

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2004

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of over \$2.6 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal Single Audit Act Amendments of 1996 and the related Circular A-133 issued by the U.S. Office of Management and Budget.

The report contains an opinion on the basic financial statement of the State of Alaska for fiscal year 2004, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

REPORT CONCLUSIONS

The basic financial statements for the State of Alaska are fairly presented in accordance with accounting principles generally accepted in the United States of America without qualification. Additionally, the state's FY 04 Comprehensive Annual Financial Report includes a Certificate of Achievement for Excellence in Financial Reporting which is presented by the Government Finance Officers Association.

The draw from the Constitutional Budget Reserve Fund (CBRF) authorized by Chapter 159, SLA 2004 Sec 61(b), for FY 04 was under \$11 million. At the end of FY 04 over \$94 million was swept from a variety of General Fund sub-funds and account and transferred to the CBRF.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs.

FINDINGS AND RECOMMENDATIONS

This report contains 26 recommendations, of which eight are unresolved issues from last year. Also, included in this year's report is one recommendation made to the University of Alaska whose audit was performed by other auditors. Many of the recommendations made in this report require significant changes in procedures or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of most prior audit recommendations not resolved by the release of the FY 03 Statewide Single Audit.

May 5, 2005

Honorable Members of the
Alaska State Legislature

The Honorable Frank Murkowski
Governor
State of Alaska

The Honorable Daniel R. Levinson
Acting 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, 2004. 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 2004, 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 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 2003 Single Audit contained 42 recommendations; this report presents 26 recommendations, eight of which were presented last year. Included in this year's recommendations is one recommendation made to the University of Alaska, whose audit was performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation rate by the state agencies.

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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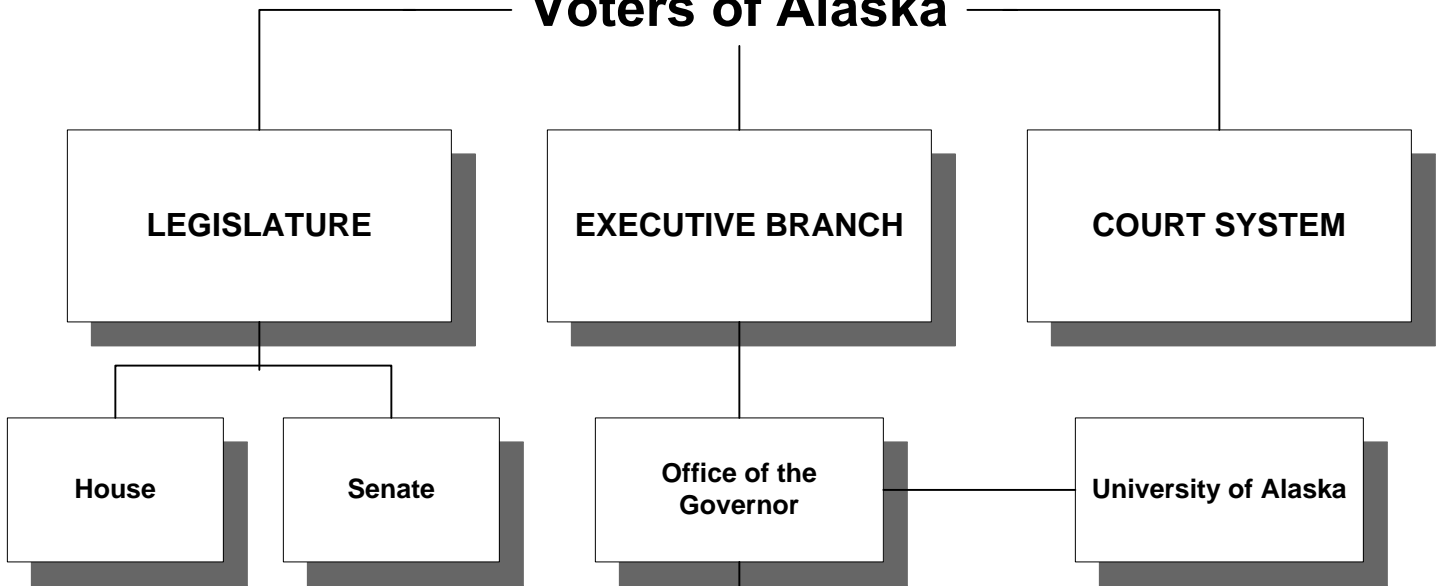
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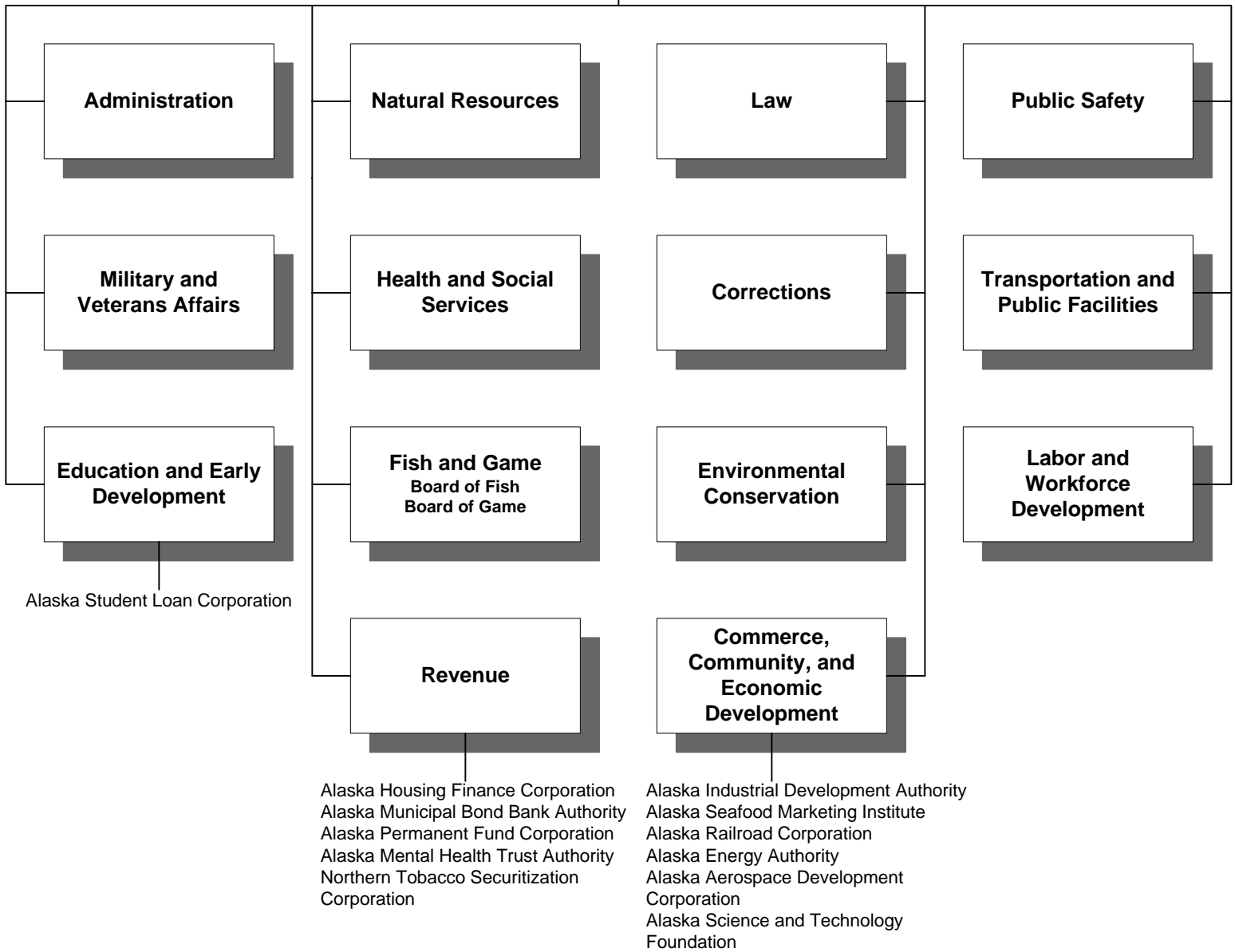
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Voters of Alaska



Departments



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, 2004, 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, net assets and revenues of the government-wide financial statements and total assets, fund balances 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 Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	77%	78%	44%
Component Units	96%	92%	95%
 <u>Fund Financial Statements</u>			
Governmental Funds – Alaska Permanent Fund	100%	100%	100%
Fiduciary Funds – Pension and Other Employee Trust Funds	100%	100%	100%
Component Units	96%	92%	95%

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, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. 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.

Pat Davidson, CPA
Legislative Auditor

April 8, 2005

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, 2004. 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 in the preceding pages of this report, and the financial statements that follow.

Financial Highlights

Government-wide

- The assets of the state exceeded its liabilities at the close of FY 04 by \$36.1 billion (net assets). Of this amount, \$4.4 billion is invested in capital assets, \$27.3 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$26.5 billion), and unrestricted net assets are \$4.4 billion. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3.3 billion. This increase is primarily attributable to the net increase in the fair value of investments of 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 \$31.7 billion, with \$784 million unreserved fund balance deficit and a fund balance reserved for specific purposes of \$32.4 billion. The Alaska Permanent Fund principal is \$26.5 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the general fund) is \$5.1 billion, with the balance reserved for encumbrances, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of \$1.9 billion.

Long-term debt

- The state's total long-term debt decreased by \$13 million (1 percent) during the current fiscal year. The key factor in this decrease is related to capital leases payable activity.

Overview of the Financial Statements

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 ten 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)

The fund financial statements are statement numbers 1.11 through 1.42 and provide detailed information about the major individual funds. The state has three major funds, the general fund and the Alaska Permanent Fund, which are included in the governmental funds' statements, and the International Airports Fund, which is included in the business-type activities 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, capital project 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 governmental funds, the Alaska Permanent Fund and the general fund. Together these two funds represent 96.1 percent of total government-wide cash and investments and 85.4 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 in FY 02, several funds previously classified as other fund types 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, 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. The International Airports Fund is a major enterprise fund of the State of Alaska with 14.2 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds 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) 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 the 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, the Alaska Permanent Fund, and the International Airports Fund are presented individually on the fund financial statements. Schedules of revenues, expenditures and changes in fund balances – budget and actual are also presented for all governmental funds with annually adopted budgets.

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 \$36.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (75.9 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 (\$26.5 billion) may not be spent.

The remainder of the state's net assets (24.1 percent) represents amounts invested in capital assets net of related debt (\$4.4 billion), resources that are subject to external restrictions of how they may be used (\$0.8 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$3.5 billion).

Net Assets
 (Stated in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Current and other noncurrent assets	\$ 33,596	\$ 29,616	\$ 932	\$ 936	\$ 34,528	\$ 30,552
Capital Assets	4,264	4,116	702	576	4,966	4,692
Total assets	37,860	33,732	1,634	1,512	39,494	35,244
Long-term liabilities	1,324	1,398	427	366	1,751	1,764
Other liabilities	1,618	686	18	18	1,636	704
Total liabilities	2,942	2,084	445	384	3,387	2,468
Net assets:						
Invested in capital assets, net of related debt	3,922	3,724	451	415	4,373	4,139
Restricted	26,929	24,473	430	412	27,359	24,885
Unrestricted	4,067	3,451	308	301	4,375	3,752
Total net assets	\$ 34,918	\$ 31,648	\$ 1,189	\$ 1,128	\$ 36,107	\$ 32,776

The net assets of governmental activities increased \$3,462 million and business-type activities increased \$65 million, before prior period adjustments. The increase for governmental activities is primarily due to the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds) resulting from capital contributions.

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 04.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Revenues						
Program Revenues						
Charges for services	\$ 1,678	\$ 1,529	\$ 247	\$ 247	\$ 1,925	\$ 1,776
Operating grants	1,422	1,303	13	18	1,435	1,321
Capital grants	625	612	80	53	705	665
General revenues						
Taxes	1,275	1,063	-	-	1,275	1,063
Interest & investment earnings	928	1,066	1	7	929	1,073
Net Increase/(Decrease) in Fair Value of Investments	2,634	139	-	-	2,634	139
Other	82	32	-	1	82	33
Total revenues	8,644	5,744	341	326	8,985	6,070
Expenses						
General government	228	279	-	-	228	279
Alaska Permanent Fund Dividend	660	909	-	-	660	909
Education & University	1,318	1,179	-	-	1,318	1,179
Health & human services	1,661	1,554	-	-	1,661	1,554
Law & justice	131	130	-	-	131	130
Public protection	421	458	-	-	421	458
Natural resources	225	206	-	-	225	206
Development	128	143	-	-	128	143
Transportation	393	418	-	-	393	418
Intergovernmental	52	65	-	-	52	65
Debt service	33	20	-	-	33	20
Interest expense	-	-	-	-	-	-
Loans	-	-	5	9	5	9
Unemployment compensation	-	-	185	192	185	192
Airports	-	-	82	78	82	78
Total expenses	5,250	5,361	272	279	5,522	5,640
Excess (deficiency)						
Payments from component units	59	81	-	-	59	81
Transfers	4	3	(4)	(3)	-	-
Special Items:						
ITBE/ASTF Liquidation	5	97	-	-	5	97
Interest Earned on Grants Administered by AIDEA	-	30	-	-	-	30
Airport's Arbitrage Rebate	-	-	-	(5)	-	(5)
Increase(decrease) in net assets	3,462	594	65	39	3,527	633
Net assets - beginning	31,648	31,034	1,128	1,100	32,776	32,134
Prior period adjustment	(192)	20	(4)	(11)	(196)	9
Net Assets - ending	\$ 34,918	\$ 31,648	\$ 1,189	\$ 1,128	\$ 36,107	\$ 32,776

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 \$31.7 billion, an increase of \$3,007 million in comparison with the prior year. The unreserved fund balance, which is normally available for spending at the government's discretion was a deficit balance of \$784 million, consisting of a deficit of \$1.9 billion in the general fund, \$859 million in the Alaska Permanent Fund (earnings reserve account), \$228 million in capital project funds, and \$59 million 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 (\$26.5 billion), 2) for the Constitutional Budget Reserve Fund (\$5.1 billion), 3) to liquidate contracts and purchase orders of the prior period (\$374 million), or 4) for a variety of other restricted purposes (\$370 million).

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 \$1.9 billion, while total fund balance reached \$3.4 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 36 percent of total general fund expenditures, while total fund balance represents 63 percent of that same amount.

The fund balance of the state's general fund decreased by \$110 million during the current fiscal year. The key factor in this decrease is expenditures of \$5.4 billion exceeded general fund revenues and other fund sources, resulting in appropriated borrowing of \$11 million from the Constitutional Budget Reserve Fund.

General fund revenues for FY 04 were \$4.7 billion, an increase of \$486 million compared to revenues of \$4.2 billion for FY 03. Revenues by source for FY 04 are compared to FY 03 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 04</u>	<u>Percent</u>	<u>FY 03</u>	<u>Percent</u>
Taxes	\$ 1,242.6	26.6	\$ 1,032.1	24.7
Rents and Royalties	1,068.6	22.8	848.3	20.2
Interest & Investment Income	107.6	2.3	142.2	3.4
Net Increase (Decrease) in the Fair Value of Investments	(33.8)	(0.7)	60.5	1.4
Federal	1,918.6	41.0	1,749.0	41.7
Miscellaneous	376.0	8.0	361.5	8.6
Total Revenue	\$ 4,679.6	100.0	\$ 4,193.6	100.0

The primary components of this revenue increase are petroleum-related taxes and royalties (\$401 million) and federal revenues (\$170 million).

Alaska Permanent Fund

The fund is an asset of the State of Alaska that 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.

The fund is made up of two parts.

- **Reserved Net Assets:** The fund reserved net assets, or principal, includes the contributions and appropriations, which are the main body of the trust. At June 30, 2004, this amounted to \$23.5 billion. The sources of contributions and appropriations of the fund were as follows: \$8.1 billion in dedicated mineral revenues; \$8.5 billion of fund realized earnings added to principal for inflation proofing; and \$6.9 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved assets of the fund (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$3.0 billion.

- **Unreserved Net Assets:** The fund unreserved net assets, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2004, realized earnings have amounted to \$27.0 billion. Of this amount \$13.1 billion has been paid out for dividends, \$8.4 billion has been added to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$.3 billion has been paid out to the general fund, and \$858.5 million remains in the fund in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$544 million increase in appropriations (or 6 percent) and can be briefly summarized as follows:

- \$133 million allocated to health and human services function
- \$41 million allocated to natural resources function
- \$245 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$272 million was to be funded out of an increase in federal grants in aid, another \$253 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 \$11 million from the CBRF in accordance with chapter 159, SLA 2004, section 61(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, 2004, amounts to \$4.4 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 04 totaled \$80 million for governmental activities and \$27 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Land	\$ 670	\$ 659	\$ 30	\$ 29	\$ 700	\$ 688
Buildings	669	703	187	191	856	894
Equipment	341	280	16	14	357	294
Infrastructure	397	332	218	192	615	524
Construction in progress	2,187	2,142	251	150	2,438	2,292
Total capital assets	\$ 4,264	\$ 4,116	\$ 702	\$ 576	\$ 4,966	\$ 4,692

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 \$1,133 million. Of this amount, \$493 million was general obligation bonds, and \$218 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC). The general obligation bonds are secured by the full faith, credit, and resources of the state, whereas the NTSC bonds 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 \$422 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation and NTSC bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Revenue bonds payable	\$ 218	\$ 225	\$ 422	\$ 357	\$ 640	\$ 582
General obligation debt	493	500	-	-	493	500
Notes payable	3	5	-	-	3	5
Capital leases payable	194	272	-	-	194	272
Deferred revenues & advances	194	179	5	4	199	183
Certificates of participation	30	16	-	-	30	16
Compensated absences	117	114	-	-	117	114
Claims and judgments	74	84	-	-	74	84
Other noncurrent liabilities	1	3	-	5	1	8
Total	\$ 1,324	\$ 1,398	\$ 427	\$ 366	\$ 1,751	\$ 1,764

The state's total debt decreased by \$13 million (1%) during the current fiscal year. The decrease was primarily due to a refinement in methodology for defining leases as capital or operating.

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 7.6 percent, which is lower than the rate a year ago. The United States unemployment rate at fiscal year end was 6.0 percent. The state's average unemployment rate for FY 04 was 7.6 percent, which compares favorably to the average unemployment rate for FY 03 of 8.0 percent and is not very different from the five year average (2000 to 2004) of 7.2 percent.
- The state's major source of unrestricted revenue for the general fund is petroleum related, which makes up 44 percent of total revenue, with federal revenue making up another 41 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 revenues have not kept pace with appropriated spending. This has resulted in appropriated borrowing from the Constitutional Budget Reserve Fund. Although federal revenues have increased, these funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 04 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 1.010 million barrels per day, which is a 1.1 percent decrease from FY 03 production of 1.021. FY 04 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 50.7 percent.

The primary factors considered in preparing the state's budget for FY 05 are the price of oil and the decline in 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 05 budget. The price of oil is volatile and has risen beyond the projections underlying the adopted budget.

The State of Alaska FY 04 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 (\$1,108/resident, total \$661 million in FY 04), and state-operated Pioneer Homes.

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.

