STATE OF ALASKA

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

ANNUAL REPORT

2015

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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29th Alaska State Legislature
Legislative Budget & Audit Committee

January 19, 2016

Members of the Legislature

Fellow Members:

In accordance with AS 24.20.311, the following is the 2015 report of the Legislative Budget and Audit Committee. This report outlines the responsibility of the Legislative Budget and Audit Committee and its two professional divisions, the Division of Legislative Audit and the Division of Legislative Finance.

Copies of each audit report released during 2015 are on file in the senate and house chambers, the two finance committees, the Division of Legislative Audit, various libraries throughout the State, and at http://legaudit.akleg.gov. We encourage all legislators to utilize this valuable information.

The Legislative Budget and Audit Committee wishes to thank the legislature for its support in 2015.

Respectfully submitted,

Legislative Budget and Audit Committee

Representative Mike Hawker, Chair

Anna MacKinnon

Senator Anna MacKinnon, Vice Chair

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ORGANIZATION AND FUNCTION

The Legislative Budget and Audit Committee is a permanent interim committee of the Legislature. It was established in 1955 as the Legislative Audit Committee. The committee is composed of 10 members and two alternates: the chairpersons of the senate and house finance committees; one member selected from each of the senate and house finance committees and appointed by the President of the Senate and the Speaker of the House, respectively; and three members and an alternate appointed from each house by the respective presiding officer. If the chairperson of a finance committee chooses not to serve, the presiding officer appoints a replacement from the finance committee. Alternate members are also appointed from the finance committees.

The committee has the responsibility for providing the legislature with fiscal analysis, budget reviews, audits and performance reviews of state government agencies, and for approving requests from the governor to revise the Appropriations Act. As a result of the passage of Ch. 18, SLA 1980, the committee has authority to monitor lending and investment activities of the State.

To provide the necessary technical assistance to accomplish the purposes, two permanent staff agencies have been created: the Division of Legislative Finance and the Division of Legislative Audit. These divisions report directly to the Legislative Budget and Audit Committee and are independent of executive and judicial agencies. The committee also has several authorized positions to assist with committee activities.

Division of Legislative Finance

One of the primary responsibilities of a state legislative body is to research, draft, and enact revenue and appropriation measures. The Legislative Finance Division has the following statutorily assigned responsibilities to support the legislative budget process:

1. Analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of state government.

2. Analyze the revenue requirements of the State.

3. Provide the legislative finance committees with comprehensive budget review and fiscal analysis services.

4. Cooperate with the Office of Management and Budget in establishing a comprehensive system for state program budgeting and financial management as set out in the Executive Budget Act (AS 37.07).

5. Complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee.

6. With the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee.

7. Identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction.

8. Not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.

The Legislative Finance Division reviews proposed changes to the operating budget and provides the Budget and Audit Committee with an analysis of proposed "revised programs" for committee decisions.

The Legislative Finance Division is staffed by the legislative fiscal analyst (director), six fiscal analysts, information technology staff, and an administrative officer. Division staff also includes the finance committee secretaries and, for budgetary purposes, the finance aides assigned to committee members.

Division of Legislative Audit

In accordance with the Constitution of the State of Alaska and Title 24 of the Alaska Statutes, the legislative auditor and staff conduct the post-audit function in the budget cycle. The Division of Legislative Audit was created in 1955.

All audits performed by the division are external audits; that is, they are performed by an auditor who is independent of the executive head of the government unit or agency being audited. The three major types of audits performed by the division are financial-compliance, performance, and special reports.

1. Financial-Compliance Audit

A financial-compliance audit determines (a) whether financial operations are properly conducted; (b) whether the financial reports of an agency are presented fairly; and (c) whether the entity has complied with applicable laws, regulations, administrative policies, and legislative intent.

2. Performance Audit

A performance audit is conducted to provide the legislature with an evaluation on the manner in which administrators of an agency have faithfully, efficiently, and effectively administered a program. Faithfulness refers to whether or not programs have been administered in accordance with promises made to the legislature and the expression of legislative intent. Effectiveness refers to whether or not planned program objectives have been achieved. Efficiency refers to whether or not program accomplishment has been achieved by using the least-cost combination of resources with a minimum of waste.

The 1971 legislature gave the Division of Legislative Audit the authority to conduct performance audits of any agency of state government at the direction of the Legislative Budget and Audit Committee. The committee has instructed the legislative auditor to review all audit assignments and conduct performance audits whenever considered practical and beneficial to the State.

The 1977 legislature passed a "sunset law" which requires the division to conduct performance audits of boards, commissions, and agency programs subject to termination under AS 44.66. The audit report, along with other reports and testimony, is considered when determining if there is a public need for a board, commission, or program.

3. Special Audit Report

All special audits are conducted at the request of the committee. Any member of the legislature may request a special audit through the committee. A special audit can cover many things. It can be an audit that is restricted to one part of an agency's operations or it can be an audit reviewing financial transactions for a period of time shorter or longer than a fiscal year. The special audit often results in an information type report.

The Division of Legislative Audit also facilitates performance reviews as required by HB 30, enacted by the Alaska State Legislature in 2013. Performance reviews are systematic assessments of the appropriateness, effectiveness, and efficiency of a department; and are meant to provide information for policy makers, executive branch management, and the public.

Report Highlights

Why DLA Performed This Audit

In an effort to address concerns regarding the Alaska Public Offices Commission's (APOC) performance, fairness, and integrity, an audit of the agency was requested. This audit examines and reports on the select APOC operations.

What DLA Recommends

1. APOC's executive director, in consultation with the Commission, should develop and implement comprehensive written audit procedures.

2. APOC's executive director, in consultation with the Commission, should develop and implement comprehensive written procedures for the civil penalty assement and appeal processes.

3. APOC's executive director should consider automating certain workload tasks as a way to obtain efficiencies and meet timelines.

A Performance Audit of the Department of Administration, Alaska Public Offices Commission

March 3, 2015

Audit Control Number 02-30072-15

REPORT CONCLUSIONS

The audit concludes that APOC is operating within its statutory duties; however, operational improvements are needed. Implementing internal controls such as comprehensive written procedures and improving documentation will help promote fair and objective operations.

The audit was unable to conclude as to the objectivity and fairness of APOC's auditing process due to a lack of documentation. APOC's audit process is made less objective by the agency's inability to meet its statutory mandate to audit 100 percent of filings given that the determination of which filings to audit is left up to staff with no comprehensive written guidance. Comprehensive written procedures should be implemented to improve the audit process. (See Recommendation 1.)

This report concludes that APOC's methodology for assessing civil penalties is objective and defined in statute. However, mitigating factors used to reduce the penalty amount were not applied consistently. (See Recommendation 2.)

The audit found that APOC experienced significant and consistent staff turnover during the six-year period 2009 through 2014. APOC management and the Commission took limited actions to address turnover. Complaint investigations, advisory opinions, and civil penalty assessment notices were not consistently issued within required timelines. Missed timelines were partially attributed to staff turnover. (See Recommendation 3.)

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Report Highlights

Why DLA Performed This Audit

This audit was performed to determine whether the seven percent price preference designed to promote the purchase of Alaska agricultural and fisheries products is accomplishing its objective.

What DLA Recommends

1. The Department of Administration's chief procurement officer should promote the purchase of Alaska agricultural and fisheries products by educating and training state entities to include the seven percent preference in food-related contracts.

2. The University of Alaska's chief procurement officer should update procurement policies to include the seven percent Alaska agricultural and fisheries products price preference.

3. The Department of Natural Resources' administrative services director should use the formal large procurement solicitation process for Mt. McKinley Meat and Sausage Plant boxed meat purchases.

4. The Department of Labor and Workforce Development's administrative services director should use the formal large procurement solicitation process when aggregate Alaska Vocational Technical Center food expenditures are likely to exceed $100,000.

5. The Department of Health and Social Services' assistant commissioner should use the formal large procurement solicitation process when aggregate Division of Juvenile Justice food expenditures are likely to exceed $100,000.

A Performance Audit of the Alaska Agricultural and Fisheries Products Preference – Use by State Entities

July 10, 2015

Audit Control Number 02-30080-15

REPORT CONCLUSIONS

The Alaska agricultural and fisheries products preference does not significantly influence state entities' decisions to purchase in-state products because food is rarely purchased directly from Alaska producers. State entities either purchase food products from wholesalers or through contracts with service organizations. To the extent in-state products are available, the audit recommends encouraging the purchase of in-state products through contractual requirements with wholesalers and service organizations.

A survey of 12 state entities identified several factors that impede the purchase of Alaska agricultural and fisheries products directly from producers. Product availability is the most common barrier. Ordering and delivery systems also limit direct purchases from local producers.

The audit reviewed the food procurement process and found that, with two exceptions, the Alaska agricultural and fisheries products preference was correctly applied in large procurements. The audit also found that three state entities incorrectly applied small procurement rules to large dollar food purchases.

An evaluation of the Nutritional Alaskan Foods in Schools program, which offers grants to school districts for Alaska food product purchases, found the program was more successful at promoting the purchase of local products than the seven percent Alaska agricultural and fisheries products preference.

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ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of approximately $3.1 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal *Single Audit Act Amendments of 1996* and the related *United States Office of Management and Budget Circular A-133*.

The report contains an opinion on the basic financial statements of the State of Alaska for FY 14, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, the Schedule of Expenditures of Federal Awards, and the Summary of Prior Audit Findings.

REPORT CONCLUSIONS

The basic financial statements for the State of Alaska are fairly presented in accordance with accounting principles generally accepted in the United States of America without qualification, except for the Governmental Activities and General Fund financial statements which are qualified. We were unable to obtain sufficient appropriate audit evidence to support an opinion on the expenditures for Medicaid and Children's Health Insurance Program services and related revenues as of June 30 2014. Medicaid information systems controls were not effective during the fiscal year ended June 30, 2014. (See Recommendation No. 2014-021.)

