

Report Highlights

Why DLA Performed This Audit

The audit's purpose was 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, 2021, 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 chief investigator should ensure investigations are completed timely.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Public Accountancy (board)

April 8, 2020

Audit Control Number 08-20122-20

REPORT CONCLUSIONS

The audit concludes that the board served the public's interest by conducting meetings in accordance with state laws, amending certain regulations to improve the public accountancy occupation, and effectively licensing and regulating certified public accountants and partnerships/corporations engaged in the practice of public accountancy. Additionally, the audit found board operations were impacted by travel limitations and improvements to the board's investigative process are needed to limit periods of inactivity.

In accordance with AS 08.03.010(c)(1), the board is scheduled to terminate on June 30, 2021. We recommend that the legislature extend the board's termination date eight years to June 30, 2029.

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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April 28, 2020

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Public Accountancy and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
BOARD OF PUBLIC ACCOUNTANCY
SUNSET REVIEW

April 8, 2020

Audit Control Number
08-20122-20

The audit was conducted as required by AS 44.66.050(a). Per AS 08.03.010(c)(1), the board is scheduled to terminate on June 30, 2021. We recommend that the legislature extend the board's termination date to June 30, 2029.

Article IX, Section 14 of the Alaska Constitution requires that the legislative auditor be a CPA. Likewise, the professional staff at the Division of Legislative Audit are either licensed CPAs or pursuing CPA licensure. Since the board is responsible for licensing and regulating CPAs, our agency does not meet the independence standard required by generally accepted governmental auditing standards.

Except for the independence standard discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

ABBREVIATIONS

ACN	Audit Control Number
AS	Alaska Statute
board	Board of Public Accountancy
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DCBPL	Division of Corporations, Business and Professional Licensing
DCCED	Department of Commerce, Community, and Economic Development
DLA	Division of Legislative Audit
FY	Fiscal Year

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ORGANIZATION AND FUNCTION

Board of Public Accountancy

The Board of Public Accountancy (board) is established under the authority of AS 08.04.010. The board's stated mission is to protect the public interest by ensuring that only qualified persons are licensed and appropriate standards of competency and practice are established and enforced.

The board is comprised of seven members appointed by the Governor — five currently licensed certified public accountants (CPA) or public accountants and two public members. All board members must be Alaska residents for at least one year at the time of appointment. The public members cannot be employed by a CPA. Board members as of March 27, 2020, are listed in Exhibit 1.

The board may issue licenses to individuals who meet the standards of education and pass the national CPA exam, or meet reciprocity standards as required in statute. The board also licenses public accounting firms, and monitors continuing education and other statutory requirements for license renewals.

Alaska Statute 08.04 defines the board's scope and functions, and authorizes the board to:

- adopt and amend procedural and substantive regulations for the orderly conduct of board operations;
- adopt rules of professional conduct for the public accountancy profession, evaluate the appropriateness of accountants' qualifications for licensure, and impose appropriate disciplinary sanctions;
- grant CPA certificates and public accountant licenses to qualified individuals;

Exhibit 1

Board of Public Accountancy Members as of March 27, 2020

Leslie Schmitz, CPA
Chair

Wesley Tegeler, CPA
Secretary/Treasurer

Marja Beltrami, CPA

Donovan Rulien II, CPA

Donald Vieira, CPA

Karen Smith
Public Member

Vacant
Public Member

Source: Office of the Governor, Boards and Commissions website.

-
- grant permits to engage in the practice of public accountancy to qualified partnerships and corporations;
 - prescribe requirements for continuing education for licensed individuals; and
 - designate an executive secretary to carry out the board's administrative operations. The executive secretary is a Department of Commerce, Community, and Economic Development (DCCED) employee.

DCCED's Division of Corporations, Business and Professional Licensing

The Division of Corporations, Business and Professional Licensing (DCBPL) provides administrative and investigative assistance to the board. Administrative assistance includes budgetary services, collecting fees, maintaining files, receiving application forms, publishing notices for meetings, and assisting with board regulations. DCCED is required by AS 08.01.065 to adopt regulations that establish the amount and manner of payment of application, examination, license, permit, and investigation fees.