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BASIC
FINANCIAL STATEMENTS

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STATE OF ALASKA
Statement of Net Assets
Government-wide
June 30, 2004
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 32,565,207	\$ 437,401	\$ 33,002,608	\$ 1,620,891
Accounts Receivable - Net	311,981	17,818	329,799	69,212
Interest and Dividends Receivable	124,010	29,756	153,766	35,337
Internal Balances	46,551	(46,551)	0	
Due from Primary Government			0	7,793
Due from Component Units	9,814		9,814	2,102
Due from Other Governments	469,327	12,763	482,090	10,223
Loans, Notes, and Bonds Receivable	15,983	271,483	287,466	4,071,135
Inventories	13,205		13,205	17,990
Repossessed Property		2,489	2,489	
Net Investment in Direct Financing Leases			0	310,063
Investments in Projects, Partnerships, or Corporations		8,037	8,037	55,274
Restricted Assets	16,035	197,258	213,293	1,988,806
Other Assets	24,141	1,240	25,381	141,564
Capital Assets:				
Equipment, Net of Depreciation	340,246	15,506	355,752	210,514
Buildings, Net of Depreciation	669,967	187,130	857,097	616,929
Infrastructure, Net of Depreciation	396,744	218,519	615,263	459,269
Land	670,658	29,779	700,437	61,711
Construction in Progress	2,186,722	251,039	2,437,761	241,627
Total Assets	37,860,591	1,633,667	39,494,258	9,920,440
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,603,219	6,063	1,609,282	88,948
Due to Primary Government			0	90,004
Due to Component Units	3,854		3,854	763
Due to Other Governments	325	4,759	5,084	4
Interest Payable	11,087	6,104	17,191	40,820
Other Current Liabilities	6	710	716	104,602
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and				
Compensated Absences	144,943	39	144,982	558
Unearned and Deferred Revenue	186,035	4,412	190,447	16,417
Notes, Bonds, and Leases Payable	56,707	12,138	68,845	226,682
Other Long-term Debt			0	5,030
Other Noncurrent Liabilities	530		530	17,258
Portion Due or Payable After One Year:				
Claims, Judgments, and				
Compensated Absences	45,733		45,733	
Unearned and Deferred Revenue	7,944		7,944	288,904
Notes, Bonds, and Leases Payable	882,219	410,003	1,292,222	4,195,779
Other Long-term Debt			0	6,006
Other Noncurrent Liabilities	314	334	648	49,235
Total Liabilities	2,942,916	444,562	3,387,478	5,131,010
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,921,815	451,273	4,373,088	1,065,942
Restricted for:				
Permanent Funds				
Nonexpendable	26,829,238		26,829,238	303,759
Expendable	11,214		11,214	72,818
Education	12,721		12,721	474,055
Conservation, Environment, and Natural Resources	27,824		27,824	
Unemployment Compensation		180,625	180,625	
Debt Service	23,397	12,149	35,546	719,761
Other Purposes	24,685	236,826	261,511	599,079
Unrestricted	4,066,781	308,232	4,375,013	1,554,016
Total Net Assets	\$ 34,917,675	\$ 1,189,105	\$ 36,106,780	\$ 4,789,430

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

STATE OF ALASKA
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.02

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	\$ 227,516	\$ 13,048	\$ 25,738	\$ 2,756
Alaska Permanent Fund Dividend	660,471			
Education	1,072,194	2,329	176,259	893
University	246,101		72	
Health and Human Services	1,661,454	23,086	1,001,549	65,130
Law and Justice	131,179	8,625	14,087	1
Public Protection	420,476	134,087	54,974	15,102
Natural Resources	225,167	1,446,144	62,654	43,735
Development	128,254	3,719	73,970	7,667
Transportation	392,737	46,774	1,409	489,551
Intergovernmental Revenue Sharing	52,303		8,781	
Debt Service	32,763		2,772	
Total Governmental Activities	5,250,615	1,677,812	1,422,265	624,835
Business-type Activities:				
Loans	4,980	10,333	1,602	27,718
Unemployment Compensation	185,342	160,762	11,114	
Airports	81,475	76,467	613	49,814
Development	77			2,183
Total Business-type Activities	271,874	247,562	13,329	79,715
Total Primary Government	\$ 5,522,489	\$ 1,925,374	\$ 1,435,594	\$ 704,550
Component Units:				
University of Alaska	\$ 555,542	\$ 111,971	\$ 187,194	\$ 24,907
Alaska Housing Finance Corporation	329,696	212,409	44,701	11,383
Alaska Industrial Development and Export Authority	47,329	43,685	914	85
Nonmajor Component Units	357,951	188,408	79,503	36,027
Total Component Units	\$ 1,290,518	\$ 556,473	\$ 312,312	\$ 72,402

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
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Transfers - Internal Activity
Special Items:
International Trade and Business Endowment Liquidator
Early Bond Redemption Costs
Total General Revenues, Transfers, and Special Items
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Changes in Accounting Principles
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
\$ (185,974)	\$	\$ (185,974)	\$
(660,471)		(660,471)	
(892,713)		(892,713)	
(246,029)		(246,029)	
(571,689)		(571,689)	
(108,466)		(108,466)	
(216,313)		(216,313)	
1,327,366		1,327,366	
(42,898)		(42,898)	
144,997		144,997	
(43,522)		(43,522)	
(29,991)		(29,991)	
<u>(1,525,703)</u>		<u>(1,525,703)</u>	
	34,673	34,673	
	(13,466)	(13,466)	
	45,419	45,419	
	2,106	2,106	
	<u>68,732</u>	<u>68,732</u>	
<u>(1,525,703)</u>	<u>68,732</u>	<u>(1,456,971)</u>	
			(231,470)
			(61,203)
			(2,645)
			<u>(54,013)</u>
			<u>(349,331)</u>
697,394		697,394	
180,354		180,354	
339,270		339,270	
47,416		47,416	
10,979		10,979	
927,426	1,067	928,493	103,270
21,439		21,439	
2,634,421		2,634,421	4,647
58,846		58,846	27,755
		0	254,012
60,781		60,781	4,759
4,306	(4,306)	0	
4,829		4,829	(4,829)
		0	(7,451)
4,987,461	(3,239)	4,984,222	382,163
3,461,758	65,493	3,527,251	32,832
31,648,204	1,127,540	32,775,744	4,643,462
(192,287)	(3,928)	(196,215)	
		0	113,136
<u>\$ 34,917,675</u>	<u>\$ 1,189,105</u>	<u>\$ 36,106,780</u>	<u>\$ 4,789,430</u>

STATE OF ALASKA
 Balance Sheet
 Governmental Funds
 June 30, 2004
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,835,680	\$ 28,877,969	\$ 826,524	\$ 32,540,173
Accounts Receivable - Net	181,270	122,415	7,616	311,301
Interest and Dividends Receivable	1,888	121,147	975	124,010
Due from Other Funds	633,575		741	634,316
Due from Component Units	6,990		2,819	9,809
Due from Other Governments	467,289			467,289
Loans, Notes, and Bonds Receivable	15,922		61	15,983
Inventories	9,822			9,822
Other Assets	17,487		41	17,528
Total Assets	\$ 4,169,923	\$ 29,121,531	\$ 838,777	\$ 34,130,231
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 428,652	\$ 1,140,445	\$ 20,377	\$ 1,589,474
Due to Other Funds	11,266	581,246	3,746	596,258
Due to Component Units	3,841		13	3,854
Due to Other Governments	325			325
Unearned and Deferred Revenue	285,441		497	285,938
Other Liabilities	535		315	850
Total Liabilities	730,060	1,721,691	24,948	2,476,699
Fund Balances:				
Reserved:				
Encumbrances	187,317		186,729	374,046
Nonliquid Assets	5,152,395			5,152,395
Debt Service			52,168	52,168
Other Purposes	29,808	26,541,300	287,938	26,859,046
Unreserved:				
General Fund	(1,929,657)			(1,929,657)
Special Revenue Funds			47,841	47,841
Capital Projects Funds			227,982	227,982
Permanent Funds		858,540	11,171	869,711
Total Fund Balances	3,439,863	27,399,840	813,829	31,653,532
Total Liabilities and Fund Balances	\$ 4,169,923	\$ 29,121,531	\$ 838,777	\$ 34,130,231

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

STATE OF ALASKA
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2004
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 31,653,532

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	670,658	
Buildings, net of depreciation	634,431	
Equipment, net of depreciation	252,510	
Infrastructure, net of depreciation	396,744	
Construction in progress	<u>2,186,722</u>	4,141,065

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)

156,213

Certain federal revenues are under appeal with the federal government are not available within the current period and therefore are not reported in the funds.

91,959

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	(193,173)	
Compensated absences	(113,490)	
Claims and judgments (net of federal reimbursement)	<u>(71,591)</u>	(378,254)

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	(741,047)	
Unamortized costs of issuance	5,250	
Accrued interest payable	<u>(11,043)</u>	(746,840)

Net Assets of Governmental Activities \$ 34,917,675

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 Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,242,542	\$	\$ 32,871	\$ 1,275,413
Licenses and Permits	90,590		25,574	116,164
Charges for Services	183,909		269	184,178
Fines and Forfeitures	17,537		61	17,598
Rents and Royalties	1,068,587	350,686	9,666	1,428,939
Premiums and Contributions	10,093		7,891	17,984
Interest and Investment Income	107,621	813,093	17,220	937,934
Net Increase (Decrease) in the Fair Value of Investments	(33,884)	2,668,343	13,819	2,648,278
Federal Grants in Aid	1,918,616		22,421	1,941,037
Nonfederal Grants and Contracts			43	43
Payments In from Component Units	58,846			58,846
Other Revenues	15,182		17,181	32,363
Total Revenues	4,679,639	3,832,122	147,016	8,658,777
EXPENDITURES				
Current:				
General Government	213,140	42,468	1,599	257,207
Alaska Permanent Fund Dividend	660,471			660,471
Education	952,849		89,853	1,042,702
University	231,640		14,528	246,168
Health and Human Services	1,699,916		8,080	1,707,996
Law and Justice	133,283	1,477	266	135,026
Public Protection	430,241		1,020	431,261
Natural Resources	172,412	2,816	51,904	227,132
Development	120,572	995	10,885	132,452
Transportation	739,629		24,374	764,003
Intergovernmental Revenue Sharing	52,259			52,259
Debt Service:				
Principal	9,083		6,485	15,568
Interest and Other Charges	3,019		31,350	34,369
Total Expenditures	5,418,514	47,756	240,344	5,706,614
Excess (Deficiency) of Revenues Over Expenditures	(738,875)	3,784,366	(93,328)	2,952,163
OTHER FINANCING SOURCES (USES)				
Bonds Issued	14,145			14,145
Capital Leases	15,615			15,615
Transfers In from Other Funds	603,847	2,386	8,017	614,250
Transfers (Out to) Other Funds	(13,340)	(581,246)	(2,734)	(597,320)
Total Other Financing Sources and Uses	620,267	(578,860)	5,283	46,690
SPECIAL ITEMS				
International Trade and Business Endowment Liquidation	4,829			4,829
Net Change in Fund Balances	(113,779)	3,205,506	(88,045)	3,003,682
Fund Balances - Beginning of Year	3,550,077	24,194,334	901,870	28,646,281
Prior Period Adjustment	3,565		4	3,569
Fund Balances - End of Year	\$ 3,439,863	\$ 27,399,840	\$ 813,829	\$ 31,653,532

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

STATE OF ALASKA
 Reconciliation of the Change in Fund Balances to the Statement of Activities
 Governmental Funds
 June 30, 2004
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 3,007,251

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. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5). See Note 3 for prior period adjustments (PPA).

Land, net of PPA	11,914	
Buildings, net of PPA	(32,190)	
Equipment, net of PPA	59,167	
Infrastructure, net of PPA	64,399	
Construction in progress, net of PPA	44,886	
		148,176

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). See note 3 for prior period adjustments.

Net current year revenue	2,893	
Prior period adjustment	4,930	
		7,823

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 28,798

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	(14,145)	
Accrued interest, net of PPA	610	
Repayment of bond principal	6,485	
Amortization of bond issue costs	(527)	
		(7,577)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (15,614)

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 judgments	9,880	
Compensated absences	(2,879)	
Capital lease payments, net of PPA	93,613	
		100,614

Change in Net Assets of Governmental Activities \$ 3,269,471

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

STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2004
(Stated in Thousands)

STATEMENT 1.21

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 113,881	\$ 323,520	437,401	\$ 41,069
Accounts Receivable - Net	10,449	6,830	17,279	680
Interest and Dividends Receivable	137	4,945	5,082	
Due from Other Funds		157	157	8,843
Due from Component Units			0	5
Due from Other Governments	12,295	468	12,763	5
Loans, Notes, and Bonds Receivable		17,738	17,738	
Inventories			0	3,383
Other Current Assets			0	1,363
Total Current Assets	136,762	353,658	490,420	55,348
Noncurrent Assets:				
Accounts Receivable - Net		539	539	
Interest and Dividends Receivable		24,674	24,674	
Loans, Notes, and Bonds Receivable		253,745	253,745	
Repossessed Property		2,489	2,489	
Investment in Projects, Partnerships, or Corporations		8,037	8,037	
Restricted Assets	197,258		197,258	
Other Noncurrent Assets		1,240	1,240	
Capital Assets:				
Equipment, Net of Depreciation	15,506		15,506	87,736
Buildings, Net of Depreciation	187,130		187,130	35,536
Infrastructure, Net of Depreciation	218,519		218,519	
Land	29,779		29,779	
Construction in Progress	248,854	2,185	251,039	
Total Noncurrent Assets	897,046	292,909	1,189,955	123,272
Total Assets	1,033,808	646,567	1,680,375	178,620
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,802	4,261	6,063	13,413
Due to Other Funds	45,153	1,555	46,708	682
Due to Other Governments		4,759	4,759	
Interest Payable	6,104		6,104	44
Claims, Judgments, and Compensated Absences		39	39	3,562
Unearned and Deferred Revenue	4,412		4,412	
Notes, Bonds, and Leases Payable	12,138		12,138	2,731
Other Current Liabilities		710	710	
Total Current Liabilities	69,609	11,324	80,933	20,432
Noncurrent Liabilities:				
Notes, Bonds, and Leases Payable	410,003		410,003	1,975
Other Noncurrent Liabilities	314	20	334	
Total Noncurrent Liabilities	410,317	20	410,337	1,975
Total Liabilities	479,926	11,344	491,270	22,407
NET ASSETS				
Invested in Capital Assets, Net of Related Debt				
	449,088	2,185	451,273	118,566
Restricted for:				
Unemployment Compensation		180,625	180,625	
Debt Service	12,149		12,149	
Other Purposes	6,514	230,312	236,826	
Unrestricted	86,131	222,101	308,232	37,647
Total Net Assets	\$ 553,882	\$ 635,223	\$ 1,189,105	\$ 156,213

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 Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.22

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Premiums and Contributions	\$	\$ 160,762	\$ 160,762	\$ 56,711
Charges for Goods and Services	76,081	633	76,714	71,078
Interest and Investment Income		9,570	9,570	
Allowance for Uncollectible Interest		18	18	
Fines and Forfeitures		112	112	
Federal Grants in Aid		2,441	2,441	
Other Operating Revenues	386		386	371
Total Operating Revenues	76,467	173,536	250,003	128,160
OPERATING EXPENSES				
Benefits		185,342	185,342	52,207
Operating	49,238	4,717	53,955	60,810
Depreciation	27,259	90	27,349	15,503
Provision for Loan Losses and Forgiveness		65	65	
Other Operating Expenses		182	182	
Total Operating Expenses	76,497	190,396	266,893	128,520
Operating Income (Loss)	(30)	(16,860)	(16,890)	(360)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	1,057	11,906	12,963	234
Interest and Investment Expense	(645)	(10)	(655)	(320)
Gain (Loss) on Disposal of Capital Assets			0	194
Other Nonoperating Revenues (Expenses)	(2,516)	7	(2,509)	52
Total Nonoperating Revenues (Expenses)	(2,104)	11,903	9,799	160
Income Before Capital Contributions and Transfers	(2,134)	(4,957)	(7,091)	(200)
Capital Contributions	48,610	28,280	76,890	1,301
Transfers In from Other Funds		809	809	4,641
Transfers (Out to) Other Funds		(5,115)	(5,115)	(2,849)
Change in Net Assets	46,476	19,017	65,493	2,893
Total Net Assets - Beginning of Year	507,406	620,134	1,127,540	148,390
Prior Period Adjustment		(3,928)	(3,928)	4,930
Total Net Assets - End of Year	\$ 553,882	\$ 635,223	\$ 1,189,105	\$ 156,213

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

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ 75,717	\$ 773	\$ 773	\$ 170
Receipts from Customers		343	76,060	69,662
Receipt of Principal from Loan Recipients		22,965	22,965	
Receipt of Interest and Fees from Loan Recipients		9,270	9,270	
Receipts from Insured		159,964	159,964	56,720
Payments to Employees	(31,196)	(822)	(32,018)	(21,353)
Payments to Suppliers	(17,763)	(183)	(17,946)	(34,368)
Payments to Other Governments		(913)	(913)	
Payments to Loan Recipients		(45,397)	(45,397)	
Claims Paid	5,723	(186,604)	(180,881)	(50,714)
Interfund Services Used		(3,878)	(3,878)	
Other Receipts		315	315	372
Other Payments		(316)	(316)	(2,256)
Net Cash Provided (Used) by Operating Activities	32,481	(44,483)	(12,002)	18,233
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(4,724)	(4,724)	(2,849)
Operating Subsidies and Transfers In from Other Funds		809	809	5,712
Federal Grants		27,718	27,718	
Proceeds from Issuance of Short-term Debt		2,640	2,640	
Payments on Short-term Debt		(2,640)	(2,640)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	23,800	23,800	2,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets			0	1,158
Acquisition and Construction of Capital Assets	(131,998)		(131,998)	(14,334)
Proceeds from Capital Debt	95,351		95,351	
Principal Paid on Capital Debt	(30,146)		(30,146)	(2,474)
Interest and Fees Paid on Capital Debt	(23,977)		(23,977)	(297)
Federal Grants	34,120		34,120	
Other Receipts (Payments)	1,442		1,442	
Net Cash Provided (Used) by Capital and Related Financing Activities	(55,208)	0	(55,208)	(15,947)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	39,391		39,391	
Purchase of Investments	(43,370)		(43,370)	
Interest and Dividends on Investments	2,883	11,896	14,779	234
Change in Restricted Cash and Investments	21,341		21,341	
Net Cash Provided (Used) by Investing Activities	20,245	11,896	32,141	234
Net Increase (Decrease) in Cash	(2,482)	(8,787)	(11,269)	5,383
Cash and Cash Equivalents - Beginning of Year	21,186	332,307	353,493	35,686
Cash and Cash Equivalents - End of Year	\$ 18,704	\$ 323,520	\$ 342,224	\$ 41,069

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

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (30)	\$ (16,860)	\$ (16,890)	\$ (360)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	27,259	90	27,349	15,503
Other Reconciling Items	524	(80)	444	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(1,274)	(1,248)	(2,522)	2,974
Due from Other Funds		76	76	(4,254)
Due from Component Units			0	40
Due from Other Governments		(405)	(405)	3
Loans, Notes and Bonds Receivable - Net		(22,196)	(22,196)	
Repossessed Property		90	90	
Investment in Projects, Partnerships, or Corporations		25	25	
Interest and Dividends Receivable - Net		197	197	
Inventories			0	485
Other Assets		(1,639)	(1,639)	(269)
Due to Other Funds	5,723	(359)	5,364	79
Due to Other Governments		(678)	(678)	
Accounts Payable and Accrued Liabilities	279	(1,942)	(1,663)	4,032
Other Liabilities		446	446	
Net Cash Provided (Used) by Operating Activities	<u>\$ 32,481</u>	<u>\$ (44,483)</u>	<u>\$ (12,002)</u>	<u>\$ 18,233</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 113,881	\$ 323,520	\$ 437,401	\$ 41,069
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(95,177)		(95,177)	
Cash, End of Year	<u>\$ 18,704</u>	<u>\$ 323,520</u>	<u>\$ 342,224</u>	<u>\$ 41,069</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets		562	562	1,301
Acquisitions of Capital Assets through Capital Lease			0	1,144
Transfers (Out to) Other Funds (Accrual)		(563)	(563)	

STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 62,500	\$ 81,057
Investments	14,583,258	170,755
Investment Loss Trust Fund Assets	1,605	
Contributions Receivable	22,070	
Due from Other Funds		2,236
Other Assets	7	
Total Assets	14,669,440	254,048
LIABILITIES		
Accounts Payable and Accrued Liabilities	56,941	4,637
Trust Deposits Payable		249,410
Due to Other Funds	1,143	1
Due to Others	2	
Total Liabilities	58,086	254,048
NET ASSETS		
Held in Trust for:		
Pension Benefits	9,127,293	
Postemployment Healthcare Benefits	3,219,333	
Individuals, Organizations, and Other Governments	2,264,728	
Total Net Assets	\$ 14,611,354	\$ 0

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 Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 473,930
Member	296,568
Other	2,890
Total Premiums and Contributions	773,388
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	1,605,565
Interest	186,979
Dividends	185,738
Total Investment Income	1,978,282
Less Investment Expense	28,756
Net Investment Income	1,949,526
Other Additions	229
Total Additions	2,723,143
DEDUCTIONS	
Benefits Paid	1,205,405
Insurance Premiums	4,754
Refunds of Premiums and Contributions	18,912
Administrative Expenses	21,258
Total Deductions	1,250,329
OTHER FINANCING SOURCES (USES):	
Transfers in from Other Funds	19,974
Transfers (Out to) Other Funds	(20,000)
Total Other Financing Sources and Uses	(26)
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	816,929
Postemployment Healthcare Benefits	314,637
Individuals, Organizations, and Other Governments	341,222
Net Assets - Beginning of the Year	13,138,372
Prior Period Adjustment	194
Net Assets - End of the Year	\$ 14,611,354

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

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STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2004
(Stated in Thousands)