We were unable to obtain sufficient appropriate audit evidence to support the State of Alaska's compliance with the Allowable Costs and Eligibility requirements applicable to the Medicaid Cluster and Children's Health Insurance Program administered by the Department of Health and Social Services. (See Recommendation No. 2014-019.) Failure to comply with these compliance requirements resulted in a material weakness for Medicaid and the Children's Health Insurance Program. The State has substantially complied with applicable laws and regulations in the administration of its other major federal financial assistance programs. The report does contain recommendations regarding significant deficiencies in the State's internal control over financial statements and federal programs.

FINDINGS AND RECOMMENDATIONS

This report contains 43 recommendations, of which 17 are unresolved issues from last year. Three of the 43 recommendations are made to Alaska Housing Finance Corporation, one is made to the University of Alaska, and two are made to the Department of Environmental Conservation whose audits were performed by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities, and therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of most prior audit recommendations not resolved by the release of the FY 14 statewide single audit.

Report Highlights

Why DLA Performed This Audit

The purpose of this audit was to determine if there is a demonstrated public need for the commission's continued existence and whether its termination date should be extended. Currently the commission will terminate on June 30, 2016, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

1. The commission's executive director should implement and follow procedures to public notice all commission meetings.

2. The commission's chairperson should review and approve the legislation watch list prior to distribution.

A Sunset Review of the Department of Health and Social Services, Alaska Commission on Aging

April 10, 2015

Audit Control Number 06-20090-15

REPORT CONCLUSIONS

Overall, the audit concluded that the Alaska Commission on Aging (commission) is serving the public's interest by helping older Alaskans lead dignified, independent, and useful lives through advocacy, outreach, and education. Furthermore, the commission meets the federal requirement that each state establish an advisory council to advise the state on aging matters. We recommend that the commission's termination date be extended eight years to June 30, 2024.

ANALYSIS OF PUBLIC NEED

The commission has operated in the public's interest by formulating and approving a comprehensive statewide plan — the *State Plan for Senior Services*. The plan identifies and addresses the concerns and needs of older Alaskans, and fulfills a federal requirement necessary to receive Administration on Aging grant funding.

The commission has also operated in the public's interest by serving as an advocate for, and educator on, the needs of older Alaskans. The commission submitted over 50 recommendations to the legislature and governor regarding legislation and appropriations for programs or services that benefit older Alaskans. Furthermore, the commission collaborated with several state and local organizations on commission projects including development of the *State Plan for Senior Services* and sponsoring educational and outreach events.

The audit identified two operational changes that would allow the commission to better serve the public's interests.

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Report Highlights

Why DLA Performed This Audit

In an effort to address concerns over the costs of operating the Alaska pioneer homes, an audit of the agency was requested. This audit examines the division's operating costs and effectiveness of cost containment efforts, DHSS' Medicaid waiver rate setting methodology, and the status of the prior audit recommendations. The audit was also directed to compare the degree of care required by residents in privately-owned assisted living homes to the degree of care required by residents in pioneer homes.

What DLA Recommends

1. DAPH's director should obtain assistance from DHSS' Financial Management Services accountants to properly deploy QuickBooks so that it can correctly function as a subsidiary accounting system.
2. DAPH management should allocate resources to actively pursue collection of past due amounts.
3. DAPH management should enforce all requirements for the payment assistance program.
4. DAPH's director should discontinue unauthorized grants to pioneer home residents.
5. DHSS' commissioner should annually review the pioneer homes' monthly rates.
6. DAPH's director should ensure all pioneer homes comply with the pharmacy's policies for controlled substances.

A Performance Audit of the Department of Health and Social Services (DHSS), Division of Alaska Pioneer Homes (DAPH)

May 21, 2015
Audit Control Number 06-30077-15

REPORT CONCLUSIONS

This audit concludes that pioneer homes are heavily subsidized by the State's general fund. Total general fund subsidy for the five-year period, FY 10 through FY 14, was $191.7 million. Monthly resident rates have not been reviewed for adequacy since FY 09.

Except for pharmacy operations, the audit found a general lack of fiscal accountability in administering the pioneer homes and a lack of efforts toward containing costs. Efforts to collect accounts receivable were minimal, and staff did not have an accurate accounting of amounts owed by residents. The audit also found certain grants made to residents were not within DAPH's statutory authority. Furthermore, pioneer homes residents were allowed to apply and receive general funded payment assistance without first applying for payment assistance through Medicaid. No formal analysis has been conducted to ensure staffing levels are reasonable and efficient.

The methodology for establishing the proposed Medicaid reimbursement rate was reviewed and found to be consistently applied and capture all allowable costs.

The prior 1999 pioneer homes audit report[i] contained seven recommendations. Five of the seven recommendations were implemented or resolved. The prior recommendation regarding compliance with federal regulations in the handling of controlled substances was partially implemented. The pioneer homes' pharmacist established procedures for tracking prescribed controlled substances, including those sent to each home. However, the Sitka Pioneer Home registered nurse has not complied with these procedures. The prior recommendation directing the DAPH director to select the most effective method of providing pharmacy services to residents was not addressed. However, audit fieldwork found no compelling reason to privatize pharmacy operations.

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[i]*Department of Administration, Division of Alaska Longevity Programs, Alaska Pioneers' Home, October 8, 1999,* Audit Control Number 02-4591-00.

A Performance Audit of the Department of Health and Social Services (DHSS), Division of Alaska Pioneer Homes (DAPH)

May 21, 2015
Audit Control Number 06-30077-15

REPORT CONCLUSIONS (Continued)

The audit was unable to examine the degree of care required for residents in the privately-owned assisted living homes due to the confidentiality requirements of the *Health Insurance Portability and Accountability Act* and the lack of authority to examine the records of privately-owned homes. However, the audit did compare the average age of pioneer homes residents to the average age of residents of private assisted living homes with more than 17 beds. Pioneer homes residents' average age was 86 years, compared to private homes residents' average age of 80 years.

Department of Health and Social Services, Behavioral Health Performance Review

Issued by Public Consulting Group, Inc., September 29, 2015

PURPOSE OF THE REPORT: Following a competitive procurement, Public Consulting Group, Inc. (PCG) was engaged to review DHSS' behavioral health services. DHSS' behavioral health programs are administered primarily by the Division of Behavioral Health, but service components that impact the behavioral health system can also be found in other program units throughout the Department. The Division of Health Care Services and the Division of Public Assistance also play an administrative role in limited aspects of the behavioral health system.

PCG was tasked with 13 distinct review objectives spanning all facets of the Department's behavioral health system. The study began in November 2014 and encompassed reviews of available data and reports, site visits to behavioral health provider and agency offices throughout the state, attendance at public forums, and interviews with state staff, behavioral health providers, and stakeholders.

Key findings and recommendations are summarized below.

MAXIMIZING REVENUE

Summary: The report recommends several ways that the State can maximize the amount of federal matching funds available. In some cases, the State may cut the amount of general funds needed to provide existing services to Alaskans by increasing the share that the federal government provides. In other cases the State could expand services by providing additional federal matching funds. However, this would require the State to expend additional general funds. The report also highlights other ways that the department can increase revenue, such as improving fee structures, implementing new fees, and looking for new ways to collaborate with tribal entities and other groups.

Key Recommendations for Maximizing Revenue

1. **The department should transform the State's current Medicaid 1915 waivers and implement the 1915(i) and 1915(k) options to refinance and improve community behavioral health service delivery.**

   A 1915(i) option expands the home and community based services eligible for Medicaid reimbursement by redefining the standards of eligibility to receive services. Under a 1915(i) option, individuals can receive the array of services even when they do not require an institutional level of care; 1915(k) authorizes the Community First Choice program, a Medicaid state plan option that encourages the use of home and community based service by supporting a six percent increase in the federal medical assistance percentage and reimbursing states for additional attendant services. Home and community based services help to assist individuals in need of a lower level of care to receive services at home, rather than in a higher level of care facilities at greater expense to the State. The report estimates that implementing the 1915(i) and 1915(k) options could achieve $24 million in savings annually.

2. **The department should consider the pursuit of a Medicaid 1115 waiver to broaden the array of behavioral health services financed by Medicaid.**

   Section 1115 waivers authorize demonstration and pilot projects as opportunities for states to improve their Medicaid programs. The amount of additional funding is variable and depends on specific parameters agreed upon by the State and the Centers for Medicare and Medicaid Services, but it is estimated that Alaska could achieve $10-$15 million in savings through a 1115 waiver. Regardless of the amount of funding received, the State will not have an increase in costs, as 1115 waivers are required to be budget neutral.

3. **The State should develop local sources of funding for behavioral health initiatives.**

   The department currently requires a 25 percent community match of all state funding for community behavioral health grants. The State should also explore a tax or assessment on hospitals. By levying a tax on hospitals within a municipality and dedicating that tax to the State's share of behavioral health services Medicaid payments, the department will receive additional federal matching funds that can be redistributed within the provider community, so long as the redistribution benefits the local safety net hospital. This financing mechanism would expand the funds available for behavioral health infrastructure development to include the revenue from the provider tax, decreasing the department's dependence on the general fund for infrastructure improvements.

4. **The department should amend its grant and contract requirements to more strongly incentivize behavioral health providers to leverage third party insurance.**

   Making grant approval contingent on demonstration of consistent screening for third party insurance and eligibility would strengthen the ability of the department's grants and contract procurement process to adequately leverage insurance.

5. **The department should improve its efforts to identify veteran recipients of behavioral health services who may be eligible for services through the Alaska veterans affairs healthcare system.**

   Services provided through the Alaska veterans affairs healthcare systems are funded by the federal government as part of its obligation to veterans. Making sure that veterans services are properly billed to the Alaska veterans affairs healthcare systems reduces dependency on state-funded direct care. Estimated savings/cost avoidance is up to $1 million annually.