Alaska Statute 08.01.087 gives DCCED authority to act on its own initiative or in response to a complaint. DCBPL staff may:

- conduct an investigation if it appears a person is engaged or about to engage in a prohibited professional practice;
- bring an action in Superior Court to enjoin the act;
- examine or have examined the books and records of a person whose business activities require a business license or licensure by a board listed in AS 08.01.010, or whose occupation is listed in AS 08.01.010; and
- issue subpoenas for the attendance of witnesses and records.

REPORT CONCLUSIONS

In developing conclusions regarding whether the Board of Public Accountancy's (board) termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c), which are included as Appendix A to this report. Under the state's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

Overall, the audit concludes that the board served the public's interest by conducting meetings in accordance with state laws, amending certain regulations to improve the public accountancy occupation, and effectively licensing and regulating certified public accountants (CPA) and partnerships/corporations engaged in the practice of public accountancy. Additionally, the audit found board operations were impacted by travel limitations and improvements to the board's investigative process are needed to limit periods of inactivity.

In accordance with AS 08.03.010(c)(1), the board is scheduled to terminate on June 30, 2021. We recommend that the legislature extend the board's termination date eight years to June 30, 2029.

Detailed report conclusions are as follows.

The board operated in the public interest and does not duplicate the efforts of other entities.

The board's operations were conducted in an effective manner. From July 1, 2016, through January 31, 2020, the board held at least four meetings each year as required by statute. A review of six board meetings found the meetings were appropriately public noticed and allotted time for public comment. A quorum was consistently achieved.¹ Board member composition complied with statutory requirements and the board did not duplicate the efforts of another governmental or private sector agency.

¹ The sample of meetings reviewed by auditors included five regular meetings and one adjudication meeting. Adjudication meetings are not required by law to be public noticed and no public comment was taken.

The board reviewed CPA testing locations as required by statute and regulation. Alaska's two testing sites located in Anchorage and Fairbanks were reviewed in 2019. A board member and the executive administrator performed the on-site reviews, which included completing the National Association of State Boards of Accountancy site checklist for computerized CPA examinations. No deficiencies were noted.

The board supported House Bill 147, effective FY 18, which:

- updated experience and education requirements to make standards for licensure more uniform;
- provided for notices of proposed or adopted regulation changes to be communicated either in electronic or paper form to reduce costs when interested parties opt in to receive electronic communication;
- required licensure and board oversight of additional business entities that perform certain public accountancy functions to help protect the public's interest;
- clarified confidential communications to identify that client information may be disclosed under applicable state or federal laws or as required by the board; and
- clarified the definition of "attest function" to include any examination, review, or agreed upon procedure to be performed in accordance with attestation standards developed by national accountancy organizations, including the American Institute of CPAs and the Public Company Accounting Oversight Board.

The board amended regulations to improve the public accountancy profession including:

- updating professional conduct language to adopt a national standard by reference, thus allowing the board to ensure compliance with national standards; and

- updating the education and experience requirements to align with national standards.

The board licensed individuals in accordance with statutes and regulations.

The audit concluded that the board licensed CPAs in accordance with statutes and regulations. From July 1, 2016, through January 31, 2020, the board issued 384 new licenses and permits. A random sample of 15 new and 10 renewed licenses and permits issued during the audit period confirmed the licenses and permits were issued in accordance with applicable laws and regulations. As shown in Exhibit 2, as of January 31, 2020, there were 1,328 active board licenses and permits.

Exhibit 2

Board of Public Accountancy Licensing Activity FY 17 through January 31, 2020				
	Newly Issued (Excluding Renewals)			Total Active as of January 31, 2020
	FY 17	FY 18	FY 19	
Certified Public Accountant	103	84	95	1,118
Public Accountant	0	0	0	1
Out-of-State Permit	6	11	9	86
Limited Liability Company	6	3	9	52
Corporation Permit	3	0	2	64
Partnership Permit	1	0	1	7
Total	119	98	116	1,328

Source: Compiled from DCBPL licensing database.

