. He continued to the statement of activities which is like a profit-and-loss statement or an income statement at a for-profit organization. It includes revenues and support received. The expenditures and the difference between that is the change in net position. He stated that the total expenditures for the year was \$32.1 billion, which is similar to prior years. The total revenue was \$52 million. He then spoke about where fair value is derived. Government Accounting Standards require that any investments that are considered investment would not have the Trust operate in the building. This building would not be considered an investment. A building purchased and used solely for rental would be considered an investment for the Trust's purposes. Those need to be recorded at fair market value, not at historical cost. The building

they are in is reported at historical cost and depreciated.

CHAIR FIMON thanked Kat Roch, Sarah Morrison and others involved in this audit for doing a great job. He spoke to the positive sides of doing an audit and the positive things. As mentioned earlier, the management team, the accounting team, getting the information out is a good path, along with good communication. He stated appreciation to Ms. Shrestha for taking the time to speak as he did, and he asked for any other questions or comments from trustees.

TRUSTEE BOYLES stated that she likes the committee activity and having Mr. Shrestha talking face-to-face. She appreciated the audit being done by BDO, and she has a lot of confidence in that BDO title. She continued that she thought the citizens of Alaska, and members of the advisory boards, could rest assured that the audit was comprehensive and not much was missed, if anything.

TRUSTEE HALTERMAN thanked the chair for putting a positive spin on the audit. She had done audit work and did not remember hearing anyone present an audit in such a positive way. It is a good thing. It is the check and balance to ensure that the processes outlined federally are met. She appreciates the auditors, the folks at the State agencies, Ms. Roch, and the new CFO, for the work they are doing to pick this up and finish the process. It is a lot of work to pull together the documents.

CFO FARLEY stated that she worked with auditors, and she used to be one. She looked to the auditors to learn from them, and we are very transparent with them. If there is an issue, I work with them on it. She continued that she found that to be the best approach in working with auditors. She emphasized that the audit opinion was unmodified which means it was a clean opinion and the best opinion wanted. She added that BDO works for the trustees, which is an important distinction.

CHAIR FIMON thanked Mr. Shrestha and his team for all that work that they had done. He stated appreciation for the information and learning a bit more about commercial real estate and how those valuations came about.

MR. SHRESTHA thanked all very much.

CHAIR FIMON asked for any other questions or comments. There being none, he called for a motion to adjourn.

MOTION: A motion to adjourn the Audit & Risk Committee meeting was made by TRUSTEE MORAN; seconded by TRUSTEE MORRIS.

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

CHAIR FIMON stated that the meeting was adjourned.

(Audit & Risk Committee meeting adjourned at 1:33 p.m.)