LOWERING COSTS

Summary: The report offers a number of ways that the department could potentially lower costs in the future. Some of these reductions may be accomplished without cutting services, while others may entail a reduction in services provided by the department. This is distinct from maximizing revenues in that rather than seeking additional funding to offset general funds, these recommendations find ways that the department could be spending less on a task.

Key Findings for Lowering Costs

1. Although expenditures per capita continue to rise annually, expenditures per recipient have

actually decreased over the period due to increased access and utilization. Spending dropped 12 percent per recipient from 2009 to 2013.

2. The department has significant room for improvement in minimizing administrative costs related to grants and contracts, as limits or benchmarks have not been established to monitor administrative costs.

3. The department serves a disproportionate number of Alaska Natives with serious mental illness due to underdeveloped service capacity for these individuals within tribal systems.

Key Recommendations for Lowering Costs

1. **The State should develop a coordinated forensic services unit to oversee forensic evaluations and service coordination, and to minimize costs incurred by the Alaska Court System (ACS), DOC, and DHSS.**

   Alaska's current forensic evaluation process involves numerous jurisdictional transfers and expensive transport costs, with significant opportunities for logistical streamlining. Alternatives to the current system would involve improved coordination between DHSS and regional ACS and DOC entities that would allow forensic evaluations to be conducted on-site, closer to home communities, instead of requiring multiple flights among several jurisdictions. Transporting the forensic examiner would be less costly than the secure transport required for the individual being evaluated.

2. **The State should reform Title 12 to distinguish between violent and non-violent misdemeanor offenses in the code governing forensic psychiatric evaluations for misdemeanor offenders.**

   Title 12 of the Alaska Statutes dictates a single forensic psychiatric evaluation process for both violent and non-violent misdemeanor offenders. Regardless of the classification of the misdemeanor, and whether individuals are considered a threat to themselves or others, the court system follows the same procedure for individuals requiring a forensic psychiatric evaluation. Although the current procedure meets the security standards for violent misdemeanor offenders, in cases of non-violent offences, the evaluation process is unduly burdensome and can be streamlined significantly to make better use of precious clinical resources.

3. **The department should consider limiting administrative costs during the grants and contract process to 7-10 percent of the total award.**

   Other states often require grantees and vendors to limit administrative costs to 7-10 percent of the total value of the contract or grant in order to maximize funding devoted to direct behavioral health service delivery and minimize funding dedicated to indirect costs.

4. **Based on current Division spending for acute and sub-acute behavioral health services, it is estimated that the department could save at least $1 million if a tribal provider established an inpatient psychiatric unit.**

   Roughly 30 percent of adults receiving treatment for severe mental illness within the public behavioral health system are American Indian/Alaska Native individuals. At an average cost of $23,800 per individual per year for institutional intensive psychiatric services, the department spent approximately $14.5 million in FY14 on intensive psychiatric care for American Indian/Alaska

Native consumers. The report estimates that if five inpatient psychiatric beds are established in a tribal health facility, which makes the services eligible for 100 percent federal reimbursement, the department could achieve savings of at least $1 million.

5. **The department should engage Medicaid recipients in helping to identify fraud by providing them with explanation of benefits statements.**

   In contrast to private insurance enrollment, Alaskans do not customarily receive explanation of benefits statements upon enrollment into the Medicaid program. Subsequently, Medicaid recipients are unable to verify services billed on their behalf by providers. This shortcoming of consumer engagement presents providers with the opportunity to submit fraudulent claims.

6. **The State should consider increasing criminal penalties for Medicaid fraud and assessing interest and additional financial penalties on individuals convicted of Medicaid fraud.**

   Punishing Medicaid fraud with light criminal penalties provides individuals with an economic incentive to defraud the Medicaid program. The State should consider increasing criminal penalties for Medicaid fraud to strongly discourage and more effectively prevent fraudulent Medicaid activity.

7. **The State should consider strengthening its seizure laws and imposing bonding requirements for high-risk providers.**

   Stronger seizure laws will enable the department to recoup overpayments and payments made on fraudulent claims more easily. With enhanced bonding requirements, providers will be required to repay a set amount or percentage to the department in the event of fraud, ensuring the department receives a higher percentage of restitution payments. The report estimates that improved program integrity activities could generate approximately $1 million annually in additional combined cost savings and avoidance for behavioral health services.

8. **The State should create a robust prescription drug control program, including financial support for and upgrade of the Prescription Drug Database to real-time functionality and removing statutory barriers to state agency access to the database to facilitate fraud identification and drug abuse prevention.**

   This program should include financial support for the Prescription Drug Database sufficient for its upgrade to real-time functionality. Real-time functionality inhibits the ability of consumers to fill multiple prescriptions for prescription opioid narcotics by maintaining an up-to-date complete prescription history. This functionality is nationally recognized as a best practice at improving prescription drug monitoring and preventing fraud. The report estimates savings between $30,000 and $150,000 annually with a more robust prescription drug control program.

IMPROVING SERVICE

Summary: The report includes a number of recommendations that highlight areas in which the department can improve existing services. The department could implement changes that directly improve service. It could also implement internal improvements that, while not as apparent to the outside observer, could have a measurable effect on the department's ability to provide quality services.

Key Findings for Improving Service

1. The department does not provide the full continuum of care required to deliver effective behavioral health services. The most significant gap in the system is the lack of sub-acute services for the adult population.

2. Access to services increased significantly during the review period, but the growth in service utilization has occurred unequally across regions, and disproportionately in mental health over substance abuse services.

Key Recommendations for Improving Service

1. **The department should build additional service capacity for substance use disorder treatment, both to increase access to services and improve quality.**

   Additional investment in substance use disorder treatment would lead to significant savings in medical, nursing home, and criminal justice costs, producing interventions that "pay for themselves" in cost offsets from other essential State services. Substance use disorder treatment consumers tend to incur excessive or unnecessary medical expenses as a result of seeking medical care driven by other factors that may not require immediate medical attention. The report indicates a "conservative estimate" of 2-to-1 rate of return on investment in the first four years of expanded treatment.

2. **The department should prioritize services that prevent individuals from over-utilizing medical and emergency services and treat individuals at the lowest level of care needed.**

   In Alaska, the average emergency room visits costs between $700 and $3,000, while the daily cost of a prison bed is $158. By contrast, the daily cost to the State of treating an individual in the community is $18. Any program connecting individuals in crisis to community outpatient treatment, when these services are more appropriate than hospitalization or incarceration, makes good economic sense. The report provides a number of options to be proactive in preventing over-utilization of unnecessary services while getting appropriate level of care to individuals in need. These options include Mobile Crisis Units, Targeted Case Management, Crisis Intervention Team training, and Assertive Community Treatment, and Sustained Support of Integrated Care. The combined estimate of savings for these options is upward of $1 million annually.

IMPROVING ADMINISTRATIVE FUNCTIONS

Summary: The report notes areas in which the department satisfactorily administers programs as well as reveals a number of administrative processes and functions which need improvement to better meet the needs of Alaskans.

Key Findings for Administrative Functions

1. The department's referral and placement policies for child and adolescent residential services are effective and efficient thanks in part to the 2005 Bring the Kids Home Initiative.

2. Abuse of prescription opioid narcotics is both a major behavioral health concern as well as a significant source of fraud and abuse in the health care system. Alaska's current prescription drug monitoring law creates barriers that restrict DHSS and the Department of Law from accessing

prescription drug data and using it to identify patient "doctor-shopping" and other prescribing practices that are potentially fraudulent or abusive.

3. The Department of Health and Social Services (DHSS or department) did not submit a list of 10 percent reductions in general funded budget. Instead, it offered a proposal for reductions drafted originally in response to the governor's request for five percent and eight percent program reductions.

Key Recommendations for Administrative Functions

1. **Reforming staffing policies and practices at the Alaska Psychiatric Institute (API), including more competitive hiring and retention efforts, could significantly improve the quantity and quality of care without increasing costs.**

   The state has a workforce shortage of qualified psychiatrists. This problem is accentuated at API by its sub-optimal personnel policies that maintain staffing levels in the short term, but ultimately hurt long-term workforce development and increase administrative challenges. For example, shortages both in psychiatrists and in psychiatric nursing staff have led API to establish mandatory staff overtime. This policy not only harms the hospital's competitiveness in hiring and retention, but it also contributes to a worrying rise in workplace injury rates at the hospital. High turnover rates and physician vacancies subsequently force the hospital to contract with locum tenens (or temporary) agencies costing twice as much as a state-employed physician. The policy creates quality and continuity of care issues as well as budgetary inefficiencies. Overtime wages and locum tenens salaries are more expensive than regular wages and full-time salaries with benefits. By relying on mandatory overtime and locum tenens psychiatrists to staff API, the department experiences higher staffing costs and delivers a lower quality of care.

2. **The department should develop a Medicaid behavioral health rate structure that covers provider costs, incentivizes quality, and minimizes administrative burden.**

   Since 2007, the department has funded a larger proportion of mental health and substance abuse services through Medicaid reimbursement rather than grant awards. However, the Medicaid reimbursement rates have not been updated since 2007 and are insufficient to cover the costs of needed services. DHSS supplements the Medicaid funding with state-funded grants. By revising rate structure, a greater share of the service costs will be paid for by federal funds.

3. **The department should incorporate performance measures that are more appropriately outcome-oriented.**

   Outcome-oriented measures are well represented among the Division of Behavioral Health's performance measures, but many rely on consumer perceptions of the quality of care rather than more objective indicators of recovery, such as the ability to secure stable housing or improved employment status. The department should revise the performance measures to include additional, more robust outcome-oriented measures along these lines.