The number of licenses and permits increased by approximately 10 percent when compared to the prior 2012 sunset audit. The audit also noted the number of new licenses issued from FY 17 through

FY 19 increased 36 percent when compared to the three-year period leading up to the prior sunset audit. According to the prior board chair, Alaska is one of the few states that does not require a social security number for licensure. Consequently, the board receives many international applicants.

Forty percent of board investigations took over six months to complete.

A review of board complaints and investigation data found a high number of cases were not addressed timely. There were 101 board-related cases open or opened between July 1, 2016, and January 31, 2020. A total of 40 cases were open over 180 days during the period. Auditors reviewed five of the 40 cases and found two of the five (40 percent) had periods of unjustified inactivity ranging from 64 days to 219 days; both cases had multiple periods of inactivity. Staff turnover and competing priorities contributed to the delays. Although Division of Corporations, Business and Professional Licensing (DCBPL) policy requires a supervising investigator review a case if open for more than 180 days and the chief investigator review a case if open more than a year, auditors found no documentation to show that the supervisory reviews occurred. (Recommendation 1)

DCBPL management, in consultation with the board, increased fees to cover the costs of regulating the profession.

The board primarily receives its revenue from licensure and renewal fees. Renewals are conducted on a biennial basis, creating a two-year cycle in board revenues. In response to a deficit, DCBPL management worked with the board to increase fees in FY 15. As shown in Exhibit 3, the board had a surplus at the end of FY 19. Exhibit 4 presents a schedule of board fees from FY 17 through FY 20.

Exhibit 3

**Board of Public Accountancy
Schedule of Revenues and Expenditures
FY 17 through January 31, 2020
(Unaudited)**

	FY 17	FY 18	FY 19	July 1, 2019 – January 31, 2020
Revenues				
Licensing Fees	179,830	730,935	155,871	696,975
Third Party Reimbursements	6,974	6,580	2,241	1,465
Total Revenues	<u>186,804</u>	<u>737,515</u>	<u>158,112</u>	<u>698,440</u>
Direct Expenditures				
Personal Services	185,689	200,900	226,432	80,825
Travel	18,355	24,125	12,902	6,640
Services	16,273	40,286	8,672	5,142
Commodities	554	313	285	0
Total Direct Expenditures	<u>220,871</u>	<u>265,624</u>	<u>248,291</u>	<u>92,607</u>
Indirect Expenditures	<u>111,726</u>	<u>125,844</u>	<u>128,119</u>	<u>74,309</u>
Total Expenditures	<u>332,597</u>	<u>391,468</u>	<u>376,410</u>	<u>166,916</u>
Annual Surplus (Deficit)	(145,793)	346,047	(218,298)	531,524
Beginning Cumulative Surplus (Deficit)	<u>102,265</u>	<u>(43,528)</u>	<u>302,519</u>	<u>84,221</u>
Ending Cumulative Surplus (Deficit)	(43,528)	302,519	84,221	615,745

Source: Department of Commerce, Community, and Economic Development management.

Exhibit 4

**Board of Public Accountancy License Fees
FY 17 through FY 20**

Nonrefundable application fee for initial license, permit, or practice privilege	\$300
License fee for all or part of the initial biennial license period	\$390
Biennial active CPA license renewal fee	\$390
Biennial inactive CPA license renewal fee	\$245
Biennial uncertified public accountant license renewal fee under AS 08.04.661	\$200
Biennial uncertified public accountant inactive license renewal fee under AS 08.04.661	\$200
Partnership, corporation, limited liability company, or other legal entity registration and permit fee for all or part of the initial biennial license period	\$530
Biennial partnership, corporation, limited liability company, or other legal entity permit renewal fee	\$530
Out-of-state practice privilege permit fee for all or part of the initial biennial license period	\$900
Biennial out-of-state practice privilege permit renewal fee	\$900
License reactivation fee	\$150
Delayed renewal penalty fee	\$100

Source: DCBPL regulations.

