

July 9, 2003

Honorable Members of the
Alaska State Legislature

The Honorable Frank Murkowski
Governor
State of Alaska

The Honorable Janet Rehnquist
Inspector General
Office of the Inspector General
U.S. Department of Health and Human Services

We are pleased to transmit the Single Audit of the State of Alaska for the fiscal year ended June 30, 2002. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and complies with the federal Single Audit Act Amendments of 1996 and the related Circular A-133 issued by the U.S. Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for fiscal year 2002, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards. The presentation of the basic financial statements is entirely different than prior years, due to the implementation of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. It is also noteworthy that for the first time the state's basic financial statements received an unqualified audit opinion.

The findings and recommendations included in this report are organized by department and include prior financial/compliance findings not fully corrected by the departments. Our fiscal year 2001 Single Audit contained 26 recommendations; this report presents 47 recommendations, 10 of which were presented last year. With your active support and encouragement, we hope to continue seeing improvement in the implementation rate by the state agencies.

Members of the Legislature
The Honorable Frank Murkowski
The Honorable Janet Rehnquist

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July 9, 2003

We would again like to acknowledge the professional assistance and cooperation of the Department of Administration's Division of Finance. The division has a strong professional commitment to excellence in the financial accounting and reporting for the State of Alaska. Its continued efforts towards resolving statewide accounting and reporting concerns are commendable.

We would also like to acknowledge the cooperation of all other state agencies involved during the conduct of this audit.

The dedicated staff of the Division of Legislative Audit remains committed to improving the financial accountability of the State of Alaska. Your active involvement is critical to improving that accountability. We are available to assist you in that effort.

Pat Davidson, CPA
Legislative Auditor

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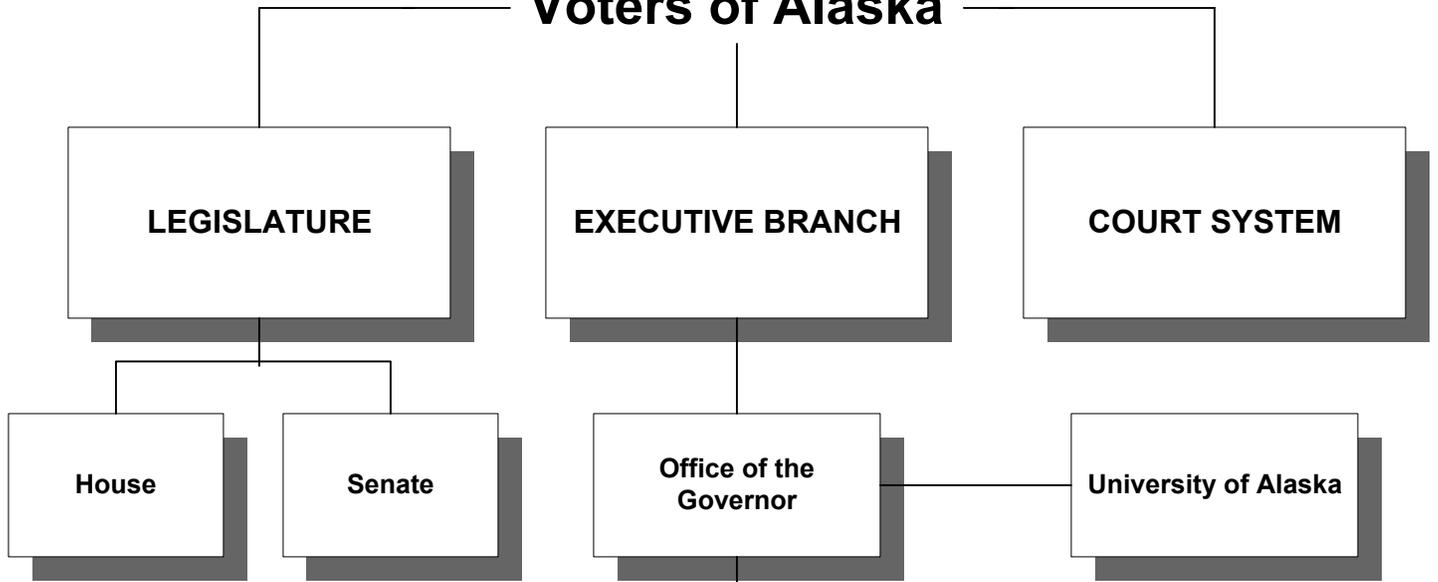
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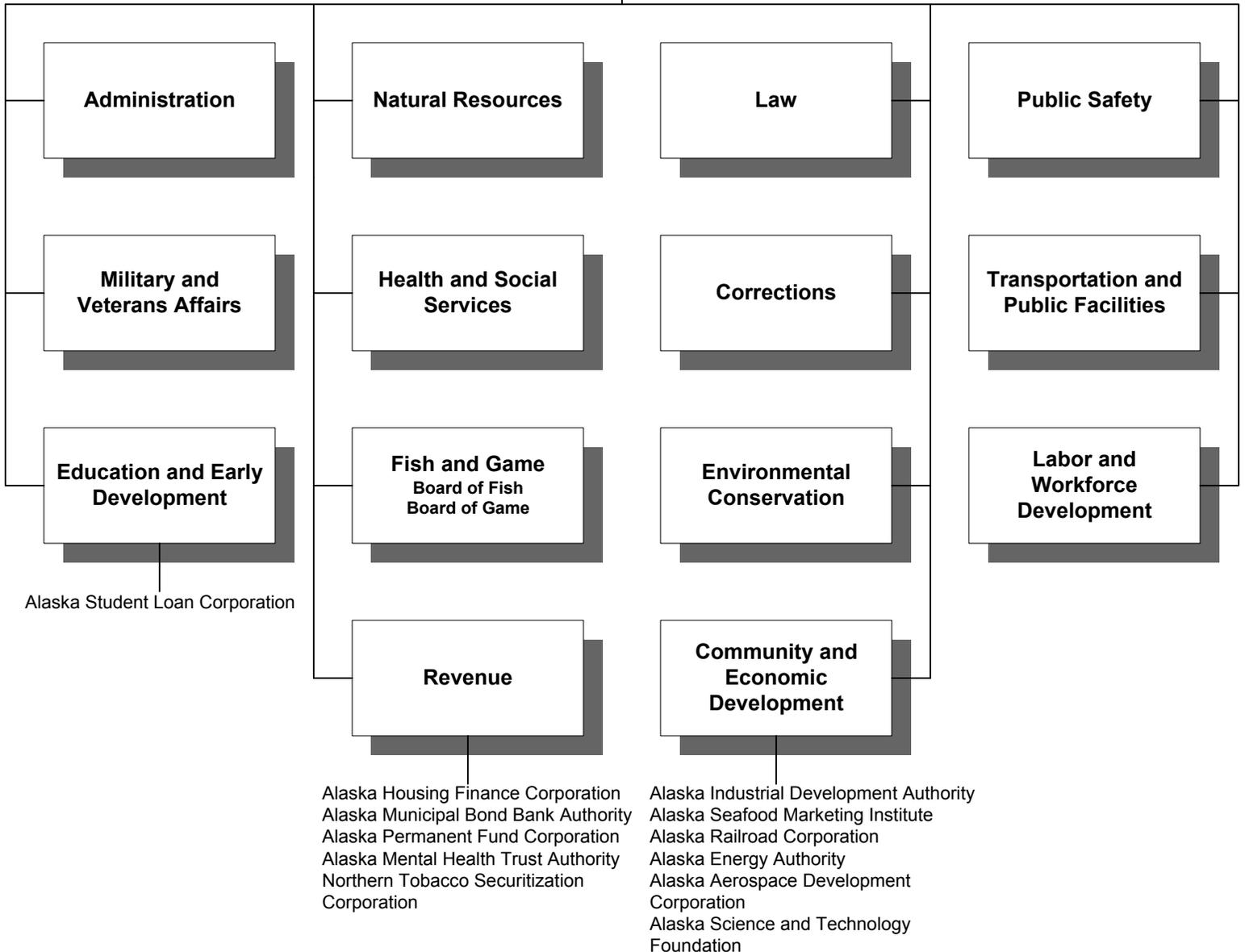
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Voters of Alaska



Departments



SECTION I - AUDITOR'S REPORT AND FINANCIAL STATEMENT

Independent Auditor's Report

Members of the Legislative
and Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and the Component Units, except for the Alaska Science and Technology Foundation and the Alaska Mental Health Trust Authority. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions to the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	83%	42%
Component Units	95%	98%
 <u>Fund Financial Statements</u>		
Governmental Funds – Alaska Permanent Fund	100%	100%
Fiduciary Funds – Pension and Other Employee Trust Funds	100%	100%
Component Units	95%	98%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance

about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors proved a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the State of Alaska adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Government: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis, budgetary comparison schedule, and the corresponding notes as listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002, on our consideration of the State of Alaska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pat Davidson, CPA
Legislative Auditor

December 6, 2002

STATE OF ALASKA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the State of Alaska, we offer readers of the state's financial statements this narrative overview and analysis of the financial activities of the state for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found preceding this narrative on pages i-vi of this report, and the financial statements that follow.

Because the state is implementing new reporting standards for this fiscal year, as promulgated under Governmental Accounting Standards Board Statement Number 34 (GASBS 34), there are significant changes in content and structure, so much of the information is not easily compared to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the state's financial position and results of operations.

Financial Highlights

Government-wide

- The assets of the state exceeded its liabilities at the close of FY 02 by \$32.1 billion (net assets). Of this amount, \$3.7 billion is invested in capital assets, \$22.6 billion is restricted for various purposes - of which the Alaska Permanent Fund represents \$21.9 billion - and unrestricted net assets are \$5.8 billion. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$1.8 billion. This decrease is primarily attributable to the reduction in the value of investments held in the Alaska Permanent Fund.

Fund level

- As of the close of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$28.0 billion, with \$1.0 billion unreserved fund balance and a fund balance reserved for specific purposes of \$27.0 billion. The Alaska Permanent Fund Principal is \$21.9 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the general fund) is \$4.6 billion, with the balance reserved for education and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of \$0.7 billion.

Long-term debt

- The state's total long-term debt increased by \$370 million (44 percent) during the current fiscal year. The key factors in this increase are the issuance of \$140.8 million in revenue bonds for the International Airport System and \$126.8 million in revenue bonds for the Northern Tobacco Securitization Corporation.

Overview of the Financial Statements

The new financial statement focus is on both the state as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the state's accountability.

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements (reporting on the state as a whole)

The government-wide financial statements are designed to provide readers with a broad overview of the state's finances, in a manner similar to a private-sector business. It includes all of the state's funds and component units except for fiduciary funds. However, the primary focus of the statements is clearly on the state and the presentation allows the user to address the relative relationship with the discretely presented component units.

The statement of net assets presents information on all of the state's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

- **Governmental Activities** – Most of the state's basic services are reported in this category. Governmental activities are principally supported by taxes and intergovernmental revenues. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- **Business-type Activities** – The state charges fees to customers to help it cover all or most of the cost of certain services it provides. The state's International Airports Fund, the various loan funds, and the Unemployment Compensation fund are examples of business-type activities.
- **Discretely Presented Component Units** – Component units are legally separate organizations for which the state is financially accountable. The state has one university and nine corporations and authorities that are reported as discretely presented component units of the state.

The government-wide financial statements are statement numbers 1.01 and 1.02.

This report includes two statements (statement numbers 1.12 and 1.14) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting.

- Capital assets (land, buildings, equipment, infrastructure, and construction in progress) used in governmental activities are not reported in governmental fund statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.
- Unless due and payable in the current period, certain long-term liabilities such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bonds and note proceeds result in liabilities in the government-wide statements, but are recorded as other financing sources in the governmental fund statements.

Fund financial statements (reporting on the state's major funds)

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. However, the focus is now on "major" funds rather than fund types (the previous financial reporting model).

The fund financial statements are statement numbers 1.11 through 1.42 and provide detailed information about the major individual funds. The state has only two major funds, the general fund and the Alaska Permanent Fund, and both are included in the governmental funds' statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Alaska, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. We have also included the discretely presented component units in the fund financial statements and include detailed information on the three major component units, the University of Alaska, Alaska Housing Finance Corporation, and Alaska Industrial Development and Export Authority.

Governmental funds – Most of the state's basic services are reported in the governmental funds. Governmental funds include the general fund, special revenue funds, debt service funds, and permanent funds. Governmental fund financial statement focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. These funds are reported using modified accrual

accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund financial statements are statement numbers 1.11 through 1.14.

As mentioned earlier, the state has only two major funds, the Alaska Permanent Fund and the general fund. Together these two funds represent 97.1 percent of total government-wide cash and investments and 86.0 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

The state's main operating fund is the general fund. However, the state maintains many accounts and subfunds (created by law) within the general fund. In addition, as a result of implementing GASBS 34, several funds previously classified as other fund types have been reclassified and are now included as a part of the General Fund. Two of the most notable funds are the Constitutional Budget Reserve Fund and the Permanent Fund Dividend Fund. Because of materiality and public interest in these two funds, that had in prior years been reported separately, individual fund data for each of these subfunds is provided in the combining statement for the general fund elsewhere in this report.

Proprietary funds. When the state charges customers for the services it provides, whether to outside customers or to other state agencies, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private-sector businesses. Enterprise funds are used to report activities that provide supplies and services to the general public. The state uses enterprise funds to account for its international airports operations, its various loan funds, and the unemployment compensation fund. These activities are reported within business-type activities on the government-wide financial statements.

Internal service funds account for activities that provide supplies and services for other state programs. These include, among others, the state's equipment fleet and data processing/telecommunications. Because these services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements are statement numbers 1.21 through 1.23. Because none of the state's enterprise and internal service funds are considered major funds, there is a single column for each fund type on the proprietary fund financial statements. However, individual proprietary fund detail is provided in the combining statements elsewhere in this report.

Fiduciary funds. The state acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The state's fiduciary activities are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. Since fiduciary assets are restricted in purpose and are not available to support the state's own programs, these fiduciary assets are not presented as part of the government-wide financial statements.

The fiduciary fund financial statements are statement numbers 1.31 and 1.32.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following component unit statement of activities (statement number 1.42).

Additional Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules for the general fund reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end (statement number 2.01).

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds, as well as nonmajor discretely presented component units. These nonmajor funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually on the fund financial statements. Only the major funds, the general fund and the Alaska Permanent Fund, are presented individually on the fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$32.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (73 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$21.9 billion) may not be spent.

The remainder of the state's net assets (27 percent) represents amounts invested in capital assets net of related debt (\$3.7 billion), resources that are subject to external restrictions of how they may be used (\$0.7 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$4.2 billion).

Net Assets
As of June 30, 2002 (Stated in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other noncurrent assets	\$ 28,944	\$ 1,014	\$ 29,958
Capital assets	3,727	473	4,200
Total assets	32,671	1,487	34,158
Long-term liabilities	843	366	1,209
Other liabilities	798	21	819
Total liabilities	1,641	387	2,028
Net assets:			
Invested in capital assets, net of related debt	3,353	371	3,724
Restricted	22,207	417	22,624
Unrestricted	5,470	312	5,782
Total net assets	\$ 31,030	\$ 1,100	\$ 32,130

The net assets of governmental activities decreased \$1.8 billion and business-type activities increased \$53 million. The decrease for governmental activities is primarily due to the decrease in Alaska Permanent Fund net assets. The increase in business-type activities is due to the increase in net assets of the International Airports, Unemployment Compensation, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds). Key elements of this increase are interest and investment income of the Unemployment Compensation fund, and capital contributions to the International Airports, Alaska Clean Water, and Alaska Drinking Water funds.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the state's net assets changed during FY 02.

Changes in Net Assets
As of June 30, 2002 (Stated in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 1,092	\$ 212	\$ 1,304
Operating grants	1,112	33	1,145
Capital grants	503	36	539
General revenues			
Taxes	1,020	-	1,020
Interest & investment earnings	1,191	7	1,198
Other	(1,404)	1	(1,403)
Total revenues	3,514	289	3,803
Expenses			
General government	414	-	414
Alaska Permanent Fund Dividend	1,086	-	1,086
Education & university	1,148	-	1,148
Health & human services	1,406	-	1,406
Law & justice	119	-	119
Public protection	413	-	413
Natural resources	194	-	194
Development	127	-	127
Transportation	407	-	407
Intergovernmental	65	-	65
Debt service	17	-	17
Loans	-	17	17
Unemployment compensation	-	150	150
Airports	-	69	69
Total expenses	5,396	236	5,632
Excess (deficiency)			
Payments from component units	63	1	64
Transfers	1	(1)	-
Increase (decrease) in net assets	(1,818)	53	(1,765)
Net assets – beginning - restated	32,848	1,047	33,895
Net assets - ending	\$ 31,030	\$ 1,100	\$ 32,130

Financial Analysis of the State's Funds

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$28.0 billion, a decrease of \$2.0 billion in comparison with the prior year. The unreserved fund balance, which is available for spending at the government's discretion, consisted of \$1.6 billion in the Alaska Permanent Fund (earnings reserve account), a deficit of \$0.7 billion in the general fund, and \$0.1 billion for other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska

Permanent Fund (\$21.9 billion), 2) for the Constitutional Budget Reserve Fund (\$4.6 billion), 3) to liquidate contracts and purchase orders of the prior period (\$0.2 billion), or 4) for a variety of other restricted purposes (\$0.3 billion).

The general fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of \$0.7 billion, while total fund balance reached \$4.1 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which is a deficit, represents 14 percent of total general fund expenditures, while total fund balance represents 79 percent of that same amount.

The fund balance of the state's general fund decreased by \$668 million during the current fiscal year. The key factor in this decrease is due to a reduction in anticipated oil revenue.

General fund revenues for FY 02 were \$3.7 billion, a decrease of \$403.9 million compared to revenues of \$4.1 billion for FY 01 (adjusted for GASBS 34 effect). Revenues by source for FY 02 are compared to FY 01 in the following schedule (in millions):

<u>Revenues Source</u>	<u>FY 02</u>	<u>Percent</u>	<u>FY 01</u>	<u>Percent</u>
Taxes	\$ 989.6	26.7	\$ 1,329.7	32.3
Rents and Royalties	603.4	16.3	807.8	19.7
Interest and Investment Income	205.0	5.5	266.8	6.5
Federal	1,536.0	41.5	1,308.7	31.8
Miscellaneous	376.4	10.0	401.3	9.7
Total Revenue	<u>\$ 3,710.4</u>	<u>100.0</u>	<u>\$ 4,114.3</u>	<u>100.0</u>

As disclosed in the preceding table, the percentage of federal funding has increased significantly (almost ten percent) while taxes and rents and royalties have both decreased, indicating a general decline in oil revenue.

As a result of the changes required by GASBS 34, please note that the CBRF, which previously had been classified as an expendable trust fund, is now included as a part of the general fund. This has resulted in a significant increase in the fund balance of the general fund. However, because of the restrictions on the use of the CBRF, a reservation of fund balance is reported in the amount of \$4.6 billion for CBRF nonliquid assets.

The Alaska Permanent Fund is managed by the Alaska Permanent Fund Corporation, an instrumentality of the State of Alaska.

In 1976 the Alaska Constitution was amended to provide that:

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state shall be placed in a Permanent Fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for Permanent Fund investments. All income from the Permanent Fund shall be deposited in the general fund unless otherwise provided by law.

Subsequent legislation increased the Permanent Fund's share to 50 percent for rents and royalties on mineral leases issued after December 1, 1979, and for bonuses on mineral leases issued after February 15, 1980.

The Permanent Fund is made up of two parts, principal and earnings. Principal is the main body of the trust. At June 30, 2002, this amounted to \$21.9 billion. The sources of Fund principal were as follows: \$7.3 billion in constitutionally and statutorily dedicated oil revenues; \$7.6 billion of Fund earnings added to principal for inflation-proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Permanent Fund realized earnings, from inception through June 30, 2002, have amounted to \$24.9 billion. Of this amount \$11.8 billion has been paid out for dividends, \$7.5 billion has been added to principal for inflation-proofing, \$4.2 billion has been added to principal by special appropriations, \$0.3 billion has been paid out to the general fund, and \$1.1 billion remains in the Fund in the realized earnings reserve account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$589 million increase in appropriations (or 7 percent) and can be briefly summarized as follows:

- \$130 million for education
- \$194 million allocated to health and human services function
- \$158 million allocated to transportation
- The balance of \$107 million allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$181 million was to be funded out of an increase in federal revenue, another \$206 million from interagency receipts, with the balance coming from other financing sources. During the year, however, revenues were less than budgetary estimates and although expenditures were less than budgetary estimates, the state still needed to draw a total of \$884 million from the CBRF in accordance with chapter 61, SLA 2001, section 93(b).

Capital Assets and Debt Administration

Capital assets. The state's investment (net of related debt) in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$3.7 billion, net of accumulated depreciation (see table below). Depreciation charges for FY 02 totaled \$55 million for governmental activities and \$19 million for business-type activities.

Capital Assets
 (net of depreciation, in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 649	\$ 28	\$ 677
Buildings	657	189	846
Equipment	273	13	286
Infrastructure	232	154	386
Construction in progress	1,916	89	2,005
Total capital assets	\$ 3,727	\$ 473	\$ 4,200

Additional information on the state's capital assets can be found in note 5 in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the state had total bonded debt outstanding of \$595 million (none of which was general obligation bonds). Of this amount, \$233 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC) that are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The remaining \$362 million are International Airports revenue bonds secured solely by specified revenue sources. The NTSC bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

The state's total debt increased by \$370 million (44 percent) during the current fiscal year. The increase was primarily due to NTSC issuing revenue bonds to purchase the TSRs from the State of Alaska, and the International Airport System issuing revenue bonds to finance capital improvement projects.

The revenue bonds of NTSC have been rated "A" by Standard & Poor's, "A+" by Fitch, and "Aa3" by Moody's. The revenue bonds of the International Airports issued in April 2002 were rated "A", "A+", and "A1" by the three rating agencies respectively, but the state obtained insurance on the bonds resulting in a final rating of AAA.

Additional information of the state's long-term debt can be found in note 6 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the State of Alaska at fiscal year end was 6.3 percent, which is an increase from a rate of 6.0 percent a year ago. The United States unemployment rate at fiscal year end was 6.0 percent. The state's average unemployment rate for FY 02 was 6.2 percent, which compares favorably to the average unemployment rate for FY 01 of 6.5 percent and to the five year average (1997 to 2001) of 6.8 percent. Alaska's unemployment rate for October 2002 was also 6.3 percent, as compared to a rate of 5.7 percent one year ago, and a national unemployment rate of 5.3 percent.
- The state's major source of unrestricted revenue for the general fund is petroleum related, which makes up 37.1 percent of total revenue, with federal revenue making up another 41.4 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. However, oil production continues to decline even with improved practices developed to get oil from existing wells. This has resulted in a decline in state revenue overall. Although federal revenues are increasing, these funds are restricted for use in federal programs and will not offset the decline in petroleum revenue.
- FY 02 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 1.003 million barrels per day, which is a 1.7 percent decrease from FY 01 production of 1.020. FY 02 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 51.0 percent.

The primary factors considered in preparing the state's budget for the 2003 fiscal year is the decline in oil production. With state unrestricted revenue anticipated to be less than needed for the budget, funds were appropriated from the budget reserve fund (a subfund of the general fund) to balance the FY 03 budget.

The State of Alaska FY 02 budgeted expenditures do include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,850/resident, total \$1.1 billion in FY 02), state-operated Pioneer Homes, and the Longevity Bonus program.

Requests for Information

This financial report is designed to provide a general overview of the state's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Alaska, Division of Finance, P.O. Box 110204, Juneau, Alaska, 99811-0204.

BASIC
FINANCIAL STATEMENTS

(Intentionally left blank)

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and Investments	\$ 28,048,584	\$ 444,301	\$ 28,492,885	\$ 1,464,409
Accounts Receivable - Net	350,514	20,769	371,283	69,142
Interest and Dividends Receivable	138,039	37,790	175,829	44,950
Internal Balances	25,190	(25,190)	0	
Due from Primary Government			0	2,612
Due from Component Units	5,154		5,154	6,241
Due from Other Governments	309,430	458	309,888	11,112
Loans, Notes, and Bonds Receivable	10,354	244,564	254,918	3,902,380
Inventories	15,623		15,623	17,903
Repossessed Property		2,738	2,738	326
Net Investment in Direct Financing Leases			0	341,711
Investments in Projects, Partnerships, or Corporations		7,682	7,682	66,784
Restricted Assets	19,287	277,359	296,646	2,358,884
Other Assets	21,422	3,906	25,328	88,386
Capital Assets:				
Equipment, Net of Depreciation	272,621	12,239	284,860	176,581
Buildings, Net of Depreciation	657,057	188,871	845,928	539,670
Infrastructure, Net of Depreciation	232,666	154,563	387,229	397,177
Land	648,831	28,414	677,245	55,267
Construction in Progress	1,915,963	88,663	2,004,626	191,910
Total Assets	<u>32,670,735</u>	<u>1,487,127</u>	<u>34,157,862</u>	<u>9,735,445</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	790,959	11,205	802,164	54,708
Due to Primary Government			0	23,612
Due to Component Units	5,623		5,623	
Due to Other Governments	339	4,871	5,210	1,861
Interest Payable	1,233	4,582	5,815	40,855
Other Current Liabilities	1	307	308	148,013
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgements, and				
Compensated Absences	139,484		139,484	295
Deferred Revenues and Advances	86,365	3,829	90,194	14,219
Notes, Bonds, and Leases Payable	41,675	6,300	47,975	148,685
Other Long-term Debt			0	1,311
Other Noncurrent Liabilities	2,999		2,999	18,880
Portion Due or Payable After One Year:				
Claims, Judgements, and				
Compensated Absences	84,463		84,463	
Deferred Revenues and Advances	49		49	179,149
Notes, Bonds, and Leases Payable	487,196	356,074	843,270	4,381,620
Other Long-term Debt			0	24,837
Other Noncurrent Liabilities	319	25	344	28,455
Total Liabilities	<u>1,640,705</u>	<u>387,193</u>	<u>2,027,898</u>	<u>5,066,500</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,353,079	370,663	3,723,742	978,834
Restricted for:				
Permanent Funds				
Nonexpendable	22,136,455		22,136,455	
Expendable	17,089		17,089	
Education	5,386		5,386	428,402
Conservation, Environment, and Natural Resources	29,865		29,865	
Unemployment Compensation		223,583	223,583	
Debt Service		7,869	7,869	824,725
Other Purposes	18,306	186,157	204,463	886,378
Unrestricted	5,469,850	311,662	5,781,512	1,550,606
Total Net Assets	<u>\$ 31,030,030</u>	<u>\$ 1,099,934</u>	<u>\$ 32,129,964</u>	<u>\$ 4,668,945</u>

The notes to the financial statements are an integral part of this statement.

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 414,344	\$ 16,465	\$ 17,139	\$ 2,753
Alaska Permanent Fund Dividend	1,086,362			
Education	939,988	2,738	102,504	644
University	208,322		62	349
Health and Human Services	1,406,064	19,329	790,882	35,021
Law and Justice	118,928	9,528	17,293	
Public Protection	413,305	93,737	53,113	7,097
Natural Resources	194,377	906,477	57,325	28,454
Development	126,427	2,829	57,543	22,961
Transportation	406,543	40,456	2,158	405,424
Intergovernmental Revenue Sharing	65,241		13,662	
Debt Service	16,564			
Total Governmental Activities	<u>5,396,465</u>	<u>1,091,559</u>	<u>1,111,681</u>	<u>502,703</u>
Business-type Activities:				
Loans	16,540	9,434	3,763	12,532
Unemployment Compensation	150,176	135,097	29,352	714
Airports	68,884	67,936	13	23,396
Total Business-type Activities	<u>235,600</u>	<u>212,467</u>	<u>33,128</u>	<u>36,642</u>
Total Primary Government	<u>\$ 5,632,065</u>	<u>\$ 1,304,026</u>	<u>\$ 1,144,809</u>	<u>\$ 539,345</u>
Component Units:				
University of Alaska	\$ 503,303	\$ 93,486	\$ 150,817	\$ 1,917
Alaska Housing Finance Corporation	359,132	229,480	39,956	6,327
Alaska Industrial Development and Export Authority	146,393	45,974	651	
Nonmajor Component Units	434,207	172,270	33,221	13,497
Total Component Units	<u>\$ 1,443,035</u>	<u>\$ 541,210</u>	<u>\$ 224,645</u>	<u>\$ 21,741</u>

General Revenues:

Taxes:

Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes

Interest and Investment Earnings

Tobacco Settlement
Net Increase (Decrease) in the Fair Value of Investments
Other Revenues

Payments In from Component Units
Payments In from Primary Government
Transfers - Internal Activity

Special Items:

AHFC Closure of Mutual Health Program
Total General Revenues, State and Component Unit
Payments, Transfers, and Special Items
Change in Net Assets

Net Assets - Beginning of Year
Net Assets - End of Year

The notes to the financial statements are an integral part of this statement.

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (377,987)	\$	\$ (377,987)	\$
(1,086,362)		(1,086,362)	
(834,102)		(834,102)	
(207,911)		(207,911)	
(560,832)		(560,832)	
(92,107)		(92,107)	
(259,358)		(259,358)	
797,879		797,879	
(43,094)		(43,094)	
41,495		41,495	
(51,579)		(51,579)	
(16,564)		(16,564)	
<u>(2,690,522)</u>		<u>(2,690,522)</u>	
	9,189	9,189	
	14,987	14,987	
	22,461	22,461	
	<u>46,637</u>	<u>46,637</u>	
<u>(2,690,522)</u>	<u>46,637</u>	<u>(2,643,885)</u>	
			(257,083)
			(83,369)
			(99,768)
			<u>(215,219)</u>
			<u>(655,439)</u>
549,848		549,848	
139,531		139,531	
269,273		269,273	
49,641		49,641	
11,585		11,585	
1,191,155	6,449	1,197,604	128,683
134,925		134,925	
(1,562,769)		(1,562,769)	(5,906)
24,280	546	24,826	2,489
63,474	652	64,126	33,717
		0	211,228
1,539	(1,539)	0	
		0	2,035
<u>872,482</u>	<u>6,108</u>	<u>878,590</u>	<u>372,246</u>
(1,818,040)	52,745	(1,765,295)	(283,193)
32,848,070	1,047,189	33,895,259	4,952,138
<u>\$ 31,030,030</u>	<u>\$ 1,099,934</u>	<u>\$ 32,129,964</u>	<u>\$ 4,668,945</u>

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,214,181	\$ 24,445,931	\$ 376,218	\$ 28,036,330
Accounts Receivable - Net	167,844	174,245	5,741	347,830
Interest and Dividends Receivable	788	136,821	407	138,016
Due from Other Funds	958,897	44,195	1,510	1,004,602
Due from Component Units	4,188		5	4,193
Due from Other Governments	307,859			307,859
Loans, Notes, and Bonds Receivable	10,308		46	10,354
Inventories	11,871			11,871
Other Assets	15,800		40	15,840
Total Assets	\$ 4,691,736	\$ 24,801,192	\$ 383,967	\$ 29,876,895
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 425,016	\$ 345,626	\$ 8,858	\$ 779,500
Due to Other Funds	54,252	930,353	2,764	987,369
Due to Component Units	5,623			5,623
Due to Other Governments	339			339
Deferred Revenues and Advances	86,112		302	86,414
Other Liabilities	2,999		320	3,319
Total Liabilities	574,341	1,275,979	12,244	1,862,564
Fund Balances:				
Reserved:				
Encumbrances	192,681		26,028	218,709
Nonliquid Assets	4,605,106			4,605,106
Bonds			29,452	29,452
Other Purposes	21,349	21,884,170	252,285	22,157,804
Unreserved:				
General Fund	(701,741)			(701,741)
Special Revenue Funds			46,919	46,919
Permanent Funds		1,641,043	17,039	1,658,082
Total Fund Balances	4,117,395	23,525,213	371,723	28,014,331
Total Liabilities and Fund Balances	\$ 4,691,736	\$ 24,801,192	\$ 383,967	\$ 29,876,895

The notes to the financial statements are an integral part of this statement.

Total Fund Balances - Governmental Funds \$ 28,014,331

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)

These assets consist of:

Land	648,831	
Buildings	631,679	
Equipment	194,044	
Infrastructure	249,285	
Construction in progress	1,915,962	
Accumulated depreciation	<u>(41,001)</u>	
		3,598,800

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21)

149,492

Some of the State's rents and royalties will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not reported in the funds.

3,171

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)

Capital lease obligations	(259,190)	
Compensated absences	(105,187)	
Claims and Judgements (net of federal reimbursement)	<u>(114,043)</u>	
		(478,420)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. (Note 6)

Notes and bonds payable	(260,669)	
Unamortized costs of issuance	4,447	
Accrued interest payable	<u>(1,122)</u>	
		(257,344)

Net Assets of Governmental Activities \$ 31,030,030

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2002
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 989,602	\$	\$ 30,276	\$ 1,019,878
Licenses and Permits	63,459		26,590	90,049
Charges for Services	157,119		339	157,458
Fines and Forfeitures	11,712		225	11,937
Rents and Royalties	603,389	257,697	6,014	867,100
Premiums and Contributions	9,308		10,304	19,612
Interest and Investment Income	205,049	984,082	14,205	1,203,336
Net Increase (Decrease) in the Fair Value of Investments		(1,562,979)	(20,244)	(1,583,223)
Federal Grants in Aid	1,535,949		16,745	1,552,694
Nonfederal Grants and Contracts			43	43
Other Revenues	134,775		19,938	154,713
Total Revenues	3,710,362	(321,200)	104,435	3,493,597
EXPENDITURES				
Current:				
General Government	241,819	38,124	113,636	393,579
Alaska Permanent Fund Dividend	1,086,362			1,086,362
Education	932,854		40,862	973,716
University	1,644			1,644
Health and Human Services	1,399,819		4,450	1,404,269
Law and Justice	117,624		24	117,648
Public Protection	409,525		475	410,000
Natural Resources	145,705		53,327	199,032
Development	120,506		4,720	125,226
Transportation	650,677		1	650,678
Intergovernmental Revenue Sharing	65,198			65,198
Debt Service:				
Principal	9,169		7,495	16,664
Interest and Other Charges	3,447		12,431	15,878
Total Expenditures	5,184,349	38,124	237,421	5,459,894
Excess (Deficiency) of Revenues Over Expenditures	(1,473,987)	(359,324)	(132,986)	(1,966,297)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	16,000		126,790	142,790
Bond Discount			(1,852)	(1,852)
Transfers In from Other Funds	947,928		13,899	961,827
Payments In from Component Units	63,474			63,474
Transfers (Out to) Other Funds	(4,935)	(930,353)	(12,622)	(947,910)
Payments (Out to) Component Units	(216,489)			(216,489)
Total Other Financing Sources and Uses	805,978	(930,353)	126,215	1,840
Net Change in Fund Balances	(668,009)	(1,289,677)	(6,771)	(1,964,457)
Fund Balances - Beginning of Year	4,785,404	24,814,890	378,494	29,978,788
Fund Balances - End of Year	\$ 4,117,395	\$ 23,525,213	\$ 371,723	\$ 28,014,331

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
 Reconciliation of the Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2002
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ (1,964,457)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (Note 5).

Land	13,465	
Buildings	63,014	
Equipment	(2,963)	
Infrastructure	232,666	
Construction in progress	47,028	
		353,210

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Statement 1.22).

8,944

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

3,171

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond proceeds	(140,938)	
Accrued interest	(753)	
Repayment of bond principal	7,495	
Payments for bond agency fees	1,571	
		(132,625)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Claims and judgements	(18,428)	
Compensated absences	1,299	
Capital lease payments	(73,154)	
Other long-term debt	4,000	
		(86,283)

Change in Net Assets of Governmental Activities \$ (1,818,040)

The notes to the financial statements are an integral part of this statement.

	Enterprise Funds	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Investments	\$ 444,301	\$ 31,541
Accounts Receivable - Net	20,769	556
Interest and Dividends Receivable	11,504	
Due from Other Funds	334	7,467
Due from Component Units		961
Due from Other Governments	458	61
Loans, Notes, and Bonds Receivable	9,996	
Inventories		3,752
Other Current Assets		1,135
Total Current Assets	487,362	45,473
Noncurrent Assets:		
Interest and Dividends Receivable	26,286	
Loans, Notes, and Bonds Receivable	234,568	
Repossessed Property	2,738	
Investment in Projects, Partnerships, or Corporations	7,682	
Restricted Assets	277,359	
Other Noncurrent Assets	3,906	
Capital Assets:		
Equipment, Net of Depreciation	12,239	86,348
Buildings, Net of Depreciation	188,871	41,990
Infrastructure, Net of Depreciation	154,563	
Land	28,414	
Construction in Progress	88,663	
Total Noncurrent Assets	1,025,289	128,338
Total Assets	1,512,651	173,811
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	11,205	11,459
Due to Other Funds	25,524	553
Due to Other Governments	4,871	
Interest Payable	4,582	88
Claims, Judgements, and Compensated Absences		3,207
Deferred Revenues and Advances	3,829	
Notes, Bonds, and Leases Payable	6,300	2,511
Other Current Liabilities	307	
Total Current Liabilities	56,618	17,818
Noncurrent Liabilities:		
Notes, Bonds, and Leases Payable	356,074	6,501
Other Noncurrent Liabilities	25	
Total Noncurrent Liabilities	356,099	6,501
Total Liabilities	412,717	24,319
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	370,663	119,325
Restricted for:		
Unemployment Compensation	223,583	
Debt Service	7,869	
Other Purposes	186,157	
Unrestricted	311,662	30,167
Total Net Assets	\$ 1,099,934	\$ 149,492

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2002
(Stated in Thousands)

STATEMENT 1.22

	Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Premiums and Contributions	\$ 135,095	\$ 47,038
Charges for Goods and Services	68,107	64,731
Interest and Investment Income	11,869	
Allowance for Uncollectible Interest	(2,692)	
Fines and Forfeitures	127	
Federal Grants in Aid	16,506	
Other Operating Revenues	685	344
Total Operating Revenues	229,697	112,113
OPERATING EXPENSES		
Benefits	150,116	41,810
Operating	52,088	54,503
Depreciation	20,011	13,972
Provision for Loan Losses and Forgiveness	10,672	2
Other Operating Expenses	206	
Total Operating Expenses	233,093	110,287
Operating Income (Loss)	(3,396)	1,826
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	23,048	936
Interest and Investment Expense	(1,203)	(558)
Gain (Loss) on Disposal of Capital Assets		(331)
Other Nonoperating Revenues (Expenses)	559	1,542
Total Nonoperating Revenues (Expenses)	22,404	1,589
Income Before Capital Contributions and Transfers	19,008	3,415
Capital Contributions	35,928	2,757
Payments In from Component Units	652	
Payments (Out to) Component Units	(1,304)	
Transfers In from Other Funds	761	2,772
Transfers (Out to) Other Funds	(2,300)	
Change in Net Assets	52,745	8,944
Total Net Assets - Beginning of Year	1,047,189	140,548
Total Net Assets - End of Year	\$ 1,099,934	\$ 149,492

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$ 16,529	\$ 97
Receipts from Customers	67,970	62,441
Receipt of Principal from Loan Recipients	24,074	
Receipt of Interest and Fees from Loan Recipients	8,687	
Receipts from Insured	134,803	47,056
Payments to Employees	(29,383)	(21,672)
Payments to Suppliers	(15,134)	(30,039)
Payments to Loan Recipients	(24,681)	
Claims Paid	(137,902)	(51,393)
Interfund Services Used	(3,317)	
Other Receipts	96	877
Other Payments	1,008	(1,944)
Net Cash Provided (Used) by Operating Activities	<u>42,750</u>	<u>5,423</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds	(2,052)	
Operating Subsidies and Transfers In from Other Funds	761	2,772
Payments (Out to) Component Units	(1,107)	
Payments In from Component Units	652	
Federal Grants	12,532	
Proceeds from Issuance of Short-term Debt	2,388	
Payments on Short-term Debt	(2,388)	
Interest and Fees Paid on Borrowing	(13)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,773</u>	<u>2,772</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets		1,080
Acquisition and Construction of Capital Assets	(70,434)	(23,415)
Proceeds from Capital Debt	135,398	
Principal Paid on Capital Debt		(2,474)
Interest and Fees Paid on Capital Debt	(11,567)	(427)
Capital Lease Payments (and Interest)		(703)
Federal Grants	19,384	
Other Receipts (Payments)	4,632	1,356
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>77,413</u>	<u>(24,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales/Maturities of Investments	5,000	
Purchase of Investments	(4,966)	
Interest and Dividends on Investments	32,390	905
Change in Restricted Cash and Investments	(124,136)	
Net Cash Provided (Used) by Investing Activities	<u>(91,712)</u>	<u>905</u>
Net Increase (Decrease) in Cash	<u>39,224</u>	<u>(15,483)</u>
Cash and Cash Equivalents - Beginning of Year	319,776	47,024
Cash and Cash Equivalents - End of Year	<u>\$ 359,000</u>	<u>\$ 31,541</u>

The notes to the financial statements are an integral part of this statement.

	Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (3,396)	\$ 1,826
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	20,011	13,975
Other Reconciling Items	424	
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(946)	34
Due From Other Funds	(131)	(1,137)
Due From Component Units		(442)
Due From Other Governments	160	(20)
Loans, Notes and Bonds Receivable - Net	10,540	
Interest and Dividends Receivable - Net	(1,054)	
Inventories		706
Other Assets	(752)	(481)
Due to Other Funds	12,316	543
Due to Other Governments	(548)	
Accounts Payable and Accrued Liabilities	6,114	(9,316)
Other Liabilities	12	(265)
Net Cash Provided (Used) by Operating Activities	<u>\$ 42,750</u>	<u>\$ 5,423</u>
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 444,301	\$ 31,541
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(85,301)	
Cash, End of Year	<u>\$ 359,000</u>	<u>\$ 31,541</u>
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets		2,995
Interfund Asset Transfers		(238)
Transfers (Out to) Other Funds (Accrual)	(248)	

	Pension and Other Employee Benefit Trust Funds	Private-purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 51,877	\$ 1,524	\$ 82,026
Investments	13,347,015		177,578
Investment Loss Trust Fund Assets	1,594		
Contributions Receivable	25,321		
Loans Receivable - Net		2,842	
Interest and Dividends Receivable		90	
Due from Other Funds	26	126	1,289
Other Assets	36		
Total Assets	<u>13,425,869</u>	<u>4,582</u>	<u>260,893</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	51,992	132	2,762
Trust Deposits Payable			256,249
Due to Other Funds	1,988		1,882
Total Liabilities	<u>53,980</u>	<u>132</u>	<u>260,893</u>
NET ASSETS			
Held in Trust for:			
Pension Benefits	8,380,899		
Postemployment Healthcare Benefits	2,906,998		
Individuals, Organizations, and Other Governments	2,083,992	4,450	
Total Net Assets	<u>\$ 13,371,889</u>	<u>\$ 4,450</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2002
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds	Private-purpose Trust Funds
ADDITIONS		
Premiums and Contributions:		
Employer	\$ 388,426	\$
Member	258,700	
Other	1,054	183
Total Premiums and Contributions	<u>648,180</u>	<u>183</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair		
Value of Investments	(1,187,467)	
Interest	259,989	108
Dividends	168,168	
Total Investment Income	<u>(759,310)</u>	<u>108</u>
Less Investment Expense	26,104	
Net Investment Income	<u>(785,414)</u>	<u>108</u>
Transfers In from Other Funds		125
Other Additions	14	
Total Additions	<u>(137,220)</u>	<u>416</u>
DEDUCTIONS		
Benefits Paid	890,734	
Insurance Premiums	5,378	
Refunds of Premiums and Contributions	114,671	
Administrative Expenses	19,443	51
Total Deductions	<u>1,030,226</u>	<u>51</u>
Net Increase (Decrease) in Net Assets Held in		
Trust for:		
Pension Benefits	(796,796)	
Postemployment Healthcare Benefits	(249,411)	
Individuals, Organizations, and Other Governments	(121,239)	365
Net Assets - Beginning of the Year	14,539,335	4,085
Net Assets - End of the Year	<u>\$ 13,371,889</u>	<u>\$ 4,450</u>

The notes to the financial statements are an integral part of this statement.

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	\$ 18,325	\$ 287,414	\$ 361,638	\$ 797,032	\$ 1,464,409
Accounts Receivable - Net	53,950			15,192	69,142
Interest and Dividends Receivable	83	25,015	6,993	12,859	44,950
Due from Primary Government	1,838	569		205	2,612
Due from Component Units	6,192	49			6,241
Due from Other Governments	832			10,280	11,112
Loans, Notes, and Bonds Receivable	5,283	3,373,640	283,980	239,477	3,902,380
Inventories	6,906			10,997	17,903
Repossessed Property				326	326
Net Investment in Direct Financing Leases		37,697	304,014		341,711
Investments in Projects, Partnerships, or Corporations			66,784		66,784
Restricted Assets	125,658	1,309,971	113,834	809,421	2,358,884
Other Assets	25,260	48,759	14,173	194	88,386
Capital Assets:					
Equipment, Net of Depreciation	108,272	849		67,460	176,581
Buildings, Net of Depreciation	451,884	55,367		32,419	539,670
Infrastructure, Net of Depreciation	13,867			383,310	397,177
Land	24,303	13,887		17,077	55,267
Construction in Progress	52,942	28,937		110,031	191,910
Total Assets	895,595	5,182,154	1,151,416	2,506,280	9,735,445
LIABILITIES					
Accounts Payable and Accrued Liabilities	24,193		1,341	29,174	54,708
Due to Primary Government		8,479	43	15,090	23,612
Due to Other Governments				1,861	1,861
Interest Payable		14,253	3,183	23,419	40,855
Other Current Liabilities	33,174	108,541	2,285	4,013	148,013
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgements, and Compensated Absences				295	295
Deferred Revenues and Advances				14,219	14,219
Notes, Bonds, and Leases Payable	3,903	74,370	11,530	58,882	148,685
Other Long-term Debt	1,281			30	1,311
Other Noncurrent Liabilities		16,477	2,403		18,880
Portion Due or Payable After One Year:					
Deferred Revenues and Advances	8,946			170,203	179,149
Notes, Bonds, and Leases Payable	70,025	3,193,183	322,125	796,287	4,381,620
Other Long-term Debt	13,771			11,066	24,837
Other Noncurrent Liabilities	5,670	1,041	8,917	12,827	28,455
Total Liabilities	160,963	3,416,344	351,827	1,137,366	5,066,500
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	564,771	98,408		315,655	978,834
Restricted for:					
Education	130,838			297,564	428,402
Debt Service	2,509	779,083	3,311	39,822	824,725
Other Purposes		534,926		351,452	886,378
Unrestricted	36,514	353,393	796,278	364,421	1,550,606
Total Net Assets	\$ 734,632	\$ 1,765,810	\$ 799,589	\$ 1,368,914	\$ 4,668,945

The notes to the financial statements are an integral part of this statement.

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services, and Other Royalties	Operating Grants and Contributions	Capital Grants and Contributions	
Component Units:					
University of Alaska	\$ 503,303	\$ 93,486	\$ 150,817	\$ 1,917	\$ (257,083)
Alaska Housing Finance Corporation	359,132	229,480	39,956	6,327	(83,369)
Alaska Industrial Development Export Authority and Nonmajor Component Units	146,393 434,207	45,974 172,270	651 33,221	13,497	(99,768) (215,219)
Total Component Units	\$ 1,443,035	\$ 541,210	\$ 224,645	\$ 21,741	(655,439)
General Revenues:					
					128,683
					(5,906)
					2,489
					33,717
					211,228
Special Items:					
					2,035
					372,246
					(283,193)
					4,952,138
					\$ 4,668,945

The notes to the financial statements are an integral part of this statement

**STATE OF ALASKA
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For the Fiscal Year Ended June 30, 2002**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Alaska have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles, which are primarily set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards.

A. THE FINANCIAL REPORTING ENTITY

The State of Alaska was admitted to the Union in 1959 and is governed by an elected governor and a sixty-member elected legislature. As required by GAAP, these financial statements present all the fund types of the state which includes all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the state (primary government) and its component units discussed below. Component units are legally separate entities for which the primary government is financially accountable or such that their exclusion would cause the state's financial statements to be misleading or incomplete.

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the state's operations and provide services entirely or almost entirely to the state. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the state. Individual component unit financial reports may also be obtained from each of these organizations.

BLENDED COMPONENT UNITS

The **Alaska Permanent Fund Corporation (APFC)** is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the state constitution. The Fund is established as an inviolate trust. This means the principal of the Fund is to be invested in perpetuity. The beneficiaries of the trust are all present and future generations of Alaskans. The Fund represents 86 percent of the total cash and investments and 73 percent of total government-wide net assets excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the Fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 25500, Juneau, AK 99802-5500.

The **Northern Tobacco Securitization Corporation (NTSC)** is a public corporation and government instrumentality of, but having a legal existence independent of and separate from, the State of Alaska. NTSC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation. The commissioners of the departments of Revenue, Health and Social Services, and Community and Economic Development, and two independent public members appointed by the governor comprise the NTSC board of directors.

The purpose of NTSC is to purchase future rights, title, and interest in Tobacco Settlement Revenues (TSRs) from the state under the Master Settlement Agreement and Final Judgement (MSA). The MSA resolved cigarette smoking-related litigation between the settling states and the participating manufacturers, released the manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions among other things.

NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. When NTSC's obligations with the bonds have been fulfilled, the TSRs revert back to the state under the residual certificate. Consideration paid by NTSC through AHFC to the state for TSRs consisted of a cash amount sent to the State of Alaska custodial trust accounts and a residual certificate assigned to the state.

The bonds of NTSC are asset-backed instruments secured solely by the TSRs and NTSC's right to receive TSRs is expected to produce funding for its obligations. The TSR payments are dependent on a variety of factors, some of which are: the financial capability of the participating manufacturers to pay TSRs; future cigarette consumption that impacts the TSR payment; and future legal and legislative challenges against the tobacco manufacturers and the MSA providing for the TSRs.

Pursuant to bond indentures, these adjustments could affect the amount of funds available to pay scheduled debt service payments.

NTSC is reported in the governmental fund types as special revenue and debt service funds. The revenue bond debt is reported in the government-wide statement of net assets in the governmental fund activities column. NTSC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Public Employees' Retirement System (PERS)** was established by state statute (AS 39.35.010). The Commissioner of Administration is responsible for the administration of PERS. The governor appoints the majority of the PERS board. The board prescribes policies and regulations, hears appeals, and approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the state, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The Alaska State Pension Investment Board (ASPIB) is the fiduciary of PERS.

The **Teachers' Retirement System (TRS)** was established by state statute (AS 14.25.010). The Commissioner of Administration appoints the administrator of TRS. The administrator is responsible for the administration of TRS in accordance with state statutes. The governor appoints the majority of the TRS board. The board prescribes policies and regulations, hears appeals, and approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the state, participating governmental employers, and participants. TRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of TRS.

The **Judicial Retirement System (JRS)** was established by state statute (AS 22.25.048). The Commissioner of Administration is responsible for the administration of JRS. JRS costs, based upon actuarial valuations, are funded by the state and participants. JRS is reported in fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of JRS.

The **Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)** was established by state statute (AS 26.05.222). The Commissioner of Administration is responsible for the administration of NGNMRS. NGNMRS costs, based upon actuarial valuations, are funded by the state. NGNMRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of NGNMRS.

The **Supplemental Benefits System (SBS)** was established by state statute (AS 39.30.150). The Commissioner of Administration is responsible for the administration of SBS. SBS is reported in the fiduciary fund types as a pension (and other employee benefit) trust funds. ASPIB is the fiduciary of SBS.

Copies of the audited financial statements for the retirement systems and for SBS may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Development Corporation (AADC)** is a public corporation of the state located for administrative purposes within the Department of Community and Economic Development (AS 14.40.821). The governor appoints the voting members of the AADC board of directors and the legislature approves AADC's budget. AADC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AADC is to allow the state to take a lead role in the exploration and development of space, to enhance human and economic development, and to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AADC is also to promote the continued utilization of the Poker Flat Research Range as a launch site for launch vehicles and for scientific research. Additionally, AADC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AADC financial statements may be obtained from the Alaska Aerospace Development Corporation, 4300 B. St., Suite 101, Anchorage, AK 99503.

The **Alaska Energy Authority (AEA)** is a public corporation of the state in the Department of Community and Economic Development but with a separate and independent legal existence (AS 44.83.020). The purpose of AEA was to promote, develop, and advance the general prosperity and economic welfare of the people of the state by providing a means of constructing, acquiring, financing, and operating power projects and facilities that recover and use waste energy.

However, chapters 18 and 19, session laws of Alaska (SLA) 1993, which became effective August 11, 1993, eliminated the ability of AEA to construct, own, and acquire energy projects, and the programs operated by AEA were transferred to the Department of Community and Regional Affairs. The corporate structure of AEA was retained but the board of directors of the Alaska Industrial Development and Export Authority (AIDEA) is now the board of directors of AEA and the Executive Director of AIDEA is also the Executive Director of AEA. It is the intent of the legislation that ongoing operation of the operating assets be assumed by the electric utility companies that use or purchase power from AEA with oversight responsibility retained by AEA.

Pursuant to legislation effective July 1, 1999, rural energy programs previously administered by the former Department of Community and Regional Affairs were transferred to AEA for administration as part of a larger reorganization of state agencies. Rural energy programs were originally part of AEA prior to the reorganization that occurred in 1993. AEA financial statements may be obtained from the Alaska Industrial Development and Export Authority, 813 W Northern Lights Blvd, Anchorage, AK 99503.

The **Alaska Housing Finance Corporation (AHFC)** is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the state (AS 18.56.020). The governor appoints the board of directors of AHFC. The legislature approves AHFC's budget. AHFC assists in providing decent, safe, and sanitary housing by providing mortgage loan finance. AHFC acts as the principal source of residential financing in the state and functions as a secondary mortgage market. AHFC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Alaska Industrial Development and Export Authority (AIDEA)** is a public corporation of the state and a political subdivision within the Department of Community and Economic Development (AS 44.88.020). The governor appoints all members of the AIDEA board of directors and the legislature approves AIDEA's budget. The purpose of AIDEA is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska; to relieve problems of unemployment; to create additional employment by providing various means of financing; and to facilitate the financing of industrial, manufacturing, export, and business enterprises within the state. AIDEA financial statements may be obtained from the Alaska Industrial Development and Export Authority, 813 W Northern Lights Blvd, Anchorage, AK 99503.

The **Alaska Mental Health Trust Authority (AMHTA)** is established as a public corporation of the state within the Department of Revenue (AS 47.30.011). The governor appoints the AMHTA board of trustees. The legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.17.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units since there are no separately issued financial statements for AMHTA.

The **Alaska Municipal Bond Bank Authority (AMBBA)** is a public corporation and an instrumentality of the state within the Department of Revenue, but with a legal existence independent of and separate from the state (AS 44.85.020). The governor appoints members of the AMBBA board of directors. The legislature approves AMBBA's budget. AMBBA was created for the purpose of making available to municipalities within the state moneys to finance their capital projects or for other authorized purposes by means of issuance of bonds by AMBBA and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds. AMBBA commenced operations in August 1975. AMBBA financial statements may be obtained from the Alaska Municipal Bond Bank Authority, P.O. Box 110405, Juneau, AK 99811-0405.

The **Alaska Railroad Corporation (ARRC)** is a public corporation and instrumentality of the state within the Department of Community and Economic Development (AS 42.40.010). ARRC has a legal existence independent of and separate from the state. The powers of ARRC are vested in the board of directors appointed by the governor. ARRC was created by the State of Alaska legislature to own and operate the railroad and manage its rail, industrial, port, and other properties. The ARRC commenced operations on January 6, 1985. ARRC financial statements may be obtained from the Alaska Railroad Corporation, P.O. Box 107500, Anchorage, AK 99510-7500.

The **Alaska Science and Technology Foundation (ASTF)** is established as a public corporation in the Department of Community and Economic Development (AS 37.17.010). ASTF is governed and administered by a board of directors appointed by the governor. ASTF's budget is approved by the legislature. The purpose of ASTF is to promote and enhance through basic and applied research: economic development and technological innovation in Alaska, public health, telecommunication, and sustained growth and development of Alaskan scientific and engineering capabilities. A BIDCO

(AS 37.17.210) loan fund was created in ASTF in FY 95 to assist in the formation, capitalization, and operation of corporations that are licensed under AS 10.13. ASTF financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units since there are no separately issued financial statements for ASTF.

The **Alaska Student Loan Corporation (ASLC)** is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the state (AS 14.42.100). ASLC is governed by a board of directors appointed by the governor. The legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the state. ASLC financial statements may be obtained from the Postsecondary Education Commission, 3030 Vintage Blvd., Juneau, AK 99801-7109.

The **University of Alaska** is established as a corporation and is an instrumentality of the state (AS 14.40.040). A board of regents appointed by the governor and confirmed by the legislature governs the university. The legislature approves the university's budget. The university is created and acts for the benefit of the state and the public in providing education in accordance with an express mandate of the constitution. The university's financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 B Butrovich Building, P.O. Box 756540, Fairbanks, AK 99775-6540.

The **Alaska Seafood Marketing Institute (ASMI)** is a public corporation of the state (AS 16.51.010). It is an instrumentality of the state with a legal existence independent of and separate from the state. ASMI is governed by a board of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the general fund within the Department of Community and Economic Development because its financial activities, which are immaterial, are currently accounted for in the state's general fund. The ASMI fiscal year 2002 operating budget was approximately \$11.3 million.

B. BASIC FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements (as well as these notes to the financial statements). The previous financial reporting model emphasized fund types (the total of all funds of a particular type), while the new financial reporting model focus is on either the state as a whole (government-wide statements), or on major individual funds (fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (statement of net assets and statement of activities) report information of all nonfiduciary activities of the state and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the component units for which the primary government is financially accountable.

The statement of net assets presents the reporting entities nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ◆ **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- ◆ **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- ◆ **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them available for general operations (see note 1.F.). Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the state has only two, the general fund and the Alaska Permanent Fund, both of which are governmental funds). All nonmajor governmental funds are summarized into a single column on the governmental funds statements. All other nonmajor funds are summarized into a single column on each of the respective funds statements: proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of the year (collected within 60 days of fiscal year end). Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

Expenditures are recognized when a liability is incurred. However, expenditures related to debt service, compensated absences, and claims and judgements are recorded only when payment is due and payable.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The state has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

D. FINANCIAL STATEMENT PRESENTATION

The State of Alaska reports two major funds, the general fund and the Alaska Permanent Fund, both of which are governmental funds. The general fund is the state's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The Alaska Permanent Fund was created in 1976 to save a portion of the state's one-time oil wealth to produce income to benefit current and future generations. In addition, the state reports the following fund types:

GOVERNMENTAL FUND TYPES

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. In addition to the Alaska Permanent Fund (major fund), the state has one other permanent fund, the Public School Trust Fund.

PROPRIETARY FUND TYPES

Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services.

Internal service funds are used to report any activity that provides goods or services primarily to other funds or agencies of the state, rather than to the general public.

FIDUCIARY FUND TYPES

Pension (and other employee benefits) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private-purpose trust funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Agency funds are used to report resources held by the state purely in a custodial capacity (assets equal liabilities).

E. FISCAL YEAR-ENDS

All funds and discretely presented component units of the State of Alaska are reported using fiscal years which end on June 30 except the Alaska Railroad Corporation and Deferred Compensation Fund fiscal years end on December 31, and the Alaska Supplemental Benefits System fiscal year ends on January 31.

F. ASSETS, LIABILITIES, AND NET ASSETS/FUND BALANCE

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the state and its component units. In accordance with GASB Statement No. 31, investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality, and type. The noninterest bearing investments are reported at cost, which approximates fair value. The Tobacco Revenue Fixed Income Agreement is reported at contract value, which approximates fair value.

The assets of the Nonretirement Domestic Equity Pool are comprised of shares in the Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund. The underlying securities in this Trust are valued each business day in good faith and pursuant to procedures established by the Trustee.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or, in the absence of a sale, at the last reported bid price.

Emerging markets securities are valued on the last business day of each month. Equity securities are valued using the last reported sale price on the exchange on which the securities are traded or, in the absence of a sale, at the last reported bid price. Fixed income securities are valued using prices obtained from a pricing service when such prices are available;

otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type. Securities for which representative market quotations are not readily available are valued in good faith under policies approved by the commingled equity fund's board of directors.

Private equity securities are valued quarterly by the general partners and investment sponsors. The private equity oversight manager is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices.

Real estate investments are valued quarterly using public market quotations, where a quoted market exists, or by independent appraisers, and are periodically adjusted by trustees of the investments when market conditions change. Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value.

Investments managed by the Alaska Permanent Fund Corporation (APFC) are valued as follows: marketable securities excluding direct real estate investments, are reported at fair value. Real estate commingled funds, direct real estate investments, and direct commercial mortgages are carried at historical cost plus undistributed earnings.

Investments held by discretely presented component units are stated at fair value.

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the statement of cash flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the state's Short-term Fixed Income Pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. At June 30, 2002, the assets of the pool were comprised of money market instruments, U.S. treasuries, mortgage and asset-backed securities, corporate debt and other U.S. dollar denominated bonds.

RECEIVABLES

Receivables have been established and offset with proper provisions for estimated uncollectible accounts where applicable. The amount of noncurrent receivables is included in the fund balance reserve, which indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

Practically all accounts receivable of governmental funds are due from oil companies and governmental entities, primarily the federal government, and are considered collectible. Accounts receivable in other funds have arisen in the ordinary course of business.

INTER/INTRAFUND TRANSACTIONS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

INVENTORIES

Inventories reported for the internal service funds and the general fund consist mainly of consumable materials and supplies. Inventories are carried at cost (average cost for Highway Equipment Working Capital; FIFO for other internal service funds and the general fund), and are accounted for on the consumption method. However, the majority of materials and supplies for state agencies are accounted for as expenditures at the time of purchase. Inventory of the University of Alaska is carried at the lower of cost or market.

CAPITAL ASSETS

Capital assets are reported in the Statement of Net Assets at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the time of donation including Statehood entitlement land that is carried at an estimated value of \$1 per acre.

Capital assets are depreciated on the straight-line method over the estimated useful lives of the related assets.

Public domain infrastructure acquired during FY 02, such as highways and bridges, is capitalized for the first time. By fiscal year 2006, infrastructure acquired prior to FY 02 will be inventoried and included in total infrastructure assets.

The state possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include the state’s art collections, library reserve collections, and museum and historical collections. These assets are: held for public exhibition, education, or research rather than financial gain; protected, kept unencumbered, cared for, and preserved; and proceeds from the sale of collection items are used to acquire other items for collections.