4. **The department should align the performance measurement for community providers, with the measures used in accreditation requirements as much as possible.**

   DHSS mandates that behavioral health service providers be accredited by a division-approved, private, non-State organization that assesses the provider for meeting best practice and quality of care standards. DHSS also requires behavioral health providers undergo additional evaluations by DHSS staff. Since providers are already required to be evaluated by certain quality indicators in the accreditation process, DHSS should match these accreditation measures within its performance management system. Holding providers to two separate sets of standards is confusing and costly, and places additional burdens on providers and the department.

5. **The department should improve coordination efforts with the Department of Corrections (DOC) to ensure consistency in treatment programs and protocols for individuals exiting correctional facilities.**

   DOC is the largest provider of behavioral health services within Alaska. Developing coordinated behavioral health treatment programs available within the correctional system based on the same principles and using the same evidence-based practices as those services available within the community would provide continuous care for individuals exiting the correctional system. Continuity and minimal disruption of behavioral health care eases the reentry process and promotes a successful transition from the correctional system into the community.

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Department of Health and Social Services, Long Term Care Performance Review

Issued by Public Consulting Group, Inc., October 1, 2015

PURPOSE OF THE REPORT: Following a competitive procurement, Public Consulting Group, Inc. (PCG) was engaged to review DHSS' long-term care services. DHSS' long-term care programs are administered primarily by the Division of Senior and Disabilities Services (SDS) and the Division of Alaska Pioneer Homes. The Division of Health Care Services' budget contains Medicaid long-term care funding appropriations, but the administration of programs is mainly overseen by SDS.

PCG was tasked with 10 separate review objectives spanning all facets of DHSS' long term care programs. The study began in November 2014 and encompassed reviews of available data and reports, visits to long-term care facilities, attendance at public forums, and interviews with state staff, long-term care providers, and interested parties and stakeholders. The report represents the culmination of PCG's work on this performance review.

Key findings and recommendations are summarized below.

MAXIMIZING REVENUE

Summary: The report recommends several ways that the State can maximize the amount of federal matching funds available. In some cases, the State may cut the amount of general funds needed to provide existing services to Alaskans by increasing the share that the federal government provides. In other cases the State could expand services by providing additional federal matching funds. However, this would require the State to expend additional general funds. The report also highlights other ways that the department can increase revenues, such as improving fee structures, implementing new fees, and looking for new ways to collaborate with tribal entities and other groups.

Key Recommendations for Maximizing Revenue

1. **The department should implement a Medicaid 1915(i) option.**

   Section 1915(i) of the Social Security Act established an optional Medicaid benefit, giving states a new method with which to cover home- and community-based services. Fifteen states now have approved 1915(i) programs and five others have pending amendments. The services authorized under 1915(i) specifically include "day treatment or other partial hospitalization services, psychosocial rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness." This implementation will allow an estimated $4,494,300 in federal funds to be captured, allowing a reduction in State general funds expended.

2. **Alaska should implement the Community First Choice 1915(k) option.**

   Section 1915(k) of the Social Security Act established the Community First Choice program, a new Medicaid state plan option to provide home- and community-based attendant services and supports a six percentage point increase in the federal medical assistance percentage. As a "state plan" benefit, the option is available to states without the need for special waiver authority. The purpose of the program is to encourage the use of home- and community- based services. The department should submit a Medicaid state plan amendment to the federal Center for Medicaid

Services to operate a Community First Choice program. A DHSS-commissioned 2012 study of the feasibility of the program indicated substantive savings could be accomplished, but the department chose not to implement it because of a lack of staff. In the case of the Community First Choice program, it is more cost effective to hire a staff person to supervise the implementation of the program than put off implementation of a cost effective program because staff are not available. The additional six percent federal match would allow the department to offer more quality/quantity of service with current spending levels. This is estimated to generate savings up to $2,500,000 annually.

3. **Alaska should submit a Medicaid State Plan amendment to obtain approval for implementing a Long Term Care Insurance Partnership Program.**

   The Insurance Partnership Program is a public/private partnership between states and private insurance companies, designed to reduce Medicaid expenditures by delaying or eliminating the need for some people to rely on Medicaid to pay for long-term services and supports. Over 40 states have initiated these insurances programs and found such programs cost effective.

4. **The department should implement a person-centered rate setting system that ties acuity to payment level, allowing higher acuity patients to receive a higher reimbursement.**

   Currently, the assisted living reimbursement rate is tied to the number of beds in the facility and not related to the characteristics of persons receiving care. The creation of a person-centered rate setting system that ties resident acuity to reimbursement rates would provide the Alaska Pioneer Homes higher reimbursement for Level III residents.

5. **The department should explore expanding the Traumatic and Acquired Brain Injury Grant through a Medicaid waiver.**

   The State currently provides state funding for traumatic brain injuries and related injuries through three general funded grant programs: the Traumatic and Acquired Brain Injury Grant totaling $70,624, Traumatic and Acquired Brain Injury Case Management services totaling $300,000, and Traumatic and Acquired Brain Injury Mini Grants totaling $200,000. The department could pay for the services through a waiver and receive federal match funds for the service provision. This could be used to expand services under the waiver with an estimated potential savings of $285,000 annually.

6. **Alaska should implement a provider assessment fee to further capture federal dollars.**

   Provider assessment fees or taxes are mandated payments set by a state on health care providers. A state voluntarily decides whether to implement a fee and what the fee applies to. States are allowed to use the collected and federally-matched money to increase reimbursement to Medicaid providers or to support the Medicaid program in other ways. This practice allows states to increase revenue for their Medicaid program, which in turn allows the state to expand coverage to its residents, to prevent provider rate cuts, or to fill budget gaps in the Medicaid program. Currently, all states but Alaska impose at least one type of provider assessment.

7. **The department should upgrade the Pioneer Home in Palmer to provide both domiciliary and veteran's skilled nursing home care.**

   The Palmer Pioneer Home received Veteran Affairs certification as a veteran's nursing home in 2006, and is regarded as a domiciliary care unit which lies in the continuum of care as an Assisted Living Facility. The Veteran Affairs per diem rate does not cover the monthly Pioneer Home rate of $2,100, or roughly $70 per day. Currently, the Palmer Pioneer and Veterans Home receives a domiciliary rate of $44.19 per veteran resident per day. If the Pioneer Home expands services to offer nursing facility level of care, this Palmer Pioneer and Veterans Home would receive $102.38 per day for providing veterans this level of care. The department also has the option of only licensing limited portions of the home as a skilled nursing facility.

8. **The State of Alaska should amend its policy to make waiver eligibility for Alzheimer's disease and related dementia less of an exclusionary process.**

   The assessment tools used for Medicaid waiver eligibility make it difficult to allow an individual with Alzheimer's disease and related dementia access to Medicaid funds. The State has the power to amend this policy, which will allow better care for individuals suffering from Alzheimer's disease and related dementia. Furthermore, federal match on expenditures can be utilized to allow more individuals access to waiver services.

LOWERING COSTS

Summary: The report offers a number of ways that the department could potentially lower costs in the future. Some of these reductions may be accomplished without cutting services, while others may entail a reduction in services provided by the department. This is distinct from maximizing revenues in that, rather than seeking additional funding to offset general funds, these recommendations find ways that the department could be spending less on a task.

Key Recommendations for Lowering Costs

1. **Annual reassessments should be conducted for persons that are receiving personal care assistance services.**

   DHSS suspended personal care assistance reassessments in response to difficulties the department has had in conducting timely reassessments. Approximately $103 million was paid during FY 14 for personal care assistance. Reassessments can be performed for everyone or individuals can be triaged by acuity or age. It is inefficient to continue to provide services to persons who may now need different or fewer services.

2. **The department should consider limiting administrative costs during the grants and contracts process.**

   Percentage guidelines constituting a reasonable administrative cost should be considered. The department currently has no set limits in place to help minimize overall administrative costs in grants and contracts.

3. **The department should consider the use of an electronic visit verification system with the personal care assistance and waiver programs and for in-home services.**

   Electronic visit verification systems are one of the technology tools that can minimize unnecessary state expenditures. Under this system personal care assistance providers will electronically verify every time they go to a residence to provide services. Numerous states including Texas, Illinois, and Oklahoma use electronic verification systems. This is estimated to save between $1,000,000 and $2,000,000 annually.

4. **The department should create financial incentives for the personal care assistance provider agencies to control fraud and abuse.**

   The current program architecture contains no role for the provider agencies in the control of fraud and abuse. Currently, agencies benefit regardless if the rendering providers provide the services or not. The agencies take their administration fee off the top and pass the rest of the funding along to the rendering providers. The department should issue regulations specifying the responsibility of personal care assistance agencies for monitoring fraud and abuse and build in contractual requirements for provider agencies to control fraud and abuse. Additionally, the department could incentivize provider agencies to monitor fraud and abuse internally by automatically recouping funds from agencies whose rendering providers are not providing appropriate services and rewarding agencies whose providers consistently provide problem-free services. These recommendations should extend to all Medicaid services provided on an in-home service basis including chore and respite whose rendering providers are supervised by agencies.

5. **Criminal penalties for Medicaid fraud should be increased, and penalties and interests should be assessed when persons are convicted of Medicaid fraud.**

   Both penalties and interest should be collected in situations where the Medicaid program has been defrauded. The contractor does not offer recommendations as to how penalties should be increased, believing this is a matter best determined by local culture and judicial history. While Alaska Statutes have provisions for recoupment of funds and disbarment from the Medicaid program, increased sanctions would provide State staff, prosecutors, and judiciary more latitude and support in controlling fraud. The State could benefit by having a Medicaid False Claims Act.

6. **The telehealth pilot program is recommended for expansion.**

   Senior and Disability Services staff have estimated the travel savings from the first 50 persons assessed through the telehealth pilot program to be approximately $2,000 per person, based on the travel costs to remote locations. Fixed cost for the telehealth program are $20,000 for equipment and $1,000 a month for the telehealth room. An increase in telehealth in reassessments is an effective and efficient use of technology.