STATEMENT 1.41

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	\$ 46,756	\$ 452,634	\$ 323,789	\$ 797,712	\$ 1,620,891
Accounts Receivable - Net	51,800			17,412	69,212
Interest and Dividends Receivable	56	19,897	4,380	11,004	35,337
Due from Primary Government	6,112	590		1,091	7,793
Due from Component Units	1,052	109	763	178	2,102
Due from Other Governments	2,502			7,721	10,223
Loans, Notes, and Bonds Receivable	7,347	3,355,300	344,820	363,668	4,071,135
Inventories	8,135			9,855	17,990
Net Investment in Direct Financing Leases		34,547	275,516		310,063
Investments in Projects, Partnerships, or Corporations			55,274		55,274
Restricted Assets	220,602	698,852	110,970	958,382	1,988,806
Other Assets	74,100	35,738	29,273	2,453	141,564
Capital Assets:					
Equipment, Net of Depreciation	136,108	686		73,720	210,514
Buildings, Net of Depreciation	514,111	69,900	2,215	30,703	616,929
Infrastructure, Net of Depreciation	11,134			448,135	459,269
Land	27,281	13,847	600	19,983	61,711
Construction in Progress	72,123	26,380		143,124	241,627
Total Assets	<u>1,179,219</u>	<u>4,708,480</u>	<u>1,147,600</u>	<u>2,885,141</u>	<u>9,920,440</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	31,401		785	56,762	88,948
Due to Primary Government		4,358	1,760	83,886	90,004
Due to Component Units				763	763
Due to Other Governments				4	4
Interest Payable		14,562	5,383	20,875	40,820
Other Current Liabilities	32,530	70,145		1,927	104,602
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and Compensated Absences				558	558
Unearned and Deferred Revenue			1,430	14,987	16,417
Notes, Bonds, and Leases Payable	4,855	91,396	11,025	119,406	226,682
Other Long-term Debt				5,030	5,030
Other Noncurrent Liabilities	1,281	15,977			17,258
Portion Due or Payable After One Year:					
Unearned and Deferred Revenue	8,633		3,123	277,148	288,904
Notes, Bonds, and Leases Payable	108,239	2,799,483	293,070	994,987	4,195,779
Other Long-term Debt				6,006	6,006
Other Noncurrent Liabilities	17,862	6,100	8,138	17,135	49,235
Total Liabilities	<u>204,801</u>	<u>3,002,021</u>	<u>324,714</u>	<u>1,599,474</u>	<u>5,131,010</u>
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	648,016	110,232	(15,056)	322,750	1,065,942
Restricted for:					
Permanent Funds					0
Nonexpendable				303,759	303,759
Expendable				72,818	72,818
Education	239,389			234,666	474,055
Debt Service	3,092	670,310	564	45,795	719,761
Other Purposes		576,105		22,974	599,079
Unrestricted	83,921	349,812	837,378	282,905	1,554,016
Total Net Assets	<u>\$ 974,418</u>	<u>\$ 1,706,459</u>	<u>\$ 822,886</u>	<u>\$ 1,285,667</u>	<u>\$ 4,789,430</u>

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

STATE OF ALASKA
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 1.42

FUNCTIONS/PROGRAMS Component Units:	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
University of Alaska	\$ 555,542	\$ 111,971	\$ 187,194	\$ 24,907
Alaska Housing Finance Corporation	329,696	212,409	44,701	11,383
Alaska Industrial Development and Export Authority	47,329	43,685	914	85
Nonmajor Component Units	357,951	188,408	79,503	36,027
Total Component Units	\$ 1,290,518	\$ 556,473	\$ 312,312	\$ 72,402

General Revenues:

Interest and Investment Earnings

Tobacco Settlement

Net Increase (Decrease) in the Fair Value of Investments

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Special Items:

International Trade and Business Endowment Liquidation

Early Bond Redemption Costs

Total General Revenues and Special Items

Change in Net Assets

Net Assets - Beginning of Year

Changes in Accounting Principles

Net Assets - End of Year

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

STATEMENT 1.42

Net (Expense) Revenue and Changes in Net Assets				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (231,470)	\$	\$	\$	\$ (231,470)
	(61,203)			(61,203)
		(2,645)		(2,645)
			(54,013)	(54,013)
<u>(231,470)</u>	<u>(61,203)</u>	<u>(2,645)</u>	<u>(54,013)</u>	<u>(349,331)</u>
11,704	46,358	14,375	30,833	103,270
15,110	(9,554)	(13,432)	12,523	4,647
25,518		2,237		27,755
253,890		122		254,012
4,016	743			4,759
			(4,829)	(4,829)
	(7,451)			(7,451)
<u>310,238</u>	<u>30,096</u>	<u>3,302</u>	<u>38,527</u>	<u>382,163</u>
<u>78,768</u>	<u>(31,107)</u>	<u>657</u>	<u>(15,486)</u>	<u>32,832</u>
782,514	1,737,566	822,229	1,301,153	4,643,462
113,136				113,136
<u>\$ 974,418</u>	<u>\$ 1,706,459</u>	<u>\$ 822,886</u>	<u>\$ 1,285,667</u>	<u>\$ 4,789,430</u>

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**STATE OF ALASKA
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 For the Fiscal Year Ended June 30, 2004**

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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 these organizations as indicated.

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 beneficiaries of the fund are all present and future generations of Alaskans. The fund represents 88 percent of the total cash and investments and 76 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, 801 W. 10th Street, Suite 302, Juneau, AK 99801, or from their web site at www.apfc.org.

The **Knik Arm Bridge and Toll Authority** (KABTA) is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the state. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the governor, and two non-voting members: a member of the House of Representatives appointed by the speaker; and a member of the Senate appointed by the president. The purpose of the authority is to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. KABTA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Enterprise Funds.

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 (AHFC). 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 the 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 fund. ASPIB is the fiduciary of SBS.

The **Deferred Compensation Plan (DCP)** was established by state statute (AS 39.45.010). The Commissioner of Administration is responsible for the administration of DCP. DCP is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of the DCP.

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, 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. The governor appoints all members of the AEA board of directors and the legislature approves AEA's budget.

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 financing mortgage loans. 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 37.14.009, 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 at the publication date of this CAFR.

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 monies 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 Natural Gas Development Authority** (ANGDA) is a public corporation and government instrumentality in the Department of Revenue (AS 41.41.010). The authority has a legal existence independent of and separate from the state. The authority is governed by a seven member board of directors appointed by the governor and confirmed by the legislature. The budget is submitted and approved by the governor and legislature. The purpose of the authority is to bring natural gas from the North Slope to market. ANGDA financial statements may be obtained from the Alaska Gas Development Authority, 411 West 4th Avenue, Anchorage, AK 99501.

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. All members of the board of directors of ARRC are appointed by and serve at the pleasure of 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) was established as a public corporation in the Department of Community and Economic Development (AS 37.17.010). ASTF was governed and administered by a board of directors appointed by the governor. ASTF's budget is approved by the legislature. The purpose of ASTF was 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.

In order to support ASTF, the International Trade and Business Endowment (ITBE) was established under AS 37.17.440. Income earned by the ITBE was appropriated to support programs for the development of international trade and business in the state. The ITBE was held and invested by the Alaska Permanent Fund Corporation on behalf of the State of Alaska.

During the legislative session held in 2003, the balance of the ITBE as of June 30, 2003 was appropriated to the Alaska debt retirement fund. The legislation mandating this transfer (Chapter 83, SLA 2003) was effective on July 1, 2003. The endowment was fully liquidated and transferred to the debt retirement fund in July 2003.

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 99801-7100.

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 financial statements of the university include the assets, liabilities and related activity of the University of Alaska Foundation, a legally separate non profit component unit. The university is not accountable for, nor has ownership of, the foundation's resources. The university's financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 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 2004 budget was approximately \$11.1 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 entity's 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 three, the general fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund, which is an enterprise fund). All nonmajor funds are summarized into a single column on the respective funds statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds. The State of Alaska does not have any fiduciary private-purpose trust 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 judgments 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 three major funds, the general fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund, which is a proprietary enterprise fund. 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. The International Airports Fund was created in 1961 to equip, finance, maintain and operate two international airports located in Anchorage and Fairbanks. 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.

Capital project funds account for the acquisition or construction of major capital facilities financed by bond proceeds.

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 two other permanent funds, the Public School Trust Fund and the Mental Health Trust Authority (a discretely presented component unit).

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.

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 and the Tobacco Revenue Fixed Income investments are reported at cost, which approximates fair value.

The non-retirement domestic equity securities 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 by the investment managers.

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 exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices.

The other investment security is valued quarterly by the general partner.

Real estate investments are valued quarterly by investment managers based on market conditions and their knowledge of industry trends. Real estate investments are valued once every three years, in conjunction with the purchase date anniversary, by independent appraisers.

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 General Fund and Other Non-segregated Investment (GeFONSI) pool and the Short-term Fixed Income Pool operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2004, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool. The assets of the Short-term Fixed Income Pool were comprised of a short-term investment account (sweep account), commercial paper, U.S. treasury notes, U. S. government agency debt, mortgage and asset-backed securities, and corporate debt. The assets of the Intermediate-term Fixed Income Pool were comprised of shares in the Short-term Fixed Income Pool, U.S. treasury notes, U.S. government agency debt, mortgage and asset-backed securities, corporate debt and Yankees.

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; first in first out (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 beginning in FY 02, such as highways and bridges, is capitalized. By FY 06, infrastructure acquired prior to FY 02 will be valued for inclusion 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, 2004, 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 \$117.1 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, 2004, is \$1.2 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. See Note 11 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, except for 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 governmental funds for the fiscal year ending June 30, 2004 (in thousands).

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Reserved					
Encumbrances	\$ 187,317	\$ 43	\$ 37,323	\$ -	\$ 149,363
Nonliquid Assets	5,152,395	-	-	-	-
Bonds	-	-	-	52,168	-
Other	29,808	26,829,238	-	-	-
Total Reserved	<u>5,369,520</u>	<u>26,829,281</u>	<u>37,323</u>	<u>52,168</u>	<u>149,363</u>
Unreserved					
Designated					
Continuing Appropriations	249,938	540	13,030	-	223,087
Other	875,245	858,540	292	-	-
Undesignated	<u>(3,054,840)</u>	<u>10,631</u>	<u>34,519</u>	<u>-</u>	<u>4,895</u>
Total Unreserved	<u>(1,929,657)</u>	<u>869,711</u>	<u>47,841</u>	<u>-</u>	<u>227,982</u>
Total Fund Balance	<u>\$ 3,439,863</u>	<u>\$ 27,698,992</u>	<u>\$ 85,164</u>	<u>\$ 52,168</u>	<u>\$ 377,345</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 (\$26,541 million), \$288 million of the Public School Trust Fund net assets, and \$304 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) are nonexpendable. The remaining \$11 million (four percent) of the Public School Trust Fund restricted net assets, and \$73 million (nineteen percent) of the Alaska Mental Health Trust Authority 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 project 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 04, supplemental appropriations of \$206.3 million were required, of which \$33.5 million were appropriations from the general fund.

The state issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99801-0204, or may be viewed online at http://fin.admin.state.ak.us/dof/financial_reports/index.jsp, the Division of Finance web page under Financial Reports.

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 04, the Office of Management and Budget estimated the limit to be approximately \$6.8 billion. The FY 04 budget passed by the legislature was \$2.3 billion (unrestricted general fund revenues only), or \$4.5 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 \$5 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>
Chapter 1, SSSLA 2002, section 94(a)	130,695,249
Chapter 1, SSSLA 2002, section 94(b)	498,120,073
Chapter 1, SSSLA 2002, section 94(c)	121,425
Article IX, section 17(d) Alaska Constitution (FY 03)	(88,755,533)
Subtotal FY 03	<u>540,181,214</u>

Chapter 159, SLA 2004, section 61(a)	88,755,533
Chapter 159, SLA 2004, section 61(b)	10,784,830
Chapter 159, SLA 2004, section 61(c)	109,120
Article IX, section 17(d) Alaska Constitution (FY 04)	<u>(94,626,898)</u>
Subtotal FY 04	<u>5,022,585</u>
 Total appropriated from the CBRF	 <u>\$ 5,117,959,937</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 monies 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), chapter 61 SLA 2001, section 93(b), chapter 1, SSSLA 2002, section 94(b), and chapter 159 SLA 2004, section 61(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, 2002, 2003, and 2004 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, 2002, 2003, and 2004, 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, FY 01, FY 02, and FY 03 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, and FY 04 respectively. The amount for FY 04 will be transferred to the CBRF during FY 05.

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, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY03, and chapter 159, SLA 2004, section 61(d) for FY04.

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), chapter 61, SLA 2001, section 93(c), chapter 1, SSSLA 2002, section 94(c), and chapter 159, SLA 2004, section 61(c), appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY03, and FY 04 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 ADJUSTMENT

Effective for the year ended June 30, 2004, the University of Alaska, a component unit of the state, implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. As a result, the university included the University of Alaska Foundation (foundation) within their financial statements to better report resources benefiting the university. The beginning net assets amount reported in the statement of activities is being adjusted by this change in accounting principle. The foundation is a legally separate non profit component unit of the university. The foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the university. Resources managed by the foundation and distributions made to the university are governed by the foundation's Board of Trustees. The university is not accountable for, nor has ownership of, the foundation's resources.

Other material changes displayed as prior period adjustments in the fund financial statements are listed below.

- \$3,565 thousand increase to the general fund due to a \$6 thousand adjustment in payroll liabilities from prior years, \$632 thousand increase in cash proceeds of certificates of participation that were not reported, \$2,572 increase due to unrecorded revenues received in prior years, and an increase of \$355 thousand for reimbursement of prior year expenditures.
- \$4,930 thousand increase for internal service funds as they relate to the Alaska Public Building fund included \$224 thousand to capitalize building costs previously expensed, and \$4,706 thousand to record cash held in trust previously not reported.
- \$3,928 thousand decrease for enterprise funds as they relate to the Unemployment Compensation Fund for prior year benefit expenses due to the incorrect assessment of fraud penalties.
- \$194 thousand increase related to prior year Supplemental Benefits change in accounting classification from a liability to an asset for un-reimbursed dependent care reimbursement plan contributions.

Additional prior period adjustments affecting the government-wide financial statements are listed below:

- \$7 thousand increase in long-term debt due to a recalculation of the capital lease liability for equipment held by the Department of Natural Resources.
- \$28 thousand decrease in premium on general obligation bond payable due to an error in prior year amortization.
- \$200,807 thousand decrease in total capital assets reported for Governmental Activities includes a \$17,423 decrease for infrastructure, \$819 thousand increase for equipment not previously reported, \$1,092 thousand decrease for land reported by the Alaska Mental Health Trust Authority and the University of Alaska, \$7,529 increase in construction in progress due to software costs not previously reported, \$189,296 decrease in construction in progress due to reclassified activity, and \$1,344 thousand decrease for buildings reported by the international airports fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

GASB Statement No. 3 requires 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 are classified into three categories of credit risk: Category 1 – Insured or collateralized with securities held by the State or its custodian in the State's name; Category 2 –

Collateralized with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 – Uncollateralized. 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 and unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping as defined by GASB for both deposits and investments.

A. DEPOSITS AND INVESTMENTS UNDER THE FIDUCIARY RESPONSIBILITY OF THE COMMISSIONER OF REVENUE

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities 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, Alaska State Pension Investment Board, Exxon Valdez Oil Spill Trustee Council, and the University of Alaska.

Invested assets under the fiduciary responsibility of the Commissioner are comprised of the General Fund and Other Non-segregated Investments, Constitutional Budget Reserve Fund, International Airports Fund, Retiree Health Insurance Fund, Power Cost Equalization Endowment Fund, General Obligation Bond 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.

With the exception of Tobacco Revenue Fixed Income, Non-retirement Domestic Fixed Income and Non-retirement Domestic Equity, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. External management companies manage the International Equity Pool, Non-retirement Domestic Fixed Income and the Non-retirement Domestic Equity investments. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term Fixed Income Pool, Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool are internally managed. Information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

Investments are recorded at fair value as defined by GASB Statement No. 31, except for tobacco revenue fixed income investments, which are valued at their principal balance (cost) which approximates fair value.

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Non-retirement Domestic Fixed Income and the Non-retirement Domestic Equity investments cannot be categorized because the amounts reported represent interests in open-ended mutual fund-like pools rather than ownership of specific, identifiable securities. The Government Money Market Fund, Short-term Investment Account and the Fidelity Money Market Fund are externally pooled funds/accounts that cannot be categorized because the amounts reported represent interests in the fund/account rather than ownership of specific, identifiable securities. The Tobacco Revenue Fixed Income investment agreement is not a transferable financial instrument and therefore cannot be categorized with regard to credit risk.

Trade date accounting is used for investment activity. Unsettled purchase transactions do not present credit risk as the State and its custodian do not hold a deposit or margin account against unsettled purchases. Unsettled purchases and unsettled sale transactions related to mortgage-backed security pools yet to be announced do not present custodial risk because the State has not taken possession of specific securities. These unsettled investment transactions cannot be categorized.

Deposits and investments at June 30, 2004, 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	\$ 10,973	\$ -	\$ 13,922	\$ 24,895
Interest bearing	-	-	138	138
Total deposits	<u>\$ 10,973</u>	<u>\$ -</u>	<u>\$ 14,060</u>	<u>\$ 25,033</u>
<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Commercial paper	\$ 366,377	\$ -	\$ -	\$ 366,377
U.S. Treasury Notes	698,939	-	-	698,939
U.S. Treasury Bonds	46,656	-	-	46,656
U.S. Treasury Strips	11,902	-	-	11,902
U.S. Government Agency	192,061	-	-	192,061
Corporate debt	1,032,300	-	-	1,032,300
Yankees	58,883	-	-	58,883
Asset backed securities	950,927	-	-	950,927
Mortgage backed securities	911,450	-	-	911,450
International equities – common stock	152,015	-	-	152,015
Total categorized investments	<u>\$ 4,421,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,421,510</u>
Not categorized:				
Nonretirement Domestic Fixed Income Pool				\$ 25,934
Nonretirement Domestic Equity Pool				528,060
Government Money Market Fund				2,918
Short-term Investment Account				14,240
Fidelity Money Market Fund				1
Tobacco Revenue Fixed Income				
Investment Agreement				17,619
Unsettled investment transactions				615
Interest and dividends receivable				19,355
Total investments not categorized				<u>608,742</u>
Investments under the control of others:				
Alaska State Pension Investment Board				(209,649)
Exxon Valdez Oil Spill Trustee Council				(170,755)
University of Alaska				(44,538)
Alaska Mental Health Trust Authority				<u>(21,347)</u>
Deposits and Investments under the fiduciary				
responsibility of the Commissioner of Revenue				<u>\$ 4,608,996</u>

Additional investment information is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at www.revenue.state.ak.us/treasury/publications.htm.

Securities Lending

Alaska Statute 37.10.071 authorizes the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral of equivalent market value. In January 2001, the Commissioner entered into an agreement with State Street Corporation (the Bank) to lend fixed income and equity securities. The Bank, acting as the Commissioner's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2004, the fair value of securities on loan totaled \$802 million which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner. There is no limit to the amount that can be loaned

and the Commissioner is able to sell securities on loan. International equity security loans are fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the cash collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since the Commissioner does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. There is limited credit risk associated with the lending transactions since the Commissioner is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2004, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

Foreign Exchange Contracts and Off-Balance Sheet Risk

The State International Equity Pool includes foreign currency forward contracts to sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The contracts each had maturity periods of six days. Net unrealized gains with respect to such contracts, calculated using forward rates at June 30, are attributable on a pro rata basis to the funds invested in the State International Equity Pool.

At June 30, 2004, the Funds had sale contracts outstanding totaling \$956,798. The fair value of these contracts, using the forward rate at June 30, 2004, was \$954,063. This resulted in net unrealized gains of \$2,734 at June 30, 2004.

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by this counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

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. 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.

Investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. External management companies manage the External Domestic Fixed Income Pool, International Fixed Income Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Real Estate Pool, Other Investments Pool and Private Equity Pool investments. In addition to acting as oversight manager for all externally managed investments, Treasury Division staff manage the Alaska Retirement Fixed Income Investment Pool, all mortgage-related assets and cash holdings of certain external domestic equity managers. Information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

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.

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Short-term Investment Account is a pooled account that cannot be categorized because the amount reported represents an interest in the pooled account rather than ownership of specific, identifiable securities. The Short-term Fixed Income Pool contains assets of other participants outside the control of ASPIB and, as such, cannot be categorized because the amounts

reported represent interests in the pool rather than ownership of specific, identifiable securities. The Government Short-term Investment Fund is an institutional investment pool and, as such, cannot be categorized because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities. The emerging market equities, limited partnerships, real estate, and mortgage related assets are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

Trade date accounting is used for investment activity. Unsettled purchase transactions do not present credit risk as ASPIB and its custodian do not hold a deposit or margin account against unsettled purchases. Unsettled purchase and unsettled sale transactions related to mortgage-backed security pools yet to be announced do not present custodial risk because ASPIB has not taken possession of specific securities. These unsettled investment transactions cannot be categorized.

Deposits and investments at June 30, 2004 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>
Interest bearing	\$ -	\$ -	\$ 5,052	\$ 5,052
<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Treasury Notes	\$ 328,746	\$ -	\$ -	\$ 328,746
U.S. Treasury Bonds	175,768	-	-	175,768
U.S. Treasury Strips	36,474	-	-	36,474
U.S. Government Agency Discount Notes	210,132	-	-	210,132
U.S. Government Agency	193,035	-	-	193,035
Corporate debt	737,598	-	-	737,598
Yankees	39,898	-	-	39,898
Convertible bonds	5,402	-	-	5,402
Asset backed securities	133,784	-	-	133,784
Mortgage backed securities	1,238,334	-	-	1,238,334
International fixed income - government	327,591	-	-	327,591
International fixed income - corporate	100,869	-	-	100,869
Domestic equities	4,856,769	-	-	4,856,769
International equities	1,990,468	-	-	1,990,468
Total categorized investments	<u>\$ 10,374,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,374,868</u>
Not categorized				
Short-term Investment Account				15,901
Short-term Fixed Income Pool				209,657
Government Short-term Investment Fund				23,117
Emerging market equities				152,584
Limited Partnerships				409,861
Real estate				930,404
Mortgage-related assets				179
Unsettled investment transactions				994
Interest and dividends receivable				45,664
Total investments not categorized				<u>1,788,361</u>
Total investments				<u>12,163,229</u>
Total deposits and investments				<u>\$ 12,168,281</u>
<u>Participant's Ownership in Pooled Investments</u>				
Public Employees' Trust Fund				\$ 8,175,492
Teachers' Trust Fund				3,908,889
Judicial Trust Fund				70,427
Alaska National Guard and Alaska Naval Militia Retirement Fund				13,473
Total				<u>\$ 12,168,281</u>

Additional investment information is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at www.revenue.state.ak.us/treasury/publications.htm.