Increased use of teleconference technology impacted board operations.

Beginning FY 17, the declining price of oil and diminished savings prompted travel restrictions across all State departments, including DCBPL. All occupational boards were directed to limit travel to one in-person meeting per year and hold other meetings telephonically or through video conferencing. These restrictions were imposed even though occupational board travel is funded by licensee fees. Boards were directed to seek a waiver from the Office of the Governor, Boards and Commissions director if a board determined travel restrictions would materially impact its ability to perform its core mission.

DCBPL’s travel budget, which supports travel for all occupational boards, was reduced in FY 17 and FY 20, when travel restrictions were imposed (see Exhibit 5). Regardless, most Board of Public Accountancy meetings continued to be in person through FY 19. Teleconference became the default meeting method in FY 20 because of travel restrictions and COVID-19 social distancing mandates.

Board members stated that the quality of telephone and video-conferencing negatively impacted operations. Auditors that attended meetings held

February 3 and 4, 2020, observed board members talking at the same time, had difficulty hearing speakers, and observed an instance when the teleconference was silent, making it difficult to determine if the board was in executive session or inadvertently muted. DCBPL management acknowledged the teleconference process has been challenging and stated that staff were working to improve quality.

Exhibit 5

**DCBPL Travel Budget
FY 16 through FY 20
(in thousands)**

Fiscal Year	Amount
16	\$677.1
17	\$403.3
18	\$403.3
19	\$410.8
20	\$269.5

Source: Division of Legislative Finance Conference Committee publications.

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FINDINGS AND RECOMMENDATIONS

The prior 2012 sunset audit made one recommendation:

- The Division of Corporations, Business and Professional Licensing’s (DCBPL) director should continue to address deficiencies in the investigative case management system.

The prior audit recommendation was materially addressed. DCBPL management strengthened procedures over the investigative case management system data, upgraded the system to address some of the deficiencies, and contracted oversight and management of the system to a third party.

This audit makes one new recommendation.

Recommendation No. 1: Forty of the 101 cases open or opened from July 1, 2016, through January 31, 2020, were open over 180 days. Five of the 40 were evaluated by auditors. Two of five investigative cases selected for review had unjustified periods of inactivity ranging from 64 to 219 days. According to DCBPL staff, the inactivity was the result of turnover and competing priorities. Auditors also noted that supervisory review of outstanding investigations was not documented in the case files as required by DCBPL procedure, indicating that the reviews did not occur or did occur but were not documented.

DCBPL’s chief investigator should ensure investigations are completed timely.

Per AS 08.01.050(a)(19), DCBPL is responsible for investigating licensing activity. Investigations and complaints that sit idle for extended periods may pose a risk to the public. We recommend DCBPL’s chief investigator ensure investigations are completed timely, including reviewing outstanding investigations as required by DCBPL procedures.

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and Title 44 of the Alaska Statutes, we have reviewed the activities of the Board of Public Accountancy (board) to determine if there is a demonstrated public need for its continued existence.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently, under AS 08.03.010(c)(1) the board will terminate on June 30, 2021, and will have one year from that date to conclude its administrative operations.

Objectives

The three central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public's interest.
3. To determine the status of recommendations made in the prior sunset audit.

Scope

The assessment of operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board. We reviewed the board's activities from July 1, 2016, through January 31, 2020. Financial information is presented, unaudited, from July 1, 2016, through January 31, 2020.

Methodology

During the course of our audit we reviewed and evaluated the following:

- The prior sunset audit report (ACN 08-20077-12) to identify issues affecting the board and to identify prior sunset audit recommendations.