IMPROVING SERVICE

Summary: The report includes a number of recommendations that highlight areas in which the department can improve existing services. The department could implement changes that directly improve service. It could also implement internal improvements that, while not as apparent to the outside observer, could have a measurable effect on the department's ability to provide quality services.

Key Findings for Improving Service

1. Alaska has been successful in developing all three types of Long Term Care: institutional care, in-home services, and residential programs. Alaska scores fifth in the nation on the Association of American Retired Persons score card of Long Term Services and Support based on 26 indicators.

2. The department is not currently meeting the needs of the growing Alzheimer's disease and related dementia population. In 2014, an estimated 6,100 Alaskans had Alzheimer's or a related disease. The lack of services for persons with Alzheimer's disease and related dementia was frequently mentioned during interviews with Department of Health and Social Services (DHSS or department) employees and key stake holders.

3. The population of seniors in need of services will expand rapidly, especially between 2022 and 2032. The leading edge of the baby boomers will turn 75 in 2021-2022, and the following decade will see considerable growth in populations that require increased assistance with daily living activities.

4. Current Medicaid assisted living reimbursement rates discourage the treatment of people with high acuity because the rates are tied to the number of beds in the facility rather than related to the characteristics of persons receiving care.

Key Recommendations for Improving Service

1. **The department should expand the use of small privately-owned residential programs to gradually add residential capacity for individuals who would meet the Alaska Pioneer Homes level of care.**

   The population size of persons using residential services is projected to increase by 50 percent in the next 10 years and more than double the current residential services population by 2032. With a fixed bed count, the Pioneer Homes will not be able to absorb any of this utilization increase. If the State wishes to provide more residential opportunities, it can either build pioneer homes, incentivize the growth of other residential providers, or do both. Incentivizing small privately-owned residential programs is more cost effective than building a pioneer home with large downstream funding commitments.

2. **An Alaska Pioneer Home should be devoted to become a center of excellence for Alzheimer's disease and related dementia services in the state.**

   In 2014, an estimated 6,100 Alaskans had Alzheimer's disease and related dementia. The lack of services for this population was a frequently mentioned subject of conversation in interviews. It is also a major priority of the Alaska Commission on Aging. A January 2011 study of persons in Alaska Pioneer Homes found that 57 percent had dementia. By devoting a Pioneer Home to Alzheimer's disease related dementia services, the State would be able to provide better care to individuals with high acuity and issues with Alzheimer's disease and related dementias. Currently, many individuals with severe Alzheimer's disease and related dementia are left to use costly state emergency services, or end up in the Alaska Psychiatric Institute.

3. **Adjustments to the calculation of cognition on the Consumer Assessment Tool (CAT) should be made.**

   The CAT is used to assess an individual's ability to take care of him or herself. Applicants take the assessment to determine if they are eligible for personal care services or an Older Alaskans/Adults with Physical Disabilities waiver. Eligibility for waiver services allows Medicaid to be used to provide a nursing home level of care to those who live outside of a nursing home. Strict eligibility screening limits the number of individuals eligible for services through Medicaid waivers. Adjustments in screening criteria could allow more individuals with dementia and related disorders to obtain access to assisted living, chore, respite and other services provided through Medicaid waivers rather than using services financed entirely by the general fund. Adjusting CAT scoring is an alternative to going through the time and expense involved with a 1915(i) waiver.

4. **The State should routinely review services provided in assisted living programs to ensure that they are provided to recipients consistent with their plan of care.**

   The State lacks a system of impartial, conflict-free, care coordinators that is characteristic of other states' home and community based services programs. For example, in Oregon and Washington, a federally established membership association that does grassroots management of community needs for aging populations along with state staff provides care coordination management to recipients and monitors whether appropriate care is rendered.

IMPROVING ADMINISTRATIVE FUNCTIONS

Summary: The report notes areas in which the department satisfactorily administers programs as well as reveals a number of administrative processes and functions which need improvement to better meet the needs of Alaskans.

Key Finding for Improving Administrative Functions

1. DHSS did not provide the list of proposed 10 percent budget reductions in unrestricted general funds as required by AS 44.66.020(c)(2). The department provided smaller reductions totaling eight percent, half of which from two large unspecified areas.

Key Recommendation for Improving Administrative Functions

1. **The department should modernize its assessment instruments to incorporate person-centered assessment data.**

Alaska currently uses three assessment tools:

- The Consumer Assessment Tool which is used with the Alaskans Living Independently Waiver;
- The Inventory for Client and Agency Planning, which is used with persons that have intellectual or developmental disabilities, and
- The Child with Complex Medical Conditions waiver, which is a third tool specialized for children.

The continued use of multiple instruments is administratively inefficient. Adopting a single assessment process to determine eligibility will allow efficient collection of information that will flow into care plan development.

Department of Health and Social Services, Organizational and Administrative Structure Performance Review

Issued by Public Works, LLC, September 28, 2015

PURPOSE OF THE REPORT: Following a competitive procurement, Public Works, LLC was engaged to review DHSS' organizational and administrative structure. This included evaluation of the organizational and administrative functions of all nine divisions of DHSS:

- Alaska Pioneer Homes
- Division of Behavioral Health
- Division of Juvenile Justice
- Division of Public Assistance
- Division of Public Health
- Division of Senior and Disabilities Services
- Finance and Management Services
- Health Care Services
- Office of Children's Services

Public Works was tasked with eight distinct review objectives spanning all facets of the Department's organization and administration. Public Works conducted site visits, interviewed stakeholders and DHSS staff, and attended public hearings. Their report incorporates findings identified from the research, interviews, and observations of department operations and includes recommendations for addressing those findings.

Key findings and recommendations are summarized below.

MAXIMIZING REVENUE

Summary: The report recommends several ways that the State can maximize the amount of federal matching funds available. In some cases, the State may cut the amount of general funds needed to provide existing services to Alaskans by increasing the share that the federal government provides. In other cases the State could expand services by providing additional federal matching funds. However, this would require the State to expend additional general funds. The report also highlights other ways that the department can increase revenue, such as improving fee structures, implementing new fees, and looking for new ways to collaborate with tribal entities and other groups.

Key Findings for Maximizing Revenue

1. Federal Title IV-E funding can be claimed by states for eligible children in foster care who are in qualified foster care placements. In 2012, Alaska only had 38.5 percent of foster children qualify for funding compared to 51.6 percent nationally.

2. DHSS is not taking advantage of all opportunities for billing individuals and third party insurance to recover a portion of the costs of services currently supported by the general fund.

Key Recommendations for Maximizing Revenue

1. **Separate foster care licensing statutes and regulations from other residential care facilities.**

A separate foster care licensing statute will make it easier for foster care homes to become fully licensed and easier for relatives, in particular, to become licensed. This will make it easier to reach Title IV-E eligibility and bring federal matching funds to pay for foster services that the state currently pays for with general funds. The report estimates that if Alaska reaches the national average eligibility for Title IV funding, it would bring up to $4,653,600 in annual general fund savings.

2. **Conduct a comprehensive review of the fee structure for all licensing and certification functions.**

   DHSS licenses and certifies a number of facilities and individuals. In many cases, DHSS does not charge fees for these services. Where fees are charged, the amounts are so small that the revenue generated does not cover the department's costs in issuing the license or certification. The department should establish fees equal to costs, accompanied by indexing to provide automatic adjustments of fees as costs change.

3. **Reestablish a fee system to help cover the State's cost for laboratory testing.**

   The Alaska State Public Health Laboratories provide lab testing and analysis for a variety of public health concerns ranging from communicable diseases to toxic exposure. Each year, the health labs conduct approximately 181,000 tests with a commercial testing value of over $20 million. The State public health labs do not currently charge for the lab's testing. The last attempt at implementing a fee system was discontinued due to a low collection rate. Low collection rates could be addressed by using an external billing vendor. Savings are estimated to be up to $2 million annually.

4. **Increase the billing capacity at DHSS.**

   DHSS is not taking advantage of all of the opportunities available for billing individuals and third party insurance to recover a portion of the costs of the services currently supported by the general fund. By expanding billing capacity for the public health clinics and Pioneer Homes, additional revenue would be generated to offset the costs of services funded through the general fund, with estimated savings of up to $281,666 annually. The department should explore whether the contract for third party billing in the Division of Health Care Services could be expanded to include billing for the Alaska Psychiatric Institute, Division of Public Health, and Pioneer Homes or centralize billing functions within DHSS to consistently and aggressively pursue payment from private sources.

5. **Require a denial letter from Medicaid before a resident may move into a Pioneer Home.**

   The Alaska Administrative Code states that a person applying for payment assistance for residency in the Pioneer Homes "shall" apply for Medicaid. Not enforcing this regulation means that the general fund could be supporting residents who are eligible for the Alaskans Living Independently Medicaid waiver. Savings are estimated to be up to $926,983 annually.

6. **Increase rates for Pioneer Homes to private market rates.**

   Fifty percent of the residents of Pioneer Homes are private pay. Pioneer Homes charge below market rates, meaning the State must pay a larger percentage of the cost to provide services from the general fund. Savings are estimated to be up to $3,448,260 annually.

7. **Increase revenue and reduce general fund expenditures by developing a fee schedule for Pioneer Homes.**

   Pioneer Homes do not charge application or waiting list fees, although it is common practice for assisted living facilities to require an application fee, deposits to be included on waiting lists, and community or entrance fees to move into a facility. Approximately half of applicants for residence in the Pioneer Homes are considered low income. Any fee could be waived for those individuals who do not meet set income levels. Potential savings is estimated at $60,750 annually.