Securities Lending

Alaska Statute 37.10.071 authorizes the ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent market value. In January 2001, the ASPIB entered into an agreement with State Street Corporation (the Bank) to lend fixed income, domestic equity and international equity securities. The Bank, acting as the ASPIB’s agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2004 the fair value of securities on loan allocable to the Pension Funds Invested Assets totaled \$1,431 million. There is no limit to the amount that can be loaned and the ASPIB is able to sell securities on loan. International equity security loans are fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the cash collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since ASPIB does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. There is limited credit risk associated with the lending transactions since the ASPIB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2004 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Equity and International Fixed Income Pools include foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from forty-five to ninety-six days. The Pension Funds Invested Assets had net unrealized losses with respect to such contracts, calculated using forward rates at June 30, as follows:

Net contract sales	\$ 7,442,749
Less: fair value	7,935,218
Net unrealized losses on contracts	<u>\$ (492,469)</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

Commitments and Contingencies

The ASPIB entered into agreements through external investment managers to provide capital funding for limited and general partnerships as it continues to build the private equity portfolio. At June 30, 2004, the Pension Funds unfunded commitments totaled \$475,176,203 to be paid through the year 2009.

The ASPIB entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the other investment portfolio. At June 30, 2004, the Pension Funds unfunded commitment totaled \$68,000,000 to be paid through the year 2014.

The ASPIB entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2004, the Pension Funds unfunded commitments totaled \$98,238,964 to be paid through the year 2007.

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 Equity Fund, Bond Fund, International Equity Fund, Citizens Core Growth Fund, Small CAP Stock Trust Fund, S&P 500 Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Government/Credit Bond Fund, and the Intermediate Bond Fund. As of December 31, 2003, deferred compensation plan investments totaled \$410.8 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 synthetic investment contracts (\$114.6 million) and shares in the Short-term Investment Fund (\$8.2 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 the 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 (\$288.1 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 Trust 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's internally managed Short-term Fixed Income Pool. At January 31, 2004, SBS investments totaled \$1.85 billion (fair value). All assets are held in trust.

SBS investments in the Alaska Balanced Fund, Long Term Balanced Fund and the four Target 2000-series investment options are formed through combinations of six wholly-owned pooled investment funds: the Government National Mortgage Association Pool, Government/Corporate 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, Money Market Fund, Citizens Core Growth Fund, Small Cap Stock Trust Fund, and the International Equity Fund 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 units are recorded on a trade-date basis.

Cash and cash equivalents consist of holdings in an institutional Short-term Investment Fund that cannot be categorized because it represents an interest (shares) in a fund rather than ownership of specific, identifiable securities. The collective investment funds cannot be categorized as they represent interests in funds rather than ownership of specific securities.

Investments at January 31, 2004, are summarized as follows (in thousands):

<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	Not <u>Categorized</u>	<u>Fair Value</u>
Pooled investment funds	\$ 1,197,622	\$ -	\$ 303	\$ 98,794	\$ 1,296,719
Collective investment funds				550,146	550,146
Total				\$ 648,940	\$ 1,846,865

Additional investment information is disclosed in the financial statements issued by the State's Supplemental Benefits System.

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

ALASKA PERMANENT FUND CORPORATION

Alaska Permanent Fund deposits and investments subject to classification according to GASB Statement No. 3 are within risk category 1, the lowest risk category, except uncollateralized, uninsured cash deposits. Such cash deposits total \$71,908,000 held in custodial accounts. Deposits and investments not subject to classification include money market funds, non-domestic equity emerging markets funds, real estate private equity investments, and mortgages and property notes receivable.

CASH AND TEMPORARY INVESTMENTS

All cash and temporary investments bear interest at competitive rates, and are summarized as follows at June 30, 2004 (in thousands):

Cash (a)	\$ 144,818
U.S. agencies (b)	98,384
Treasury bills (b)	986,067
Commercial paper (c)	267,725
Total	<u>\$ 1,496,994</u>

- (a) The majority of cash represents share ownership in a money market fund, payable on demand, which is collateralized by underlying securities held by the money market 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, 2004, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains/(Losses)</u>
Treasury notes/bonds	\$ 2,635,951	\$ 2,621,146	\$ (14,805)
Mortgage-backed securities	2,860,776	2,872,492	11,716
Other federal agencies	447,406	451,533	4,127
Corporate bonds	2,115,578	2,155,807	40,229
Nondomestic bonds	1,137,454	1,184,042	46,588
Total	<u>\$ 9,197,165</u>	<u>\$ 9,285,020</u>	<u>\$ 87,855</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 investments in preferred and common stock, except for one, are held by custodian banks in the name of the Fund. The exception is a commingled fund investment in the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc. The assets of this fund are held by the custodian bank of the fund manager, on behalf of the commingled fund's investors. The market value of the Fund's shares in the EMGF was \$351,860,000 as of June 30, 2004. The value of the Fund's investment in the commingled fund represented approximately 2.2 percent of the total EMGF value at June 30, 2004.

Preferred and common stock at June 30, 2004, are summarized as follows (in thousands):

	Cost	Market	Unrealized Gains/(Losses)
Domestic	\$ 8,895,449	\$ 10,856,996	\$ 1,961,547
Nondomestic bonds	4,257,875	4,979,272	721,397
Total	\$ 13,153,324	\$ 15,836,268	\$ 2,682,944

ALASKA CERTIFICATES OF DEPOSIT

The Corporation is authorized by statute and Corporate resolution 04-03, 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 letters of credit from the Federal Home Loan Bank or U.S. government securities, secure these investments.

REAL ESTATE

The Corporation is authorized by statute to invest Fund assets in real estate improved by completed and substantially rented buildings located in the United States. Real estate investments may take the form of private equity real estate 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. The Fund invests in direct real estate through its ownership of interests in corporations, limited liability companies and partnerships that own title to the real estate. Private equity real estate investments are managed by professional real estate management firms. Real estate investment trusts are held by custodian banks in the name of the Fund.

The Corporation routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 00-10 and Financial Accounting Standard 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). During the fiscal year ended June 30, 2004, four private equity real estate holdings were analyzed for permanent impairment. This review indicated all four of the assets were impaired, as determined based on projected cash flows from each asset over their expected holding periods. Consequently, the carrying values of these assets were written down to their market values, based on the most recent independent appraisal. The charge to the asset carrying value and operating income for all impaired assets totaled \$17,250,000. The statement of revenues, expenditures and changes in fund balances includes this amount in the net increase (decrease) in the fair value of investments – real estate.

The carrying value of real estate at June 30, 2004, was \$2,086,928,000. Private equity real estate investments, commingled funds, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investment (real estate investment trusts) are recorded in the financial statements at their market value.

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

Real estate investments at June 30, 2004, are summarized as follows (in thousands):

	Cost/Equity Value	Market Value	Unrealized Gains/(Losses)	Carrying Value
Commingled funds	\$ 1,043	\$ 853	\$ (190)	\$ 1,043
Real estate investment trusts	714,941	969,220	254,279	969,220
Alaska residential mortgages	84	84	-	84
Property note receivable	3,273	3,273	-	3,273
Direct investments:				
Retail	257,320	274,861	17,541	257,320
Office	464,845	499,128	34,283	464,845
Industrial	135,964	148,869	12,905	135,964
Residential	255,179	291,352	36,173	255,179
Total	<u>\$ 1,832,649</u>	<u>\$ 2,187,640</u>	<u>\$ 354,991</u>	<u>\$ 2,086,928</u>

NORTHERN TOBACCO SECURITIZATION CORPORATION

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

INVESTMENTS	Category 1	Category 2	Category 3	Fair Value
Bank investment agreements	\$ -	\$ -	\$ 17,301	\$ 17,301
U.S. agency securities	11,055	-	-	11,055
Total categorized investments	<u>\$ 11,055</u>	<u>\$ -</u>	<u>\$ 17,301</u>	<u>\$ 28,356</u>

DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2004, the discretely presented component units' investments by risk category were (in thousands):

INVESTMENTS	Category 1	Category 2	Category 3	Fair Value
U.S. Treasury securities	\$ 320,300	\$ 17,393	\$ -	\$ 337,693
U.S. Government agency securities	325,346	55,274	-	380,620
Corporate securities	478,962	306,969	218,275	1,004,206
Total categorized investments	<u>\$ 1,124,608</u>	<u>\$ 379,636</u>	<u>\$ 218,275</u>	<u>\$ 1,722,519</u>
Not categorized				
Equity in State treasury				277,766
Equity in Permanent Fund Corporation investments				344,928
Other				544,068
Total				<u>\$ 2,889,281</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. 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.

Capital asset activities for the fiscal year ended June 30, 2004, were as follows (in millions).

<u>Governmental Activities</u>	<u>Beginning Balance (restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 658	\$ 13	\$ (1)	\$ 670
Construction in progress	1,960	457	(230)	2,187
Total capital assets not being depreciated	<u>2,618</u>	<u>470</u>	<u>(231)</u>	<u>2,857</u>
Capital assets being depreciated:				
Buildings	1,060	73	(84)	1,049
Equipment	571	96	(15)	652
Infrastructure	354	113		467
Total Capital assets being depreciated	<u>1,985</u>	<u>282</u>	<u>(99)</u>	<u>2,168</u>
Less accumulated depreciation for:				
Buildings	(359)	(21)	-	(380)
Equipment	(290)	(29)	8	(311)
Infrastructure	(39)	(32)	1	(70)
Total accumulated depreciation	<u>(688)</u>	<u>(82)</u>	<u>9</u>	<u>(761)</u>
Total capital assets being depreciated, net	<u>1,297</u>	<u>200</u>	<u>(90)</u>	<u>1,407</u>
Capital assets, net	<u>\$ 3,915</u>	<u>\$ 670</u>	<u>\$ (321)</u>	<u>\$ 4,264</u>

For the general fund and internal service funds, see note 3 for additional information on restated beginning balances due to prior period adjustments. In addition, construction in progress deletions include a \$25 million transfer of ownership to local school districts, which represent 11 percent of construction in progress deletions.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 29	\$ 1	\$ -	\$ 30
Construction in progress	150	101	-	251
Total capital assets not being depreciated	<u>179</u>	<u>102</u>	<u>-</u>	<u>281</u>
Capital assets being depreciated:				
Buildings	298	6	-	304
Equipment	43	5	-	48
Infrastructure	381	41	-	422
Total Capital assets being depreciated	<u>722</u>	<u>52</u>	<u>-</u>	<u>774</u>
Less accumulated depreciation for:				
Buildings	(108)	(9)	-	(117)
Equipment	(29)	(3)	-	(32)
Infrastructure	(189)	(15)	-	(204)
Total accumulated depreciation	<u>(326)</u>	<u>(27)</u>	<u>-</u>	<u>(353)</u>
Total capital assets being depreciated, net	<u>396</u>	<u>25</u>	<u>-</u>	<u>421</u>
Capital assets, net	<u>\$ 575</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 702</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), 90.9 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	7
Health and Human Services	6
Law and Justice	2
Natural Resources	1
Public Protection	5
Transportation	41
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.	<u>16</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 80</u>
Business-type Activities	
Enterprise	<u>\$ 27</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, 2004 (in millions):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 59	\$ 3	\$ -	\$ 62
Library, media, and museum collections	48	2	-	50
Construction in progress	298	180	(237)	241
Infrastructure	-	-	-	-
Total capital assets not being depreciated	<u>405</u>	<u>185</u>	<u>(237)</u>	<u>353</u>
Capital assets being depreciated:				
Buildings	928	122	(2)	1,048
Equipment	302	54	(7)	349
Infrastructure	607	95	-	702
Total Capital assets being depreciated	<u>1,837</u>	<u>271</u>	<u>(9)</u>	<u>2,099</u>
Less accumulated depreciation for:				
Buildings	(388)	(44)	1	(431)
Equipment	(166)	(29)	7	(188)
Infrastructure	(216)	(27)	-	(243)
Total accumulated depreciation	<u>(770)</u>	<u>(100)</u>	<u>8</u>	<u>(862)</u>
Total capital assets being depreciated, net	<u>1,067</u>	<u>171</u>	<u>(1)</u>	<u>1,237</u>
Capital assets, net	<u>\$ 1,472</u>	<u>\$ 356</u>	<u>\$ (238)</u>	<u>\$ 1,590</u>

University of Alaska art, library, and museum collections, which are capitalized but not depreciated, are reported in the statement of net assets as equipment. 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.

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, 2004 (in thousands):

Governmental Activities	Beginning Balance (restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 224,599	\$ -	\$ 6,283	\$ 218,316	\$ -
General obligation debt	499,513	-	6,927	492,586	29,469
Notes payable	4,733	-	1,346	3,387	1,902
Capital leases payable	272,480	15,632	93,620	194,492	23,756
Unearned & deferred revenue	179,305	36,962	22,288	193,979	186,035
Certificates of participation	16,000	14,145	-	30,145	1,580
Compensated absences	114,024	101,293	98,265	117,052	117,052
Claims and judgments	83,908	12,708	22,992	73,624	27,891
Other noncurrent liabilities	3,323	-	2,479	844	530
Total	\$ 1,397,885	\$ 180,740	\$ 254,200	\$ 1,324,425	\$ 388,215

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 356,510	\$ 95,351	\$ 29,720	\$ 422,141	\$ 12,138
Unearned & deferred revenue	3,887	525	-	4,412	4,412
Compensated absences	-	142	103	39	39
Other noncurrent liabilities	5,473	314	5,453	334	-
Total	\$ 365,870	\$ 96,332	\$ 35,276	\$ 426,926	\$ 16,589

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

GENERAL OBLIGATION BONDS

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2004, the following were the general obligation bond debt outstanding (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 23.6	\$ 22.8	\$ 46.4
2006	24.1	21.5	45.6
2007	24.8	20.3	45.1
2008	25.4	19.0	44.4
2009	26.2	17.7	43.9
2010-2014	146.4	66.2	212.6
2015-2019	112.2	32.8	145.0
2020-2024	79.2	9.4	88.6
Total debt service requirements	461.9	\$ 209.7	\$ 671.6
Unamortized bond premium	30.7		
Total principal outstanding	\$ 492.6		

The legislature authorized the issuance of general obligation bonds within chapter 114, SLA 2002 and chapter 2, SSSLA 2002 for a total of \$463,524,941. As of the end of FY 2004, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS

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):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 12.5	\$ 12.5
2006	-	12.6	12.6
2007	-	12.5	\$ 12.5
2008	6.2	12.6	18.8
2009	6.5	12.3	18.8
2010-2014	41.0	55.2	96.2
2015-2019	46.1	43.5	89.6
2020-2024	45.7	30.8	76.5
2025-2029	62.7	15.5	78.2
2030-2031	12.2	1.2	13.4
Total debt service requirements	220.4	<u>\$ 208.7</u>	<u>\$ 429.1</u>
Unamortized bond discounts	(2.1)		
Total principal outstanding	<u>\$ 218.3</u>		

INTERNATIONAL AIRPORTS REVENUE BONDS

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):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 12.1	\$ 21.6	\$ 33.7
2006	12.7	20.5	33.2
2007	13.5	20.3	33.8
2008	13.8	19.5	33.3
2009	14.3	18.9	33.2
2010-2014	82.6	83.7	166.3
2015-2019	96.1	60.9	157.0
2020-2024	120.7	33.2	153.9
2025-2028	61.3	10.8	72.1
Total debt service requirements	427.1	<u>289.4</u>	<u>716.5</u>
Unamortized bond issuance costs and discounts	(5.0)		
Total principal outstanding	<u>\$ 422.1</u>		

C. CAPITAL AND OPERATING LEASES

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

<u>Governmental Activities</u> Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2005	\$ 28.5	\$ 23.7	\$ 9.4	\$ 33.1
2006	25.6	22.5	8.4	30.9
2007	23.0	17.6	7.5	25.1
2008	20.8	16.6	6.7	23.3
2009	17.7	13.7	5.9	19.6
2010-2014	36.8	53.1	20.6	73.7
2015-2019	3.0	36.8	8.4	45.2
2020-2024	0.4	10.5	0.8	11.3
2025-2029	0.4	-	-	-
2030-2034	0.4	-	-	-
2035-2039	0.4	-	-	-
2040-2044	0.4	-	-	-
2045-2049	0.2	-	-	-
Total	<u>\$ 157.6</u>	<u>\$ 194.5</u>	<u>\$ 67.7</u>	<u>\$ 262.2</u>

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, 2004 (expressed in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2005	\$ 1.6	\$ 1.6	\$ 3.2
2006	1.8	1.2	3.0
2007	1.8	1.1	2.9
2008	1.9	1.1	3.0
2009	2.0	1.0	3.0
2010-2014	11.0	3.7	14.7
2015-2019	10.0	1.1	11.1
Total	<u>\$ 30.1</u>	<u>\$ 10.8</u>	<u>\$ 40.9</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2005	\$ 231.7	\$ 196.1	\$ 427.8
2006	172.1	186.8	358.9
2007	142.7	179.9	322.6
2008	127.3	174.0	301.3
2009	125.2	168.7	293.9
2010-2014	712.2	753.2	1,465.4
2015-2019	646.0	617.5	1,263.5
2020-2024	820.6	482.6	1,303.2
2025-2029	555.1	314.9	870.0
2030-2034	395.7	191.7	587.4
2035-2039	370.1	97.1	467.2
2040-2044	68.6	26.8	95.4
2045-2049	58.1	9.8	67.9
Total debt service requirements	\$ 4,425.4	\$ 3,399.1	\$ 7,824.5
Unamortized discounts, unexpended bond proceeds, accrued interest, & deferred amount on refunding	8.1		
Total principal outstanding	\$ 4,433.5		

The preceding table does not include \$373,000 of Alaska Energy Authority arbitrage interest payable.

F. AHFC DERIVATIVES

SWAP OBJECTIVES

In order to both reduce the AHFC's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, AHFC entered into six separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the AHFC would have paid to issue conventional fixed-rate debt.

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2004, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding	Outstanding	Swap	Total
	Variable-Rate	Variable-Rate		
	Debt	Debt	Net Payment	Payment
	Principal	Interest		
2005	\$ 3,505	\$ 4,404	\$ 13,285	\$ 21,194
2006	3,640	4,387	13,169	21,196
2007	3,795	4,349	13,048	21,192
2008	4,640	4,311	12,919	21,870
2009	5,135	4,251	12,763	22,149
2010-2014	44,285	20,259	60,693	125,237
2015-2019	76,055	16,933	50,654	143,642
2020-2024	95,935	12,313	37,035	145,283
2025-2029	82,425	7,234	22,118	111,777
2030-2034	59,715	3,108	9,480	72,303
2035-2037	26,565	457	1,398	28,420
Total	<u>\$ 405,695</u>	<u>\$ 82,006</u>	<u>\$ 246,562</u>	<u>\$ 734,263</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2004, are included in the following schedule (in thousands). The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments AHFC would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	Termination Date	Counterparty Credit Rating ⁶
GP01A ¹	\$ 72,405	\$ (4,206)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B	88,485	(5,233)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	A+/Aa3
E021A1 ²	50,000	(2,408)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	(6,050)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	(274)	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	633	12/5/2002	4.3030%	BMA ⁵ +0.115%	7/1/2022	AAA/Aaa
Total	<u>\$ 405,695</u>	<u>\$ (17,538)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ The Bond Market Association Municipal Swap Index

⁶ Standard & Poor's/Moody's

FAIR VALUE

Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of AFHC's LIBOR-based interest rate swaps had a negative fair value while the single BMA-based interest swap had a positive fair value as of June 30, 2004. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from Mark to Market statements from the respective counterparties, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio

composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

RISKS

- **Credit Risk.** As of June 30, 2004, AHFC was exposed to credit risk on its BMA-based interest rate swap in the amount of the swap's positive fair value but was not exposed to credit risk on any of its outstanding LIBOR-based interest rate swaps because they all had negative fair values. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. AHFC currently has swap agreements with four separate counterparties. Approximately 60% of the notional amount of swaps, including the swap that is currently exposed to credit risk, is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa2 while the other counterparty is rated A/A2, approximating 22% and 18%, respectively, of the total outstanding notional swap value.
- **Basis Risk.** A majority of AHFC's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, AHFC is exposed to basis risk on the swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2004, the BMA rate was 1.08%, whereas LIBOR was 1.30%. Since the spread between LIBOR and BMA has narrowed, the expected cost savings from the swaps may not be as large as originally anticipated.
- **Rollover Risk.** Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing AHFC to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.
- **Termination Risk.** If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, AHFC would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, AHFC would be liable to the counterparty for payments equal to the swaps' fair value. AHFC or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2004, AHFC is not exposed to any additional termination risk on its interest rate swaps.