-
- Applicable statutes and regulations to identify board functions and responsibilities, determine whether statutory or regulatory changes enhanced or impeded board activities, and help ascertain if the board operated in the public interest.
 - The State’s online public notice system to verify board meetings were adequately public noticed.
 - Various state and news related websites to identify complaints against the board or other board-related concerns.
 - Board annual reports to gain an understanding of board activities.
 - Board expenditures, revenues, and fee levels to determine whether fee levels covered the costs of board operations.
 - Board investigation data to assess the efficiency of the investigative process.
 - Various state and federal websites containing information for potential duplication of board activities.
 - Internal controls over the licensing database and investigative case management system to determine if controls were properly designed and implemented.
 - The Division of Corporations, Business and Professional Licensing’s travel budget to help evaluate the impact of travel restrictions on board operations.

To identify and evaluate board activities, we conducted interviews with State agency staff and board members. Specific areas of inquiry included board operations, regulations, duplication of effort, fee levels, and complaints against the board.

During the audit the following samples were selected:

- Board meetings held from July 1, 2016, through January 31, 2020. A random sample of six of 17 meetings (35 percent) were reviewed

to gain an understanding of board proceedings and activities, the nature and extent of public input, whether a quorum was maintained, and whether board vacancies impeded operations. Test results were projected to the population.

- Investigation data of the board for cases open six months or longer from July 1, 2016, through January 31, 2020. A random sample of five of 40 cases (13 percent) open for over 180 days were reviewed for unjustified periods of inactivity. Test results were not projected to the population.
- A random sample of 25 licenses was tested. Fifteen new applications were selected from the 384 new licenses issued between July 1, 2016, and January 31, 2020. Ten renewal applications were selected from the 1,277 license renewals that were applied for during the December 31, 2020, renewal period. The 15 new and 10 renewal applications were assessed for statutory and regulatory compliance. The sample size was based on low control risk, low inherent risk, and moderate/high audit risk. Test results were not projected to the population.

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APPENDIX SUMMARY

Appendix A provides the sunset criteria used in developing our conclusion regarding whether the Board of Public Accountancy's termination date should be extended.

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APPENDIX A

Analysis of Public Need Criteria AS 44.66.050(c)

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

1. the extent to which the board or commission has operated in the public interest;
2. the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
3. the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
4. the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
5. the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
6. the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
7. the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;

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-
8. the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;
 9. the extent to which statutory, regulatory, budgetary, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
 10. the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated; and
 11. the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

Agency Response from the Department of Commerce, Community, and Economic Development



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce,
Community, and Economic
Development

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October 5, 2020

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OCT 06 2020

LEGISLATIVE AUDIT

Kris Curtis
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811

RE: Confidential Preliminary Report, Department of Commerce, Community, and Economic Development,
Board of Public Accountancy

Dear Ms. Curtis:

Thank you for the opportunity to comment on the Confidential Preliminary Report regarding the Board of Public Accountancy. The department has the following response to the conclusions and recommendations presented in the document:

Conclusion: The board operated in the public interest and does not duplicate the efforts of other entities.

The department agrees with this conclusion.

Conclusion: The board licensed individuals in accordance with statutes and regulations.

The department agrees with this conclusion.

Conclusion: Forty percent of board investigations took over six months to complete.

While a noble goal, the department finds the inference that all investigative matters should be completed within six months is unreasonable and unattainable in many situations. The agency is more concerned with ensuring the facts are correctly obtained in each matter and that due process is secured than ensuring the speed of concluding investigations meets an arbitrary goal.

The division has no control over how an investigation will unfold or how long the process is going to take. Lower-priority cases that do not pose a high risk to life, health, and safety may be delayed because resources are needed to complete higher-priority matters. The cases reviewed by the auditor were unproven complaints from 2016 that did not rise to our division's high priority status because they did not pose a risk to the public. For these reasons, the division does not have a policy that investigative cases must be completed within six months.

Conclusion: DCBPL management, in consultation with the board, increased fees to cover the costs of regulating the profession.