8. **Establish a minimum license fee for smaller residential care facilities.**

   Alaska has an established license fee for residential care facilities of $25 per bed. This fee structure does not reflect the cost of licensing and monitoring the facilities. If, instead of $25 per bed, all facilities with fewer than 10 beds paid a minimum fee of $250, an additional $24,250 would be collected annually to help cover the State's cost.

9. **Establish an application fee for all licensing services provided by DHSS.**

   According to a January 2013 analysis by the Office of Rate Review, an application fee of $1,000 for assisted living facilities would generate an additional $45,000 in annual revenue.

LOWERING COSTS

Summary: The report offers a number of ways that the department could potentially lower costs in the future. Some of these reductions may be accomplished without cutting services, while others may entail a reduction in services provided by the department. This is distinct from maximizing revenues in that rather than seeking additional funding to offset general funds, these recommendations find ways that the department could be spending less on a task.

Key Finding for Lowering Costs

1. Despite numerous strategic, operational, and financial benefits, video conferencing technology remains under-utilized by DHSS.

2. There are a number of opportunities to increase revenue and reduce general fund expenditures for the Alaska Pioneer Homes.

Key Recommendations for Lowering Costs

1. **Combine the facility licensing and certification functions into a single office or new division.**

   Although licensed by separate divisions within DHSS, child care homes and centers (licensed by the Division of Public Assistance) and residential care facilities (licensed by the Division of Health Care Services) are governed by the same statute. These licensing functions require considerable travel throughout the state by each division. Of 14 states reviewed, 10 combine health care facilities licensing and certification into a single division or unit within a department. Combining these functions would allow more efficient and effective coordination of travel and personnel. Estimated savings are up to $250,000 annually.

2. **Designate an existing deputy commissioner to oversee the programs within DHSS that operate institutions.**

   DHSS operates three sets of institutions that provide residential care: the Alaska Psychiatric Institute, which consists of one 80-bed facility; the Division of Juvenile Justice, which oversees of eight juvenile justice facilities across the state; and the Alaska Pioneer Homes, which consists of six facilities across Alaska. These facilities have similar institutional administrative support functions, such as food service, facility maintenance, pharmaceutical purchasing and dispensing, recruitment and retention of direct service workers, and invoicing and billing. Currently, these institutional administrative support functions are not comprehensively coordinated. This change would standardize administrative functions and realize efficiencies that can be achieved by consolidating many of the support functions.

3. **Combine all program integrity and compliance units across the department, including provider enrollment and the surveillance and utilization review subsystem.**

   Investigation and program integrity efforts vary widely across the divisions. Combining units would allow DHSS to conduct risk analyses to best deploy resources to prevent, detect, and investigate fraud, waste, and abuse for all department programs and services. The benefits of combining these functions include the opportunity to consolidate analytical capabilities and systems to conduct risk assessments. Additionally, overhead can be reduced, and travel can be coordinated.

4. **Elevate the priority of current and future video conferencing projects to expand video conferencing capabilities of the department.**

   Video conferencing technology allows visual and audio communication to take place across the state without the high cost of in person meetings. Although not fully utilized, DHSS has been implementing video conferencing technology for the past several years for many purposes including staff meetings, mental and medical healthcare interviews and diagnostics, family visitations, and judicial proceedings. Certain court-related usage of video conferencing technology may require legislative changes and would require partnering with the judicial branch. Video conferencing use for health care is expensive and should only be considered as funds are available. This will increase efficiency and reduce travel-related expenses across all divisions.

5. **As new video conferencing capabilities come on line, the commissioner should establish a target reduction in travel of 10 percent for the first year and 20 percent in the second year.**

   DHSS spends nearly $4 million per year on non-Medicaid travel. By increasing the use of video conferencing and decreasing the need for travel, the department could target savings in this area. The full cost of implementing an expanded video conferencing system is not known; however, conservatively targeting a net savings of 10 percent in the first year to account for start-up costs, the department would save $400,000 annually. Savings targets can be increased in subsequent years.

6. **Review staffing levels and identify ways to reduce staffing ratios to be more in line with other state-operated assisted living facilities, with due consideration given to variations in care models.**

   While the State of Alaska does not prescribe statutory minimum staffing ratios for nursing homes or assisted living facilities, Pioneer Homes has substantially higher staffing ratios than other states' minimum standards where they exist. The states with the highest staffing ratios are Colorado (1:6), South Carolina (1:8), and South Dakota (1:10). Alaska Pioneer Homes has an approximate average staffing ratio of one direct care staff per 3.8 residents — significantly higher than the minimum ratios required in these three states.

7. The State of Alaska should consider managed competition or privatization for the Alaska Pioneer Homes.

An alternative to privatization is a process called managed competition. Many public agencies contract for services with private firms without considering whether a job can be done cheaper and better in-house by public employees. Managed competition analyzes the real cost of an operation or service and then designs a competitive bidding process that is open to in-house bidding by government agencies and/or workers, as well as outside private bidders.

IMPROVING SERVICE

Summary: The report includes a number of recommendations that highlight areas in which the department can improve existing services. The department could implement changes that directly improve service. It could also implement internal improvements that, while not as apparent to the outside observer, could have a measurable effect on the department's ability to provide quality services.

Key Finding to Improve Service

1. In 2012, Alaska had the third highest spending to address child abuse and neglect per 1,000 children out of all states, yet it falls behind all states in its response time to reports of child abuse and neglect.

Key Recommendations to Improve Service

1. Create an Office of Tribal Relationships in DHSS' Office of the Commissioner.

Most of the divisions within DHSS have extensive interactions with Alaska Native tribal communities, and the Divisions of Health Care Services, Behavioral Health, and Juvenile Justice as well as the Office of Children's Services have a tribal office or liaison. A central office should coordinate with the tribal liaisons in each division to better serve tribal members' needs.

2. Elevate prevention issues within DHSS.

The return on investment from prevention and early intervention programs has been well documented in the fields of health care, public health, and early childhood programs. Generally speaking, prevention and early intervention programs have a low profile in DHSS. The department does not have an office dedicated to these issues. Elevating prevention issues within DHSS may be achieved by creating a prevention and early intervention office or by clearly identifying and tracking the return on investment of prevention and early intervention programs in budget documents.

IMPROVING ADMINISTRATIVE FUNCTIONS

Summary: The report notes areas in which the department satisfactorily administers programs as well as reveals a *number of administrative processes and functions which need improvement to better meet the needs of Alaskans.*

Key Finding for Improving Administrative Functions

1. DHSS did not provide its list of proposed 10 percent budget reductions in general funds as required by AS 44.66.020(c)(2).

Key Recommendations for Improving Administrative Functions

1. Establish an internal audit section for the entire department.

Several recent audits and assessments found weaknesses in the internal controls throughout DHSS. Public Works recommends that DHSS establish an internal audit section with an enterprise-wide focus on internal controls and reviews, thus reducing errors, reducing adverse and costly federal audit/investigation findings, and improving efficiency.

2. Consider creating a formal process for coordinating site visits and expand cross-training opportunities so staff can conduct multi-purpose site visits.

Multiple DHSS divisions conduct site visits for a variety of purposes, including the review of 555 grants to about 250 grantees. With limited resources for on-site compliance reviews, coordinating site visits can reduce travel costs and increase compliance monitoring at sites where staff limitations result in infrequent or untimely visits.

3. Elevate the Medicaid continuous quality improvement function within DHSS.

A continuous quality improvement process is an integral and required component of Medicaid which ensures programs are systematically and intentionally improving services and increasing positive outcomes for the individuals they serve. This function should report directly to the deputy commissioner for Medicaid and Health Care Policy and should include the entire Medicaid program, including behavioral health and long-term care services.

4. Prioritize migration to electronic health records for all divisions.

Electronic health records help to reduce medical errors, maximize operational efficiency, and minimize redundant training. Due to its technological limitations, the Public Health Nursing section still maintains a paper charting system in all of its health centers. New nurses require training on paper charting protocols because nursing schools today utilize only electronic records in their teaching.

IMPROVING EMPLOYEE PERFORMANCE

Summary: There are a number of specific changes recommended in the report that will require the department to work with lawmakers, the executive branch, and through collective bargaining to finds solutions that improve the quality of the work environment for employees and allow the department to perform at a higher level.

Key Findings for Improving Employee Performance

1. The Department of Health and Social Services (DHSS or department) is currently facing challenges

in both recruiting qualified staff and retaining quality employees. While recruitment and retention are a challenge in many departments of state government, some divisions in DHSS face acute deficiencies that hamper performance of its duties.

2. DHSS faces great challenges in recruiting and retaining employees who are required to travel extensively for their positions, particularly public health nurses and child welfare workers.

Key Recommendations for Improving Employee Performance

1. **Reduce the caseloads for new child welfare workers to meet the enhanced federal Title IV-E reimbursement rate requirements for workers in training, as well as during the first six months of employment, and maintain manageable workloads for all workers.**

   Office of Children's Services (OCS) caseworkers receive two to three weeks of training prior to assuming a full caseload. Once training is completed, caseworkers have caseloads that are triple the size recommended by the Child Welfare League of America. Currently, OCS experiences a turnover rate higher than 50 percent annually. An alternate approach to training would counter this sort of turnover rate. Rather than a two to three week training period, an extended training period of up to six months with a reduced workload would qualify for a 75 percent matching rate. OCS could use the estimated additional revenue of $768,000 to hire caseworkers and supervisors in the appropriate ratio. The report believes this approach would improve the quality of work and reduce turnover.

2. **Form a multi-disciplinary work team to develop a long-range plan for recruitment and retention of field workers in the department.**

   Poor employee recruitment and retention rates within parts of the department threaten its effectiveness and efficiency by reducing the number of qualified applicants and reducing institutional knowledge as employees leave. This team should include, at a minimum, representatives from affected divisions, the DHSS training coordinator, a fiscal representative from Finance and Management Services, and a representative from the Office of Tribal Relationships which is recommended for development.