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, 2004, the number of participating employers was:

State of Alaska	3
Municipalities	79
School Districts	53
Other	26
Total employers	<u>161</u>

Current employee contribution rates are 6.75 percent of compensation (7.5 percent for peace officers and firefighters and 9.6 percent for some school district employees). 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, 2004, was 7.65 percent of compensation (8.42 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 (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	3,486,365	3,462,943	(23,422)	100.7%	781,286	(3.0%)
2002	2,864,058	3,854,165	990,107	74.3%	818,543	121.0%
2003	2,834,640	3,971,044	1,136,404	71.4%	860,513	132.1%

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 or older, regardless of initial hire dates. Employees first hired after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age sixty, and receive benefits at no premium cost if they are over age sixty or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

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 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 (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	1,476,115	1,466,201	(9,914)	100.7%	781,286	(1.3%)
2002	1,740,149	2,341,721	601,572	74.3%	818,543	73.5%
2003	1,894,575	2,654,108	759,533	71.4%	860,513	88.3%

The state's annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2004, 2003, and 2002 were \$65.1, \$58.8, and \$55.7 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 and administered by the state to provide pension and postemployment healthcare benefits for teachers and other eligible participants.

At June 30, 2004 the number of participating employers was:

State of Alaska	2
School Districts	53
Other	<u>3</u>
Total employers	<u><u>58</u></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.

Plan members contribute 8.65 percent of their base salary, as required by statute. 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, 2004, was 12 percent of compensation.

Postemployment healthcare benefits are provided without cost to all employees first hired before July 1, 1990, employees hired after July 1, 1990 with 25 years of membership service, and employees who are disabled or age sixty or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age sixty 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 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, 2004, 2003, and 2002 were \$5.5, \$4.9, and \$4.9 million respectively, equal to the required contributions for each year.

THE JUDICIAL RETIREMENT SYSTEM (JRS)

JRS is a defined benefit, single-employer retirement system established and administered by the state 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, 2004, was 28.28 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 (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
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%)
2002	56,705	63,970	(7,265)	88.6%	5,942	(122.3%)

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 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 (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
1998	\$3,896	\$3,703	\$193	105.2%	\$5,716	3.4%
2000	4,545	4,596	(51)	98.9%	5,702	(0.9%)
2002	6,979	7,873	(894)	88.6%	5,942	(15.0%)

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,786,835, \$1,746,251, and \$1,005,968. 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
1998	\$12,671	\$14,252	(\$1,581)	88.9%
2000	13,734	17,967	(4,233)	76.4%
2002	12,114	20,545	(8,431)	59.0%

The annual required contributions for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,322,502, \$1,322,502, and \$879,784. The percentage contributed for each year was 100 percent.

THE ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM (EPORS)

EPORS is a defined benefit single-employer retirement plan administered by the state to provide pension and post-employment healthcare benefits to 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 cost to the state for EPORS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$1.8 million, \$1.4 million, and \$1.1 million. The contributions received from employees totaled \$16,039 in FY04. EPORS is a closed plan and no separate financial statement or actuarial valuation report is issued for EPORS.

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	\$8,175,493
Teachers’ Retirement System	3,908,890
Judicial Retirement System	70,427
Alaska National Guard and Alaska Naval Militia Retirement System	13,473

PLAN MEMBERSHIPS

The table below includes the plan membership counts. With the exception of EPORS, the counts are as of the actuarial valuation report date. The plan membership count for EPORS is based upon membership as of June 30, 2004.

	PERS 6/30/03	TRS 6/30/03	JRS 6/30/02	NGNMRS 6/30/02	EPORS 6/30/04
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	24,272	9,020	82	1,143	36
Current active employees:					
Vested	18,108	5,289	43	*	4
Nonvested	15,957	4,584	13	3,538	-
Total	<u>58,337</u>	<u>18,893</u>	<u>138</u>	<u>4,681</u>	<u>40</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%	6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others	FY 04 - 05– 12.0%; FY 06 – 11.5%; FY 07 – 11.0%; FY 08 – 10.5%; FY 09–10.0%; FY 10 – 9.5%, FY 11 – 9.0%, FY 12 – 8.5%, FY 13 – 8.0%, FY 14 – 7.5%, FY 15 – 7.0%, FY 16 - 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/03
TRS	8.25%	5.5% first 5 years	FY 04 – 05 - 12.0%; FY 06 – 11.5%; FY 07 – 11.0%, FY 08 - 10.5%; FY 09 – 10.0%, FY 10 – 9.5%, FY 11 – 9.0%; FY 12 – 8.5% FY 13 – 8.0%; FY 14 - 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/03
JRS	8.25%	4.0% per year	FY 03 – 05 - 12.0%; FY 06 – 11.5%; FY 07 – 11.0%, FY 08 10.5%; FY 09 – 10.0%, FY 10 – 9.5%, FY 11 – 9.0%; FY 12 – 8.5% FY 13 – 8.0%; FY 14 - 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%	3.5%	6/30/02
NGNMRS	8.25%	-	-	-	6/30/02
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 \$497.4 thousand in FY 04.

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 Plan. 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, 2004, there were fifteen other employers participating in SBS. There were approximately 31,990 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 monies 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, 2004, were \$97.6 million. The state's covered payroll was approximately \$796.0 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, 2004, were approximately \$4.6 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, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include 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. 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, 2004. 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 \$689.8 thousand in FY 04.

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. It is available to all permanent employees or elected officials of the State (and with the April 1, 2003 amendment all long term non-permanent employees) 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 Code. As of December 31, 2003, the Plan had approximately 7,900 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 monies 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, 2003, were \$412.4 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 receivable and payable balances at June 30, 2004, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	Due from Other Funds					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ 742	\$ 157	\$ 8,126	\$ 2,241	\$ 11,266
Alaska Permanent Fund	581,246	-	-	-	-	581,246
Nonmajor						
Governmental Funds	3,746	-	-	-	-	3,746
International Airports	45,153	-	-	-	-	45,153
Nonmajor						
Enterprise Funds	1,555	-	-	-	-	1,555
Internal Service Funds	324	-	-	-	358	682
Fiduciary Funds	1,144	-	-	-	-	1,144
Other	407	(1)	-	717	(363)	760
Total	<u>\$ 633,575</u>	<u>\$ 741</u>	<u>\$ 157</u>	<u>\$ 8,843</u>	<u>\$ 2,236</u>	<u>\$ 645,552</u>

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Permanent Funds	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ -	\$ 7,969	\$ 679	\$ 4,641	\$ 51	\$ 13,340
Permanent Fund	581,246	-	-	-	-	-	581,246
Nonmajor							
Governmental	300	2,386	48	-	-	-	2,734
Enterprise	5,115	-	-	-	-	-	5,115
Internal Service	2,719	-	-	130	-	-	2,849
Fiduciary	-	-	-	-	-	26	26
Other	14,467	-	-	-	-	-	14,467
Total	<u>\$ 603,847</u>	<u>\$ 2,386</u>	<u>\$ 8,017</u>	<u>\$ 809</u>	<u>\$ 4,641</u>	<u>\$ 77</u>	<u>\$ 619,777</u>

The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2004.

The \$581 million balance due from the Alaska Permanent Fund to the General Fund is for payment of 2004 Permanent Fund Dividends and administrative and associated costs of the 2004 Permanent Dividend Program. The majority of the other Due from Other Funds and Due to Other Funds balances are attributable to FY 2004 activity during the reappropriation period in July and August 2004 that caused the movement of cash balances between funds after June 30, 2004.

NOTE 11 – 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, 2004, is \$39.2 million. This amount was calculated using the base pay on file for each employee as of June 30, 2004. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary 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 04 expended for school debt was \$60.6 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 \$976.9 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 request a 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 less public funds than would be paid to private insurance companies, while 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), and large highway bridges.

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 coverage 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. The state has not incurred a loss in excess of its insurance program.

In FY 04, the state completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$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: \$50 million per occurrence for marine, \$100 million for property, 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. Independent brokers provide marketing. 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 to 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 table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2003 and June 30, 2004. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3 percent discount interest rate for FY 03 and a 3 percent discount interest rate for FY 04.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2003	\$ 78,603,678	\$ 32,297,924	\$ (32,277,129)	\$ 78,624,473
2004	\$ 78,624,473	\$ 12,708,189	\$ (22,155,176)	\$ 69,177,486

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 \$4.4 million, with an additional possible liability of \$70.3 million. The probable loss amount has been reported as long-term debt obligations.

The amount of revenue recognized by the Northern Tobacco Securitization Corporation could be adversely impacted by certain third party litigation involving tobacco companies and others.

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. FUTURE LOAN COMMITMENTS

As of June 30, 2004, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$42,156,800 and \$18,576,753 respectively. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn; accordingly, they are not included in the financial statements for these funds.

At June 30, 2004, AIDEA had extended commitments for loans of \$48,242,000 and loan guarantees of \$2,091,000.

NOTE 12 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

The Alaska Municipal Bond Bank Authority issued six bond series subsequent to June 30, 2004.

1. Revenue Bonds, 2004 Series A in the face amount of \$28,845,000 with interest rates ranging from 3.25% to 5.375% over maturities of January 1, 2007 through January 1, 2035.
2. Revenue Bonds, 2004 Series B in the face amount of \$5,365,000 with interest rates ranging from 4.00% to 5.125% over maturities of August 1, 2005 through August 1, 2034.
3. General Obligation Bonds, 2004 Series C in the face amount of \$14,575,000 with interest rates ranging from 4.00% to 5.00% over maturities of July 1, 2005 through July 1, 2024.
4. General Obligation Bonds, 2004 Series D in the face amount of \$13,925,000 with interest rates ranging from 3.00% to 5.00% over maturities of November 1, 2005 through November 1, 2024.
5. General Obligation Bonds, 2005 Series A in the face amount of \$32,655,000 with interest rates ranging from 2.50% to 5.00% over maturities of October 1, 2005 through October 1, 2020.
6. General Obligation Bonds, 2005 Series B in the face amount of \$27,625,000 with interest rates ranging from 3.00% to 5.25% over maturities of May 1, 2006 through May 1, 2025.

B. ALASKA STUDENT LOAN CORPORATION

On May 19, 2004, the Alaska Student Loan Corporation issued \$115,115,000 in education loan revenue bonds, in part for refunding at par \$13,055,000 of the outstanding Series 1994 A bonds and \$26,400,000 of the Series 2002 A bonds. The Series 1994 A refunding will occur on July 1, 2004 and the Series 2002 A refunding will occur on August 16, 2004.

On March 30, 2005, the Alaska Student Loan Corporation issued \$88,305,000 in State project revenue bonds, Series 2005 A bonds.

C. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2005. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

D. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes for fiscal year 2005. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

E. ALASKA HOUSING FINANCE CORPORATION

On September 1, 2004, the Corporation issued \$143,995,000 General Housing Purpose Bonds, 2003 Series A-2. The Bonds are general obligations of the Corporation that initially will bear interest at a weekly rate, payable on the first business day of each month. Thereafter, the Corporation may elect to convert any 2003 series A-2 Bond to bear interest at a fixed interest rate. These Series A-2 Bonds were a remarketing of the Series A-1 Bonds originally issued on November 6, 2003. The Series A-1 Bonds were issued as federally taxable bonds. The Series A-2 Bonds are tax-exempt bonds.

NOTE 13 – SPECIAL ITEMS

The Alaska Science and Technology Foundation (ASTF) was established in statute as a public corporation within the Department of Community and Economic Development. The International Trade and Business Endowment (ITBE) was established to support the ASTF and its programs. During the 23rd Alaska Legislative Session, the balance as of June 30, 2003 of the ITBE was appropriated to the Alaska Debt Retirement Fund effective July 1, 2003 (Chapter 83, SLA 2003). The financial impact of this legislative action for the ITBE liquidation is reflected in the financial statements as a special item.

During fiscal year 2004, the Alaska Housing Finance Corporation called the following bonds resulting in early bond redemption costs reflected in the financial statements as a special item:

- A. June 1, 2004 -- \$6,110,000 of Collateralized Bonds, 1993 First Series, at a premium of \$56,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of \$259,000 and \$316,000, respectively, totals \$631,000.
- B. June 1, 2004 -- \$138,435,000 of Government Housing Purpose Bonds, 1994 Series A, at a premium of \$1,748,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of \$932,000 and \$1,597,000, respectively, totals \$4,277,000.
- C. March 5, 2004 and April 1, 2004 -- \$40,495,000 of Housing Development Bonds at a premium of \$1,620,000 on the early optional redemptions. The call premium and write-off of the cost of issuance of \$923,000 totals \$2,543,000.

REQUIRED
SUPPLEMENTARY INFORMATION

STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 989,508	\$ 989,787	\$ 1,231,420	\$ (241,633)
Licenses and Permits	88,046	89,803	90,591	(788)
Charges for Services	529,435	534,364	517,088	17,276
Fines and Forfeitures	15,112	15,115	17,537	(2,422)
Rents and Royalties	734,072	734,568	1,040,507	(305,939)
Premiums and Contributions			10,093	(10,093)
Interest and Investment Income	93,666	93,714	84,521	9,193
Payments In from Component Units	10,846	10,846	10,846	0
Other Revenues	32,643	32,802	28,524	4,278
Restricted:				
Federal Grants in Aid	4,565,081	4,836,794	1,865,055	2,971,739
Interagency	483,904	736,887	448,298	288,589
Payments In from Component Units	136,369	137,894	47,999	89,895
Other Revenues		200	1,472	(1,272)
Total Revenues	7,678,682	8,212,774	5,393,951	2,818,823
EXPENDITURES				
Current:				
General Government	660,387	683,998	624,217	59,781
Alaska Permanent Fund Dividend	660,071	664,256	660,488	3,768
Education	1,041,258	1,047,328	1,052,122	(4,794)
University	235,333	236,030	231,640	4,390
Health and Human Services	2,102,124	2,235,525	1,962,018	273,507
Law and Justice	151,455	163,738	149,908	13,830
Public Protection	641,625	670,954	529,404	141,550
Natural Resources	400,725	442,006	299,524	142,482
Development	278,051	309,909	220,335	89,574
Transportation	3,209,670	3,454,831	1,216,488	2,238,343
Intergovernmental Revenue Sharing	40,397	55,601	54,415	1,186
Debt Service:				
Principal	9,170	9,970	9,083	887
Interest and Other Charges	3,019	3,019	3,019	0
Total Expenditures	9,433,285	9,977,165	7,012,661	2,964,504
Excess (Deficiency) of Revenues Over Expenditures	(1,754,603)	(1,764,391)	(1,618,710)	(145,681)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	14,145	14,145	14,145	0
Transfers In from Other Funds	712,831	712,831	708,104	4,727
Transfers (Out to) Other Funds	(102,731)	(125,185)	(125,185)	0
Total Other Financing Sources and Uses	624,245	601,791	597,064	4,727
SPECIAL ITEMS				
International Trade and Business Endowment Liquidation	4,829	4,829	4,829	0
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis				
	\$ (1,125,529)	\$ (1,157,771)	(1,016,817)	\$ (140,954)
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			904,177	
Basis Difference			34,874	
Perspective Difference			(36,013)	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis				
			(113,779)	
Fund Balances - Beginning of Year			3,550,077	
Prior Period Adjustment			3,565	
Fund Balances - End of Year			3,439,863	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2004**

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.

For the year ended June 30, 2004, expenditures exceeded appropriations in the education function due to errors in recording expenditures and revenues to the incorrect fiscal year. The department will request the budget and audit committee to approve a revised program for additional budget authority to address this overexpenditure.

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	\$	35,476
Medical Assistance Program		(1,110)
Working Reserve		(4,587)
Tobacco Tax		70
Alcohol Tax		2,980
Tire Tax		298
Vehicle Rental Tax		<u>1,747</u>
Total General Fund Basis Difference		<u><u>34,874</u></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	\$	(35,543)
Alaska Public Building Fund		1,459
Federal Receipts for PL 103-382 (Impact Aid)		<u>(1,929)</u>
Total General Fund Perspective Difference		<u><u>(36,013)</u></u>

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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 04 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 Revenue, Division of Treasury Revenue Division of Treasury, Treasury Revenue Management System, June 19, 2002.* Audit Control Number 04-10004-02.
4. *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.
5. *Department of Health and Social Services, Division of Family and Youth Services, Travel Issues, March 4, 2003.* Audit Control Number 06-30019-03.
6. *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.
7. *A Report on the Department of Environmental Conservation, Village Safe Water Program, Selected Projects, November 19, 2003.* Audit Control Number 18-30028-04.

In addition to recommendations in the Component Units section, management letters of State corporations and the University of Alaska may have recommendations which are relevant to

the FY 04 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 04

—————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>
DOA						1
DEED					6	2, 3, 4, 5
DHSS		15, 17		10, 16, 19	7, 8, 9, 11, 13, 14, 15, 16, 18, 19, 20, 21	9, 12
DEC				22, 23, 25	22, 23, 24	
Component Units					26	

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Findings and Recommendations

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OFFICE OF THE GOVERNOR

One recommendation was made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation No. 1 was not fully implemented by the Office of the Governor. However, the audit issue is not continuing; therefore, the recommendation is not reiterated in this report.

No new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF ADMINISTRATION

One recommendation was made to the Department of Administration (DOA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation No. 2 has not been fully implemented by the department; however, the current year affects is not a significant audit issue. Therefore, Recommendation No. 2 is not reiterated in this report.

One new recommendation is included as Recommendation No. 1.

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Recommendation No. 1

The director of Division of Retirement and Benefits (DRB) should ensure Elected Public Official Retirement System's (EPORS) benefit payments are supported by funds appropriated through the legislative process.

EPORS benefit payments made in FY 04 exceeded the EPORS authorization by over \$260,000. No supplemental appropriation was requested to cover these payments; instead DRB staff offset the expenditures with funds from the EPORS reserve account in the general fund. This process concealed over-expenditure in the EPORS appropriation (AR 11776-04). The transfer of EPORS payments to the reserve account is not isolated to FY 04. In the past five years, DRB staff have offset over \$1,050,000 in benefit payments with the EPORS reserve account in the general fund.

EPORS was established by Chapter 205, SLA 1975. Subsequent to the enactment of the legislation, a referendum on the EPORS legislation was submitted to a vote of the people; they voted to repeal the legislation. Afterwards, in the case of *State v. Allen*, the Alaska Supreme Court held that all elected public officers who were participating in EPORS at the time of repeal (October 14, 1976) are entitled to the benefits provided by EPORS upon retirement. The repealed statute, AS 39.37.110, directed that:

“An estimated amount sufficient to pay all benefits, including interest credited to individual accounts, anticipated to be paid under this chapter in each fiscal year shall be included in the annual appropriation to the Department of Administration. If the actual authorized benefits necessary to be paid in any fiscal year exceed the sum appropriated, the benefits due shall nevertheless be paid from general funds of the state not otherwise appropriated.”

DRB staff contends that AS 39.37.110 provides the necessary authority to fund excess EPORS benefit payments with the EPORS reserve account in the general fund on an annual basis and additional legislative approval is not necessary. This approach is outside of the budgetary process.

There are a variety of constitutional and statutory cites that govern the appropriation of funds. Alaska Constitution Article IX, Section 13, states: *“No money shall be withdrawn from the treasury except in accordance with appropriations made by law.”*

Additionally, AS 37.05.170 requires that:

“Payment may not be made and obligations may not be incurred against a fund unless the Department of Administration certifies that its records disclose that there is a sufficient unencumbered balance available in the fund and that an appropriation or expenditure authorization has been made for the purpose for which it is intended to incur the obligation.”

We recommend that the DRB director cease the unauthorized transfer of EPORS reserves from the general fund for excess benefit payments. Further, legislative approval should be sought for additional authority when EPORS expenditures are expected to exceed the enacted authorization.

Agency Response – Department of Administration

The DRB concurs with the recommendation and believes that all benefits paid have been appropriated. As discussed on page I-69 of the FY03 State of Alaska Single Audit, EPORS is funded by both employee contributions and an annual appropriation from the state general fund. Employee contributions are recorded in the general fund equity section when paid from existing appropriations. The disclosure is a requirement of Internal Revenue Code Section 457.

In years when the general fund appropriation has been sufficient to pay the EPORS benefits, the amounts contributed by employees increased the general fund equity. The contributed amounts were from existing appropriations authorized in the year of the contribution. The recording of these funds in the fund equity section is the manner the Division is using to fulfill the requirement from IRC Section 457 that the State report stewardship of those assets.

AS 39.37.110 states An estimated amount sufficient to pay all benefits, including interest credited to individual accounts, anticipated to be paid under this chapter in each fiscal year shall be included in the annual appropriation to the department of Administration. The Division has previously determined that an amount sufficient to pay all benefits should take into account contributions. The appropriations requested in the last several years has been submitted with an expectation that we may need to utilize some of these contributions to pay benefits due.

However, based on your recommendation the department will increase the amount requested for the FY 2007 operating budget to include the total amount of anticipated benefits. In FY 2006, we will submit a request for supplementary funding in FY 2006 to increase the FY 2006 appropriation to the total amount of anticipated benefits.

*Contact Person: Kim Garner, Director
Telephone: 907-465-3435*

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, 2003*.

Additionally, no new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF REVENUE

No recommendations were made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*.

Additionally, no new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Ten 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, 2003*. Prior year Recommendation Nos. 3, 4, 5, 6, 8, 9, 10, 11, and 12 are considered resolved. Prior year Recommendation No. 7 has not been resolved and is reiterated in this report as Recommendation No. 6. Prior year Recommendation No. 25 for the Department of Health and Social Services was also addressed to DEED. That recommendation has not been resolved and is reiterated in this report as Recommendation No. 18.