Additional disclosures related to capital assets are provided in note 5.

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2002, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The state’s estimated liability for compensated absences, as reported in the statement of net assets, is \$108.4 million. A liability for compensated absences is reported in the governmental funds’ statements only for the current portion of accumulated unpaid annual or personal leave, which as of June 30, 2002, is reported in general fund accounts payable in the amount of \$9.1 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. See Note 12 for disclosure of the amount of the sick leave contingency.

The cost of compensated absences (annual/personal leave and sick leave) for state employees is charged against agency appropriations when leave is used rather than when leave is earned. The one exception is the payment of the accumulated annual/personal leave balance for an employee terminating from state service. That amount is charged to a terminal leave liability account rather than the individual agency appropriation. This liability account is funded by a charge to each agency’s operating budget.

NET ASSETS/FUND BALANCE

The difference between fund assets and liabilities is “net assets” on the government-wide, proprietary, and fiduciary fund statements, and is “fund balance” on the governmental fund statements.

FUND BALANCE RESERVES/DESIGNATIONS

The governmental fund financial statements present reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

The following shows the composition of the fund balance of the general fund and special revenue funds for the fiscal year ending June 30, 2002 (in thousands).

	General	Special Revenue
Reserved		
Encumbrances	\$ 192,681	\$ 25,978
Nonliquid Assets	4,605,106	-
Other	21,349	-
Total Reserved	<u>4,819,136</u>	<u>25,978</u>
Unreserved		
Designated		
Continuing Appropriations	257,712	16,416
Other	1,146,385	1,541
Undesignated	(2,105,838)	28,962
Total Unreserved	<u>(701,741)</u>	<u>46,919</u>
Total Fund Balance	<u>\$ 4,117,395</u>	<u>\$ 72,897</u>

RESTRICTED NET ASSETS

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$21,884 million) and \$252 million of the Public School Trust Fund net assets are nonexpendable. The remaining \$17 million (six percent) of the Public School Trust Fund restricted net assets are expendable.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Once money received is deposited in the state treasury, it may not be withdrawn from the treasury except in accordance with an appropriation made by law. Those amounts received by component units are disbursed in accordance with their particular statutory authority.

The budgetary process is used to establish a balancing of estimated revenues coming into a fund with requested appropriations for that fund. Except for capital projects funds, which prepare only project-length budgets, annual operating (and project-length) budgets are prepared for practically every fund and are submitted to the legislature for the enactment of appropriations. An appropriation is an authorization to spend money and to incur obligations. Each appropriation is limited as to purpose, time, and amount, and each of these limitations is legally binding. The legal level of budgetary control is maintained at the appropriation level as specified in the enabling legislation, which is generally at the program level within a department.

Appropriations as enacted by the legislature and signed by the governor are entered into the accounting records. The balance of an appropriation is reduced when funds are expended or encumbered. Appropriations are encumbered for anticipated expenditures in the form of purchase orders, contracts, and other obligations. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 02, supplemental appropriations of \$360.7 million were required of which \$103.1 million were appropriations from the general fund.

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 02, the Office of Management and Budget estimated the limit to be approximately \$6.5 billion. The FY 02 budget passed by the legislature was \$2.5 billion (unrestricted general fund revenues only), or \$4.0 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

In 1990, the voters of Alaska approved an amendment to the Alaska Constitution to establish a budget reserve fund (CBRF). Article IX, section 17, states, in part, "...Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. ..."

The fund was established to enhance budget stability by depositing certain monies into the budget reserve fund (where they could not be easily spent) rather than into the general fund (where they would be readily available for appropriation for expenditure). Money may be appropriated from the fund in accordance with the provisions of section 17(b) and (c). To date, the only appropriations from the fund have been made under the provisions of section 17(c), which states "An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature."

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states “If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.”

The following is a schedule of amounts appropriated from the CBRF, and the amounts transferred back to the CBRF from the general fund as provided in section 17(d). As can be seen from this schedule, the amount appropriated and not yet repaid has grown to over \$4 billion. The paragraphs following the schedule provide an explanation of the entries:

Chapter 14, SLA 1994, section 7	\$ 1,006,038,474
Chapter 14, SLA 1994, section 8	49,608,135
Chapter 14, SLA 1994, section 9	368,581,990
Subtotal FY 94	<u>1,424,228,599</u>
Chapter 3, FSSLA 1994, section 39(c)	22,417,986
Chapter 3, FSSLA 1994, section 40	68,738,958
Chapter 3, FSSLA 1994, section 22(a)	11,250,000
Chapter 6, FSSLA 1994, section 1	130,300,000
Article IX, section 17(d) Alaska Constitution (FY 95)	(95,506,853)
Subtotal FY 95	<u>137,200,091</u>
Chapter 94, SLA 1995, section 43(a)	95,506,853
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,356,516
Chapter 94, SLA 1995, section 43(b)	284,873,567
Article IX, section 17(d) Alaska Constitution (FY 96)	(74,352,026)
Subtotal FY 96	<u>314,384,910</u>
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,316,412
Chapter 5, FSSLA 1996, section 1(a)	74,352,026
Article IX, section 17(d) Alaska Constitution (FY 97)	(166,019,445)
Subtotal FY 97	<u>(83,351,007)</u>
Chapter 98, SLA 1997, section 35(a)	166,019,445
Chapter 98, SLA 1997, page 47, line 3	529,258
Chapter 98, SLA 1997, section 35(b)	423,319,190
Article IX, section 17(d) Alaska Constitution (FY 98)	(89,264,067)
Subtotal FY 98	<u>500,603,826</u>
Chapter 139, SLA 1998, section 42(a)	89,264,067
Chapter 2, SLA 1999, section 16(c)	446,949
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	2,336,290
Chapter 2, FSSLA 1999, section 21(a)	1,042,014,840
Article IX, section 17(d) Alaska Constitution (FY 99)	(94,632,453)
Subtotal FY 99	<u>1,039,429,693</u>
Chapter 2, SLA 1999, section 16(c)	13,051
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	5,594,185
Chapter 84, SLA 1999, section 35(a)	94,632,453
Chapter 2, FSSLA 1999, section 21(b)	295,898,497
Chapter 8, SLA 2000, section 8(a)	3,227,666
Chapter 75, SLA 2000, section 1(b)	100,000,000
Article IX, section 17(d) Alaska Constitution (FY 00)	(111,438,806)
Subtotal FY 00	<u>387,927,046</u>

Chapter 133, SLA 2000, section 11(a)	111,438,806
Chapter 75, SLA 2000, section 1(c)	500,000
Chapter 135, SLA 2000, section 18(c)	121,672
Article IX, section 17(d) Alaska Constitution (FY 01)	(115,416,319)
Subtotal FY 01	<u>(3,355,841)</u>
Chapter 61, SLA 2001, section 93(a)	101,947,305
Chapter 61, SLA 2001, section 93(b)	884,311,765
Chapter 61, SLA 2001, section 93(c)	125,000
Article IX, section 17(d) Alaska Constitution (FY 02)	(130,695,249)
Subtotal FY 02	<u>855,688,821</u>
Total appropriated from the CBRF	<u>\$ 4,572,756,138</u>

The amounts appropriated in chapter 14, SLA 1994, sections 7 and 8 are equal to the amounts appropriated from the general fund to the CBRF to comply with court orders. In FY 91 through FY 94, the state deposited revenue into the general fund that several parties contended should have been deposited into the CBRF. The Alaska Superior Court and Supreme Court agreed that these moneys should have been deposited in the CBRF and the state was ordered to restore the CBRF, including interest earnings, retroactive to July 1, 1990. Chapter 14, SLA 1994, was enacted into law to comply with the courts' orders and sections 2, 3, and 4 of the law appropriated \$1,006,038,474, plus \$49,608,135 in interest which would have been earned on the money after June 30, 1990, from the general fund to the CBRF effective April 15, 1994.

Chapter 14, SLA 1994, section 9, chapter 3 FSSLA 1994, section 39(c), chapter 94 SLA 1995, section 43(b), chapter 98 SLA 1997, section 35(b), chapter 2 FSSLA 1999, section 21(a) and (b), and chapter 61 SLA 2001, section 93(b) appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal years 1994, 1995, 1996, 1998, 1999, 2000, and 2002 respectively.

Chapter 3, FSSLA 1994, section 40, appropriated an amount to cover the share of the state's actual expenditures for oil and gas litigation from July 1, 1990, through February 15, 1994, that is attributable to the CBRF. The appropriation in section 22(a) of chapter 3 was to cover costs related to legal proceedings and audit activity involving oil and gas revenue due or paid to the state or state title to oil and gas land, for the fiscal year ending June 30, 1995.

Chapter 6, FSSLA 1994, section 1, was passed by the Alaska legislature to resolve the long-standing issue of reconstitution of the Alaska Mental Health Trust (AMHT). CBRF funds were appropriated to capitalize the AMHT.

This schedule shows the effect of article IX, section 17(d), of the Alaska Constitution, which provides that the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund until the amount appropriated is repaid. As of June 30, 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002, amounts in various subfunds and accounts of the general fund that were identified as available for appropriation were used to repay a part of the liability to the CBRF. The amounts for FY 95, FY 96, FY 97, FY 98, FY 99, FY 00, and FY 01 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, and FY 02 respectively. The amount for FY 02 will be transferred to the CBRF during FY 03.

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99, chapter 133, SLA 2000, section 11(a) for FY 00, and chapter 61, SLA 2001, section 93(a) for FY 01.

Chapter 94, SLA 1995, appropriated amounts from the CBRF to fund miscellaneous operating appropriations.

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c) and chapter 61, SLA 2001, section 93(c) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, and FY 02 respectively.

Chapter 27, SLA 1999, section 2(a) appropriated funds from the CBRF for year 2000 (Y2K) assessment, compliance, and remediation projects.

Chapter 8, SLA 2000, section 8(a), repealed and reappropriated the unexpended and unobligated balances of the CBRF appropriations made in section 2(a), chapter 27, SLA 1999, page 2, line 3, page 3, line 31, page 4, line 17, and page 4, line 20, to the longevity bonus grant program.

Chapter 75, SLA 2000, section 1(b), appropriated funds from the CBRF to the power cost equalization endowment fund, which is within the Alaska Energy Authority. Chapter 75, SLA 2000, section 1(c), also appropriated funds from the CBRF to the Alaska Energy Authority to cover the costs of completing the sale of the four dam pool hydroelectric project and of establishing and managing the power cost equalization endowment fund for FY 01.

NOTE 3 – ACCOUNTING CHANGES AND BEGINNING FUND BALANCE/NET ASSETS ADJUSTMENTS

In 1999, GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments and Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities. These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The state is required to implement these standards for the fiscal year ending June 30, 2002. With the implementation of GASB Statements No. 34 and 35, the state has prepared required supplementary information titled Management’s Discussion and Analysis which precedes the basic financial statements.

Other GASB statements are required to be implemented in conjunction with GASB Statements No. 34 and 35. Therefore, the state has implemented the following GASB statements in the current fiscal year: Statement No. 36 – Recipient Reporting for Certain Shared Nonexchange Revenues, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

The following table summarizes changes to fund balance/net assets as previously reported to beginning fund balance/net assets, as restated, to include the adoption of the new GASB pronouncements (stated in thousands).

	June 30, 2001 As Previously Reported	Fund Reclassification	Prior Period Adjustments	June 30, 2001 As Restated
GOVERNMENTAL FUNDS & ACTIVITIES				
<u>Major Funds</u>				
General Fund	\$ (3,175,864)	\$ -	\$ (1,214)	\$ (3,177,078)
Subfunds of the General Fund reclassified:				
Fishermen’s	-	(1,697)	-	(1,697)
Second Injury	-	(11,448)	-	(11,448)
Previously reported as special revenue:				
Disaster Relief	-	9,670	-	9,670
State Land Reforestation	-	-	-	-
Training and Building	-	42	-	42
Previously reported as expendable trust:				
Budget Reserve – Constitutional	-	6,827,171	-	6,827,171
Permanent Fund Dividend	-	1,129,304	-	1,129,304
Previously reported as nonexpendable trust:				
Alaska Children’s Trust	-	9,440	-	9,440
Total General Fund	(3,175,864)	7,962,482	(1,214)	4,785,404

STATE OF ALASKA
 NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	June 30, 2001 As Previously Reported	Fund Reclassification	Prior Period Adjustments	June 30, 2001 As Restated
Permanent Funds				
Previously reported as nonexpendable trust:				
Alaska Permanent Fund	-	24,814,890	-	24,814,890
Total Permanent Funds	-	24,814,890	-	24,814,890
Total Major Funds	(3,175,864)	32,777,372	(1,214)	29,600,294
<u>Nonmajor Funds</u>				
Special Revenue Funds				
Disaster Relief	9,670	(9,670)	-	-
Clean Air Protection	240	-	-	240
Fish and Game	11,129	-	63	11,192
National Petroleum Reserve	26,947	-	-	26,947
Northern Tobacco Securitization Corporation	298	-	-	298
Reclamation Bonding Pool	623	-	-	623
School	4,159	-	-	4,159
State Land Reforestation	-	-	-	-
Training and Building	42	(42)	-	-
Previously reported within the General Fund:				
Fishermen's	-	1,697	-	1,697
Second Injury	-	11,448	-	11,448
Previously reported as expendable trust:				
Alyeska Settlement Trust	-	7,245	-	7,245
Exxon Valdez Oil Spill Restoration	-	5,476	-	5,476
Exxon Valdez Settlement Trust	-	7,677	-	7,677
Total Special Revenue Funds	53,108	23,831	63	77,002
Debt Service Funds				
Debt Service	-	-	-	-
Northern Tobacco Securitization Corporation	15,406	-	-	15,406
Total Debt Service Funds	15,406	-	-	15,406
Permanent Funds				
Previously reported as nonexpendable trust				
Public School Trust	-	286,086	-	286,086
Total Permanent Funds	-	286,086	-	286,086
Total Nonmajor Funds	68,514	309,917	63	378,494
Total Governmental Funds	(3,107,350)	33,087,289	(1,151)	29,978,788
<u>ADOPTION OF GASB STATEMENT NO. 34</u>				
Capital assets, net of depreciation	-	2,705,090	540,500	3,245,590
Long-term bonds and notes payable	-	-	(241,911)	(241,911)
Other liabilities and long-term obligations	-	-	(274,945)	(274,945)
Internal Service Fund Conversion	-	131,275	9,273	140,548
Total Adoption of GASB Statement No. 34	-	2,836,365	32,917	2,869,282
TOTAL GOVERNMENTAL FUNDS & ACTIVITIES	\$ (3,107,350)	\$ 35,923,654	\$ 31,766	\$ 32,848,070

	June 30, 2001 As Previously Reported	Fund Reclassification	Prior Period Adjustments	June 30, 2001 As Restated
PROPRIETARY FUNDS & BUSINESS-TYPE ACTIVITIES				
Enterprise Funds				
Commercial Assistance Enterprise Funds	\$ 209,995	\$ -	\$ (1,758)	\$ 208,237
Energy Assistance Enterprise Funds	581	-	-	581
Other Agencies Enterprise Funds	628,908	-	153	629,061
Previously reported as expendable trust:				
Unemployment Compensation	-	209,310	-	209,310
Total Enterprise Funds	<u>839,484</u>	<u>209,310</u>	<u>(1,605)</u>	<u>1,047,189</u>
Internal Service Funds				
Alaska Public Building	33,678	(33,678)	-	-
Correctional Industries	2,002	(2,002)	-	-
Group Health and Life Benefits	959	(959)	-	-
Highways Equipment Working Capital	74,870	(74,870)	-	-
Information Services	19,766	(19,766)	-	-
Retiree Health and Life Benefits	77,448	(77,448)	-	-
Total Internal Service Funds	<u>208,723</u>	<u>(208,723)</u>	<u>-</u>	<u>-</u>
TOTAL PROPRIETARY FUNDS & BUSINESS-TYPE ACTIVITIES				
	<u>\$ 1,048,207</u>	<u>\$ 587</u>	<u>\$ (1,605)</u>	<u>\$ 1,047,189</u>
FIDUCIARY FUNDS				
Agency Funds				
Previously reported as expendable trust:				
Public Advocacy Trust	\$ -	\$ 6,082	\$ -	\$ 6,082
Total Agency Funds	<u>-</u>	<u>6,082</u>	<u>-</u>	<u>6,082</u>
Pension (and other employee benefits) Trust Funds				
Previously reported as internal service fund:				
Retiree Health and Life Benefits	-	77,448	-	77,448
Previously reported as expendable trust:				
Deferred Compensation	-	405,587	-	405,587
Investment Loss Trust	-	-	-	-
Total Pension (and other employee benefits) Trust Funds	<u>14,056,300</u>	<u>483,035</u>	<u>-</u>	<u>14,539,335</u>
Private-purpose Trust Fund				
Previously reported as expendable trust:				
Memorial Scholarship Revolving Loan	-	4,085	-	4,085
Total Private-purpose Trust Fund	<u>-</u>	<u>4,085</u>	<u>-</u>	<u>4,085</u>

	June 30, 2001 As Previously Reported	Fund Reclassification	Prior Period Adjustments	June 30, 2001 As Restated
Previously reported as expendable trust funds:				
Alyeska Settlement Trust	7,245	(7,245)	-	-
Budget Reserve- Constitutional	6,827,171	(6,827,171)	-	-
Deferred Compensation	405,587	(405,587)	-	-
Exxon Valdez Oil Spill Restoration	5,476	(5,476)	-	-
Exxon Valdez Settlement Trust	7,677	(7,677)	-	-
Investment Loss Trust	-	-	-	-
Memorial Scholarship Revolving Loan	4,085	(4,085)	-	-
Permanent Fund Dividend	1,129,304	(1,129,304)	-	-
Public Advocacy Trust	6,082	(6,082)	-	-
Unemployment Compensation	209,310	(209,310)	-	-
Total Expendable Trust Funds	8,601,937	(8,601,937)	-	-
Previously reported as nonexpendable trust:				
Alaska Children's Trust	9,440	(9,440)	-	-
Alaska Permanent Fund	24,814,890	(24,814,890)	-	-
Public School Trust	286,086	(286,086)	-	-
Total Nonexpendable Trust Funds	25,110,416	(25,110,416)	-	-
TOTAL FIDUCIARY FUNDS	\$ 47,768,653	\$(33,219,151)	\$ -	\$ 14,549,502
ACCOUNT GROUPS				
General Fixed Assets	\$ 2,705,090	\$ (2,705,090)	\$ -	\$ -
General Long-term Debt	-	-	-	-
TOTAL ACCOUNT GROUPS	\$ 2,705,090	\$ (2,705,090)	\$ -	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 48,414,600	\$ -	\$ 30,161	\$ 48,444,761
DISCRETELY PRESENTED COMPONENT UNITS				
Alaska Aerospace Development Corporation	\$ 39,167	\$ -	\$ -	\$ 39,167
Alaska Energy Authority	637,277	-	(1)	637,276
Alaska Housing Finance Corporation	1,773,677	-	-	1,773,677
Alaska Industrial Development & Export Auth.	882,261	-	(11,192)	871,069
Alaska Mental Health Trust Authority	333,648	-	(127)	333,521
Alaska Municipal Bond Bank Authority	37,456	-	-	37,456
Alaska Railroad Corporation	107,133	-	-	107,133
Alaska Science and Technology Foundation	113,329	-	-	113,329
Alaska Student Loan Corporation	292,406	-	-	292,406
University of Alaska	1,068,990	-	(321,886)	747,104
TOTAL DISCRETELY PRESENTED COMPONENT UNITS	\$ 5,285,344	\$ -	\$ (333,206)	\$ 4,952,138

NOTE 4 – DEPOSITS AND INVESTMENTS

GASB Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the deposits or securities fails. Deposits and those investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the state or its custodian in the state's name; Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the state's name; and Category 3 - Uninsured and unregistered, with

securities held by the counterparty, or by its trust department or agent, but not in the state’s name. Category 1 is the highest level of safekeeping security as defined by GASB.

A. DEPOSITS AND INVESTMENTS UNDER THE CONTROL OF THE COMMISSIONER OF REVENUE

By law, all deposits and investments are under the control of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other individuals or boards responsible for separate subdivisions or component units of the state. Those agencies and component units that manage their own cash and investments are: Alaska Permanent Fund Corporation, Alaska Energy Authority, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Railroad Corporation, Alaska Mental Health Trust Authority, Alaska Science and Technology Foundation, Alaska Student Loan Corporation, and the University of Alaska.

Invested assets under the fiduciary responsibility of the Commissioner are comprised of the General Fund and Other Nonsegregated Investments, Constitutional Budget Reserve Fund, International Airports Fund, Retiree Health and Life Benefits Fund, Power Cost Equalization Endowment Fund as well as the Public School, Alaska Children’s, Investment Loss, and Supplemental Benefits System (SBS) trust funds (all collectively, Funds).

As the fiduciary, the Commissioner has the statutory authority (AS 37.10.070 - 37.10.071) to invest the assets under the Prudent Investor Rule which requires that investments shall be made with the judgement and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios. Where possible, securities are managed in a pooled environment, unless required by statute or bond resolution to be held separately.

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, and the SOA International Equity Pool contain assets of other participants outside the control of the Commissioner of Revenue and, as such, cannot be categorized into one of the three risk categories because the amounts reported represent interests in the pool rather than ownership of specific, identifiable securities. The Nonretirement Domestic Equity Pool is an open-ended mutual fund-like pool and is therefore not categorized with regard to credit risk. The tobacco revenue fixed income agreement is not a transferable financial instrument (security) and therefore is not categorized with regard to credit risk.

Deposits and investments at June 30, 2002, are summarized as follows (in thousands):

<u>DEPOSITS</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Noninterest bearing investments	\$ 17,676	\$ -	\$ 7,862	\$ 25,538
<u>INVESTMENTS</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Intermediate-term fixed income pool	\$ 2,110,564	\$ -	\$ -	\$ 2,110,564
Total categorized investments	\$ 2,110,564	\$ -	\$ -	2,110,564
Not Categorized:				
Short-term fixed income pool				879,230
Broad market fixed income pool				950,270
SOA international equity pool				100,862
Nonretirement domestic equity pool				332,002
Tobacco revenue fixed income agreement				100,457
Total				\$ 4,473,385

Additional investment information on the various pools and investments, as well as the Funds, may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA STATE PENSION INVESTMENT BOARD

Invested assets of the pension (and other employee benefit) trust funds (Public Employees', Teachers', Judicial, and the Alaska National Guard and Naval Militia Retirement Systems) as well as the Supplemental Benefits System and Deferred Compensation Plans are under the fiduciary responsibility of the Alaska State Pension Investment Board (ASPIB).

PENSION FUNDS

ASPIB has statutory responsibility for the pension (and other employee benefit) trust funds' investments and the authority to invest the funds' moneys. As the fiduciary, ASPIB has the statutory authority to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgement and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. Specifically, external management companies manage the Retirement Fixed Income Pool, External Domestic Fixed Income Pool, International Fixed Income Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Real Estate Pool, and Private Equity Pool investments. In addition to acting as oversight manager for all externally managed investments, Treasury Division staff manage all mortgage-related assets and cash holdings of certain external domestic equity managers.

Unless required by statute or bond resolution to be held separately, investments are managed in a pooled environment. Investments are recorded at fair value as defined by GASB Statement No. 31, except for mortgage-related assets, which are valued at their principal balance (cost) less an allowance for loan loss, the result of which approximates fair value.

The funds' investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the funds' share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools are considered to be Category 1 as defined by GASB Statement No. 3, except: those in the Emerging Markets Equity Pool which are considered to be Category 2, and shares in the Private Equity Pool and the Real Estate Equity Pool which, like the funds' mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

At June 30, 2002, the pension funds' investments are classified as follows (in thousands):

<u>INVESTMENTS</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Marketable debt securities:				
U.S. Government and municipal debt	\$ 644,352	\$ -	\$ -	\$ 644,352
Federal agency debt	218,283	-	-	218,283
Corporate debt	921,688	-	-	921,688
Yankees	47,635	-	-	47,635
Asset-backed securities	230,712	-	-	230,712
Mortgage-backed securities	1,287,184	-	-	1,287,184
International fixed income	360,968	-	-	360,968
Equity securities:				
Domestic equities	4,028,446	-	-	4,028,446
Emerging market equities	-	108,060	-	108,060
International equities	1,801,395	-	-	1,801,395
Total categorized investments	<u>\$ 9,540,663</u>	<u>\$ 108,060</u>	<u>\$ -</u>	<u>9,648,723</u>
Not categorized				
Cash and cash equivalents				305,981
Private equity pool				292,883
Real estate equity pool				869,358
Mortgage-related assets				152
Interest and dividends receivable				53,387
Total				<u>\$ 11,170,484</u>

Participant's Ownership in Pooled Investments

Public Employees' Trust Fund	\$ 7,410,166
Teachers' Trust Fund	3,684,378
Judicial Trust Fund	63,712
Alaska National Guard and Alaska Naval Militia Retirement Fund	12,228
Total	<u>\$ 11,170,484</u>

Additional investment information on the assets of the retirement systems may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, AK 99811-0405.

DEFERRED COMPENSATION

The state's Internal Revenue Code section 457 deferred compensation plan holds investments in an interest income fund and several collective investment funds: the International Equity Fund, Citizens Core Growth Fund, Small Cap Stock Fund, S&P 500 Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Government/Corporate Bond Fund, and the Intermediate Bond Index Fund. As of December 31, 2001, the fair value of deferred compensation plan investments under the control of ASPIB totaled \$381.7 million (total investments including amounts invested by others was \$385.9 million).

The interest income fund is increased by contributions and earnings, and decreased by investment expenses and participant withdrawals paid to terminated members. The interest income fund holds fully benefit responsive investment contracts (\$111.2 million) and shares in a short-term investment fund (\$8.0 million) comprised of cash and cash equivalents. The investment contracts are stated at contract values, which approximate fair value. The investment contracts cannot be categorized into one of the three risk categories because they do not represent transferable financial instruments. Residual cash is held by the custodian in a short-term investment fund in the state's name. Assets in the short-term investment fund are comprised of short-term debt instruments with maturities not to exceed 13 months and are valued at fair value. The short-term investment fund is a commingled investment fund and, as, such, cannot be categorized into one of the three risk categories because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities.

Investments in collective investment funds (\$262.5 million), held in trust, are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held. The unit value is determined by the trustees based on the fair market value of the underlying assets. Purchases and sales of assets within the collective investment funds are recorded on a trade-date basis. Investments in collective investment funds cannot be categorized into one of the three risk categories because they represent interests (shares) in funds rather than ownership of specific, identifiable securities.

SUPPLEMENTAL BENEFITS SYSTEM

Supplemental Benefits System (SBS) holds shares in the following participant-directed investment options: Alaska Balanced Fund, Alaska Target 2005 Fund, Alaska Target 2010 Fund, Alaska Target 2015 Fund, Alaska Target 2020 Fund, Long-term Balanced Fund, Small Cap Stock Fund, International Equity Fund, S&P 500 Stock Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Daily Government/Corporate Bond Fund, Citizens Core Growth Fund, and the Short-term Investment Fund. SBS also holds shares in the State of Alaska Short-term Fixed income Pool. At January 31, 2002, SBS investments totaled \$1.69 billion (fair value). All assets are held in trust.

SBS investments in the Alaska Balanced and the four Target 2000-series investment options are formed through combinations of six wholly-owned pooled investment funds: the GNMA (fixed income) Pool, Government/Corporate (fixed income) Pool, Cash Pool, Large Cap Equity Pool, Small Cap Equity Pool, and the International Equity Pool. Purchases and sales of underlying securities within the six investment pools are recorded on a trade-date basis, and all assets are recorded at fair value. The state's custodian bank holds the underlying securities in the state's name. Each pool's residual cash is held in the Short-term Investment Fund, a commingled investment fund.

SBS investments in the S&P 500 Stock Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Daily Government/Corporate Bond Fund, Short-term Investment Fund, Citizens Core Growth Fund, Long-term Balanced Fund, Small Cap Stock Fund, International Equity Fund, and the State of Alaska Short-term Fixed Income Pool are represented by shares in collective investment funds. All assets are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held by each of the respective collective investment funds. Unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Investments in pooled investment funds and collective investment funds cannot be categorized into one of the three risk categories because they represent interests (shares) in pools/funds rather than ownership of specific, identifiable securities.

C. DEPOSITS AND INVESTMENTS MAINTAINED BY COMPONENT UNITS WHOSE ACCOUNTS ARE OUTSIDE OF THE STATE TREASURY

ALASKA PERMANENT FUND CORPORATION

All Alaska Permanent Fund Corporation deposits and investments are classified in GASB Statement No. 3 risk category 1, the lowest risk category, except as noted.

CASH AND TEMPORARY INVESTMENTS

All cash and temporary investments bear interest at competitive rates, and are summarized as follows at June 30, 2002 (in thousands):

Cash (a)	\$ 60,241
U.S. agencies (b)	94,657
Treasury bills (b)	130,516
Commercial paper (c)	<u>329,583</u>
Total	<u>\$ 614,997</u>

- (a) Share ownership in a money market fund, payable on demand. Collateralized by underlying securities held by the Fund in the name of the custodian.
- (b) Debt obligation guaranteed by the U.S. government held by the custodian in the name of the Fund.
- (c) Commercial paper rated investment grade, held by the custodian in the name of the Fund.

MARKETABLE DEBT SECURITIES

The Corporation is authorized by statute to invest Fund assets in (i) corporate bonds rated investment grade, (ii) obligations of the U.S. Treasury, its agencies and instrumentalities, and (iii) foreign obligations of comparable quality. All marketable debt securities are held by custodian banks in the name of the Fund. Marketable debt securities at June 30, 2002, are summarized as follows (in thousands):

	Cost	Market	Unrealized Gains/(Losses)
Treasury notes/bonds	\$ 2,321,949	\$ 2,348,416	\$ 26,467
Mortgage-backed securities	2,783,112	2,848,395	65,283
Other federal agencies	874,940	916,058	41,118
Corporate bonds	2,354,458	2,395,091	40,633
Nondomestic bonds	601,132	652,043	50,911
Total	<u>\$ 8,935,591</u>	<u>\$ 9,160,003</u>	<u>\$ 224,412</u>

PREFERRED AND COMMON STOCK

The Corporation is authorized by statute to invest Fund assets in the preferred and common stock of United States and nondomestic corporations. All preferred and common stock investments are held by custodian banks in the name of the Fund.

The Corporation may invest Fund assets in (i) equity securities up to 55% of total Fund investments, and (ii) other investments, which meet the test of prudence, including those currently authorized by law, up to 5% of total Fund investments.

Preferred and common stock at June 30, 2002, are summarized as follows (in thousands):

	Cost	Market	Unrealized Gains/(Losses)
Domestic	\$ 8,017,837	\$ 8,268,628	\$ 250,791
Nondomestic bonds	3,904,855	3,783,388	(121,467)
Total	<u>\$ 11,922,692</u>	<u>\$ 12,052,016</u>	<u>\$ 129,324</u>

ALASKA CERTIFICATES OF DEPOSIT

The Corporation is authorized by statute to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks, and credit unions doing business in Alaska. Collateral, primarily in the form of U.S. government securities, or letters of credit from the Federal Home Loan Bank, secure these investments.

REAL ESTATE

The Corporation is authorized by statute to invest Fund assets in real estate improved by substantially rented buildings located in the United States. Real estate investments may take the form of direct equity interests, real estate title-holding entities, real estate investment trusts, real estate operating companies, or other entities whose assets consist primarily of real property, debt obligations secured by real property, or similar entities. All real estate investments are held by the Corporation in its own name on behalf of the Fund, and are managed by professional real estate management firms. Real estate investment trusts and commercial mortgage-backed securities are held by custodian banks in the name of the Fund.

The carrying value of real estate at June 30, 2002, was \$2,540,323,000. Carrying value consists of the equity value of direct real estate investments, commingled funds and commercial mortgages, and the market value of real estate investment trusts and commercial mortgage-backed securities.

In the ordinary course of business, the Corporation has made commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a material adverse effect on the Corporation's financial position, results of operation, or liquidity.

Real estate investments at June 30, 2002, are summarized as follows (in thousands):

	Book Value	Market Value	Unrealized Gains/(Losses)
Commingled funds	\$ 2,635	\$ 3,262	\$ 627
Real estate investment trusts	619,440	783,189	163,749
Commercial mortgages	71,821	74,094	2,273
Commercial mortgage-backed securities	132,371	138,459	6,088
Alaska residential mortgages	106	106	-
Property note receivable	3,141	3,141	-
Direct investments:			
Retail	341,228	360,338	19,110
Office	639,827	738,188	98,361
Industrial	192,834	187,918	(4,916)
Residential	367,083	407,983	40,900
Total	<u>\$ 2,370,486</u>	<u>\$ 2,696,678</u>	<u>\$ 326,192</u>

NORTHERN TOBACCO SECURITIZATION CORPORATION

Bank investments agreements and other investments are categorized below (in thousands):

<u>INVESTMENTS</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Bank investment agreements	\$ -	\$ -	\$ 3,288	\$ 3,288
U.S. agency securities	11,055	-	-	11,055
Total categorized investments	<u>\$ 11,055</u>	<u>\$ -</u>	<u>\$ 3,288</u>	14,343
Not Categorized:				
Money market funds				15,611
Total				<u>\$ 29,954</u>

DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2002, the discretely presented component units' investments by risk category were (in thousands):

<u>INVESTMENTS</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Treasury securities	\$ 302,242	\$ 23,417	\$ -	\$ 325,659
U.S. Government agency securities	367,853	41,758	-	409,611
Corporate securities	455,924	678,969	160,616	1,295,509
Total categorized investments	<u>\$ 1,126,019</u>	<u>\$ 744,144</u>	<u>\$ 160,616</u>	2,030,779
Not categorized				
Equity in state treasury				244,146
Equity in Permanent Fund Corporation investments				409,498
Other				515,550
Total				<u>\$ 3,199,973</u>

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital assets, which include property, plant, equipment, and infrastructure items (highways, bridges, and similar items) are reported in the applicable governmental and business-type activity columns of the government-wide financial statements.

Capitalization policy and useful lives for capital assets are as follows:

<u>Capital Asset</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Capitalize at Value</u>	<u>Useful Life</u>	<u>Capitalize at Value</u>	<u>Useful Life</u>
Land	All	Indefinite	All	Indefinite
Infrastructure	\$1,000,000	15-75	\$100,000	5-40
Buildings	\$1,000,000	50	\$100,000	10-40
Equipment/software	\$100,000	3-60	\$5,000	5-10

State of Alaska art, library reserve, and museum collections that are considered inexhaustible, in that their value does not diminish over time, are not capitalized.

Capital asset activities for the fiscal year ended June 30, 2002, were as follows (in millions).

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 635	\$ 15	\$ (1)	\$ 649
Construction in progress	1,869	49	(2)	1,916
Total capital assets not being depreciated	<u>2,504</u>	<u>64</u>	<u>(3)</u>	<u>2,565</u>
Capital assets being depreciated:				
Buildings	970	98	(16)	1,052
Equipment	525	31	(12)	544
Infrastructure	-	249	-	249
Total Capital assets being depreciated	<u>1,495</u>	<u>378</u>	<u>(28)</u>	<u>1,845</u>
Less accumulated depreciation for:				
Buildings	(378)	(18)	1	(395)
Equipment	(260)	(20)	9	(271)
Infrastructure	-	(17)	-	(17)
Total accumulated depreciation	<u>(638)</u>	<u>(55)</u>	<u>10</u>	<u>(683)</u>
Total capital assets being depreciated, net	<u>857</u>	<u>323</u>	<u>(18)</u>	<u>1,162</u>
Governmental activity capital assets, net	<u>\$ 3,361</u>	<u>\$ 387</u>	<u>\$ (21)</u>	<u>\$ 3,727</u>
Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 27	\$ 1	\$ -	\$ 28
Construction in progress	45	44	-	89
Total capital assets not being depreciated	<u>72</u>	<u>45</u>	<u>-</u>	<u>117</u>
Capital assets being depreciated:				
Buildings	272	16	-	288
Equipment	38	2	-	40
Infrastructure	323	9	-	332
Total Capital assets being depreciated	<u>633</u>	<u>27</u>	<u>-</u>	<u>660</u>
Less accumulated depreciation for:				
Buildings	(91)	(8)	-	(99)
Equipment	(26)	(1)	-	(27)
Infrastructure	(168)	(10)	-	(178)
Total accumulated depreciation	<u>(285)</u>	<u>(19)</u>	<u>-</u>	<u>(304)</u>
Total capital assets being depreciated, net	<u>348</u>	<u>8</u>	<u>-</u>	<u>356</u>
Business-type activity capital assets, net	<u>\$ 420</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 473</u>

The following relates to the land owned by the state:

- ◆ The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 90.1 million acres have been patented or “tentatively approved.”

- ◆ The state disposes of various land parcels through several programs. However, the state generally retains the subsurface rights of the land upon disposal.

Depreciation expense was charged to the functions of the primary government as follows (in millions):

Governmental Activities	Amount
General Government	\$ 2
Education	6
Health and Human Services	2
Law and Justice	2
Public Protection	4
Transportation	25
Depreciation on capital assets held by the state's internal service funds is charged to the various functions based on their use of the assets.	14
	<hr/>
Total Depreciation Expense – Governmental Activities	<u>\$ 55</u>
Business-type Activities	
Enterprise	<u>\$ 19</u>

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2002 (in millions):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 56	\$ 1	\$ (1)	\$ 56
Library, media, and museum collections	45	1	-	46
Construction in progress	124	107	(39)	192
Total capital assets not being depreciated	<u>225</u>	<u>109</u>	<u>(40)</u>	<u>294</u>
Capital assets being depreciated:				
Buildings	846	33	-	879
Equipment	263	31	(11)	283
Infrastructure	1,180	13	(526)	667
Total Capital assets being depreciated	<u>2,289</u>	<u>77</u>	<u>(537)</u>	<u>1,829</u>
Less accumulated depreciation for:				
Buildings	(302)	(38)	-	(340)
Equipment	(134)	(26)	9	(151)
Infrastructure	(395)	(28)	216	(207)
Total accumulated depreciation	<u>(831)</u>	<u>(92)</u>	<u>225</u>	<u>(698)</u>
Total capital assets being depreciated, net	<u>1,458</u>	<u>(15)</u>	<u>(312)</u>	<u>1,131</u>
Capital assets, net	<u>\$ 1,683</u>	<u>\$ 94</u>	<u>\$ (352)</u>	<u>\$ 1,425</u>

Capital assets for the Alaska Industrial Development and Export Authority (\$64.1 million), which are included in the table above, are reported as investments in projects, partnerships, or corporations in the Statement of Net Assets. Also, University of Alaska art, library, and museum collections, which are capitalized but not depreciated, are reported in the statement of net assets as equipment.

NOTE 6 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2002 (in thousands):

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Revenue bonds payable	\$ 115,202	\$ 124,938	\$ 7,277	\$ 232,863	\$ 485
Notes payable	25,203	-	6,475	18,728	13,529
Capital leases payable	188,856	99,070	26,646	261,280	27,661
Deferred revenues/advances	63,814	86,365	63,765	86,414	86,365
Certificates of Participation	-	16,000	-	16,000	-
Accrued vacation leave	109,958	93,383	94,947	108,394	108,394
Claims and judgements	101,951	52,531	38,929	115,553	31,090
Other noncurrent liabilities	3,215	2,999	2,896	3,318	2,999
Total	<u>\$ 608,199</u>	<u>\$ 475,286</u>	<u>\$ 240,935</u>	<u>\$ 842,550</u>	<u>\$ 270,523</u>
Business-type Activities					
Revenue bonds payable	\$ 226,976	\$ 140,780	\$ 5,382	\$ 362,374	\$ 6,300
Deferred revenues/advances	3,253	576	-	3,829	3,829
Other noncurrent liabilities	25	-	-	25	-
Total	<u>\$ 230,254</u>	<u>\$ 141,356</u>	<u>\$ 5,382</u>	<u>\$ 366,228</u>	<u>\$ 10,129</u>

B. GENERAL OBLIGATION BONDS, NORTHERN TOBACCO SECURITIZATION REVENUE BONDS, AND INTERNATIONAL AIRPORTS REVENUE BONDS

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2002, there is no general obligation bond debt outstanding.

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase Tobacco Settlement Revenues (TSRs) from the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the Bond Indenture. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets. Debt service requirements for NTSC are (in millions):

Year Ending June 30	Principal	Interest	Total
2003	\$ 0.5	\$ 13.3	\$ 13.8
2004	-	13.3	13.3
2005	-	13.3	13.3
2006	-	13.3	13.3
2007	-	13.2	13.2
2008-2012	31.9	60.5	92.4
2013-2017	58.8	46.9	105.7
2018-2022	44.1	33.3	77.4
2023-2027	22.7	20.6	43.3
2028-2032	77.3	4.0	81.3
Total debt service requirements	235.3	<u>\$ 231.7</u>	<u>\$ 467.0</u>
Unamortized bond issuance costs and discounts	(2.4)		
Total principal outstanding	<u>\$ 232.9</u>		

Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports revenue bonds. All bonds authorized by the Alaska legislature have been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2003	\$ 6.3	\$ 18.6	\$ 24.9
2004	6.6	18.4	25.0
2005	10.0	18.0	28.0
2006	10.4	17.6	28.0
2007	10.9	17.1	28.0
2008-2012	63.1	77.2	140.3
2013-2017	78.1	58.7	136.8
2018-2022	88.9	36.7	125.6
2023-2027	83.9	11.8	95.7
2028-2032	10.0	0.3	10.3
Total debt service requirements	368.2	\$ 274.4	\$ 642.6
Unamortized bond issuance costs and discounts	(5.8)		
Total principal outstanding	\$ 362.4		

C. CAPITAL AND OPERATING LEASES

A summary of noncancelable operating and capital leases commitments to maturity are (in millions):

<u>Governmental Activities</u>	Operating	Capital Leases		
Year Ending June 30	Leases	Principal	Interest	Total
2003	\$ 3.8	\$ 27.7	\$ 13.2	\$ 40.9
2004	3.0	26.9	11.4	38.3
2005	2.7	25.0	10.1	35.1
2006	2.2	24.8	8.9	33.7
2007	1.6	21.7	7.9	29.6
2008-2012	6.0	81.1	25.4	106.5
2013-2017	1.5	39.7	10.5	50.2
2018-2022	-	14.4	1.7	16.1
Total	\$ 20.8	\$ 261.3	\$ 89.1	\$ 350.4

D. CERTIFICATES OF PARTICIPATION

The state has lease purchase agreements funded through certificates of participation (COPs). These leases are for the purchase of buildings. Third-party leasing companies assigned their interest in the lease to underwriters, which issued certificates for the funding of these obligations. The COPs represent an ownership interest of the certificate holder in a lease purchase agreement. While the state is liable for lease payments to the underwriters, the state is not liable for payments to holders of the certificates.

The following schedule presents future minimum payments as of June 30, 2002 (expressed in millions):

Year Ending June 30	Principal	Interest	Total
2003	\$ -	\$ 0.5	\$ 0.5
2004	1.0	0.7	1.7
2005	1.0	0.7	1.7
2006	1.0	0.6	1.6
2007	5.8	0.6	6.4
2008-2012	7.2	2.4	9.6
2013-2017	-	0.9	0.9
Total	16.0	\$ 6.4	\$ 22.4

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2003	\$ 148.7	\$ 227.7	\$ 376.4
2004	157.4	220.5	377.9
2005	182.6	215.7	398.3
2006	166.1	203.7	369.8
2007	131.4	196.4	327.8
2008-2012	606.6	899.5	1,506.1
2013-2017	645.8	735.4	1,381.2
2018-2022	608.1	612.8	1,220.9
2023-2027	518.6	452.2	970.8
2028-2032	639.9	312.4	952.3
2033-2037	533.6	191.7	725.3
2038-2042	132.8	39.9	172.7
2043-2047	54.8	16.5	71.3
2048-2052	24.3	1.8	26.1
Total debt service requirements	4,550.7	\$ 4,326.2	\$ 8,876.9
Unamortized discounts, unexpended bond proceeds, accreted interest, & deferred amount on refunding	(9.3)		
Total principal outstanding	\$ 4,541.4		

The preceding table does not include \$402,000 of Alaska Energy Authority arbitrage interest payable.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

THE PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

PERS is a defined benefit, agent, multiple-employer public employee retirement system established and administered by the state to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by the state legislature. PERS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

PERS is considered a component unit of the state financial reporting entity. PERS issues a separate stand-alone financial report that includes financial statements and required supplementary information. PERS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

At June 30, 2002, the number of participating employers was:

State of Alaska	1
Municipalities	80
School Districts	52
Other	28
Total employers	<u>161</u>

Current employee contribution rates are 6.75 percent of compensation (7.5 percent for peace officers and firefighters). The employee contributions are deducted before federal income tax is withheld. The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2002, was 7.2 percent of compensation (7.1 for peace officers and firefighters).

The Schedule of Funding Progress for the State of Alaska for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1998	\$2,922,361	\$2,849,760	\$(72,601)	102.5%	\$706,711	(10.3%)
1999	3,064,962	2,902,304	(162,658)	105.6%	727,953	(22.3%)
2001	3,486,365	3,462,943	(23,422)	100.7%	781,286	(3.0%)

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age sixty-five or older, regardless of initial hire dates. Employees first hired after June 30, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may receive postemployment healthcare benefits prior to age sixty by paying the full monthly premium, and by paying half of the monthly premium if they are between the ages of sixty and sixty-five.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension (and other employee benefit) trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The Schedule of Funding Progress for the State of Alaska for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1998	\$1,165,476	\$1,136,524	\$(28,952)	102.5%	\$706,711	(4.1%)
1999	1,242,503	1,176,563	(65,940)	105.6%	727,953	(9.1%)
2001	1,476,115	1,466,201	(9,914)	100.7%	781,286	(1.3%)

The state's annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2002, 2001, and 2000 were \$50.5, \$53.4 million, and \$51.6 million respectively. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

THE TEACHERS' RETIREMENT SYSTEM (TRS)

TRS is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established to provide pension benefits for teachers and other eligible participants.

At June 30, 2002, the number of participating employers was:

State of Alaska	1
School Districts	52
Other	5
Total employers	<u>58</u>

TRS is considered a component unit of the state financial reporting entity. TRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. TRS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Current employee contribution rate is 8.65 percent of their base salary. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1 percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2002, was 11 percent of compensation.

Postemployment healthcare benefits are provided without cost to all employees first hired before July 1, 1990, and employees who are disabled or age sixty-five or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age sixty-five by paying premiums.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension (and other employee benefit) trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The state's contributions to TRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$666,539, \$641,569, and \$664,424 respectively, equal to the required contributions for each year.

THE JUDICIAL RETIREMENT SYSTEM (JRS)

JRS is a defined benefit, single-employer retirement system established to provide pension and postemployment healthcare benefits for eligible state judges and justices.

JRS is considered a component unit of the state financial reporting entity. JRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. JRS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 22 and may be amended only by the state legislature. JRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Members contribute 7 percent of their compensation to JRS. The contributions are deducted after federal income tax is withheld. Contributions are not required after members have made contributions for fifteen years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit

credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2002, was 17.07 percent of compensation.

The Schedule of Funding Progress for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1996	\$49,303	\$52,374	\$3,071	94.1%	\$5,289	58.1%
1998	60,794	57,780	(3,014)	105.2%	5,716	(52.7%)
2000	68,116	68,888	772	98.9%	5,702	13.5%

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension (and other employee benefit) trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims.

Postemployment healthcare benefits are provided without cost to retired JRS members. The Schedule of Funding Progress for postemployment healthcare benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1996	\$2,479	\$2,634	\$155	94.1%	\$5,289	2.9%
1998	3,896	3,703	(193)	105.2%	5,716	(3.4%)
2000	4,545	4,596	51	98.9%	5,702	0.9%

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,005,968, \$984,011, and \$1,510,516. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

THE ALASKA NATIONAL GUARD AND ALASKA NAVAL MILITIA RETIREMENT SYSTEM (NGNMRS)

NGNMRS is a defined benefit, single-employer retirement system established and administered by the state to provide pension benefits for eligible members of the Alaska National Guard and Alaska Naval Militia.

NGNMRS is considered a component unit of the state financial reporting entity. NGNMRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. The plan is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 5 of Alaska Statute Title 26 and may be amended only by the state legislature. NGNMRS provides for normal pension benefits and death benefits. Postemployment healthcare benefits are not provided.

No contributions are required from plan members. NGNMRS's funding policy provides for periodic contributions by Alaska Department of Military and Veterans' Affairs at actuarially determined amounts that are adequate to accumulate sufficient assets to pay benefits when due. State contributions are determined using the projected unit credit actuarial funding method.

The Schedule of Funding Progress for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
1996	\$ 9,948	\$12,512	\$2,564	79.5%
1998	12,671	14,252	1,581	88.9%
2000	13,734	17,967	4,233	76.4%

The annual required contributions for the fiscal years ended June 30, 2002, 2001, 2000 were \$879,800, \$879,800, and \$1,104,500. The percentage contributed for each year was 100 percent.

THE ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM (EPORS)

EPORS is a defined benefit retirement plan covering the governor, the lieutenant governor, and all legislators that participated in the System between January 1, 1976, and October 14, 1976. EPORS is funded by both employee contributions and an annual appropriation from the state general fund. Retirement benefits are based on the member’s years of service and the current salary for the position from which they retired or an average of the three highest consecutive years’ salaries. The pension benefit is equal to 5 percent for each year of service as governor, lieutenant governor, or a legislator, plus 2 percent for other covered service, not to exceed 75 percent (AS 39.37.050). The plan also provides death and disability benefits.

Plan members contribute 7 percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The FY 02 cost to the state for EPORS was \$1.1 million.

ASSET VALUATION

See Note 4 for information on pension funds’ deposits and investments risk categories. The table below discloses the fair value of each pension plan’s cash and investments. All amounts are in thousands.

<u>Systems</u>	<u>Fair Value</u>
Public Employees’ Retirement System	\$7,410,167
Teachers’ Retirement System	3,684,379
Judicial Retirement System	63,712
Alaska National Guard and Alaska Naval Militia Retirement System	12,228

PLAN MEMBERSHIPS

As of the actuarial dates, plan memberships consisted of:

	<u>PERS</u> 6/30/01	<u>TRS</u> 6/30/01	<u>JRS</u> 6/30/00	<u>NGNMRS</u> 6/30/00	<u>EPORS</u> 6/30/01
Retirees & beneficiaries receiving benefits & terminated members with future benefits	22,461	8,100	72	968	37
Current active employees:					
Vested	18,569	5,499	43	*	4
Nonvested	13,872	4,316	14	3,832	-
Total	<u>54,902</u>	<u>17,915</u>	<u>129</u>	<u>4,800</u>	<u>41</u>

* A breakdown of active employees between vested and nonvested was not available for NGNMRS.

FUNDING STATUS AND PROGRESS

ACTUARIAL METHOD AND ASSUMPTIONS

All systems use the “projected unit credit” method. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under this method is to fund each participant’s benefits under the plan as they accrue. Thus, each participant’s total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date. To the extent that this liability is not covered by assets of the plan there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Cost Inflation	Consumer Price Index Inflation	Valuation Date
PERS	8.25%	5.5% first 5 years - Police & Firefighters, first 10 years - all others 4.0% thereafter	FY 01 – 7.5%; FY 02 – 6.5%; FY 03 – 5.5%; FY 04–08 – 5.0%; FY 09–13 – 4.5%; Thereafter – 4.0%	3.5%	6/30/01
TRS	8.25%	5.5% first 5 years 4.0% thereafter	FY 01 – 7.5%; FY 02 – 6.5%; FY 03 – 5.5%; FY 04 – 08 – 5.0%; FY 09 – 13 – 4.5%; Thereafter – 4.0%	3.5%	6/30/01
JRS	8.25%	5.0% per year	FY 00 – 8.5%; FY 01 – 7.5%; FY 02 – 6.5%; FY 03 – 5.5%; FY 04-08 – 5.0%; FY 09-13 – Thereafter – 4.0%	3.5%	6/30/00
NGNMRS	8.25%	-	-	-	6/30/00
EPORS	9.0%	6.0 % per year	9.0% per year	-	6/30/86

All assets are at fair value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets.

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS’ BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the state contributes an amount (set by union contract) for each employee. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$474.7 thousand in FY 02.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

SUPPLEMENTAL BENEFITS SYSTEM

In addition to the pension plans (Note 7) and deferred compensation plan (Note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plans. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the Federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the state had not withdrawn, participate in SBS. Other employers whose employees participate in the state Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2002, there were fifteen other employers participating in SBS. There were approximately 30,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. The Alaska State Pension Investment Board is responsible for the specific investment of moneys in SBS.

SBS is considered a component unit of the state financial reporting entity. SBS issues a separate stand-alone financial report that includes financial statements and required supplementary information, and SBS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The state is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The state's mandatory contributions for the year ending January 31, 2002, were \$89.5 million. The state's covered payroll was approximately \$729.6 million.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2002, were approximately \$5.2 million.

Employees are eligible to withdraw from the Supplemental Annuity Plan sixty days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include supplemental health, death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. The state maintains a separate self-insurance fund to provide for health benefits. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The state administers the dependent care reimbursement plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2002. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds, in addition to participant contributions received during the year and deduction for administrative fees.

Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds.

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$615.1 thousand in FY 02.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan (Plan) was created by Alaska statutes. It is a deferred compensation plan under section 457 of the Internal Revenue Code and is available to all permanent employees or elected officials of the state who have completed a full pay period of employment. Participants authorize the state to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Codes. As of December 31, 2001, the Plan had approximately 7,600 participants.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This new law repealed the requirement that a section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. The Plan Document for the State of Alaska Deferred Compensation Plan was amended to recognize and establish the Trust requirement for the Plan.

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board is responsible for the specific investment of moneys in the plan.

Participant accounts are self-directed with respect to investment options. Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the increase or decrease in unit value for the investment funds.

Deferred compensation net assets as of December 31, 2001, were \$387.2 million. Deferred compensation is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund and component unit receivable and payable balances at June 30, 2002, and interfund transfers for the year then ended (in thousands):

RECEIVABLES

	<u>Interfund</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Primary Government:				
General Fund	\$ 958,897	\$ -	\$ 4,188	\$ 963,085
Alaska Permanent Fund	44,195	-	-	44,195
Nonmajor Governmental Funds	1,510	-	5	1,515
Enterprise Funds	334	-	-	334
Internal Service Funds	7,467	-	961	8,428
Fiduciary Funds	1,441	-	-	1,441
Component Units:				
Alaska Housing Finance Corporation	-	569	49	618
Alaska Industrial & Development Export Authority	-	-	-	-
University of Alaska	-	1,838	6,192	8,030
Nonmajor Component Units	-	205	-	205
Other*	4,388	1	23,272	27,661
TOTAL	\$ 1,018,232	\$ 2,613	\$ 34,667	\$ 1,055,512

PAYABLES

	<u>Interfund</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Primary Government:				
General Fund	\$ 54,252	\$ -	\$ 5,623	\$ 59,875
Alaska Permanent Fund	930,353	-	-	930,353
Nonmajor Governmental Funds	2,764	-	-	2,764
Enterprise Funds	25,524	-	-	25,524
Internal Service Funds	553	-	-	553
Fiduciary Funds	3,870	-	-	3,870
Component Units:				
Alaska Housing Finance Corporation	-	8,479	-	8,479
Alaska Industrial Development & Export Authority	-	43	-	43
University of Alaska	-	-	-	-
Nonmajor Component Units	-	15,090	-	15,090
Other*	916	835	7,210	8,961
TOTAL	\$ 1,018,232	\$ 24,447	\$ 12,833	\$ 1,055,512

INTERFUND TRANSFERS

Transferred From	Transferred To						Total
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Other	
General Fund	\$ -	\$ 1,277	\$ 761	\$ 2,772	\$ 125	\$ -	\$ 4,935
AK Permanent	925,806	-	-	-	-	4,547	930,353
Nonmajor Gvntl	-	-	-	-	-	-	-
Enterprise	2,300	-	-	-	-	-	2,300
Int Svc	-	-	-	-	-	-	-
Fiduciary	-	-	-	-	-	-	-
Other	19,822	-	-	-	-	-	19,822
Total	\$ 947,928	\$ 1,277	\$ 761	\$ 2,772	\$ 125	\$4,547	\$ 957,410

* The "Other" category is a combination (net) of various items that are not consistently reported in the three classifications identified above. This inconsistency results from: (1) a difference in the basis of accounting such as College and Universities are not on the same basis as the general fund and enterprise funds, enterprise funds are on the full accrual accounting basis while the governmental funds are on the modified accrual basis; (2) timing differences due to differing fiscal year ends; and (3) some inconsistent classifications as a result of the nature of the operation.

NOTE 11 – SEGMENT INFORMATION - ENTERPRISE FUNDS

The State of Alaska International Airport System (an enterprise fund) was created to equip, finance, maintain, and operate the two international airports located at Anchorage and Fairbanks, Alaska. The airports are under the administration of the Alaska Department of Transportation and Public Facilities. The following schedule presents summary financial information for the International Airport System for the fiscal year ended June 30, 2002 (stated in thousands).

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 114,894
Restricted assets	277,359
Capital assets, net	472,750
Total assets	<u>865,003</u>
Liabilities:	
Current liabilities	20,653
Due to other funds	23,134
Noncurrent liabilities	356,074
Total liabilities	<u>399,861</u>
Net assets:	
Invested in capital assets, net of related debt	370,663
Restricted	12,672
Unrestricted	81,807
Total net assets	<u>\$ 465,142</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS

Airfield operations revenue	\$ 67,253
Other operating revenue	683
Depreciation expense	(19,915)
Other operating expense	(47,779)
Operating Income	242
Nonoperating revenues (expenses):	
Investment earnings	5,725
Interest expense	(1,190)
Other nonoperating revenue (expenses) - net	13
Capital contributions	23,396
Change in net assets	28,186
Beginning net assets	436,956
Ending net assets	\$ 465,142

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 35,504
Noncapital financing activities	-
Capital and related financing activities	77,413
Investing activities	(109,035)
Net increase (decrease)	3,882
Beginning cash and cash equivalents	15,448
Ending cash and cash equivalents	\$ 19,330

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

The cost of state employee sick leave is charged against agency appropriations when leave is used rather than when leave is earned. There is no recorded liability for sick leave in the financial records of the state. Accordingly, the statements in this report do not include an estimate of this obligation as either a liability or a reserve.

Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee.

The estimated amount of unused accumulated sick leave as of June 30, 2002, is \$46 million. This amount was calculated using the base pay on file for each employee as of June 30, 2002. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary from 5 percent to 28 percent of gross pay depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

Under a program enacted in 1970 (AS 14.11.100), the state may reimburse municipalities up to 80, 90, or 100 percent of debt service on bonds issued to finance school construction. The percentage depends on the year in which the costs are incurred. The 80 percent limitation, enacted in 1985, applies to fiscal years after June 30, 1983. The higher percentages apply to earlier years.

Although the statute provides that the state may reimburse school districts 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the state to make these payments. The amount for FY 02 expended for school debt was \$54.1 million, which was 100 percent of the entitlement. The total debt requirement assuming the state makes full payment of its share of school debt service would be approximately \$741.5 million. The state has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

The state maintains a risk management program that is administered by the Department of Administration, Division of Risk Management. The Division of Risk Management's objective is to protect the financial assets and operations of the State of Alaska from accidental loss through a comprehensive self-insurance program for normal and expected property and casualty claims of high frequency and low severity, combined with high-limit, broad-form excess insurance protection for catastrophic loss exposures.

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to seek supplemental appropriation or disrupt vital state services after a major property loss, adverse civil jury award, or significant workers' compensation claim.

By effectively managing the state's property and liability exposures through a comprehensive self-insurance program, Risk Management expends fewer public funds than would be paid to private insurance companies at the same time providing streamlined claims services utilizing professional adjusting firms located throughout Alaska.

Property insurance with all-risk (including earthquake and flood) coverage is provided on a replacement cost basis for all state-owned or leased property; buildings (including contents, museum fine arts, etc.), aircraft, watercraft (Alaska Marine Highway System ferries and other agency vessels), large highway bridges, and hydroelectric power dams.

Casualty coverages protect each state agency and their personnel from third-party civil (tort) liability claims alleged to have arisen from combined liability - general (premises/operations), automobile, professional (errors and omissions), medical malpractice, aviation (aircraft and airport), or marine (crew and passenger injuries).

Additional specialty coverages include blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud and foreign liability, etc. These insurance programs continually evolve, responding to new activities and special projects undertaken by each state agency. There has been no significant reduction in insurance coverage from previous years and the state has not incurred a loss in excess of its insurance program.

In FY 02, the state completely self-insured all statutory workers' compensation claims, self-insured the first \$5 million per occurrence for general (premises and operations) and professional liability, \$2 million per loss in automobile liability, \$1 million per claim for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk, reaching up to \$250 million per occurrence for marine and \$500 million for aviation.

Both domestic and international insurance companies and various Lloyd's of London underwriting syndicates participate in the State of Alaska's excess insurance program. Marketing is provided by independent brokers. The state obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b).

An unconstrained audit of the State of Alaska's overall property and casualty insurance program performed by an independent risk management consultant found the retention levels and excess insurance coverage purchased are appropriate.

Risk Management's budget is funded entirely through interagency receipts annually billed each agency through a "Cost of Risk" premium allocation system. The Risk Management information system generates the annual cost of risk allocation to each agency, reflecting their proportionate share of the state's overall cost of risk. Designed to achieve equitable distribution of the self-insurance program costs, it factors exposure values subject to loss and considers the past five years actual claims experience incurred by each department.

For most cost of risk allocations, 80 percent of the premium billing is based on the average of the past five years actual claims experience. This provides a direct fiscal incentive to each agency to reduce or control their claim costs.

The program compiles a property inventory schedule of all owned or leased buildings used or occupied by state agencies, listing age and type of building construction, occupancy, fire protection services and sprinkler systems, and projected replacement cost value. Individual premiums are then determined and, in cases of multiple occupancy, allocated to each department on the basis of their square foot use.

The “Cost of Risk” premium is collected through two methods from individual state agency operating budgets. Reimbursable Services Agreements (RSAs) are used for all categories of insurance other than Workers’ Compensation and Combined Liability (general, auto, and professional), which are assessed on a rate per \$100 payroll applied monthly to each agency’s actual payroll until the allocated premium is paid.