3. **Develop a formal succession plan to internally cultivate future leaders and certain skilled non-management positions.**

   Although employee retention and recruitment issues plague the department and create a large number of vacant positions, succession plans for replacing key personnel are not formalized. Succession planning is needed even more as the agency faces a large number of potential retirements in the next few years.

4. **Create a master trainer program in the Division of Public Assistance modeled after the Division of Juvenile Justice program and allow eligibility workers who have low error rates (comparable to experienced employees) to take on greater caseloads as early as possible.**

   Under this proposed training model, a local trainer would be an experienced, high-performing staff or supervisory position and would not be solely devoted to training. The local trainers would be trained centrally in Anchorage to become "certified trainers" by a Division of Public Assistance master trainer. Certified trainers would then be responsible for providing onsite training locally and/or regionally to new Division of Public Assistance employees on an ongoing schedule that best fits local staffing needs. This should cut down on employee training travel expenses.

5. **Eliminate the additional four months of continued distance learning and reduced caseloads for Division of Public Assistance eligibility workers.**

   After participating in the two to three week core training sessions, new employees remain on limited work duty (working half of a normal caseload) for up to four months post-training. Federal requirements only specify error rates for determining eligibility for federal programs, not length or duration of training. Quality assurance protocols would pinpoint which new employees need to remain at a reduced workload, which need additional training, and which can increase their workload. Monitoring every new hire's cases should continue for the full six months, as is done currently.

Report Highlights

Why DLA Performed This Audit

The purpose of this audit was to determine if there is a need for the commission's continued existence and whether its termination date should be extended. The commission is set to sunset on June 30, 2016, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

1. The commission's chair and the Department of Commerce, Community, and Economic Development, Division of Administrative Services director should work together to procure a master errors and omissions insurance policy for real estate licensees.

2. The Division of Corporations, Business and Professional Licensing's chief investigator should take action to ensure cases are actively investigated and completed timely.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Real Estate Commission

July 24, 2015

Audit Control Number 08-20091-15

REPORT CONCLUSIONS

Overall, the audit concluded that the Real Estate Commission is serving the public's interest by effectively licensing real estate brokers, associate brokers, and salespersons. The commission has worked to improve operations and industry practices by modifying and adopting regulations. We conditionally recommend the commission's termination date be extended six years to June 30, 2022. If the commission does not obtain a master errors and omissions insurance policy by January 2016, we recommend an extension of no more than four years. The lack of a master policy essentially removes the insurance requirement from all real estate licensees, thereby exposing consumers to financial losses suffered as a result of errors and omissions in real estate transactions.

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Report Highlights

Why DLA Performed This Audit

The purpose of the audit is to determine if there is a need for the board's continued existence and whether its termination date should be extended. The board is set to sunset June 30, 2016, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

1. The Division of Corporations, Business and Professional Licensing's (DCBPL) director should ensure staff adhere to procedures designed to provide efficient and effective support to the board.

2. DCBPL's director should take steps to improve the timeliness of investigations.

3. DCBPL's director, in coordination with the board, should increase licensing fees to address the board's operating deficit.

4. DCBPL's director should ensure the transporter license renewal application form complies with statute.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Big Game Commercial Services Board

August 26, 2015

Audit Control Number 08-20093-15

REPORT CONCLUSIONS

Overall, the audit concludes the board has provided reasonable assurance that individuals licensed to guide and/or outfit hunts, as well as transport hunters to and from hunt locations, in Alaska are qualified to do so. Additionally, the board's regulation and licensing of qualified guides, guide-outfitters and transporters benefited the public's safety and safeguarded the state's wildlife resources. In recognition that the board reported an operating deficit of over $1 million as of April 30, 2015, we recommend extending the board only three years under the condition that the board demonstrate the ability to address its deficit during the legislative sunset review process. The board believes proposed regulations that increase licensing fees and create new record processing fees will address its deficit by the end of FY 17. If the board fails to demonstrate the ability to address its operating deficit, we recommend it be considered for termination.

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ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
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MEMORANDUM

TO: Members of the Legislative Budget and Audit Committee

FROM: Kris Curtis, CPA, CISA KC
Legislative Auditor

DATE: May 8, 2015

RE: Accuracy of the Regulatory Commission of Alaska's (RCA) Tariff Filing System Data

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The Legislative Budget and Audit Committee requested a follow-up review of RCA's FY 13 Annual Report audit dated May 16, 2014, (Audit Control No. 08-30075-14) to determine whether data system errors were addressed by RCA management. The audit recommended RCA's chair implement and enforce written procedures to ensure case management system data is consistent, complete, and accurate.

Our limited review of RCA's data system does not constitute an audit and was not conducted in accordance with auditing procedures. During this limited review, RCA staff were interviewed; procedures were reviewed; and tariff filings were sampled and tested for database accuracy by comparing the database fields to the source documents. Tariff filings in open status from July 1, 2014, through February 28, 2015, were sampled.

Our review concluded that data system errors continue to exist, and the prior recommendation has not been addressed. Sixty tariff filings from a universe of 349 were selected for review and 16 of the 60 (27 percent) were found to contain system data errors. Errors included: no final order date for 14 filings and an incorrect tariff status entered in the database for two filings.

The errors were the result of not updating written procedures as needed, insufficient ongoing training, and ineffective quality control reviews to ensure the tariff filing data is consistent, complete, and accurate.

RCA's chair provided a detailed corrective action plan in response to the errors identified during this informal review. Corrective action includes updating the tariff procedure manual on an as needed basis, continuing to improve staff training, and formalizing the internal review process. RCA's chair believes these changes will ensure the RCA tariff filing data is consistent, complete, and accurate.

RCA's detailed response to our follow-up review is attached to this memorandum.

Enclosure:

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Bill Walker, Governor
Chris Hladick, Commissioner
Robert M. Pickett, Chairman

Regulatory Commission of Alaska

April 21, 2015

RECEIVED
APR 21 2015
LEGISLATIVE AUDIT

Pauline M. Henriques-Perry, CPA
In-Charge Auditor II
Division of Legislative Audit
4341 B Street, Suite 400
Anchorage, AK 99503

RE: Accuracy of Regulatory Commission of Alaska Tariff Filing System Data

Dear Ms. Henriques-Perry:

The Regulatory Commission of Alaska (RCA) received your letter regarding the accuracy of RCA Tariff filing system data on April 14, 2015. This letter provides the requested response.

The primary concern expressed in the letter is that the error rate for Tariff filing system data has not decreased since the FY13 Annual Report audit dated May 16, 2014 (Audit Control No. 08-30075-14). The May 2014 audit reviewed 75 of 318 tariff filings with an open status during FY13 and found a case management system data error rate of 21 percent. The recent limited review examined 60 of 349 tariff filings with an open status during FY15 and found errors in 16 of these filings (an error rate of 27 percent). The April 14 letter states that the errors resulted from not updating written procedures as needed, insufficient ongoing training, and performing ineffective quality control reviews to ensure the tariff filing data is consistent, complete, and accurate.

While the RCA is meeting its obligation to satisfy statutory timelines and complete all tariff reviews in both a comprehensive and timely manner, the agency has fallen short in fully documenting the completion of this work in its electronic case management (STAR) system. This shortcoming has become the focus of recent annual report and operational audit reviews. Internally we have implemented procedures to ensure continual progress in accurately and comprehensively completing these data fields, but nonetheless the recent review of tariff filings demonstrates a need to continue improving this electronic documentation process.

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Before discussing the specific findings, let me explain measures previously taken to improve our data entry performance. Data input for tariff filings essentially goes through four levels of review. The information is input initially by an office assistant before receiving a second level of review by a tariff analyst. The office assistant performs a third level of review for the tariff advice file when the tariff is closed, ensuring the hard copy file is an exact replica of the electronic STAR file and all relevant data fields are properly completed. The most recent addition to the process was implemented after our last audit report in May 2014 and involves an internal review of each tariff advice file at the end of each quarter by a tariff or common carrier analyst to critically review data input and ensure adequate supporting documentation is included in the file.

Before receiving the FY13 Annual Report audit, RCA staff had been instructed to implement this internal review process as an additional quality control measure for data entry. This internal review involves the assigned staff member pulling the hard copy files for all closed electronic STAR tariff files processed in the previous quarter.[1] The hard copy file is reviewed to ensure it replicates the electronic STAR file, and data input in STAR is reviewed to ensure all relevant data fields are properly completed. Each error is logged and used for training and performance evaluation purposes.

Unfortunately staff tasked with the internal review this year were unable to complete the internal review in a timely manner due to workload issues.[2] Staff completed a review of the first fiscal quarter prior to commencement of the recent review, but the second and third quarter internal reviews were not performed in a timely manner. With regard to the April 14, 2015, interim review findings, we note that the error rate for the files that went through the final internal audit appear to be significantly lower than the error rate for files which had not received that review, indicating that the additional internal review will help reduce error rates in the future. I believe it is reasonable to assume that the data error rate would have been significantly lower had our internal review been completed at the time of your recent review. To guard against similar lag for internal reviews in the future, Staff has recently been given a directive that the internal review of tariff filings must without exception be completed within one month after the end of each fiscal quarter.

With regard to specific findings in the April 14, 2015, letter, it appears the errors occurred in a limited number of fields. Previous audits reflected more dispersed errors with regard to data fields, and limiting errors to two fields is some progress considering there are essentially 17

[1]This final internal review is performed by different analysts depending on the type of filing. Common carrier analysts perform the review for tariff filings by regulated cable or telecommunications providers, while tariff analysts perform the review for tariff filings by other utility sectors.