The department agrees with this conclusion.

Conclusion: Increased use of teleconference technology impacted board operations

The department disagrees with this conclusion. The division has clearly and regularly communicated administrative travel policies and procedures to the board, including instruction on requesting an exception to the travel restrictions. All occasions when the board made requests for additional in-person meetings were granted.

Moving into FY20, the board held more meetings through tele- and videoconference. At all times, videoconference opportunities were available to board members. In addition, the board has access to an extremely efficient board meeting management tool that the division implemented the previous year. The choice whether to participate using these existing services is a decision made by each individual board member.

Additional COVID-19 travel restrictions are currently in place statewide through the end of calendar year 2020. When potential state travel resumes, the board may again submit requests for additional approval of travel requiring in-person attendance. In the meantime, the existing tools have been successful for all boards, even converting some to prefer videoconference over in-person meetings requiring travel, which has a greater impact on board member business and family obligations.

Recommendation No. 1: DCBPL's chief investigator should ensure investigations are completed timely.

The department agrees that investigations should be completed timely. Per DCBPL Investigative SOP #4: "The State of Alaska owes a duty to its citizens to pursue their complaints with a sense of urgency and in a complete manner. The division also owes a duty to licensees to resolve complaints, which create significant stress and can damage business and professional reputations, in a speedy and through manner."

The measure for this recommendation is based on the division's own expectation that supervisory reviews of all cases are performed at various milestones. For example, part of the workload is case closure review. In the past fiscal year, the division closed 1525 cases. Each of the three managers in the unit reviewed them to ensure that procedures were completed prior to closing a respective case. This closure review averaged 508 cases per manager.

The division's policies are set with an expectation that the demand for services will be met with the resources to attain the stated goals. Because the workload and available resources are imbalanced, the division is taking the following steps to recalibrate the policies while adhering to its vision statement outlined in SOP #4:

- The division director has authorized an additional senior investigator who, like other managers, will carry a caseload in addition to supervisory responsibility. This should bring the section closer to the State of Alaska average of four personnel assigned to one supervisor. Section managers currently supervise seven employees each with caseloads averaging 40 open matters.
- Due to the substantial investigative caseload, the policy requiring mandatory reviews at 180 days by the senior investigator and 365 days by the chief investigator has been reviewed and updated to establish these timed checks as *target* windows.

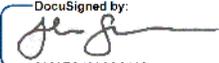
Legislative Audit

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- In addition, the chief investigator is reviewing a new system of prioritization to formalize the process of allocating resources to the highest priority cases while documenting the pending status of lower-priority cases in the case management system. (A bifurcated priority system already exists in policy; the update will articulate expectations in line with available resources.)

Again, thank you for the opportunity for the DCCED to provide input on this preliminary report. Should you have any questions about the contents of this letter, please do not hesitate to contact me at 907-465-2500.

Sincerely,

DocuSigned by:


8283EC42A2CC462
JOHN SPRINGSTEEN, Deputy Commissioner, for
Julie Anderson, Commissioner

cc: Sara Chambers, Director, Division of Corporations, Business and Professional Licensing
Glenn Hoskinson, Legislative Liaison, DCCED



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Commerce, Community,
and Economic Development

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Standing Order of Delegation

March 6, 2020

This delegation of authority amends the previous Standing Order of Delegation dated 1/9/2020.

Absence Delegation

Except as otherwise indicated, I Julie Anderson, Commissioner of Commerce, Community, and Economic Development, hereby delegate the authority to serve in my absence as Commissioner of the Department of Commerce, Community, and Economic Development for all purposes to the following departmental officials:

- First, John Springsteen, Deputy Commissioner
- Second, Amy Demboski, Assistant Commissioner
- Third, Lori Wing-Heier, Director, Division of Insurance
- Fourth, Sara Chambers, Director, Division of Corporations, Business and Professional Licensing

This order only updates my delegation of authority in the event of an absence; all delegations outlined in the previous Standing Order of Delegation, dated 1/9/2020, relating to statutory appointments, administrative order appointments, or additional appointments remain unchanged.