The payments made for insurance premiums and self-insured claims for FY 02 amounted to \$31,574,564. This amount compares with FY 00 and FY 01 as follows:

FY 00	\$ 24,352,868
FY 01	32,013,492
FY 02	31,574,564

The actuarial estimate of total outstanding loss liability arising from self-insured claims made in prior years through June 30, 2002, is \$112,223,623. This amount has been reported as long-term debt obligations. This amount compares with the actuarial estimate for FY 00 and FY 01 as follows:

FY 00	\$ 81,626,449
FY 01	91,266,893
FY 02	112,223,623

D. LITIGATION

The state is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$3.3 million, with an additional possible liability of \$37.2 million. The probable loss amount has been reported as long-term debt obligations.

In October 2000, a complaint was filed in the Superior Court for the State of Alaska, Third Judicial District (Myers v. State of Alaska, Alaska Housing Finance Corporation, and Northern Tobacco Securitization Corporation), seeking a declaratory judgement determining that the sale of the 2000 Pledged Receipts by the state to AHFC or to NTSC is a dedication of state funds for a special purpose, in violation of section 7, Article IX, of the Alaska Constitution. On October 24, 2000, Superior Court Judge Hensley ruled that such sale of the 2000 Pledged Receipts did not violate the Alaska Constitution. Plaintiff thereafter appealed to the Alaska Supreme Court; oral arguments have been heard. Any adverse decision in the Myers litigation will likely adversely affect the validity of the sale of the 2000 and 2001 Tobacco Settlement Revenues to NTSC, and NTSC’s ability to repay bondholders.

E. FEDERAL GRANTS

The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, it is believed that any required reimbursements will not be material.

F. DISASTER RELIEF FUND

The state may be liable to reimburse communities for expenditures related to disasters in excess of the amount allocated by the state.

G. DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2002, AIDEA had extended commitments for loans of \$29,338,000 and loan guarantees of \$2,015,000.

NOTE 13 – SUBSEQUENT EVENTS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

An actuarial audit of the Public Employee’s Retirement System (PERS) consulting actuary determined changes were needed in several areas. The major issues noted by the auditor are categorized under two levels of significance to the overall funding

status of PERS. Level A findings include areas where changes are needed to correct the implementation of a method, calculation, or use of data, and which will result in financial impact on the actuarial findings. Level B findings are in areas where the auditor recommends changes based on their professional opinion or preference. These will also ultimately have financial impact, if adopted, on the resulting actuarial valuation.

The financial impact of level A findings would have increased the June 30, 2001, target liability by \$44.5 million, or 0.57 percent. All level A changes will be incorporated into the June 30, 2002, actuarial valuation report. Those level B changes that do not require prior PERS board approval will also be implemented for the June 30, 2002, actuarial valuation report. The precise financial effect of the level B changes has not been determined at this time.

B. ALASKA HOUSING FINANCE CORPORATION BONDS

The Alaska Housing Finance Corporation (AHFC), on September 5, 2002, in the normal course of activities, issued \$125,000,000 in Housing Development Bonds 2002 Series A, B, C, and D. The 2002 Series A bonds mature on December 1, 2033, the 2002 Series B bonds mature on June 1, 2022, and the 2002 Series C bonds mature on December 1, 2032. The 2002 Series A-C bonds will bear interest at fixed rates of 1.6 percent to 5.3 percent. The 2002 Series D bonds mature on June 1, 2037, and initially will bear interest at a weekly rate; however, AHFC has the option to convert all or a portion of the variable rate bonds on any Effective Rate Date to fixed interest rates or an indexed rate.

AHFC, on October 15, 2002, in the normal course of activities, issued \$150,000,000 in General Mortgage Revenue Bonds, 2002 Series A. The bonds mature on June 1, 2040, and will bear coupon interest at fixed rates of 3.45 percent to 5 percent.

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REQUIRED
SUPPLEMENTARY INFORMATION

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,217,021	\$ 1,242,043	\$ 980,067	\$ 261,976
Licenses and Permits	70,543	75,506	63,459	12,047
Charges for Services	380,453	397,281	408,048	(10,767)
Fines and Forfeitures	32,993	32,999	11,712	21,287
Rents and Royalties	825,488	825,684	601,872	223,812
Premiums and Contributions	9,063	9,063	9,308	(245)
Interest and Investment Income	98,398	98,573	206,697	(108,124)
Other Revenues	34,888	36,233	122,307	(86,074)
Restricted:				
Federal Grants in Aid	3,832,096	4,012,884	1,500,786	2,512,098
Interagency	368,876	574,707	356,570	218,137
Other Revenues	18,336	18,335	13,918	4,417
Total Revenues	6,888,155	7,323,308	4,274,744	3,048,564
EXPENDITURES				
Current:				
General Government	579,996	610,108	562,999	47,109
Alaska Permanent Fund Dividend	1,088,200	1,096,246	1,086,358	9,888
Education	991,460	1,121,134	1,089,402	31,732
University	1,684	1,684	1,669	15
Health and Human Services	1,655,465	1,849,221	1,609,215	240,006
Law and Justice	140,558	149,048	139,382	9,666
Public Protection	566,515	607,597	465,937	141,660
Natural Resources	298,030	315,934	219,598	96,336
Development	249,401	250,430	164,105	86,325
Transportation	2,762,097	2,920,528	1,047,385	1,873,143
Intergovernmental Revenue Sharing	69,703	70,131	67,691	2,440
Debt Service:				
Principal	9,229	9,229	9,169	60
Interest and Other Charges	3,447	3,447	3,447	0
Total Expenditures	8,415,785	9,004,737	6,466,357	2,538,380
Excess (Deficiency) of Revenues Over Expenditures	(1,527,630)	(1,681,429)	(2,191,613)	510,184
OTHER FINANCING SOURCES (USES)				
Bonds Issued	16,000	16,000	16,000	0
Transfers In from Other Funds	6,505	1,068,630	1,067,122	1,508
Payments In from Component Units	130,403	155,513	63,474	92,039
Transfers (Out to) Other Funds	(83,072)	(118,651)	(118,651)	0
Payments (Out to) Component Units	(220,380)	(244,735)	(217,832)	(26,903)
Total Other Financing Sources and Uses	(150,544)	876,757	810,113	66,644
Excess (Deficiency) of Revenues, and Other Financing Sources, Over (Under) Expenditures and Other Financing Uses, Budgetary Basis	<u>\$ (1,678,174)</u>	<u>\$ (804,672)</u>	(1,381,500)	<u>\$ 576,828</u>
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			729,690	
Basis Difference			7,343	
Perspective Difference			(29,798)	
Excess (Deficiency) of Revenues, and Other Financing Sources, Over (Under) Expenditures and Other Financing Uses, GAAP Basis			(674,265)	
Fund Balances - Beginning of Year			4,791,660	
Fund Balances - End of Year			<u>\$ 4,117,395</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2002**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis.

The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The reconciliation of the budgetary basis to GAAP is shown directly on the Budgetary Comparison Schedule – General Fund. Both the annual operating budget and the net continuing total budget are included.

The types of differences are as follows:

- Encumbrances are included for total authorized expenditures although for GAAP purposes they are excluded.
- There was certain financial activity related to reimbursable services agreements (RSA) and certain interfund transactions that were recorded both in the general fund and in other funds. For budgetary purposes, that activity was left in the general fund, but for GAAP purposes it was eliminated from the general fund.
- Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund type when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund (in thousands):

Petroleum severance taxes and royalties	\$ 11,313
Medical Assistance Program	(3,709)
Tobacco tax	(255)
Alcohol tax	(6)
Total general fund basis difference	<u>7,343</u>

- Perspective differences result from the structure of financial information for budgetary purposes. The Group Health and Life Benefits Fund (Group Health and Life, and Retiree Health) and the Alaska Public Building Fund are established by statute as accounts within the general fund, but must be reported as internal service funds to conform to GAAP. The federal receipts/disbursements for PL 103-382, Title VIII (previously PL 81-874) are budgeted in the general fund but are accounted for as an agency fund.

Group Health and Life	\$ (28,764)
Alaska Public Building Fund	(1,631)
Federal receipts for PL 103-382 (Impact Aid)	597
Total general fund perspective difference	<u>(29,798)</u>

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SECTION II - RECOMMENDATIONS AND QUESTIONED COSTS

INTRODUCTION

The recommendations and questioned costs have been organized by department. The specific status of prior year recommendations is presented in the introduction of each department.

Generally, the status of prior year recommendations falls into one of three categories:

- Implemented by the department.
- Not fully implemented by the department and reiterated with its current status in this report.
- Not fully implemented by the department, yet the current year effects were not a significant audit issue, therefore it is not reiterated in this report.

Other audit reports issued separately that have recommendations which are relevant to the FY 02 statewide single audit objectives are:

1. *A Report on the Department of Administration, Application Controls Over the Alaska State Payroll System From Implementation (May 29, 1990) through June 30, 1991.* Audit Control Number 02-1389-92.
2. *A Report on the Department of Administration, Application Controls Over the Alaska Statewide Accounting System, August 10, 2001.* Audit Control Number 02-10002-01.
3. *A Report on the Department of Administration, Chargeback Review, December 10, 1999.* Audit Control Number 02-4610-01.
4. *A Report on the Department of Administration, Division of Senior Services, Assisted Living Program, August 31, 2001.* Audit Control Number 02-30007-01.
5. *Department of Labor and Workforce Development, Division of Vocational Rehabilitation, Financial Review, August 8, 2001.* Audit Control Number 07-10003-01.
6. *A Report on the Department of Revenue, Division of Treasury Revenue Division of Treasury, Treasury Revenue Management System, June 19, 2002.* Audit Control Number 04-10004-02.
7. *A Report on the Department of Health and Social Services, Division of Medical Assistance, Internal Control Over Medicaid Payments, January 31, 2003.* Audit Control Number 06-30018-03.

8. *Department of Health and Social Services, Division of Family and Youth Services, Travel Issues, March 4, 2003.* Audit Control Number 06-30019-03.
9. *A Report on the Department of Community and Economic Development, Division of Investments, Commercial Fishing Revolving Loan Fund, March 18, 2003.* Audit Control Number 08-30022-03.

Management letters of state corporations and the University of Alaska may have recommendations which are relevant to the FY 02 statewide single audit objectives. Copies of the management letters may be obtained directly from the state corporations and the University of Alaska.

SUMMARY OF RECOMMENDATIONS
For FY 02

—————Internal Control Weakness—————

<i>State Department</i>	<i>Material to Basic Financial Statements</i>	<i>Material to Federal Program</i>	<i>Reportable Condition – Financial Statements</i>	<i>Reportable Condition – Federal</i>	<i>Federal Compliance</i>	<i>Other State Issues</i>
OG						1
DOA			2	5	4, 5	3
DOL		6		6	6	
DOR				8	7	
DEED		10		9, 11, 12, 13, 16, 17	9, 10, 11, 13, 16, 17	12, 13, 14, 15
DHSS		31		18, 19, 23, 27, 28, 29, 30, 32, 33, 34, 35, 36, 37, 38	18, 19, 23, 24, 25, 26, 28, 29, 30, 32	20, 21, 22, 23
DMVA				39, 40		39, 40
DPS				42	41, 42	
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Findings and Recommendations

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

One new recommendation is included as Recommendation No. 1.

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Recommendation No. 1

The director of Alaska Office of Management and Budget (AOMB) should develop guidance for state agencies to distinguish expenditures between operating and capital appropriations.

We found instances where capital expenditures and obligations for specific projects were originally charged to a capital appropriation but later transferred to operating appropriations. These transfers occurred at the end of the fiscal year and were intended to use otherwise lapsing balances of operating appropriations. These transfers also minimize the expenditures charged to the capital appropriation, thereby, allowing the agencies to continue spending those appropriations in future years. This practice distorts the actual costs associated with capital projects and creates an environment where the distinction between a capital appropriation and operating appropriation is muddled.

In one instance, Department of Administration, Division of Retirement and Benefits transferred \$162,600 in refurbishing expenditures from the Retirement and Benefits - space consolidation and furniture appropriation authorized in Chapter 139 SLA 1998 - to the Division's operating appropriation. This allowed the division to use the capital authorization for expenditures in the following fiscal year.

Chapter 103, SLA 1995 appropriated \$7.7 million to the Department of Health and Social Services for Medicaid Management Information System (MMIS) Reprocurement/Y2K. At the end of FY 02, the financial records show that less than \$280,000 has been spent. Actually almost \$700,000 has been spent, however, over \$420,000 was charged to otherwise lapsing FY 01 operating appropriations of the Division of Medical Assistance. The costs charged to the operating appropriation were a portion of payments made on a technical assistance contract associated with the MMIS reprocurement project.

The difficulty with the type of transactions discussed above is that while the capital appropriation is the budget most-directly associated with the expenditures being made, the broad and inclusive nature of operating appropriations would not expressly prohibit their use for the same expenditures. There are insufficient policies directing agencies on when to charge capital or operating appropriations. Therefore, state agencies will use otherwise-lapsing operating appropriations to supplement capital appropriations and actual costs associated with specific capital projects will be understated.

Currently there is limited legal guidance regarding the use of operating and capital appropriations. AS 37.07.080 restricts transfers between appropriations, "*transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement or other agreement, except as provided in an act making the transfers between appropriations.*" The Executive Budget Act requires an annual budget be prepared authorizing operation and capital expenditures. Capital projects are defined as items with an anticipated life of more than one year and a cost in excess of \$25,000.

We recommend that the director of AOMB develop guidelines for state agencies to follow which distinguishes the use of operating appropriations versus capital appropriations for expenditures. These guidelines should prevent agencies from using operating appropriations to supplement capital appropriations and ensure the actual cost of operating programs and capital projects are accurately reported.

Agency Response – Office of the Governor

Recommendation No. 1

The director of Alaska Office of Management and Budget (AOMB) should develop guidance for state agencies to distinguish expenditures between operating and capital appropriations.

I agree that a guideline will be useful to state agencies. OMB has drafted and will be implementing a policy for state agencies regarding the transfer of expenditures between operating and capital appropriations. I am, however, also cognizant of the fact that many expenditures may reasonably be charged to either a capital appropriation or an operating appropriation. In addition, I recognize the practical budgetary constraints facing state agencies and hope to provide some measure of flexibility to them.

Contact Person: Cheryl Frasca, OMB Director
465-4660

DEPARTMENT OF ADMINISTRATION

Four recommendations were made to the Department of Administration (DOA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. DOA has not implemented prior year Recommendation No. 1. It is reiterated as Recommendation No. 2. Prior year Recommendation No. 2 has been resolved. Prior year Recommendation No. 3 has been partially resolved, and the outstanding issue is reiterated as Recommendation No. 5. Prior year Recommendation No. 4 has not been fully implemented by the department, yet the current year effects are not significant audit issues. Therefore, they are not reiterated in this report.

Additionally, two new recommendations are included as Recommendations Nos. 3 and 4.

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Recommendation No. 2

The Division of Finance (DOF) director should establish internal controls requiring segregation of duties for time and attendance records.

Prior Finding

The internal controls for time and attendance records have a significant weakness in their design. An individual with the ability to make changes to time and attendance records may input and certify their own payroll time records. This includes the ability to override pay rate and number of hours. A significant internal control weakness exists without a system-generated control either (1) preventing input and certification of an employee's own records, or (2) requiring input by one individual and certification by another. Additionally, DOF does not produce a report that shows specifically when an override of the pay rate, hours, or total amount has occurred.

DOF relies on each department's management to review warrant registers to detect any errors. However, the warrant register does not specifically indicate when a payroll amount has been overridden. Assigning different people the responsibilities for authorizing transactions, recording transactions, and overseeing custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties. *Control Objectives for Information and Related Technology* states that:

The organization should establish procedures for the processing of transactions that ensure separation of duties is maintained and that the work performed is routinely verified.

We see the ability of one individual to input and certify an override rate, hours, or amount for themselves as a critical flaw in the control process, especially without DOF providing a usable audit trail report identifying the amount or data overridden.

Legislative Audit's Current Position

No significant improvements were made during FY 02. Internal control weaknesses in the segregation of duties continue to exist for time and attendance records.

We are aware that the long-term solution for many of the system weaknesses is the replacement of AKPAY. However, until that time we continue to recommend that DOF programmers develop reports, or regularly use audit trail software, to isolate those situations where pay has been overridden, and specifically if pay has been overridden for an individual with input and certification abilities in the time and attendance function.

Agency Response – Department of Administration

Recommendation No. 2

The Division of Finance (DOF) director should establish internal controls requiring segregation of duties for time and attendance records.

The Department of Administration recognizes the importance of duty segregation for time and attendance records. Procedures for ensuring adequate controls are outlined in Section 3 of the Payroll Procedures Manual published by the Division of Finance.

This recommendation points out a design flaw in our current payroll system, AKPAY. It does not enforce duty segregation with edits or reports. This is not the only problem with this software, nor does it pose the most risk. Our backlog of fixes and enhancement requests is substantial, characteristic of a software product nearing the end of its useful life. We are constantly striving to keep it operational and current within vendor maintenance requirements. Prior to FY03, our requests for additional funding for this purpose did not receive legislative approval despite the mission-critical nature of a statewide payroll system. However in FY03, the legislature approved \$600,000 enabling DOF to begin the process of analyzing the needs of the State. In FY04, an additional \$300,000 is available to continue the analysis.

The analysis will provide DOF alternatives that may be available to the State to replace several statewide administrative systems to more current technologies. DOF will complete a thorough review of the alternatives and develop a request for proposal (RFP) anticipating that the responses to the RFP and a cost analysis will be completed for presentation to the legislature in 2004. The analysis is the first step in a multiyear process that will require funding needs that are yet to be determined. The new system will meet current standards related to accounting controls including addressing the weaknesses identified with this finding.

Contact Person: Dave Blaisdell, Finance Officer
 Telephone: 907-465-5653

Recommendation No. 3

The chief procurement officer (CPO) for Division of General Services (DGS) should establish additional procedures to maintain control and accountability over the Atwood Building's petty cash fund.

Weaknesses were found in the internal controls for the Atwood Building petty cash fund. These weaknesses are of greater significance given that an external property management company has access to the petty cash account.

DGS asserts that a petty cash fund¹ of approximately \$150,000 is necessary for timely disbursement of monthly maintenance and operational expenditures for the Atwood Building. Actual disbursements from the petty cash fund are processed by a management company responsible for the administration of the property after approval of the invoices by DGS staff. Separate reimbursements to the petty cash fund from the State are made monthly from detailed ledgers provided by the management company.

There are two weaknesses in the internal controls for this petty cash fund. First, DGS staff performed no monthly bank reconciliations of income and expenditures during FY 02. Although an annual bank statement certification was conducted at June 30, 2002, a separate monthly reconciliation to account for miscellaneous receipts and paid invoices has not been conducted for two years. Therefore, activity has not been accurately reflected on the State's accounting system.

Secondly, a potential exists for petty cash funds to be misappropriated due to the approval process for reimbursements. As part of DGS control, disbursements from the petty cash fund by the property management company are approved by a DGS staff in Anchorage after review of supporting invoices. No controls have been established for the DGS staff in Anchorage to forward the approved invoices for payment in Juneau. These approved transactions are returned to the property management company who submits a reimbursement request directly to the DGS office in Juneau. At no time are the supporting invoices for the approved transactions forwarded to the Juneau office where the reimbursement to the petty cash fund is processed. According to AAM guidelines, all warrant payments must be accounted for or supported by an invoice. Thus, due to inadequate controls, the property management company has the opportunity to falsify the reimbursement request submitted to Juneau.

To ensure that the State's assets are properly safeguarded we recommend that the CPO at DGS evaluate the current internal control practices for the Atwood Building petty cash fund and improve the reconciliation and reimbursement process.

Agency Response – Department of Administration

Recommendation No. 3

The chief procurement officer (CPO) for Division of General Services (DGS) should establish additional procedures to maintain control and accountability over the Atwood Building's petty cash fund.

The recommendation suggests that we have two significant weaknesses in the internal controls for this petty cash fund. One issue states that DGS staff performed no monthly bank reconciliations of income and expenditures during FY02. AAM 50.180 states that bank accounts should be reconciled no later than 15 days following the receipt of the bank

¹ This petty cash fund is maintained in a building operating account within a financial institution.

statement. *The property management company does, however, complete monthly reconciliations. These reconciliations are forwarded to the State Leasing and Facilities Manager (Manager). The Manager reviews the reconciliation to ensure that the cash is accounted for when processing the reimbursement of invoices paid from the account.*

The process does not ensure that activity reflected on the bank statement is recorded on AKSAS. The Manager is not involved with recording information on the statewide accounting system and the fund is reimbursed based on disbursements from the account. Interest income and bank fees are not taken into account when the reimbursement requests are completed.

In the future, when reimbursing the fund, the Custodian will review the bank reconciliation for evidence of a review by the Manager. On a monthly basis, these fees are immaterial. However, in the future the custodian will reconcile the interest and bank fees no less than two times during the year and recognize them appropriately on AKSAS.

The second weakness you discussed in your report indicated that potential exists for petty cash funds to be misappropriated due to the approval process. As discussed, invoices are submitted to the Manager along with a letter requesting reimbursement. The Manager reviews each invoice, makes any necessary changes to the reimbursement request and approves the request for payment as required by Sec 37.10.010.

Previously, the request had been returned to the property management company who then forwarded it to DGS for processing. Because the property management company forwarded the response directly to DGS, an opportunity existed to falsify the reimbursement request. DGS has changed its process and now requires the Manager to remit the requests for reimbursement directly to DGS.

Contact Person: *Dave Blaisdell, Finance Officer*
 Telephone: 907-465-5653

Recommendation No. 4

The Division of Senior Services (DSS) director and the Alaska Commission on Aging (ACOA) executive director should continue to adhere to their corrective action plan to meet federal requirements.

In FY 00, ACOA discovered that Senior Employment Program funds were being used to supplant budgeted positions. According to the federal requirement to supplement not supplant, *“employment of an enrollee shall be only in addition to budgeted employment which would otherwise be funded by the grantee or subgrantees without assistance from the Act.”* Furthermore, the program’s objectives are to assist and promote the transition of program enrollees into unsubsidized employment.

A corrective action plan was developed to resolve the noncompliance with the supplement not supplant requirement and federal approval was obtained. To prevent disruption of services to seniors, ACOA scheduled implementation of the corrective action plan over a two-year period, starting in FY 02.

Due to the minimum employment options and the lack of qualified subgrantees, limited implementation of the corrective action plan occurred in FY 02. ACOA rescheduled implementation of the corrective action plan over the next several years recognizing that noncompliance with the supplement not supplant requirement continues until the corrective action plan is fully implemented.

Given the significance of this noncompliance we recommend that the director of DSS and the executive director of ACOA should ensure immediate full implementation of the corrective action plan so that federal funds are utilized for the purpose of the program.

CFDA: 17.235

Federal Agency: USDOL

Questioned Costs: Indeterminate

Agency Response – Department of Administration

Recommendation No. 4

The Division of Senior Services (DSS) director and the Alaska Commission on Aging (ACOA) executive director should continue to adhere to their corrective action plan to meet federal requirements.

The Department of Administration, Division of Senior Services, concurs with this recommendation. Implementation of the corrective action plan (CAP) began with the major urban areas of the state and will eventually expand to the rural areas where administrative resources are available. Currently, Anchorage, Fairbanks, and Southeast Alaska have subgrantees administering the program.

In FY04, we plan to send out Letters of Interest for the remaining parts of the State. However, ACOA is not finding suitable grantees throughout rural Alaska.

Additionally, the ACoA has implemented the Older Worker Specialist (OWS) program on the Kenai Peninsula and in the Mat-Su Valley because these two areas have a high concentration of enrollees. Host agencies in these areas are all located on a road system, thus enhancing communication and education regarding the SEP program. The OWS program supports the enrollee primarily and the host agency secondarily in operating the program in an effective manner that is in accordance with federal regulations. The OWS ensures that enrollees are being placed in supplemental positions within a host agency.

Additionally, the ACOA has worked diligently with host agencies around the state to educate them regarding federal regulations. This effort is slowly paying off and increased

compliance is evident. On February 3, 2003, the Commission discussed the supplement and not supplant requirements of the program in a letter to its existing grantees. This is one example of ACOA's continued efforts to address several compliance issues related to their programs.

*Contact Person: Dave Blaisdell, Finance Officer
Telephone: 907-465-5653*

Recommendation No. 5

The DSS director and the ACOA executive director should improve its monitoring of subrecipients to ensure that federal funds passed through to grantees are spent in accordance with federal requirements.

Prior Finding

The majority of federal funding for the aging cluster and senior employment programs are passed through by ACOA to subrecipients in the form of grants. The grants are a combination of both federal and state funding.

Federal regulations require the state to monitor its subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved. Monitoring may take various forms such as reviewing reports submitted by subrecipients and performing site visits to the subrecipients to review financial and programmatic records and observe operations. It also requires the state to identify the federal awards passed through to subrecipients, and all subrecipients must certify that the organization and its principals are not suspended or debarred.

In prior audits we found weaknesses in the controls over subrecipient monitoring, including the lack of periodic site visits. Because program expenditures to subrecipients comprise over 80% of federal expenditures for each of the programs, we continued to encourage the agency to establish and follow procedures to ensure that subrecipients comply with federal requirements.

Legislative Audit's Current Position

We reviewed ACOA's FY 02 monitoring of both aging cluster (CFDA 93.044 and 93.045) and senior employment program (CFDA 17.235) subrecipients. DOA continues to take significant steps toward fully addressing this continuing recommendation.

During our review we still noticed, for the aging cluster, cumulative fiscal reports are separated into high-level accounting categories. ACOA does not require supporting documentation to assess the allowability of specific transactions, instead relying on independent A-133 audits. However, 62% of funds passed through to subrecipients do not receive an A-133 audit. We also

noticed for the senior employment program that one of the largest subrecipients stopped sending supporting backup to the financial reports towards the end of the fiscal year. Therefore, ACOA has little evidence showing reimbursements were based on valid and federally allowable costs.

In addition, for FY 02 ACOA did not inform their subrecipients of the federal program number nor the amount of federal dollars passed through to their subrecipients. According to federal guidelines, the state is required to identify federal awards information including the description and program number for each program and the federal funds.

We continue to recommend the agency establish and follow procedures to ensure that costs reported by subrecipients comply with federal requirements and necessary federal program information is provided to the subrecipients.

CFDA: 93.044 and 93.045
Questioned Costs: Indeterminate

Federal Agency: USDHHS

CFDA: 17.235
Questioned Costs: Indeterminate

Federal Agency: USDOL

Agency Response – Department of Administration

Recommendation No. 5

Director of Division of Senior Services (DSS) and the executive director of Alaska Commission on Aging (ACOA) should improve its monitoring of subrecipients to ensure that federal funds passed through to grantees are spent in accordance with federal requirements.

The Department of Administration, Division of Senior Services, concurs with this recommendation and has taken significant steps toward fully addressing the issue. Unfortunately, with approximately 65 grantee agencies throughout Alaska and decreasing travel resources, the Commission cannot depend entirely upon site review processes for the needed monitoring. Additionally, steps have been taken to use other personnel, such as the long-term care development officer, to assist in site reviews. In FY03, the Associate Coordinator conducted several monitoring visits at the beginning of FY03 and has plans for return visits in early FY04. Sites reviewed included those involved with implementing the New Model strategy.

ACOA however, will place greater reliance on desk review processes. These reviews will continue to help assure that grantee expenditures are valid and federally allowable.

We have also reviewed our internal processes for notifying grantees of the federal requirements and the information each of them may need to complete their year-end requirements. We have incorporated that into the accounting position within ACOA and hope to have all notices issued by the end of FY03.

*Contact Person: Dave Blaisdell, Finance Officer
Telephone: 907-465-5653*

DEPARTMENT OF LAW

No recommendations were made to the Department of Law (DOL) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

One new recommendation is included as Recommendation No. 6.

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Recommendation No. 6

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's (DOL) director of Administrative Services should ensure that personal service costs for federal programs are supported as federally required.

Unsupported personal services costs totaling \$174,002 were identified on two reimbursable service agreements (RSAs) between DPS (AST and the Council on Domestic Violence and Sexual Assault) and DOL's criminal division. The reimbursed personal service charges lacked supporting documentation for the employees who worked on multiple activities.

OMB Circular A-87 requires that salaries or wages of employees working on multiple activities be documented or supported by personnel activity reports or other equivalent records. For those employees working solely on a single federal award, charges for their salaries and wages may be supported by semiannual time certifications.

The grant award agreement between AST and the criminal division did not explicitly specify the requirement to adhere to OMB Circular A-87. More specifically, subgrantees were not informed of the requirement to maintain supporting documentation for personal services costs. Additionally, DOL's criminal division does not maintain positive timekeeping, or other equivalent documentation, to support the personal services charges for employees.

We recommended DPS' director of AST amend grant award agreements to subgrantees to include specific language regarding adherence to OMB Circular A-87. Further, we recommend DOL's director of administrative services develop and implement, within the criminal division, policies and procedures to ensure wages, salaries, and employee benefit costs are charged to programs in a manner consistent with federal requirements.

CFDA: 16.579
Questioned Costs: \$137,922

Federal Agency: USDOJ

CFDA 16.588
Questioned Costs: \$36,080

Federal Agency: USDOJ

Agency Response – Department of Law

Recommendation No. 6

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's (DOL) director of Administrative Services should ensure that personal service costs for federal programs are supported as federally required.

Background

You have found that some personal services costs charged against federal funds RSA'd to the Department of Law lack required supporting documentation. The total in questioned costs is \$174,002.27 broken out as follows:

CFDA 16.179 - \$137,922.27 Multijurisdictional Task Force (Byrne Drug Grant)

CFDA 16.588 - \$ 36,080.00 Violence Against Women Act

Where RSA's are involved, the Department of Law relies on the client agency to make clear the federal grant requirements associated with carrying out the grant program. However, the Department of Law agrees that the requirements for personal services costs are not vastly different between federal grants and we fully concur that adequate records should have been maintained to comply with typical requirements.

Corrective Plan

Direct Costs: The Department of Law has already taken steps to require that employees who work directly on projects or in programs where the source of funds is a pass-through of federal funds will undertake positive timekeeping to ensure that personal services costs charged to such funds are consistent with the activities taking place and the requirements of OMB Circular A-87.

Indirect Costs: The State of Alaska has an existing contract with DFG Maximus and has long used the services of this company to assist in the development of cost allocation plans, particularly as they relate to adherence to federal requirements. Since FY 1996, the Department of Law has from time to time engaged DFG Maximus to develop and make changes and adjustments to its cost allocation plan.

The Department's methodology typically assigns cost on a per capita basis, and would propose that approach as part of its corrective plan. A proposed per capita allocation would address indirect costs – including those of support staff who would be allocated equally across all positions that receive support services. This approach is consistent with the manner in which we allocate support services costs in the development of our federally approved Civil Division timekeeping and billing rate. Direct costs will not be allocated, but charged directly to the RSA, however direct personal services costs will be entirely supported by positive timekeeping in order to address the issue of adequate documentation. The Department of Law has made funds available in FY 2004 to engage DFG Maximus to assist in its corrective action plan. We expect to have a revised cost allocation plan in effect by September 30, 2003, perhaps sooner. We already have in place a requirement that Drug Grant direct personal services be supported by timekeeping records and have underscored that this requirement is still in place. We will implement full timekeeping for direct personal services related to the VAWA grant immediately.

We anticipate that if the methodology in the revised cost allocation plan is consistent with past practices, it will further reduce the questioned costs. Please contact Kathryn Daughhetee at 465-3673 if you have questions or comments about our corrective plan.

*Contact Person: Kathryn Daughhetee, Director
Telephone: 907-465-3673*

Agency Response – Department of Public Safety

Recommendation No. 6

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's director of Administrative Services should ensure that personal services costs for federal programs are supported as federally required.

Agree. Effective July 1, 2003, the Division of Alaska State Troopers (AST) has incorporated appropriate provisions in subgrant documents to ensure that personal services costs for federal programs are supported as federally required, including specific reference to OMB circulars A-87, A-102, and A-133.

In addition, effective July 1, 2003, the Council on Domestic Violence and Sexual Assault has also amended its grant award notifications, as mentioned in our response to Recommendation # 41, to include all appropriate grant award assurances from each subrecipient.

*Contact Person: Fred E. Schmitz, Finance Officer
Telephone: 907-465-5501*

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DEPARTMENT OF REVENUE

Three recommendations were made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. DOR has not fully implemented prior year Recommendation Nos. 6 and 7. They are reiterated as Recommendation Nos. 7 and 8 respectfully.

Prior year Recommendation No. 5 is considered resolved in FY 02.

(Intentionally left blank)

Recommendation No. 7

The director of Department of Revenue (DOR), Child Support Enforcement Division (CSED) should take steps to ensure that federal requirements for the Child Support Enforcement program are met.

Prior Finding

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires each state to annually assess the performance of its own child support program and to provide a report of its findings to the Secretary of the Department of Health and Human Services. Title 45 of the Code of Federal Regulations, Section 308, *Annual State Self-Assessment Review and Report*, establishes the guidelines for this self-assessment.

During FY 01, CSED was not in compliance with the required federal timeframes for the establishment of paternity and support orders and for the review and adjustment of support orders. Two factors contributing to CSED's noncompliance with the performance requirements for establishing of paternity and support orders were: (1) lack of adequate locate actions by CSED caseworkers and (2) lack of timely establishment of cases referred by the Divisions of Public Assistance (DPA) and Medical Assistance (DMA).

The main factor behind CSED's noncompliance with the requirements for review and adjustment of support orders was its failure to timely send out Notices of the Right to Request a Review to custodial and noncustodial parents.

Legislative Audit's Current Position

For FY 02, we reviewed CSED's self-assessment of the federal performance requirements to determine if the cases were evaluated in accordance with federal regulations. Based on our review, CSED's self-assessment results reported to the Secretary of the Department of Health and Human Services are reliable. Although CSED's performance has significantly improved over the prior year, the agency continues to be out of compliance with federal requirements for the establishment of paternity and support orders.

Title 45 CFR 308.2 establishes standards and review criteria for self-assessment for each compliance category. Title 45 CFR 303.2 through 303.4 further outlines federal requirements for cases requiring establishment of paternity and support orders. To be considered in substantial compliance, CSED must meet mandated timeframes for establishment of paternity and support orders in at least 75% of the cases it handles. In FY 02, CSED achieved a compliance rate of 74%.

CSED's noncompliance with performance requirements for order establishment is primarily due to a failure to serve timely notice on noncustodial parents and failure to timely open cases. The error rate for case openings is partly due to CSED's efforts in FY 02 to clean up its backlog of foster care cases requiring establishment. With the removal of this backlog, the

agency does not expect this to be a factor in FY 03. In addition, the case-opening error rate is due to delays in establishing DPA and DMA referred cases. As noted in our FY 01 audit, efficiency in processing such cases was hampered by overly restrictive matching criteria between the interfacing computer systems. CSED has since taken corrective action to improve its interface and expedite the review process.

CSED has made significant improvements in its ability to meet performance requirements. As in prior years, CSED's management continues to work to bring the agency into full compliance with federal program requirements. We encourage CSED to continue to maintain a well-trained and effective staff.

CFDA: 93.563
Questioned Costs: None

Agency: USDHHS

Agency Response – Department of Revenue

Recommendation No. 7: Child Support Enforcement Division

The director of the Department of Revenue (DOR), Child Support Enforcement Division (CSED) should take steps to ensure that federal requirements for the Child Support Enforcement program are met.

CSED is presently in compliance with federal requirements in every area except Paternity and Support Order Establishment. We failed to open all new cases in a timely manner in FY 2002. Out of the 58 establishment cases we measured in our self assessment audit, fifteen cases had errors and eight of those were for failure to open the case within the required twenty days. Of those eight errors, three were due to a one-time cleanup of backlogged Foster Care cases. If those three errors had not occurred, the compliance rate would have been 80%. We do not expect another such backlog for Case Opening.

Our last self assessment audit, completed in March 2003, showed Paternity and Support Order Establishment to be at the 74% compliance mark. The minimum standard is 75%, so we are now very close. Training, procedural changes and new electronic tools to help us locate and serve individuals helped us improve 9% since FY 2000. Based on this trend and the cleaned up backlogs of foster care cases, we believe we will exceed the 75% benchmark in FY 2003.

Since the end of FY 02 our Establishment Section was assigned one more person (they now have 19 case officers for paternity and support order establishment). In addition, a procedural change now allows clerical staff to mail out administrative support orders that previously required review and signature by case officers. The signature block is now filled in electronically. The time savings allows these seven specialized case officers to spend more time on preparing administrative orders. We estimate each of these seven will increase their productivity by 20-25%. Service of process will be enhanced before the end of July, 2003 by including a color photo of most non-custodial parents with the documents to be served. The

improvements to the interface with the IV-A office reduced the backlog of new TANF cases needing case opening to near zero (i.e., a new TANF case is opened within a few days and then referred for order establishment or enforcement).

Contact Person: Susan M. Taylor, Director
Telephone: 907-465-2312

Recommendation No. 8

The director of DOR's CSED should continue to strengthen the division's internal controls over the cash management system.

Prior Findings

We determined that internal controls over the trust account bank reconciliation function were missing. CSED has not been able to reconcile its trust account since 1998. One of the reasons that CSED could not fully reconcile its trust account was due to CSED's computer system, NSTAR, not producing the necessary data to aid in the reconciliation process.

We also determined that internal control weaknesses existed in other areas of operations. Examples of this are sharing of funds between cash drawers, employees with inappropriate levels of access to safes where checks and signature stamps were stored, and computer-generated checks being printed without the legal line filled in.

Legislative Audit's Current Position

CSED has improved its understanding of internal controls and taken necessary actions to correct the cash receipting internal control weakness identified during our FY 01 audit.

However, CSED was not able to reconcile its trust account during FY 02. The trust account receives payments from noncustodial parents and disburses them to custodial parents. It is management's responsibility to establish and maintain controls that ensure assets are safeguarded against waste, loss, unauthorized use and fraud, and that its assets are properly accounted for and recorded.

The lack of reconciliation of the trust account increases the risk that collections from noncustodial parents are not being properly accounted for and distributed. As a result, custodial parents, the federal government, and associated state government agencies may not be receiving the appropriate distribution amounts.

During FY 02 and FY 03, CSED made constructive progress on its computer systems (NSTAR and NFIN) relating to interfaces and programming for case and financial management, which facilitated progress on the trust account reconciliation.

Other measures taken by CSED during FY 02 and FY 03, to facilitate the reconciliation of its trust account, include switching to a local bank to increase the timeliness of any requests and monitoring internal and bank activities on a daily instead of monthly basis. CSED has also received assistance from the State's cash manager in designing an appropriate reconciliation process.

Reconciliation of a cash account is one of the strongest control points for an entity that is responsible for collecting and disbursing funds. We recommend that CSED continue improving its trust account reconciliation process and continue performing monthly reconciliations.

CFDA: 93.563
Questioned Costs: None

Agency: USDHHS

Agency Response – Department of Revenue

Recommendation No. 8: Child Support Enforcement Division

The director of the Department of Revenue (DOR) Child Support Enforcement Division (CSED) should continue to strengthen the division's internal controls over the cash management system.

Your findings acknowledge our efforts to reconcile the trust account and the progress we made, even though we did not achieve our goal by the end of FY 2002. Since FY 2002 we have reconciled our trust fund and are able to perform ongoing monthly reconciliations of the fund. We are also able to monitor internal and bank activities on a daily basis. We now have two full time employees to handle this function instead of one. We believe that we have now complied fully with your recommendations.

Contact Person: Susan M. Taylor, Director
Telephone: 907-465-2312

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Three recommendations were made to the Department of Education and Early Development (DEED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. Prior year Recommendation No. 8 has been resolved. Prior year Recommendation Nos. 9 and 10 have not been resolved and are reiterated in this report as Recommendation Nos. 9 and 10, respectively.

Additionally, seven new recommendations have been made and are included as Recommendation Nos. 11 through 17.

(Intentionally left blank)

Recommendation No. 9

The directors of Early Development (ED) and Alaska Vocational Technical Center (AVTEC) should ensure that personal service charges are supported as federally required.

Prior Finding

In FY 01 unsupported personal service costs were charged to the Child Care Cluster (CCC) program under ED. Personal service costs for five employees, charged to multiple federal and state programs, were not supported by timesheets and another lacked supervisor's approval. In addition, four employees whose personal services costs were charged solely to CCC were not supported by semiannual certifications.

Legislative Audit's Current Position

We identified six employees, working solely on a federal program, whose time charges were not supported by semiannual certifications or timesheets. Five employees in ED charged to the CCC program and one employee in AVTEC charged to the Community Development Block Grant/Economic Development Initiative. In the case of the CCC errors, staff indicated that a former supervisor in charge did not consider semiannual certifications a high priority and, therefore, did not complete them as required. The AVTEC error was the result of the responsible administrator being unaware of the federal requirement for personal service expenditures.

U.S. Office of Management and Budget (OMB) Circular A-87 establishes principles and standards for determining allowable costs for federal awards carried out through grants with state governments. These principles require that employee personal service costs chargeable to multiple federal programs or cost objectives are supported by positive timekeeping records or personnel activity reports that meet the certain standards. OMB Circular A-87 also specifies that a semiannual certification be prepared for staff working solely on a single federal program or cost objective.

We recommend the directors of ED and AVTEC ensure that semiannual certifications are completed for employees working solely on a single federal program or cost objective.

CFDA: 93.575/93.596

Federal Agency: USDHHS

CFDA: 14.246

Federal Agency: HUD

Questioned Costs: None

Agency Response – Department of Education and Early Development

Recommendation No. 9

The director of Early Development (ED) and Alaska Vocational Technical Center (AVTEC) should ensure that personal service charges are supported as federally required.

The department agrees with the importance of keeping accurate record of personnel costs. The department has implemented timekeeping procedures and will make every effort to assure that the procedures are followed so that all future expenditures from a federal program will be accurately documented.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 10

The director of the Division of Education Support Services (ESS) should ensure that federal program financial reports are accurate and supported by the accounting records for the CCC.

Prior Finding

The CCC financial report titled “*Administration for Children and Families (ACF) 696*” for federal fiscal years (FFY) 00 and FFY 01 grant awards are inaccurate. Certain key line items² in the financial report for the FFY 00 CCC grant award are not supported by the accounting records. Key line items data for the FFY 01 CCC grant award under Mandatory, Matching, and Discretionary Funds columns were not reported on the ACF 696.

Legislative Audit’s Current Position

In FY 02, DEED again submitted quarterly ACF 696 reports that were inaccurate and unsupported by the accounting records. Further, we found that the revised FFY 01 ACF 696 reports were also inaccurate and unsupported. Errors in these reports can be attributed to several causes including the erroneous exclusion of program activity for the period, not following federal or departmental instructions for completing the report, and lack of adequate review prior to report submission.

U.S. Department of Health and Human Services federal regulation 45 CFR 98.67(c) requires that accounting procedures be sufficient to permit the preparation of required reports. Additionally, the CCC reporting requirements read “states are required to use the ACF 696 to report estimates and expenditures for the Mandatory Fund, the Matching Fund, and the Discretionary Fund.”

We again recommend the director of ESS ensure that program and support staff, responsible for the preparation of ACF 696 report, review federal and departmental instructions for completing the report, review the accounting records, and prepare accurately supported financial reports for all CCC grant awards.

² Financial report’s key line items are lines 1 (a) through 1 (e) (3).

CFDA: 93.575/93.596
Questioned Costs: None

Federal Agency: USDHHS

Agency Response – Department of Education and Early Development

Recommendation No. 10

The director of the Division of Education Support Services (ESS) should ensure that federal program financial reports are accurate and supported by the accounting records for the Child Care Cluster (CCC).

The department agrees with this recommendation. EED had made changes to the department accounting structure so that complete and accurate information required to complete this report is obtainable and easily documented. The department will implement additional procedures to ensure that the updated accounting structure is used in the future.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 11

The director of ESS should develop procedures to ensure that federal draw downs are done in accordance with Cash Management Improvement Act (CMIA) Policy Statement No. 19 for the Child Care Mandatory and Matching Funds (CCMMF).

ESS lacks procedures to ensure that draw downs for the CCMMF program comply with cash management requirements. CMIA Policy Statement No. 19 specifies the draw down of federal cash not exceed a calculated portion of total expenditures for the period. Although we did not identify noncompliance in FY 02, the lack of specific draw down procedures puts the agency at high risk for noncompliance with this requirement. Further, ESS staff was not aware that the CCMMF are subject to CMIA Policy Statement No. 19.

The director of ESS should ensure program and administrative staff are familiar with CMIA regulations and policies. Further, we recommend the ESS director develop procedures to ensure that federal draws are done in accordance with CMIA Policy Statement No. 19.

CFDA: 93.575/93.596
Questioned Costs: None

Federal Agency: USDHHS

Agency Response – Department of Education and Early Development

Recommendation No. 11

The director of ESS should develop procedures to ensure that federal draw downs are done in accordance with Cash Management Improvement Act (CMA) policy statement No. 19 for the Child Care Mandatory and Matching Funds (CCMMF).

The department appreciates the thoroughness of the auditors in bringing this policy statement specific to one of the ED programs to our attention. The Department of Education & Early Development will work to implement the requirements of Statement 19 for the CCMMF program.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 12

The director of ESS should establish written policy and procedures to ensure uniform and proper processing of all departmental accounting data. Further, administrative staff in divisions should adhere to established procedures.

We noted procedural weaknesses in three divisions within the department indicating a breakdown of controls designed to ensure the accuracy of recorded financial information. Specifically,

- ESS staff revised or generated two ED adjusting journal entries (AJEs) to move expenditures between ledger codes without proper approval from program management,
- ED staff failed to “post” payroll expenditures on the Payroll Routing Report in a timely manner which resulted in some charges being transferred twice,
- three AVTEC AJEs were processed without evidence of approval by program management, and
- ESS was unable to locate one document selected for testing.

Internal control weaknesses create an environment where expenditures may be incorrectly adjusted resulting in unallowable costs or overspent appropriations.

Alaska Administrative Manual (AAM) 35.060 states “*When documentation is in order and payment should be made, approval for payment must be obtained by recording the signature or initials of the person designated to approve the payment. Each agency must develop approval procedures to meet their organizational requirements.*” Further, “*The administrative or fiscal officer of an agency may establish other guidelines that are reasonable and consistent with the provisions of this section even to the point of exempting selected kinds of payments from the requirement for approval.*” This section of the

administrative manual provides direction and authority for agencies to develop internal control for processing expenditures, including AJEs.

With regard to missing documents, AAM 10.035 reads “*Each state agency is responsible for maintaining records sufficient for audit purposes. Support for accounting transactions should be available for review in accordance with a records retention schedule that has been approved by Archives and Records Management Services in the Department of Education and Early Development.*”

We recommend written policy and procedures be established for processing AJEs to ensure adequate approvals and support are maintained for the integrity of the financial information.

CFDA: 93.575/93.596

Federal Agency: USDHHS

Questioned Costs: None

Agency Response – Department of Education and Early Development

Recommendation No. 12

The director of ESS should establish written policy and procedures to ensure uniform and proper processing of all departmental accounting data. Further, administrative staff in divisions should adhere to established procedures.

The department agrees with the recommendation and is in the process of updating and streamlining policy for the fiscal section for all accounting tasks. These written procedures will be available to accounting personnel in all divisions, and fiscal staff will be trained and required to utilize them.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 13

The director of ESS should make certain that personnel responsible for the procurement of goods and services are properly trained to ensure compliance with procurement statutes.

In our testing at DEED we identified two procurement violations; one violation involved federal programs. More specifically, the procurement for the Comprehensive Statewide Student Assessment System (CSSAS) was funded, in part, by Title VI-B Discretionary and IASA Consolidated Administration funds. DEED exceeded their purchasing authority by approximately \$6.6 million for the procurement of the CSSAS. In FY 98 a Request for Alternate Procurement (RAP) was granted by the Department of Administration (DOA) authorizing DEED to develop the CSSAS over a two-year period at a cost of \$6 million.

The initial contracts, through FY 00, were covered under the FY 98 RAP. However, the subsequent contracts, made in FY 01 and FY 02, were initiated after the time period specified in the FY 98 RAP and exceeded the authorized amount bringing the total cost of the contract to \$12.6 million.

Federal procurement law (34 CFR 80.36) requires states to “*follow the same policies and procedures it uses for procurements from its non-federal funds.*” Alaska Statute 36.30.300 specifies that other procurements methods are allowable only when the procurement office determines, in writing, that it is not practicable to award a contract by competitive sealed bid or limited competition. Additionally, state procurement policy requires agencies to procure goods and services in accordance with instructions on approved RAPs. Any changes must be approved by the Chief Procurement Officer at DOA.

In another instance, DEED did not maintain the required procurement documents to support a professional services contract. AVTEC was unable to locate copies of the solicitations, notice of award, and justification of award for a \$29,000 contract. AVTEC staff stated they submitted this paperwork to ESS, where the required documents could not be located.

Alaska Statute 36.30.500 requires the retention of procurement records as detailed in the records retention guidelines and schedules approved by the state archivist. Further, AAM 81.190 requires agencies to maintain copies of procurement documents in order to demonstrate the justification for the procurement procedure chosen, the notice given, and the basis for the award.

We recommend that the director of ESS make certain that personnel responsible for the procurement of goods and services are properly trained and knowledgeable with procurement regulations. Specifically, the director should ensure that the scope and amount of RAPs authorized by DOA are not exceeded and that procurement files are maintained in compliance with statutes or regulations.

CFDA: 84.027/84.173

Federal Agency: USDOE

ESEA programs contributing to

IASA Consolidated Administration

Questioned Costs: None

Agency Response – Department of Education and Early Development

Recommendation No. 13

The director of ESS should make certain that personnel responsible for the procurement of goods and services are properly trained to ensure compliance with procurement statutes.

The department agrees with this recommendation and will make every effort to ensure that only trained staff will be responsible for the procurement of goods and services.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 14

The director of ESS should develop a cost allocation plan to support administrative overhead costs billed to capital projects, revise billing procedures, and lapse excess general fund receipts.

DEED has accumulated over \$4 million in interagency (CIP) receipts from capital appropriations. This unexpended balance consists of transfers from capital project funds to cover future capital project administrative overhead costs at DEED. Rather than recording the CIP interagency receipts in the year billed, DEED maintains these funds in a suspense account. The CIP receipts are eventually recorded to operating appropriations at DEED's discretion over multiple budget cycles.

The Alaska statutes specify that transfers cannot be made between appropriations without legislative approval unless they are based on actual costs for providing a service.³ An agreement for charging capital project funds for administrative overhead costs was approved by Office of Management and Budget (OMB) in FY 87. Per the agreement, the overhead rate is to be determined using a documented methodology or formula. DEED'S procedures apply an administrative overhead rate to the capital project authorization charging overhead expenditures at the beginning of each capital project. Currently the administrative overhead rate is 1.05%.

DEED's process has significant weaknesses for both overhead costs and resulting CIP receipts creating two areas of noncompliance with state budgetary and administrative requirements.

- Administrative overhead costs charged to capital appropriations are not supported by actual expenditures or a current approved cost allocation plan. The expenditures are charged to the projects before having been incurred. The current administrative overhead rate was revised in FY 99 and a supporting cost allocation plan has not been available.
- CIP receipts are not necessarily charged to the budget year in which they are received or earned. It appears that CIP receipts for the administrative overhead costs are recorded to an operating appropriation only when the general fund authorization is

³ Alaska Statute 37.07.080(e) in part reads "... Transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement (RSA) or other agreement, except as provided in an act making the transfers between appropriations. Further, it reads that an RSA or other agreement may be used to finance the provision of a service if "... (2) the agency that provides the service bills the agency administering the available funds based on (A) the actual cost to provide the service; or (B) a cost allocation method approved by OMB."

insufficient to fund DEED's administrative costs. There is no relationship between the recording of CIP receipts and the capital project expenditures that generated them.

The excess accumulation of funds may be due to: (1) an administrative overhead rate that is greater than actual capital project administrative costs, (2) CIP receipts for overhead costs that have been incurred, but have not been credited to the operating budget, and/or (3) overhead costs that have not yet been incurred on outstanding capital projects.

We recommend that the director of ESS develop a cost allocation plan and obtain OMB approval to charge capital projects for administrative overhead costs. ESS should bill the capital projects on an annual basis using an approved rate that represents actual capital project overhead costs for the year. Further, all CIP receipts should be reflected as received in the agency's operating appropriations in the fiscal year they are earned. Additionally, the accumulated CIP receipts of \$4 million should be evaluated to determine if any amount represents excess charges to the outstanding capital appropriations. Any remaining accumulated CIP receipts should lapse.

Agency Response – Department of Education and Early Development

Recommendation No. 14

The director of ESS should develop a cost allocation plan to support administrative overhead costs billed to capital projects, revise billing procedures, and lapse excess general fund receipts.

The department agrees that the administrative overhead cost allocation plan associated with management of capital projects needs review and updating. However, the department does not agree with the assertions of the auditor that there has been an improper accumulation of funds for the administration of EED capital projects. The auditor has quoted Alaska statute 37.07.080(e), but only partially. The fact is that only actual costs are recorded against the CIP overhead account.

The department initially transfers a very small percentage (currently 1.05%, the same percent used for the past four years) for overhead expenditures at the beginning of each capital project. This reflects a typical 6 year life span for capital projects and the uncertain nature of the annual capital appropriation process. The legislature approves an annual budget for the Facilities Section for administration of capital projects which is currently funded through interagency receipts and CIP receipts; there are no general funds obligated directly to fund the services of this section.

The department has worked over the years with OMB to develop a minimal yet reasonable percentage for an overhead rate, but only actual costs are recorded against these funds. Nevertheless the department will work actively to address the concerns of the auditor and to develop a current cost allocation plan for administrative overhead charged to capital projects.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 14

Legislative Audit's Additional Comments

The Department of Education and Early Development (DEED) agrees that management of capital projects needs review and updating. DEED further asserts that only actual costs are recorded against the CIP overhead account. This may be true; however, it is the unsupported expenditures recorded against the original capital appropriations that are of concern. Those expenditures are a flat percentage assessment supported by neither actual costs nor an OMB-approved costs allocation plan.

Therefore, we reaffirm our recommendation that DEED develop a cost allocation plans for charging administrative overhead which adheres to both generally accepted accounting principles and state law.

Recommendation No. 15

The director of ESS should take measures to resolve revenue shortfalls.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 02, one shortfall has been identified for DEED as follows:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 17710-02	Teaching and Learning Support	\$4,000

We recommend the director of ESS work to resolve the revenue shortfall by collecting outstanding earned revenues and requesting a supplemental appropriation for amounts determined to be uncollectible.

Agency Response – Department of Education and Early Development

Recommendation No. 15

The director of ESS should take measures to resolve revenue shortfall issues.

The department agrees with this recommendation. Revenue for the noted appropriation has been earned and will be collected.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 16

The director of Teaching and Learning Support (TLS) should ensure that Local Education Agencies (LEAs) are complying with the comparability reporting requirement.

Sixty-five percent (6 out of 17) of LEAs did not submit the required comparability report in FY 02. DEED has established procedures for the biennial submission of comparability reports. However, DEED failed to follow up with noncompliant LEAs due to staff turnover and lack of oversight.

A LEA may receive funds under Title I, Parts A and C,⁴ only if state and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services the LEA is providing in schools not receiving Title I funds. Failure to ensure compliance with this requirement could result in federal funds supplanting activities that are traditionally state- or locally-funded.

The LEA must develop procedures to comply with the comparability requirement and implement the procedures annually. They must maintain records that are updated biennially documenting compliance with the comparability requirement. DEED, however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement.

We recommend the director of TLS ensure LEAs comply with comparability reporting requirements. The director should make certain that program staff monitor the submission of comparability reports and follow-up as necessary. Specifically, the department should obtain the comparability report for all LEAs failing to meet the requirement in FY 02.

CFDA: 84.010/84.011
Questioned Costs: None

Federal Agency: USDOE

Agency Response – Department of Education and Early Development

Recommendation No. 16

The director of Teaching and Learning Support (TLS) should ensure that Local Education Agencies (LEAs) are complying with the comparability reporting requirement.

⁴ U.S. Department of Education programs authorized under the Elementary and Secondary Education Act (ESEA): Title I, Part A Grants to Local Educational Agencies (LEAs) and Part C Migrant Migrant Education—Basic State Grant Program.

Local Educational Agencies (LEAs) that receive federal Title I funding and that meet the federal requirements for submitting Comparability Reports are required to calculate comparability information annually, but submit these reports to the department (EED) every two years. In FY02, 17 LEAs should have submitted Comparability Reports to EED. Only 6 LEAs submitted reports. Staff turnover in the Title I program and staff re-assignment resulted in a lack of follow-up with regard to collecting all 17 Comparability Reports.

EED staff have contacted the 11 LEAs that failed to submit information in FY02 and will begin collecting the missing reports. Additionally, LEAs will be required to submit Comparability Information to EED annually, at the same time their No Child Left Behind Consolidated Applications are due. LEAs should have no trouble supplying comparability information to EED annually, since they are required by federal law to calculate it annually.

By collecting all outstanding LEA FY02 Comparability Reports and by requiring annual submission of this information through an existing application process, this finding will not be repeated in future years.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

Recommendation No. 17

The director of TLS should develop and implement procedures to ensure that LEAs are meeting the period of availability carryover requirement.

The TLS division does not have procedures to assess compliance with the carryover limitation for Title I, Part A. Currently, staff reviews LEA expenditure data at 12 months. Additional procedures are not performed at 15 months, the time period by which LEAs must have spent or obligated 85% of their allocation. Failure to comply with this requirement results in potential reduction of reallocation funds to other LEAs.

Section 1127 of the Elementary and Secondary Education Act (ESEA) specifies that when LEAs receive \$50,000 or more in Title I Part A funds, no more than 15% of the funds can be carried over beyond the initial 15 months of availability. Further, DEED may grant a waiver to the LEA for the percentage limitation once every three years.

We recommend the director of TLS develop and implement procedures to assess LEA compliance with the period of availability carryover requirement.

CFDA: 84.010
Questioned Costs: None

Federal Agency: USDOE

Agency Response – Department of Education and Early Development

Recommendation No. 17

The director of TLS should develop and implement procedures to ensure that LEAs are meeting the period of availability carryover requirement.

The TLS division does follow a procedure to assess compliance with the carryover limitation for Title I Part A, at 12 months. Beginning immediately, the TLS Grants Administration staff will implement procedures that will assess LEA compliance with the period of availability carryover requirement, at 15 months. By the addition of this new procedure, this finding will not be repeated in future years.

Contact Person: Elizabeth Sweeney, Internal Auditor
Telephone: 907-465-8685

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Seven recommendations were made to the Department of Health and Social Services (DHSS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. Prior year Recommendation Nos. 13, 15, and 17 have been resolved. Prior year Recommendation No. 14 has not been fully implemented by the department, yet the current year effects were not significant audit issues. Therefore, they are not reiterated in this report. Prior year Recommendation Nos. 11, 12, and 16 have not been resolved and are reiterated in this report as Recommendation Nos. 18, 19, and 20, respectively.

Additionally, 18 new recommendations have been made and are included as Recommendation Nos. 21 through 38.

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Recommendation No. 18

The Department of Health and Social Services' (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.

Prior Finding

DHSS allocates expenditures to federal programs through computerized worksheets. Current internal control procedures for the determination and allocation of costs through these worksheets are not adequate. Significant errors have occurred and not been detected.

Multiple formula errors were identified in the allocation process, which do not individually indicate that a significant weakness exists. Yet, when considered collectively, the errors indicate the need for improving the system of allocating costs.

Specifically, instances were found where costs were allocated twice to the Medical Assistance Program (Medicaid). This resulted in questioned costs of \$211,272. Further, several other formula errors were found in the allocation of expenditures; however, none resulted in cumulative questioned costs greater than \$10,000 to any one federal program.

As a condition of receiving federal awards, states are required to maintain internal controls over federal programs that provide reasonable assurance that the state is managing federal awards in compliance with applicable laws and regulations. Additionally, both direct and indirect costs must meet the conditions of OMB Circular A-87, which require the expenditures allowable under a grant program be necessary and reasonable for the administration of the grant program.

Legislative Audits Current Position

This finding continues to be applicable in FY 02. We identified multiple formula errors that resulted in the misstatement of federal expenditures.

Specifically, we identified instances of costs being allocated twice, formula errors in cells, and the application of incorrect federal financial participation rates. These errors resulted in questioned costs of \$209,746 for Medicaid and \$40 for Food Stamps.

We again recommend that the DHSS finance officer improve internal control procedures over the allocation of expenditures to federal programs.

CFDA: 93.778
Questioned Costs: \$209,746

Federal Agency: USDHHS

CFDA: 10.561
Questioned Costs: \$40

Federal Agency: USDA

Agency Response – Department of Health and Social Services

Recommendation No. 18

The Department of Health and Social Services' (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.

DHSS concurs with the recommendation. The Division of Administrative Services, fiscal section will verify the questioned costs and allocation methodologies. If duplicate costs were claimed, a decreasing claim adjustment will be reflected on the Medicaid federal report for quarter ending June 30, 2003.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 19

The DHSS director of administrative services should ensure staff provides accurate and reliable information for implementing the cost allocation plan.

Prior Finding

Weaknesses were found in the application of federally approved cost allocation methodologies. DHSS' direct and indirect costs are allocated to federal programs as prescribed by the federally approved cost allocation plan. This plan dictates the allocation methodologies that DHSS uses to calculate expenditures charged to various federal programs.

One weakness relates to the random moment time study (RMTS) completed by Division of Public Assistance (DPA) staff. The time study was not accurately completed and summarized, thus affecting the costs allocated for public assistance field services. Additionally, the methodology used to allocate certain administrative costs based on a document count was overstated which created errors in how administrative costs were allocated.

Legislative Audit's Current Position

Progress was made during FY 02 to correct the weaknesses noted in the previous year. DPA took action to improve the accuracy of the RMTS. Further, DHSS corrected the error involving the allocation of administrative costs based on document counts. However, questioned costs associated with the incorrect document counts during the first and second quarters of FY 02 were not adjusted. Consequently, questioned costs in the following amounts were identified for major federal programs: Temporary Assistance for Needy Families (TANF) (\$18,581), Medicaid (\$11,982), federal State Children's Insurance Program

(SCHIP) (\$1,669), Food Stamps (\$27,807), and an immaterial amount for Low-Income Home Energy Assistance.

During our follow-up of DPA's RMTS, we noted that a significant number of forms generated for the quarterly sample were ultimately excluded due to the forms being sent to vacant positions or being completed incorrectly by employees. The sample size required by the federally approved costs allocation plan dictates a sample size of approximately 1,900. In the third quarter of FY 02, DPA had a countable sample size of 1,277. Departmental staff contends that the smaller sample size does not decrease the statistical validity of the results.