[2]I should note one workload challenge was accommodating for the fact that one of the four tariff analyst positions (and in fact the section lead) has been unfilled since July 2014. This position is not scheduled to be filled as it was added to the list of positions impacted by recent budget concerns, with the position subject to elimination as part of the RCA's proposed position cuts in response to the budget shortfall.

substantive data fields in STAR that must be completed for each tariff advice file. The types of errors noted in the April 14 letter included no final order date (14 errors) and incorrect tariff status (2 errors). A review of these mistakes with the assigned auditor showed that the "final order date" mistakes occurred in four specific situations – registered interexchange carrier tariff filings, rejected tariff filings, suspended tariff filings, and withdrawn tariff filings. The "incorrect tariff status" mistake occurred in one unique situation – commercial refuse tariff filings, a type of tariff filing that is informational due to a previous RCA decision.

These four situations were not specifically addressed in our Tariff Procedure Manual, the document developed to guide accurate data input. The Tariff Procedure Manual was established to provide guidelines for tariff processes (including data input in STAR) and requires continual refinement to address unanticipated situations. Those involved in performing data input must identify and communicate regarding areas that are not addressed in the Tariff Procedure Manual, an expectation that has been emphasized in the past. In response to this recent review we re-emphasized with necessary staff the need to bring interpretational issues to the attention of the manual drafters, an action that will facilitate immediate updating of the Tariff Procedure Manual before quarterly reviews of the manual materials occur.

I believe the agency has taken the actions necessary to address the three areas identified in the April 14, 2015, letter – not updating written procedures as needed, insufficient ongoing training, and ineffective quality control reviews.

- First, we re-emphasized the need for affected staff to promptly pursue necessary refinements to the Tariff Procedure Manual, and we are currently in the process of updating the Tariff Procedure Manual to address the interpretational issues identified in the recent review.

- Second, before this interim review we incorporated two processes geared at improving training – a requirement that affected staff review the Tariff Procedure Manual on a quarterly basis,[3] and a bi-weekly Tariff section meeting process that facilitates discussion of existing data input procedures and possible refinements to those procedures.[4]

- Third, we institutionalized four levels of review for tariff file data to enhance quality control. We had implemented three levels of review before commencement of the recent review. The most recent addition (the internal review discussed above) was implemented in policy before the recent review, but had not been fully implemented in practice at the

[3]The RCA Chair implemented a requirement after the May 2014 audit report that each member of an agency section performing data input review STAR procedure materials relevant to their job functions, and participate in quarterly STAR training regarding data input relevant to their position. The staff member is required to review procedure for accurately inputting data into the STAR database and ensure STAR data properly ties to the physical files.

[4]In addition to quarterly STAR manual training, the Tariff and Common Carrier sections meet bi-weekly with senior staff to discuss work-related issues, with discussions often centered on STAR procedures and necessary STAR procedure refinements. The recent review helped to highlight the importance of an engaged dialogue.

time of the review. One thing that may have contributed to the high error rate in the recent review is the possibility that this internal review was not viewed as a work priority by key staff members. Consequently the internal review expectation has now been elevated to a work priority with a demanding timeline for completion. I am optimistic that vigorous pursuit of this internal review will significantly improve our quality control, as will the continued emphasis to staff of the importance of accurate STAR data input.

In that vein the review findings were discussed with affected staff to ensure a greater appreciation of the impact of their work and to highlight the continuing need to initiate discussions that lead to necessary clarifications to the Tariff Procedure Manual. Staff is also in the process of reviewing STAR data fields that are not consistently populated to determine if the information is necessary or if the fields should be removed from the STAR case management system.

The RCA wishes to thank the Division of Legislative Audit for identifying specific areas where the RCA can focus its efforts as well as the opportunity to respond to your letter of April 14, 2015. We also appreciate the Division of Legislative Audit's continual assistance in this process, as the auditor provided specific information on electronic documentation errors that allows the RCA to pursue the necessary refinements to STAR data input and quality control processes.

Sincerely,

REGULATORY COMMISSION OF ALASKA

Robert M Pickett

Robert M. Pickett, Chairman
Regulatory Commission of Alaska

cc: Linda Day, Audit Manager
Division of Legislative Audit

Report Highlights

Why DLA Performed This Audit

The purpose of this audit was to determine if the commission has ably met its statutory mandate as established in AS 41.37.

What DLA Recommends

1. The commission's executive director should strengthen procedures to ensure public notice requirements are met.

2. The commission's executive director should implement procedures to ensure commission meeting minutes are recorded and transmitted.

A Performance Audit of the Department of Natural Resources, Citizens' Advisory Commission on Federal Areas

May 15, 2015

Audit Control Number 10-30079-15

REPORT CONCLUSIONS

Overall, the audit concluded that the Citizens' Advisory Commission on Federal Areas (commission) had met its statutory mandates and objectives by monitoring management plans for federal lands within Alaska and providing comments to decision makers concerning federal land management plans.

The commission has operated in the public's interest by reviewing federal land management plans for consistency with current laws and holding hearings on the effect of federal regulations and decisions within the State of Alaska. Furthermore, on behalf of Alaska citizens, the commission provides written comments to federal organizations concerning federal land management plans within the state. The commission submitted 62 comment letters during the audit period. Comment letters were directed to federal agencies, congressional delegations, state legislators, and the governor.

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Report Highlights

Why DLA Performed This Audit

This audit was requested to determine whether efficiencies and cost savings could be achieved by consolidating CFEC within existing state agencies, while still meeting legislative intent for limited entry.

What DLA Recommends

1. CFEC's commission chair should hire an executive director to facilitate an agency-wide restructure to improve operational efficiency.

2. CFEC's commission chair should prioritize the licensing system upgrade to ensure it is completed in a timely manner.

3. CFEC's commission chair should ensure the archiving project meets agency needs and proceeds in a cost-effective manner.

A Performance Audit of the Department of Fish and Game, Commercial Fisheries Entry Commission

July 7, 2015

Audit Control Number 11-30081-15

REPORT CONCLUSIONS

The audit concluded significant efficiencies could be achieved; however, efficiencies were not predicated on eliminating the agency and merging its functions with other state agencies. The audit recommends merging only the Commercial Fisheries Entry Commission's (CFEC) administrative functions with the Department of Fish and Game. There was no compelling reason to move its other functions. Alternately, $1.2 million of annual savings could be achieved by reorganizing CFEC and maintaining its status as an independent agency.

The audit also concluded that, in general, its commissioners have not adequately managed CFEC's daily operations. Two projects, the licensing system upgrade and the archival of agency documents, have not been prioritized or properly managed. Finishing these agency-wide projects would greatly improve workflow and allow for significant reductions in staff. Furthermore, the audit found that the agency's workload no longer justifies full-time commissioner positions.

The audit recommends: (1) hiring an executive director to manage daily operations and facilitate an agency-wide restructure; (2) prioritizing the completion of CFEC's licensing system upgrade; and (3) properly managing the archival project. These three recommendations should improve operations and result in significant savings while maintaining an independent agency capable of responding to future needs.

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Report Highlights

Why DLA Performed This Audit

The purpose of this audit was to determine if there is a demonstrated public need for the Board of Parole's (board) continued existence and whether its termination date should be extended. The board is scheduled to terminate on June 30, 2016, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

1. The board's executive director should improve procedures to ensure required documentation for parole hearings is accurate and consistently included in parole files.

2. The board's executive director in coordination with Department of Corrections (DOC) management should implement documentation standards to ensure all offender and victim notifications are made in accordance with statutory requirements.

3. The board should ensure proposed regulations address all statutory requirements related to its duties.

4. DOC's Administrative Services Division director should take steps to ensure the Alaska Corrections Offender Management System complies with state information technology security standards and national best practices.

A Sunset Review of the Department of Corrections, Board of Parole

April 30, 2015

Audit Control Number 20-20092-15

REPORT CONCLUSIONS

Overall, the audit concluded that the board is serving the public's interest by acting as the parole authority for the State. As such, the board fulfills the constitutional requirement that the State establish a parole system. Additionally, the audit concluded that the board conducts its business in a professional and efficient manner. Although there are several operational improvements needed, the audit found a demonstrated public need for the board's continuing operation. We recommend the board's termination date be extended six years to June 30, 2022.

ANALYSIS OF PUBLIC NEED

The board operated in the public's interest by making parole decisions including granting and denying discretionary parole, authorizing parole revocations or rescissions, and establishing conditions of parole. These decisions were made in the context of both maintaining public safety as well as promoting cost-effective incarceration.

The board actively worked towards achieving the following key objectives:

- Serving as the parole authority for the State by considering applications for discretionary and special medical parole as needed;
- Imposing parole conditions for offenders scheduled to be released from prison custody and providing for supervision of those offenders;
- Taking action against parolees who violate conditions of their release; and
- Suggesting changes to regulatory requirements administered by the board.

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ALASKA STATE LEGISLATURE

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MEMORANDUM

DATE : January 7, 2016

TO: The Honorable Mike Hawker, Chairman
Legislative Budget and Audit Committee

Kris Curtis
Legislative Auditor

FROM: David Teal, Director

SUBJECT: Reductions in State Expenditures Associated with the Department of Corrections Performance Review Conducted by the Sacramento Firm CGL

Per AS 24.20.231(7), the Legislative Finance Division is required to "identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction."

The Legislative Finance Division has identified no reductions in state expenditures attributable to this report in the current year (FY16) and does not expect to report savings in future years.

Discussion with the Department of Corrections brought out three major points:

1. the review was useful to the Department in terms of examining internal policies and procedures, but
2. the review provided no suggestions for budget reductions that were not already under consideration by the Department, so that
3. any savings achieved by the Department should not be attributed to the review.

You may know that the Department is finalizing a plan to ramp down and re-purpose at least one facility. Additionally the Department has assigned a work group to review 790 minimum security offenders for potential early release to a CRC, electronic monitoring or early parole. These efforts will likely generate savings in the future, but the Department does not believe the savings should be attributed to the performance review.

cc: Remond Henderson, Department of Corrections
April Wilkerson, Department of Corrections

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