This Standing Order of Delegation will remain in effect until modified or revoked by a subsequent order by me or by my successor.


Julie Anderson, Commissioner

3/6/2020
Date

Agency Response from the Board of Public Accountancy



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Commerce, Community,
and Economic Development**

BOARD OF PUBLIC ACCOUNTANCY

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OCT 06 2020

LEGISLATIVE AUDIT

October 6, 2020

Kris Curtis, CPA, CISA
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RE: Confidential Preliminary Audit Report, Department of Commerce, Community, and Economic Development (DCCED), Board of Public Accountancy.

In response to your letter dated September 16, 2020 please find the following:

Regarding Recommendation No 1.

The Board cannot respond to the deficiencies noted within the investigative case management system, as the Board and licensing staff do not have access or use this system. The Board does meet with investigative staff throughout the year at Board Meetings and has designated a Board investigative liaison to be available to assist the assigned investigator as requested. The Board continues to question the investigative staffing assigned to the board, monitors performance of the investigative staff and monitors the investigative process and the status on all cases.

Other comments:

The Board has concerns about potential discrepancies in what the Board considers essential travel and what the Division deems essential according to the State Travel Policy. The Board will continue to request and advocate for travel as it deems appropriate both in State and out of State. Travel is critical to the Board in order to be responsive to the public and to licensees. In order to remain current on national issues, travel to national conferences are considered essential. The Board is fee based and it is essential and appropriate for the Board to control its travel.

The Board is pleased to receive the recommended extension of its termination date to 2029 and will continue to monitor the noted deficiencies.

Sincerely,

A handwritten signature in cursive script that reads "Leslie J. Schmitz".

Leslie J. Schmitz, CPA
Chairman of the Alaska Board of Public Accountancy

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Legislative Auditor's Additional Comments

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



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October 12, 2020

Members of the Legislative Budget
and Audit Committee:

I have reviewed the Department of Commerce, Community, and Economic Development commissioner's response to the audit report. Nothing contained in the response causes me to revise or reconsider the report conclusions and recommendations. However, I offer the following comments.

The commissioner disagrees with the conclusion that increased use of teleconference technology impacted board operations. In response, I note that our conclusion was based on the testimony of current and previous board members, and auditors' experience attending an FY 20 board meeting via telephone.

The commissioner disagrees with the conclusion regarding the efficiency of the investigative process. In response, I highlight that the legislative oversight process for boards and commissions requires a review of the efficiency with which complaints regarding the activities of a board or commission have been processed and resolved. Efficiency can be measured or communicated in many ways. Over the past several years, sunset audits have used two measures: the number of investigations open for over 180 days and the number of investigations that have unjustified periods of inactivity over 60 days. Both of these measures were created in collaboration with prior administrations.

The commissioner states that "The agency is more concerned with ensuring the facts are correctly obtained in each matter and that due process is secured than ensuring the speed of concluding investigations meets an arbitrary goal." I agree that accuracy and due process are essential to an investigation; however, investigations should also be timely. Some may argue that timeliness is critical to due process.

The commissioner asserts the Division of Corporations, Business and Professional Licensing (DCBPL) has no control over how long the (investigative) process takes. This statement does not recognize or acknowledge that management is responsible for designing and implementing

Members of the Legislative
Budget and Audit Committee

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October 12, 2020

effective internal controls, including controls over the investigative process. Controls should ensure accuracy, due process, and timely completion of an investigation. We note DCBPL's standard operating procedures include the following provision to foster timely investigations and case resolution:

Investigative actions (regardless of category) open over 180 days must be reviewed by supervisory staff (Senior Investigators) to determine what (if anything) remains to be done to complete the action and to spur a discussion of possible means to resolve the action.

In summary, I reaffirm the report conclusions and recommendations.

Sincerely,



Kris Curtis, CPA, CISA
Legislative Auditor