In the current year, additional errors were found in other allocation methodologies tested. We reviewed the methodology used by DHSS to allocate Division of Family and Youth Services (DFYS) administrative costs to federal programs using a RMTS as the basis for the allocation. Although the federal cost allocation plan requires the RMTS results be averaged with the previous three quarters, only the current quarter's results were used. Questioned costs, of \$24,486 in Foster Care: Title IV-E, were identified for the quarter tested. This amount may not be representative of the fiscal year. A reallocation of costs based on the four quarter average is necessary for the other three quarters in order to identify all questioned costs for FY 02.

We also tested the methodology used to allocate departmentwide information services costs. This methodology specifies that costs identifiable to a specific division or cost center should be directly charged. Costs not specifically identifiable are to be allocated based on direct time charges during the quarter. Our review of time reports used to allocate costs found hours were incorrectly omitted, time-keeping procedures did not provide sufficient support to accurately allocate the time among cost centers, and 85% of the time charged was allocated to eight divisions based on the belief that the allocation generally reflected the time spent by the information services staff. Questioned costs likely exist for the full year due to misrepresented allocation data.

We recommend DHSS' director of administrative services ensure the sample size for DPA's RMTS complies with the federally approved cost allocation plan. If DHSS regards their current sample size as being statistically valid, it should pursue a federally approved amendment to the cost allocation plan.

We also recommend that DHSS' director of administrative services ensure that staff utilizes accurate information in determining percentages for the various cost centers which allocate expenditures to the federal programs. Further, we recommend that the methodology used by information services be amended to provide a more accurate basis for allocating information services costs to federal programs. Additionally, we recommend that all FY 02 quarterly cost allocation worksheets be reviewed for errors identified in this recommendation and misreported claims be adjusted.

CFDA: 10.561
Questioned Costs: \$27,807

Federal Agency: USDA

CFDA: 93.558
Questioned Costs: \$18,581

Federal Agency: USDHHS

CFDA: 93.568
Questioned Costs: Immaterial

Federal Agency: USDHHS

CFDA: 93.778
Questioned Costs: \$11,982

Federal Agency: USDHHS

CFDA: 93.767
Questioned Costs: \$1,669

Federal Agency: USDHHS

CFDA: 93.658
Questioned Costs: \$24,486

Federal Agency: USDHHS

Recommendation No. 19

The DHSS director of administrative services should ensure staff provides accurate and reliable information for implementing the cost allocation plan.

DHSS concurs with the recommendation. DHSS is currently in the process of amending its public assistance cost allocation plan. The amendment will include revisions to the random moment time studies for the Office of Children's Services (formerly the Division of Family and Youth Services) and the Division of Public Assistance. In addition, all allocation methodologies will be reviewed and revised, if necessary.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 20

DHSS' director of DFYS should implement internal controls that are adequate to ensure the legal compliance of financial transactions.

Prior Finding

During FY 00 and 01, DFYS' controls over adjusting transactions for federal revenues were inadequate. Several adjusting journal entries tested had improperly transferred federal revenue between appropriations. This form of revenue transfer is not in compliance with state statutes and regulations.

Federal revenues collected are based on federally allowable expenditures incurred in a particular appropriation. Some appropriations are funded in whole or in part with federal

receipts. The source and amounts of funds are contained in the appropriation bill and supporting budget documents. Federal revenues collected in excess of the amounts appropriated should be deposited in the General Fund as unrestricted revenues. Alternatively, the agency may use the excess federal revenues to support additional expenditures if the approval process in AS 37.07.080(h) is followed.

Excess federal revenues earned in the Front Line Social Workers appropriation were transferred to the Family and Youth Services management appropriation. The Family and Youth Services Management appropriation does not have the required federal expenditures to support the federal revenue transferred. In part, the processing of these transactions was possible because the revenue estimate for the Family and Youth Services Management appropriation was excessive in comparison to the expenditures. Without the transfers, Family and Youth Services Management appropriations for FY 99, FY 00, and FY 01 were in shortfall by \$1.1 million, \$689,000, and \$781,000 respectively.

Legislative Audit's Current Position

During FY 02, DFYS continued to circumvent the legislative budget process by transferring excess federal revenues from one appropriation to another. DFYS improperly moved \$960,653 of excess restricted revenues earned by the Front Line Social Workers appropriation (AR 22541-02) to the Family and Youth Services Management appropriation (AR 22550-02), thus reducing the shortfall in the Family and Youth Services Management appropriation. Therefore, the effect is that the state-funded portion of DFYS administrative expenditures is not clearly identifiable to the legislature in the budgeted appropriations.

We again recommend the director of DFYS discontinue transferring revenue between appropriations. Additionally, the revenue estimates for the Family and Youth Services Management appropriation should be adjusted to reflect the true estimated revenue collections. The amount of the shortfall identified in Recommendation No. 22 for the Family and Youth Services Management appropriation reflects the adjustment to revenue estimates required by this recommendation.

Recommendation No. 20

DHSS' director of DFYS should implement internal controls that are adequate to ensure the legal compliance of financial transactions.

DHSS concurs with the recommendation. Effective July 1, 2002, the appropriations were consolidated into a single appropriation, thus eliminating the need for revenue transfers.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 21

DHSS' finance officer should ensure transactions are processed in accordance with state law.

DHSS inappropriately transferred \$6.5 million in restricted revenue from one legal appropriation to another so that expenditures related to the federal Medicaid program would process in the state's accounting system (AKSAS). The Medicaid appropriation had not recorded enough revenues to allow the expenditures to process. Thus, the inappropriate transfer of revenues circumvented AKSAS controls.

Specific controls have been built into AKSAS to provide for proper internal control and management of the state's financial resources. According to the Alaska Administrative Manual (AAM 25.100), for appropriations financed by budgeted receipts, spending is contingent upon collection of the receipts plus a tolerance factor known as TANAB. The AKSAS TANAB is a system control edit built into the appropriation structures to control the disbursements of funds or the charging of expenditures based on the availability of budgeted revenues. In essence, the TANAB prevents expenditures from processing when the balance in the authorized appropriation has been exceeded.

We recommend that DHSS' finance officer implement controls to prevent the inappropriate transfers of revenue between appropriations which circumvent the controls established in AKSAS.

Recommendation No. 21

DHSS' finance officer should ensure transactions are processed in accordance with state law.

DHSS concurs with the recommendation. Effective July 1, 2003, account receivables will be established for the weekly federal draws. The revision to accounting procedures will eliminate the need for TANAB increases.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 22

DHSS' finance officer should take measures to resolve revenue shortfall issues.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 02, three shortfalls have been identified for DHSS. These shortfalls are as follows:

<u>Appropriation</u>	<u>Number Appropriation Title</u>	<u>Amount</u>
AR 22520-02	Medicaid Services	\$33,091,000
AR 22550-02	Family & Youth Services Management	\$ 1,031,000
AR 22553-02	Family & Youth Services Staff Training	\$ 56,000

The revenue shortfall amount for AR 22550-02 is shown after adjustment for the improper revenue transfer discussed in Recommendation No. 20.

We recommend that DHSS’ finance officer work with the directors of the pertinent operating divisions to resolve these revenue shortfalls by collecting outstanding earned revenues where possible and requesting a supplemental appropriation for the remaining amounts.

Recommendation No. 22

DHSS’ finance officer should take measures to resolve revenue shortfall issues.

DHSS concurs with the recommendation. The current status on individual appropriations is as follows:

AR 22520-02 Medicaid Services – The revenue shortfall is comprised of unreimbursed federal revenues relating to the Fairshare program and unrealized statutory designated receipts not realized from the Fairshare program. We are currently awaiting the Centers for Medicare and Medicaid Services approval of a State of Alaska plan amendment. The department will request Legislative ratification for the unrealized statutory designated program receipts.

AR 22550-02 Family & Youth Services Management – A revenue shortfall totaling \$70,347 currently exists for this appropriation due to DHSS’s position on recommendation No.20. The revenue shortfall resulted from a federal review requiring DFYS to revise the federal claiming methodology on certain cost pools. DHSS will request ratification during the next legislative session.

AR 22553-02 Family & Youth Services Staff Training - The revenue shortfall resulted from a federal review requiring DFYS to revise the federal claiming methodology on certain cost pools. DHSS will request ratification during the next legislative session.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 22

Legislative Audit’s Additional Comments

The Department of Health and Social Services’ response indicates an assumption that merging the Family and Youth Services Management appropriation with the Front Line

Social Workers appropriation in FY 03 partially resolves revenue shortfalls in the FY 02 Family and Youth Services Management appropriation. This assumption is incorrect.

A subsequent year revision to the appropriation structure does not alleviate prior year's budgetary violations. Therefore, we reaffirm that the finance officer must initiate measures to resolve the revenue shortfalls in the amounts noted in the report.

Recommendation No. 23

The director for DHSS' division of administrative services (DAS) should improve internal controls over the retention and management of records.

DHSS was unable to locate supporting documentation for three federally reimbursed expenditure transactions selected for testing. Without adequate documentation, we were unable to verify the federal allowability of the expenditures. Two of the expenditures were related to public assistance field services and allocated to multiple major federal programs. Questioned costs for these two transactions include: TANF (\$8,238), Medicaid (\$4,052), Food Stamps (\$9,665) and Foster Care: Title IV-E (\$163). One of the transactions was directly charged to the TANF program resulting in \$1,073 of questioned costs.

To be an allowable cost under federal guidelines, OMB circular A-87 requires that expenditures be adequately documented. Additionally, the state's general administrative records retention schedule requires that disbursement documents be maintained for the current fiscal year plus three years.

We recommend the DAS director improve controls over records management so that supporting documentation is readily available for review.

CFDA: 10.561

Questioned Costs: \$9,665

Federal Agency: USDA

CFDA: 93.558

Questioned Costs: \$9,311

Federal Agency: USDHHS

CFDA: 93.778

Questioned Costs: \$4,052

Federal Agency: USDHHS

CFDA: 93.658

Questioned Costs: \$163

Federal Agency: USDHHS

Recommendation No. 23

The director for DHSS' division of administrative services (DAS) should improve internal controls over the retention and management of records.

DHSS concurs with the recommendation but disagrees with the questioned costs. Effective December 1, 2002, DHSS implemented this recommendation by establishing a centralized filing system. DHSS staff has located the missing documents supporting the federal claim.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 24

The DHSS finance officer should properly present the summary of prior year audit findings to accurately reflect corrective action taken by the department.

DHSS' status on decreasing claims reported in the schedule of prior audit findings is not accurate. OMB Circular A-133 section .315(b) says the schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to federal awards.

The reported status, on page IV-51, for Recommendation Nos. 11 and 12 from our *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001* (Audit Report No. 02-40002-02) does not accurately reflect the amount of decreasing claims processed by DHSS. DHSS states that decreasing claims have been processed for the amount of the questioned costs. Our review found that \$36,067 of questioned costs for Medicaid associated with prior year Recommendation No. 11 has not been adjusted. Further, questioned costs related to prior year Recommendation No. 12 have not been adjusted for the following major federal programs: \$4,540 for TANF and \$2,214 for Medicaid.

We recommend DHSS' finance officer prepare a decreasing claim for the remaining questioned costs or properly present the summary of prior year audit findings so that it accurately reflects decreasing claims processed by the department.

CFDA: 93.558
Questioned Costs: Previously reported

Federal Agency: USDHHS

CFDA: 93.778
Questioned Costs: Previously reported

Federal Agency: USDHHS

Recommendation No. 24

The DHSS finance officer should properly present the summary of prior year audit findings to accurately reflect corrective action taken by the department.

DHSS concurs with the recommendation. Partial decreasing adjustments were reflected in the federal financial reports as presented in the summary of prior year audit findings. These adjustments materially implemented the prior years' recommendations and resolution of questioned costs.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 25

DHSS' director of DFYS should ensure that adoption assistance subsidy payments are made in accordance with federal program requirements.

While conducting the review of the adoption assistance program, we identified two isolated instances of noncompliance with federal requirements for adoption assistance subsidy payments. Specifically, we found instances of the following:

- Adoption assistance subsidy payments to one child in excess of the foster care maintenance payment rate. The federal portion of the subsidy payments in excess of the foster care maintenance payment rate was \$5,435.
- During a case file review, DFYS discovered that a provider received adoption assistance subsidy payments for two children, yet the children had not lived in the provider's home during the entire FY 02 year. The provider did not respond to a request by DFYS to send receipts and statements showing the amount of financial support provided to the two children during FY 02. The federal portion of the subsidy payments totaled \$13,711.

In the instance of the subsidy payment in excess of the foster care rate, the child had severe mental health problems and the adoptive family incurred large financial expenses in managing these problems. DFYS believed the family would not be able to keep the child in their home if they did not receive the substantially higher subsidy.

In the instance where the provider received subsidy payments while the two children were out of the home, it appears that the provider did not communicate this information to DFYS in accordance with the adoption assistance subsidy agreement.

The Adoption Assistance program provides funds to states for adoption assistance agreements with parents who adopt eligible children with special needs. Subsidy payments

are made to adoptive parents based on the needs of the child and the circumstances of the adopting parents.

Adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of the foster care maintenance payment rate.

The effect of the overpayment of adoption assistance subsidy payments is that it lessens the amount of federal adoption assistance available to other eligible Alaska children.

We recommend that the director of DFYS ensure that adoption assistance subsidy payments are made in accordance with federal program requirements.

CFDA 93.659

Federal Agency: USDHHS

Questioned costs: \$19,146

Recommendation No. 25

DHSS's director of Division of Family and Youth Services (DFYS) should ensure that adoption assistance subsidy payments are made in accordance with federal program requirements.

DHSS concurs with the recommendation. To resolve the questioned costs, a decreasing claim adjustment will be reflected on the Title IV-E federal report for the quarter ending June 30, 2003. Also, any overdraw as a result of the decreasing claim adjustment for Title IV-E will be immediately adjusted.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 26

The DPA director should implement procedures to comply with the income eligibility and verification system (IEVS) requirement of the federal TANF program.

DPA does not fully participate in the federal IEVS program. The federal regulations for TANF require the state to participate in IEVS to obtain information necessary to determine eligibility and benefit amounts for applicants. One specific aspect of the IEVS requirement is to request and obtain all available information from the Social Security Administration (SSA). The state is required to review and compare information obtained from each data source against information contained in the case record to determine whether the information affects client eligibility and benefit amounts. When IEVS information is found for a DPA client, a system alert is generated. DPA staff review the alerts for potential impact on clients' eligibility and benefit amounts.

During FY 02, DPA did not review alerts generated from SSA's Beneficiary Earnings Exchange Record. The process of comparing SSA information to DPA client records produced alerts that had been previously identified and followed up. DPA has no systematic way of identifying which of the 1,200 SSA alerts, generated monthly, are duplicative. Consequently, DPA chose not to review any of the alerts generated. Noncompliance with the federal IEVS requirement may result in a penalty of up to 2% of the TANF grant award.

DPA has requested a change to its eligibility information system to eliminate the duplicative alerts. However, the work request is not a programming priority. We recommend that the director of DPA dedicate the necessary resources to bring DPA into compliance with federal IEVS requirements.

CFDA: 93.558

Federal Agency: USDHHS

Questioned Costs: None

Recommendation No. 26

The director of the Division of Public Assistance (DPA) should implement procedures to comply with the income eligibility and verification system (IEVS) requirement of the federal Temporary Assistance for Needy Families (TANF) program.

DHSS concurs with the recommendation. DPA implemented procedures to comply with IEVS. The required BEERS and IRS interfaces run each month and produce alerts. DPA timely processes the alerts generated each month. (After 12 months, the IRS information has not caused a change to a single benefit.) A bug in the BEERS program that generates alerts causes the previously processed alerts to regenerate. The regeneration duplicates approximately 80% of the alerts from previous months. DPA has suspended processing of the BEERS alerts until the problem has been corrected. DPA expects to resume processing BEERS alerts by October 1, 2003.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 27

The health program manager of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Division of Public Health (DPH) should ensure that all food instruments are properly accounted for.

Control weaknesses existed in the reconciliation of the food instruments recorded in the states accounting system versus the food instruments recorded in the Alaska (AK) WIC subsidiary system for FY 02. The WIC program provides participants with negotiable food instruments which are issued directly to individual participants in the form of warrants. The

participants exchange the warrants for authorized supplemental foods at retail stores approved as vendors by the State agency.

All food instruments are required to be accounted for in accordance with CFR 246.12(q). Specifically, CFR 246.12(q) states:

The State agency must identify all food instruments as either issued or voided; and identify issued food instruments as either redeemed or unredeemed. Redeemed food instruments must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records. State agencies generally do this by analyzing computer reports that provide detailed issuance and redemption information on each food instrument.

The reconciliations contained unidentified amounts totaling \$46,971.26. The unidentified amounts were a result of unsupported entries to the reconciliation in order to balance the AK WIC subsidiary system with the state accounting system. The amounts recorded in the state accounting system were less than the amounts recorded in the AK WIC subsidiary ledger. Since the agency draws down federal funds based on the balances recorded in the state accounting system, this weakness did not result in questioned costs.

During FY 02, the agency experienced turnover in personnel. Consequently, new staff was unfamiliar with the reconciliation process.

Federal regulations require costs to be adequately documented and supported by applicable accounting or performance records. Because the reconciliations contained unsupported amounts, they could have potentially lead to unallowable costs. We recommend that the WIC program manager ensure staff is properly trained to account for the disposition of food instruments. More specifically, we recommend that the health program manager ensure all line items on the food instrument reconciliation are supported by the AK WIC subsystem and/or other relevant supporting documentation. In addition, procedures to regularly follow-up on reconciling items should be implemented.

CFDA: 10.557

Federal Agency: USDA

Questioned Costs: None

Recommendation No. 27

The health program manager of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Division of Public Health (DPH) should ensure that all food instruments are properly accounted for.

The Division concurs. To bring the program into compliance, we began following up with all local agencies on unmatched food instruments. Subsequently, we developed a script in our WIC computer system to follow up on all unmatched food instruments because the errors were problems in the transmission of data from the local agency servers to our state server.

Most recently, we are in the process of switching our replication/synchronization over to a Virtual Private Network (VPN). This is in process and should be complete within a few months. This will greatly enhance the transmission of data, as it will go over the internet in a secure private network. We will no longer transmit data by modem, which has been a major problem with data transmission in the past.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 28

We recommend the Healthy Babies' program manager ensure program expenditures are charged to the proper federal program.

Costs associated with prenatal care outreach and case management services to pregnant women, as part of the Healthy Babies program, were incorrectly charged to SCHIP. A total of \$142,500 of program expenditures was charged to SCHIP. Agency staff incorrectly believed that SCHIP covered such costs since pregnant women are covered under the state's Denali Kid Care program. The Denali Kid Care program is funded, in part, by SCHIP.

SCHIP is a program that expands health care coverage to low-income, uninsured children. Under Alaska's federally approved SCHIP state plan, coverage is available to children up to age 19. The Healthy Babies program is limited to Medicaid eligible women but is not limited to children under 19. Therefore, the costs should have been claimed under the federal Medicaid program rather than the SCHIP program. Since SCHIP expenditures are reimbursed at a higher rate, questioned costs of \$18,226 resulted from claiming the expenditures under SCHIP.

We recommend the Healthy Babies' program manager ensure program costs are charged to the proper federal program.

CFDA: 93.767

Federal Agency: USDHHS

Questioned Costs: \$18,226

Recommendation No. 28

We recommend the Healthy Babies' program manager ensure program expenditures are charged to the proper federal program.

DHSS concurs with the recommendation. A decreasing claim adjustment will be reflected on the Medicaid federal report for quarter ending June 30, 2003.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 29

The Division of Medical Assistance (DMA) research analyst in charge of identifying SCHIP eligible costs should monitor claims to ensure that only costs for children 18 and younger are claimed for federal reimbursement.

During FY 02, costs were incorrectly claimed from the federal SCHIP program for Denali Kid Care clients that were 19 years old at the time services were provided. An edit within the DPA's eligibility information system checks the age of children at the time eligibility is renewed to ensure the client is 18 years or younger. However, due to problems with the edit design, it only checked the first client listed in a household. This led to ineligible costs to be claimed under SCHIP.

SCHIP is a program that expands health care coverage to low-income, uninsured children. Under Alaska's federally approved SCHIP state plan, coverage is available to children up to age 19. DMA staff became aware of the system problem and implemented compensating controls to prevent the claiming of unrelated costs beginning in FY 03. A work request has been submitted to DPA's system operations unit to fix the edit.

The problem with the edit existed since the inception of SCHIP in FY 99. Questioned costs associated with FY 02 were \$87,827. Likely questioned costs also exist for services paid in FYs 99, 00, and 01.

We recommend DMA's research analyst responsible for identifying eligible SCHIP costs continue to monitor claims to ensure only costs for children 18 and younger are deemed eligible.

CFDA: 93.767

Federal Agency: USDHHS

Questioned Costs: \$87,827

Recommendation No. 29

The DMA research analyst in charge of identifying SCHIP eligible costs should monitor claims to ensure that only costs for children 18 and younger are claimed for federal reimbursement.

DHSS concurs with the recommendation. The DMA concurs that a process needs to be in place that ensures no ineligible costs for children at the age of 19 years are claimed for federal reimbursement at the enhanced match allowed by Title XXI – SCHIP. However, we disagree with the reported questioned costs.

The DMA further analyzed the potential mis-claims for recipients and expenditures associated with Title XXI children at the age of 19 years. Our analysis reveals that many of the mis-claims initially identified were, in fact, claimed correctly. The amount originally reported as a

possible over claim (\$124,313) looked only at the date of birth as compared to the date service to identify those individuals over the age 18. Children eligible for Title XXI matching funds are actually eligible “through the month of their 19th birthday” (Medicaid Eligibility Manual 5013d). Any service provided during the month of their 19th birthday qualifies for the Title XXI enhanced match rate. This final analysis has shown that actual claims in the total amount of \$41,932 were not eligible for the enhanced rate. This is the total amount over claimed. Federal matching rates for the claims cross over FFY01 and FFY02 FMAPs and the federal share equals \$29,575. Decreasing claims will be reflected on the June 30, 2003, Medicaid financial report for the revised questioned costs.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 30

The DPH administrative manager should enforce procedures to ensure personal service expenditures charged to federal programs comply with federal cost principals.

Unsupported personal service costs for one DPH employee have been charged to Medicaid and SCHIP federal programs. The DPH employee had been set up to charge set percentages of time to the federal programs and a state-only cost center. The allocation percentages were based on estimates.

OMB Circular A-87 requires that salaries of employees chargeable to more than one federal grant or other cost objective be supported by appropriate time distribution records. These records must account for all time worked. Federal guidelines also permit the use of a federally approved statistical sampling system to allocate personal service costs to multiple cost centers. The use of budgeted estimates is prohibited. Without adequate support for the time charges, the personal service costs are not allowable under federal cost principals. Questioned costs associated with this finding are \$11,427 for SCHIP and \$14,656 for Medicaid.

We recommended that the administrative managers enforce procedures to ensure personal services expenditures comply with OMB Circular A-87 for supporting personal service costs.

CFDA: 93.767
Questioned Costs: \$11,427

Federal Agency: USDHHS

CFDA: 93.778
Questioned Costs: \$14,656

Federal Agency: USDHHS

Recommendation No. 30

The DPH administrative manager should enforce procedures to ensure personal service expenditures charged to federal programs comply with federal cost principals.

DHSS concurs with the recommendation. DPH will direct all employees whose personal services are charged to multiple benefiting programs to maintain positive timekeeping records. A decreasing claim adjustment will be reflected on the June 30, 2003, Medicaid federal financial report.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 31

The commissioner for DHSS should emphasize strong internal controls over the Medicaid program.

As a recipient of federal Medicaid funding, the State must comply with federal laws governing the use of federal monies. OMB circular A-133 requires the State maintain internal controls over federal programs that provides reasonable assurance material federal funds are managed consistent with laws, regulations, and the provisions of contracts or grant agreements. Medicaid is the largest federal program that the State administers. In FY 02, the State was reimbursed over \$482 million as part of the federal Medicaid program.

We conducted a performance audit of DMA internal control over Medicaid payments. In our report dated January 31, 2003 (Audit Control Number 06-30018-03), we identified numerous control deficiencies. Findings and recommendations related to the compliance with federal Medicaid regulations have been included in this report as Recommendation Nos. 32 through 37. We also noted a reportable condition during federal compliance testing which is included in this report as Recommendation No. 38.

The recommendations noted in the special Medicaid audit, and the additional finding found in current year testing, represent significant deficiencies in internal controls over federal program funds. Also noted in the special Medicaid audit was a general desire by DMA, the State's Medicaid agency, to encourage service providers to participate in the program in order to better serve Medicaid clients. This desire surpassed the agency's willingness to implement and enforce the internal controls necessary to ensure accountability for services provided.

When considered together – DMA's weak control environment and significant reportable conditions noted during our review – the control deficiencies represent a material internal control weakness. We recommend DHSS' commissioner promote strong internal controls over the Medicaid program and swift compliance with audit findings.

CFDA: 93.778
Questioned Costs: None

Federal Agency: USDHHS

CFDA: 93.767
Questioned Costs: None

Federal Agency: USDHHS

Recommendation No. 31

The commissioner for the Department of Health and Social Services (DHSS) should emphasize strong internal controls over the Medicaid program.

The Department concurs. Department management is committed to administering the medical assistance programs in a manner that promotes effective, long-term cost containment of the state's medical assistance expenditures while providing medical care to recipients. The Department will also continue to administer the medical assistance programs in partnership with the state's health care providers to strengthen our ability to detect and prosecute Medicaid fraud and abuse in accordance with applicable laws and regulations. In order to maintain the integrity and fiscal viability of the state's medical assistance program, those who do not operate in this manner should be held accountable for their conduct.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 32

DMA's health and programs manager should review the Medicaid Management Information System (MMIS) administrative controls and edits, and the related disposition policy, in order to better utilize the payment system's capacity to evaluate claims.

DHSS is not fully utilizing a number of edits and other administrative controls available in MMIS to evaluate claims. The edits are designed to provide some assurance that goods and services involved, with various claims, are consistent with state or federal regulations. We found that some edits are not appropriately set, or when set, the related disposition policy is inconsistent with regulatory requirements.⁵

MMIS is an electronic Medicaid benefit claims processing and information retrieval system. States participating in Medicaid are required to have such systems in place unless the requirement is waived by the appropriate federal authority. MMIS includes edits and controls which identify unusual items for follow-up. These controls are an important aspect of the system as they help prevent payment for unallowable activities, unallowable costs, and/or ineligible recipients and providers.

⁵ Recommendation No. 1 of special audit *Internal Controls over Medicaid Payments* dated January 31, 2003, Audit Control Number 06-30018-03, gives detailed support for this finding.

Failure to consistently utilize the available MMIS edits and other administrative controls diminishes the system's quality control and may promote improper and unsupported billing practices on the part of some providers. Detailed analysis of claim payments made during the fourth quarter of FY 02 identified \$117,000⁶ in pharmacy claims that had prescriber numbers of providers that are not licensed in Alaska. The edit that evaluates the prescriber number for pharmacy claims was not properly evaluating claims and denying payment.

We recommend DMA's health and programs manager review MMIS administrative controls and edits, and the related disposition policy, in order to better utilize the payment system's capacity to evaluate claims.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: \$64,661

CFDA: 93.767

Federal Agency: USDHHS

Questioned Costs: Not Determined

Recommendation No. 32

DMA's health and programs manager should review the Medicaid Management Information System (MMIS) administrative controls and edits, and the related disposition policy, in order to better utilize the payment system's capacity to evaluate claims.

The Department concurs. The commissioner has directed Division of Medical Assistance staff to: 1) review administrative controls and edits to ensure they are appropriate set and used in the claims payment process; 2) to ensure that the related policy is consistent; and 3) ensure that the claims evaluation system promotes the payment of valid and medically necessary claims.

In addition, the Center for Medicare and Medicaid Services (CMS) is currently reviewing the Department's contract for a new MMIS system. A new MMIS system will significantly assist the Department in its efforts to address the concerns expressed in the performance audit entitled "Internal Control Over Medicaid Payments" (audit control number 06-30018-03, dated January 31, 2003.)

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 33

DMA's provider and beneficiary services manager should develop and implement stronger Medicaid provider enrollment controls consistent with federal regulations and to prevent enrollment of inappropriate service providers.

⁶ Conclusion section 1, page 22 of the special audit *Internal Controls over Medicaid Payments* dated January 31, 2003, Audit Control Number 06-30018-03, gives detailed support for this finding.

Our review of DMA's provider enrollment process found that providers are not making required disclosures, ineligible providers are enrolled in the program, and nonparticipating providers are not regularly inactivated in MMIS.⁷ Under the Medicaid program, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations. The provider enrollment process is one of the first safeguards in preventing unqualified applicants from obtaining Medicaid provider numbers – a basis for submitting bills for reimbursement.

Federal regulations in 42 CFR 455.104 and 42 CFR 455.106(a)(1) and (2) require specific disclosures regarding ownership/control and criminal convictions. DMA managers stated they were not aware of the need to obtain disclosures at the time of enrollment.

Ineligible providers may continue to be enrolled in the program because MMIS data regarding license status of providers is not kept current. Further, the electronic licensing update is not being received from the State's Division of Occupational Licensing in a timely manner. There is no formal schedule established for regularly updating and cross-checking the MMIS file of approved licensed providers and Occupational Licensing's database.

Provider numbers are not inactivated after extended periods of nonuse and DMA policy does not require providers to reenroll on a regular basis. Almost half of the providers, currently active in MMIS, have had no claim activity for more than a year. Having superfluous active numbers increase MMIS' susceptibility to fraudulent claim submission by persons who may be aware of the lack of controls over provider numbers.

We recommend that DMA's provider and beneficiary services manager develop and implement stronger Medicaid provider enrollment controls that are consistent with federal regulations and help prevent enrollment of inappropriate service providers.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: None

Recommendation No. 33

DMA's provider and beneficiary services manager should develop and implement stronger Medicaid provider enrollment controls consistent with federal regulations and to prevent enrollment of inappropriate service providers.

The Department concurs. Department Management is continuously revising and strengthening the administrative controls to improve program effectiveness. The performance audit of the Division of Medical Assistance, dated January 31, 2003 (audit control number 06-30018-03) identified specific areas for improvement. Since the release of this audit;

⁷ Recommendation No. 2 of the special audit *Internal Controls over Medicaid Payments* dated January 31, 2003, Audit Control Number 06-30018-03, gives detailed support for this finding.

1. *The Department has reviewed ineligible providers and taken appropriate action to terminate enrollment.*
2. *The Department is making every effort to be in compliance with 42 CFR 455.105 and 42 CFR 455.106. Our plan is to seek further legal review to clarify the federal requirements, remediate activities as necessary, and take any actions necessary to assure full compliance with federal requirements. Final clarification is expected by August 2003.*
3. *The Department agrees that a Memorandum of Understanding (MOU) with the Division of Occupational Licensing is critical to our success in this area. The Department is working with Occupational Licensing to finalize the agreement.*
4. *The Department has updated its enrollment procedures to de-activate any provider that has not submitted a claim within the prior 18 months.*

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 34

DMA's health program and policy manager should strengthen controls over transportation claims.

In order to be allowable and reimbursable under the federal Medicaid program, a cost must be necessary and reasonable for proper and efficient performance and administration of the program. Further, a cost must be authorized or not prohibited under state regulation.

We reviewed nonemergency travel claims for the 4th quarter of FY 02 and found instances of unreasonable travel costs, transportation claims without associated medical claims, and lack of effective prior authorization. Unreasonable travel costs were associated with excessive airfare rates paid for out-of-state travel and local air charters charging unreasonable fares.

In 15% of the transportation claims reviewed, there was no corresponding claim for medical services during the period of travel. Without a claim for medical services, we question whether the travel was medically necessary. In 8% of the transportation claims reviewed, travel included weekend accommodations. Weekend accommodations may also indicate unnecessary travel costs.

State regulations require that all nonemergency medical transportation in-state receive prior authorization. Further, out-of-state travel requires written medical justification. These internal controls, if operating effectively, would help ensure costs are necessary and reasonable. However, we found that cost information is not a part of the preauthorization

review. Additionally, 8 of the 15 out-of-state claims tested were authorized without written justification. These controls are not being applied consistently which severely reduces their effectiveness at helping manage transportation costs.

The lack of effective controls stem in large part from DMA's management perspective that, because recipients have a "freedom of choice"⁸ for healthcare-related services and there is a general prohibition against prepayment of services, there is little or no cost-effective action the agency can take to better manage these costs.

There are actions that DMA could take to limit the types of problems discussed above. Specifically, we recommend the following:

- Verification of services. DMA should verify that recipients actually receive medical services at their travel destination and their appointments correspond with the dates of travel.
- Confirmation of medical necessity for transportation with excessive estimated costs. DMA should require written medical justification for all out-of-state as well as in-state travel requests with exceptional circumstance or costs.
- Increasing scrutiny of changes to transportation "units" made by providers. DMA should require medical provider confirmation of changes to the number of transportation units authorized.

We recommend DMA's health program and policy manager strengthen controls over transportation claims. Strengthening controls over transportation claims will help limit unnecessary travel, unreasonable payments to providers, and fraud, waste, and abuse associated with Medicaid payments made for transportation services.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: None

CFDA: 93.767

Federal Agency: USDHHS

Questioned Costs: None

Recommendation No. 34

DMA's health program and policy manager should strengthen controls over transportation claims.

The Department concurs with the recommendation and agrees that all of the items listed in the recommendation should be implemented. In addition, the department will have a Request for

⁸ Freedom of Choice is a federal requirement for Medicaid program administration.

Proposals (RFP) for non-emergency airline transportation brokerage services on the street by September 2003.

*Contact Person: Janet Clarke, Director
Telephone: 907-465-1630*

Recommendation No. 35

DMA's director should take action to improve the agency's utilization control and program integrity function.

State Medicaid agencies are required by the U.S. Department of Health and Human Services to have methods and procedures in place to avoid unnecessary utilization of care and services. Agencies are also required to have procedures for ongoing post-payment review, on a sample basis, for the necessity, quality, and timeliness of Medicaid services. These responsibilities are carried out by DMA's provider review and rate setting unit (hereby referred to as provider review unit). We found several deficiencies in DMA's procedures/practices for these required activities.

DMA's provider review unit has not been allocated sufficient resources to carry out its responsibilities. The provider review unit does not effectively utilize, act on, or respond to: (1) computer-generated program integrity information, (2) complaints from external sources, (3) Recipient Explanations of Medical Benefits forms, and (4) provider audits.⁹ Accordingly, DMA is not effectively safeguarding against unnecessary or inappropriate payment for Medicaid services.

DMA does not effectively monitor problem providers on an ongoing basis. The agency rarely uses administrative remedies to limit abuse. Even in situations where investigations indicated a provider may be continually submitting improper billings, DMA generally does not implement monitoring techniques such as prior authorization or prepayment review. Rather, the agency focuses on ensuring Medicaid providers continue to provide services.

Further, DMA has not diligently worked to resolve findings identified in provider audits conducted by a contractor during FYs 98 through 00. The 173 audits identified just over \$8 million in potential questioned costs. As of November 2002 DMA had resolved only 42 of the audits (only one-fourth of the total).¹⁰

We recommend the director of DMA ensure resources are made available to assist the provider review unit in developing a comprehensive case management system to better manage the operations of this important internal review function. We recommend DMA's

⁹ Finding and Recommendation Nos. 5, 7, 8, and 9 in the special audit *Internal Controls over Medicaid Payments* dated January 31, 2003, Audit Control Number 06-30018-03, provides detailed support for this finding.

¹⁰ Conclusions section 2, page 30, of the special audit *Internal Controls over Medicaid Payments* dated January 31, 2003, Audit Control Number 06-30018-03, gives detailed support for this finding.

director provide for a more effective ongoing service provider audit function. Further, DMA's director should implement more aggressive monitoring of problem providers, particularly prepayment review of claims, and utilize administrative remedies to prevent abuse and unsupportive billing practices. Additionally, DMA's manager of the provider review unit should improve the confirmation of service provision process and utilize the process to monitor providers in a risk-based manner.

CFDA: 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS

CFDA: 93.767
Questioned Costs: Indeterminate

Federal Agency: USDHHS

Recommendation No. 35

DMA's director should take action to improve the agency's utilization control and program integrity function.

The Department concurs and will be issuing a Request for Proposals (RFP) to conduct onsite audits and desk audits statewide. These audits will also meet the requirements of Senate Bill 41.

Pending the design and development of the new MMIS, the Department is also amending its current MMIS contract to provide an enhanced Surveillance and Utilization Review (SUR) solution.

The enhanced SUR amendment will include development and deployment of advance abuse and fraud detection tools; increase SURS cases being worked from 10 per quarter to not less than 25 SUR generated cases and five State referred cases; and increase lock-ins from 30 to a target of 1,000 over the first year of the contract. The contractor will also act as the State's agent in determining recoveries, negotiating terms with providers, and collecting recovery dollars and reconciling them within the MMIS system.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 36

Division of Mental Health and Developmental Disabilities (DMHDD) program managers should improve internal control over the use of care coordinators in the development of recipients' plans of care under the mentally retarded/developmentally disabled (MRDD) waiver program.

DMHDD internal control over care coordinators does not provide adequate segregation of duties between the assessment of recipients/determination of needed services and the selection of service providers. During FY 02, for the MRDD waivers, 138 of the 140 care coordinators involved in developing the recipients' plans of care were also employed by the service providers. This presents a conflict of interest that could lead care coordinators to over-prescribe services.

MRDD waivers are part of the federal Medicaid program. As such they are subject to OMB circular A-133 subpart C.300(b) *Auditee Responsibilities*. This section requires management to:

maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Part of a care coordinator's duties in developing the plan of care is set out in state regulations. Care coordinators must determine the types of services to be provided by specific providers, and the frequency, amount, projected duration, and projected cost for each service. It is essential that these responsibilities are carried out in an objective, independent manner. The relationship of the care coordinators as employees of service providers may impair their objectivity and lead to unnecessary and/or unreasonable costs.

We recommend that DMHDD program managers work together with DMA to adopt regulations that prohibits the inappropriate business relationship between care coordinators and service providers. This would help ensure costs/services associated with recipients' plans of care are reasonable and necessary.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: None

Recommendation No. 36

Division of Mental Health and Developmental Disabilities (DMHDD) program managers should improve internal control over the use of care coordinators in the development of recipients' plans of care under the mentally retarded/developmentally disabled (MRDD) waiver program.

The Department concurs. The Department is working with the Department of Law, to evaluate the relative merits of an independent care contractor. In addition the new Division of Senior and Disability Services (DSDS) will be writing regulations addressing inappropriate business relationships, and evaluating the current models.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 37

DMA Medicaid policy administrator and DMHDD program administrator should address home and community-based (HCB) agency payment rate issues to ensure costs paid are reasonable.

HCB service providers of habilitation services are paid at levels of service higher than actually provided to recipients. This is because the service providers are being paid at a daily rate which is based on projected work hours anticipated to be involved with the provision of a given service.¹¹

This billing practice is consistent with state regulations for HCB services. The level of service is calculated on a daily basis, using a projected number of work hours involved. This is translated into a daily charge and billed at what is called a “bundled” rate. The bundled daily rates represent varying service configurations which include direct service costs and indirect costs anticipated to be provided to each recipient each day.¹² If fewer hours in a day are spent with a recipient than those projected, the provider has the option to bill for one day unit, or nothing.

Federal guidelines require that reimbursed expenditures be reasonable.¹³ These same guidelines, in discussing wages, specifies that budget estimates or distribution percentages, determined before the services are performed, do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

DMHDD management is aware of concerns about how waiver rates are calculated and services delivered in context of federal guidelines. The agency has contracted for a cost study to identify the major cost element involved in various types of waiver program services. After completion of the study, the intent is to compare the costs of services across service categories, providers, regions, living arrangements, and other data elements. DMHDD and DMA should use these results to reform the rate setting mechanism for MRDD waivers.

We recommend DMA and DMHDD address issues identified with the HCB bundled daily rates paid to providers to ensure costs paid are reasonable.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: None

¹¹ The recipient’s plan of care establishes the authorized number of units (days) of service to be provided over the year. For reimbursement, the HCB provider calculates the amount of reimbursement in a waiver year for each unit of a particular waiver service, which is based upon the total number of units of services authorized for that waiver year.

¹² 7 AAC 43.050(f) . . . *The amount of reimbursement for a unit of a particular service is determined by multiplying the **projected** total allowable direct service costs of providing that service to the recipient during the waiver year by the sum of one plus the provider’s approved administrative and general cost rate under 7 AAC 43.1060 and dividing the product by the total number of units and services authorized for the recipient for the year.* [Emphasis added.] The direct rates may include: salaries, annualized hourly wages, contract labor payments and stipends for direct care staff; travel costs for recipients and providers; and the costs of items or services purchased for recipients necessary to carry out their approved plans of care.

¹³ A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstance prevailing at the time the decision was made to incur the cost.

Recommendation No. 37

DMA Medicaid policy administrator and Division of Mental Health and Developmental Disabilities' (DMHDD) program administrator should address home and community-based (HCB) agency payment rate issues to ensure costs paid are reasonable.

The Department concurs with the recommendation to reform the rate setting mechanism at the completion of its cost study. The Department will be noticing new regulations that provide for the unbundling of home and community based rates paid to providers to ensure costs are reasonable.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

Recommendation No. 38

We recommend the DMA director establish internal controls over Medicaid costs billed to third parties so that Medicaid costs are recovered to the greatest extent possible.

During FY 02, DMA controls for collection of third party liabilities were inadequate. DMA sent initial billings to liable third parties; however, the agency did not reconcile, account for or follow-up on the billings. According to agency staff, MMIS does not have the ability to track overall receipt of payments or perform secondary billings.

Federal regulation 42 CFR section 433.139(f)(1) states that an agency must seek reimbursement from a liable third party on all claims for which it determines that the amount it reasonably expects to recover will be greater than the cost of recovery. Recovery efforts may be suspended or terminated only if they are not cost effective. Medicaid third party billings were approximately \$3 million in FY 02. DMA's recovery efforts were limited by its inability to identify and follow-up any unpaid billings.

In February 2003, DMA entered into a contract with a vendor to process the Medicaid third party billings. The vendor has a subsystem to monitor overall receipt of payments and conduct secondary billings. We recommend DMA's director maximize the recovery of Medicaid costs by ensuring the vendor actively pursues reimbursements, including additional billings.

CFDA: 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS

CFDA: 93.767
Questioned Costs: Indeterminate

Federal Agency: USDHHS

Recommendation No. 38

We recommend the Division of Medical Assistance (DMA) director establish internal controls over Medicaid costs billed to third parties so that Medicaid costs are recovered to the greatest extent possible.

DHSS concurs with the recommendation. DMA has implemented this recommendation by contracting with Public Consulting Group, Inc. to pursue the third party billing process.

Contact Person: Janet Clarke, Director
Telephone: 907-465-1630

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

No recommendations were made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

No new recommendations have been made during the FY 02 statewide single audit.

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DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

Three recommendations were made to the Department of Community and Economic Development (DCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. Prior year Recommendation Nos. 18, 19, and 20 have been resolved.

No new recommendations have been made during the FY 02 Statewide Single Audit.

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

Two recommendations were made to the Department of Military and Veterans' Affairs (DMVA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. Prior year recommendation Nos. 21 and 22 have been resolved.

Two new recommendations have been made and are included as Recommendation Nos. 39 and 40.

(Intentionally left blank)

Recommendation No. 39

The deputy director of Facilities and Maintenance (F&M) and the director of Division of Administrative Services (DAS) should develop procedures to segregate procurement and payment approval duties.

A weakness in the segregation of duties exists at F&M. Contracting officers at F&M have been delegated both procurement and payment approval authority for purchase of goods and services, including construction-related activities. As identified while testing federal expenditure transactions, we found payments were approved by the same individual who procured the goods or services. This occurred in 80% (12 transactions) and 100% (5 transactions) of the expenditures tested for National Guard Maintenance and Operations Projects and Military Construction, National Guard, respectively.

These functions are incompatible and represent a significant internal control weakness. The lack of segregation of duties could result in undetected errors or perpetration of fraud. Segregation of duties is one of the four basic elements of internal control activities that will ensure management directives are carried out.

We recommend the F&M deputy director and DAS director implement policies and procedures to segregate the procurement and approval function at F&M and evaluate if the same weakness exists in other divisions within the department.

CFDA: 12.400 and 12.401
Questioned Costs: None

Federal Agency: USDOD

Agency Response – Department of Military and Veterans Affairs

Recommendation No. 39

1) Finding: *The Deputy Director of Facilities and Maintenance (FMO) and the Director of the Division of Administration Services (DAS) should develop procedures to segregate procurement and payment approval duties.*

Corrective Action: *The DMVA Procurement Officer performed an internal audit on all of the divisions within the Department last August and discovered this situation only at FMO. Many of the contracts that FMO issues are prepared by individuals holding either a DOT or DOA contracting certification. The majority of these F&M individuals, who are construction experts, have been issuing contracts using their DOT authority.*

The Departments of Administration and Transportation recently published new guidelines explaining what should be considered construction and which contracts should be administered using DOT or DOA procedures. As a result, we are taking the following actions:

- (a) *We are transferring responsibility for preparing all multi-year service contracts that can be accomplished using DOA certification (i.e. janitorial, snow plowing, lawn mowing, environmental, etc) to the DMVA Procurement Officer. He will assume contract administration duties. The FMO staff members who have been performing contract administration duties will serve as project managers on existing and future contracts of this type. Their duties will include: contractor over site, specification development, scope of work preparation, issuing and signing contracts, and reviewing and recommending payment of invoices. These procedures will allow the FMO staff more time to insure contract work is being properly accomplished and should eliminate or reduce contractor claims and change orders that increase contract amounts. The Project Managers will forward invoices to the Chief of Contracting or the FMO Deputy Director for approval prior to submission to DAS for payment. This process will provide checks and balances and a segregation of duties. The FMO staff will continue to prepare and administer all construction contracts (those authorized with DOT certification only).*
- (b) *A position and funding from FMO will be shifted to DAS by July 15, 2003. This position will assist the Department Procurement Officer.*
- (c) *DAS will also review and update all Standard Operating Procedures (SOPs) covering internal controls in regards to procurement and contracting by December 31, 2003.*

Contact Person: *John Cramer, Director*
 Telephone: 907-465-4730

Recommendation No 40

The F&M deputy director and the director of DAS should ensure proper approval for payment of state obligations.

We found instances where expenditures were processed without proper approvals per requirements of the Alaska Administrative Manual. Several transactions tested were approved by individuals not included on the division's list of authorized approving officers. Other transactions were processed with no F&M approval on the supporting invoices. Further, F&M does not maintain signature cards for their authorized approving personnel.

AAM 35.060 requires that when documentation for state obligations is in order and payment should be made, approval must be obtained by recording the signature or initials of the designated person. Signature cards of persons authorized to approve payment are required to be kept on file in the fiscal office.

These instances were due to nonagency personnel (federal) performing approval functions and Department of Military and Veterans Affairs (DMVA) personnel not signing or initialing the invoice. As a result, state funds may be improperly disbursed.

The F&M deputy director and director of DAS should strengthen internal controls for payment approval. Fiscal disbursing staff should consult the department's list of approving officers when processing invoices for payment. A corresponding signature card should also be kept by the fiscal section for all authorized approving officers. In addition, the director of DAS should implement a departmentwide training program for fiscal staff and designated payment approving personnel.

CFDA 12.401

Federal Agency: USDOD

Questioned Costs: None

Agency Response – Department of Military and Veterans Affairs

Recommendation No. 40

2) Finding: *The FMO Deputy Director and the Director of DAS should ensure proper approval for payment of state obligations.*

Corrective Action: *During the audit performed by the Department Procurement Officer it was discovered that non State (Federal) employees in FMD and 2 other Divisions were approving invoices against State obligations in violation of AAM 35.060. In DMVA where it is typical to have both State and Federal employees working side by side, and in many cases within each others chain of command; it is not surprising that this occurred. To correct this problem we have:*

- (a) notified the divisions that only State employees are authorized to approve invoices for payment. If a Federal employee is the only individual close enough to the contractor to determine if DMVA is being properly billed for services, the Federal employee will use a stamp that states recommended for payment and then obtain proper approval from the Administrative Manager for the individual Division.*
- (b) directed all DMVA Divisions to provide DAS with updated signature cards for individuals who have invoice approval authority. A list will be developed and provided to each member of the accounting staff for verification prior to processing any invoice.*
- (c) directed that any individuals who do not have a signed procurement delegation on file with the DMVA Procurement Officer by August 1, 2003 will have their procurement certifications and delegations rescinded. The DMVA Procurement Officer will insure this topic is addressed in the Department SOP and complete a thorough review of individuals authorized to perform both procurement actions and invoice approvals.*
- (d) directed the DMVA Finance Officer to provide the accounting staff additional training on how to determine if proper back up exists prior to any payment being processed. (The finding also mentioned that some invoices were processed without any approval at*

all. We are confident that this was an oversight and did not result in state funds being improperly disbursed.)

*Contact Person: John Cramer, Director
Telephone: 907-465-4730*

DEPARTMENT OF NATURAL RESOURCES

No recommendations were made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

No new recommendations have been made during the FY 02 statewide single audit.

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DEPARTMENT OF FISH AND GAME

No recommendations were made to the Department of Fish and Game (DFG) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

No new recommendations have been made during the FY 02 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY

Four recommendations were made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*. Prior year Recommendation Nos. 23, 24, and 26 have been resolved. Prior year Recommendation No. 25 is partially resolved and is reiterated in this report as Recommendation No. 41.

One new recommendation is included as Recommendation No. 42. Additionally, Recommendation No. 6, in Department of Law, is also addressed to Department of Public Safety.

(Intentionally left blank)

Recommendation No. 41

The executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) should implement procedures to ensure subrecipients are properly informed and fulfilling federal award requirements.

Prior Finding

Subrecipients of FY 00 and FY 01 Crime Victims Assistance program (VOCA), Violence Against Women Act (VAWA) and Byrne Formula grant (Byrne) funds were not adequately informed of the federal award information as required by federal regulations. Specifically:

- Subrecipients were not informed of the Catalog of Federal Domestic Assistance title/number, the award name/number, and the federal agency of each federal award.
- VOCA and VAWA subrecipients were not required to sign suspension and debarment certifications.
- Supplement, not supplant, assurances were not obtained for VOCA and VAWA subrecipients.

We recommended procedures be developed and implemented to ensure federal award information was provided to subrecipients. Further, we recommended CDVSA adopt a certification procedure to comply with federal requirements for suspension and debarment and obtain assurances that federal funds will supplement and not supplant available funds.

Legislative Audit's Current Position

The VAWA grant award continues to lack certain required assurances and federally required information including:

- The VAWA subrecipient was not informed of the Catalog of Federal Domestic Assistance number
- The Office of Management and Budget A-133 audit requirement was not included on the VAWA grant award document in FY 02.
- Supplement, not supplant, assurances were not obtained from the VAWA subrecipient.

The recommendation pertaining to the Byrne and VOCA programs has been resolved. The Byrne and VOCA grant awards include the required assurances and certifications to meet federal compliance. Program staff members, responsible for administering the federal funds, responded to the FY 01 recommendation stating the recommendation had been corrected.

However, the VAWA grant award has not been modified to include the required assurances and A-133 requirements.

USDOJ 28 CFR 66.37 requires states to ensure that every subgrant includes any clauses required by federal statute, executive orders, and their implementing regulations, and making certain that subgrantees are aware of requirements imposed upon them by federal statute and regulations.

Failure to inform subrecipients of necessary award information and to obtain the required assurances from subrecipients may result in noncompliance with laws and regulations by subrecipients. This noncompliance could lead to misappropriation of federal funds and federal questioned costs. We reiterate our recommendation that CDVSA staff update VAWA program award documents to include the required federal award information. We also recommend that CDVSA adopt a certification procedure to obtain assurance that federal funds will be used to supplement and not supplant other available funds.

CFDA: 16.588
Question Costs: None

Federal Agency: USDOJ

Agency Response – Department of Public Safety

Recommendation No. 41

The executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) should implement procedures to ensure subrecipients are properly informed and fulfilling federal award requirements.

*Agree. The acting executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) has implemented appropriate procedures for subrecipients. Effective July 1, 2003, the FY04 VAWA S*T*O*P Grant Award Notifications have been amended to include all appropriate grant award assurances and federally required information. Subrecipients must sign both the grant award notification and the required federal certifications. The expanded grant award information include:*

1. *Catalog of Federal Domestic Assistance number 16.588;*
2. *A condition to abide by the applicable provisions of the United States Department of Justice, Office of Justice Programs, Financial Guide, and Office of Management and Budget Circular's A-87, A-102, and A-133; and*
3. *A condition that federal funds will be used to supplement and not supplant other available funds;*

The FY04 VAWA grant award conditions and required federal certifications are enclosed for reference.

Contact Person: Fred E. Schmitz, Finance Officer
Telephone: 907-465-5501

Recommendation No. 42

The director of the Division of Alaska State Troopers (AST) should ensure personal service costs are charged to federally-funded programs in a manner consistent with federal regulations.

Earned compensatory time¹⁴ hours (referred to informally as “comp hours or time”) were excluded from the allocation of some salary costs to various programs. This resulted in excess personal service charges to the Byrne program. For those employees working on multiple activities or cost objectives, comp hours are excluded when developing a ratio of time spent on each activity. This omission affects the percentage of time attributable to each activity, thereby impacting charges to various programs. Presently, no policies or procedures exist to ensure comp hours are considered when determining personal service charges to federal programs.

The identified error results in immaterial questioned costs in the Byrne program. However, additional questioned costs are likely to have occurred because public safety officers routinely earn comp time hours.

Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. OMB Circular A-87 requires that salaries or wages of employees working on multiple activities be documented or supported by personnel activity reports or other equivalent records. Additionally, activity reports must account for the total activity for which each employee is compensated.

We recommended the director of AST develop and implement policies and procedures to ensure that wages, salaries, and employee benefit costs, including comp time hours, are charged to programs in a manner consistent with federal requirements.

CFDA: 16.579
Questioned Costs: Immaterial

Federal Agency: USDOJ

Agency Response – Department of Public Safety

Recommendation No. 42

¹⁴ Compensatory time refers to the practice of giving compensatory time off to employees who work extra hours rather than paying overtime.

The director of the Division of Alaska State Troopers (AST) should ensure personal service costs are charged to federally-funded programs in a manner consistent with federal regulations.

Agree. The Division of Alaska State Troopers (AST) is developing policies and procedures to ensure that personal service costs, including compensatory time, are charged to programs in a manner consistent with federal regulations. Compensatory time may be earned under provisions of the Public Safety Employee Association's bargaining unit agreement. AST's policies and procedures for charging personal services costs to programs will be finalized and implemented by October 1, 2003.

Contact Person: *Fred E. Schmitz, Finance Officer*
 Telephone: 907-465-5501

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

No recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

One new recommendation has been made and is included as Recommendation No. 43.

(Intentionally left blank)

Recommendation No. 43

The DEC Director for the Division of Facility Construction and Operation, Village Safe Water Program, should seek guidance from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) to ensure compliance with federal subrecipient monitoring requirements for federal funds passed through to the Alaska Native Tribal Health Consortium (ANTHC).

DEC transfers federal funds to the ANTHC on behalf of Alaska villages for Village Safe Water projects. These funds do not appear on either ANTHC's or the villages' schedules of expenditures of federal awards as evidence that they are included in a federally-required annual audit. DEC does not consider these dollars as federal pass-through funds and is not providing subrecipient monitoring as specified by federal requirements. DEC is unable to ensure that it is providing the necessary oversight of EPA and USDA funds passed through to the ANTHC.

Prior to FY 01, DEC transferred EPA and USDA funds to the Indian Health Service (IHS) to plan, design, and construct sanitation facilities in Alaska villages. Because IHS is a federal agency, no DEC oversight was necessary. In July of 2000, IHS signed a compact with ANTHC (a nonprofit organization) to manage IHS projects in Alaska. Because ANTHC is acting on behalf of a federal agency, DEC does not consider payments to ANTHC as federal pass-through funds, and therefore, is not providing subrecipient monitoring.

Federal regulations require states to:

- Monitor subrecipients' activities to provide reasonable assurance that subrecipients properly administer federal awards.
- Ensure required audits are performed.
- Require the subrecipient to take prompt corrective action on any audit findings.
- Evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Failure to monitor the activities of subrecipients may result in noncompliance with laws and regulations, misappropriation of federal funds, and federal questioned costs. We recommend that DEC seek guidance from the EPA and USDA to ensure compliance with federal subrecipient monitoring requirements. The federal agencies need to confirm that the State is providing the necessary oversight of EPA and USDA funds passed through to the ANTHC.

CFDA: 10.43175712
Questioned Costs: None

Federal Agency: USDA

CFDA: 66.606
Questioned Costs: None

Federal Agency: EPA

Agency Response – Department of Environmental Conservation

Recommendation No. 43

Recommendation No. 1: The DEC Director of Facility Construction and Operation, Village Safe Water Program, should seek guidance from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) to ensure compliance with federal subrecipient monitoring requirements for federal funds passed through to the Alaska Native Tribal Health Consortium (ANTHC).

Response: As recommended we have sought guidance from the EPA and USDA to ensure compliance with federal subrecipient monitoring requirements. We have asked that they confirm that the State is providing the necessary oversight of EPA and USDA funds passed through to the ANTHC. To date we have received this confirmation from the USDA and have enclosed this document for your information. We expect to receive the additionally confirmation from the EPA very soon.

Contact Person: *Laura Beason, Finance Officer*
 Telephone: 907-465-5273

DEPARTMENT OF CORRECTIONS

No recommendations were made to the Department of Corrections (DOC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

One new recommendation is included as Recommendation No. 44.

(Intentionally left blank)

Recommendation No. 44

The director of the Board of Parole and the director of Administrative Services should ensure that transfers between funds are made only in accordance with legislative appropriations.

The Board of Parole inappropriately transferred \$62,129 of expenditures between legal appropriations. The budgetary language for the legal appropriation, Out-of-State Contractual (AR 50590-02) which absorbed the Parole Board transfers, did not stipulate that these expenditures were a valid use of the appropriation.

The Board of Parole's rationale for the transactions was to transfer expenditures incurred for services related to an out-of-state facility and its inmates. However, the transfers were not supported by actual costs. Rather, a methodology was developed to allocate a percentage of expenditures based on the number of full board hearings conducted in the out-of-state facility during FY 02.

These transfers appear to be a circumvention of the legislative process. Without the decrease in expenditures the Board of Parole (AR 50566-02) would have had a shortfall of \$62,000. The Parole Board was aware of their budget limitations as acknowledged in their *Report of the Alaska Board of Parole, July 2000-July 2001* which states, "a supplemental budget request for FY 02 seems to be inevitable at this time."

Alaska statutes restrict transfers between expenditures; per AS 37.07.080, "transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement or other agreement, except as provided in an act making the transfers between appropriations."

We recommend that the department seek legislative ratification for the expenditures transferred to the Out-of-State Contractual (AR 50590-02) from the Board of Parole (AR 50566-02). Additionally, the director of the Board of Parole and the director of Administrative Services should prohibit future transfers between appropriations that circumvent the legal budget process.

Agency Response – Department of Corrections

Recommendation No. 44

I concur with Recommendation No. 44, outlined in the confidential preliminary audit report, dated July 9, 2003. The director of the Board of Parole and the director of Administrative Services should ensure that transfers between funds are made only in accordance with legislative appropriations. The action in question was a management directive to staff by the previous administration.

Contact Person: Jerry Burnett, Director
Telephone: 907-465-3339

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

No recommendations were made to the Department of Transportation and Public Facilities (DOTPF) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

Three new recommendations have been made and are included as Recommendation Nos. 45, 46, and 47.

(Intentionally left blank)

Recommendation No. 45

The Department of Transportation and Public Facilities (DOTPF), Division of Administrative Services (DAS) finance officer should improve the procedures to accurately report capital assets.

DOTPF over-reported, by \$226 million, the amount presented as construction in progress in the State's financial statements. Without correction, the errors would have materially misstated the State's Comprehensive Annual Financial Report (CAFR). These errors occurred due to weaknesses in the procedures implemented by DOTPF to classify construction projects as either capital assets or an expense in the current year.

DOTPF implemented procedures and developed written criteria to identify which construction projects should be capitalized. These new procedures were made necessary by recent changes in generally accepted accounting principles applicable to the State. As stated in Alaska Administrative Manual 55.025 "*capitalizing refers to reclassifying the cost of a capital asset from expenditures to assets for financial reporting.*"

It is conceivable project changes may occur which necessitate changes in the classification of projects from year to year; however, adequate analysis at the start of a project should keep these instances to a minimum. It is crucial at the onset of each project that staff properly classifies the project to ensure accurate reporting of capital assets in the annual CAFR.

Given the materiality of construction projects at DOTPF and the necessity to report accurate financial data for capital assets, we recommend the DAS finance officer continue to provide training in the classification of projects to staff and perform an annual review of the projects to ensure DOTPF is properly presenting capital assets in the CAFR.

Agency Response – Department of Transportation and Public Facilities

Recommendation No. 45

The Department of Transportation and Public Facilities (DOT&PF), Division of Administrative Services (DAS) finance officer should improve the procedures to accurately report capital assets.

The DOT&PF concurs with this recommendation. The Department identified three criteria that must be met for a capital project to be classified as either a long-term asset (i.e. work in progress) or be expensed. The criteria are 1) the State of Alaska owns the infrastructure asset, 2) the project cost is equal or greater than \$1,000,000 less land, equipment and buildings, and 3) the project is new construction or improvements to existing infrastructure.

In implementing the new GASB 34 requirements to report infrastructure, it was anticipated that determining if a project would result in an improvement would be the area of greatest

difficulty. Training was focused on the improvement criteria. Unfortunately, the area where the most errors occurred was in determining ownership. DOT&PF is constructing several road projects, which will eventually be turned over to local communities. This program is relatively new to the Department. Confusion resulted in areas where the State currently owns the road, but will not own the road at the end of the project.

This point has been clarified with the regional project control offices. It will continue to be part of our training and new project placement will be monitored each year.

Contact Person: Nancy Slagle, Director
Telephone: 907-465-3911

Recommendation No. 46

The DOTPF commissioner should ensure that employees understand and comply with state travel and personnel policies.

We identified two issues that require further review by the DOTPF commissioner: employees interrupting business travel for personal convenience and compensatory (comp) time.