Four new recommendations have been made and are included as Recommendation Nos. 2 through 5.

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Recommendation No. 2

The director of the Division of School Finance (SF) should improve procedures to report federal revenues at year-end.

DEED underreported, by \$3.8 million, FY 04 federal revenues and related receivables in the State's accounting records. This error was due to the department calculating its year-end revenues before all federally reimbursable expenditures were recorded.

The Department of Administration, Division of Finance (DOF), directs agencies to record a year-end receivable in the state accounting system (AKSAS) during the reappropriation period for all revenues earned, but not received by the end of the fiscal period. This policy is in accordance with generally accepted accounting principles (GAAP).

To prevent misreporting of federal revenues and related receivables, DEED should implement a review process in the final days of the reappropriation period to compare federally-allowable expenditures to federal revenues to ensure activity is properly presented in the accounting records.

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 2 and EED will implement an annual review process for the final days of the reappropriation period to ensure activity is properly presented in accounting records.

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

Recommendation No. 3

The director of SF should ensure expenditures are charged to the proper appropriation.

DEED erroneously charged \$11.8 million in FY 04 expenditures to a FY 05 appropriation. These were payments to school districts from the Teacher and Learning Support (TLS) appropriation. Failure to record the expenditures to the proper appropriation resulted in understated FY 04 expenditures.

DEED was aware of insufficient expenditure authorization in the TLS appropriation early in calendar year 2004. However, they did not seek additional expenditure authority until FY 05, even though these expenditures were 100% federally funded.

In September 2005, DEED sought and received a \$40 million revised program/legislative (RPL) for FY 05 appropriations; however, \$11.8 million of the \$40 million should have been a FY 04 supplemental.

Alaska Statute 37.05.170 reads, “[p]ayment may not be made and obligations may not be incurred against a fund unless the Department of Administration certifies that its records disclose that there is a sufficient unencumbered balance available in the fund and that an appropriation or expenditure authorization has been made for the purpose for which it is intended to incur the obligation.” Per AAM 25.040, “the annual appropriated budget authorizes and provides the basis for control of financial operations during the fiscal year. The appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the legislature.” Further, per GAAP, expenditures are recorded when the liability is incurred; revenues are recorded when earned and available.

In the future, DEED should actively monitor its appropriations and ensure expenditures are charged to the proper appropriations.

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 3 and will actively monitor appropriations and ensure expenditures are charged to proper appropriations.

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

Recommendation No. 4

The director of SF should ensure adequate segregation of duties is adhered to when processing accounting transactions.

A DEED administrative staff member, with both input and certifying authority, circumvented AKSAS segregation of duty controls by using multiple responsibility/distribution (RD) codes to process financial transactions. AKSAS authority for processing financial activity is managed via the use of RD codes; each employee is assigned a unique RD code with specific allowable functions that are determined by their position and need. If implemented correctly these RD codes provide a control in AKSAS for proper segregation of duties.

Segregation of duties is a key internal control ensuring errors and irregularities are prevented or detected in a timely manner and requires that no individual have control over two or more phases of a financial transaction. Failure to adhere to established controls increases the risk of misappropriation of State funds.

At DEED, one individual used multiple RD codes to facilitate the processing of expenditures in AKSAS. These expenditures totaled more than \$5.8 million. The use of multiple RD codes overrides the segregation of duty controls established in AKSAS.

The director of school finance should develop departmental policies for authorizing RD codes to eliminate any opportunities that allow one individual being assigned incompatible duties. Additionally, the director should implement procedures to review the usage of RD codes on a regular basis and maintain a listing of RD code relationships.

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 4. The department will develop policies for authorizing RD (responsibility/distribution) codes to eliminate one individual from being assigned incompatible duties. The department will implement procedures to review the usage of RD codes and maintain a listing of RD code relationships.

*Contact Person: Elizabeth Sweeney, Internal Auditor
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Recommendation No. 5

The director of School Finance should ensure sufficient supporting documentation exists for the transfer of revenues and expenditures between legal appropriations.

Adjusting journal entries (AJEs) lacked sufficient support to substantiate the transfer of revenues and expenditures due to weak internal controls over documentation. Six of nine revenue AJEs and one of nine expenditure AJEs lacked sufficient supporting documentation. The revenue AJEs in question, transferred between appropriations, total \$262,400; expenditure AJEs transferred between appropriations total \$6,759. Specifically, we identified:

- Two revenue transfers totaling \$113,198 from Alyeska Central School operating appropriation (AR 17740-03) to Mt. Edgecumbe FY 03 Foundation Support appropriation (AR 18516-03).
- A revenue transfer of \$37,965 between fiscal year operating appropriations for Alyeska Central School (AR 17740-04 to AR 17740-03).
- One revenue transfer totaling \$33,355 between fiscal year operating appropriations for Teacher and Learning Support (TLS) (AR 17710-03 to AR 17710-04).
- Two revenue transfers totaling \$77,882 from Early Development operating appropriation (AR 17725-03) to TLS operating appropriation (AR 17710-04).
- An expenditure transfer of \$6,759 from TLS operating appropriation (AR 17710-04) to Education Support Services operating appropriation (AR 17730-04).

Accurate recording of revenues is necessary for financial reporting as well as demonstrating budgetary compliance. Therefore, the reclassification of revenues between appropriations must be thoroughly and accurately documented. While AJEs are commonly used to correct financial coding errors, without adequate support, the actual impact of these AJEs on financial reporting or budgetary compliance cannot be determined.

Alaska Statute 37.07.080 restricts transfers between appropriations: “[t]ransfers may not be made between appropriations, including transfers made through the use of a reimbursable services agreement or other agreement, except as provided in an act making the transfers between appropriations.” Further, guidance on internal controls suggests that transactions be clearly and thoroughly documented to ensure financial information is reliable and accurate.

Failure to apply established guidance, perform necessary review during the certification process, and lack of proper supporting documentation has resulted in several instances of noncompliance with state statute and regulation.

We recommend sufficient documentation be included to support the movement of both revenues and expenditures between fiscal appropriations. The audit trail should specifically identify which amounts are being moved and provide justification for the transaction in order to ensure transfers are appropriate.

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 5. Procedures have been reviewed and updated, and the department believes that they are sufficient to ensure supporting documentation is attached to adjusting journal entries (AJEs) processed. Additional training in this area has been provided to staff to ensure that procedures are being followed.

*Contact Person: Elizabeth Sweeney, Internal Auditor
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Recommendation No. 6

The director of TLS should establish procedures to ensure private school participation in the Improving Teacher Quality State Grants (ITQSG) program is provided in accordance with federal requirements.

Prior Finding

The TLS division procedures, to ensure ITQSG program activities are conducted in accordance with federal requirements and grant agreements, are not complete. Specifically, there is no verification that private school participation activities occurred as planned. This, in effect, results in potential misappropriation of funds at the subgrantee level and potential failure to meet private school needs. This finding was initially identified late in FY 04.

We recommend the TLS director establish procedures to verify that private school participation in ITQSG activities was provided in accordance with federal regulation.

Legislative Audit's Current Position

Federal guidance requires: (1) timely consultation with private school officials to determine the kind of educational services to be provide to eligible private school children, (2) assurance that planned services were provided, and (3) the required amount was used for private school children. This, in part, is accomplished during the application process and, in part, via the monitoring process.

The local education agency is responsible for inquiring with private schools within their districts to determine the extent of private school participation. For those schools with participating private school children, the State is responsible for performing necessary follow-up to ensure planned services were provided and appropriate funding amounts were used.

During FY 04, DEED lacked the necessary procedures to verify that planned services for the ITQSG program were provided to private school children. A mechanism to confirm the verification was established in FY 05 through the updating of the on-site monitoring form used by DEED staff.

CFDA: 84.367

Federal Agency: USDOE

Questioned Costs: \$ -0-

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 6. The department completed corrective action on this FY03 recommendation as of February 2005.

The department communicates the requirements related to private school participation under No Child Left Behind (NCLB). Current monitoring visits include verification of private school participation in Title II-A. The department's NCLB monitoring form for FY05 has been updated to include this component and districts have been monitored under this form since February 2005.

On April 15, 2005 DEED provided this explanation and a copy of the monitoring form in response to USDOE's request for information to resolve finding related to audit 10034844 (period 7/1/2002-6/30/2003).

*Contact Person: Elizabeth Sweeney, Internal Auditor
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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Sixteen 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, 2003*. Prior year Recommendation Nos. 19, 22, and 23 have been resolved. Prior year Recommendation Nos. 13, 14, 17, 24, 25, and 28 have not been resolved and are reiterated in this report as Recommendation Nos. 7, 8, 10, 17, 18, and 20, respectively. Also, prior year Recommendation Nos. 15 and 16 have not been resolved and are reiterated in this report as Recommendation No. 12. Additionally, prior year Recommendation Nos. 18, 20, 21, 26, and 27 were not significant audit issues in the current year and are not reiterated in this report. The current status of these recommendations is reported in Section III—Summary of Prior Audit Findings.

Further, eight new recommendations have been made and are included as Recommendation Nos. 9, 11, 13, 14, 15, 16, 19, and 21.

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Recommendation No. 7

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 the use of electronic spreadsheets. Current internal control procedures for the determination and allocation of costs through these spreadsheets are not adequate. Significant errors have occurred and not been detected. Multiple formula errors and linking problems in the allocation process were identified. Individually, these anomalies do not indicate a significant weakness. Yet, when considered collectively, the errors are significant and indicate the need for improving the system of allocating costs.

Specifically, we identified instances of costs being allocated twice, formula errors in cells, the application of incorrect federal financial participation rates, and unsupported reimbursable service agreement amounts. During FY 03, these errors resulted in \$740,994 of questioned costs for the Medicaid program, \$8,615 for the Women and Infant Children program, \$3,636 for the Center for Disease Control: Investigations and Technical Assistance program, \$1,237 for the State Children Insurance program, and \$37 for the Food Stamps 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 Office of Management and Budget (OMB) Circular A-87 which require the expenditures allowable under a grant program be necessary and reasonable for administration of the grant program.

Legislative Audit's Current Position

DHSS made significant improvements that addressed the prior year findings. However, there was one Medicaid adjustment, processed through the cost allocation spreadsheets, that was calculated incorrectly. This resulted in \$236,317 of questioned costs. Additionally, testing of cost allocation methodologies identified an isolated linking error within the cost allocation spreadsheets. (See Recommendation No. 8)

We recommend the DHSS finance officer review adjustments to the cost allocation spreadsheets and ensure adequate documentation is maintained to support adjustments.

CFDA: 93.778

Questioned Costs: \$236,317

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. A duplicate adjustment was processed for quarter ending March 31, 2004. A decreasing claim adjustment totaling \$236,317 was processed on the quarter ending March 31, 2005 Medicaid federal financial report.

*Contact Person: Michelle Grose, Finance Officer
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Recommendation No. 8

DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and information is obtained in compliance with federal requirements.

Prior Finding

Weaknesses were found during FY 02 and FY 03 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 found in FY 02 and FY 03 related to the random moment time study (RMTS) completed by Division of Public Assistance (DPA) staff. The federally-approved cost allocation methodology requires a sample size of approximately 1,900. In the third quarter of FY 02, DPA had a countable sample size of 1,277. During FY 03, DPA reviewed their staff listing to ensure vacant positions were not included in the RMTS. This increased the sample size, but sample size was still far below the required 1,900.

Another weakness was in the application of the Division of Family and Youth Services (DFYS) RMTS results. The federally-approved cost allocation plan specifies that DFYS administrative costs are allocated based on a four-quarter average of the RMTS results. During FY 02, only the current quarter's results were used to allocate the costs. During FY 03, no improvements were made and DFYS' RMTS results were not averaged with the prior three quarters.

Further, in FY 02 and FY 03 department-wide information services costs were not allocated in compliance with the cost allocation plan. The approved methodology specified 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.

Legislative Audit's Current Position

DHSS made limited progress in addressing prior-year cost allocation findings during FY 04. DHSS improved the allocation of department-wide information service costs in FY 04 by submitting a new cost allocation plan that changed the way DHSS allocated the department-wide information services costs. We reviewed the FY 04 methodology and found it to be properly supported and applied.

Problems with DHSS' RMTS methodologies continued in FY 04. The sample size for the FY 04 RMTS completed by DPA staff continued to be below the required number. Sample size for the fourth quarter of FY 04 was 1,526 — 374 below the required sample size. DPA staff stated that implementation of a new electronic RMTS in FY 05 will address the problem.

DHSS took steps to address the prior-year finding related to the RMTS for the Office of Children's Service (OCS), formally called DFYS. DHSS changed their cost allocation spreadsheet to average the RMTS results with the prior three quarters. However, cells in the spreadsheets were incorrectly linked for quarters one, two, and four. Linking errors affect the allocation of costs between federal programs and resulted in, both, under and over claims. Inaccurate linking in the fourth quarter led to questioned costs of \$35,091 for the Title IV Adoption Assistance program and \$22,550 for the Medicaid program. Since the linking error also impacted quarters one and two, additional questioned costs likely exist.

Additionally, a portion of the amounts billed to DHSS by the Department of Law for OCS legal services were not appropriately allocated to OCS during FY 04. Specifically, costs for the guardianship program that mainly served persons 18 years and older should not have been allocated to OCS. Questioned costs associated with the error were \$122 for Medicaid, \$2,791 for Title IV-E Foster Care, and \$88 for Title IV-E Adoption Assistance.

We again recommend DHSS' assistant commissioner responsible for finance and management services ensure the sample size for the Division of Public Assistant's RMTS complies with the federally-approved cost allocation plan. We also recommend that DHSS' assistant commissioner responsible for finance and management ensure the spreadsheet linking errors, related to the OCS RMTS, are corrected and that only allowable legal billings are charged to the OCS federally reimbursable cost center.

CFDA: 93.778

Questioned Costs: \$22,672

Federal Agency: USDHHS

CFDA: 93.659

Questioned Costs: \$35,179

Federal Agency: USDHHS

CFDA: 93.658
Questioned Costs: \$2,791

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation but disagrees on the questioned costs. Effective July 1, 2004 the Office of Children's Services and the Division of Public Assistance implemented a computerized random moment time study that randomly selects 2500 samples for each quarter. Implementation of the computerized software will ensure that at least 1900 valid samples are used as outlined in the recommendation.

In addition, negotiations have occurred between DHSS and the Federal Division of Cost Allocation (FDCA) regarding the prior years' audit findings. Specifically, DHSS will submit an amended Public Assistance Cost Allocation Plan (PACAP), with an effective date of July 1, 2003 removing the reference to the 4 quarter averaging of OCS's RMTS quarterly results. If FDCA approves the PACAP amendments, the questioned costs identified should be negated by the retro-active approval.

Furthermore, due to the change in Department of Law's billing methodology, DHSS is no longer including the guardianship legal expenditures in its Title IV E Foster Care, Adoption Assistance, and Social Services block grant methodology.

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Recommendation No. 9

The DHSS assistant commissioner responsible for finance and management services should ensure that expenditures are charged in compliance with state law.

DHSS inappropriately allocated \$331,209 of information technology (IT) integration expenditures to FY 04 appropriations with available lapsing balances.

During FY 04, DHSS began planning to centralize the department's IT function effective July 1, 2005. Initial planning steps resulted in approximately \$438,000 of FY 04 IT integration expenditures. Of the \$438,000, \$331,209 was charged to appropriations based solely on the availability of lapsing balances rather than an allocation of benefits.

Specifically, the following FY 04 appropriations were charged IT integration costs:

Appropriation Number	Appropriation Title	Amount
AR 22970-04	State Health Services (Division of Public Health)	\$ 75,000
AR 22718-04	640646 Comprehensive Client Database	\$ 20,449
AR 22990-04	Boards and Commissions	\$ 88,746
AR 22910-04	Behavioral Health	<u>\$ 147,014</u>
	Total	\$ 331,209

The State Constitution mandates that no expenditure can occur without a valid appropriation. When expenditures benefit more than one appropriation, State statutes provide a mechanism to allocate costs between appropriations. Specifically, AS 37.07.080(e)(2) states that transfers may not be made between appropriations, including transfers made through the use of a reimbursable services agreement (RSA) or other agreement, except as provided in the act making transfers between appropriations. However, a RSA or other agreement may be used to finance the provisions of a service if: (1) the agency that requires the service has the legal authority to obtain or provide the service; and, (2) the agency that provides the service bills the agency administering the funds based on the actual cost to provide the service, or uses a cost allocation method approved by the Office of the Governor, Office of Management and Budget (AOMB).

IT integration costs are valid departmental expenditures. However, the determination of which appropriations to charge was not based on actual costs to provide the service or an approved cost allocation method. Rather than seeking a supplemental appropriation for the IT integration costs, DHSS staff wanted to utilize available appropriation balances. Because the transfer was not specifically authorized in legislation nor supported by an actual service or cost allocation method, DHSS inappropriately transferred IT integration expenditures to other appropriations in violation of State law.

In addition, \$27,044 of the IT integration costs was charged to federal programs. Specifically, \$20,000 was charged to the State Office of Rural Health Federal Program (CFDA# 93.913) and \$7,044 was charged to the Center for Disease Control: Investigations and Technical Assistance program (CFDA# 93.283). DHSS staff stated that charging the costs to federal programs was an oversight as the department had not intended to charge the costs to federal programs.

OMB Circular A-87 states that costs may be allocated to a federal program if the goods or services involved are chargeable or assignable to the federal program in accordance with the relative benefits received. DHSS' methodology for charging the \$27,044 to the two federal programs does not meet this federal requirement and results in questioned costs.

We recommend the assistant commissioner responsible for finance and management take steps to ensure the department complies with state law when charging expenditures to

appropriations. We further recommend the assistant commissioner responsible for finance and management services take steps to ensure expenditures charged to federal programs comply with federal cost principals.

CFDA: 93.913
 Questioned Costs: \$20,000

Federal Agency: USDHHS

CFDA: 93.283
 Questioned Costs: \$7,044

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

DHSS agrees with the basics of the recommendation that expenditures should be charged in compliance with state law. DHSS disagrees with the conclusion of the auditor that DHSS inappropriately charged information technology costs to FY04 balances.

The auditor’s conclusion concerning FY04 IT expenditures is taken out of context because there is no reference to the entire DHSS financial management plan for FY04. In FY04 the department undertook a complicated financial plan to fund as much of supplemental spending internally as possible. The ultimate spending on IT costs was a part of the overall plan, but was delayed in implementation until the more complicated financial matters were taken care of. The following summarizes the actions that were taken in FY04 where a total of \$28.8 million was reallocated within the DHSS budget; the IT costs identified by the auditor are only 1% of the total reallocation.

Belt Tightening Measures:

<i>Department-wide Travel/Supplies</i>	<i>-1,403.4</i>
<i>Department-wide Grants</i>	<i>-329.5</i>
<i>Department-wide Personal Services/Contractual</i>	<i>-587.4</i>
<i>Savings from delay of alcohol program expansion</i>	<i>-1,000.0</i>
<i>Excess AYI funds</i>	<i>-450.0</i>
<i>Late Opening Kenai Facility</i>	<i>-200.0</i>
<i>Potential excess grant funds SDS/DD</i>	<i>-1,000.0</i>
<i>Personal Services vacancy Boards/Commissions</i>	<i>-25.0</i>

Refinancing with Federal Funds

Additional ProShare Savings:

<i>Behavioral Health Grants</i>	<i>-9,795.4</i>
<i>SDS/Developmental Disabled Grants</i>	<i>-3,718.1</i>
<i>OCS Grants</i>	<i>-1,013.0</i>
<i>Public Health Grants</i>	<i>-1,206.4</i>

Other Refinancing:

Increased API DSH allotment	-700.0
Additional SSBG Grant funds	-150.0
IHS retroactive claiming contract care	-3,000.0
Remainder of Government (ROGA) allocation of DSH	-1,500.0
Tribal Refinancing DD grants	-310.0

Cost Containment Medicaid:

Behavioral Health Medicaid-RPTC	-295.0
Behavioral Health Medicaid-MH clinic	-62.0
HCS Medicaid-Overpayments from audits	-50.0
SDS Medicaid-PCA and Assisted Living	-1,881.7

Realign Receipt Authorization:

Pioneer Homes	-775.0
Women and Adolescent services	675.0
Bureau of Vital Statistics	<u>100.0</u>

TOTAL **-\$28,776.9**

Since the IT Integration costs were department-wide in nature the audit is in error in discounting the entire allocation process, since the divisions and programs were benefiting from the integration. All of the areas noted in the audit benefit by the IT Integration and at the very least the auditor should agree that some portion of the allocation is appropriate, although the department maintains that the allocation to Boards and Commissions and Behavioral Health was appropriate.