- Interruption of business travel for personal convenience

AS 39.20.140(d) states “*Officials and employees are authorized to travel only the least number of days necessary to transact the business involved, to secure return passage, and to return.*” According to state policy (AAM 60.070), a “*traveler may not vary from the most direct route unless it is in the best interest of the state.*” An example of being in the best interest of the state is, if the department determines and documents that savings can be achieved by extending travel over a Saturday night.

During our review of out-of-state travel authorizations (TAs) for the period January 2001 through April 2003, we found that the director of the Division of Measurement Standards and Commercial Vehicle Enforcement, when traveling out-of-state on business, often combined personal activities with state business.

On most occasions, this director left Anchorage on either Friday or Saturday and told us it was done to take advantage of discounted airfares. However, no documentation was provided showing that the actual cost, including the additional hotel and per diem, was a savings for the state.

Rather than return to Anchorage on the days his conferences ended, the director generally stayed an additional night and began his return trip the following afternoon. No leave slips were attached to the TAs, no documentation was provided for work performed during that period, and no justification was given for the delay in his return. In addition, we noted that

for several of these trips, he laid-over in another city from Thursday to Saturday for personal convenience, but did not submit leave slips. Any personal leave taken in conjunction with business travel is required to be documented by leave slips (AAM 60.050).

- Comp time for partially-exempt employees

Partially-exempt employees are generally overtime ineligible. They are salaried and expected to work the hours necessary to get the job done without additional compensation. Although there is no state or departmental policy which addresses comp time for partially-exempt employees, it appears the director of the Division of Measurement Standards and Commercial Vehicle Enforcement routinely practices his own informal comp time policy.

Instead of taking leave and submitting leave slips while on business trips, he gave himself days off if he had to travel on his own time or for when he told us he worked over the weekend.

Without a formal comp time policy and complete documentation, accountability suffers and this individual's actions could be questioned under the *Alaska Executive Branch Ethics Act*.¹⁵ This practice taints the public's perception of upper-level management and adversely affects employee morale.

The commissioner should establish a written policy either prohibiting comp time for partially-exempt employees or allowing it with specific provisions. In addition, the commissioner should require and enforce employee compliance with established state travel policies.

Agency Response – Department of Transportation and Public Facilities

Recommendation No. 46

The DOT&PF commissioner should ensure that employees understand and comply with state travel and personnel policies.

The Department intends to implement this recommendation. A memo is being developed requiring documentation be provided in accordance with Alaska Administrative Manual 60.050: Interruption or Deviation of Travel for Traveler Convenience. The memo will also address the use of compensatory time for partially exempt employees.

Contact Person: Nancy Slagle, Director
Telephone: 907-465-3911

¹⁵ AS 39.52.120 (b)(3) states "A public officer may not use state time, property, equipment, or other facilities to benefit personal or financial interests."

Recommendation No. 47

The DOTPF commissioner should clarify the department's written policy on state cell phone use, instruct employees on the proper use of state cell phones, and provide a copy of the policy with each cell phone issued.

Alaska Statute 39.52 prohibits state employees from using state time and property for personal activity other than that which is minor and inconsequential. According to DOTPF policy, "*A factor indicating that a use is minor and inconsequential is that the Department will incur no additional cost.*" No other factors are defined in the policy.

It came to our attention that a DOTPF employee had used a state-issued cell phone to make out-of-state personal calls. We reviewed a sample of the employee's detailed cell phone bills for the period January 2001 to March 2003 and spoke with the employee. We noted a pattern of out-of-state calls during the last half of 2001. The employee admitted regular use of the state-issued cell phone to make personal calls during that time period but ceased the practice after being advised that it was inappropriate.

Many employees with cell phones have plans which charge a set monthly fee for a minimum number of minutes. This type of plan fosters the perception that as long as a user does not exceed the monthly minimum, the state does not incur additional cost. However, personal use may lead to exceeding the monthly limit, resulting in additional cost to the state. Personal use also skews the actual monthly business use, making it appear greater than it is and resulting in the purchase of larger than necessary minimum minute calling plans.

The commissioner should clarify the department's written policy on cell phones to more clearly define what constitutes "*minor and inconsequential use*" in addition to "*the department will incur no additional cost.*" Although DOTPF employees sign an "*Office Technology Policy*" form when they start state employment, it would be beneficial to receive additional instruction and a copy of the written policy when issued a cell phone.

Agency Response – Department of Transportation and Public Facilities

Recommendation No. 47

The DOT&PF commissioner should clarify the Department's written policy on state cell phone use, instruct employees on the proper use of state cell phones, and provide a copy of the policy with each cell phone issued.

The nature of the Department's business requires many employees to be away from the office for long periods of time and therefore rely on cell phone usage. The Department requires all new employees to sign the State's policy regarding personal use of state office technologies which includes cell phones as issued by the Telecommunications Information Council. The Department's policy and procedures reiterates the TIC's policy and the State's Ethics statutes. Additionally, through email notices the Department of Administration has

periodically reminded all state employees of their responsibilities regarding internet usage and attached the office technologies policy web site.

As you noted in your letter, once this particular employee's supervisor was aware of the inappropriate cell phone usage, corrective action was taken. The memo referred to in the previous recommendation response will also provide further guidance to Department employees regarding cell phone usage.

*Contact Person: Nancy Slagle, Director
Telephone: 907-465-3911*

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ALASKA COURT SYSTEM

No recommendations were made to the Alaska Court System (ACS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2001*.

No new recommendations have been made during the FY 02 statewide single audit.

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State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2002

Part I – Summary of Auditor’s Results

- a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.
- b) Reportable conditions were disclosed by the audit of the financial statement; none of the reportable conditions were material weaknesses.
- c) There was no noncompliance which was material to the basic financial statements.
- d) Reportable conditions in internal controls over major federal programs, including material weaknesses, were disclosed by the audit.
- e) The independent auditor’s report on compliance with requirements applicable to each major federal program expressed a qualified opinion for two major federal programs and an unqualified opinion for all others.
- f) There were several audit findings that were required to be reported under section 510 (a) of OMB Circular A-133. These are summarized in Part III of this schedule of findings and questioned costs. The detailed findings and recommendations can be read in Section II – Recommendations and Questioned Costs of this report.
- g) The State of Alaska has 38 major federal programs for the fiscal year ended June 30, 2002 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
Various	Research and Development Cluster
10.43175712	USDA-RD Village Safe Water
10.551, 10.561	Food Stamp Cluster
10.557	Special Supplemental Food Program for Women, Infants, and Children
10.665	Schools and Roads: Grants to States
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.117	Mortgage Insurance: Homes
14.239	Home Partnerships Program
14.850	Public & Indian Housing
16.575	Crime Victim Assistance
16.579	Byrne Formula Grant Program
16.588	Violence Against Women Formula Grants
17.235	Senior Community Service Employment Program
17.249	Employment Service & Job Training Grants

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2002

Part I – Summary of Auditor’s Results (continued)

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
17.258, 17.259, 17.260 20.unknown	Workforce Investment Act Cluster USDOT, Federal Railroad Administration, Capital Rehabilitation and Improvements
66.458 66.468	Capitalization Grants for State Revolving Funds Capitalization Grants for Drinking Water State Revolving Fund
66.606	Surveys, Studies, Investigations and Special Purpose Grants
81.087	Renewable Energy Research and Development
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education: State Grant Program
84.027, 84.173	Special Education Cluster
84.041	Impact Aid
84.126	Rehabilitation Services: Vocational Rehabilitation
90.100	Denali Commission Program
93.044, 93.045	Aging Cluster
93.230	Consolidated Knowledge Development & Application Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575, 93.596	Child Care Cluster
93.658	Foster Care – Title IVE
93.659	Adoption Assistance
93.670	Child Abuse & Neglect Discretionary Activities
93.767	State’s Children’s Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster

- g) A threshold of \$6,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
- h) The State of Alaska does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2002

Part II – Findings related to the Basic Financial Statements

Reportable Conditions

<u>State Department</u>	<u>Recommendation Number</u>	<u>Comments</u>
Administration	Recommendation No. 2	
Transportation and Public Facilities	Recommendation No. 45	

Irregularities and Illegal Acts

There were no reportable findings relating to irregularities and illegal acts.

Part III - Federal Findings and Questioned Costs

Primary Government Findings

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 18	\$ 40	Reportable condition, noncompliance
Recommendation No. 19	27,807	Reportable condition, noncompliance
Recommendation No. 23	9,665	Reportable condition, noncompliance
Recommendation No. 27	-0-	Reportable condition
Recommendation No. 43	-0-	Material weakness
USDOD		
Recommendation No. 39	\$ -0-	Reportable condition
Recommendation No. 40	-0-	Reportable condition
USDOE		
Recommendation No. 13	\$ -0-	Reportable condition, noncompliance
Recommendation No. 16	-0-	Reportable condition, noncompliance
Recommendation No. 17	-0-	Reportable condition, noncompliance
USDOJ		
Recommendation No. 6	\$ 174,002	Material weakness, reportable condition, material noncompliance
Recommendation No. 41	-0-	Noncompliance
Recommendation No. 42	-0-	Reportable condition, noncompliance
USDOL		
Recommendation No. 4	\$ Indeterminate	Noncompliance
Recommendation No. 5	Indeterminate	Reportable condition, noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2002

USDHHS

Recommendation No. 5	\$ Indeterminate	Reportable condition, noncompliance
Recommendation No. 7	-0-	Noncompliance
Recommendation No. 8	-0-	Reportable condition
Recommendation No. 9	-0-	Reportable condition, noncompliance
Recommendation No. 10	-0-	Material weakness, material noncompliance
Recommendation No. 11	-0-	Reportable condition, noncompliance
Recommendation No. 12	-0-	Reportable condition
Recommendation No. 18	209,746	Reportable condition, noncompliance
Recommendation No. 19	56,718	Reportable condition, noncompliance
Recommendation No. 23	13,526	Reportable condition, noncompliance
Recommendation No. 24	Previously Reported	Noncompliance
Recommendation No. 25	19,146	Noncompliance
Recommendation No. 26	-0-	Noncompliance
Recommendation No. 28	18,226	Reportable condition, noncompliance
Recommendation No. 29	87,827	Reportable condition, noncompliance
Recommendation No. 30	26,083	Reportable condition, noncompliance
Recommendation No. 31	-0-	Material weakness
Recommendation No. 32	64,661	Reportable condition, noncompliance
Recommendation No. 33	-0-	Reportable condition
Recommendation No. 34	-0-	Reportable condition
Recommendation No. 35	Indeterminate	Reportable condition
Recommendation No. 36	-0-	Reportable condition
Recommendation No. 37	-0-	Reportable condition
Recommendation No. 38	Indeterminate	Reportable condition

EPA

Recommendation No. 43	-0-	Material Weakness
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HUD

Recommendation No. 9	-0-	Reportable condition, noncompliance
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Component Unit Findings

ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC - 02-01: Military Construction Reportable Condition

Condition: The Alaska Aerospace Development Corporation did not timely file Federal grant reports for the Kodiak Launch Complex grants.

State of Alaska Division of Legislative Audit
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2002

Criteria: Organizations are required to file timely grant reports per grant agreements.

Effect: The Alaska Aerospace Development Corporation is in violation of the above requirements.

Recommendation: We recommend the Alaska Aerospace Development Corporation file timely grant reports to ensure continued Federal and State support in the future.

CFDA: 12.400
Questioned Cost: None

Federal Agency: USDOD

Agency Response: We are taking actions to ensure timely filing of grant reports.

AADC - 02-02: Military Construction Reportable Condition

Condition: The Alaska Aerospace Development Corporation reported incorrect expenditures on the Kodiak Launch Complex SF-272 grant reports.

Criteria: Organizations are required to certify the grant reports are accurate upon submission.

Effect: The Alaska Aerospace Development Corporation is in violation of the above requirements.

Recommendation: We recommend the Alaska Aerospace Development Corporation file accurate grant reports to ensure continued Federal and State support in the future. In addition, we recommend staff training in this area.

CFDA: 12.400
Questioned Cost: None

Federal Agency: USDOD

Agency Response: We will file a corrected report and ensure closer proofreading of future reports.

ALASKA HOUSING FINANCE CORPORATION (AHFC)

AHFC - 2002-01: Public and Indian Housing - Low Income Housing Noncompliance

Criteria: According to the March 2001 OMB A-133 Compliance Supplement, the Public Housing Authority (PHA) must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.204 through 960.207). The PHA must select tenants from the public housing waiting list.

State of Alaska Division of Legislative Audit
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2002

Statement of Condition: We tested 25 tenant files and found one instance where there was no documentation that the tenant had been selected from the waitlist.

Effect: The Corporation may be placing individuals in housing out of order or before other individuals who have preference. The lack of compliance with the above requirement could lead to a loss of funding to the Corporation.

Cause: The Corporation did not provide adequate training or did not have adequate resources to ensure compliance with this requirement.

Recommendation: We recommend the Corporation provide training to new staff and continue to monitor the selection of tenants from the waitlist in accordance with Corporation policies and procedures.

CFDA: 14.850

Federal Agency: HUD

Questioned Cost: Not Determinable

Agency Response: The error is likely the result of an oversight. Staff are to print an "applicant query" from the Housing Eligibility module and place a copy in the client file. Screen information includes income and wait-list data among other things. The screen print can then be cross-referenced against the corresponding wait-list of applicants that staff was using at the time the individual was housed. A copy of the wait-list is not found in the client file to protect the confidentiality of other individuals on the list.

All the names on the wait-list should have been annotated with information sufficient to determine why a particular family was housed or not housed. Cross-referenced against the applicant query, an auditor should have found sufficient documentation to determine that they were correctly housed based upon their wait-list status.

The wait-list is currently updated on a daily basis in the ECS database. Staff will pull a wait-list based upon need when filling available Housing Choice Voucher or Public Housing vacancies. Applicant attrition in the process of lease up can be as high as 50%, resulting in a complex wait-list documentation requirement. The Public Housing Division is presently examining ways to improve upon how and when wait-list are updated and pulled to streamline this process. Considerable time was devoted to this subject at the October 21 annual staff training. New procedures for wait-list management are expected to be drafted by the end of October 2002 for presentation to the Board of Directors at their next available Board meeting.

SECTION III – COMPLIANCE AND INTERNAL CONTROL REPORTS

Independent Auditor's Report on Compliance
and on Internal Control Over Financial Reporting Based on the
Audit of the Basic Financial Statements Performed in
Accordance with *Government Auditing Standards*

Members of the Legislative Budget
and Audit Committee:

We have audited the basic financial statements of the State of Alaska as of and for the year ended June 30, 2002, and have issued our report thereon dated December 6, 2002. That report, presented in Section I, describes our division of responsibility with other auditors and also details the State's adoption of certain Governmental Accounting Standards Board Statements. We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Alaska's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which are described in the preceding section of Recommendations and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Alaska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are identified in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs in the Recommendations and Questioned Costs section of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions identified above are a material weakness.

This report is intended for the information of the State's management, members of the Alaska Legislature, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Pat Davidson, CPA
Legislative Auditor

December 6, 2002

Independent Auditor's Report on Compliance Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Members of the Legislative Budget
and Audit Committee:

Compliance

We have audited the State of Alaska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002. The State of Alaska's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs section. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Alaska's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB's *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the major federal program, occurred. An audit includes examining, on a test basis, evidence about the State of Alaska's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Alaska's compliance with those requirements.

As described in Recommendation No. 6 in the preceding Recommendations and Questioned Costs section, the State of Alaska did not comply with requirements regarding allowable costs that are applicable to the Byrne Formula Grant Program (CFDA 16.579) administered by the Department of Law and the Department of Public Safety. Additionally, as described in

Recommendation No. 10 in the preceding Recommendations and Questioned Costs section, the State of Alaska did not comply with requirements regarding financial reporting that are applicable to the Child Care Cluster (CFDA 93,575, 93.596) administered by the Department of Education and Early Development. Compliance with such requirements is necessary, in our opinion, for the State of Alaska to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph for CFDA 16.579, 93.575 and 93.596, the State of Alaska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB's *Circular A-133*. These instances are also summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described in detail in the preceding Recommendations and Questioned Costs section.

Internal Control Over Compliance

The management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Alaska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB's *Circular A-133*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable laws, regulations, contracts and grants. Reportable conditions are summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Recommendations and Questioned Costs section.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified, we considered some instances to be material weaknesses. These have been identified as such on the Summary of Recommendations, the

accompanying Schedule of Findings and Questioned Costs and described, in detail, in the preceding Recommendations and Questioned Costs section.

This report is intended for the information of the State's management, members of the Alaska Legislature, and the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Pat Davidson, CPA
Legislative Auditor

June 4, 2003

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SECTION IV – SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary
Information – Schedule of Expenditures of Federal Awards

Members of the Legislative Budget
and Audit Committee:

We have audited the basic financial statements of the State of Alaska as of and for the fiscal year ended June 30, 2002 and have issued our report thereon dated December 6, 2002. That report, presented in Section I, describes our division of responsibility with other auditors and furnishes details regarding the State's adoption of certain Governmental Accounting Standards Board Statements. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002 on our consideration of the State of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the State of Alaska taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of

Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Pat Davidson, CPA
Legislative Auditor

June 4, 2003

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
U.S. Agency for International Development						
DCED	02.118-G-00-00-00-115-00		USAID Alaska-Sakhalin Working Group	\$ 247,564		
UofA	02.999		Miscellaneous	1,748,073		
Total U.S. Agency for International Development				1,995,637		
U.S. Department of Agriculture						
DNR	10.001		Agricultural Research: Basic and Applied Research	339,615		
UofA	10.001		Agricultural Research: Basic and Applied Research	568,592	3, 10	
10.001 Total				908,207		
DNR	10.025		Plant and Animal Disease, Pest Control, and Animal Care	42,581		
UofA	10.025		Plant and Animal Disease, Pest Control, and Animal Care	17,670	3, 10	
10.025 Total				60,251		
DEC	10.12-25-A-3992		Cooperative Pesticide Recordkeeping Program	9,226	6	
DNR	10.156		Federal-State Marketing Improvement Program	24,074		
DNR	10.162		Inspection Grading and Standardization	4,903		
DNR	10.163		Market Protection and Promotion	90,241		
UofA	10.200		Grants for Agricultural Research, Special Research Grants	2,027,956	3, 10	
UofA	10.200	IR-4 00-34383-8850	Grants for Agricultural Research, Special Research Grants - Pass-through from Rutgers University	20,126	3, 10	
UofA	10.200		Grants for Agricultural Research, Special Research Grants	979,100		
10.200 Total				3,027,182		
UofA	10.202		Cooperative Forestry Research	(118)	3, 10	
UofA	10.202		Cooperative Forestry Research	231,481		
10.202 Total				231,363		
UofA	10.203		Payments to Agricultural Experiment Stations Under the Hatch Act	4,664	3, 10	
UofA	10.203		Payments to Agricultural Experiment Stations Under the Hatch Act	491,671		
10.203 Total				496,335		
UofA	10.206		Grants for Agricultural Research: Competitive Research Grants	406,366	3, 10	
UofA	10.206	00-RA2416-AK	Grants for Agricultural Research: Competitive Research Grants -Pass-through from University of California, Davis	19,428	3, 10	
10.206 Total				425,794		
UofA	10.207		Animal Health and Disease Research	2,589	3, 10	
UofA	10.224	32903-5958	Fund for Rural America: Research, Education, and Extension Activities - Pass-through from Cornell University	16,220	3, 10	
UofA	10.224		Fund for Rural America: Research, Education, and Extension Activities	78,834		
10.224 Total				95,054		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By Federal Agency

<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
UofA	10.228		Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	839		
UofA	10.302	RCUH LTR 01-01-02	Initiative for Future Agriculture and Food Systems - Pass-through from University of Hawaii, Hilo	7,559		
UofA	10.303	00RA2416-AK	Initiative for Future Agriculture and Food Systems - Pass-through from University of California Davis	7,576	3, 10	
UofA	10.303	BJK748UA	Initiative for Future Agriculture and Food Systems - Pass-through from University of Idaho	48,312		
10.303 Total				55,888		
AHFC	10.410		Very Low to Moderate Income Housing Loans	137,614		
DEC	10.43-0109-2-0235		Regulatory Oversight of Contaminated Sites	1,843	6	
DEC	10.43175712		USDA-RD Village Safe Water	8,711,918	3	
UofA	10.500		Cooperative Extension Service	370,168	3, 10	
UofA	10.500		Cooperative Extension Service	1,082,291		
UofA	10.500	SL027A-01	Cooperative Extension Service - Pass-through from Oregon State University	(200)		
10.500 Total				1,452,259		
DEED	10.550		Food Donation	3,195,329	15	-
DHSS	10.551		Food Stamps	56,080,069	3, 7, 10	
DEED	10.553		School Breakfast Program	3,070,130	10	3,070,130
DEED	10.555		National School Lunch Program	16,969,914	10	17,372,378
DHSS	10.555		National School Lunch Program	402,364	4, 10	
10.555 Total				17,372,278		
DEED	10.556		Special Milk Program for Children	6,316	10	6,316
DHSS	10.557		Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	20,000,734	3, 8	5,322,749
DEED	10.558		Child and Adult Care Food Program	6,667,469		6,603,545
DEED	10.559		Summer Food Service Program for Children	298,897	10	253,262
DEED	10.560		State Administrative Expenses for Child Nutrition	558,397		
DHSS	10.561		State Administrative Matching Grants for Food Stamp Program	7,232,868	3, 10	
DEED	10.568		Emergency Food Assistance Program (Administrative Costs)	120,417	10	120,417
DOA	10.570		Nutrition Services Incentive	331,570		331,570
ASMI	10.601		Market Access Program	2,123,520		
UofA	10.652		Forestry Research	285,695	3, 10	
UofA	10.652		Forestry Research	110,963		
10.652 Total				396,658		
DCED	10.664		Cooperative Forestry Assistance	1,745		-
DNR	10.664		Cooperative Forestry Assistance	2,728,365		
UofA	10.664		Cooperative Forestry Assistance	(390)		
10.664 Total				2,729,720		
DCED	10.665		Schools and Roads: Grants to States	8,625,298	3, 10	8,625,298
DOTPF	10.665		Schools and Roads: Grants to States	170,000	3, 10	
10.665 Total				8,795,298		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By Federal Agency

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DCED	10.672		Rural Development, Forestry, and Communities	374,886		353,766
UofA	10.769		Rural Business Enterprise Grants	176,349		
UofA	10.769	032102	Rural Business Enterprise Grants - Pass-through from Alaska Public Broadcasting Service, Inc.	76,226		
UofA	10.769	05-25-01	Rural Business Enterprise Grants - Pass-through from Alaska Public Broadcasting Service, Inc.	467		
		10.769 Total		253,042		
AEA	10.857		State Bulk Fuel Revolving Fund Grants	281,522		281,522
DNR	10.905		Plant Materials for Conservation	357,887		
DPS	10.91032		Chugach National Forest	6,525		
DPS	10.91032		Tongass National Forest	24,713		
		10.91032 Total		31,238		
DNR	10.914		Wildlife Habitat Incentive Program	17,233		
AIDEA	10.999		Statewide Energy Plan	67,310		
ARRC	10.999		USDA - Forest Service	1,491,361	9	
ASMI	10.999	agreement #1	Quality Samples Program (QSP)	20,409		
ASMI	10.999		Cochran Fellowship Program	20,027		
ASMI	10.999	agreement #67	Section 108 Program	109,919		
DFG	10.999		Miscellaneous U.S. Forest Service	1,544,832	5, 6	
UofA	10.999		Miscellaneous	449,047	3, 10	
UofA	10.999	USU 980104	Miscellaneous - Pass-through from Utah State University	42,368	3, 10	
UofA	10.999	G00000246	Miscellaneous - Pass-through from National Farmers Union Foundation	11,173	3, 10	
UofA	10.999	99-35101-7834	Miscellaneous - Pass-through from University of Nevada	8,790	3, 10	
UofA	10.999		Miscellaneous	125,824		
		10.999 Total		3,891,060		
DOTPF	10.99G-10-224		Cordova Airport Tree Removal - Forest Service Agreement	295	6	
DNR	10.L83008		Calendar Year 2001 Fire Suppression	4,382,053		
DNR	10.L83008		Calendar Year 2000 Fire Suppression	122,826		
DNR	10.L83008		Calendar Year 2002 Fire Suppression	322,659		
		10.L83008 Total		4,827,538		
		Total U.S. Department of Agriculture		154,757,510		
U.S. Department of Commerce						
DHSS	11.0022-DC-2001-14		Alaska Rural Primary Health Care Needs Assessment - Phase II	57,018		
DHSS	11.0024-DC-2001-16		Code Blue (Improve Rural Emergency Health Care)	186,745		
DLWD	11.005		Census Special Tabulations and Services	1,119	6	
DCED	11.07-79-56001		Western Alaska Revolving Loan Fund	611,357		
DEED	11.303		Economic Development: Technical Assistance	24,000		
UofA	11.303		Economic Development: Technical Assistance	(2,922)	3, 10	
UofA	11.303		Economic Development: Technical Assistance	111,221		
		11.303 Total		132,299		

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
DCED	11.307		Economic Adjustment Assistance	46,906	10	
DEED	11.307		Economic Adjustment Assistance	151,581	10	
DLWD	11.307		Economic Adjustment Assistance	159,029	10	
UofA	11.307		Economic Adjustment Assistance	170,876	10	
	11.307 Total			528,392		
ASMI	11.313		Trade Adjustment Assistance	1,302,054		
DFG	11.405		Anadromous Fish Conservation Act Program	338,495	5, 6	
DFG	11.407		Interjurisdictional Fisheries Act of 1986	148,750	6	
UofA	11.417		Sea Grant Support	1,367,644	3, 10	
UofA	11.417	NA56RG0388	Sea Grant Support - Pass-through from Texas Sea Grant College	(4,403)	3, 10	
UofA	11.417		Sea Grant Support	446,774		
	11.417 Total			1,810,015		
DCED	11.419		Coastal Zone Management Administration Awards	1,118,691		957,990
DMVA	11.419		Coastal Zone Management Administration Awards	73,644		
OG	11.419		Coastal Zone Management Administration Awards	1,575,318		
UofA	11.419	UNH 00-365	Coastal Zone Management Administration Awards - Pass-through from University of New Hampshire	56,681	3, 10	
	11.419 Total			2,824,334		
DFG	11.420		Coastal Zone Management Estuarine Research Reserves	3,778,757	5, 6	
UofA	11.420		Coastal Zone Management Estuarine Research Reserves	1,334	3, 10	
	11.420 Total			3,780,091		
UofA	11.427		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	72,999	3, 10	
UofA	11.430		Undersea Research	6,332,585	3, 10	
UofA	11.431		Climate and Atmospheric Research	(38)	3, 10	
DFG	11.437		Pacific Fisheries Data Program	3,833,326	6	
DEED	11.438		Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	448		
DFG	11.438		Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	4,641,814	4, 6	813,657
UofA	11.438	23367	Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program - Pass-through from Exxon Valdez Oil Spill Trustee	5,780	3, 10	
	11.438 Total			4,648,042		
UofA	11.439		Marine Mammal Data Program	1,538,526	3, 10	
UofA	11.439	NA96FX0124	Marine Mammal Data Program - Pass-through from North Pacific Marine Science Foundation	38,799	3, 10	
UofA	11.439	R1713-01	Marine Mammal Data Program - Pass-through from Seward Association for Advancement of Science	29,509	3, 10	
UofA	11.439	NA06FX0478	Marine Mammal Data Program - Pass-through from Seward Association for Advancement of Science	1,935	3, 10	
UofA	11.439		Marine Mammal Data Program	19,109		
DFG	11.439		Marine Mammal Data Program	3,027,757	6	44,096
	11.439 Total			4,655,635		

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DFG	11.454		Unallied Management Projects	1,991,678	6	
DEC	11.45ABN0B0252		Miscellaneous Inspection Service	11,000		
UofA	11.460		Special Oceanic and Atmospheric Projects	170,475	3, 10	
UofA	11.464		Marine Research: Regional Programs	(104)	3, 10	
DCED	11.477		Fisheries Disaster Relief	3,010,892		2,902,687
DFG	11.477		Fisheries Disaster Relief	869,526	6	
	11.477 Total			3,880,418		
UofA	11.478		Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	183	3, 10	
UofA	11.478		Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	20,238		
	11.478 Total			20,421		
UofA	11.480		National Ocean Service Intern Program	3,249		
DEC	11.50ABNC000030		Regulatory Oversight, Pribilof Island	4,376	6	
DEC	11.50ABNC100055		Regulatory Oversight, Pribilof Islands, Alaska	38,506	6	
UofA	11.550		Public Telecommunications Facilities: Planning and Construction	31		
UofA	11.552		Technology Opportunities	71,575		
DFG	11.999		Miscellaneous NOAA	2,724,435	6	
DOTPF	11.999		Space leased by National Weather Service at DOTPF facility in Slana & Ernestine	1,693		
UofA	11.999		Miscellaneous	285,972	3, 10	
UofA	11.999	50ABNF100009 NOAA	Miscellaneous - Pass-through from North Pacifica Marine Science Foundation	56,240	3, 10	
UofA	11.999	50ABNF100009 NOAA	Miscellaneous - Pass-through from Pacific Aquaculture Caucus	8,037	3, 10	
UofA	11.999	50ABNF100009 NOAA	Miscellaneous - Pass-through from National Fish & Wildlife Foundation	5,270	3, 10	
UofA	11.999	50ABNF100009 NOAA	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	4,946	3, 10	
UofA	11.999		Miscellaneous	10,256		
	11.999 Total			3,096,849		
			Total U.S. Department of Commerce	40,551,692		
			U.S. Department of Defense			
UofA	12.002		Procurement Technical Assistance For Business Firms	279,270		
DCED	12.112		Payments to States in Lieu of Real Estate Taxes	4,859,976		4,859,976
DEC	12.113		State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,703,746	6	
UofA	12.114	UM02-09-029	Collaborative Research and Development - Pass-through from University of Mississippi	474,049	3, 10	
UofA	12.114	00-11-026	Collaborative Research and Development - Pass-through from University of Mississippi	(54,334)	3, 10	
	12.114 Total			419,715		

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UofA	12.300	842878	Basic and Applied Scientific Research - Pass-through from Johns Hopkins University	1,455,472	3, 10	
UofA	12.300	946573	Basic and Applied Scientific Research - Pass-through from Johns Hopkins University	956,132	3, 10	
UofA	12.300		Basic and Applied Scientific Research	726,669	3, 10	
UofA	12.300		Basic and Applied Scientific Research	197,116		
	12.300 Total			3,335,389		
AADC	12.400		Military Construction, National Guard	12,809,253	3	
DMVA	12.400		Military Construction, National Guard	1,350,019	3, 5	
UofA	12.400		Military Construction, National Guard	543,397	3, 4, 10	
	12.400 Total			14,702,669		
DMVA	12.401		National Guard Military Operations and Maintenance (O&M) Projects	11,940,281	3	
DMVA	12.404		National Guard Civilian Youth Opportunities	4,035,882	5	
UofA	12.420		Military Medical Research and Development	72,478	3, 10	
DEED	12.999		Troops to Teachers	1,078		
DFG	12.999		Miscellaneous Army	131,799	6	
UofA	12.999		Miscellaneous	1,172,103	3, 10	
UofA	12.999	M000010	Miscellaneous - Pass-through from University of Michigan	304,889	3, 10	
UofA	12.999	846739	Miscellaneous - Pass-through from Johns Hopkins University	261,194	3, 10	
UofA	12.999	807939	Miscellaneous - Pass-through from Johns Hopkins University	201,390	3, 10	
UofA	12.999	757921	Miscellaneous - Pass-through from Johns Hopkins University	(16,943)	3, 10	
UofA	12.999	CATT01-UAA-01	Miscellaneous - Pass-through from Oklahoma State University	36,541		
UofA	12.999	CATT02-UAA-02	Miscellaneous - Pass-through from Oklahoma State University	14,845		
	12.999 Total			2,106,896		
DNR	12.DAPC49-99-D-0013-001		Building Stabilization and Repair of Historic Properties at Ft. Wainwright	118,375		
DNR	12.DAPC49-99-D-0013-002		Ft. Greeley Evaluation	50,000		
ARRC	12.DTFRDV-00-G-60025		Track Realignment - Elmendorf Air Force Base - 2000 (pass-through from FRA)	2,221,431	9	
ARRC	12.DTFRDV-01-G-60031		Track Realignment - Elmendorf Air Force Base and Fort Richardson - 2000 (pass-through from FRA)	8,042,793	9	
ARRC	12.DTFRDV-99-G-60016		Track Realignment - Elmendorf Air Force Base and Fort Richardson Army Base - 1999 (pass-through from FRA)	2,089,420	9	
	12.DTFRDV Total			12,353,644		
DEC	12.F65501-01-A0003		USAF RCRA Waste	1,179	6	
DNR	12.F65501-01-M-8046		Kotzebue Rare Plant Propagation	2,408		
DOTPF	12.F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	310,552		
DOTPF	12.F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	399,094		
DNR	12.MOU		Nike Site Summit Feasibility Study - Phase II	6,716		
DNR	12.MOU01JSTATE052		Ft. Wainwright Interpretive Panels	7,344		
DNR	12.WC1JUW21422723		GMD Application Fees	100		
	Total U.S. Department of Defense			56,705,714		

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U.S. Department of Housing and Urban Development						
AHFC	14.117		Mortgage Insurance: Homes	1,585,113	3	
AHFC	14.182					
			Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	1,924,436	10	
AHFC	14.195		Section 8 Housing Assistance Payments Program: Special Allocations	5,214,369	10	5,165,594
AHFC	14.227		Community Development Block Grants/Special Purpose Grants/Technical Assistance Program	140,362		
DCED	14.228		Community Development Block Grants/State's Program	1,991,533		2,896,350
DCED	14.231		Emergency Shelter Grants Program	111,999		111,999
AHFC	14.238		Shelter Plus Care	83,975		83,975
AHFC	14.239		HOME Investment Partnerships Program	2,248,574	3	2,175,199
AHFC	14.241		Housing Opportunities for Persons with Aids	320,908		309,728
DEED	14.246		Community Development Block Grants/Economic Development Initiative	613,457		
DOA	14.246		Community Development Block Grants/Economic Development Initiative	422,805		
UofA	14.246		Community Development Block Grants/Economic Development Initiative	927,897		
	14.246 Total			1,964,159		
AHFC	14.249		Section 8 Moderate Rehabilitation Single Room Occupancy	293,204		240,964
OG	14.409		Fair Housing Initiatives Program (FHIP) Education and Outreach Initiative	10,286		
UofA	14.511		Community Outreach Partnership Center Program	70,376		
UofA	14.515		Alaska Native/Native Hawaiian Institutions Assisting Communities	66,124		
AHFC	14.850		Public and Indian Housing	7,756,520	3	
AHFC	14.854		Public and Indian Housing Drug Elimination Program	369,418		
AHFC	14.855		Section 8 Rental Voucher Program	22,651,752		
AHFC	14.859		Public Housing: Comprehensive Grant Program	504,999		
AHFC	14.861		Family Investment Centers Program	7,694		
AHFC	14.870		Resident Opportunity and Supportive Services	43,113		
AHFC	14.872		Public Housing Capital Fund	872,551		
UofA	14.999		Miscellaneous	1,209,308		
UofA	14.999	INV 5457	Miscellaneous - Pass-through from Alaska One	(581)		
	14.999 Total			1,208,727		
Total U.S. Department of Housing and Urban Development				49,440,192		
U.S. Department of the Interior						
UofA	15.022	01-01-01	Tribal Self-Governance - Pass-through from Association of Village Council Presidents	37,255		
UofA	15.024	01-01-01	Indian Self-Determination Contract Support - Pass-through from Orutsararmuit Native Council	10,473		
UofA	15.043		Indian Child and Family Education	10,017	3, 10	
DNR	15.1422L953-A3-012		Joint Pipeline Coordination Office	30,994		
DNR	15.1422L953A98-0009		Development of an Electronic Access for Digital Mineral and Land Records	439,499		
DNR	15.1422LAA990023		Non-Coal AML Sites	8,940		

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UofA	15.221		Cooperative Agreements for Research in Public Lands Management	41,534	3, 10	
DNR	15.222		Cooperative Inspection Agreements with States and Tribes	116,246		
DNR	15.224		Cultural Resource Management	8,427		
DNR	15.250		Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	178,665		
DNR	15.252		Abandoned Mine Land Reclamation (AMLR) Program	1,317,700		
DFG	15.605		Sport Fish Restoration	11,814,865	5, 6, 10	219,798
UofA	15.608		Fish and Wildlife Management Assistance	16,076	3, 10	
DFG	15.611		Wildlife Restoration	7,120,783	5, 6, 10	
DFG	15.614		Coastal Wetlands Planning, Protection and Restoration Act	1,253	6	
DFG	15.615		Cooperative Endangered Species Conservation Fund	80,368	5, 6	
DFG	15.616		Clean Vessel Act	6,750		
UofA	15.617		Wildlife Conservation and Appreciation	1,152	3, 10	
DFG	15.625		Wildlife Conservation and Restoration	473,029	5, 6	
DOTPF	15.7018116116		Tok Interagency Facility	4,976	6	
UofA	15.805		Assistance to State Water Resources Research Institutes	66,975	3, 10	
DNR	15.807		Earthquake Hazards Reduction Program	26,914		
UofA	15.807		Earthquake Hazards Reduction Program	1,285,359	3, 10	
UofA	15.807	062169	Earthquake Hazards Reduction Program - Pass-through from University of Southern California	10,000	3, 10	
	15.807 Total			1,322,273		
DFG	15.808		U.S. Geological Survey: Research and Data Acquisition	53,940	6	
DNR	15.808		U.S. Geological Survey: Research and Data Acquisition	596,045		
UofA	15.808		U.S. Geological Survey: Research and Data Acquisition	3,180,193	3, 10	
	15.808 Total			3,830,178		
DNR	15.809		National Spatial Data Infrastructure Cooperative Agreements Program	4,187		
DNR	15.810		National Cooperative Geologic Mapping Program	570,180		
UofA	15.900		Disposal of Surplus Wildlife	(4,030)	3, 10	
DNR	15.904		Historic Preservation Fund Grants-In-Aid	529,651		
DOA	15.904		Historic Preservation Fund Grants-In-Aid	150,000		
	15.904 Total			679,651		
DNR	15.916		Outdoor Recreation: Acquisition, Development and Planning	140,986		
UofA	15.922		Native American Graves Protection and Repatriation Act	8,059		
UofA	15.977		State Partnerships	(1,089)	3, 10	

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DFG	15.999		Miscellaneous Bureau of Land Management	115,458	5, 6	
DFG	15.999		Miscellaneous Minerals Management Service	39,963	6	
DFG	15.999		Miscellaneous National Park Service	110,486	6	
DFG	15.999		Miscellaneous U.S. Fish and Wildlife Service	3,124,132	5, 6	16,420
DFG	15.999		Miscellaneous U.S. Geological Service	50,115	6	
DNR	15.999		CY 01 Miscellaneous Fire Billings	27,913		
DOTPF	15.999		Bridge Design - Selected Alaska Communities	10,430	6	
DOTPF	15.999		Exit Glacier Road/Kenai Fjords Park Entrance	58,650	6	
DOTPF	15.999		Rehabilitation of dock at Bartlett Cove, Glacier Bay National Park	63,245	6	
UofA	15.999		Miscellaneous	1,620,202	3, 10	
UofA	15.999	1435-01-98-CA-30909	Miscellaneous - Pass-through from Coastal Marine Institute	151,524	3, 10	
UofA	15.999	02-01-NA-0261	Miscellaneous - Pass-through from Ounalashka Corporation	20,337	3, 10	
UofA	15.999	473556	Miscellaneous - Pass-through from University of Washington	210	3, 10	
UofA	15.999		Miscellaneous	160,594		
			15.999 Total	5,553,259		
DNR	15.CA-02-02-06		Independence Mine	45,559		
DNR	15.CA9910-8-0050/99-01		Denali National Park Interpretative Services	7,500		
UofA	15.DDD		Operation of ARLIS (Alaska Resources Library & Information Services)	694,249		
DNR	15.FFC		Refuges	10,000		
ARRC	15.HR4578		unknown	723,710	9	
DNR	15.L300CA9301		Calendar Year 2000 Fire Suppression	8,573		
DNR	15.L300CA9301		Calendar Year 2001 Fire Suppression	1,826,913		
DNR	15.L300CA9301		Calendar Year 2002 Fire Suppression	3,647,227		
DNR	15.L300CA9301		Calendar Year 2001 Fire Suppression	18,643		
			15.L300CA9301 Total	5,501,356		
DOTPF	15.LAA010012		Dalton Highway Wayside Resurfacing	7,047	6	
DNR	15.PO-P9922990089		Gates of the Arctic	1,200		
			Total U.S. Department of the Interior	40,880,252		
U.S. Department of Justice						
DMVA	16.010		State and Local Domestic Preparedness Technical Assistance	50,255		
DPS	16.110-150-1231		National Governor's Association Center For Best Practices	13,989		
DHSS	16.523		Juvenile Accountability Incentive Block Grants	2,098,471		910,236
DHSS	16.540		Juvenile Justice and Delinquency Prevention: Allocation to States	514,921		355,144
DHSS	16.541		Juvenile Justice and Delinquency Prevention: Special Emphasis	235,334		263,038
DOA	16.541		Juvenile Justice and Delinquency Prevention: Special Emphasis	50,000		
			16.541 Total	285,334		
DHSS	16.548		Title V: Delinquency Prevention Program	70,738		65,302
DHSS	16.549		Part E: State Challenge Activities	81,772		29,000

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UofA	16.550		State Justice Statistics Program for Statistical Analysis Centers	55,680	3, 10	
DPS	16.554		National Criminal History Improvement Program (NCHIP)	304,090		
UofA	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	77,523	3, 10	
DPS	16.564		Crime Laboratory Improvement: Combined Offender DNA Index System Backlog Reduction	493,100		
UofA	16.574		Criminal Justice Discretionary Grant Program	14,364	3, 10	
DPS	16.575		Crime Victim Assistance	875,712	3	811,400
DPS	16.576		Crime Victim Compensation	362,205		
DPS	16.579		Byrne Formula Grant Program	1,993,315	3	373,837
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	615,618		
COURT	16.585		Drug Court Discretionary Grant Program	167,771		
DOTPF	16.585		Drug Court Discretionary Grant Program	13,564		
		16.585 Total		181,335		
DOC	16.586		Violent Offender Incarceration and Truth in Sentencing Incentive Grant	2,964,951		
DPS	16.588		Violence Against Women Formula Grants	705,868	3	331,183
DPS	16.589		Rural Domestic Violence and Child Victimization Enforcement Grant Program	58,510		32,182
DPS	16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	68,200		13,545
DPS	16.592		Local Law Enforcement Block Grants Program	207,853		
UofA	16.592		Local Law Enforcement Block Grants Program	31,792	3, 10	
		16.592 Total		239,645		
DPS	16.593		Residential Substance Abuse Treatment for State Prisoners	347,661		
DOC	16.606		State Criminal Alien Assistance Program	928,400		
DHSS	16.710		Public Safety Partnership and Community Policing Grants	672,011		
DPS	16.710		Public Safety Partnership and Community Policing Grants	947,112		
UofA	16.710		Public Safety Partnership and Community Policing Grants	28,631		
		16.710 Total		1,647,754		
UofA	16.712	47469	Police Corps - Pass-through from Fairbanks Police Department	72,575		
DHSS	16.727		Enforcing Underage Drinking Laws Program	353,704		181,284
DHSS	16.729		Drug-Free Communities Support Program Grants	798,773		633,414
DPS	16.99-00-02 & 01-02		Marijuana Eradication	80,179		
UofA	16.999	6073-ADAM-ANCHORAGE	Miscellaneous - Pass-through from National Opinion Research Center	65,121	3, 10	
DMVA	16.A98-229-CV		Counterdrug Support Program-Asset Forfeiture	40,672		
COURT	16.SJI-02-E-008		Statewide Judicial Conference	10,861		
		Total U.S. Department of Justice		16,471,296		

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U.S. Department of Labor						
DLWD	17.002		Labor Force Statistics	654,439	6	
DLWD	17.005		Compensation and Working Conditions	73,864	6	
DLWD	17.203		Labor Certification for Alien Workers	86,555	6	
DLWD	17.207		Employment Service	9,255,557	6, 10	22,500
DLWD	17.225		Unemployment Insurance	173,443,003	6, 11	
DOA	17.235		Senior Community Service Employment Program	1,660,435	3	1,416,472
DLWD	17.245		Trade Adjustment Assistance: Workers	406,843	6	
DLWD	17.246		Employment and Training Assistance: Dislocated Workers	6,644	6	
DEED	17.249		Employment Services and Job Training Pilots: Demonstrations and Research	693,299		127,420
UofA	17.249	AH-10857-00-60	Employment Services and Job Training Pilots: Demonstrations and Research - Pass-through from Municipality of Anchorage	539,276	3	
UofA	17.249	04-14-2000	Employment Services and Job Training Pilots: Demonstrations and Research - Pass-through from Alaska Federation of Natives	(16,428)	3	
17.249 Total				1,216,147		
DLWD	17.250		Job Training Partnership Act	28,910	6	
UofA	17.250	4500359	Job Training Partnership Act - Pass-through from Fairbanks Private Industry Council	(37)	3, 10	
17.250 Total				28,873		
DLWD	17.253		Welfare-to-Work Grants to States and Localities	1,177,599	6	113,428
DLWD	17.255		Workforce Investment Act	2,147,709		
DLWD	17.258		WIA Adult Program	3,047,414	3, 6, 10	1,611,765
DLWD	17.259		WIA Youth Activities	1,724,998	3, 6, 10	2,677,148
DLWD	17.260		WIA Dislocated Workers	6,467,667	3, 6, 10	2,212,641
UofA	17.260		WIA Dislocated Workers	850,330	10	
17.260 Total				7,317,997		
DLWD	17.503		Occupational Safety and Health: State Program	1,286,680	6	
DLWD	17.504		Consultation Agreements	611,926	6	
UofA	17.600		Mine Health and Safety Grants	49,134	10	
DLWD	17.801		Disabled Veterans' Outreach Program (DVOP)	242,144	6, 10	
DLWD	17.804		Local Veterans' Employment Representative Program	544,691	6, 10	
Total U.S. Department of Labor				204,982,652		
U.S. Department of State						
DHSS	19.1751-100345	2001	Arctic Human Health and Environmental Contaminants	21,941		
UofA	19.999	96-0265	Miscellaneous - Pass-through from Eurasia Foundation	(2,757)	3, 10	
Total U.S. Department of State				19,184		
U.S. Department of Transportation						
DNR	20.005		Boating Safety Financial Assistance	366,782		
DOTPF	20.106		Airport Improvement Program	97,193,782	6, 19, 20	
UofA	20.108		Aviation Research Grants	51,369	3, 10	
UofA	20.108		Aviation Research Grants	102,881		
20.108 Total				154,250		

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AIDEA	20.205		Highway Planning and Construction	1,674,579	4, 10	
DOTPF	20.205		Highway Planning and Construction	327,542,689	6, 19, 21	
20.205 Total				329,217,268		
DOTPF	20.218		National Motor Carrier Safety	530,543		
DNR	20.219		Recreational Trails Program	449,192		
DOTPF	20.2300P00200030-000		FHWA Alaska Division for FY 00 ITS Service Plan	(4)		
DOTPF	20.2301P00200031-000		FHWA Alaska Division for FY 01 ITS Service Plan	27,786		
DOTPF	20.303		Grants-in-Aid for Railroad Safety: State Participation	118,146	6	
ARRC	20.500		Federal Transit: Capital Improvement Grants	3,856,786	9, 10	
DOTPF	20.500		Federal Transit: Capital Investment Grants	1,864,884	10	
20.500 Total				5,721,670		
DOTPF	20.503		Federal Transit Managerial Training Grants	89,640		
ARRC	20.507		Federal Transit Formula Grants	7,136,744	9, 10	
DOTPF	20.509		Formula Grants for Other Than Urbanized Areas	3,459,822		
DOTPF	20.513		Capital Assistance Program for Elderly Persons and Persons with Disabilities	369,422		
DOTPF	20.515		State Planning and Research	230,621		
DOTPF	20.600		State and Community Highway Safety	1,399,743	10	
DOTPF	20.601		Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,196,203	10	
UofA	20.701	217281	University Transportation Centers Program - Pass-through from University of Washington	23,307	3, 10	
DMVA	20.703		Interagency Hazardous Materials Public Sector Training and Planning Grants	50,537		
DOTPF	20.999		Construct Automated Weather Station at Russian Mission Airport	1,014	6	
DOTPF	20.999		Settlement of Defective Plans Provided by U.S. Coast Guard for Construction at the Sitka Airport	389,318	6	
UofA	20.999	01-C-GA-ERAU-020	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	66,916	3, 10	
UofA	20.999	01-C-GA-ERAU-02	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	9,688		
20.999 Total				466,936		
DOTPF	20.DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,054		
DOTPF	20.DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	35,497		
DOTPF	20.DTFA04-98-Z-16606		Construct Flight Service Station at Deadhorse Airport	823	6	
ARRC	20.DTFRDV-00-G-60022		Seward Dock Intermodal Project - 2000	301,847	9	
ARRC	20.DTFRDV-01-G-60029		Seward Dock Intermodal Project - 2001	1,498,837	9	

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ARRC	20.DTFRDV-00-G-60021		Capital Rehabilitation and Improvements - 2000	84,858	3, 9	
ARRC	20.DTFRDV-00-G-60028		Positive Train Control - 2000	460,568	3, 9	
ARRC	20.DTFRDV-01-G-60030		Track Rehabilitation, Siding Access Improvement, and Track Relocation - 2001	10,212,133	3, 9	
ARRC	20.DTFRDV-97-G-60009		Capital Rehabilitation and Improvements - 1997	58,922	3, 9	
ARRC	20.DTFRDV-98-G-60007		Seward Dock Intermodal Project - 1998	15,916	3, 9	
ARRC	20.DTFRDV-99-G-60001		Capital Rehabilitation and Improvements - 1999	686,643	3, 9	
ARRC	20.DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	11,937,772	3, 9	
ARRC	20.LRFA-AK-93,94,95 (1)		Portage Tunnel Icing Control	116,462	3, 9	
			20. Major Program Total	23,573,274		
U.S. Department of Transportation						
DOTPF	20.DTRS56-01-P-70061		Fuel Cell Application Research/Reimbursement by U.S. DOT/RSPA/Fin. Ops.	5,000	6	
DOTPF	20.DTSA20-02-P-50067		Increased Security Checkpoint Services Purchased by FAA from AIA	99,456		
DOTPF	20.DTSA20-02-P-50239		Increased Security Checkpoint Services Purchased by FAA from FIA	61,224		
DOTPF	20.P00020015		FHWA Alaska Division for TelNet Conference	2,281		
			Total U.S. Department of Transportation	473,791,683		
U.S. Treasury						
ARRC	21.999		Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	1,549,688	9	
			Total U.S. Treasury	1,549,688		
U.S. Equal Employment Opportunity Commission						
OG	30.002		Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	175,292		
			Total U.S. Equal Employment Opportunity Commission	175,292		
U.S. General Services Agency						
DOA	39.003		Donation of Federal Surplus Personal Property	3,176,752	14	
			Total U.S. General Services Agency	3,176,752		
Library of Congress						
UofA	42.005		Library of Congress Publications	2,558		
			Total Library of Congress	2,558		
National Aeronautics and Space Administration						
UofA	43.001		Aerospace Education Services Program	158,051	3, 10	
UofA	43.001	478959	Aerospace Education Services Program - Pass-through from University of Washington	8,853	3, 10	
UofA	43.001	99-123SC	Aerospace Education Services Program - Pass-through from Arizona State University	1,786	3, 10	
			43.001 Total	168,690		
UofA	43.002		Technology Transfer	3,083	3, 10	

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UofA	43.999		Miscellaneous	16,681,295	3, 10	
UofA	43.999	8/18/00	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	175,936	3, 10	
UofA	43.999	7/12/02	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	11,255	3, 10	
UofA	43.999	SA3251,NAG11055	Miscellaneous - Pass-through from University of California Berkeley	3,587	3, 10	
UofA	43.999	3223-01	Miscellaneous - Pass-through from University of Montana	34,215		
43.999 Total				16,906,288		
DNR	43.NAG1301010		Remote Sensing	154,191		
DNR	43.NAG1301011		Remote Sensing	800,036		
Total National Aeronautics and Space Administration				18,032,288		
National Foundation on the Arts and the Humanities						
UofA	45.024		Promotion of the Arts: Grants to Organizations and Individuals	4,341	3, 10	
UofA	45.024		Promotion of the Arts: Grants to Organizations and Individuals	23,773		
45.024 Total				28,114		
DEED	45.025		Promotion of the Arts: Partnership Agreements	459,171		201,595
DEED	45.026		Promotion of the Arts: Leadership Initiatives	230		
UofA	45.129	15-01	Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	2,665		
UofA	45.129	19-01	Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	2,008		
UofA	45.129	3-01	Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	86		
45.129 Total				4,759		
UofA	45.149		Promotion of the Humanities: Division of Preservation and Access	19,940		
UofA	45.162		Promotion of the Humanities: Education Development and Demonstration	507		
UofA	45.163		Promotion of the Humanities: Seminars and Institutes	(11,481)		
UofA	45.164		Promotion of the Humanities: Public Programs	11,899		
UofA	45.166		Promotion of the Humanities: Extending the Reach			
			Grants to Underserved Areas	4,448		
DEED	45.301		Institute of Museum and Library Services	54,997		
UofA	45.302		Museum Assessment Program	685		
DEED	45.310		State Library Program	684,199		684,199
UofA	45.999	07-20-2001	Miscellaneous - Pass-through from Dance/USA	10,000		
UofA	45.999	9-02	Miscellaneous - Pass-through from Alaska Humanities Forum	2,500		
UofA	45.999	13-00	Miscellaneous - Pass-through from Alaska Humanities Forum	(68)		
45.999 Total				12,432		
Total National Foundation on the Arts and the Humanities				1,269,900		

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National Science Foundation						
UofA	47.041		Engineering Grants	631,680	3, 10	
UofA	47.049		Mathematical and Physical Sciences	539,550	3, 10	
UofA	47.050		Geosciences	3,184,399	3, 10	
UofA	47.050	PO#10705 & 5408	Geosciences - Pass-through from Marine Biological Laboratory	60,916	3, 10	
UofA	47.050	53-000045	Geosciences - Pass-through from SRI International	12,360	3, 10	
UofA	47.050	999102Q	Geosciences - Pass-through from Southwest Research Institute	8,521	3, 10	
UofA	47.050	F004262	Geosciences - Pass-through from University of Michigan	6,142	3, 10	
UofA	47.050	10208-0171	Geosciences - Pass-through from Indiana University	5,084	3, 10	
UofA	47.050		Geosciences	299,976		
UofA	47.050		Geosciences - Pass-through from University of Nevada, Reno	141,575		
47.050 Total				3,718,973		
UofA	47.070		Computer and Information Science and Engineering	23,307	3, 10	
UofA	47.070		Computer and Information Science and Engineering	332,501		
47.070 Total				355,808		
UofA	47.074		Biological Sciences	1,889,460	3, 10	
UofA	47.074	UF02018	Biological Sciences - Pass-through from University of Florida	21,528	3, 10	
UofA	47.074	UNC-CH 5-37526	Biological Sciences - Pass-through from University of North Carolina at Chapel Hill	8,579	3, 10	
UofA	47.074	S900300	Biological Sciences - Pass-through from Texas A&M University Research Foundation	4,602	3, 10	
UofA	47.074	SA3418-22395PG	Biological Sciences - Pass-through from University of California Berkeley	2,189	3, 10	
UofA	47.074		Biological Sciences	134,789		
47.074 Total				2,061,147		
UofA	47.075		Social, Behavioral, and Economic Sciences	72,959	3, 10	
UofA	47.075		Social, Behavioral, and Economic Sciences - Pass-through from U.S. Civilian Research & Development Foundation	3,417	3, 10	
UofA	47.075		Social, Behavioral, and Economic Sciences	115,061		
UofA	47.075		Social, Behavioral, and Economic Sciences - Pass-through from National Research Council	6,685		
47.075 Total				198,122		
DEED	47.076		Education and Human Resources	35,400		
UofA	47.076		Education and Human Resources	2,343,765	3, 10	
UofA	47.076	ESR# 0086194	Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	114,106	3, 10	
UofA	47.076		Education and Human Resources	663,072		
UofA	47.076	11-07-2000	Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	289,842		
47.076 Total				3,446,185		
UofA	47.078		Polar Programs	8,943,428	3, 10	
UofA	47.078	250234	Polar Programs - Pass-through from University of Washington	16,073	3, 10	

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UofA	47.078	USC SUB 00-561	Polar Programs - Pass-through from University of South Carolina	(3,698)	3, 10	
UofA	47.078		Polar Programs	969,823		
UofA	47.078	20012148-000 OP	Polar Programs - Pass-through from North Slope Borough	148		
47.078 Total				9,925,774		
UofA	47.999		Miscellaneous	599,690	3, 10	
UofA	47.999	7099	Miscellaneous - Pass-through from Marine Biological Laboratory	18,506	3, 10	
UofA	47.999	C000106	Miscellaneous - Pass-through from University of Hawaii at Manoa	9,396	3, 10	
UofA	47.999		Miscellaneous	54,959		
UofA	47.999	04-10-1999	Miscellaneous - Pass-through from Association Village Council Presidents	(114)		
47.999 Total				682,437		
Total National Science Foundation				21,559,676		
Small Business Administration						
UofA	59.005		Business Development Assistance to Small Business	41,895		
UofA	59.007		Management and Technical Assistance	28,073		
UofA	59.037		Small Business Development Center	484,136		
Total Small Business Administration				554,104		
U.S. Department of Veterans' Affairs						
AHFC	64.114		Veterans Housing: Guaranteed and Insured Loans	376,539		
ASLC	64.V101	(223b)-P4101&P4201	Veteran's Administration Contract	60,366		
Total U.S. Department of Veterans' Affairs				436,905		
U.S. Environmental Protection Agency						
DEC	66.001		Air Pollution Control Program Support	976,851	6	54,000
DHSS	66.032		State Indoor Radon Grants	38,335		
UofA	66.400		Construction Grants for Wastewater Treatment Works	54,679	3, 10	
DEC	66.432		State Public Water System Supervision	1,996,406	6	
DOA	66.433		State Underground Water Source Protection	100,000		
DEC	66.454		Water Quality Management Planning	84,292	6	
DEC	66.458		Capitalization Grants for State Revolving Funds	6,278,994	3, 6, 17	5,951,396
DFG	66.461		Wetlands Grants	12,385	5, 6	
UofA	66.461		Wetlands Grants	32,360	3, 10	
66.461 Total				44,745		
DEC	66.463		Water Quality Cooperative Agreements	23,535	6	
UofA	66.463		Water Quality Cooperative Agreements	5,616	3, 10	
66.463 Total				29,151		
DEC	66.467		Wastewater Operator Training Grant Program (Technical Assistance)	35,503	6	
DEC	66.468		Capitalization Grants for Drinking Water State Revolving Fund	7,839,654	3, 6, 18	6,580,264
DEC	66.470		Hardship Grants Program for Rural Areas	31,417		
DEC	66.471		State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	235,807	6	

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DEC	66.472		Beach Monitoring and Notification Program Development Grants	16,787	6	
DEC	66.500		Environmental Protection Consolidated Research	183,883	6	
DEC	66.605		Performance Partnership Grants	4,082,277	6	542,023
AEA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	382,545		382,476
DCED	66.606		Surveys, Studies, Investigations and Special Purpose Grants	954,509	3	
DEC	66.606		Surveys, Studies, Investigations and Special Purpose Grants	22,852,075	3, 6	
DLWD	66.606		Surveys, Studies, Investigations and Special Purpose Grants	64,441	3, 6	
UofA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	151,120	3, 10	
UofA	66.606	KWF-KRC-006	Surveys, Studies, Investigations and Special Purpose Grants - Pass-through from Kenai Watershed Forum	50,785	3, 10	
UofA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	419,814		
		66.606 Total		24,875,289		
DEC	66.609		Children's Health Protection	102,020		
DEC	66.700		Consolidated Pesticide Enforcement Cooperative Agreements	227,900	6	
DEC	66.708		Pollution Prevention Grants Program	99,557	6	
DEC	66.802		Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	4,016	6	
DEC	66.804		State and Tribal Underground Storage Tanks Program	187,777	6	
DEC	66.805		Program	411,619	6	
DEC	66.808		Solid Waste Management Assistance	131		
UofA	66.808		Solid Waste Management Assistance	31,661	3, 10	
		66.808 Total		31,792		
DEC	66.809		Agreements	336,520	6	
UofA	66.999	EGR357B	Miscellaneous - Pass-through from Northern Arizona University	15,675	3, 10	
UofA	66.999		Miscellaneous	7,339		
		66.999 Total		23,014		
DEC	66.LUST	Trust Cost Recovery	LUST Trust Cost Recovery	178,483	6	
		Total U.S. Environmental Protection Agency		48,506,768		
U.S. Department of Energy						
AHFC	81.041		State Energy Program	314,674		
AHFC	81.042					
			Weatherization Assistance for Low-Income Persons	1,171,769		1,033,279
AEA	81.079		Regional Biomass Energy Programs	92,916		51,527
AEA	81.086		Conservation Research and Development	13,130		
AEA	81.087		Renewable Energy Research and Development	3,376,643	3	3,374,500
UofA	81.087		Renewable Energy Research and Development	24,359	3, 10	
		81.087 Total		3,401,002		

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DNR	81.089		Fossil Energy Research and Development	88,768		
UofA	81.089		Fossil Energy Research and Development	442,160	3, 10	
UofA	81.089	355160-AQ5	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	258,994	3, 10	
UofA	81.089	17839	Fossil Energy Research and Development - Pass-through from Sandia National Laboratories	125,729	3, 10	
UofA	81.089	409284-AR8	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	23,618	3, 10	
UofA	81.089	352507-AQ5	Fossil Energy Research and Development - Pass-through from Battelle Pacific Northwest Laboratories	(4,621)	3, 10	
UofA	81.089	354049-AQ5	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	(38,203)	3, 10	
81.089 Total				896,445		
DEC	81.104		Office of Science and Technology for Environmental Management	5,858		
UofA	81.104		Office of Science and Technology for Environmental Management - Pass-through from Institute for Responsible Management, Inc.	251,357	3, 10	
81.104 Total				257,215		
UofA	81.113		Defense Nuclear Nonproliferation Research - Pass-through from Battelle Pacific Northwest Laboratories	18,910		
UofA	81.999		Miscellaneous	1,136,952	3, 10	
UofA	81.999	389AZ0017-97	Miscellaneous - Pass-through from University of California	65,993	3, 10	
UofA	81.999	11-99	Miscellaneous - Pass-through from Alaska State District Council of Laborers	21,245	3, 10	
UofA	81.999	321287-A-R1	Miscellaneous - Pass-through from Batelle Pacific Northwest Laboratory	20,051	3, 10	
81.999 Total				1,244,241		
DEC	81.DE-FG08-99NV13726		Provide Oversight for Conduct of Amchitka Island Workers Health	645,369	6	
DEC	81.DE-FG08-99NV13763		Amchitka Oversight/NEWNET	319,094	6	
Total U.S. Department of Energy				8,374,765		
U.S. Information Agency						
UofA	82.999		Miscellaneous	109,755		
Total U.S. Information Agency				109,755		
Federal Emergency Management Agency						
DMVA	83.012		Hazardous Materials Assistance Program	4,500		
UofA	83.012		Hazardous Materials Assistance Program	80,630		
83.012 Total				85,130		
DCED	83.105		Community Assistance Program: State Support Services Element (CAP-SSSE)	53,541		
DMVA	83.516		Disaster Assistance	102,059		
DMVA	83.519		Hazard Mitigation Assistance	303,338		
DCED	83.536		Flood Mitigation Assistance	49,202		42,505

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DMVA	83.544		Public Assistance Grants	3,994,770		
UofA	83.544		Public Assistance Grants	220,094		
83.544 Total				4,214,864		
DPS	83.547		First Responder Counter-Terrorism Training Assistance	70,573		
DMVA	83.548		Hazard Mitigation Grant	84,437		
DNR	83.550		National Dam Safety Program	1,972		
DMVA	83.552		Emergency Management Performance Grants	1,100,297		
DMVA	83.557		Pre-Disaster Mitigation	50,000		
Total Federal Emergency Management Agency				6,115,413		
U.S. Department of Education						
DEED	84.002		Adult Education: State Grant Program	37,000		
DLWD	84.002		Adult Education: State Grant Program	789,320	6	564,115
UofA	84.002	00011214/00011343	Adult Education: State Grant Program - Pass-through from Southeast Regional Resource Center	52		
84.002 Total				826,372		
UofA	84.007		Federal Supplemental Educational Opportunity Grants	703,721	10	
DEED	84.010		Title I Grants to Local Educational Agencies	20,120,706	3	20,043,121
DEED	84.011		Migrant Education: State Grant Program	6,790,573	3	5,960,825
DEED	84.013					
UofA	84.016		Title I Program for Neglected and Delinquent Children Undergraduate International Studies and Foreign Language Programs	144,683		144,683
UofA	84.024		Early Education for Children with Disabilities	28,717		
DEED	84.027		Special Education: Grants to States	30,463		
UofA	84.031		Higher Education: Institutional Aid	16,997,989	3, 10	15,575,439
UofA	84.031		Higher Education: Institutional Aid	339,839	3, 10	
84.031 Total				2,106,187		
UofA	84.032		Federal Family Education Loans	2,446,026		
UofA	84.033		Federal Work-Study Program	18,038,877	10	
UofA	84.033		Federal Work-Study Program	336,176	3, 10	
84.033 Total				311,237		
DEED	84.041		Impact Aid	647,413		
UofA	84.042		TRIO: Student Support Services	28,909,347	3	-
UofA	84.044		TRIO: Talent Search	79,894	10	
UofA	84.047		TRIO: Upward Bound	363,270	10	
DEED	84.048		Vocational Education: Basic Grants to States	1,152,560	10	
UofA	84.048		Vocational Education: Basic Grants to States	4,069,662		3,264,965
84.048 Total				10,253	3, 10	
DEED	84.063		Federal Pell Grant Program	4,079,915		
UofA	84.063		Federal Pell Grant Program	174,055	10	174,055
84.063 Total				7,153,618	10	
UofA	84.066		TRIO: Educational Opportunity Centers	7,327,673		
UofA	84.066		TRIO: Educational Opportunity Centers	557,720	10	

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
UofA	84.116		Fund for the Improvement of Postsecondary Education	211,733		
UofA	84.116		Fund for the Improvement of Postsecondary Education - Pass-through from Galena School District	72,622		
UofA	84.116		Fund for the Improvement of Postsecondary Education - Pass-through from University of Washington	9,940		
UofA	84.116		Fund for the Improvement of Postsecondary Education - Pass-through from University of Washington	259		
84.116 Total				294,554		
DLWD	84.126		Rehabilitation Services: Vocational Rehabilitation Grants to States	8,601,507	3, 6	44,914
DEED	84.154		Public Library Construction and Technology Enhancement	174,656		174,656
DLWD	84.158		Secondary Education and Transitional Services for Youth with Disabilities	52,120	6	46,234
OG	84.161		Rehabilitation Services: Client Assistance Program	118,671		
DLWD	84.169		Independent Living: State Grants	294,800	6	275,701
DEED	84.173		Special Education: Preschool Grants	1,315,237	3, 10	1,205,285
DLWD	84.177		Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	289,799	6	161,599
DEED	84.181		Special Education: Grants for Infants and Families with Disabilities	31,000		14,000
DHSS	84.181		Special Education: Grants for Infants and Families with Disabilities	2,024,682		1,335,492
84.181 Total				2,055,682		
DEED	84.185		Byrd Honors Scholarships	101,250		101,250
DEED	84.186		Safe and Drug-Free Schools and Communities: State Grants	1,812,893		1,759,578
DLWD	84.187		Supported Employment Services for Individuals with Severe Disabilities	257,915	6	
DEED	84.194		Bilingual Education Support Services	104,170		
UofA	84.195		Bilingual Education: Professional Development	632,886		
UofA	84.195	T195 B000096	Bilingual Education: Professional Development - Pass-through from Anchorage School District	11,923		
84.195 Total				644,809		
DEED	84.196		Education for Homeless Children and Youth	67,487		37,196
DOC	84.203	R203F990010-01	Star Schools - Pass-through from Education Service District #1, Spokane, WA	55,385		
UofA	84.203		Star Schools	36,547		
84.203 Total				91,932		
DEED	84.213		Even Start: State Educational Agencies	1,341,746		276,429
DEED	84.215		Fund for the Improvement of Education	2,023,530		715,213
UofA	84.215	Partnership Agreement	Fund for the Improvement of Education - Pass-through from Alaska Humanities Forum	29,372	3, 10	
UofA	84.215	S215E000113	Fund for the Improvement of Education - Pass-through from Copper River School District	9,914		
84.215 Total				2,062,816		

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DLWD	84.224		Assistive Technology	446,643	6	357,464
DEED	84.243		Tech-Prep Education	352,169		282,806
DLWD	84.265		Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	46,554	6	
DEED	84.276		Goals 2000: State and Local Education Systemic Improvement Grants	853,923		739,234
DEED	84.281		Eisenhower Professional Development State Grants	1,957,652		1,845,871
UofA	84.281		Eisenhower Professional Development State Grants	19,517		
			84.281 Total	1,977,169		
DEED	84.282		Charter Schools	110,085		107,671
DEED	84.287		Twenty-First Century Community Learning Centers	304,870		
UofA	84.287	PR108475 & PR108474	Twenty-First Century Community Learning Centers - Pass-through from Anchorage School District	(2,186)		
			84.287 Total	302,684		
UofA	84.297		Native Hawaiian Curriculum Development, Teacher Training and Recruitment	357,949	3, 10	
DEED	84.298		Innovative Education Program Strategies	1,683,574		1,473,893
UofA	84.299		Indian Education: Special Programs	92,255		
DEED	84.303		Technology Innovation Challenge Grants	125,708		
UofA	84.303	R303A980236	Technology Innovation Challenge Grants - Pass-through from Chugach School District	339,691		
UofA	84.303		Technology Innovation Challenge Grants	219,982		
			84.303 Total	685,381		
UofA	84.306	Work Agreement	National Institute on the Education of At-Risk Students	185,457	3, 10	
DEED	84.318		Technology Literacy Challenge Fund Grants	2,365,003		2,365,003
UofA	84.320		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	105,288	3, 10	
UofA	84.320	Work Agreement	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass-through from Cook Inlet Tribal Council	17,103	3, 10	
UofA	84.320		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	1,154,076		
UofA	84.320	08-1999	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass-through from Sealaska Heritage Foundation	8,451		
			84.320 Total	1,284,918		
UofA	84.321		Alaska Native Home Based Education for Preschool Children	227,724		
UofA	84.321	S321A970011-98	Alaska Native Home Based Education for Preschool Children - Pass-through from Council of Athabascan Tribal Governments	173		
			84.321 Total	227,897		
UofA	84.322		Alaska Native Student Enrichment Program	494,745	3, 10	

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
DEED	84.323		Special Education: State Program Improvement Grants for Children with Disabilities	456,207		324,944
UofA	84.325	H325S990003	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities - Pass-through from 2001 Special Olympics World Winter Games Alaska	51,197	3, 10	
UofA	84.325		Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	230,260		
84.325 Total				281,457		
DEED	84.326		Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	68,879		-
UofA	84.328		Special Education: Parent Information Centers - Pass-through from University of Utah	1,353		
DEED	84.330		Advanced Placement Program	172,384		67,139
DOC	84.331		Grants to States for Incarcerated Youth Offenders	8,307		
DEED	84.332		Comprehensive School Reform Demonstration	321,403		294,114
DEED	84.334		Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	890,288		771,596
UofA	84.334		Gaining Early Awareness and Readiness for Undergraduate Programs	9,727		
84.334 Total				900,015		
UofA	84.336		Teacher Quality Enhancement Grants	909,686		
DEED	84.338		Reading Excellence	397,501		343,817
DEED	84.340		Class Size Reduction	5,624,581		5,616,797
UofA	84.342		Preparing Tomorrow's Teachers to Use Technology	389,247		
UofA	84.342	09-2001	Preparing Tomorrow's Teachers to Use Technology - Pass-through from International Society for Technology in Education	78,318		
84.342 Total				467,565		
DLWD	84.346		Occupational and Employment Information State Grants	77,378	6	
DEED	84.348		Title I Accountability Grants	419,712		419,712
COURT	84.351		Arts in Education	1,000		
DHSS	84.989		Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	545,462		
UofA	84.989	0623144	Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support - Pass-through from Council on Disability and Special Education	363,839		
84.989 Total				909,301		
DEED	84.994T		National Writing Project	16,131		
DEED	84.999		Consolidated Programs IASA	720,522		
UofA	84.999	92-AK01	Miscellaneous - Pass-through from National Writing Project Corporation	25,410		
84.999 Total				745,932		

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEED	84.RN94	1360-2	National Center on Education Statistics - Contract	52,968		
Total U.S. Department of Education				152,226,129		
National Archives and Records Administration						
DEED	89.003		National Historical Publications and Records Grants	2,202		
Total National Archives and Records Administration				2,202		
Denali Commission						
AEA	90.100		Denali Commission Program	14,075,948	3	11,767,385
DCED	90.100		Denali Commission Program	848,368	3	848,368
DLWD	90.100		Denali Commission Program	2,356,445	3, 6	2,034,831
90.100 Total				17,280,761		
AIDEA	90.999		Statewide Energy Plan	127,333		
Total Denali Commission				17,408,094		
U.S. Department of Health and Human Services						
DHSS	93.003		Public Health and Social Services Emergency Fund	27,900		
DOA	93.041		Special Programs for the Aging: Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,428		
DOA	93.042		Special Programs for the Aging: Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	52,367		
DOA	93.043		Special Programs for the Aging: Title III, Part D - Disease Prevention and Health Promotion Services	107,392		107,392
DOA	93.044		Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	1,439,132	3, 10	1,170,038
DOA	93.045		Special Programs for the Aging: Title III, Part C - Nutrition Services	2,607,771	3, 10	2,149,108
DOA	93.048		Special Programs for the Aging: Title IV and Title II - Discretionary Projects	368,653		194,701
DOA	93.052		National Family Caregiver Support	421,036		421,036
DHSS	93.110		Maternal and Child Health Federal Consolidated Programs	361,987		84,032
UofA	93.113		Biological Response to Environmental Health Hazards	134,302	3, 10	
UofA	93.115		Biometry and Risk Estimation: Health Risks from Environmental Exposures	16,301	3, 10	
DHSS	93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	604,600		
DHSS	93.119		Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services: Technical Assistance Centers for Evaluation	35,652		35,640
DHSS	93.127		Emergency Medical Services for Children	444,099		
DHSS	93.130		Primary Care Services: Resource Coordination and Development	773,062		10,000
DHSS	93.136		Injury Prevention and Control Research and State and Community Based Programs	320,348		37,600
DHSS	93.150		Projects for Assistance in Transition from Homelessness (PATH)	300,000		300,000
UofA	93.157	234170 & 423393	Centers of Excellence - Pass-through from University of Washington	11,199		
DHSS	93.161		Health Program for Toxic Substances and Disease Registry	110,957		

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UofA	93.173		Research Related to Deafness and Communication Disorders	(2,696)	3, 10	
UofA	93.178		Nursing Workforce Diversity	283,531		
DHSS	93.197		Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	89,123		
DHSS	93.200-97-7201		NCHS Contract	170,357		
DHSS	93.217		Family Planning: Services	607,533		
DEC	93.223-01-4037		Food Sanitation Inspections	246,076	6	
DHSS	93.223-96-4401		Mammography Inspection	24,060		
DEED	93.230		Consolidated Knowledge Development and Application (KD&A) Program	250,940	3	167,361
DHSS	93.230		Consolidated Knowledge Development and Application (KD&A) Program	11,414,485	3	7,550,919
UofA	93.230	08-30-2001	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Cook Inlet Council on Alcohol and Drug Abuse	47,533	3, 10	
UofA	93.230	5-23-2000	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Copper River Native Association	35,508	3, 10	
UofA	93.230	11-27-2001	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Fairbanks Native Association	31,787		
			93.230 Total	11,780,253		
DHSS	93.234		Traumatic Brain Injury: State Demonstration Grant Program	2,694		
DHSS	93.241		State Rural Hospital Flexibility Program	511,919		52,500
UofA	93.242		Mental Health Research Grants	9,040	3, 10	
DHSS	93.243		Substance Abuse and Mental Health Services: Projects of Regional and National Significance	57,770		105,840
DHSS	93.243-97-2030		NIOSH Trauma Registry	60,856		
DHSS	93.251		Universal Newborn Hearing Screening	93,283		
DHSS	93.262		Occupational Safety and Health Research Grants	115,348		
DHSS	93.268		Immunization Grants	1,452,672		
DHSS	93.270-95-0004		Needs Assessment Contract	374,795		
UofA	93.273		Alcohol Research Programs	509,778	3, 10	
UofA	93.279		Drug Abuse Research Programs	73,505	3, 10	
UofA	93.279		Drug Abuse Research Programs - Pass-through from California State University Long Beach	11,162	3, 10	
UofA	93.279	412802-7810 & 412803	Drug Abuse Research Programs - Pass-through from University of New Mexico Health Science Center	80,006		
			93.279 Total	164,673		
DHSS	93.283		Centers for Disease Control and Prevention: Investigations and Technical Assistance	3,769,967		789,720
UofA	93.358		Advanced Education Nursing Traineeships	37,553		
UofA	93.389		Research Infrastructure	774,192	3, 10	
UofA	93.393		Cancer Cause and Prevention Research	19,113	3, 10	
DHSS	93.556		Promoting Safe and Stable Families	529,579		

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEED	93.558		Temporary Assistance for Needy Families (TANF)	2,585,650	3, 4	2,582,650
DHSS	93.558		Temporary Assistance for Needy Families	41,968,452	3	711,569
DPS	93.558		Temporary Assistance for Needy Families	1,270,000	3, 4	1,270,000
93.558 Total				45,824,102		
DOR	93.563		Child Support Enforcement	16,396,727	3, 6	
AHFC	93.568		Low-Income Home Energy Assistance	1,522,698	3, 4	1,522,698
DHSS	93.568		Low-Income Home Energy Assistance (LIHEAP)	6,448,358	3	79,635
93.568 Total				7,971,056		
DCED	93.569		Community Services Block Grant	1,941,091		1,858,445
DCED	93.571		Community Services Block Grant Discretionary Awards: Community Food and Nutrition	3,243		3,243
DEED	93.575		Child Care and Development Block Grant	18,819,167	3, 4, 10	8,602,973
DHSS	93.575		Child Care and Development Block Grant	(500)	3, 10	
93.575 Total				18,818,667		
COURT	93.586		State Court Improvement Program	47,555		
DHSS	93.590		Community-Based Family Resource and Support Grants	309,904		794,327
DEED	93.596		Child Care Mandatory and Matching Funds of the Child Care Development Fund	9,804,202	3, 10	8,683,587
DOR	93.597		Grants to States for Access and Visitation Programs	138,293		
DEED	93.600		Head Start	143,697		18,619
DHSS	93.603		Adoption Incentive Payments	215,830		
DHSS	93.630		Developmental Disabilities Basic Support and Advocacy Grants	491,506		
DHSS	93.631		Developmental Disabilities Projects of National Significance	80,074		79,000
UofA	93.632		University Centers for Excellence in Developmental Disabilities Education, Research, and Service	309,922		
DHSS	93.643		Children's Justice Grants to States	74,484		9,559
DHSS	93.645		Child Welfare Services: State Grants	360,415		309,859
UofA	93.648		Child Welfare Services Training Grants	(3,750)		
COURT	93.652		Adoption Opportunities	92,146		
DHSS	93.658		Foster Care: Title IV-E	9,195,257	3	448,924
DHSS	93.659		Adoption Assistance	5,434,861	3	
DHSS	93.667		Social Services Block Grant	8,259,516		
DHSS	93.669		Child Abuse and Neglect State Grants	110,193		
DEED	93.670		Child Abuse and Neglect Discretionary Activities	571,697		405,231
DHSS	93.670		Child Abuse and Neglect Discretionary Activities	1,832,177		939,555
UofA	93.670		Child Abuse and Neglect Discretionary Activities	2,042,354	3, 4	
93.670 Total				4,446,228		
DPS	93.671		Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	616,078		595,000
DHSS	93.674		Chafee Foster Care Independent Living	572,961		127,626
DHSS	93.767		State Children's Insurance Program	17,649,078	3	
DHSS	93.768		Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	272,073		27,000
DHSS	93.773		Medicare: Hospital Insurance	621,106		
LAW	93.775		State Medicaid Fraud Control Units	338,330	3, 10	

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<u>State Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>	<u>Notes</u>	<u>Provided to Subrecipient</u>
DHSS	93.777		State Survey and Certification of Health Care Providers and Suppliers	159,265	3, 10	
DEED	93.778		Medical Assistance Program	2,792,800	3, 4, 10	-
DHSS	93.778		Medical Assistance Program	481,716,988	3, 10, 20	-
	93.778 Total			484,509,788		
DHSS	93.779		Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	40,968		25,000
DOA	93.779		Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	88,830		
	93.779 Total			129,798		
UofA	93.822		Health Careers Opportunity Program	173,183		
UofA	93.822	219550 & 423136	Health Careers Opportunity Program - Pass-through from University of Washington	75,215		
	93.822 Total			248,398		
UofA	93.824	445885	Basic/Core Area Health Education Centers - Pass-through from University of Washington	64,260	3, 10	
UofA	93.824	220156	Basic/Core Area Health Education Centers - Pass-through from University of Washington	15,802	3, 10	
	93.824 Total			80,062		
UofA	93.848		Digestive Diseases and Nutrition Research - Pass-through from Washington University	55,667	3, 10	
UofA	93.854		Biological Basis Research in the Neurosciences	1,872,132	3, 10	
DHSS	93.879		Medical Library Assistance	8,925		
DHSS	93.887		Health Care and Other Facilities	168,886		
DHSS	93.912		Rural Health Outreach and Rural Network Development Program	263,232		3,000
UofA	93.912		Rural Health Outreach and Rural Network Development Program	199,813		
	93.912 Total			463,045		
DHSS	93.917		HIV Care Formula Grants	867,812		701,475
DHSS	93.919		Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	1,804,082		203,422
DEED	93.938		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	244,933		20,682
DHSS	93.940		HIV Prevention Activities: Health Department Based	1,470,456		53,000
DHSS	93.944		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	207,695		
DHSS	93.945		Assistance Programs for Chronic Disease Prevention and Control	211,923		
DHSS	93.958		Block Grant for Community Mental Health Services	659,648		589,114
DHSS	93.959		Block Grants for Prevention and Treatment of Substance Abuse	3,251,253		3,019,498
DHSS	93.977		Preventive Health Services: Sexually Transmitted Diseases Control Grants	423,668		

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DHSS	93.988		Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	369,695		15,000
DHSS	93.991		Preventive Health and Health Services Block Grant	634,226		128,235
DHSS	93.994		Maternal and Child Health Services Block Grant to the States	1,232,575		52,526
UofA	93.999		Miscellaneous	205,239	3, 10	
UofA	93.999	243-00-C-2011	Miscellaneous - Pass-through from Alaska Area Native Health Services	90,391	3, 10	
UofA	93.999		Miscellaneous	212,939		
UofA	93.999	12-08-1998	Miscellaneous - Pass-through from Fairbanks Native Association	60,436		
UofA	93.999	776644	Miscellaneous - Pass-through from University of Washington	(1)		
93.999 Total				569,004		
DEC	93.FD-R-002117-01		Risk Focused Inspection Training and Evaluation	11,674		
Total U.S. Department of Health and Human Services				680,033,110		
U.S. Corporation for National and Community Service						
DEED	94.003		State Commissions	133,187		32
DEED	94.004		Learn and Serve America: School and Community Based Programs	23,001		59,991
UofA	94.005		Learn and Serve America: Higher Education	104,807		
DEED	94.006		AmeriCorps	1,560,393		1,549,264
DEED	94.009		Training and Technical Assistance	88,090		30,088
DCED	94.013		Volunteers in Service to America	10,820		-
Total U.S. Corporation for National and Community Service				1,920,298		
Social Security Administration						
DLWD	96.001		Social Security: Disability Insurance	1,828,675	6, 10	
DLWD	96.006		Supplemental Security Income	3,012,946	6, 10	
UofA	96.008		Social Security: Benefits Planning, Assistance, and Outreach Program	33,788		
Total Social Security Administration				4,875,409		
Total Federal Financial Assistance				\$ 2,005,924,918		\$ 224,449,198

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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Note 1: Purpose of the Schedule

The federal Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* requires a schedule of expenditures of federal awards showing total federal financial assistance for the period covered in the financial statements. Each federal financial assistance program must be identified as it is in *the Catalog of Federal Domestic Assistance* (CFDA) and its CFDA number. When CFDA information is not available, another federal identifying number must be used.

Note 2: Significant Accounting Policies

- A. Reporting Entity - The accompanying schedule includes the federal financial assistance programs administered by the State of Alaska for the fiscal year ended June 30, 2002.
- B. Basis of Presentation - The accompanying schedule presents expenditures of federal awards for each federal financial assistance program in accordance with OMB Circular A-133. Federal program titles are reported as presented in the CFDA whenever possible.

As defined in OMB Circular A-133, federal financial assistance means assistance provided by a federal agency in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, or direct appropriations. However it does not include direct federal cash assistance to individuals. Federal financial assistance includes awards received directly from federal agencies, or indirectly through other units of state and local government and private nonprofit agencies.

This schedule identifies federal financial assistance with the state agency that uses the federal assistance directly for the federal program's purpose. Sometimes a state (requesting) agency passes federal assistance through to another (servicing) state agency using a reimbursable services agreement. When this has occurred, the requesting agency's financial assistance reported on this schedule does not include amounts passed through to the servicing agency (see Note 4).

Note 3: Major Federal Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used by the auditor in determining the major federal programs. For the fiscal year ended June 30, 2002, using the A-133 criteria, the State of Alaska has 38 major federal programs. The major federal programs are identified on the Schedule of Findings and Questioned Costs in Section II.

Note 4: Federal Pass-through Funds

This federal financial assistance was passed through from another State of Alaska agency (see Note 2 B).

Note 5: State Match

The exact amount of federal financial assistance cannot be readily determined for this federal program. The expenditures amount includes state matching dollars and overmatch, if any.

Note 6: Indirect Costs

Expenditures amount includes indirect costs recovered.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2002

Note 7: Food Stamps

At fiscal year end, June 30, 2002, food stamp inventory was approximately \$1.8 million and during FY 02, approximately \$56.1 million were issued.

Note 8: WIC Rebates

During FY 02 the Alaska Department of Health and Social Services (DHSS) received cash rebates of \$3,047,657 from infant formula manufacturers on sales of formula to participants in the WIC Program. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enables DHSS to extend program benefits to approximately 55,647 more persons than could have been served this fiscal year in the absence of the rebate contract. The number of additional persons provided benefits was determined by dividing the total amount of program benefits by the total number of individuals to determine average individual benefits. Total rebate dollars were then divided by the average benefit (CFDA 10.557).

Note 9: Fiscal Year

All State of Alaska agencies are reported using a fiscal year that ends June 30 except the Alaska Railroad Corporation whose fiscal year ends December 31.

Note 10: Cluster Programs

OMB Circular A-133 identifies programs to be considered clusters of programs for auditing purposes. These clusters consist of related programs that share common compliance requirements.

A. RESEARCH AND DEVELOPMENT CLUSTER

	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE	
Agricultural Research Service	\$ 568,592
Animal and Plant Health Inspection Service	17,670
Cooperative State Research, Education, and Extension Service	2,874,975
U.S. Forest Service	285,695
Other Subdivision	511,378
 U.S. DEPARTMENT OF COMMERCE	
Economic Development Administration	(2,922)
National Oceanic and Atmospheric Administration	9,611,905
Other Subdivision	360,465
 U.S. DEPARTMENT OF DEFENSE	
Department of the Navy, Office of the Chief of Naval Research	3,138,273
U.S. Army Office of the Chief of Engineers	72,478
U.S. Army Research and Material Command	419,715
National Guard Bureau	543,397
Other Subdivision	1,922,633

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF THE INTERIOR	
Bureau of Indian Affairs	10,017
Bureau of Land Management	41,534
U.S. Fish and Wildlife Service	17,228
Geological Survey	4,542,527
National Park Service	(5,119)
Other Subdivision	1,792,273
 U.S. DEPARTMENT OF JUSTICE	
Bureau of Justice Assistance	46,156
Bureau of Justice Statistics	55,680
National Institute of Justice	77,523
Office of Juvenile Justice and Delinquency Prevention	65,121
 U.S. DEPARTMENT OF LABOR	
Employment and Training Administration	(37)
 U.S. DEPARTMENT OF STATE	
	(2,757)
 U.S. DEPARTMENT OF TRANSPORTATION	
Federal Aviation Administration	51,369
Research and Special Programs Administration	90,223
 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	
	17,043,846
 NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
National Endowment for the Arts	4,341
 NATIONAL SCIENCE FOUNDATION	
	18,515,959
 ENVIRONMENTAL PROTECTION AGENCY	
Office of Air and Radiation	15,675
Office of Water	92,655
Office of Solid Waste and Emergency Response	31,661
Office of Administration	201,905
 U.S. DEPARTMENT OF ENERGY	
	2,327,634
 U.S. DEPARTMENT OF EDUCATION	
	1,927,379
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Health Resources and Services Administration	80,062
National Institutes of Health	3,472,496
Substance Abuse and Mental Health Services Administration	83,041
Other Subdivision	295,630
<hr/>	
Total Research and Development Cluster	\$ 71,198,276

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

B. STUDENT FINANCIAL AID CLUSTER

	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION	
84.007 Supplemental Educational Opportunity Grants	\$ 703,721
84.032 Federal Family Education Loans	18,038,877
84.033 Federal Work-Study Program	311,237
84.063 Federal Pell Grant Program	7,327,673
	7,327,673
Total Student Financial Aid Cluster	\$ 26,381,508

C. OTHER CLUSTERS

	<u>EXPENDITURES</u>
FOOD STAMP CLUSTER	
10.551 Food Stamps	\$ 56,080,069
10.561 State Administrative Matching Grants for Food Stamp Program	7,232,868
	7,232,868
Total Food Stamp Cluster	\$ 63,312,937

CHILD NUTRITION CLUSTER	
10.553 School Breakfast Program	\$ 3,070,130
10.555 National School Lunch Program	17,372,278
10.556 Special Milk Program for Children	6,316
10.559 Summer Food Service Program for Children	298,897
	298,897
Total Child Nutrition Cluster	\$ 20,747,621

EMERGENCY FOOD ASSISTANCE CLUSTER	
10.568 Emergency Food Assistance Program (Administrative Costs)	\$ 120,417
	120,417

SCHOOLS AND ROADS CLUSTER	
10.665 Schools and Roads: Grants to States	\$ 8,795,298
	8,795,298

PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER	
11.307 Economic Adjustment Assistance	\$ 528,392
	528,392

SECTION 8 PROJECT-BASED CLUSTER	
14.182 Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	\$ 1,924,436
14.195 Section 8 Housing Assistance Payments Program: Special Allocations	5,214,369
	5,214,369
Total Section 8 Project-based Cluster	\$ 7,138,805

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

	<u>EXPENDITURES</u>
FISH AND WILDLIFE CLUSTER	
15.605 Sport Fish Restoration	\$ 11,814,865
15.611 Wildlife Restoration	7,120,783
Total Fish and Wildlife Cluster	<u>\$ 18,935,648</u>
 EMPLOYMENT SERVICES CLUSTER	
17.207 Employment Service	\$ 9,255,557
17.801 Disabled Veterans' Outreach Program (DVOP)	242,144
17.804 Local Veterans' Employment Representative Program	544,691
Total Employment Services Cluster	<u>\$ 10,042,392</u>
 WORKFORCE INVESTMENT ACT CLUSTER	
17.258 WIA Adult Program	\$ 3,047,414
17.259 WIA Youth Activities	1,724,998
17.260 WIA Dislocated Workers	7,317,997
Total Employment Services Cluster	<u>\$ 12,090,409</u>
 HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	
20.205 Highway Planning and Construction	<u>\$ 329,217,268</u>
 FEDERAL TRANSIT CLUSTER	
20.500 Federal Transit: Capital Investment Grants	\$ 5,721,670
20.507 Federal Transit: Formula Grants	7,136,744
Total Federal Transit Cluster	<u>\$ 12,858,414</u>
 HIGHWAY SAFETY CLUSTER	
20.600 State and Community Highway Safety	\$ 1,399,743
20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,196,203
Total Highway Safety Cluster	<u>\$ 2,595,946</u>
 SPECIAL EDUCATION CLUSTER	
84.027 Special Education: Grants to States	\$ 16,997,989
84.173 Special Education: Preschool Grants	1,315,237
Total Special Education Cluster	<u>\$ 18,313,226</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

	<u>EXPENDITURES</u>
TRIO CLUSTER	
84.042 TRIO: Student Support Services	\$ 79,894
84.044 TRIO: Talent Search	363,270
84.047 TRIO: Upward Bound	1,152,560
84.066 TRIO: Educational Opportunity Centers	557,720
Total TRIO Cluster	<u><u>\$ 2,153,444</u></u>
 AGING CLUSTER	
93.044 Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	\$ 1,439,132
93.045 Special Programs for the Aging: Title III, Part C: Nutrition Services	2,607,771
Total Aging Cluster	<u><u>\$ 4,046,903</u></u>
 CHILD CARE CLUSTER	
93.575 Child Care and Development Fund	\$ 18,818,667
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	9,804,202
Total Child Care Cluster	<u><u>\$ 28,622,869</u></u>
 MEDICAID CLUSTER	
93.778 Medical Assistance Program (Medicaid)	\$ 484,509,788
93.775 State Medicaid Fraud Control Units	338,330
93.777 State Survey and Certification of Health Care Providers and Suppliers	159,265
Total Medicaid Cluster	<u><u>\$ 485,007,383</u></u>
 DISABILITY INSURANCE/SSI CLUSTER	
96.001 Social Security Disability Insurance	\$ 1,828,675
96.006 Supplemental Security Income	3,012,946
Total Disability Insurance/SSI Cluster	<u><u>\$ 4,841,621</u></u>

Note 11: Unemployment Insurance

Federal participation in FY 02 Unemployment Insurance Benefits was \$16,051,523. Federal participation for program administration was \$22,553,389. UI benefits paid by the state during FY 02 was \$134,124,204 and Reed Act distribution was \$713,887. (CFDA No. 17.225)

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

Note 12: Petroleum Violation Escrow

Department of Energy (ENERGY) programs were funded in part by Petroleum Violation Escrow (PVE) funds. These expenditures are not included in the Schedule of Federal Financial Assistance. PVE funds represent the State of Alaska share of settlement proceeds in various lawsuits between the Federal Government and oil producers. During FY 02, AHFC expended \$.00 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY 02, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Those programs, and the related principal balance of the loans covered at June 30, 2002, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 945,545,608
Department of Veterans' Affairs Mortgage Guarantees	632,675,935
Farmers Home Administration Mortgage Insurance	104,637,641
Total Loan Guarantees and Insurance Programs	<u>\$ 1,682,859,184</u>

Note 14: Federal Surplus Property Program

All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Division of General Services. In FY 02, the state processed federal property valued at \$13,634,129.10 donors' acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.3% of donors' cost. This is the expenditure amount shown on the schedule \$3,176,752.08. The ending inventory at June 30, 2002, carried at the donors' acquisition cost was \$3,134,063.90 (CFDA 39.003).

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY 02, commodities distributed totaled \$3,195,329. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2002 (CFDA 10.550).

Note 16: Federally Funded Student Loan Programs

Paul Douglas Teacher Scholarship program requires scholarship recipients to pay back assistance received if certain program requirements are not fulfilled. As of June 30, 2002, there were 14 outstanding scholarships, which totaled \$134,788 (CFDA 84.176).

Note 17: Capitalization Grants for State Revolving Funds

The U.S. Environmental Protection Agency jointly funds the Alaska Clean Water Fund with the State of Alaska. At fiscal year end June 30, 2002, 76 loan commitments totaling \$164,411,561 had been granted. Total loans against these commitments were \$113,794,596 of which \$94,828,792 was federal participation. Of the \$94,828,792, \$5,951,396 was disbursed in FY 02. Repayment received during FY 02 totaled \$5,749,439. Loans outstanding at June 30, 2002, totaled \$90,173,515 (CFDA 66.458).

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the state. At fiscal year end June 30, 2002, 32 loan commitments totaling \$55,188,790 had been granted which consists of \$7,821,000 in disadvantaged assistance and \$47,367,790 in loan assistance. Total loans against these commitments were \$30,609,916 of which \$25,508,253 was federal participation. Of the \$25,508,253, \$6,580,263 was disbursed in FY02. Loans outstanding at June 30, 2002, totaled \$24,164,111 (CFDA 66.468).

Note 19: Last Resort Housing Loans

DOTPF made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY 02 loan disbursements, if any, are included in CFDA 20.205 and CFDA 20.106. The exact amount is not readily available. Loans outstanding at June 30, 2002, totaled \$361,007. Federal share of principal is \$338,704.

Note 20: Medical Assistance Program Deferred Claims

The Department of Health and Social Services received notification from the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS) in September 2002 that over \$11 million of Medical Assistance Program federal expenditures for In-Patient Hospital Services included in the FY 02 Schedule of Expenditures of Federal Awards was deferred. The State is providing additional information to CMS to support the expenditures (CFDA 93.778).

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

PRIMARY GOVERNMENT

Report: **02-6800-98** **Prior Audit Finding:**
 Finding Number: **18**
 Fiscal Year: **1997**
 Initial Finding Year: **1997**
The director of the Division of Medical Assistance (DMA) should ensure that the division effectively monitors utilization control of the Medical Assistance Program.

Federal Agency: **USDHHS** **Status/corrective action planned/reasons for no further action:**
 State Agency: **DHSS**
 CFDA: **93.778**
 Questioned Costs: Not
 determined
 Please refer to the department response - Report: **02-40001-01**, Finding Number 13.

Report: **02-6800-98** **Prior Audit Finding:**
 Finding Number: **21**
 Fiscal Year: **1997**
 Initial Finding Year: **1997**
The director of DMA should ensure that providers are eligible and are aware of its disclosure requirements by updating enrollment on a periodic basis.

Federal Agency: **USDHHS** **Status/corrective action planned/reasons for no further action:**
 State Agency: **DHSS**
 CFDA: **93.778**
 Questioned Costs: Not
 determined
 Please refer to the department response - Report: **02-40001-01**, Finding Number 14.

Report: **02-6900-99** **Prior Audit Finding:**
 Finding Number: **19**
 Fiscal Year: **1998**
 Initial Finding Year: **1997**
The director of DMA should ensure that the division effectively monitors utilization control of the Medical Assistance Program.

Federal Agency: **USDHHS** **Status/corrective action planned/reasons for no further action:**
 State Agency: **DHSS**
 CFDA: **93.778**
 Questioned Costs: None
 Please refer to the department response - Report: **02-40001-01**, Finding Number 13.

Report: **02-6900-99** **Prior Audit Finding:**
 Finding Number: **21**
 Fiscal Year: **1998**
 Initial Finding Year: **1997**
The director of DMA should ensure that providers are eligible and are aware of its disclosure requirements by updating enrollment on a periodic basis.

Federal Agency: **USDHHS** **Status/corrective action planned/reasons for no further action:**
 State Agency: **DHSS**
 CFDA: **93.778**
 Questioned Costs: None
 Please refer to the department response - Report: **02-40001-01**, Finding Number 14.

Report: **02-40000-00** **Prior Audit Finding:**
 Finding Number: **25**
 Fiscal Year: **1999**
 Initial Finding Year: **1997**
The director of the Division of Medical Assistance (DMA) should ensure that the division effectively monitors utilization control of the Medical Assistance program.

Federal Agency: **USDHHS** **Status/corrective action planned/reasons for no further action:**
 State Agency: **DHSS**
 CFDA: **93.778**
 Questioned Costs: None
 Please refer to the department response - Report: **02-40001-01**, Finding Number 13.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: 02-40000-00 Finding Number: 27 Fiscal Year: 1999 Initial Finding Year: 1997 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: None	<u>Prior Audit Finding:</u> <u>The director of DMA should ensure that providers are eligible and are aware of its disclosure requirements by updating enrollment on a periodic basis.</u> <u>Status/corrective action planned/reasons for no further action:</u> Please refer to the department response - Report: 02-40001-01 , Finding Number 14.
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Report: 02-40001-01 Finding Number: 3 Fiscal Year: 2000 Initial Finding Year: 1998 Federal Agency: USDHHS, USDOL State Agency: DOA CFDA: 93.044, 93.045 Questioned Costs: \$260,697 CFDA: 17.235 Questioned Costs: \$143,298	<u>Prior Audit Finding:</u> <u>The DOA's director of the Division of Senior Services (DSS) and the executive director of the Alaska Commission on Aging (ACOA) should ensure personal services costs are properly allocated to federal programs.</u> <u>Status/corrective action planned/reasons for no further action:</u> This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002.
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Report: 02-40001-01 Finding Number: 4 Fiscal Year: 2000 Initial Finding Year: 1998 Federal Agency: USDHHS, USDOL State Agency: DOA CFDA: 93.044, 93.045 Questioned Costs: \$24,576 CFDA: 17.235 Questioned Costs: \$9,629	<u>Prior Audit Finding:</u> <u>DOA's director of DSS should establish procedures to ensure that costs are charged to federal awards in accordance with the relative benefits received.</u> <u>Status/corrective action planned/reasons for no further action:</u> This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002.
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Report: 02-40001-01 Finding Number: 5 Fiscal Year: 2000 Initial Finding Year: 1998 Federal Agency: USDHHS, USDOL State Agency: DOA CFDA: 93.044, 93.045 Questioned Costs: Indeterminate CFDA: 17.235 Questioned Costs: Indeterminate	<u>Prior Audit Finding:</u> <u>DOA director of DSS and the executive director of ACOA should improve its monitoring of subrecipients to ensure that federal funds passed through to grantees are spent in accordance with federal requirements.</u> <u>Status/corrective action planned/reasons for no further action:</u> This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **7**
Fiscal Year: **2000**
Initial Finding Year: **1992**

Federal Agency: **USDHHS**
State Agency: **DOR**
CFDA: **93.563**
Questioned Costs: None

Prior Audit Finding:

The Department of Revenue's (DOR) director of Child Support Enforcement Division (CSED) should take steps to ensure that federal requirements for the Child Support Enforcement program are met.

Status/corrective action planned/reasons for no further action:

This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002.

Report: **02-40001-01**
Finding Number: **8**
Fiscal Year: **2000**
Initial Finding Year: **1998**

Federal Agency: **USDHHS**
State Agency: **DOR**
CFDA: **93.563**
Questioned Costs: None

Prior Audit Finding:

CSED's director should continue efforts to isolate and correct deficiencies in the new computer system.

Status/corrective action planned/reasons for no further action:

This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002.

Report: **02-40001-01**
Finding Number: **10**
Fiscal Year: **2000**
Initial Finding Year: **1999**

Federal Agency: **USDHHS**
State Agency: **DOR**
CFDA: **93.563**
Questioned Costs: None

Prior Audit Finding:

CSED's director should improve internal controls over the bank reconciliation function and ensure staff follows established guidelines.

Status/corrective action planned/reasons for no further action:

This recommendation is considered closed by the Federal Government. See final determination letter dated May 31, 2002. Cash balances are now reconciled and will remain so.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **13**
Fiscal Year: **2000**
Initial Finding Year: **1997**

Prior Audit Finding:

The director of the Division of Medical Assistance (DMA) should ensure that the division effectively monitors utilization control of the Medical Assistance program.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

DHSS recognizes that this is a repeat recommendation for the FY 1997, 1998, 1999, and 2000 single audits. Also, it is expected that there is a continued backlog of the cases during FY 01. The DMA post-payment review policy and procedure manual has been completed and provided to our fiscal agent. The manual is currently in use.

Also, DMA continues to move toward resolving the backlog of SURS cases. As of November 2001, the provider-recipient review function within DMA is staffed with a manager and three full-time Medical Assistance Administrators. DMA is working to develop a memorandum of agreement (MOA) that will allow the use of audit work completed by another division, and plans to research the feasibility of additional MOAs with other divisions. Internally, DMA is training and utilizing other audit resources within the division to provide some support for the SUR function. The SUR review activities under contract with First Health are being improved through routinely scheduled work process meetings and the hiring of an additional staff member within First Health.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **14**
Fiscal Year: **2000**
Initial Finding Year: **1997**

Prior Audit Finding:

The director of DMA should ensure that providers are eligible and aware of its disclosure requirements by updating enrollment on a periodic basis.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

DHSS recognizes that this is a repeat recommendation for the FY 1997, 1998, 1999, and 2000 single audits. DMA continues to concur with this recommendation and the need for such controls, and plans to initiate a new, significantly different, application/enrollment process under the MMIS reprocurement. The MMIS reprocurement effort has encountered delays but continues with an expected implementation date between January and June of 2004. In recognition of this recommendation, the RFP does require that the re-enrollment of providers be scheduled early in the installation process of the new MMIS.

DMA controls currently in place to monitor and review provider enrollment include:

- Monthly provider enrollment and eligibility list cross-checks against the Division of Occupational Licensing database to ensure licensed providers remain licensed;
- Ongoing reviews of nonlicensed providers to identify potential problem areas and update re-enrollment; and
- Periodic provider enrollment and eligibility list crosschecks with the Medicare/Medicaid Sanctions/Reinstatement Report issued by the Office of the Inspector General to help identify ineligible providers.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **22**
Fiscal Year: **2000**
Initial Finding Year: **2000**

Federal Agency: **USDOC**
State Agency: **DCED**
CFDA: **11.477**
Questioned Costs: None

Prior Audit Finding:

The Department of Community and Economic Development's (DCED) director of administrative services should take action to ensure that the Bristol Bay loan program is administered in accordance with federal requirements.

Status/corrective action planned/reasons for no further action:

DCED concurs with this recommendation. Clearly, the method used to comply with the federal requirements of the Bristol Bay loan program was incomplete and confusing. The urgency of the disaster necessitated immediate action resulting in the loan program method as described in the audit. In addition, as also described in footnote #7 in the audit:

The Department of Community and Regional Affairs applied for and received the federal award for the fisheries disaster relief program. Effective FY 00, the department was dissolved and administration of the program was moved to DCED. This restructuring also contributed to the confusion over responsibilities for ensuring the loan program complied with federal requirements.

This audit finding has been resolved in accordance with OMB Circular A-133. As authorized by SLA 01, with federal concurrence, the balance held in the Bristol Bay loan fund and all subsequent loan payments were appropriated to the bulk fuel revolving loan fund.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **23**
Fiscal Year: **2000**
Initial Finding Year: **2000**

Federal Agency: **USDOC**
State Agency: **DCED**
CFDA: **11.477**
Questioned Costs: \$58,958

Prior Audit Finding:

DCED's director of administrative services should enforce procedures to ensure personal services expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

DCED concurs with this recommendation. Under normal circumstances DCED does require full compliance to OMB Circular A-87 and shall continue to do so.

However, because of the immense workload created by the transfer of several DCRA programs when the two departments were merged, DCED staff did not begin to review the Bristol Bay Fisheries Disaster Program until later in FY 00. By then, different staff had assumed responsibility for the Disaster Program and the OMB Circular A-87 payroll requirements had been overlooked. When discovered, DCED could have had staff recreate timesheets from the beginning of FY 00. But DCED also realized that to do so would have been a guess at best. Instead, DCED chose to discuss the situation with the Disaster Program staff. The discussions revealed that the employees' workload and level of effort more than justified the payroll expensed to the Disaster grant. And, in reality, additional employees were also working on the Disaster Program and their payroll had not been expensed to the Disaster Program.

This audit finding has been resolved in accordance with OMB Circular A-87. As requested by the federal agency, DCED is refunding the federal agency \$58,958.

Report: **02-40001-01**
Finding Number: **25**
Fiscal Year: **2000**
Initial Finding Year: **2000**

Federal Agency: **USDA**
State Agency: **DMVA**
CFDA: **USDA-FSA-KCMODS**
Questioned Costs: \$3,785

Prior Audit Finding:

The director of Division of Emergency Services (DES) should ensure that Western Alaska Fishery Disaster (WAFD) assistance is spent on allowable expenditures.

Status/corrective action planned/reasons for no further action:

DES sent letters in October 2002 to all WAFD vendors requesting confirmation of eligible FEDA fund expenses. Additionally, the letter advised them to return any unused funds within thirty days to the State of Alaska. To date, forty vendors have issued \$39,941.51 in refunds. Verification of account balances has resulted in some discrepancies with vendor records and DES continues to work these closeout issues. Audit finding resolution is on-going.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: 02-40001-01 Finding Number: 27 Fiscal Year: 2000 Initial Finding Year: 2000 Federal Agency: USDOJ State Agency: DPS CFDA: 16.575, 16.579, 16.588 Questioned Costs: None	<u>Prior Audit Finding:</u> <u>The director of Alaska State Troopers (AST) and the executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) should develop and implement procedures to monitor subrecipients who receive federal pass-through funds.</u> <u>Status/corrective action planned/reasons for no further action:</u> This audit finding is resolved in accordance with OMB Circular A-133 __.315.
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Report: 02-40001-01 Finding Number: 28 Fiscal Year: 2000 Initial Finding Year: 2000 Federal Agency: USDOJ State Agency: DPS CFDA: 16.575, 16.579, 16.588 Questioned Costs: None	<u>Prior Audit Finding:</u> <u>The director of AST and the executive director of CDVSA should implement procedures to track the subrecipient match component for federal grants.</u> <u>Status/corrective action planned/reasons for no further action:</u> This audit finding is resolved in accordance with OMB Circular A-133 __.315.
<hr/>	
Report: 02-40001-01 Finding Number: 29 Fiscal Year: 2000 Initial Finding Year: 2000 Federal Agency: USDOJ State Agency: DPS CFDA: 16.575, 16.579, 16.588 Questioned Costs: None	<u>Prior Audit Finding:</u> <u>The director of AST and executive director of CDVSA should implement procedures to ensure subrecipients are properly informed and fulfilling federal award requirements.</u> <u>Status/corrective action planned/reasons for no further action:</u> This recommendation is partially resolved. The recommendation continues for VAWA (CFDA 16.588). This audit finding is resolved in accordance with OMB Circular A-133 __.315 for CFDA 16.575 and CFDA 16.579.
<hr/>	
Report: 02-40001-01 Finding Number: 30 Fiscal Year: 2000 Initial Finding Year: 2000 Federal Agency: USDOJ State Agency: DPS CFDA: 16.575 Questioned Costs: \$281,604 CFDA: 16.579 Questioned Costs: \$336,057 CFDA: 16.588 Questioned Costs: \$91,903	<u>Prior Audit Finding:</u> <u>The director of AST and the executive director of CDVSA should implement procedures to ensure that reimbursements to subrecipients are supported.</u> <u>Status/corrective action planned/reasons for no further action:</u> This audit finding is resolved in accordance with OMB Circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40001-01**
Finding Number: **31**
Fiscal Year: **2000**
Initial Finding Year: **2000**

Federal Agency: **USDOJ**
State Agency: **DPS**
CFDA: **16.575**
Questioned Costs: \$7,971
CFDA: **16.579**
Questioned Costs: Immaterial
CFDA: **16.588**
Questioned Costs: \$17,845

Prior Audit Finding:

The director of AST and the executive director of CDVSA should ensure the distribution of personal services costs to federal programs comply with federal regulations.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 __.315.

Report: **02-40001-01**
Finding Number: **33**
Fiscal Year: **2000**
Initial Finding Year: **2000**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None

Prior Audit Finding:

The Department of Environmental Conservation's (DEC) Director of Administrative Services should modify the Schedule of Federal Expenditures preparation procedure to improve reporting accuracy.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40002-02**
Finding Number: **3**
Fiscal Year: **2001**
Initial Finding Year: **1998**

Federal Agency: **USDHHS,
USDOL**

State Agency: **DOA**
CFDA: **93.044, 93.045**

Questioned Costs:
Indeterminate
CFDA: **17.235**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The Department of Administration's (DOA) director of Division of Senior Services (DSS) and the executive director of the Alaska Commission on Aging (ACOA) should improve its monitoring of subrecipients to ensure that federal funds passed through to grantees are spent in accordance with federal requirements.

Status/corrective action planned/reasons for no further action:

The Department of Administration, Division of Senior Services concurs with this recommendation. ACOA staff and the DOA Finance Officer developed a "desk review" process intended to supplement the site review process. Desk reviews will improve subrecipient monitoring in areas of grantee financial activity. These reviews will select at random aging cluster and senior employment grantees that have received a financial audit but have not been reviewed on-site. Each review will test one of the ten applicable compliance areas. This review process will require agencies to submit documents supporting the compliance requirement being tested.

This desk review process allows DSS to address these compliance issues with limited travel and staff resources. It will be used to review grantees not required to obtain an independent A-133 audit.

In addition to desk audits, ACOA staff are working to improve their field review process. The ACOA Program Manager traveled to federal Region X office in January for orientation. Federal officials provided two evaluation instruments; one focused on program and fiscal measures, one on client satisfaction. ACOA is reviewing these for inclusion in project assessment.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40002-02**
Finding Number: **4**
Fiscal Year: **2001**
Initial Finding Year: **2001**

Federal Agency: **GSA**
State Agency: **DOA**
CFDA: **39.003**
Questioned Costs: None

Prior Audit Finding:

The Division of General Services Director should improve documentation of program activities for the Donation of Federal Surplus Personal Property Program.

Status/corrective action planned/reasons for no further action:

The Department of Administration, Division of General Services (DGS) is working to improve the documentation of program activities. The division has supporting documentation for nonprofit 501(c)(3) corporations and the funding source documentation of other nonprofits. Each file may not contain actual copies of the documentation but the status of various entities within the State is documented in the general files of the Property Management Office. When we receive new applications from unknown entities DGS does verify their status. The GSA Region 10 office has informed us that it is our call to determine if the public agency is valid; a phone call will suffice. DGS staff always makes telephonic investigative inquiries if the entity is not recognized or if the staff feel further verification is necessary. This has always been acceptable practice and we will confirm that with the upcoming federal review scheduled for early FY 03.

The DGS staff will review the application files to ensure the program participants do indeed have verification documentation in their files. This verification documentation may only be represented by a written record of the telephonic investigation conducted by the DGS staff.

The DGS acknowledges being behind in compliance documentation; however, the actual monitoring of recipient activities is taking place. Priorities have been established and critical tasks are accomplished even though filing may be backlogged at times. DGS staff will make a concerted effort to get the proper documentation into the files.

Report: **02-40002-02**
Finding Number: **6**
Fiscal Year: **2001**
Initial Finding Year: **1992**

Federal Agency: **USDHHS**
State Agency: **DOR**
CFDA: **93.563**
Questioned Costs: None

Prior Audit Finding:

The Department of Revenue's (DOR) director of the Child Support Enforcement Division (CSED) should take steps to ensure that federal requirements for the Child Support Enforcement program are met.

Status/corrective action planned/reasons for no further action:

This recommendation is considered closed by the Federal Government. See final determination letter dated April 28, 2003. Preliminary findings for FY 2002 from our internal assessment indicate CSED is in substantial compliance in all areas. Compliance for Paternity and Order Establishment is in marginal compliance at 74% (the standard is 75%, but our margin for error is +/-2%). CSED will improve that score to 75% in FY 2003.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: 02-40002-02 Finding Number: 7 Fiscal Year: 2000 Initial Finding Year: 1998, 1999 Federal Agency: USDHHS State Agency: DOR CFDA: 93.563 Questioned Costs: None	<p><u>Prior Audit Finding:</u></p> <p><u>The director of the Child Support Enforcement Division should correct the internal control weaknesses over the division's cash management system.</u></p> <p><u>Status/corrective action planned/reasons for no further action:</u></p> <p>This recommendation is considered closed by the Federal Government. See final determination letter dated April 28, 2003.</p>
<hr/>	
Report: 02-40002-02 Finding Number: 9 Fiscal Year: 2001 Initial Finding Year: 2001 Federal Agency: USDHHS State Agency: DEED CFDA: 93.575, 93.596 Questioned Costs: \$21,255	<p><u>Prior Audit Finding:</u></p> <p><u>The director of Division of Early Development (DED) should ensure that personal service charges are supported as federally required.</u></p> <p><u>Status/corrective action planned/reasons for no further action:</u></p> <p>This recommendation is considered closed by the Federal Government. See final determination letter dated April 28, 2003.</p>
<hr/>	
Report: 02-40002-02 Finding Number: 10 Fiscal Year: 2001 Initial Finding Year: 2001 Federal Agency: USDHHS State Agency: DEED CFDA: 93.575, 93.596 Questioned Costs: None	<p><u>Prior Audit Finding:</u></p> <p><u>The director of DEED Division of Education Support Services (ESS), should ensure that federal program financial reports are accurate and supported by the accounting records.</u></p> <p><u>Status/corrective action planned/reasons for no further action:</u></p> <p>This recommendation is considered closed by the Federal Government. See final determination letter dated April 28, 2003.</p>
<hr/>	
Report: 02-40002-02 Finding Number: 11 Fiscal Year: 2001 Initial Finding Year: 2001 Federal Agency: USDHHS State Agency: DHSS CFDA: 93.778 Questioned Costs: \$211,272	<p><u>Prior Audit Finding:</u></p> <p><u>The Department of Health and Social Services' (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.</u></p> <p><u>Status/corrective action planned/reasons for no further action:</u></p> <p>This audit finding is resolved in accordance with OMB Circular A-133__315. Internal controls have been established to ensure another same level accountant responsible for the conversion to the Weekly Drawdown Calculation Spreadsheet (WDCS) reviews the quarterly cost allocation spreadsheet (QPCAS) during the conversion process. Any errors identified during the counter review will be coordinated by both accountants and immediate corrections of the QPCAS will be made.</p> <p>Decreasing claim adjustments were reflected in the Medicaid federal reports for the quarter ending March 31, 2002 for the resolution of the questioned costs. Also, any overdraw as a result of the decreasing claim adjustment has been reduced in the respective federal letter-of-credit draws.</p>

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40002-02**
Finding Number: **12**
Fiscal Year: **2001**
Initial Finding Year: **20010**

Federal Agency: **USDA, USDHHS**
State Agency: **DHSS**
CFDA: **10.551, 93.558, 93.778, 93.568**
Questioned Costs: \$12,434, \$9,080, \$4,428, \$701

Prior Audit Finding:

The DHSS finance officer should ensure staff provides accurate and reliable information for implementing the cost allocation plan.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315. The Division of Public Assistance (DPA) staff has taken corrective action on its random moment time study by instructing staff on its purpose and how to complete activity records.

The MS-ACCESS database program has been revised to ensure that only the appropriate document types are included in the quarterly document count. Also, staff has been trained on the type of documents to be included in the document counts for statewide and department-wide quarterly allocation.

Decreasing claim adjustments will be reflected for each of the affected federal grants by quarter ending December 31, 2002, for the resolution of the questioned costs.

Report: **02-40002-02**
Finding Number: **13**
Fiscal Year: **2001**
Initial Finding Year: **2001**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.658**
Questioned Costs: \$41,858

Prior Audit Finding:

The director of the Division of Family and Youth Services (DFYS) should ensure that unallowable federal expenditures are not charged or allocated to federal programs.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315. The reporting structure of DFYS has an existing state-only program code, which DFYS should use for charging disallowed costs.

A decreasing claim adjustment was included in the Title IV-E federal report for the quarter ending June 30, 2002, for the resolution of the questioned costs.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40002-02**
Finding Number: **14**
Fiscal Year: **2001**
Initial Finding Year: **2001**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558, 93.230**
Questioned Costs: None

Prior Audit Finding:

The director of the Division of Public Health (DPH) and the director of the Division of Mental Health and Developmental Disabilities (DMHDD) should improve the agencies' monitoring of subrecipients to ensure that federal funds are passed through to grantees in accordance with federal requirements.

Status/corrective action planned/reasons for no further action:

This audit finding is partially resolved in accordance with OMB Circular A-133 __.315. Procedures have been established requiring the Administrative Manager of each division to verify and review each NGA to ensure that it is completed properly and in accordance with federal requirements. The recommendation has been implemented by the director of MHDD. However, the recommendation was not implemented for DPH during state fiscal year 03. The TANF funding for DPH is not available in SFY 04.

Report: **02-40002-02**
Finding Number: **21**
Fiscal Year: **2001**
Initial Finding Year: **2000**

Federal Agency: **USDA**
State Agency: **DMVA**
CFDA: **USDA-FCA-KCMODS**
Questioned Costs: \$15,877

Prior Audit Finding:

The director of Division of Emergency Services (DES) should ensure that Western Alaska Fishery Disaster (WAFD) assistance is spent for allowable expenditures.

Status/corrective action planned/reasons for no further action:

Please refer to the department response - Report: **02-40001-01**, Finding Number 25.

Report: **02-40002-02**
Finding Number: **23**
Fiscal Year: **2001**
Initial Finding Year: **2000**

Federal Agency: **USDOJ**
State Agency: **DPS**
CFDA: **16.575, 16.588, 16.579**
Questioned Costs: None

Prior Audit Finding:

The director of Alaska State Troopers (AST) and the executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) should implement procedures to monitor subrecipients who receive federal pass-through funds.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 __.315.

Report: **02-40002-02**
Finding Number: **24**
Fiscal Year: **2001**
Initial Finding Year: **2000**

Federal Agency: **USDOJ**
State Agency: **DPS**
CFDA: **16.575, 16.588, 16.579**
Questioned Costs: None

Prior Audit Finding:

The director of AST and the executive director of CDVSA should implement procedures to track the subrecipient match component for federal grants.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Report: **02-40002-02**
Finding Number: **25**
Fiscal Year: **2001**
Initial Finding Year: **2000**

Federal Agency: **USDOJ**
State Agency: **DPS**
CFDA: **16.575, 16.588,**
16.579
Questioned Costs: None

Prior Audit Finding:

The director of AST and executive director of CDVSA should implement procedures to ensure subrecipients are properly informed and fulfilling federal award requirements.

Status/corrective action planned/reasons for no further action:

This recommendation is partially resolved. The recommendation continues for VAWA (CFDA 16.588). This audit finding is resolved in accordance with OMB Circular A-133 __.315 for CFDA 16.575 and CFDA 16.579.

Report: **02-40002-02**
Finding Number: **26**
Fiscal Year: **2001**
Initial Finding Year: **2000**

Federal Agency: **USDOJ**
State Agency: **DPS**
CFDA: **16.575**
Questioned Costs: \$57.622
CFDA: **16.588**
Questioned Costs: Not
determined

Prior Audit Finding:

The director of AST and the executive director of CDVSA should ensure the distribution of personal services costs to federal programs comply with federal regulations.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

COMPONENT UNITS

ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC - FINDING 01-01

Federal Agency: USDOD
CFDA: 12.400

Condition Found:

The Alaska Aerospace Development Corporation did not timely file Federal grant reports for the Kodiak Launch Complex grants.

Status: Partially corrected.

Planned Corrective Action: AADC is taking actions to ensure timely filing of grant reports.

Contact Person: Monica James

AADC - FINDING 01-02

Federal Agency: USDOD
CFDA: 12.400

Condition Found:

The Alaska Aerospace Development Corporation reported incorrect cash balances on the Kodiak Launch Center SF-272 grant reports.

Status: Partially corrected.

Planned Corrective Action: AADC will file a corrected report and ensure closer proofreading of future reports.

Contact Person: Monica James

AADC - FINDING 01-03

Federal Agency: USDOD
CFDA: 12.400

Condition Found:

The Alaska Aerospace Development Corporation had not finalized the property records supporting the Kodiak Launch Complex (KLC).

Status: Corrective action was taken.

Contact Person: Monica James

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

ALASKA ENERGY AUTHORITY (AEA)

AEA - FINDING No. 00-1

Federal Agency: U.S. Department of Energy, Denali Commission
CFDA: 81.087, 90.100

Finding:

OMB Circular A-133 requires that pass-through entities monitor activities of sub-recipients to ensure that they monitor Federal awards in compliance with Federal requirements. This monitoring process should include a provision to ensure that the sub-recipients are having federal single audits performed. A system to ensure that such audits were being performed was not in place during the audit.

Corrective Action:

Corrective action has been taken. During January 2002, AEA implemented a process for monitoring the activities of sub-recipients. This process includes notifying each sub-recipient in writing of the single audit requirement and providing the total dollar amount of grant expenditures by federal grant, by fiscal year. AEA has notified all applicable grant sub-recipients of their federal grant expenditures for the fiscal years 2000 and 2001. AEA will continue this process annually.