In addition there are some errors in the audit analysis; there are two in particular we would like to note:

First, the IT Integration costs paid for by AR 22970 State Health Services was for hospital discharge data set collection. This data is integral to the Division of Public Health and directly benefits public health various uses. Through agreements between DHSS and the Alaska State Hospital and Nursing Home Association, Alaska hospital discharge data has been collected for three calendar years (2001-2003) for most hospitals in Alaska, and the 2004 data is expected in May 2005. The data set has supported public health analysis of the burden of cardiovascular disease, diabetes, and tobacco related diseases on the state and its population. The data provides information about length of stay, charges, pay sources, and patient characteristics for comparison with national patterns. This population based data set, clearly benefits public health data analysis. In addition, the federal charges are not in error. DHSS disagrees with the statement contained in the recommendation "DHSS staff stated that charging the costs to federal programs was an oversight as the department had

not intended to charge the costs to federal programs.” Both the Rural Hospital Flexibility grant (HRSA) and the Cardiovascular Disease prevention and control (CDC) federal grants include specific line items for contributions to the Hospital Discharge Data system.

Second, the IT integration costs paid for by AR 22718 are also in compliance. The costs were charged and first expended from an RSA. This RSA was legitimate charged to the capital appropriation as outlined in the scope of the capital appropriation and plainly shown in the available documentation.

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Legislative Audit’s Additional Comments

We have reviewed DHSS’ response and nothing contained in the response causes us to reconsider our recommendation. There is no disagreement that the expenses for the IT integration are necessary and appropriate charges for the Department of Health and Social Services. However, both state and federal compliance are not determined at the department level, but rather, the appropriation level for state compliance and program level for federal compliance. Expenditures charged to individual appropriations and federal programs must be commensurate with the benefits that are received. DHSS’ methodology and IT integration expenditure support did not address this requirement. We reaffirm our recommendation.

Recommendation No. 10

The internal auditor should implement procedures to ensure subrecipient information provided to the Office of the Governor, Office of Management and Budget (AOMB) is accurate and that federal single audit reports are reviewed timely.

Prior Finding

DHSS’ internal auditor provided AOMB inaccurate amounts passed through to subrecipients. Further, federal single audits received in FY 03 were not reviewed timely.

Generally, subrecipients are nonprofit organizations awarded grants by DHSS that are funded in whole or in part with federal funds. In order for a grantee to be considered a subrecipient, the agency must be responsible for carrying out objectives of a federal program. For example, a subrecipient may determine who is eligible to receive federal financial assistance or may have responsibility for programmatic decision making. OMB Circular A-133 section .210 defines the characteristics of a subrecipient.

The State, as a recipient of federal funds, has specific responsibilities to monitor subrecipients. These responsibilities include ensuring subrecipients that expend \$300,000¹ or more in federal awards during a subrecipient's fiscal year have met the single audit requirement. Further, the State must review audit reports and issue a management decision on audit findings within six months after receipt of a subrecipient's audit report and ensure a subrecipient takes appropriate and timely corrective action. State departments and AOMB have procedures in place to comply with federal subrecipient requirements.

AOMB is the entity that collects subrecipient information from all State departments, compiles the information, and determines which subrecipients meet the \$300,000 single audit threshold. AOMB then notifies the subrecipient of the audit requirement, receives the report, and performs a desk review to ensure it meets the audit reporting requirements. Subrecipient audit reports are then forwarded to the appropriate department for follow-up of findings.

DHSS' internal audit section works with divisional staff to obtain the amounts passed through to subrecipients and forwards the information to AOMB. Further, the section receives the completed audits from AOMB and issues a management decision regarding audit findings.

Our review of federal single audit reports received by DHSS, in FY 03, found that audit reports were not routinely reviewed within six months after receipt. Further, the subrecipient pass-through information provided to AOMB was often materially inaccurate.

According to the DHSS internal auditor, recent departmental reorganization has made it difficult and time consuming to locate grant files and perform a timely review of single audit reports. Without a timely review, DHSS cannot ensure that appropriate corrective action has been taken.

Inaccurate subrecipient pass-through amounts are due to a lack of understanding by grant staff and a lack of review by DHSS' internal auditor. Grant administrators do not have a clear understanding of what qualifies as a subrecipient and what amounts should be reported to AOMB. Further, DHSS' internal auditor does not review the subrecipient pass-through information for omissions or misstatements. Without accurate information, AOMB cannot ensure the subrecipients are meeting federal single audit requirements.

Legislative Audit's Current Position

DHSS' internal auditor instituted procedures to prioritize the review of subrecipient audits with federal findings to ensure the audits were reviewed within the six-month time requirement. Five of 11 subrecipient audit reports tested were not reviewed within six months; however, none of the five audits contained federal findings. According to DHSS' internal auditor, centralizing the grant files in FY 04 helped internal audit locate supporting

¹ The federal single audit threshold has been increased to \$500,000 effective for fiscal years beginning after December 31, 2003.

documentation in a timely manner. Subrecipient audits were not forwarded timely from AOMB² to DHSS, thereby causing delays in the review process. We were unable to review one audit selected for testing because it had not been forwarded from AOMB to DHSS.

Inaccurate subrecipient pass-through amounts were provided to AOMB by DHSS' internal audit staff. The table below summarizes the differences between actual amounts passed through to subrecipients and amounts reported to AOMB. Centralization of grants staff in January 2004, and implementation of a central grants database in FY 05, should help DHSS identify federal amounts passed through to grantees. However, there continues to be a lack of understanding of what qualifies a grantee to be considered a subrecipient in accordance with OMB Circular A-133.

Major Federal Program	Reported to AOMB as passed through to Subrecipient	Actual amounts passed through to Subrecipient	Amount (Under)/Overstated
TANF (CFDA # 93.558)	\$5,567,250	0	\$ 5,567,250
WIC (CFDA # 10.557)	\$5,695,637	\$5,194,788	\$ 500,849
Center for Disease Control (CFDA # 93.283)	\$ 987,672	\$1,091,725	\$ (104,053)
Child Care Development Grant (CFDA #s 93.575 and 93.596)	\$1,081,621	\$2,394,681	\$(1,313,060)
Denali Commission (CFDA # 90.100)	\$ 173,450	\$2,293,308	\$(2,119,858)

We recommend that DHSS' administrative services manager, responsible for grants and contracts, take steps to ensure the correct subrecipient pass-through amounts are identified. Steps should include training appropriate staff on what constitutes a subrecipient in accordance with OMB Circular A-133. Without identifying correct amounts passed through to subrecipients, DHSS is inhibiting the State's ability to (1) identify which subrecipients meet the federal single audit threshold, and (2) monitor subrecipient compliance with audit requirements.

CFDA: Various
Questioned Costs: None

Federal Agency: USDA
USDHHS
Denali Commission

Agency Response – Department of Health and Social Services

The DHSS concurs that improvements can be made to the accuracy of the subrecipient pass-through amounts provided AOMB. The Grants and Contracts Support Team implemented an

² Beginning in FY 05, the responsibility for monitoring compliance with subrecipient single audit requirements was transferred from AOMB to the Department of Administration, Division of Finance.

electronic grants database (eGrants) in FY 2005 that is expected to provide accurate, timely, and consistent financial information for all DHSS grant programs. We will review all federally funded grants to assure that only those programs meeting the OMB Circular A-133 definition of a subrecipient are included on the pass-through list.

DHSS does not concur with the auditor's position that five of 11 subrecipient audit reports were not reviewed within the six-month time requirement. Subrecipient audit reports are received from AOMB and an initial review is conducted by the FMS Audit Manager. This initial review involves the identification of federal funding and the presence of any findings requiring follow-up by DHSS. The audit reports requiring follow-up are prioritized according to the AOMB date stamp on the cover of the report. The report with the earliest AOMB date stamp is scheduled first for review; increasing the likelihood that follow-up will occur within the required six-month period. Of the eleven audit reports tested by DLA, an initial review was conducted on all eleven within days of their receipt from AOMB. Only one audit report (City of Bethel) contained any federal findings. The findings were related to agency-wide internal control deficiencies and DCED, the major state-funding agency, was assigned by AOMB to conduct follow-up.

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Recommendation No. 11

The DHSS assistant commissioner responsible for finance and management services should ensure personal services expenditures charged to federal programs comply with federal cost principals.

Weaknesses exist in DHSS procedures used to charge personal service costs to federal programs. Of the 25 personal services expenditures tested, 14 failed to have supporting documentation that complied with federal requirements. In order for salaries and benefits to be an allowable cost, federal cost principals require specific documentation be maintained.

OMB Circular A-87 requires that a certification documenting sole participation be signed at least semiannually for employees who work entirely on a program funded by a single federal award.³ In addition, OMB Circular A-87 requires appropriate time distribution records to support employees salaries that are charged to more than one federal grant or other cost objectives. These records must account for all time worked and may not be based on estimates.

³ Specifically, OMB Circular A-87, Attachment B, section 11 h. 3) states "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Ten of the 14 personal service errors were for employees working solely on one federal program (five employees worked for the Division of Public Assistance, four worked for the Division of Public Health, and one worked for the Division of Senior and Disability Services). These employees' certifications were not signed in accordance with federal requirements.⁴ Additionally, four personal service expenditures were charged to multiple cost centers but timesheets did not support the allocation (two employees worked for the Division of Public Health, one worked for the Division of Senior and Disability Services, and one worked for the Division of Administrative Services).

We recommend the DHSS assistant commissioner responsible for finance and management services work with the administrative managers of the referenced divisions to ensure personal services expenditures charged to federal programs comply with federal cost principals.

CFDA: 93.283
Questioned Costs: \$181,079

Federal Agency: USDHHS

CFDA: 93.575
Questioned Costs: \$112,303

Federal Agency: USDHHS

CFDA: 93.778
Questioned Costs: \$21,094

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. Effective April 1, 2005 DHSS has implemented a new timesheet requiring employees to record their time and effort to multiple benefiting programs, if applicable. In addition, all divisions have identified employees assigned to a single federal program to ensure the federal certification form is completed timely. Full compliance is expected in current year FY05.

DHSS does not concur on the questioned costs identified in the recommendation. Specifically, the Division of Public Assistance's (CFDA 93.575) questioned costs are valid and legitimate personal services costs identifiable to Child Care Assistance office (CCDF). While signed and dated after the required time period, certifications were signed by employees and their supervisor covering the period tested.

The Division of Public Health (DPH) concurs that three DPH (The context of the recommendation refers to one employee working in the Division of Administrative Services. This is an incorrect conclusion by the auditors. The individual was employed in DPH.) staff members did not allocate to multiple cost centers via their timesheet while 4 additional

⁴ Certifications were obtained from employees after our request for support.

employees did not complete the Circular A-87 form timely. However, the questioned costs associated with the Circular A-87 form are valid and legitimate personal service expenditures to the federal program.

The Division of Senior and Disability Services (DSDS) concurs that one employee working 100% on the Medicaid program had not completed the Circular A-87 form timely. There is no action necessary for the resolution of the DSDS questioned costs since these are valid and legitimate personal services costs identifiable to the Medicaid program. DSDS has been diligent in getting these forms completed by staff since this error. We do not anticipate having this problem in the future.

DSDS does not concur on the employee cited as not documenting their time and effort on multiple benefiting programs. The individual's timesheet was scrutinized for the pay period 4/16 - 4/30, 2004. This employee tracks the time they spend on Medicaid reimbursable vs. non-Medicaid reimbursable activities. The timesheet clearly shows what percentage of this person's time was spent on each program. We feel this reporting is in keeping within federal guidelines.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove our recommendation. However, we offer the following comments:

We agree that the one individual identified as an employee of the Division of Administrative Services was actually an employee of DPH for the time period questioned in this recommendation. We also agree that the timesheet for the DSDS employee, whose time for the 4/16-4/30/2004 was tested, clearly shows the percentage of time spent on each program. However, the allocation of actual time on the employee's timesheet does not agree with the 100% distribution of this individual's personal services costs to Medicaid for this pay period.

Recommendation No.12

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

Prior Finding

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 03, seven shortfalls were identified for DHSS. These shortfalls were as follows:

Appropriation Number	Appropriation Title	Amount
AR 22550-02	Family and Youth Services Management	\$ 1,031,000
AR 22553-02	Family and Youth Services Staff Training	\$ 56,000
AR 22520-03	Medical Assistance	\$15,125,000
AR 22541-03	Family and Youth Services	\$ 303,000
AR 22601-03	Miscellaneous Claims	\$ 59,000
AR 23686-03	Capital Upgrades to the EIS	\$ 47,000
AR 23745-03	Deferred Maintenance, Renewal, Replacement, & Equipment	\$ 21,000

During the prior years, we identified that DHSS improperly transferred revenue to AR 22550-02. The revenue shortfall amount noted above for AR 22550-02 is shown after adjustment for the FY 02 and FY 03 improper revenue transfers. Further, during FY 03, \$56,000 of revenue was improperly transferred from the Front Line Social Workers appropriation (AR 22541-02) to the Family and Youth Services Training appropriation (AR 22553-02) to eliminate the FY 02 shortfall. Transfer of revenues for the purpose of eliminating a revenue shortfall is not allowable. The FY 02 shortfall of \$56,000 continues to be reported as noted above.

Additionally, DHSS improperly transferred expenditures out of the Medical Assistance appropriation (AR 22520-03). The shortfall amount shown above includes the \$885,000 of expenditures improperly transferred.

Legislative Audit's Current Position

Three of the seven shortfalls identified in FY 03 were not resolved. Additionally, three additional shortfalls were identified. FY 04 shortfalls are as follows:

Appropriation Number	Appropriation Title	Amount
AR 22550-02	Family and Youth Services Management	\$ 1,031,000
AR 22553-02	Family and Youth Services Staff Training	\$ 56,000
AR 22520-03	Medical Assistance	\$14,639,000
AR 22313-04	APH Unbudgeted RSA	\$ 16,000
AR 22930-04	Health Care Services	\$ 1,679,000
AR 23663-04	Adoption and Foster Care	\$ 68,000

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 supplemental appropriations for the remaining amounts. We further

recommend the DHSS finance officer stop the practice of improperly transferring revenues between appropriations to avoid revenue shortfall.

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. DHSS's position or actions is the following:

AR 22550-02 Family and Youth Services Management – A revenue shortfall no longer exists. DHSS believes the revenue transfer is appropriate.

AR 22553-02 Family and Youth Services Staff Training - A revenue shortfall no longer exists. DHSS believes the revenue transfer is appropriate.

AR 22520-03 Medical Assistance – Committee Substitute for Senate Bill 46(FIN), section 34(a) from the 2005 Legislative session is awaiting the Governor's approval. If approved, this supplemental funding will resolve the revenue shortfall.

AR 22313-04 APH Unbudgeted RSA – This revenue shortfall results from an adjusting journal entry performed by Alaska Pioneer Home staff after the reimbursable services agreement was closed. DHSS will seek clarification from the Office and Management and Budget (OMB) regarding processing a prior year revised program or seek ratification of the revenue shortfall during the 2006 Legislative session.

AR 22930-04 Health Care Services – The revenue shortfall is indicated due to calculated due to timing differences between the recording of expenditures and revenue collections.

AR 23663-04 Adoption and Foster Care – This shortfall results from revenue incorrectly recorded to AR23689-03 creating a revenue shortfall in this AR 23663-04. DHSS will submit a request during the 2006 legislative session to resolve this revenue shortfall.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. We continue to believe transferring revenues between appropriations, to resolve shortfalls, is not appropriate.

Recommendation No. 13

DHSS' finance officer should work with program staff to ensure financial status reports are accurate and adequately supported.

Several financial status reports submitted for various grants, under the Center for Disease Control (CDC) program, reported incorrect amounts and were not adequately supported. Specifically, the grants within the CDC program with reporting errors were: Bioterrorism Supplemental, Chronic Disease Prevention and Health Promotion, and National Cancer Prevention and Control Program.

Support for the Bioterrorism Supplemental Grant contained several errors. First, the reported expenditures included amounts beyond the report period. Secondly, due to formula errors in supporting documentation, some amounts were double-counted and others were excluded from the report. The amount of misreporting is indeterminate based on the support provided. Consequently, amounts reported do not agree with the State's underlying accounting records.

The support provided for the Chronic Disease Prevention and Health Promotion Program did not agree with the State's accounting records. As a result, expenditures were under-reported by \$49,931.

Amounts reported as state match for the National Cancer Prevention and Control Program financial status reports did not agree with the State's underlying accounting records.

According to federal regulations, financial status reports are required to be submitted annually to the Centers for Disease Control. The reports were submitted, however, they are not accurate nor are they adequately supported.

We recommend DHSS' finance officer work with program staff to ensure financial status reports are accurate and adequately supported.

CFDA: 93.283

Federal Agency: USDHHS

Questioned Costs: None

Agency Response – Department of Health and Social Services

The department does not concur with this recommendation. The federal financial reports identified were revised and re-submitted to the federal granting agency.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. However, we agree that revision and submittal of corrected federal financial reports is an appropriate corrective action for this recommendation.

Recommendation No. 14

The DHSS finance officer should properly present the Summary of Prior Year Audit Findings to accurately reflect corrective action taken by the department.

The status for five DHSS recommendations reported in the Summary Schedule of Prior Audit Findings is incorrect. OMB Circular A-133 section .315(b) states that 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 for Recommendation Nos. 13, 14, 18, 20, and 22 from the *State of Alaska, Single Audit for the fiscal year ended June 30, 2003* (Audit Report No. 02-40004-04) does not sufficiently indicate the resolution of questioned costs by DHSS. We were unable to verify that decreasing adjustments were processed for the following prior year recommendations and federal programs:

Recommendation Number	Federal Program	Questioned Costs
13	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 8,615
13	Special Education: Grants for Infants and Families with Disabilities	\$ 37
13	Centers for Disease Control and Prevention: Investigations and Technical Assistance	\$ 3,636
13	State Children's Insurance Program	\$ 1,237
14	Foster Care: Title IV-E	\$10,819
18	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 6,687
18	Special Education: Grants for Infants and Families with Disabilities	\$ 6,687
20	Special Education: Grants for Infants and Families with Disabilities	\$35,787
22	State Children's Insurance Program	\$21,731
22	Medical Assistance Program	\$11,043

DHSS reported the findings resolved without addressing the resolution of questioned costs. DHSS considered the findings resolved if the Federal agency had not contacted DHSS regarding decreasing adjustments. However, this is not in accordance with federal requirements.

OMB Circular A133 __.315(b)(4) provides the guidance in regards to preparing the Summary Schedule of Prior Year Audit Findings. Non-response by a Federal agency is not the basis for reporting a finding as resolved until two years have passed since the audit report in which the finding occurred was submitted to the Federal clearing house. Since only one year has passed since the above findings were issued, the status should not be reported as resolved unless the resolution of questioned costs is addressed.

We recommend DHSS' finance officer accurately report the status of recommendations in the Summary Schedule of Prior Year Audit Findings so that it completely reflects the status of the prior year finding including resolution of questioned costs.

CFDA: 10.557 Federal Agency: USDA
Questioned Costs: Previously reported

CFDA: 84.181 Federal Agency: USDOE
Questioned Costs: Previously reported

CFDA: 93.283 Federal Agency: USDHHS
Questioned Costs: Previously reported

CFDA: 93.658 Federal Agency: USDHHS
Questioned Costs: Previously reported

CFDA: 93.767 Federal Agency: USDHHS
Questioned Costs: Previously reported

CFDA: 93.778 Federal Agency: USDHHS
Questioned Costs: Previously reported

Agency Response – Department of Health and Social Services

DHSS partially concurs with the recommendation. Annually, we are requested by the U.S. Health and Human Services, Office of the Inspector General (OIG) to provide information on single audit findings. In addition, the OIG assigns the audit finding to specific federal agencies requesting resolution to any identified questioned costs. The resolution process does not always result in processing decreasing adjustments. As of the date the Summary of Prior Year Audit Findings was prepared, DHSS had processed all decreasing adjustments as requested by the federal agencies. If the federal agency had not contacted DHSS regarding decreasing adjustments, the finding was considered to be resolved.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 15

We recommend DHSS' project manager for the child care program office improve internal controls over the review and approval of child care subsidy payments.

Review of child care subsidy payments detected a material internal control weakness in the procedures for calculating, reviewing, and approving payments for child care subsidies. The State's child care subsidy program is funded through the federal child care development program. During FY 04, over \$22 million in child care subsidies were paid to providers. Federal cost principals require expenditures to be adequately supported. Further, the State is responsible for maintaining internal controls over payments to ensure costs are accurate and allowable.

The child care subsidy program is carried out in partnership with grantees located throughout the state. Grantees are referred to as local administrators (LAs). LAs work with clients to determine eligibility for subsidized child care. In most areas around the state, child care providers send standard billing forms to their LA who is responsible for verifying eligibility and allowability of billed amounts. After approval by the LA, the State pays providers the lesser of the amount billed or the maximum amount as predetermined by the State.⁵

Improvements in procedures are needed over the calculation, review, and approval of child care subsidy payments. Of the 35 payments tested, 23 payments had at least one of the errors described below—representing a payment error rate of 66%. Specifically, improvements are needed in the following areas:

Lack of adequate review: Mathematical errors and/or the use of incorrect payment rates were found in 12 of 35 payments tested. The number of errors indicates that child care office staff is not thoroughly reviewing provider billings once they are received and/or LAs are not thoroughly reviewing billings before authorizing payment to providers. Errors in billings caused both over and underpayments to providers. Our sample universe

⁵ To expedite payments to providers, LAs notify the State via email the amounts due specific providers. LAs are required to send in the support to the Child Care Office. Child Care Office staff are required to perform a post-payment review of the support and make adjustments to future payments if necessary.

totaled \$68,486. A net overpayment of \$332.12⁶ projected over the universe of child care payments of \$22,018,472 resulted in projected questioned costs of \$106,778.