ALASKA HOUSING FINANCE CORPORATION (AHFC)

AHFC - FINDING 01-1

Federal Agency: HUD
CFDA: 14.871 & 14.182

Condition found:

We tested 25 tenant files from each program; Section 8 Housing Choice Vouchers & Section 8 New Construction and Substantial Rehabilitation and found two instances where third party verification of household income was not present in the tenant's file.

Status: Partially corrected

Corrective Action Taken: Staff performed a file review to update the client income verifications.

Planned Corrective Action: A new policy on interim re-examinations of income is currently in development. A new lease was adopted by the AHFC Board of Directors that requires the reporting of any increase of income without the necessity of staff conducting a reexamination and rent adjustment. The timeline for completion of the new policy chapters (public housing and Section 8 Housing Choice Vouchers) is November 29, 2002.

Contact Person: Jim Gurke

AHFC - FINDING 01-2

Federal Agency: HUD
CFDA: 14.871

Condition found:

We tested 25 tenant files and found two instances where the HUD-50058, Family Report were not submitted.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

Status: Corrective action was taken.

Contact Person: Sue Ayers

AHFC - FINDING 01-3

Federal Agency: HUD

CFDA: 14.182

Condition found:

We tested 25 tenant files and found one instance where a housing quality inspection was not performed annually after initial occupancy.

Status: Corrective action was taken.

Contact Person: Elaine Hollier

AHFC – FINDING 01-4

Federal Agency: HUD

CFDA: 14.871

Condition found:

The Corporation has not been following its policies or procedures to ensure the utility allowance schedule is reviewed and undated in a timely manner. The utility allowance schedule currently used is based on a utility study performed as of April 1997, updated in 2000 by applying a flat percentage increase. In March 2001, the Corporation started updating its utility allowance schedule by researching and collecting utility rate data by utility category, housing size and locality. In addition, the revised schedule dated January 2000 currently being used was not prepared in accordance with the provisions within the compliance supplement or 24 CFR 982.517.

Status: Corrective action was taken.

Contact Person: Sue Ayers

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2002 Audit

AHFC - FINDING 01-5

Federal Agency: HUD
CFDA: 14.182

Condition found:

The Corporation has not updated its utility allowance for Ptarmigan Park since 1988. The Corporation collected information to increase the utility allowance during fiscal year 2001 and has submitted a request during July 2001 to increase the allowance effective September 1, 2001. However, prior to this research the Corporation had not gathered the data needed to determine if an increase of 10% or more had occurred.

Status: Corrective action was taken.

Contact Person: Sue Ayers

AHFC - FINDING 01-6

Federal Agency: HUD
CFDA: 14.182

Condition found:

We tested 25 tenant files from the Section 8 New Construction projects and found the following: 1) two instances where tenants housed at Alpine Terrace were not properly selected from the waitlist; 2) one tenant housed at Chugach View who was not properly selected from the waitlist; and 3) three tenants housed at Golden Towers where documentation was not maintained as to how the tenants were selected. Upon further discussion we determined that several other tenants at Alpine Terrace were not properly selected from the waitlist during the year.

Status: Partially Corrected

Corrective Action Taken: Staff has consulted with the local HUD office for clarification

Planned Corrective Action: Upon closer review of the Section 8 New Policy and Procedure and the HUD ACC for Alpine Terrace, it appears that the P&P may require amendment to bring it into conformity with the ACC. The process of using newspaper advertisements to recruit new applicants may, in fact, be the correct methods of adding applicants to the wait list. Staff has consulted with the local HUD office for clarification. Resolution of this item is anticipated by November 1, 2002.

Contact Person: Jim Gurke

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2002

The State of Alaska is required by OMB Circular A-133 to submit a corrective action plan for the findings in the *Statewide Single Audit for the Fiscal year Ended June 30, 2002*. The corrective action plan is incorporated in the agencies' responses to the auditor's recommendations in Section II – Recommendations and Questioned Costs. The agency response for each recommendation immediately follows the auditor's recommendation. A complete copy of each agency's response letter including attachments, if any, is also contained in Section V – APPENDICES.

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SECTION V - APPENDICES

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By State Agency

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
Alaska Aerospace Development Corporation					
USDOD	12.400			Military Construction, National Guard	\$ 12,809,253
Total Alaska Aerospace Development Corporation					12,809,253
Alaska Energy Authority					
USDA	10.857			State Bulk Fuel Revolving Fund Grants	281,522
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	382,545
ENERGY	81.079			Regional Biomass Energy Programs	92,916
ENERGY	81.086			Conservation Research and Development	13,130
ENERGY	81.087			Renewable Energy Research and Development	3,376,643
DC	90.100			Denali Commission Program	14,075,948
Total Alaska Energy Authority					18,222,704
Alaska Housing Finance Corporation					
USDA	10.410			Very Low to Moderate Income Housing Loans	137,614
HUD	14.117			Mortgage Insurance: Homes	1,585,113
HUD	14.182		S8PBC	Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	1,924,436
HUD	14.195		S8PBC	Section 8 Housing Assistance Payments Program: Special Allocations	5,214,369
HUD	14.227			Community Development Block Grants/Special Purpose Grants/Technical Assistance Program	140,362
HUD	14.238			Shelter Plus Care	83,975
HUD	14.239			HOME Investment Partnerships Program	2,248,574
HUD	14.241			Housing Opportunities for Persons with Aids	320,908
HUD	14.249			Section 8 Moderate Rehabilitation Single Room Occupancy	293,204
HUD	14.850			Public and Indian Housing	7,756,520
HUD	14.854			Public and Indian Housing Drug Elimination Program	369,418
HUD	14.855			Section 8 Rental Voucher Program	22,651,752
HUD	14.859			Public Housing: Comprehensive Grant Program	504,999
HUD	14.861			Family Investment Centers Program	7,694
HUD	14.870			Resident Opportunity and Supportive Services	43,113
HUD	14.872			Public Housing Capital Fund	872,551
USDVA	64.114			Veterans Housing: Guaranteed and Insured Loans	376,539
ENERGY	81.041			State Energy Program	314,674
ENERGY	81.042			Weatherization Assistance for Low-Income Persons	1,171,769
USDHHS	93.568			Low-Income Home Energy Assistance	1,522,698
Total Alaska Housing Finance Corporation					47,540,282
Alaska Industrial Development and Export Authority					
USDA	10.999			Statewide Energy Plan	67,310
USDOT	20.205		HPCC	Highway Planning and Construction	1,674,579
DC	90.999			Statewide Energy Plan	127,333
Total Alaska Industrial Development and Export Authority					1,869,222
Alaska Railroad Corporation					
USDA	10.999			USDA - Forest Service	1,491,361
USDOD	12.DTFRDV-00-G-60025			Track Realignment - Elmendorf Air Force Base - 2000 (pass-through from FRA)	2,221,431
USDOD	12.DTFRDV-01-G-60031			Track Realignment - Elmendorf Air Force Base and Fort Richardson - 2000 (pass-through from FRA)	8,042,793
USDOD	12.DTFRDV-99-G-60016			Track Realignment - Elmendorf Air Force Base and Fort Richardson Army Base - 1999 (pass-through from FRA)	2,089,420
USDOI	15.HR4578			unknown	723,710
USDOT	20.500		FTC	Federal Transit: Capital Improvement Grants	3,856,786
USDOT	20.507		FTC	Federal Transit Formula Grants	7,136,744

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By State Agency

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
USDOT	20.DTFRDV-00-G-60021			Capital Rehabilitation and Improvements - 2000	84,858
USDOT	20.DTFRDV-00-G-60022			Seward Dock Intermodal Project - 2000	301,847
USDOT	20.DTFRDV-00-G-60028			Positive Train Control - 2000	460,568
USDOT	20.DTFRDV-01-G-60029			Seward Dock Intermodal Project - 2001	1,498,837
USDOT	20.DTFRDV-01-G-60030			Track Rehabilitation, Siding Access Improvement, and Track Relocation - 2001	10,212,133
USDOT	20.DTFRDV-97-G-60009			Capital Rehabilitation and Improvements - 1997	58,922
USDOT	20.DTFRDV-98-G-60007			Seward Dock Intermodal Project - 1998	15,916
USDOT	20.DTFRDV-99-G-60001			Capital Rehabilitation and Improvements - 1999	686,643
USDOT	20.DTFRDV-99-G-60005			Anchorage International Airport Rail Passenger Station - 1999	11,937,772
USDOT	20.LRFA-AK-93,94,95 (1)			Portage Tunnel Icing Control	116,462
USTreas	21.999			Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	1,549,688
Total Alaska Railroad Corporation					52,485,891
Alaska Student Loan Corporation					
USDVA	64.V101(223b)-P4101&P4201			Veteran's Administration Contract	60,366
Total Alaska Student Loan Corporation					60,366
Alaska Seafood Marketing Institute					
USDA	10.601			Market Access Program	2,123,520
USDA	10.999	agreement #1		Quality Samples Program (QSP)	20,409
USDA	10.999			Cochran Fellowship Program	20,027
USDA	10.999	agreement #67		Section 108 Program	109,919
USDOC	11.313			Trade Adjustment Assistance	1,302,054
Total Alaska Seafood Marketing Institute					3,575,929
Court System					
USDOJ	16.585			Drug Court Discretionary Grant Program	167,771
USDOJ	16.SJI-02-E-008			Statewide Judicial Conference	10,861
USDOE	84.351			Arts in Education	1,000
USDHHS	93.586			State Court Improvement Program	47,555
USDHHS	93.652			Adoption Opportunities	92,146
Total Court System					319,333
Department of Community and Economic Development					
USAID	02.118-G-00-00-00-115-00			USAID Alaska-Sakhalin Working Group	247,564
USDA	10.664			Cooperative Forestry Assistance	1,745
USDA	10.665		SRC	Schools and Roads: Grants to States	8,625,298
USDA	10.672			Rural Development, Forestry, and Communities	374,886
USDOC	11.07-79-56001			Western Alaska Revolving Loan Fund	611,357
USDOC	11.307		PWEDC	Economic Adjustment Assistance	46,906
USDOC	11.419			Coastal Zone Management Administration Awards	1,118,691
USDOC	11.477			Fisheries Disaster Relief	3,010,892
USDOD	12.112			Payments to States in Lieu of Real Estate Taxes	4,859,976
HUD	14.228			Community Development Block Grants/State's Program	1,991,533
HUD	14.231			Emergency Shelter Grants Program	111,999
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	954,509
FEMA	83.105			Community Assistance Program: State Support Services Element (CAP-SSSE)	53,541
FEMA	83.536			Flood Mitigation Assistance	49,202
DC	90.100			Denali Commission Program	848,368
USDHHS	93.569			Community Services Block Grant	1,941,091
USDHHS	93.571			Community Services Block Grant Discretionary Awards: Community Food and Nutrition	3,243
USCNCs	94.013			Volunteers in Service to America	10,820

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<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
Total Department of Community and Economic Development					24,861,621
Department of Environmental Conservation					
USDA	10.12-25-A-3992			Cooperative Pesticide Recordkeeping Program	9,226
USDA	10.43-0109-2-0235			Regulatory Oversight of Contaminated Sites	1,843
USDA	10.43175712			USDA-RD Village Safe Water	8,711,918
USDOC	11.45ABNOB0252			Miscellaneous Inspection Service	11,000
USDOC	11.50ABNC000030			Regulatory Oversight, Pribilof Island	4,376
USDOC	11.50ABNC100055			Regulatory Oversight, Pribilof Islands, Alaska	38,506
USDOD	12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,703,746
USDOD	12.F65501-01-A0003			USAF RCRA Waste	1,179
EPA	66.001			Air Pollution Control Program Support	976,851
EPA	66.432			State Public Water System Supervision	1,996,406
EPA	66.454			Water Quality Management Planning	84,292
EPA	66.458			Capitalization Grants for State Revolving Funds	6,278,994
EPA	66.463			Water Quality Cooperative Agreements	23,535
EPA	66.467			Wastewater Operator Training Grant Program (Technical Assistance)	35,503
EPA	66.468			Capitalization Grants for Drinking Water State Revolving Fund	7,839,654
EPA	66.470			Hardship Grants Program for Rural Areas	31,417
EPA	66.471			State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	235,807
EPA	66.472			Beach Monitoring and Notification Program Development Grants	16,787
EPA	66.500			Environmental Protection Consolidated Research	183,883
EPA	66.605			Performance Partnership Grants	4,082,277
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	22,852,075
EPA	66.609			Children's Health Protection	102,020
EPA	66.700			Consolidated Pesticide Enforcement Cooperative Agreements	227,900
EPA	66.708			Pollution Prevention Grants Program	99,557
EPA	66.802			Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	4,016
EPA	66.804			State and Tribal Underground Storage Tanks Program	187,777
EPA	66.805			Leaking Underground Storage Tank Trust Fund Program	411,619
EPA	66.808			Solid Waste Management Assistance	131
EPA	66.809			Superfund State Core Program Cooperative Agreements	336,520
EPA	66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	178,483
ENERGY	81.104			Office of Science and Technology for Environmental Management	5,858
ENERGY	81.DE-FG08-99NV13726			Provide Oversight for Conduct of Amchitka Island Workers Health	645,369
ENERGY	81.DE-FG08-99NV13763			Amchitka Oversight/NEUNET	319,094
USDHHS	93.223-01-4037			Food Sanitation Inspections	246,076
USDHHS	93.FD-R-002117-01			Risk Focused Inspection Training and Evaluation	11,674
Total Department of Environmental Conservation					57,895,369
Department of Education and Early Development					
USDA	10.550			Food Donation	3,195,329
USDA	10.553		CNC	School Breakfast Program	3,070,130
USDA	10.555		CNC	National School Lunch Program	16,969,914
USDA	10.556		CNC	Special Milk Program for Children	6,316
USDA	10.558			Child and Adult Care Food Program	6,667,469
USDA	10.559		CNC	Summer Food Service Program for Children	298,897
USDA	10.560			State Administrative Expenses for Child Nutrition	558,397
USDA	10.568		EFAC	Emergency Food Assistance Program (Administrative Costs)	120,417
USDOC	11.303			Economic Development: Technical Assistance	24,000
USDOC	11.307		PWEDC	Economic Adjustment Assistance	151,581
NOAA	11.438			Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	448

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USDOD	12.999			Troops to Teachers	1,078
HUD	14.246			Community Development Block Grants/Economic Development Initiative	613,457
USDOL	17.249			Employment Services and Job Training Pilots: Demonstrations and Research	693,299
NFAH	45.025			Promotion of the Arts: Partnership Agreements	459,171
NFAH	45.026			Promotion of the Arts: Leadership Initiatives	230
NFAH	45.301			Institute of Museum and Library Services	54,997
NFAH	45.310			State Library Program	684,199
NSF	47.076			Education and Human Resources	35,400
USDOE	84.002			Adult Education: State Grant Program	37,000
USDOE	84.010			Title I Grants to Local Educational Agencies	20,120,706
USDOE	84.011			Migrant Education: State Grant Program	6,790,573
USDOE	84.013			Title I Program for Neglected and Delinquent Children	144,683
USDOE	84.027		SEC	Special Education: Grants to States	16,997,989
USDOE	84.041			Impact Aid	28,909,347
USDOE	84.048			Vocational Education: Basic Grants to States	4,069,662
USDOE	84.063		SFAC	Federal Pell Grant Program	174,055
USDOE	84.154			Public Library Construction and Technology Enhancement	174,656
USDOE	84.173		SEC	Special Education: Preschool Grants	1,315,237
USDOE	84.181			Special Education: Grants for Infants and Families with Disabilities	31,000
USDOE	84.185			Byrd Honors Scholarships	101,250
USDOE	84.186			Safe and Drug-Free Schools and Communities: State Grants	1,812,893
USDOE	84.194			Bilingual Education Support Services	104,170
USDOE	84.196			Education for Homeless Children and Youth	67,487
USDOE	84.213			Even Start: State Educational Agencies	1,341,746
USDOE	84.215			Fund for the Improvement of Education	2,023,530
USDOE	84.243			Tech-Prep Education	352,169
USDOE	84.276			Goals 2000: State and Local Education Systemic Improvement Grants	853,923
USDOE	84.281			Eisenhower Professional Development State Grants	1,957,652
USDOE	84.282			Charter Schools	110,085
USDOE	84.287			Twenty-First Century Community Learning Centers	304,870
USDOE	84.298			Innovative Education Program Strategies	1,683,574
USDOE	84.303			Technology Innovation Challenge Grants	125,708
USDOE	84.318			Technology Literacy Challenge Fund Grants	2,365,003
USDOE	84.323			Special Education: State Program Improvement Grants for Children with Disabilities	456,207
USDOE	84.326			Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	68,879
USDOE	84.330			Advanced Placement Program	172,384
USDOE	84.332			Comprehensive School Reform Demonstration	321,403
USDOE	84.334			Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	890,288
USDOE	84.338			Reading Excellence	397,501
USDOE	84.340			Class Size Reduction	5,624,581
USDOE	84.348			Title I Accountability Grants	419,712
USDOE	84.994T			National Writing Project	16,131
USDOE	84.999			Consolidated Programs IASA	720,522
USDOE	84.RN941360-2			National Center on Education Statistics - Contract	52,968
NARA	89.003			National Historical Publications and Records Grants	2,202
USDHHS	93.230			Consolidated Knowledge Development and Application (KD&A) Program	250,940
USDHHS	93.558			Temporary Assistance for Needy Families (TANF)	2,585,650
USDHHS	93.575		CCC	Child Care and Development Block Grant	18,819,167
USDHHS	93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care Development Fund	9,804,202
USDHHS	93.600			Head Start	143,697

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USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	571,697
USDHHS	93.778		MC	Medical Assistance Program	2,792,800
USDHHS	93.938			Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	244,933
USCNCS	94.003			State Commissions	133,187
USCNCS	94.004			Learn and Serve America: School and Community Based Programs	23,001
USCNCS	94.006			AmeriCorps	1,560,393
USCNCS	94.009			Training and Technical Assistance	88,090
Total Department of Education and Early Development					171,734,232
Department of Fish and Game					
USDA	10.999			Miscellaneous U.S. Forest Service	1,544,832
USDOC	11.405			Anadromous Fish Conservation Act Program	338,495
USDOC	11.407			Interjurisdictional Fisheries Act of 1986	148,750
USDOC	11.420			Coastal Zone Management Estuarine Research Reserves	3,778,757
USDOC	11.437			Pacific Fisheries Data Program	3,833,326
USDOC	11.438			Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	4,641,814
USDOC	11.439			Marine Mammal Data Program	3,027,757
USDOC	11.454			Unallied Management Projects	1,991,678
USDOC	11.477			Fisheries Disaster Relief	869,526
USDOC	11.999			Miscellaneous NOAA	2,724,435
USDOD	12.999			Miscellaneous Army	131,799
USDOI	15.605		F&WC	Sport Fish Restoration	11,814,865
USDOI	15.611		F&WC	Wildlife Restoration	7,120,783
USDOI	15.614			Coastal Wetlands Planning, Protection and Restoration Act	1,253
USDOI	15.615			Cooperative Endangered Species Conservation Fund	80,368
USDOI	15.616			Clean Vessel Act	6,750
USDOI	15.625			Wildlife Conservation and Restoration	473,029
USDOI	15.808			U.S. Geological Survey: Research and Data Acquisition	53,940
USDOI	15.999			Miscellaneous Bureau of Land Management	115,458
USDOI	15.999			Miscellaneous Minerals Management Service	39,963
USDOI	15.999			Miscellaneous National Park Service	110,486
USDOI	15.999			Miscellaneous U.S. Fish and Wildlife Service	3,124,132
USDOI	15.999			Miscellaneous U.S. Geological Service	50,115
EPA	66.461			Wetlands Grants	12,385
Total Department of Fish and Game					46,034,696
Department of Health and Social Services					
USDA	10.551		FSC	Food Stamps	56,080,069
USDA	10.555		CNC	National School Lunch Program	402,364
USDA	10.557			Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	20,000,734
USDA	10.561		FSC	State Administrative Matching Grants for Food Stamp Program	7,232,868
USDOC	11.0022-DC-2001-14			Alaska Rural Primary Health Care Needs Assessment - Phase II	57,018
USDOC	11.0024-DC-2001-16			Code Blue (Improve Rural Emergency Health Care)	186,745
USDOJ	16.523			Juvenile Accountability Incentive Block Grants	2,098,471
USDOJ	16.540			Juvenile Justice and Delinquency Prevention: Allocation to States	514,921
USDOJ	16.541			Juvenile Justice and Delinquency Prevention: Special Emphasis	235,334
USDOJ	16.548			Title V: Delinquency Prevention Program	70,738
USDOJ	16.549			Part E: State Challenge Activities	81,772
USDOJ	16.710			Public Safety Partnership and Community Policing Grants	672,011
USDOJ	16.727			Enforcing Underage Drinking Laws Program	353,704
USDOJ	16.729			Drug-Free Communities Support Program Grants	798,773
USDOS	19.1751-100345	2001		Arctic Human Health and Environmental Contaminants	21,941

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EPA	66.032			State Indoor Radon Grants	38,335
USDOE	84.181			Special Education: Grants for Infants and Families with Disabilities	2,024,682
USDOE	84.989			Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	545,462
USDHHS	93.003			Public Health and Social Services Emergency Fund	27,900
USDHHS	93.110			Maternal and Child Health Federal Consolidated Programs	361,987
USDHHS	93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	604,600
USDHHS	93.119			Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services: Technical Assistance Centers for Evaluation	35,652
USDHHS	93.127			Emergency Medical Services for Children	444,099
USDHHS	93.130			Primary Care Services: Resource Coordination and Development	773,062
USDHHS	93.136			Injury Prevention and Control Research and State and Community Based Programs	320,348
USDHHS	93.150			Projects for Assistance in Transition from Homelessness (PATH)	300,000
USDHHS	93.161			Health Program for Toxic Substances and Disease Registry	110,957
USDHHS	93.197			Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	89,123
USDHHS	93.200-97-7201			NCHS Contract	170,357
USDHHS	93.217			Family Planning: Services	607,533
USDHHS	93.223-96-4401			Mammography Inspection	24,060
USDHHS	93.230			Consolidated Knowledge Development and Application (KD&A) Program	11,414,485
USDHHS	93.234			Traumatic Brain Injury: State Demonstration Grant Program	2,694
USDHHS	93.241			State Rural Hospital Flexibility Program	511,919
USDHHS	93.243			Substance Abuse and Mental Health Services: Projects of Regional and National Significance	57,770
USDHHS	93.243-97-2030			NIOSH Trauma Registry	60,856
USDHHS	93.251			Universal Newborn Hearing Screening	93,283
USDHHS	93.262			Occupational Safety and Health Research Grants	115,348
USDHHS	93.268			Immunization Grants	1,452,672
USDHHS	93.270-95-0004			Needs Assessment Contract	374,795
USDHHS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	3,769,967
USDHHS	93.556			Promoting Safe and Stable Families	529,579
USDHHS	93.558			Temporary Assistance for Needy Families	41,968,452
USDHHS	93.568			Low-Income Home Energy Assistance (LIHEAP)	6,448,358
USDHHS	93.575		CCC	Child Care and Development Block Grant	(500)
USDHHS	93.590			Community-Based Family Resource and Support Grants	309,904
USDHHS	93.603			Adoption Incentive Payments	215,830
USDHHS	93.630			Developmental Disabilities Basic Support and Advocacy Grants	491,506
USDHHS	93.631			Developmental Disabilities Projects of National Significance	80,074
USDHHS	93.643			Children's Justice Grants to States	74,484
USDHHS	93.645			Child Welfare Services: State Grants	360,415
USDHHS	93.658			Foster Care: Title IV-E	9,195,257
USDHHS	93.659			Adoption Assistance	5,434,861
USDHHS	93.667			Social Services Block Grant	8,259,516
USDHHS	93.669			Child Abuse and Neglect State Grants	110,193
USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	1,832,177
USDHHS	93.674			Chafee Foster Care Independent Living	572,961
USDHHS	93.767			State Children's Insurance Program	17,649,078
USDHHS	93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	272,073

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USDHHS	93.773			Medicare: Hospital Insurance	621,106
USDHHS	93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	159,265
USDHHS	93.778		MC	Medical Assistance Program	481,716,988
USDHHS	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	40,968
USDHHS	93.879			Medical Library Assistance	8,925
USDHHS	93.887			Health Care and Other Facilities	168,886
USDHHS	93.912			Rural Health Outreach and Rural Network Development Program	263,232
USDHHS	93.917			HIV Care Formula Grants	867,812
USDHHS	93.919			Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	1,804,082
USDHHS	93.940			HIV Prevention Activities: Health Department Based	1,470,456
USDHHS	93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	207,695
USDHHS	93.945			Assistance Programs for Chronic Disease Prevention and Control	211,923
USDHHS	93.958			Block Grant for Community Mental Health Services	659,648
USDHHS	93.959			Block Grants for Prevention and Treatment of Substance Abuse	3,251,253
USDHHS	93.977			Preventive Health Services: Sexually Transmitted Diseases Control Grants	423,668
USDHHS	93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	369,695
USDHHS	93.991			Preventive Health and Health Services Block Grant	634,226
USDHHS	93.994			Maternal and Child Health Services Block Grant to the States	1,232,575
Total Department of Health and Social Services					701,056,030
Department of Labor and Workforce Development					
USDOC	11.005			Census Special Tabulations and Services	1,119
USDOC	11.307		PWEDC	Economic Adjustment Assistance	159,029
USDOL	17.002			Labor Force Statistics	654,439
USDOL	17.005			Compensation and Working Conditions	73,864
USDOL	17.203			Labor Certification for Alien Workers	86,555
USDOL	17.207		ESC	Employment Service	9,255,557
USDOL	17.225			Unemployment Insurance	173,443,003
USDOL	17.245			Trade Adjustment Assistance: Workers	406,843
USDOL	17.246			Employment and Training Assistance: Dislocated Workers	6,644
USDOL	17.250			Job Training Partnership Act	28,910
USDOL	17.253			Welfare-to-Work Grants to States and Localities	1,177,599
USDOL	17.255			Workforce Investment Act	2,147,709
USDOL	17.258		WIAC	WIA Adult Program	3,047,414
USDOL	17.259		WIAC	WIA Youth Activities	1,724,998
USDOL	17.260		WIAC	WIA Dislocated Workers	6,467,667
USDOL	17.503			Occupational Safety and Health: State Program	1,286,680
USDOL	17.504			Consultation Agreements	611,926
USDOL	17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	242,144
USDOL	17.804		ESC	Local Veterans' Employment Representative Program	544,691
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	64,441
USDOE	84.002			Adult Education: State Grant Program	789,320
USDOE	84.126			Rehabilitation Services: Vocational Rehabilitation Grants to States	8,601,507
USDOE	84.158			Secondary Education and Transitional Services for Youth with Disabilities	52,120
USDOE	84.169			Independent Living: State Grants	294,800
USDOE	84.177			Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	289,799
USDOE	84.187			Supported Employment Services for Individuals with Severe Disabilities	257,915
USDOE	84.224			Assistive Technology	446,643

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USDOE	84.265			Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	46,554
USDOE	84.346			Occupational and Employment Information State Grants	77,378
DC	90.100			Denali Commission Program	2,356,445
SSA	96.001		DISSIC	Social Security: Disability Insurance	1,828,675
SSA	96.006		DISSIC	Supplemental Security Income	3,012,946
Total Department of Labor and Workforce Development					219,485,334
Department of Military and Veterans' Affairs					
USDOC	11.419			Coastal Zone Management Administration Awards	73,644
USDOD	12.400			Military Construction, National Guard	1,350,019
USDOD	12.401			National Guard Military Operations and Maintenance (O&M) Projects	11,940,281
USDOD	12.404			National Guard Civilian Youth Opportunities	4,035,882
USDOJ	16.010			State and Local Domestic Preparedness Technical Assistance	50,255
USDOJ	16.A98-229-CV			Counterdrug Support Program-Asset Forfeiture	40,672
USDOT	20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	50,537
FEMA	83.012			Hazardous Materials Assistance Program	4,500
FEMA	83.516			Disaster Assistance	102,059
FEMA	83.519			Hazard Mitigation Assistance	303,338
FEMA	83.544			Public Assistance Grants	3,994,770
FEMA	83.548			Hazard Mitigation Grant	84,437
FEMA	83.552			Emergency Management Performance Grants	1,100,297
FEMA	83.557			Pre-Disaster Mitigation	50,000
Total Department of Military and Veterans' Affairs					23,180,691
Department of Natural Resources					
USDA	10.001			Agricultural Research: Basic and Applied Research	339,615
USDA	10.025			Plant and Animal Disease, Pest Control, and Animal Care	42,581
USDA	10.156			Federal-State Marketing Improvement Program	24,074
USDA	10.162			Inspection Grading and Standardization	4,903
USDA	10.163			Market Protection and Promotion	90,241
USDA	10.664			Cooperative Forestry Assistance	2,728,365
USDA	10.905			Plant Materials for Conservation	357,887
USDA	10.914			Wildlife Habitat Incentive Program	17,233
USDA	10.L83008			Calendar Year 2001 Fire Suppression	4,382,053
USDA	10.L83008			Calendar Year 2000 Fire Suppression	122,826
USDA	10.L83008			Calendar Year 2002 Fire Suppression	322,659
USDOD	12.DAPC49-99-D-0013-001			Building Stabilization and Repair of Historic Properties at Ft. Wainwright	118,375
USDOD	12.DAPC49-99-D-0013-002			Ft. Greeley Evaluation	50,000
USDOD	12.F65501-01-M-8046			Kotzebue Rare Plant Propagation	2,408
USDOD	12.MOU			Nike Site Summit Feasibility Study - Phase II	6,716
USDOD	12.MOU01JSTATE052			Ft. Wainwright Interpretive Panels	7,344
USDOD	12.WC1JUW21422723			GMD Application Fees	100
USDOI	15.1422L953-A3-012			Joint Pipeline Coordination Office	30,994
USDOI	15.1422L953A98-0009			Development of an Electronic Access for Digital Mineral and Land Records	439,499
USDOI	15.1422LAA990023			Non-Coal AML Sites	8,940
USDOI	15.222			Cooperative Inspection Agreements with States and Tribes	116,246
USDOI	15.224			Cultural Resource Management	8,427
USDOI	15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	178,665
USDOI	15.252			Abandoned Mine Land Reclamation (AMLR) Program	1,317,700
USDOI	15.807			Earthquake Hazards Reduction Program	26,914

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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By State Agency

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
USDOI	15.808			U.S. Geological Survey: Research and Data Acquisition	596,045
USDOI	15.809			National Spatial Data Infrastructure Cooperative Agreements Program	4,187
USDOI	15.810			National Cooperative Geologic Mapping Program	570,180
USDOI	15.904			Historic Preservation Fund Grants-In-Aid	529,651
USDOI	15.916			Outdoor Recreation: Acquisition, Development and Planning	140,986
USDOI	15.999			CY 01 Miscellaneous Fire Billings	27,913
USDOI	15.CA-02-02-06			Independence Mine	45,559
USDOI	15.CA9910-8-0050/99-01			Denali National Park Interpretative Services	7,500
USDOI	15.FFC			Refuges	10,000
USDOI	15.L300CA9301			Calendar Year 2000 Fire Suppression	8,573
USDOI	15.L300CA9301			Calendar Year 2001 Fire Suppression	1,826,913
USDOI	15.L300CA9301			Calendar Year 2002 Fire Suppression	3,647,227
USDOI	15.L300CA9301			Calendar Year 2001 Fire Suppression	18,643
USDOI	15.PO-P9922990089			Gates of the Arctic	1,200
USDOT	20.005			Boating Safety Financial Assistance	366,782
USDOT	20.219			Recreational Trails Program	449,192
NASA	43.NAG1301010			Remote Sensing	154,191
NASA	43.NAG1301011			Remote Sensing	800,036
ENERGY	81.089			Fossil Energy Research and Development	88,768
FEMA	83.550			National Dam Safety Program	1,972
Total Department of Natural Resources					20,040,283
Department of Administration					
USDA	10.570			Nutrition Services Incentive	331,570
HUD	14.246			Community Development Block Grants/Economic Development Initiative	422,805
USDOI	15.904			Historic Preservation Fund Grants-In-Aid	150,000
USDOJ	16.541			Juvenile Justice and Delinquency Prevention: Special Emphasis	50,000
USDOL	17.235			Senior Community Service Employment Program	1,660,435
GSA	39.003			Donation of Federal Surplus Personal Property	3,176,752
EPA	66.433			State Underground Water Source Protection	100,000
USDHHS	93.041			Special Programs for the Aging: Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,428
USDHHS	93.042			Special Programs for the Aging: Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	52,367
USDHHS	93.043			Special Programs for the Aging: Title III, Part D - Disease Prevention and Health Promotion Services	107,392
USDHHS	93.044		AC	Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	1,439,132
USDHHS	93.045		AC	Special Programs for the Aging: Title III, Part C - Nutrition Services	2,607,771
USDHHS	93.048			Special Programs for the Aging: Title IV and Title II - Discretionary Projects	368,653
USDHHS	93.052			National Family Caregiver Support	421,036
USDHHS	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	88,830
Total Department of Administration					11,002,171
Department of Corrections					
USDOJ	16.586			Violent Offender Incarceration and Truth in Sentencing Incentive Grant	2,964,951
USDOJ	16.606			State Criminal Alien Assistance Program	928,400
USDOE	84.203	R203F990010-01		Star Schools - Pass-through from Education Service District #1, Spokane, WA	55,385
USDOE	84.331			Grants to States for Incarcerated Youth Offenders	8,307
Total Department of Corrections					3,957,043

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Department of Revenue					
USDHHS	93.563			Child Support Enforcement	16,396,727
USDHHS	93.597			Grants to States for Access and Visitation Programs	138,293
Total Department of Revenue					16,535,020
Department of Transportation and Public Facilities					
USDA	10.665		SRC	Schools and Roads: Grants to States	170,000
USDA	10.99G-10-224			Cordova Airport Tree Removal - Forest Service Agreement	295
USDOC	11.999			Space leased by National Weather Service at DOTPF facility in Slana & Ernestine	1,693
USDOD	12.F65501-95C0017			Maintain Galena Airport to USAF Safety Standards	310,552
USDOD	12.F65501-96C0006			Maintain King Salmon Airport to USAF Safety Standards	399,094
USDOI	15.7018116116			Tok Interagency Facility	4,976
USDOI	15.999			Bridge Design - Selected Alaska Communities	10,430
USDOI	15.999			Exit Glacier Road/Kenai Fjords Park Entrance	58,650
USDOI	15.999			Rehabilitation of dock at Bartlett Cove, Glacier Bay National Park	63,245
USDOI	15.LAA010012			Dalton Highway Wayside Resurfacing	7,047
USDOJ	16.585			Drug Court Discretionary Grant Program	13,564
USDOT	20.106			Airport Improvement Program	97,193,782
USDOT	20.205		HPCC	Highway Planning and Construction	327,542,689
USDOT	20.218			National Motor Carrier Safety	530,543
USDOT	20.2300P00200030-000			FHWA Alaska Division for FY 00 ITS Service Plan	(4)
USDOT	20.2301P00200031-000			FHWA Alaska Division for FY 01 ITS Service Plan	27,786
USDOT	20.303			Grants-in-Aid for Railroad Safety: State Participation	118,146
USDOT	20.500		FTC	Federal Transit: Capital Investment Grants	1,864,884
USDOT	20.503			Federal Transit Managerial Training Grants	89,640
USDOT	20.509			Formula Grants for Other Than Urbanized Areas	3,459,822
USDOT	20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	369,422
USDOT	20.515			State Planning and Research	230,621
USDOT	20.600		HSC	State and Community Highway Safety	1,399,743
USDOT	20.601		HSC		
				Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,196,203
USDOT	20.999			Construct Automated Weather Station at Russian Mission Airport	1,014
USDOT	20.999			Settlement of Defective Plans Provided by U.S. Coast Guard for Construction at the Sitka Airport	389,318
USDOT	20.DTFA04-81-F-81018			Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,054
USDOT	20.DTFA04-92-89229			Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	35,497
USDOT	20.DTFA04-98-Z-16606			Construct Flight Service Station at Deadhorse Airport	823
USDOT	20.DTRS56-01-P-70061			Fuel Cell Application Research/Reimbursement by U.S. DOT/RSPA/Fin. Ops.	5,000
USDOT	20.DTSA20-02-P-50067			Increased Security Checkpoint Services Purchased by FAA from AIA	99,456
USDOT	20.DTSA20-02-P-50239				
				Increased Security Checkpoint Services Purchased by FAA from FIA	61,224
USDOT	20.P00020015			FHWA Alaska Division for TelNet Conference	2,281
Total Department of Transportation and Public Facilities					435,668,490
Department of Public Safety					
USDA	10.91032			Chugach National Forest	6,525
USDA	10.91032			Tongass National Forest	24,713
USDOJ	16.110-150-1231			National Governor's Association Center For Best Practices	13,989
USDOJ	16.554			National Criminal History Improvement Program (NCHIP)	304,090
USDOJ	16.564			Crime Laboratory Improvement: Combined Offender DNA Index System Backlog Reduction	493,100

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USDOJ	16.575			Crime Victim Assistance	875,712
USDOJ	16.576			Crime Victim Compensation	362,205
USDOJ	16.579			Byrne Formula Grant Program	1,993,315
USDOJ	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	615,618
USDOJ	16.588			Violence Against Women Formula Grants	705,868
USDOJ	16.589			Rural Domestic Violence and Child Victimization Enforcement Grant Program	58,510
USDOJ	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	68,200
USDOJ	16.592			Local Law Enforcement Block Grants Program	207,853
USDOJ	16.593			Residential Substance Abuse Treatment for State Prisoners	347,661
USDOJ	16.710			Public Safety Partnership and Community Policing Grants	947,112
USDOJ	16.99-00-02 & 01-02			Marijuana Eradication	80,179
FEMA	83.547			First Responder Counter-Terrorism Training Assistance	70,573
USDHHS	93.558			Temporary Assistance for Needy Families	1,270,000
USDHHS	93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	616,078
Total Department of Public Safety					9,061,301
Department of Law					
USDHHS	93.775		MC	State Medicaid Fraud Control Units	338,330
Total Department of Law					338,330
Office of the Governor					
USDOC	11.419			Coastal Zone Management Administration Awards	1,575,318
HUD	14.409			Fair Housing Initiatives Program (FHIP) Education and Outreach Initiative	10,286
USEEOC	30.002			Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	175,292
USDOE	84.161			Rehabilitation Services: Client Assistance Program	118,671
Total Office of the Governor					1,879,567
University of Alaska					
USAID	02.999			Miscellaneous	1,748,073
USDA	10.001		R&DC	Agricultural Research: Basic and Applied Research	568,592
USDA	10.025		R&DC	Plant and Animal Disease, Pest Control, and Animal Care	17,670
USDA	10.200		R&DC	Grants for Agricultural Research, Special Research Grants	2,027,956
USDA	10.200	IR-4 00-34383-8850	R&DC	Grants for Agricultural Research, Special Research Grants - Pass-through from Rutgers University	20,126
USDA	10.200			Grants for Agricultural Research, Special Research Grants	979,100
USDA	10.202		R&DC	Cooperative Forestry Research	(118)
USDA	10.202			Cooperative Forestry Research	231,481
USDA	10.203		R&DC	Payments to Agricultural Experiment Stations Under the Hatch Act	4,664
USDA	10.203			Payments to Agricultural Experiment Stations Under the Hatch Act	491,671
USDA	10.206		R&DC	Grants for Agricultural Research: Competitive Research Grants	406,366
USDA	10.206	00-RA2416-AK	R&DC	Grants for Agricultural Research: Competitive Research Grants -Pass-through from University of California, Davis	19,428
USDA	10.207		R&DC	Animal Health and Disease Research	2,589
USDA	10.224	32903-5958	R&DC	Fund for Rural America: Research, Education, and Extension Activities - Pass-through from Cornell University	16,220
USDA	10.224			Fund for Rural America: Research, Education, and Extension Activities	78,834
USDA	10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	839
USDA	10.302	RCUH LTR 01-01-02		Initiative for Future Agriculture and Food Systems - Pass-through from University of Hawaii, Hilo	7,559

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USDA	10.303	00RA2416-AK	R&DC	Initiative for Future Agriculture and Food Systems - Pass-through from University of California Davis	7,576
USDA	10.303	BJK748UA		Initiative for Future Agriculture and Food Systems - Pass-through from University of Idaho	48,312
USDA	10.500		R&DC	Cooperative Extension Service	370,168
USDA	10.500			Cooperative Extension Service	1,082,291
USDA	10.500	SL027A-01		Cooperative Extension Service - Pass-through from Oregon State University	(200)
USDA	10.652		R&DC	Forestry Research	285,695
USDA	10.652			Forestry Research	110,963
USDA	10.664			Cooperative Forestry Assistance	(390)
USDA	10.769			Rural Business Enterprise Grants	176,349
USDA	10.769	032102		Rural Business Enterprise Grants - Pass-through from Alaska Public Broadcasting Service, Inc.	76,226
USDA	10.769	05-25-01		Rural Business Enterprise Grants - Pass-through from Alaska Public Broadcasting Service, Inc.	467
USDA	10.999		R&DC	Miscellaneous	449,047
USDA	10.999	USU 980104	R&DC	Miscellaneous - Pass-through from Utah State University	42,368
USDA	10.999	G00000246	R&DC	Miscellaneous - Pass-through from National Farmers Union Foundation	11,173
USDA	10.999	99-35101-7834	R&DC	Miscellaneous - Pass-through from University of Nevada	8,790
USDA	10.999			Miscellaneous	125,824
USDOC	11.303		R&DC	Economic Development: Technical Assistance	(2,922)
USDOC	11.303			Economic Development: Technical Assistance	111,221
USDOC	11.307		PWEDC	Economic Adjustment Assistance	170,876
USDOC	11.417		R&DC	Sea Grant Support	1,367,644
USDOC	11.417	NA56RG0388	R&DC	Sea Grant Support - Pass-through from Texas Sea Grant College	(4,403)
USDOC	11.417			Sea Grant Support	446,774
USDOC	11.419	UNH 00-365	R&DC	Coastal Zone Management Administration Awards - Pass-through from University of New Hampshire	56,681
USDOC	11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	1,334
USDOC	11.427		R&DC	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	72,999
USDOC	11.430		R&DC	Undersea Research	6,332,585
USDOC	11.431		R&DC	Climate and Atmospheric Research	(38)
USDOC	11.438	23367	R&DC	Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program - Pass-through from Exxon Valdez Oil Spill Trustee	5,780
USDOC	11.439		R&DC	Marine Mammal Data Program	1,538,526
USDOC	11.439	NA96FX0124	R&DC	Marine Mammal Data Program - Pass-through from North Pacific Marine Science Foundation	38,799
USDOC	11.439	R1713-01	R&DC	Marine Mammal Data Program - Pass-through from Seward Association for Advancement of Science	29,509
USDOC	11.439	NA06FX0478	R&DC	Marine Mammal Data Program - Pass-through from Seward Association for Advancement of Science	1,935
USDOC	11.439			Marine Mammal Data Program	19,109
USDOC	11.460		R&DC	Special Oceanic and Atmospheric Projects	170,475
USDOC	11.464		R&DC	Marine Research: Regional Programs	(104)
USDOC	11.478		R&DC	Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	183
USDOC	11.478			Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	20,238
USDOC	11.480			National Ocean Service Intern Program	3,249
USDOC	11.550			Public Telecommunications Facilities: Planning and Construction	31
USDOC	11.552			Technology Opportunities	71,575
USDOC	11.999		R&DC	Miscellaneous	285,972
USDOC	11.999	50ABNF100009 NOAA	R&DC	Miscellaneous - Pass-through from North Pacific Marine Science Foundation	56,240
USDOC	11.999	50ABNF100009 NOAA	R&DC	Miscellaneous - Pass-through from Pacific Aquaculture Caucus	8,037

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USDOC	11.999	50ABNF100009	NOAA R&DC	Miscellaneous - Pass-through from National Fish & Wildlife Foundation	5,270
USDOC	11.999	50ABNF100009	NOAA R&DC	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	4,946
USDOC	11.999			Miscellaneous	10,256
USDOD	12.002			Procurement Technical Assistance For Business Firms	279,270
USDOD	12.114	UM02-09-029	R&DC	Collaborative Research and Development - Pass-through from University of Mississippi	474,049
USDOD	12.114	00-11-026	R&DC	Collaborative Research and Development - Pass-through from University of Mississippi	(54,334)
USDOD	12.300	842878	R&DC	Basic and Applied Scientific Research - Pass-through from Johns Hopkins University	1,455,472
USDOD	12.300	946573	R&DC	Basic and Applied Scientific Research - Pass-through from Johns Hopkins University	956,132
USDOD	12.300		R&DC	Basic and Applied Scientific Research	726,669
USDOD	12.300			Basic and Applied Scientific Research	197,116
USDOD	12.400		R&DC	Military Construction, National Guard	543,397
USDOD	12.420		R&DC	Military Medical Research and Development	72,478
USDOD	12.999		R&DC	Miscellaneous	1,172,103
USDOD	12.999	M000010	R&DC	Miscellaneous - Pass-through from University of Michigan	304,889
USDOD	12.999	846739	R&DC	Miscellaneous - Pass-through from Johns Hopkins University	261,194
USDOD	12.999	807939	R&DC	Miscellaneous - Pass-through from Johns Hopkins University	201,390
USDOD	12.999	757921	R&DC	Miscellaneous - Pass-through from Johns Hopkins University	(16,943)
USDOD	12.999	CATT01-UAA-01		Miscellaneous - Pass-through from Oklahoma State University	36,541
USDOD	12.999	CATT02-UAA-02		Miscellaneous - Pass-through from Oklahoma State University	14,845
HUD	14.246			Community Development Block Grants/Economic Development Initiative	927,897
HUD	14.511			Community Outreach Partnership Center Program	70,376
HUD	14.515			Alaska Native/Native Hawaiian Institutions Assisting Communities	66,124
HUD	14.999			Miscellaneous	1,209,308
HUD	14.999	INV 5457		Miscellaneous - Pass-through from Alaska One	(581)
USDOI	15.022	01-01-01		Tribal Self-Governance - Pass-through from Association of Village Council Presidents	37,255
USDOI	15.024	01-01-01		Indian Self-Determination Contract Support - Pass-through from Orutsararmuit Native Council	10,473
USDOI	15.043		R&DC	Indian Child and Family Education	10,017
USDOI	15.221		R&DC	Cooperative Agreements for Research in Public Lands Management	41,534
USDOI	15.608		R&DC	Fish and Wildlife Management Assistance	16,076
USDOI	15.617		R&DC	Wildlife Conservation and Appreciation	1,152
USDOI	15.805		R&DC	Assistance to State Water Resources Research Institutes	66,975
USDOI	15.807		R&DC	Earthquake Hazards Reduction Program	1,285,359
USDOI	15.807	062169	R&DC	Earthquake Hazards Reduction Program - Pass-through from University of Southern California	10,000
USDOI	15.808		R&DC	U.S. Geological Survey: Research and Data Acquisition	3,180,193
USDOI	15.900		R&DC	Disposal of Surplus Wildlife	(4,030)
USDOI	15.922			Native American Graves Protection and Repatriation Act	8,059
USDOI	15.977		R&DC	State Partnerships	(1,089)
USDOI	15.999		R&DC	Miscellaneous	1,620,202
USDOI	15.999	1435-01-98-CA-30909	R&DC	Miscellaneous - Pass-through from Coastal Marine Institute	151,524
USDOI	15.999	02-01-NA-0261	R&DC	Miscellaneous - Pass-through from Ounalashka Corporation	20,337
USDOI	15.999	473556	R&DC	Miscellaneous - Pass-through from University of Washington	210
USDOI	15.999			Miscellaneous	160,594
USDOI	15.DDD			Operation of ARLIS (Alaska Resources Library & Information Services)	694,249
USDOJ	16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	55,680
USDOJ	16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	77,523
USDOJ	16.574		R&DC	Criminal Justice Discretionary Grant Program	14,364

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USDOJ	16.592		R&DC	Local Law Enforcement Block Grants Program	31,792
USDOJ	16.710			Public Safety Partnership and Community Policing Grants	28,631
USDOJ	16.712	47469		Police Corps - Pass-through from Fairbanks Police Department	72,575
USDOJ	16.999	6073-ADAM-ANCHORAC	R&DC	Miscellaneous - Pass-through from National Opinion Research Center	65,121
USDOL	17.249	AH-10857-00-60		Employment Services and Job Training Pilots: Demonstrations and Research - Pass-through from Municipality of Anchorage	539,276
USDOL	17.249	04-14-2000		Employment Services and Job Training Pilots: Demonstrations and Research - Pass-through from Alaska Federation of Natives	(16,428)
USDOL	17.250	4500359	R&DC	Job Training Partnership Act - Pass-through from Fairbanks Private Industry Council	(37)
USDOL	17.260		WIAC	WIA Dislocated Workers	850,330
USDOL	17.600			Mine Health and Safety Grants	49,134
USDOS	19.999	96-0265	R&DC	Miscellaneous - Pass-through from Eurasia Foundation	(2,757)
USDOT	20.108		R&DC	Aviation Research Grants	51,369
USDOT	20.108			Aviation Research Grants	102,881
USDOT	20.701	217281	R&DC	University Transportation Centers Program - Pass-through from University of Washington	23,307
USDOT	20.999	01-C-GA-ERAU-020	R&DC	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	66,916
USDOT	20.999	01-C-GA-ERAU-02		Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	9,688
LC	42.005			Library of Congress Publications	2,558
NASA	43.001		R&DC	Aerospace Education Services Program	158,051
NASA	43.001	478959	R&DC	Aerospace Education Services Program - Pass-through from University of Washington	8,853
NASA	43.001	99-123SC	R&DC	Aerospace Education Services Program - Pass-through from Arizona State University	1,786
NASA	43.002		R&DC	Technology Transfer	3,083
NASA	43.999		R&DC	Miscellaneous	16,681,295
NASA	43.999	8/18/00	R&DC	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	175,936
NASA	43.999	7/12/02	R&DC	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	11,255
NASA	43.999	SA3251,NAG11055	R&DC	Miscellaneous - Pass-through from University of California Berkeley	3,587
NASA	43.999	3223-01		Miscellaneous - Pass-through from University of Montana	34,215
NFAH	45.024		R&DC	Promotion of the Arts: Grants to Organizations and Individuals	4,341
NFAH	45.024			Promotion of the Arts: Grants to Organizations and Individuals	23,773
NFAH	45.129	15-01		Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	2,665
NFAH	45.129	19-01		Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	2,008
NFAH	45.129	3-01		Promotion of the Humanities: Federal/State Partnership - Pass-through from Alaska Humanities Forum	86
NFAH	45.149			Promotion of the Humanities: Division of Preservation and Access	19,940
NFAH	45.162			Promotion of the Humanities: Education Development and Demonstration	507
NFAH	45.163			Promotion of the Humanities: Seminars and Institutes	(11,481)
NFAH	45.164			Promotion of the Humanities: Public Programs	11,899
NFAH	45.166			Promotion of the Humanities: Extending the Reach Grants to Underserved Areas	4,448
NFAH	45.302			Museum Assessment Program	685
NFAH	45.999	07-20-2001		Miscellaneous - Pass-through from Dance/USA	10,000
NFAH	45.999	9-02		Miscellaneous - Pass-through from Alaska Humanities Forum	2,500
NFAH	45.999	13-00		Miscellaneous - Pass-through from Alaska Humanities Forum	(68)
NSF	47.041		R&DC	Engineering Grants	631,680
NSF	47.049		R&DC	Mathematical and Physical Sciences	539,550
NSF	47.050		R&DC	Geosciences	3,184,399

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NSF	47.050	PO#10705 & 5408	R&DC	Geosciences - Pass-through from Marine Biological Laboratory	60,916
NSF	47.050	53-000045	R&DC	Geosciences - Pass-through from SRI International	12,360
NSF	47.050	999102Q	R&DC	Geosciences - Pass-through from Southwest Research Institute	8,521
NSF	47.050	F004262	R&DC	Geosciences - Pass-through from University of Michigan	6,142
NSF	47.050	10208-0171	R&DC	Geosciences - Pass-through from Indiana University	5,084
NSF	47.050			Geosciences	299,976
NSF	47.050			Geosciences - Pass-through from University of Nevada, Reno	141,575
NSF	47.070		R&DC	Computer and Information Science and Engineering	23,307
NSF	47.070			Computer and Information Science and Engineering	332,501
NSF	47.074		R&DC	Biological Sciences	1,889,460
NSF	47.074	UF02018	R&DC	Biological Sciences - Pass-through from University of Florida	21,528
NSF	47.074	UNC-CH 5-37526	R&DC	Biological Sciences - Pass-through from University of North Carolina at Chapel Hill	8,579
NSF	47.074	S900300	R&DC	Biological Sciences - Pass-through from Texas A&M University Research Foundation	4,602
NSF	47.074	SA3418-22395PG	R&DC	Biological Sciences - Pass-through from University of California Berkeley	2,189
NSF	47.074			Biological Sciences	134,789
NSF	47.075		R&DC	Social, Behavioral, and Economic Sciences	72,959
NSF	47.075		R&DC	Social, Behavioral, and Economic Sciences - Pass-through from U.S. Civilian Research & Development Foundation	3,417
NSF	47.075			Social, Behavioral, and Economic Sciences	115,061
NSF	47.075			Social, Behavioral, and Economic Sciences - Pass-through from National Research Council	6,685
NSF	47.076		R&DC	Education and Human Resources	2,343,765
NSF	47.076	ESR# 0086194	R&DC	Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	114,106
NSF	47.076			Education and Human Resources	663,072
NSF	47.076	11-07-2000		Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	289,842
NSF	47.078		R&DC	Polar Programs	8,943,428
NSF	47.078	250234	R&DC	Polar Programs - Pass-through from University of Washington	16,073
NSF	47.078	USC SUB 00-561	R&DC	Polar Programs - Pass-through from University of South Carolina	(3,698)
NSF	47.078			Polar Programs	969,823
NSF	47.078	20012148-000 OP		Polar Programs - Pass-through from North Slope Borough	148
NSF	47.999		R&DC	Miscellaneous	599,690
NSF	47.999	7099	R&DC	Miscellaneous - Pass-through from Marine Biological Laboratory	18,506
NSF	47.999	C000106	R&DC	Miscellaneous - Pass-through from University of Hawaii at Manoa	9,396
NSF	47.999			Miscellaneous	54,959
NSF	47.999	04-10-1999		Miscellaneous - Pass-through from Association Village Council Presidents	(114)
SBA	59.005			Business Development Assistance to Small Business	41,895
SBA	59.007			Management and Technical Assistance	28,073
SBA	59.037			Small Business Development Center	484,136
EPA	66.400		R&DC	Construction Grants for Wastewater Treatment Works	54,679
EPA	66.461		R&DC	Wetlands Grants	32,360
EPA	66.463		R&DC	Water Quality Cooperative Agreements	5,616
EPA	66.606		R&DC	Surveys, Studies, Investigations and Special Purpose Grants	151,120
EPA	66.606	KWF-KRC-006	R&DC	Surveys, Studies, Investigations and Special Purpose Grants - Pass-through from Kenai Watershed Forum	50,785
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	419,814
EPA	66.808		R&DC	Solid Waste Management Assistance	31,661
EPA	66.999	EGR357B	R&DC	Miscellaneous - Pass-through from Northern Arizona University	15,675
EPA	66.999			Miscellaneous	7,339
ENERGY	81.087		R&DC	Renewable Energy Research and Development	24,359
ENERGY	81.089		R&DC	Fossil Energy Research and Development	442,160

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002
By State Agency

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
ENERGY	81.089	355160-AQ5	R&DC	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	258,994
ENERGY	81.089	17839	R&DC	Fossil Energy Research and Development - Pass-through from Sandia National Laboratories	125,729
ENERGY	81.089	409284-AR8	R&DC	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	23,618
ENERGY	81.089	352507-AQ5	R&DC	Fossil Energy Research and Development - Pass-through from Battelle Pacific Northwest Laboratories	(4,621)
ENERGY	81.089	354049-AQ5	R&DC	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	(38,203)
ENERGY	81.104		R&DC	Office of Science and Technology for Environmental Management - Pass-through from Institute for Responsible Management, Inc.	251,357
ENERGY	81.113			Defense Nuclear Nonproliferation Research - Pass-through from Battelle Pacific Northwest Laboratories	18,910
ENERGY	81.999		R&DC	Miscellaneous	1,136,952
ENERGY	81.999	389AZ0017-97	R&DC	Miscellaneous - Pass-through from University of California	65,993
ENERGY	81.999	11-99	R&DC	Miscellaneous - Pass-through from Alaska State District Council of Laborers	21,245
ENERGY	81.999	321287-A-R1	R&DC	Miscellaneous - Pass-through from Batelle Pacific Northwest Laboratory	20,051
USIA	82.999			Miscellaneous	109,755
FEMA	83.012			Hazardous Materials Assistance Program	80,630
FEMA	83.544			Public Assistance Grants	220,094
USDOE	84.002	00011214/00011343		Adult Education: State Grant Program - Pass-through from Southeast Regional Resource Center	52
USDOE	84.007		SFAC	Federal Supplemental Educational Opportunity Grants	703,721
USDOE	84.016			Undergraduate International Studies and Foreign Language Programs	28,717
USDOE	84.024			Early Education for Children with Disabilities	30,463
USDOE	84.031		R&DC	Higher Education: Institutional Aid	339,839
USDOE	84.031			Higher Education: Institutional Aid	2,106,187
USDOE	84.032		SFAC	Federal Family Education Loans	18,038,877
USDOE	84.033		R&DC	Federal Work-Study Program	336,176
USDOE	84.033		SFAC	Federal Work-Study Program	311,237
USDOE	84.042		TRIOC	TRIO: Student Support Services	79,894
USDOE	84.044		TRIOC	TRIO: Talent Search	363,270
USDOE	84.047		TRIOC	TRIO: Upward Bound	1,152,560
USDOE	84.048		R&DC	Vocational Education: Basic Grants to States	10,253
USDOE	84.063		SFAC	Federal Pell Grant Program	7,153,618
USDOE	84.066		TRIOC	TRIO: Educational Opportunity Centers	557,720
USDOE	84.116			Fund for the Improvement of Postsecondary Education	211,733
USDOE	84.116			Fund for the Improvement of Postsecondary Education - Pass-through from Galena School District	72,622
USDOE	84.116			Fund for the Improvement of Postsecondary Education - Pass-through from University of Washington	9,940
USDOE	84.116			Fund for the Improvement of Postsecondary Education - Pass-through from University of Washington	259
USDOE	84.195			Bilingual Education: Professional Development	632,886
USDOE	84.195	T195 B000096		Bilingual Education: Professional Development - Pass-through from Anchorage School District	11,923
USDOE	84.203			Star Schools	36,547
USDOE	84.215	Partnership Agreement	R&DC	Fund for the Improvement of Education - Pass-through from Alaska Humanities Forum	29,372
USDOE	84.215	S215E000113		Fund for the Improvement of Education - Pass-through from Copper River School District	9,914
USDOE	84.281			Eisenhower Professional Development State Grants	19,517

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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By State Agency

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
USDOE	84.287	PR108475 & PR108474		Twenty-First Century Community Learning Centers - Pass-through from Anchorage School District	(2,186)
USDOE	84.297		R&DC	Native Hawaiian Curriculum Development, Teacher Training and Recruitment	357,949
USDOE	84.299			Indian Education: Special Programs	92,255
USDOE	84.303	R303A980236		Technology Innovation Challenge Grants - Pass-through from Chugach School District	339,691
USDOE	84.303			Technology Innovation Challenge Grants	219,982
USDOE	84.306	Work Agreement	R&DC	National Institute on the Education of At-Risk Students	185,457
USDOE	84.320		R&DC	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	105,288
USDOE	84.320	Work Agreement	R&DC	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass-through from Cook Inlet Tribal Council	17,103
USDOE	84.320			Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	1,154,076
USDOE	84.320	08-1999		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program - Pass-through from Sealaska Heritage Foundation	8,451
USDOE	84.321			Alaska Native Home Based Education for Preschool Children	227,724
USDOE	84.321	S321A970011-98		Alaska Native Home Based Education for Preschool Children - Pass-through from Council of Athabaskan Tribal Governments	173
USDOE	84.322		R&DC	Alaska Native Student Enrichment Program	494,745
USDOE	84.325	H325S990003	R&DC	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities - Pass-through from 2001 Special Olympics World Winter Games Alaska	51,197
USDOE	84.325			Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	230,260
USDOE	84.328			Special Education: Parent Information Centers - Pass-through from University of Utah	1,353
USDOE	84.334			Gaining Early Awareness and Readiness for Undergraduate Programs	9,727
USDOE	84.336			Teacher Quality Enhancement Grants	909,686
USDOE	84.342			Preparing Tomorrow's Teachers to Use Technology	389,247
USDOE	84.342	09-2001		Preparing Tomorrow's Teachers to Use Technology - Pass-through from International Society for Technology in Education	78,318
USDOE	84.989	0623144		Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support - Pass-through from Council on Disability and Special Education	363,839
USDOE	84.999	92-AK01		Miscellaneous - Pass-through from National Writing Project Corporation	25,410
USDHHS	93.113		R&DC	Biological Response to Environmental Health Hazards	134,302
USDHHS	93.115		R&DC	Biometry and Risk Estimation: Health Risks from Environmental Exposures	16,301
USDHHS	93.157	234170 & 423393		Centers of Excellence - Pass-through from University of Washington	11,199
USDHHS	93.173		R&DC	Research Related to Deafness and Communication Disorders	(2,696)
USDHHS	93.178			Nursing Workforce Diversity	283,531
USDHHS	93.230	08-30-2001	R&DC	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Cook Inlet Council on Alcohol and Drug Abuse	47,533
USDHHS	93.230	5-23-2000	R&DC	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Copper River Native Association	35,508
USDHHS	93.230	11-27-2001		Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Fairbanks Native Association	31,787
USDHHS	93.242		R&DC	Mental Health Research Grants	9,040
USDHHS	93.273		R&DC	Alcohol Research Programs	509,778

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Grant or Other Identifying Number</u>	<u>Cluster</u>	<u>Federal Program Title</u>	<u>Federal Expenditures</u>
USDHHS	93.279		R&DC	Drug Abuse Research Programs	73,505
USDHHS	93.279		R&DC	Drug Abuse Research Programs - Pass-through from California State University Long Beach	11,162
USDHHS	93.279	412802-7810 & 412803		Drug Abuse Research Programs - Pass-through from University of New Mexico Health Science Center	80,006
USDHHS	93.358			Advanced Education Nursing Traineeships	37,553
USDHHS	93.389		R&DC	Research Infrastructure	774,192
USDHHS	93.393		R&DC	Cancer Cause and Prevention Research	19,113
USDHHS	93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	309,922
USDHHS	93.648			Child Welfare Services Training Grants	(3,750)
USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	2,042,354
USDHHS	93.822			Health Careers Opportunity Program	173,183
USDHHS	93.822	219550 & 423136		Health Careers Opportunity Program - Pass-through from University of Washington	75,215
USDHHS	93.824	445885	R&DC	Basic/Core Area Health Education Centers - Pass-through from University of Washington	64,260
USDHHS	93.824	220156	R&DC	Basic/Core Area Health Education Centers - Pass-through from University of Washington	15,802
USDHHS	93.848		R&DC	Digestive Diseases and Nutrition Research - Pass-through from Washington University	55,667
USDHHS	93.854		R&DC	Biological Basis Research in the Neurosciences	1,872,132
USDHHS	93.912			Rural Health Outreach and Rural Network Development Program	199,813
USDHHS	93.999		R&DC	Miscellaneous	205,239
USDHHS	93.999	243-00-C-2011	R&DC	Miscellaneous - Pass-through from Alaska Area Native Health Services	90,391
USDHHS	93.999			Miscellaneous	212,939
USDHHS	93.999	12-08-1998		Miscellaneous - Pass-through from Fairbanks Native Association	60,436
USDHHS	93.999	776644		Miscellaneous - Pass-through from University of Washington	(1)
USCNCS	94.005			Learn and Serve America: Higher Education	104,807
SSA	96.008			Social Security: Benefits Planning, Assistance, and Outreach Program	33,788
Total University of Alaska					126,311,760
Total Federal Financial Assistance					\$ 2,005,924,918

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAM	Alaska Administrative Manual
ABA	Alaska Bar Association
ACF	Administration for Children and Families
ACOA	Alaska Commission on the Aging
ACS	Alaska Court System
AEA	Alaska Energy Authority
AHFC	Alaska Housing Finance Corporation
AIAS	Alaska International Airport System
AIDEA	Alaska Industrial Development and Export Authority
AJE	Adjusting Journal Entries
AK	Alaska
AKPAY	Alaska State Payroll System
AKSAS	Alaska State Accounting System
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
ANTHC	Alaska Native Tribal Health Corporation
AOMB	Alaska Office of Management & Budget
APA	Alaska Power Authority
APF	Alaska Permanent Fund
APFC	Alaska Permanent Fund Corporation
AR	Accounts Receivable
ARLIS	Alaska Resources Library and Information Services
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Program
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
AST	Alaska State Troopers
ASTF	Alaska Science and Technology Foundation
AVTEC	Alaska Vocational Technical Center

C

CAFR	Comprehensive Annual Financial Report
CBRF	Constitutional Budget Reserve Fund
CCC	Child Care Cluster
CCMMF	Child Care Mandatory & Matching Funds
CDVSA	Council on Domestic Violence & Sexual Assault

STATEWIDE ABBREVIATIONS (*Cont.*)

CFAB	Alaska Commercial Fishing & Agriculture Bank
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CFRLF	Commercial Fishing Revolving Loan Fund
CIP	Capital Improvement Projects
CMIA	Cash Management Improvement Act of 1990
CO	Commissioner's Office
COP	Certificates of Participation
CPO	Chief Procurement Officer
CSED	Child Support Enforcement Division
CSSAS	Comprehensive Statewide Student Assessment System

D

DAS	Division of Administrative Services
D&C	Design & Construction
DCBD	Division of Community and Business Development
DCED	Department of Commerce and Economic Development
DCRA	Department of Community and Regional Affairs
DEC	Department of Environmental Conservation
DED	Division of Early Development (see Early Development)
DEED	Department of Education & Early Development
DES	Division of Emergency Services
DFG	Department of Fish and Game
DFSP	Donation of Federal Surplus Property Program
DFYS	Division of Family and Youth Services
DGS	Division of General Services
DHSS	Department of Health and Social Services
DITMD	Division of International Trade & Market Development
DLWD	Department of Labor and Workforce Development
DMA	Division of Medical Assistance
DMHDD	Division of Mental Health and Developmental Disabilities
DMVA	Department of Military and Veterans Affairs
DNR	Department of Natural Resources
DOA	Department of Administration
DOC	Department of Corrections
DOF	Division of Finance
DOL	Department of Law
DOR	Department of Revenue
DOTPF	Department of Transportation and Public Facilities
DPA	Division of Public Assistance
DPH	Division of Public Health
DPS	Department of Public Safety
DSS	Division of Senior Services
DVOP	Disabled Veterans' Outreach Program

STATEWIDE ABBREVIATIONS (Cont.)

E

ED	Early Development (see Division of Early Development)
ENERGY	U.S. Department of Energy
EPA	U.S. Environmental Protection Agency
EPORS	Elected Public Officers' Retirement System
ESEA	Elementary and Secondary Education Act
ESS	Education Support Services

F

F&M	Facilities and Maintenance
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency
FERLF	Fisheries Enhancement Revolving Loan Fund
FFY	Federal Fiscal Year
FHIP	Fair Housing Initiatives Program
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GSA	General Services Administration

H

HCB	Home and Community-Based Agency
HEWCF	Highway Equipment Working Capital Fund
HUD	U.S. Department of Housing and Urban Development

I

IASA	Improving America's Schools Act
IEVS	Income Eligibility and Verification System
IHS	Indian Health Service
IRS	Internal Revenue System

J

JRS	Judicial Retirement System
JTPA	Job Training Partnership Act

K

KDA	Knowledge and Development and Application
KLC	Kodiak Launch Complex

STATEWIDE ABBREVIATIONS (Cont.)

L

LC	Library of Congress
LEA	Local Education Agencies

M

M&O	Department of Transportation & Public Facilities Regional Highways & Aviation Appropriations
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MIS	Management Information Systems
MMIS	Medicaid Management Information Systems
MOA	Memorandum of Agreement
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment

N

NARA	National Archives & Records Administration
NASA	National Aeronautics & Space Administration
NCHIP	National Criminal History Improvement Program
NFAH	National Foundation on the Arts and the Humanities
NFIN	Child Support Enforcement computer system
NGA	Notice of Grant Award
NGNMRS	Alaska National Guard and Alaska Naval Militia Retirement System
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NOICC	National Occupational Information Coordinating Committee
NPR	National Petroleum Reserve
NSTAR	Child Support Enforcement computer system
NTSC	Northern Tobacco Securitization Corporation
NVFC	Foster Care – Title IV-E

O

O&M	Operations and Maintenance
OMB	U.S. Office of Management and Budget

P

PATH	Projects for Assistance in Transition from Homelessness
PCE/REC	Power Cost Equalization and Rural Electric Capitalization Fund
PERS	Public Employees' Retirement System
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Account
PVE	Petroleum Violation Escrow

STATEWIDE ABBREVIATIONS (Cont.)

Q

QPCAS	Quarterly Cost Allocation Spreadsheet
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R

RAP	Request for Alternate Procurement
REAA	Rural Education Attendance Area
RHF	Retiree Health Fund
RIP	Retirement Incentive Program
RMTS	Random Motion Time Study
ROW	Right of Way
RSA	Reimbursable Services Agreement

S

SBA	Small Business Administration
SBS	Supplemental Benefits System (Alaska)
SBJPA	Small Business Job Protection Act of 1996
SCHIP	State Children's Insurance Program
SEF	State Equipment Fleet
SLA	Session Law of Alaska
SFY	State Fiscal Year
SSA	Social Security Administration
SURS	Surveillance & Utilization Review System

T

TA	Travel Authorization
TANAB	System control edit for AKSAS
TANF	Temporary Assistance for Needy Families
TLS	Teaching and Learning Support
TRS	Teachers' Retirement System
TSR	Tobacco Settlement Revenues

U

UI	Unemployment Insurance
USAID	U.S. Agency for International Development
USCNCs	U.S. Corporation for National and Community Services
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDOC	U.S. Department of Commerce
USDOD	U.S. Department of Defense
USDOE	U.S. Department of Education
USDOI	U.S. Department of the Interior
USDOJ	U.S. Department of Justice
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State

STATEWIDE ABBREVIATIONS (Cont.)

USDOT	U.S. Department of Transportation
USDVA	U.S. Department of Veterans Affairs
USEEOC	U.S. Equal Employment Opportunity Commission
USGSA	U.S. General Services Administrator
USDHHS	U.S. Health and Human Services
USIA	U.S. Information Agency
USTREAS	U.S. Treasury
UVPARF	Unlicensed Vessel Personnel Annuity Retirement Fund

V

VAWA	Violence Against Women Act
VOCA	Victims of Crime Act
VOI	Violent Offender Incarceration
VR	Vocational Rehabilitation

W

WAFD	Western Alaska Fisheries Disaster
WIC	Women, Infants, and Children Special Supplemental Nutrition Program
WDCCS	Weekly Drawdown Calculation Spreadsheet

July 28, 2003

Eileen Donahue, CPA
In-Charge Auditor II
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Donahue:

You have requested that OMB respond to Office of the Governor Recommendation No. 1 in the preliminary audit report of the State of Alaska Statewide Single Audit for the Fiscal Year Ended June 30, 2002.

Recommendation No. 1

The director of Alaska Office of Management and Budget (AOMB) should develop guidance for state agencies to distinguish expenditures between operating and capital appropriations.

I agree that a guideline will be useful to state agencies. OMB has drafted and will be implementing a policy for state agencies regarding the transfer of expenditures between operating and capital appropriations. I am, however, also cognizant of the fact that many expenditures may reasonably be charged to either a capital appropriation or an operating appropriation. In addition, I recognize the practical budgetary constraints facing state agencies and hope to provide some measure of flexibility to them.

Thank you for the opportunity to respond.

Sincerely,

Cheryl Frasca
Director

July 29, 2003

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Re: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2002

Thank you for the opportunity to reply to the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year ended June 30, 2002, Department of Administration.

Recommendation No. 1

The Division of Finance (DOF) director should establish internal controls requiring segregation of duties for time and attendance records.

The Department of Administration recognizes the importance of duty segregation for time and attendance records. Procedures for ensuring adequate controls are outlined in Section 3 of the Payroll Procedures Manual published by the Division of Finance.

This recommendation points out a design flaw in our current payroll system, AKPAY. It does not enforce duty segregation with edits or reports. This is not the only problem with this software, nor does it pose the most risk. Our backlog of fixes and enhancement requests is substantial, characteristic of a software product nearing the end of its useful life. We are constantly striving to keep it operational and current within vendor maintenance requirements. Prior to FY03, our requests for additional funding for this purpose did not receive legislative approval despite the mission-critical nature of a statewide payroll system. However in FY03, the legislature approved \$600,000 enabling DOF to begin the process of analyzing the needs of the State. In FY04, an additional \$300,000 is available to continue the analysis.

The analysis will provide DOF alternatives that may be available to the State to replace several statewide administrative systems to more current technologies. DOF will complete a thorough review of the alternatives and develop a request for proposal (RFP) anticipating that the responses to the RFP and a cost analysis will be completed for presentation to the legislature in 2004. The analysis is the first step in a multiyear process that will require funding needs that are

yet to be determined. The new system will meet current standards related to accounting controls including addressing the weaknesses identified with this finding.

Recommendation No. 2

The chief procurement officer (CPO) for Division of General Services (DGS) should establish additional procedures to maintain control and accountability over the Atwood Building's petty cash fund.

The recommendation suggests that we have two significant weaknesses in the internal controls for this petty cash fund. One issue states that DGS staff performed no monthly bank reconciliations of income and expenditures during FY02. AAM 50.180 states that *bank accounts should be reconciled no later than 15 days following the receipt of the bank statement*. The property management company does, however, complete monthly reconciliations. These reconciliations are forwarded to the State Leasing and Facilities Manager (Manager). The Manager reviews the reconciliation to ensure that the cash is accounted for when processing the reimbursement of invoices paid from the account.

The process does not ensure that activity reflected on the bank statement is recorded on AKSAS. The Manager is not involved with recording information on the statewide accounting system and the fund is reimbursed based on disbursements from the account. Interest income and bank fees are not taken into account when the reimbursement requests are completed.

In the future, when reimbursing the fund, the Custodian will review the bank reconciliation for evidence of a review by the Manager. On a monthly basis, these fees are immaterial. However, in the future the custodian will reconcile the interest and bank fees no less than two times during the year and recognize them appropriately on AKSAS.

The second weakness you discussed in your report indicated that potential exists for petty cash funds to be misappropriated due to the approval process. As discussed, invoices are submitted to the Manager along with a letter requesting reimbursement. The Manager reviews each invoice, makes any necessary changes to the reimbursement request and approves the request for payment as required by Sec 37.10.010.

Previously, the request had been returned to the property management company who then forwarded it to DGS for processing. Because the property management company forwarded the response directly to DGS, an opportunity existed to falsify the reimbursement request. DGS has changed its process and now requires the Manager to remit the requests for reimbursement directly to DGS.

Recommendation No. 3

The Division of Senior Services (DSS) director and the Alaska Commission on Aging (ACOA) executive director should continue to adhere to their corrective action plan to meet federal requirements.

The Department of Administration, Division of Senior Services, concurs with this recommendation. Implementation of the corrective action plan (CAP) began with the major urban areas of the state and will eventually expand to the rural areas where administrative resources are available. Currently, Anchorage, Fairbanks, and Southeast Alaska have subgrantees administering the program.

In FY04, we plan to send out Letters of Interest for the remaining parts of the State. However, ACOA is not finding suitable grantees throughout rural Alaska.

Additionally, the ACoA has implemented the Older Worker Specialist (OWS) program on the Kenai Peninsula and in the Mat-Su Valley because these two areas have a high concentration of enrollees. Host agencies in these areas are all located on a road system, thus enhancing communication and education regarding the SEP program. The OWS program supports the enrollee primarily and the host agency secondarily in operating the program in an effective manner that is in accordance with federal regulations. The OWS ensures that enrollees are being placed in supplemental positions within a host agency.

Additionally, the ACOA has worked diligently with host agencies around the state to educate them regarding federal regulations. This effort is slowly paying off and increased compliance is evident. On February 3, 2003, the Commission discussed the supplement and not supplant requirements of the program in a letter to its existing grantees. This is one example of ACOA's continued efforts to address several compliance issues related to their programs.

Recommendation No. 4

Director of Division of Senior Services (DSS) and the executive director of Alaska Commission on Aging (ACOA) should improve its monitoring of subrecipients to ensure that federal funds passed through to grantees are spent in accordance with federal requirements.

The Department of Administration, Division of Senior Services, concurs with this recommendation and has taken significant steps toward fully addressing the issue. Unfortunately, with approximately 65 grantee agencies throughout Alaska and decreasing travel resources, the Commission cannot depend entirely upon site review processes for the needed monitoring. Additionally, steps have been taken to use other personnel, such as the long-term care development officer, to assist in site reviews. In FY03, the Associate Coordinator conducted several monitoring visits at the beginning of FY03 and has plans for return visits in early FY04. Sites reviewed included those involved with implementing the New Model strategy.

ACOA however, will place greater reliance on desk review processes. These reviews will continue to help assure that grantee expenditures are valid and federally allowable.

We have also reviewed our internal processes for notifying grantees of the federal requirements and the information each of them may need to complete their year-end requirements. We have incorporated that into the accounting position within ACOA and hope to have all notices issued by the end of FY03.

Thank you again for the opportunity to respond to this preliminary audit for the fiscal year ended June 30, 2002.

Sincerely,

Mike Miller
Commissioner

MM/db/nn

cc: Dan Spencer, Director
Division of Administrative Services
Department of Administration

Kim Garner, Director
Division of Finance
Department of Administration

Vern Jones, Chief Procurement Officer
Division of General Services
Department of Administration

Steve Ashman, Director
Division of Senior Services
Department of Health & Social Services

Robert Taylor, Executive Director
Alaska Commission on Aging
Department of Health & Social Services

Frank H. Murkowski, Governor

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

*P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2075*

July 25, 2003

Pat Davidson, CPA
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

RE: Corrective Plan for Preliminary Report, FY 02 Statewide Single Audit, Department of Law

This is to respond to the finding you raised in your Preliminary State of Alaska Single Audit for the Fiscal Year Ended June 30, 2002 and to inform you of corrective action currently planned to address the finding:

Recommendation No. 6

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's (DOL) director of Administrative Services should ensure that personal service costs for federal programs are supported as federally required.

Background

You have found that some personal services costs charged against federal funds RSA'd to the Department of Law lack required supporting documentation. The total in questioned costs is \$174,002.27 broken out as follows:

CFDA 16.179 - \$137,922.27 Multijurisdictional Task Force (Byrne Drug Grant)
CFDA 16.588 - \$ 36,080.00 Violence Against Women Act

Where RSA's are involved, the Department of Law relies on the client agency to make clear the federal grant requirements associated with carrying out the grant program. However, the Department of Law agrees that the requirements for personal services costs are not vastly

different between federal grants and we fully concur that adequate records should have been maintained to comply with typical requirements.

Corrective Plan

Direct Costs: The Department of Law has already taken steps to require that employees who work directly on projects or in programs where the source of funds is a pass-through of federal funds will undertake positive timekeeping to ensure that personal services costs charged to such funds are consistent with the activities taking place and the requirements of OMB Circular A-87.

Indirect Costs: The State of Alaska has an existing contract with DFG Maximus and has long used the services of this company to assist in the development of cost allocation plans, particularly as they relate to adherence to federal requirements. Since FY 1996, the Department of Law has from time to time engaged DFG Maximus to develop and make changes and adjustments to its cost allocation plan.

The Department's methodology typically assigns cost on a per capita basis, and would propose that approach as part of its corrective plan. A proposed per capita allocation would address indirect costs – including those of support staff who would be allocated equally across all positions that receive support services. This approach is consistent with the manner in which we allocate support services costs in the development of our federally approved Civil Division timekeeping and billing rate. Direct costs will not be allocated, but charged directly to the RSA, however direct personal services costs will be entirely supported by positive timekeeping in order to address the issue of adequate documentation. The Department of Law has made funds available in FY 2004 to engage DFG Maximus to assist in its corrective action plan. We expect to have a revised cost allocation plan in effect by September 30, 2003, perhaps sooner. We already have in place a requirement that Drug Grant direct personal services be supported by timekeeping records and have underscored that this requirement is still in place. We will implement full timekeeping for direct personal services related to the VAWA grant immediately.

We anticipate that if the methodology in the revised cost allocation plan is consistent with past practices, it will further reduce the questioned costs. Please contact Kathryn Daughhete at 465-3673 if you have questions or comments about our corrective plan.

Sincerely,

Gregg D. Renkes
Attorney General

Cc: Kathryn Daughhete, Director, Administrative Services Division
Susan Parkes, Deputy Attorney General, Criminal Division

July 17, 2003

Pat Davidson
Division of Legislative Audit
PO Box 113300
Juneau AK 99811

Re: State of Alaska Single Audit for Fiscal Year 2002

Dear Mr. Davidson,

Thank you for a thorough review of our operations and for your recommendations on how we can improve our service to the public. I have worked with the staff at the Child Support Enforcement Division to prepare this response, and would welcome any additional comments or questions from you or your staff.

Recommendation No. 7: Child Support Enforcement Division

The director of the Department of Revenue (DOR), Child Support Enforcement Division (CSED) should take steps to ensure that federal requirements for the Child Support Enforcement program are met.

CSED is presently in compliance with federal requirements in every area except Paternity and Support Order Establishment. We failed to open all new cases in a timely manner in FY 2002. Out of the 58 establishment cases we measured in our self assessment audit, fifteen cases had errors and eight of those were for failure to open the case within the required twenty days. Of those eight errors, three were due to a one-time cleanup of backlogged Foster Care cases. If those three errors had not occurred, the compliance rate would have been 80%. We do not expect another such backlog for Case Opening.

Our last self assessment audit, completed in March 2003, showed Paternity and Support Order Establishment to be at the 74% compliance mark. The minimum standard is 75%, so we are now very close. Training, procedural changes and new electronic tools to help us locate and serve individuals helped us improve 9% since FY 2000. Based on this trend and the cleaned up backlogs of foster care cases, we believe we will exceed the 75% benchmark in FY 2003.

Since the end of FY 02 our Establishment Section was assigned one more person (they now have 19 case officers for paternity and support order establishment). In addition, a procedural change now allows clerical staff to mail out administrative support orders that previously required review and signature by case officers. The signature block is now filled in electronically. The

time savings allows these seven specialized case officers to spend more time on preparing administrative orders. We estimate each of these seven will increase their productivity by 20-25%. Service of process will be enhanced before the end of July, 2003 by including a color photo of most non-custodial parents with the documents to be served. The improvements to the interface with the IV-A office reduced the backlog of new TANF cases needing case opening to near zero (i.e., a new TANF case is opened within a few days and then referred for order establishment or enforcement).

Recommendation No. 8: Child Support Enforcement Division

The director of the Department of Revenue (DOR) Child Support Enforcement Division (CSED) should continue to strengthen the division's internal controls over the cash management system.

Your findings acknowledge our efforts to reconcile the trust account and the progress we made, even though we did not achieve our goal by the end of FY 2002. Since FY 2002 we have reconciled our trust fund and are able to perform ongoing monthly reconciliations of the fund. We are also able to monitor internal and bank activities on a daily basis. We now have two full time employees to handle this function instead of one. We believe that we have now complied fully with your recommendations.

Sincerely,

William A. Corbus
Commissioner

Department of Education & Early Development
Office of the Commissioner

*Goldbelt Place
801 West Tenth Street, Suite 200
Juneau, Alaska 99801-1894
(907) 465-2800
(907) 465-4156 Fax*

July 21, 2003

Pat Davidson, Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The Department of Education & Early Development appreciates the opportunity to respond to the audit recommendations in the preliminary FY 02 Statewide Single Audit report.

Recommendation No. 9

The director of Early Development (ED) and Alaska Vocational Technical Center (AVTEC) should ensure that personal service charges are supported as federally required.

The department agrees with the importance of keeping accurate record of personnel costs. The department has implemented timekeeping procedures and will make every effort to assure that the procedures are followed so that all future expenditures from a federal program will be accurately documented.

Recommendation No. 10

The director of the Division of Education Support Services (ESS) should ensure that federal program financial reports are accurate and supported by the accounting records for the Child Care Cluster (CCC).

The department agrees with this recommendation. EED had made changes to the department accounting structure so that complete and accurate information required to complete this report is obtainable and easily documented. The department will implement additional procedures to ensure that the updated accounting structure is used in the future.

Recommendation No. 11

The director of ESS should develop procedures to ensure that federal draw downs are done in accordance with Cash Management Improvement Act (CMIA) policy statement No. 19 for the Child Care Mandatory and Matching Funds (CCMMF).

The department appreciates the thoroughness of the auditors in bringing this policy statement specific to one of the ED programs to our attention. The Department of Education & Early

Development will work to implement the requirements of Statement 19 for the CCMMF program.

Recommendation No. 12

The director of ESS should establish written policy and procedures to ensure uniform and proper processing of all departmental accounting data. Further, administrative staff in divisions should adhere to established procedures.

The department agrees with the recommendation and is in the process of updating and streamlining policy for the fiscal section for all accounting tasks. These written procedures will be available to accounting personnel in all divisions, and fiscal staff will be trained and required to utilize them.

Recommendation No. 13

The director of ESS should make certain that personnel responsible for the procurement of goods and services are properly trained to ensure compliance with procurement statutes.

The department agrees with this recommendation and will make every effort to ensure that only trained staff will be responsible for the procurement of goods and services.

Recommendation No. 14

The director of ESS should develop a cost allocation plan to support administrative overhead costs billed to capital projects, revise billing procedures, and lapse excess general fund receipts.

The department agrees that the administrative overhead cost allocation plan associated with management of capital projects needs review and updating. However, the department does not agree with the assertions of the auditor that there has been an improper accumulation of funds for the administration of EED capital projects. The auditor has quoted Alaska statute 37.07.080(e), but only partially. The fact is that only actual costs are recorded against the CIP overhead account.

The department initially transfers a very small percentage (currently 1.05%, the same percent used for the past four years) for overhead expenditures at the beginning of each capital project. This reflects a typical 6 year life span for capital projects and the uncertain nature of the annual capital appropriation process. The legislature approves an annual budget for the Facilities Section for administration of capital projects which is currently funded through interagency receipts and CIP receipts; there are no general funds obligated directly to fund the services of this section.

The department has worked over the years with OMB to develop a minimal yet reasonable percentage for an overhead rate, but only actual costs are recorded against these funds. Nevertheless the department will work actively to address the concerns of the auditor and to develop a current cost allocation plan for administrative overhead charged to capital projects.

Recommendation No. 15

The director of ESS should take measures to resolve revenue shortfall issues.

The department agrees with this recommendation. Revenue for the noted appropriation has been earned and will be collected.

Recommendation No. 16

The director of Teaching and Learning Support (TLS) should ensure that Local Education Agencies (LEAs) are complying with the comparability reporting requirement.

Local Educational Agencies (LEAs) that receive federal Title I funding and that meet the federal requirements for submitting Comparability Reports are required to calculate comparability information annually, but submit these reports to the department (EED) every two years. In FY02, 17 LEAs should have submitted Comparability Reports to EED. Only 6 LEAs submitted reports. Staff turnover in the Title I program and staff re-assignment resulted in a lack of follow-up with regard to collecting all 17 Comparability Reports.

EED staff have contacted the 11 LEAs that failed to submit information in FY02 and will begin collecting the missing reports. Additionally, LEAs will be required to submit Comparability Information to EED annually, at the same time their No Child Left Behind Consolidated Applications are due. LEAs should have no trouble supplying comparability information to EED annually, since they are required by federal law to calculate it annually.

By collecting all outstanding LEA FY02 Comparability Reports and by requiring annual submission of this information through an existing application process, this finding will not be repeated in future years.

Recommendation No. 17

The director of TLS should develop and implement procedures to ensure that LEAs are meeting the period of availability carryover requirement.

The TLS division does follow a procedure to assess compliance with the carryover limitation for Title I Part A, at 12 months. Beginning immediately, the TLS Grants Administration staff will implement procedures that will assess LEA compliance with the period of availability carryover requirement, at 15 months. By the addition of this new procedure, this finding will not be repeated in future years.

Sincerely,

Roger Sampson
Commissioner

July 29, 2003

Pat Davidson, CPA
Legislative Auditor
Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-0601

RE: FY 02 Statewide Single Audit, Department of Health and Social Services

Dear Ms. Davidson:

Thank you for the opportunity to respond to the Statewide Single Audit. Our response is as follows.

Recommendation No. 18

The Department of Health and Social Services' (DHSS) finance officer should improve the controls over categorization and allocation of allowable claims.

DHSS concurs with the recommendation. The Division of Administrative Services, fiscal section will verify the questioned costs and allocation methodologies. If duplicate costs were claimed, a decreasing claim adjustment will be reflected on the Medicaid federal report for quarter ending June 30, 2003.

Recommendation No. 19

The DHSS director of administrative services should ensure staff provides accurate and reliable information for implementing the cost allocation plan.

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DHSS concurs with the recommendation. DHSS is currently in the process of amending its public assistance cost allocation plan. The amendment will include revisions to the random moment time studies for the Office of Children's Services (formerly the Division of Family and Youth Services) and the Division of Public Assistance. In addition, all allocation methodologies will be reviewed and revised, if necessary.

Recommendation No. 20

DHSS' director of DFYS should implement internal controls that are adequate to ensure the legal compliance of financial transactions.

DHSS concurs with the recommendation. Effective July 1, 2002, the appropriations were consolidated into a single appropriation, thus eliminating the need for revenue transfers.

Recommendation No. 21

DHSS' finance officer should ensure transactions are processed in accordance with state law.

DHSS concurs with the recommendation. Effective July 1, 2003, account receivables will be established for the weekly federal draws. The revision to accounting procedures will eliminate the need for TANAB increases.

Recommendation No. 22

DHSS' finance officer should take measures to resolve revenue shortfall issues.

DHSS concurs with the recommendation. The current status on individual appropriations is as follows:

AR 22520-02 Medicaid Services – The revenue shortfall is comprised of unreimbursed federal revenues relating to the Fairshare program and unrealized statutory designated receipts not realized from the Fairshare program. We are currently awaiting the Centers for Medicare and Medicaid Services approval of a State of Alaska plan amendment. The department will request Legislative ratification for the unrealized statutory designated program receipts.

AR 22550-02 Family & Youth Services Management – A revenue shortfall totaling \$70,347 currently exists for this appropriation due to DHSS's position on recommendation No.20. The revenue shortfall resulted from a federal review requiring

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DFYS to revise the federal claiming methodology on certain cost pools. DHSS will request ratification during the next legislative session.

AR 22553-02 Family & Youth Services Staff Training - The revenue shortfall resulted from a federal review requiring DFYS to revise the federal claiming methodology on certain cost pools. DHSS will request ratification during the next legislative session.

Recommendation No.23

The director for DHSS' division of administrative services (DAS) should improve internal controls over the retention and management of records.

DHSS concurs with the recommendation but disagrees with the questioned costs. Effective December 1, 2002, DHSS implemented this recommendation by establishing a centralized filing system. DHSS staff has located the missing documents supporting the federal claim.

Recommendation No. 24

The DHSS finance officer should properly present the summary of prior year audit findings to accurately reflect corrective action taken by the department.

DHSS concurs with the recommendation. Partial decreasing adjustments were reflected in the federal financial reports as presented in the summary of prior year audit findings. These adjustments materially implemented the prior years' recommendations and resolution of questioned costs.

Recommendation No. 25

DHSS's director of Division of Family and Youth Services (DFYS) should ensure that adoption assistance subsidy payments are made in accordance with federal program requirements.

DHSS concurs with the recommendation. To resolve the questioned costs, a decreasing claim adjustment will be reflected on the Title IV-E federal report for the quarter ending

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June 30, 2003. Also, any overdraw as a result of the decreasing claim adjustment for Title IV-E will be immediately adjusted.

Recommendation No. 26

The director of the Division of Public Assistance (DPA) should implement procedures to comply with the income eligibility and verification system (IEVS) requirement of the federal Temporary Assistance for Needy Families (TANF) program.

DHSS concurs with the recommendation. DPA implemented procedures to comply with IEVS. The required BEERS and IRS interfaces run each month and produce alerts. DPA timely processes the alerts generated each month. (After 12 months, the IRS information has not caused a change to a single benefit.) A bug in the BEERS program that generates alerts causes the previously processed alerts to regenerate. The regeneration duplicates approximately 80% of the alerts from previous months. DPA has suspended processing of the BEERS alerts until the problem has been corrected. DPA expects to resume processing BEERS alerts by October 1, 2003.

Recommendation No. 27

The health program manager of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Division of Public Health (DPH) should ensure that all food instruments are properly accounted for.

The Division concurs. To bring the program into compliance, we began following up with all local agencies on unmatched food instruments. Subsequently, we developed a script in our WIC computer system to follow up on all unmatched food instruments because the errors were problems in the transmission of data from the local agency servers to our state server. Most recently, we are in the process of switching our replication/synchronization over to a Virtual Private Network (VPN). This is in process and should be complete within a few months. This will greatly enhance the transmission of data, as it will go over the internet in a secure private network. We will no longer transmit data by modem, which has been a major problem with data transmission in the past.

Recommendation No. 28

We recommend the Healthy Babies' program manager ensure program expenditures are charged to the proper federal program.

DHSS concurs with the recommendation. A decreasing claim adjustment will be reflected on the Medicaid federal report for quarter ending June 30, 2003.

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Recommendation No. 29

The DMA research analyst in charge of identifying SCHIP eligible costs should monitor claims to ensure that only costs for children 18 and younger are claimed for federal reimbursement.

DHSS concurs with the recommendation. The DMA concurs that a process needs to be in place that ensures no ineligible costs for children at the age of 19 years are claimed for federal reimbursement at the enhanced match allowed by Title XXI – SCHIP. However, we disagree with the reported questioned costs.

The DMA further analyzed the potential mis-claims for recipients and expenditures associated with Title XXI children at the age of 19 years. Our analysis reveals that many of the mis-claims initially identified were, in fact, claimed correctly. The amount originally reported as a possible over claim (\$124,313) looked only at the date of birth as compared to the date service to identify those individuals over the age 18. Children eligible for Title XXI matching funds are actually eligible “through the month of their 19th birthday” (Medicaid Eligibility Manual 5013d). Any service provided during the month of their 19th birthday qualifies for the Title XXI enhanced match rate. This final analysis has shown that actual claims in the total amount of \$41,932 were not eligible for the enhanced rate. This is the total amount over claimed. Federal matching rates for the claims cross over FFY01 and FFY02 FMAPs and the federal share equals \$29,575. Decreasing claims will be reflected on the June 30, 2003, Medicaid financial report for the revised questioned costs.

Recommendation No. 30

The DPH administrative manager should enforce procedures to ensure personal service expenditures charged to federal programs comply with federal cost principals.

DHSS concurs with the recommendation. DPH will direct all employees whose personal services are charged to multiple benefiting programs to maintain positive timekeeping records. A decreasing claim adjustment will be reflected on the June 30, 2003, Medicaid federal financial report.

Recommendation No. 31

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The commissioner for the Department of Health and Social Services (DHSS) should emphasize strong internal controls over the Medicaid program.

The Department concurs. Department management is committed to administering the medical assistance programs in a manner that promotes effective, long-term cost containment of the state's medical assistance expenditures while providing medical care to recipients. The Department will also continue to administer the medical assistance programs in partnership with the state's health care providers to strengthen our ability to detect and prosecute Medicaid fraud and abuse in accordance with applicable laws and regulations. In order to maintain the integrity and fiscal viability of the state's medical assistance program, those who do not operate in this manner should be held accountable for their conduct.

Recommendation No. 32

DMA's health and programs manager should review the Medicaid Management Information System (MMIS) administrative controls and edits, and the related disposition policy, in order to better utilize the payment system's capacity to evaluate claims.

The Department concurs. The commissioner has directed Division of Medical Assistance staff to: 1) review administrative controls and edits to ensure they are appropriate set and used in the claims payment process; 2) to ensure that the related policy is consistent; and 3) ensure that the claims evaluation system promotes the payment of valid and medically necessary claims.

In addition, the Center for Medicare and Medicaid Services (CMS) is currently reviewing the Department's contract for a new MMIS system. A new MMIS system will significantly assist the Department in its efforts to address the concerns expressed in the performance audit entitled "*Internal Control Over Medicaid Payments*" (audit control number 06-30018-03, dated January 31, 2003.)

Recommendation No. 33

DMA's provider and beneficiary services manager should develop and implement stronger Medicaid provider enrollment controls consistent with federal regulations and to prevent enrollment of inappropriate service providers.

The Department concurs. Department Management is continuously revising and strengthening the administrative controls to improve program effectiveness. The

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performance audit of the Division of Medical Assistance, dated January 31, 2003 (audit control number 06-30018-03) identified specific areas for improvement. Since the release of this audit;

1. The Department has reviewed ineligible providers and taken appropriate action to terminate enrollment.
2. The Department is making every effort to be in compliance with 42 CFR 455.105 and 42 CFR 455.106. Our plan is to seek further legal review to clarify the federal requirements, remediate activities as necessary, and take any actions necessary to assure full compliance with federal requirements. Final clarification is expected by August 2003.
3. The Department agrees that a Memorandum of Understanding (MOU) with the Division of Occupational Licensing is critical to our success in this area. The Department is working with Occupational Licensing to finalize the agreement.
4. The Department has updated its enrollment procedures to de-activate any provider that has not submitted a claim within the prior 18 months.

Recommendation No. 34

DMA's health program and policy manager should strengthen controls over transportation claims.

The Department concurs with the recommendation and agrees that all of the items listed in the recommendation should be implemented. In addition, the department will have a Request for Proposals (RFP) for non-emergency airline transportation brokerage services on the street by September 2003.

Recommendation No. 35

DMA's director should take action to improve the agency's utilization control and program integrity function.

The Department concurs and will be issuing a Request for Proposals (RFP) to conduct onsite audits and desk audits statewide. These audits will also meet the requirements of Senate Bill 41.

Pending the design and development of the new MMIS, the Department is also amending its current MMIS contract to provide an enhanced Surveillance and Utilization Review (SUR) solution.

The enhanced SUR amendment will include development and deployment of advance abuse and fraud detection tools; increase SURS cases being worked from 10 per quarter to

Ms. Pat Davidson, CPA
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not less than 25 SUR generated cases and five State referred cases; and increase lock-ins from 30 to a target of 1,000 over the first year of the contract. The contractor will also act as the State's agent in determining recoveries, negotiating terms with providers, and collecting recovery dollars and reconciling them within the MMIS system.

Recommendation No. 36

Division of Mental Health and Developmental Disabilities (DMHDD) program managers should improve internal control over the use of care coordinators in the development of recipients' plans of care under the mentally retarded/developmentally disabled (MRDD) waiver program.

The Department concurs. The Department is working with the Department of Law, to evaluate the relative merits of an independent care contractor. In addition the new Division of Senior and Disability Services (DSDS) will be writing regulations addressing inappropriate business relationships, and evaluating the current models.

Recommendation No. 37

DMA Medicaid policy administrator and Division of Mental Health and Developmental Disabilities' (DMHDD) program administrator should address home and community-based (HCB) agency payment rate issues to ensure costs paid are reasonable.

The Department concurs with the recommendation to reform the rate setting mechanism at the completion of its cost study. The Department will be noticing new regulations that provide for the unbundling of home and community based rates paid to providers to ensure costs are reasonable.

Recommendation No. 38

We recommend the Division of Medical Assistance (DMA) director establish internal controls over Medicaid costs billed to third parties so that Medicaid costs are recovered to the greatest extent possible.

DHSS concurs with the recommendation. DMA has implemented this recommendation by contracting with Public Consulting Group, Inc. to pursue the third party billing process.

Ms. Pat Davidson, CPA
Legislative Auditor
July 29, 2003
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If you have any questions concerning the information contained in this letter, please contact Janet Clarke at 465-1630 or Michelle Grose at 465-1690.

Sincerely,

Joel Gilbertson, Commissioner
Department of Health and Social Services

**FRANK MURKOWSKI
GOVERNOR**

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
OFFICE OF THE COMMISSIONER**

*P.O. BOX 5800
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FT RICHARDSON
CAMP DENALI, ALASKA 99505*

July 23, 2003

Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit

On June 17, 2003 I forwarded our initial responses to the audit findings and our proposed corrective actions to you under separate cover. Subsequently, Legislative Auditor Christino Fermin notified my Director of Administrative Services that these were acceptable and my staff immediately began to implement the corrective actions. The following are those responses and actions.

1) Finding: The Deputy Director of Facilities and Maintenance (FMO) and the Director of the Division of Administration Services (DAS) should develop procedures to segregate procurement and payment approval duties.

Corrective Action: The DMVA Procurement Officer performed an internal audit on all of the divisions within the Department last August and discovered this situation only at FMO. Many of the contracts that FMO issues are prepared by individuals holding either a DOT or DOA contracting certification. The majority of these F&M individuals, who are construction experts, have been issuing contracts using their DOT authority.

The Departments of Administration and Transportation recently published new guidelines explaining what should be considered construction and which contracts should be administered using DOT or DOA procedures. As a result, we are taking the following actions:

(a) We are transferring responsibility for preparing all multi-year service contracts that can be accomplished using DOA certification (i.e. janitorial, snow plowing, lawn mowing, environmental, etc) to the DMVA Procurement Officer. He will assume contract administration duties. The FMO staff members who have been performing contract administration duties will serve as project managers on existing and future contracts of this type. Their duties will include: contractor over site, specification development, scope of work preparation, issuing and signing contracts, and reviewing and recommending payment of invoices. These procedures will allow the FMO staff more time to insure contract work is being properly accomplished and should eliminate or reduce contractor claims and change orders that increase contract amounts. The Project Managers will forward invoices to the Chief of Contracting or the FMO Deputy Director for approval prior to submission to DAS for payment. This process will provide checks and balances and a segregation of duties. The FMO staff will continue to prepare and administer all construction contracts (those authorized with DOT certification only).

(b) A position and funding from FMO will be shifted to DAS by July 15, 2003. This position will assist the Department Procurement Officer.

(c) DAS will also review and update all Standard Operating Procedures (SOPs) covering internal controls in regards to procurement and contracting by December 31, 2003.

2) Finding: The FMO Deputy Director and the Director of DAS should ensure proper approval for payment of state obligations.

Corrective Action: During the audit performed by the Department Procurement Officer it was discovered that non State (Federal) employees in FMD and 2 other Divisions were approving invoices against State obligations in violation of AAM 35.060. In DMVA where it is typical to have both State and Federal employees working side by side, and in many cases within each others chain of command; it is not surprising that this occurred. To correct this problem we have:

(a) notified the divisions that only State employees are authorized to approve invoices for payment. If a Federal employee is the only individual close enough to the contractor to determine if DMVA is being properly billed for services, the Federal employee will use a stamp that states recommended for payment and then obtain proper approval from the Administrative Manager for the individual Division.

(b) directed all DMVA Divisions to provide DAS with updated signature cards for individuals who have invoice approval authority. A list will be developed and provided to each member of the accounting staff for verification prior to processing any invoice.

(c) directed that any individuals who do not have a signed procurement delegation on file with the DMVA Procurement Officer by August 1, 2003 will have their procurement certifications and delegations rescinded. The DMVA Procurement Officer will insure this topic is addressed in the Department SOP and complete a thorough review of individuals authorized to perform both procurement actions and invoice approvals.

(d) directed the DMVA Finance Officer to provide the accounting staff additional training on how to determine if proper back up exists prior to any payment being processed. (The finding also mentioned that some invoices were processed without any approval at all. We are confident that this was an oversight and did not result in state funds being improperly disbursed.)

In closing, DMVA wish's to thank Mr. Christino Fermin for his thoroughness in performing this audit. If we can provide any additional information please feel free to contact us.

Sincerely,

//signed//

CRAIG E. CAMPBELL
Commissioner/Adjutant General

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
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July 29, 2003

Pat Davidson
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Audit Control Number 02-40003-03

Dear Ms. Davidson:

Thank you for the opportunity to respond to the Preliminary Report for fiscal year ending June 30, 2002. DNR concurs with the audit. We appreciate all the time and effort that went into completing this audit. We were also very pleased there were no material findings.

Sincerely,

Nico Bus
Acting Director

cc: Tom Irwin, Commissioner
Bill Andrews, Finance Officer, Support Services Division

July 29, 2003

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to review the preliminary audit report on:

State of Alaska Single Audit Report for the Fiscal Year Ended June 30, 2002

As requested in your July 9, 2003 letter, the Department of Public Safety's reply to each of your recommendations for this department includes a response and implementation status.

Recommendation No. 41

The executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) should implement procedures to ensure subrecipients are properly informed and fulfilling federal award requirements.

Agree. The acting executive director of the Council on Domestic Violence and Sexual Assault (CDVSA) has implemented appropriate procedures for subrecipients. Effective July 1, 2003, the FY04 VAWA S*T*O*P Grant Award Notifications have been amended to include all appropriate grant award assurances and federally required information. Subrecipients must sign both the grant award notification and the required federal certifications. The expanded grant award information include:

1. Catalog of Federal Domestic Assistance number 16.588;
2. A condition to abide by the applicable provisions of the United States Department of Justice, Office of Justice Programs, Financial Guide, and Office of Management and Budget Circular's A-87, A-102, and A-133; and
3. A condition that federal funds will be used to supplement and not supplant other available funds;

Ms. Pat Davidson, CPA
July 29, 2003
Page 2 of 3

The FY04 VAWA grant award conditions and required federal certifications are enclosed for reference.

Recommendation No. 42

The director of the Division of Alaska State Troopers (AST) should ensure personal service costs are charged to federally-funded programs in a manner consistent with federal regulations.

Agree. The Division of Alaska State Troopers (AST) is developing policies and procedures to ensure that personal service costs, including compensatory time, are charged to programs in a manner consistent with federal regulations. Compensatory time may be earned under provisions of the Public Safety Employee Association's bargaining unit agreement. AST's policies and procedures for charging personal services costs to programs will be finalized and implemented by October 1, 2003.

Recommendation No. 6

The director of the Department of Public Safety's (DPS) Division of Alaska State Troopers (AST) and the Department of Law's director of Administrative Services should ensure that personal services costs for federal programs are supported as federally required.

Agree. Effective July 1, 2003, the Division of Alaska State Troopers (AST) has incorporated appropriate provisions in subgrant documents to ensure that personal services costs for federal programs are supported as federally required, including specific reference to OMB circulars A-87, A-102, and A-133.

In addition, effective July 1, 2003, the Council on Domestic Violence and Sexual Assault has also amended its grant award notifications, as mentioned in our response to Recommendation # 41, to include all appropriate grant award assurances from each subrecipient.

Sincerely,

William Tandeske
Commissioner

Enclosures: a/s

VAWA Grant Award Conditions – Recommendation #41
Required Federal Certifications - Recommendation #41

cc: Colonel Julia Grimes, Director
Division of Alaska State Troopers

Lisa Emerson, Administrative Manager IV
Division of Alaska State Troopers

Ms. Pat Davidson, CPA

July 29, 2003

Page 3 of 3

Catherine Katsel, Grants Administrator II
Division of Alaska State Troopers

Cathy Satterfield, Acting Executive Director
Council on Domestic Violence and Sexual Assault

Karen R. Morgan, Director
Division of Administrative Services

VAWA S*T*O*P* GRANT AWARD CONDITIONS

State of Alaska - FY04

In addition to the conditions, assurances and requirements contained in the application, the grantee agrees to the following conditions:

1. To abide by 13 AAC 90, 13 AAC 95, 02 AAC 45.010, the provisions of the grant application, and the terms and conditions contained herein.
2. To abide by the applicable provisions of the United States Department of Justice, Office of Justice Programs, Financial Guide, and Office of Management and Budget Circular's A-87, A-102, and A-133.
3. Subject to the availability of spending authority by the Council to fund this grant and provided such spending authority is not revoked, rescinded, reduced, or withheld by the Office of Management and Budget. The Council will promptly provide the grantee written notice if funding under this award is revoked, rescinded, reduced or withheld, and the effective date of such action.
4. The grant award for FY04 will be available for program use only during the approved budget period given on the notification of grant award or Reimbursable Services Agreement. (13 AAC 95.090)
5. Funds awarded in this grant are to be expended only for the purposes set forth in the approved grant application and in accordance with ALL applicable laws, regulations, and grant policies.
6. In accordance with 13 AAC 95.300, any proposed changes in the budget OR service plan of the approved grant application will be submitted in WRITING by the grantee PRIOR to execution. The changes will become effective upon notification of approval by the Council, and shall be incorporated as a part of this grant award.
7. To comply with the requirements of the U.S. Civil Rights Act (42 U.S.C. 200d and 29 U.S.C. 794) and the Americans with Disabilities Act (ADA) on employing staff, providing services, and as otherwise appropriate.
8. To purchase fidelity bonding insurance for all signatories for FY04 and personal injury liability for employees, volunteers and clients in accordance with 13 AAC 90.050(e).
9. To use accounting procedures that guarantee that co-mingling of VAWA funds with other funds does not occur.
10. That no VAWA funds will be used for lobbying the Legislature.
11. To submit financial and performance reports on scheduled dates. (13 AAC 95.240). A final closeout report shall be furnished to the Council office.
12. Funds awarded in this grant may be suspended or terminated as specified in 13 AAC 95.330 for violations of any terms and/or conditions of this grant award.

13. To provide to the Council office an update of the inventory list as described in 13 AAC 95.320(i)(j)(k) of all equipment purchased by the program with VAWA STOP funds. The list will include all items costing more than \$500 at the time of purchase.
14. To provide copies of all financial audit reports directly to the Council as well as the Office of Management & Budget. Subgrantees that expend \$500,000 or more in federal funds (from all sources including pass-through subawards) in the organization's fiscal year shall have a single organization-wide audit conducted in accordance with the provisions of OMB Circular A-133. Subgrantees that expend less than \$500,000 in Federal awards are exempt from Federal audit requirements for that year. Records must be available for review or audit by appropriate officials including the Federal agency, pass-through entity, and General Accounting Office. (effective for the fiscal year ending after December 31, 2003)
15. To keep consultation records and information confidential and to have written policies and procedures for ensuring the confidentiality and security of clients' records that delineate procedures for disclosure of confidential information including the use of forms for documenting the disclosure and for obtaining the client's written consent. (13 AAC 90.080)(13 AAC 95.280)
16. To comply with the minimum wage and maximum hour provisions of the Federal Fair Labor Standards Act if applicable.
17. To establish safeguards to prohibit employees from using their positions for a purpose that is or gives the appearance of being motivated by a desire for private gain for themselves or others, particularly those with whom they have family, business or other ties.
18. To give the Council or the Comptroller General, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the grant.
19. To comply with all requirements imposed by the Federal and State sponsoring agencies' concerning special requirements of law, program requirements, and other administrative requirements.
20. To comply with the applicable provisions of Title I of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, the Juvenile Justice and Delinquency Prevention Act, or the Victims of Crime Act, as appropriate; the provisions of the current edition of the Office of Justice Programs Financial and Administrative Guide for Grants, M7100.1; and all other applicable Federal laws, orders, circulars or regulations.
21. To comply with the nondiscrimination requirements of the Omnibus Crime Control and Safe Streets Act of 1968 as amended 42USC3789(d) or Victims of Crime Act; Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973 as amended; Subtitle A, Title II of the Americans with Disabilities Act (ADA) (1990); Title IX of the Education Amendments of 1972; the Age Discrimination Act of 1975; Department of Justice Non-Discrimination Regulations, 28CFR Part 42, Subparts C, D, E., and G; and the Department of Justice regulations on disability discrimination, 28CFR Part 35 and Part 39.
22. In the event that a Federal or State court or Federal or State administrative agency makes a finding of discrimination after a due process hearing on the grounds of race, color, religion, national origin, sex or disability against the grantee, the grantee will forward a copy of the finding to the Council.

23. To comply with the Drug-Free Workplace Act of 1988, and as implemented at 28CFRPart 67, Subpart, as defined at 28 CFR Part 67.615 and 67.620.
24. The recipient shall submit one copy of all reports and proposed publications resulting from this agreement twenty (20) days prior to public release. Any publications (written, visual, or sound), whether published at the grantee's or government's expense, shall contain the following statements: "This project was supported by Grant No. (fill in appropriate number) awarded by the Violence Against Women Office, Office of Justice Programs, U.S. Department of Justice. Points of view in this document are those of the author and do not necessarily represent the official position or policies of the U.S. Department of Justice" (Note: This excludes press releases, newsletters, and issue analyses.)
25. That VAWA STOP funds will be used to supplement existing funds for program activities and may not supplant other Federal, State, or local funds that have been appropriated for the same purpose.
26. Submit required federal certifications regarding lobbying; debarment, suspension, and other responsibility matters; lower tier covered transactions on debarment, suspension, ineligibility and voluntary exclusion; drug-free workplace requirements; and environmental tobacco smoke.
27. To assure that the grantee is in compliance with the grant award conditions specified for the federal funds that are included in the CDVSA grant award. This grant includes funding from the Violence Against Women Office, STOP Violence Against Women Act Formula Grant (CFDA 16.588).

I assure that my program is in compliance with all State and applicable Federal requirements and guidelines.

Signature of Authorizing Official

Program or Department

Date

Signature of Executive Director,
Council on Domestic Violence & Sexual Assault

Date

REQUIRED FEDERAL CERTIFICATIONS

CERTIFICATIONS REGARDING LOBBYING; DEBARMENT, SUSPENSION AND OTHER RESPONSIBILITY MATTERS; DRUG-FREE WORKPLACE REQUIREMENTS AND CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Applicants should refer to the regulations cited below to determine the certification to which they are required to attest. Applicants should also review the instructions for certification included in the regulations before completing this form. Signature of this form provides for compliance with certification requirements under 28 CFR Part 69, "New Restrictions on Lobbying" and 28 CFR Part 67, "Government-wide Debarment and Suspension (nonprocurement) and Government-wide Requirements for Drug-Free Workplace (Grants)." The certifications shall be treated as a material representation of fact upon which reliance will be placed when CDVSA determines to award the federal funds covered transaction, grant, or cooperative agreement.

LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 28 CFR Part 69, for persons entering into a grant or cooperative agreement over \$100,000, as defined at 28 CFR Part 69, the applicant certifies that:

- a) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making of any Federal grant, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal grant or cooperative agreement;
- b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal grant or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions;
- c) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subgrants, contracts under grants and cooperative agreements, and subcontracts) and that all Subrecipients shall certify and disclose accordingly.

DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS (DIRECT RECIPIENT)

As required by Executive Order 12549, Debarment and Suspension, and implemented at 28 CFR Part 67, for prospective participants in primary covered transactions, as defined at 28 CFR part 67, Section 67.510:

- A. The applicant certifies that it and its principals:

- 1) Are not presently debarred, suspended, proposed for debarment, declared ineligible, sentenced to a denial of Federal benefits by a State or Federal court, or voluntarily excluded from covered transactions by any Federal department or agency;
- 2) Have not within a three-year period preceding this application been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- 3) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
- 4) Have not within a three-year period preceding this application had one or more public transactions (Federal, State, or local) terminated for cause or default; and

B. Where the applicant is unable to certify to any of the statements in this certification, he or she shall attach an explanation to this application.

DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION LOWER TIER COVERED TRANSACTIONS (SUB-RECIPIENT)

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 28 CFR Part 67, Section 67.510, Participants' responsibilities. The regulations were published as Part VII of May 26, 1988 Federal Register (pages 19160-19211).

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

DRUG-FREE WORKPLACE (GRANTEES OTHER THAN INDIVIDUALS)

As required by the Drug-Free Workplace Act of 1988, and implemented at 28 CFR Part 67, Subpart F, for grantees, as defined at 28 CFR Part 67 Sections 67.615 and 67.620:

The applicant certifies that it will or will continue to provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing an on-going drug-free awareness program to inform employees about-
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will

- (1) Abide by the terms of the statement; and
- (2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- (e) Notifying the agency, in writing, within 10 calendar days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to: Department of Justice, Office of Justice Programs, ATTN: Control Desk, 633 Indiana Avenue, N.W., Washington, D.C. 20531. Notice shall include the identification number(s) of each affected grant;
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted-
 - (1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by Federal, State, or local health, law enforcement, or other appropriate agency.
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e), and (f).

CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Public Law 103227, Part C Environmental Tobacco Smoke, also known as the Pro Children Act of 1994, requires that smoking not be permitted in any portion of any indoor facility routinely owned or leased or contracted for by an entity and used routinely or regularly for provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or imposition of an administrative compliance order on the responsible entity. By signing and submitting this application the applicant/grantee certifies that it will comply with the requirements of the Act.

The applicant/grantee further agrees that it will require the language of this certification be included in any subawards which contain provisions for the children's services and that all subgrantees shall certify accordingly.

As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above certifications.

1. Grantee Name: _____

2. Grant or RSA Number: _____

3. Printed or Typed Name of Authorized Representative: _____

4. Signature: _____

5. Date: _____

(Intentionally left blank)

OFFICE OF THE COMMISSIONER

410 Willoughby Ave., Ste 303
Juneau, AK 99801-1795
PHONE: (907) 465-5065
FAX: (907) 465-5070
<http://www.state.ak.us/dec/home.htm>

July 29, 2003

Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

RE: Management Letter No. 1, FY 02 Statewide Single Audit, Department of Environmental Conservation (DEC)

We have addressed the recommendations in the above referenced management letter, and appreciate this opportunity to respond.

Recommendation No. 1: The DEC Director of Facility Construction and Operation, Village Safe Water Program, should seek guidance from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) to ensure compliance with federal subrecipient monitoring requirements for federal funds passed through to the Alaska Native Tribal Health Consortium (ANTHC).

Response: As recommended we have sought guidance from the EPA and USDA to ensure compliance with federal subrecipient monitoring requirements. We have asked that they confirm that the State is providing the necessary oversight of EPA and USDA funds passed through to the ANTHC. To date we have received this confirmation from the USDA and have enclosed this document for your information. We expect to receive the additionally confirmation from the EPA very soon.

If you have any questions or require additional information, please feel free to contact me.

Sincerely,

Ernesta Ballard
Commissioner

Enclosure

cc: Mike Maher, Director, Division of Administrative Services/ADEC
Dan Easton, Director, Division of Facility Construction & Operation, ADEC

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

410 Willoughby Ave., Ste 303
Juneau, AK 99801-1795
PHONE: (907) 465-5137
FAX: (907) 465-5177
ken_collison@dec.state.ak.us

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF FACILITY CONSTRUCTION & OPERATION

RECEIVED

JUL 14 2003

Department of
Environmental Conservation

July 7, 2003

Mr. D. Stewart
Director, Community & Business Program
USDA-Rural Development
800 W. Evergreen St.
Palmer, AK
99645

Dear Dean,

RE: Statewide Single Audit, Department of Environmental Conservation

During our most recent Statewide Single Audit a question arose as to the Department of Environmental Conservation's (DEC) compliance with federal requirements for the monitoring of funds passed through to the Alaska Native Tribal Health Consortium (ANTHC). As outlined in the Memorandum of Understanding between the Indian Health Service (IHS) and the DEC, ANTHC has assumed all the responsibilities for the sanitation facility projects undertaken by IHS. This being the case, DEC has taken the position that our current oversight which includes review of the quarterly reports and an annual review by a third party CPA firm, as well as that provided by the IHS, meets the oversight responsibilities as outlined in OMB circular 133.

At this time we are asking your concurrence with our position by signing in the area below and returning this to us. If you have any questions on this please contact me.

Sincerely,



Ken Collison
Program Manager



Signature - Concur as outlined above



Date

cc. L Beason

<<<Building Community Sanitation Systems>>>

V - 64

FRANK H. MURKOWSKI, GOVERNOR

431 N. Franklin Street, Suite 400
Juneau, AK 99801
PHONE: (907) 465-4652
FAX: (907) 465-3390

DEPARTMENT OF CORRECTIONS
Commissioner's Office

July 31, 2003

Legislative Budget and Audit Committee
Division of Legislative Audit
Attention: Ms. Pat Davidson
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson,

I concur with Recommendation No. 44, outlined in the confidential preliminary audit report, dated July 9, 2003. The director of the Board of Parole and the director of Administrative Services should ensure that transfers between funds are made only in accordance with legislative appropriations. The action in question was a management directive to staff by the previous administration.

Sincerely,

Marc S. Antrim
Commissioner

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT : (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

July 24, 2003

Ms. Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms Davidson:

Thank you for allowing me to respond to the findings and recommendations contained in the preliminary audit report on State of Alaska Single Audit for the Fiscal Year Ended June 30, 2002. The following are our comments:

Recommendation 45

The Department of Transportation and Public Facilities (DOT&PF), Division of Administrative Services (DAS) finance officer should improve the procedures to accurately report capital assets.

The DOT&PF concurs with this recommendation. The Department identified three criteria that must be met for a capital project to be classified as either a long-term asset (i.e. work in progress) or be expensed. The criteria are 1) the State of Alaska owns the infrastructure asset, 2) the project cost is equal or greater than \$1,000,000 less land, equipment and buildings, and 3) the project is new construction or improvements to existing infrastructure.

In implementing the new GASB 34 requirements to report infrastructure, it was anticipated that determining if a project would result in an improvement would be the area of greatest difficulty. Training was focused on the improvement criteria. Unfortunately, the area where the most errors occurred was in determining ownership. DOT&PF is constructing several road projects, which will eventually be turned over to local communities. This program is relatively new to the Department. Confusion resulted in areas where the State currently owns the road, but will not own the road at the end of the project.

This point has been clarified with the regional project control offices. It will continue to be part of our training and new project placement will be monitored each year.

Recommendation No. 46

The DOT&PF commissioner should ensure that employees understand and comply with state travel and personnel policies.

The Department intends to implement this recommendation. A memo is being developed requiring documentation be provided in accordance with Alaska Administrative Manual 60.050: Interruption or Deviation of Travel for Traveler Convenience. The memo will also address the use of compensatory time for partially exempt employees.

Recommendation No. 47

The DOT&PF commissioner should clarify the Department's written policy on state cell phone use, instruct employees on the proper use of state cell phones, and provide a copy of the policy with each cell phone issued.

The nature of the Department's business requires many employees to be away from the office for long periods of time and therefore rely on cell phone usage. The Department requires all new employees to sign the State's policy regarding personal use of state office technologies which includes cell phones as issued by the Telecommunications Information Council. The Department's policy and procedures reiterates the TIC's policy and the State's Ethics statutes. Additionally, through email notices the Department of Administration has periodically reminded all state employees of their responsibilities regarding internet usage and attached the office technologies policy web site.

As you noted in your letter, once this particular employee's supervisor was aware of the inappropriate cell phone usage, corrective action was taken. The memo referred to in the previous recommendation response will also provide further guidance to Department employees regarding cell phone usage.

Sincerely,

Mike Barton
Commissioner

cc: Bob Janes, CPA, Internal Review Chief
John MacKinnon, Deputy Commissioner of Highways & Public Facilities
Andrew Niemiec, Northern Regional Director
Gary Paxton, Southeast Regional Director
Mike Scott, Central Regional Director
Nancy Slagle, Director, Administrative Services
Aves, Thompson, Director, Measurement Standards & Commercial Vehicle Enf.

August 12, 2003

Members of the Legislative Budget
and Audit Committee:

We have reviewed the responses submitted by various agencies to the recommendations made in this report. Generally the responses concur with the recommendations. There are, however, responses to two of these recommendations which we believe warrant further comments.

Recommendation No. 14

Legislative Audit's Additional Comments

The Department of Education and Early Development (DEED) agrees that management of capital projects needs review and updating. DEED further asserts that only actual costs are recorded against the CIP overhead account. This may be true; however, it is the unsupported expenditures recorded against the original capital appropriations that are of concern. Those expenditures are a flat percentage assessment supported by neither actual costs nor an OMB-approved costs allocation plan.

Therefore, we reaffirm our recommendation that DEED develop a cost allocation plans for charging administrative overhead which adheres to both generally accepted accounting principles and state law.

Recommendation No. 22

Legislative Audit's Additional Comments

The Department of Health and Social Services' response indicates an assumption that merging the Family and Youth Services Management appropriation with the Front Line Social Workers appropriation in FY 03 partially resolves revenue shortfalls in the FY 02 Family and Youth Services Management appropriation. This assumption is incorrect.

A subsequent year revision to the appropriation structure does not alleviate prior year's budgetary violations. Therefore, we reaffirm that the finance officer must initiate measures to resolve the revenue shortfalls in the amounts noted in the report.

In summary, we reaffirm the findings and recommendations presented in this report.

Pat Davidson, CPA
Legislative Auditor