Lack of audit trail: Changes to provider billings by LAs were found in eight of 35 payments tested. Changes were made to amounts, days paid, rates, child's age, and child's status. Often, when billing information was changed, no explanation was provided. Therefore, we were unable to confirm whether changes were based on additional information possessed by LAs or whether changes were made in error. An adequate explanation of changes to provider billings is important to demonstrate billings were adequately reviewed and that child care payments are adequately supported.

Lack of approval: Staff in the child care program office rely on LAs to initially review billings for proper authorization/eligibility. Supporting documentation for eight of 35 payments tested showed no approval by LA staff.

Missing information: Provider billing forms were missing key information for eight of 35 payments tested. Without this information, we were unable to verify that billings were allowable or correctly calculated. Based on the lack of information, we also question whether staff in the child care program office could adequately review the billings.

We recommend DHSS' project manager for the child care program office improve internal controls over calculating, reviewing, and approving payments. These improvements should be made in conjunction with improvements over subrecipient monitoring as discussed in Recommendation No. 16.

CFDA: 93.575 and 93.596
Questioned Costs: \$106,778

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. Effective July 1, 2003, the responsibility for approving Anchorage child care providers to participate in the Child Care Assistance program was transferred to the Child Care Program Office (CCPO) from the Municipality of Anchorage. The transfer of responsibility resulted from a new computer management system which eventually failed. Previously, Local Administrator (LA) grantees directly paid child care providers and were reimbursed by the state. This last change greatly increased the state's control over individual child care payments to providers, but it also added a new workload demand and process to Alaska's Child Care program operations.

DHSS has been challenged with balancing the administrative effort necessary to review and approve payments with effort required to provide effective service delivery to clients and timely reimbursement to child care providers. The pressure brought by the provider community demanding short invoice turnaround and payment has influenced DHSS to often

⁶ Overpayments totaled \$537.12 and underpayments totaled \$205.00 for a net overpayment of \$332.12.

choose quantity of bills paid over stringent quality invoice reviewing and processing. DHSS recognizes the need to enhance internal controls for improved invoice processing to reduce the level of perceived payment discrepancies and to help deter instances of potential fraud. In fact, DHSS has already implemented some internal controls and continues to work to improve invoice processing. While there is room for improvement DHSS believes that the overall child care payment accuracy is at an acceptable level. DHSS does not concur with the questioned costs. The auditors tested child care payments and calculated a net total overpayment of roughly \$106,000 projected over a universe of \$22.0 million in child care payments. This estimated overpayment level represents an overpayment rate of less than 1 percent or payment accuracy of 99.5%.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 16

We recommend DHSS' project manager for the child care program improve monitoring of subrecipients.

The State's child care program office did not monitor its subrecipients as required by its State Plan for Child Care Services.

The child care subsidy program is carried out in partnership with grantees located throughout the state. Grantees are referred to as local administrators (LAs). LAs work with clients to determine eligibility and preauthorize the frequency and level of child care (part- or full-time). During FY 04, there were 20 LAs working with the State.

The State's child care subsidy program is funded through the federal child care development program. Since LAs are responsible for accomplishing the objectives of this federal program, LAs are considered federal subrecipients. The State, as the entity that passes federal funds through to subrecipients, has a responsibility to monitor subrecipients to ensure the subrecipients comply with federal requirements. The federally-approved State Plan for Child Care Services specifies that the State will perform the following subrecipient monitoring activities:

- Conduct twice a year on-site visits
- Perform random desk audits
- Assess monthly statistical reports, and
- Review mandatory monthly fiscal and activity reports.

A myriad of challenges prevented DHSS' staff from meeting their subrecipient monitoring responsibilities during FY 04. Staff worked with LAs to implement a new child care computer system. The new system did not operate effectively and was abandoned after a few months. Additionally, the child care program office was transferred from the Department of Education and Early Development to DHSS effective July 1, 2003. Further, effective July 1, 2003, the responsibility for paying child care providers was taken over by the State. Previously, LAs paid child care providers and were reimbursed by the State.

Because of the challenges encountered by the Child Care Program Office during FY 04, staff resources were severely limited. Consequently, DHSS did not comply with the monitoring requirements as set out in its state plan. Only three on-site visits were conducted in FY 04 and a total of seven desk audits were performed. Inadequate monitoring of its subrecipients increases the State's risk of noncompliance.

We recommend DHSS' project manager for the child care program take steps to comply with its state plan and improve monitoring of its subrecipients.

CFDA: 93.575 and 93.596
Questioned Costs: None

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. The Child Care Assistance Program staff have completed a draft of a much-improved grantee monitoring tool and are currently operating at a fully staffed level (has not occurred since the Fall of 2003). The monitoring tool will be piloted in May and June of 2005 and implemented in FY06.

In addition, the Child Care Program Office's new information management system is expected to become operational on a statewide basis by October 2005. This system will give CCPO staff direct access to grantee records, including eligibility determinations, child care authorizations, and payment verification so that we may perform regular monitoring of the timeliness and accuracy of child care payments.

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Recommendation No.17

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

Prior Finding

We conducted a performance audit of the Division of Medical Assistance's (DMA) internal control over Medicaid payments. In a report dated January 31, 2003 (Audit Control Number 06-30018-03), we identified numerous control deficiencies. Findings and recommendations related to compliance with federal Medicaid regulations were included in the FY 02 SWSA. We also noted a reportable condition during FY 02 federal compliance testing which was also included in the FY 02 SWSA.

FY 03 federal compliance testing continued to find significant internal control weaknesses over Medicaid payments. Additionally, the Federal Office of the Inspector General conducted an audit of the Medicaid drug rebate program in Alaska, dated July 2003 (report number A-10-03-00006), and concluded that *"the State Agency had not established adequate policies, procedures, and internal controls over the Medicaid drug rebate program as required by Federal rules and regulations."*

The recommendations noted in the Medicaid performance audit, and the additional finding found during FY 02 and FY 03 testing, represent significant deficiencies in internal controls over federal program funds.

Legislative Audit's Current Position

While DHSS has made some improvements, additional improvements are needed to maintain effective internal controls over the Medicaid program. DHSS contracted for 80 provider audits which were conducted during FY 04. However, overall, the effectiveness of its program integrity and utilization program declined during FY 04. (See Recommendation No. 19) Insufficient progress was made to address the prior year finding regarding needed improvements to internal controls over personal care service expenditures. Current year testing over prescription drug payments highlighted that improvements in controls are needed over these types of expenditures. Further, FY 04 testing continued to find problems with the State's calculation of its upper payment limit. (See Recommendation Nos. 20 and 21)

Two federal reviews conducted during FY 04 echoed the need for improving controls over Medicaid expenditures. A federal review of Alaska's Medicaid payments for skilled professionals (report # A-09-04-00040) concluded that Alaska had improperly claimed federal reimbursement of \$758,215. The cause was attributable to Alaska not having adequate internal controls to ensure that the claim for enhanced federal reimbursement excluded unallowable and unsupported costs. A federal review over Alaska's accounts receivable system for Medicaid Provider Overpayments (report # A-09-04-00047) found that the State did not report \$1.8 million in overpayments and netted overpayments against expenditures. The cause was identified as a lack of adequate policies and procedures.

As a recipient of federal Medicaid funding, the State must comply with federal requirements related to these funds. Federal 45 CFR parts 92 and various section of 42 CFR require the State to maintain internal controls over federal programs that provide reasonable assurance

the 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 04, the State was reimbursed over \$644 million as part of the federal Medicaid program.

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

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: None

Agency Response – Department of Health and Social Services

DHSS concurs that strong internal controls are vital to the Medicaid program and we continue our efforts to strengthen them. However, the department does not concur that a “weak control environment” exists or that the reportable conditions noted during your review constitute a “material internal control weakness.”

The Department launched a federal pilot project to determine payment error rates (the PERM project), in preparation for implementing a permanent program to comply with federal law. The PERM will allow us to comprehensively measure Medicaid overpayments in a systematic fashion and will serve to strengthen program integrity overall. Additionally, DHSS is hiring a Department-level Quality Assurance Manager to oversee and coordinate Quality Management (QM), including PERM and SURS activities, as a separate and distinct system across DHSS Divisions.

The DHSS quality management effort began by mapping each Division’s current quality assurance, quality enhancement and program integrity activities, best practice standards, Division performance measures, federal recommendations/mandates, and gaps analysis. With this data, the Department plans to implement best practices that ensure federal compliance and standardize QM processes where applicable. This information will also guide management changes for integration and oversight of provider, grantee, and contractor audits.

Under the provisions of SB 41, the Department is actively engaged in an intensive Medicaid provider independent audit schedule this year. The Division of Senior and Disabilities Services has also contracted out with an independent audit firm to conduct an audit of the Personal Care Attendant program. The information gleaned from these audits will help identify and validate areas of concern within the program for future administrative and regulatory changes. The audits will also address the previous findings and public concerns. These regulations are in process and will help to better identify recipient eligibility and ensure appropriate level of service based upon documented need for service. DHSS expects costs to decrease significantly in FY06.

The Department believes they have addressed the prior finding from OIG's audit of the Medicaid drug rebate program in FY03. DHSS is currently operating a new drug rebate invoicing and tracking system in response to July 2003 OIG recommendations. It is unclear whether DLA reviewed this new drug rebate system as part of their current audit.

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Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. DHSS' response indicates that the Medicaid control environment in FY 05 will be significantly improved over the control environment in FY 04.

Recommendation No. 18

DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Prior Finding

The school setting provides a unique opportunity to enroll eligible children in the Medicaid program and assist children who are already enrolled in Medicaid to access the benefits available to them. Medicaid provides reimbursement for the costs of administrative activities, such as outreach, which support the Medicaid program.

Procedures used by DHSS, in FY 03, to claim reimbursement of administrative costs for Medicaid school-based services failed to comply with federal law – throughout this recommendation these procedures are referred to as DHSS' claiming program. Several aspects of DHSS' claiming program do not meet federal standards including: (1) DEED's administration of the school district time study; (2) the interagency agreement that delineates DHSS and DEED responsibilities under the claiming program; and, (3) DHSS' calculation of allowable costs.

The State's administrative cost claiming program requires collaboration between DHSS, DEED, and school district staff. School district employees participate in time studies to identify the portion of staff time spent on administrative activities for Medicaid-related services. DEED administers the time study, tabulates the results, and provides these results to DHSS. DEED also provides DHSS with school district salary data and student enrollment

information. DHSS calculates the administrative costs incurred by school districts for Medicaid-related services based on the information provided by DEED. An interagency agreement between DHSS and DEED identifies each agency's responsibility under the claiming program. DHSS' Division of Health Care Services is responsible for ensuring the claiming program complies with federal guidelines.

We reviewed the State's support for the Medicaid school-based administrative costs claimed for FY 03 and found numerous problems. The deficiencies are discussed below. Questioned costs associated with the errors include the entire FY 03 claim of \$6.5 million.

Time Study

Several aspects of the FY 03 time study, administered by DEED, did not comply with federal requirements. Salaries for conducting administrative activities for Medicaid services are an allowable administrative cost, as long as they are claimed in accordance with OMB Circular A-87. Attachment B, of OMB Circular A-87, requires supporting documentation in the form of activity reports/time sheets. Substitute systems are allowed under specific circumstance. Specifically, OMB Circular A-87 Attachment B states:

11. Compensation for personnel services

(h)(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods ... must meet acceptable statistical sampling standards including:

(i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);⁷

(ii) The entire time period involved must be covered by the sample; and

(iii) The results must be statistically valid and applied to the period being sampled.

Only certified employees of school districts, with average daily memberships over 400, were included in the sample universe. Yet, the time study results were used to allocate salaries and benefits of certified employees and noncertified employees of all school districts. The time

⁷ Subsection (c) states that *less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to federal awards than a system which complies with the standards.*

study form did not adequately distinguish between Medicaid and non-Medicaid activities making sample results unreliable. Further, we question whether time study recipients are completing the forms accurately since DEED provided no training to school district staff.

Interagency Agreement

DHSS is the only entity that may submit claims for reimbursement of allowable Medicaid costs. An interagency agreement, which describes and defines the relationships between DEED, school districts, and DHSS, must be in place in order to claim reimbursement for Medicaid school-based administrative costs.

The interagency agreement has not been updated since the claiming program first received federal approval in 1997 and does not accurately reflect the current responsibilities of DEED and DHSS. DEED and DHSS operate under a verbal understanding of their respective roles/responsibilities rather than following the outdated agreement.

Calculation Methodology

Based primarily on information provided by DEED, DHSS calculates the claim for Medicaid school-based administrative costs using the following formula:

$$\begin{matrix} \text{Medicaid} \\ \text{School-Based Admin} \\ \text{costs to be claimed} \end{matrix} = \begin{matrix} \text{School} \\ \text{District} \\ \text{Salaries} \end{matrix} \times \begin{matrix} \text{Percentage of time staff} \\ \text{spends on Medicaid} \\ \text{Admin Activities} \end{matrix} \times \begin{matrix} \text{Percentage of} \\ \text{Medicaid children} \\ \text{enrolled in School} \end{matrix}$$

The calculation multiplies school district salaries by the percentage of time that staff spent on Medicaid administrative activities. This amount is then multiplied by the percentage of children attending school that DHSS determines are enrolled in Medicaid. DHSS calculates this percentage by taking the total children, ages six through 19, enrolled in Medicaid and dividing it by the average daily enrollment information provided by DEED. We believe this overstates the percentage of Medicaid children, since this methodology is based on the assumption that every child enrolled in Medicaid is also attending school. Adjusting this percentage by the drop-out rates would result in a more accurate percentage of Medicaid children attending school.

Legislative Audit’s Current Position

DHSS and DEED made limited progress in addressing the prior year findings during FY 04. However, the prior year findings were discovered during March/April of 2004 – only three months before the end of the fiscal year. While limited progress was made during FY 04, significant improvements were made during FY 05.

Beginning the fourth quarter of FY 04, the form used to conduct the school-based time study was changed to better identify Medicaid activities and training was provided to select school

districts during. However, the fourth quarter sample universe continued to include only certified employees of school districts with average daily memberships over 400. Additionally, with a sample universe of over 9,000 school district employees, DEED used a sample size of 600, yet received only 166 countable responses. This number is far below the number required to justify using the results to estimate the fourth-quarter claim. Additionally, errors were made when compiling school district salary information for use in calculating the claim.

DHSS and DEED have made progress during FY 05 to address the findings. Specifically,

- The activity codes on time study form were changed to conform with federal guidelines. However, DHSS has yet to acquire CMS-approval of the activity codes.
- A training program has been instituted for the school district employees.
- DHSS hired a program coordinator to help ensure compliance with federal requirements.
- All members of the cost pool were included in the survey selection universe and the survey day was selected randomly.

While DHSS and DEED have made significant efforts during FY 05 to improve the process, continued efforts are needed to address the finding. Specifically,

- DHSS and DEED have not signed a new interagency agreement that reflects the current responsibilities of each agency and references the CMS-approved activity codes.
- DHSS has not amended its cost allocation plan to include procedures for claiming Medicaid School-Based administrative costs.
- DEED should increase the sample size to provide a statistically valid number of responses.

We again recommend, DHSS' Division of Health Care Services director and DEED's Division of Teaching and Learning Support director work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: \$5,505,244

Agency Response – Department of Health and Social Services

DHSS partially concurs with the recommendation. In response to guidance by CMS received in November 2004 and in alignment with prior recommendations from DLA, DHSS hired a School-Based Medicaid Administrative Claiming Coordinator in January 2005 to implement a statewide training program for Medicaid School-Based Administrative claiming and to otherwise ensure federal compliance. From January to April, eighteen school districts received on-site visits and training on School-Based Medicaid Administrative claiming, as a

follow-up to the teleconference training held one year ago. More school district training sessions are planned before the end of the academic year.

The DHSS Coordinator is also working with DEED to update the current interagency agreement, and to reevaluate the cost pool makeup, statewide Medicaid Eligibility Rate (MER) calculation and sampling methodology insuring that school personnel and all eligible students are accurately represented. The Coordinator will also ensure that all calculations are compliant with OMB Circular A-87. DHSS is currently working to update its cost allocation plan in this area as well. While the Coordinator will also work to update the time study, it should be noted that the current activity codes on the DHSS survey comply with CMS Guidance. Since we received no objection or request for revision after CMS reviewed these codes, DHSS considers them CMS-approved.

With respect to prior findings on specific aspects of the time study and MER calculation, all policies and procedures were developed collaboratively with CMS in accordance with federal guidance in effect at the time. For FY 03, CMS considered Alaska fully compliant with federal guidance including OMB Circular A-87, which clearly allows the practice of using alternate time study methodology if it results in a lower or minimally different Federal claim.

Sampling Larger Districts Results in Lower Overall Federal Claim

In fact, the practice of sampling school districts with over 400 students results in a reduced federal claim since the Medicaid eligibility rate runs at least 10% higher in the smaller districts.

Adjusting the Medicaid Eligibility Rate by the Drop-Out Rate Does Not Affect the Claim.

DHSS disagrees with the prior recommendation to adjust MER by subtracting the drop-out rate. Federal guidelines do not require such an adjustment. A drop-out adjustment would not account for the number of months a child may be attending school and receiving services before they drop out, nor would it ultimately make any change to the claim. As proposed, this adjustment assumes that dropouts are 100% Medicaid eligible, which they are not. Therefore, since the drop-out percentage must be subtracted from the numerator (number of Medicaid students) and the denominator (total number of students) of the overall claim calculation, it has no net effect on the claim.

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Agency Response – Department of Education and Early Development

The department disagrees with recommendation No.18. This is not an EED program and therefore the department disagrees that this recommendation and accompanying questioned costs should be a component of EED's single audit.

The department does agree that EED and DHSS should work to correct any deficiencies in the Medicaid school based administrative claiming program. Over the past twelve months, EED has worked under the direction of DHSS to implement necessary changes to the time study program.

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Recommendation No. 19

The State Medicaid director should take action to improve the agency's utilization control and program integrity function.

Significant components of DHSS' utilization control and program integrity function were not operating effectively during FY 04. 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. Additionally, states are required to have methods and criteria for identifying and investigating suspected fraud cases. 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. Traditionally, DHSS has relied on the following functions to help meet its federal responsibilities:⁸

- Surveillance and Utilization Review (SUR) – The SUR function provides profiles of health care delivery and utilization patterns of providers and recipients that are based on predetermined parameters and health care delivery patterns in order to identify aberrant practices. SUR information helps identify cases needing further investigation for possible fraud, waste, or abuse.
- Prior Authorization (PA) – PA is a mechanism used to determine the medical necessity of selected nonemergency Medicaid covered services prior to delivery.
- Drug Utilization Review (DUR) – DUR is similar to SUR except that analysis is focused on the prescribing, dispensing, and utilization of pharmaceuticals to Medicaid recipients.

⁸ In addition, organizationally located within the Department of Law, the State Medicaid Fraud Control Unit is responsible for criminally prosecuting cases determined to be fraudulent.

- Recipient Explanations of Medical Benefits (REOMB) – REOMB are letters to Medicaid clients requesting verification that services submitted as Medicaid claims were received by the client.
- Lock-Ins – Recipients found to be abusing or at risk of abusing their Medicaid benefits are locked-in to or restricted in their choice of providers so that their utilization can be closely monitored.

DHSS relies on a contract with its Medicaid fiscal agent to carry out some of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administer Medicaid-type programs. The purpose of the quality control sections is to follow-up on complaints received directly from affected parties or indirectly upon referral from the State's fiscal agent.

During FY 04, DHSS amended its contract with its Medicaid fiscal agent, First Health Services Corporation (FHSC) to increase the department's utilization and program integrity efforts. Part of the contract amendment required FHSC to enhance SUR functionality, increase the number of cases reviewed as a result of SUR-generated information, increase the number of lock-ins, and improve the procedures it uses to conduct the investigations. The contract amendment was effective July 1, 2003.

During FY 04, DHSS anticipated, per the contract amendment, that FHSC would:

- maintain the SUR system and generate reports necessary to identify cases requiring review,
- distribute the REOMB forms,
- perform provider audits based on SUR-generated and state-referred cases,
- increase lock-ins to approximately 300, and
- maintain a case tracking system and provide weekly status and monthly detailed reports to DHSS regarding case development and progress.

FHSC met very few of the contractual requirements. Because of nonperformance by FHSC, DHSS ceased paying for the services in May 2004.

Since DHSS relied heavily on FHSC to conduct many of its essential program integrity and utilization functions, and FHSC failed to fulfill its contractual obligations, we conclude that the State did not effectively meet its federal responsibility for program integrity and utilization. Without adequate procedures in place, the likelihood that Medicaid payments were subjected to fraud, waste, and abuse increased. DHSS' director of the Division of Health Care Services (DHCS) is negotiating with FHSC to address compliance with the contractual terms and recoupment of previous payments for program integrity and utilization services not rendered.

Effective FY 04, DHSS decentralized its program integrity section and many positions responsible for such activities were transferred to the various divisions that have Medicaid-related programs. Several of the positions responsible for program integrity remain vacant. Consequently, DHSS has placed itself in a poor position to address complaints received and cases referred for investigation. Further, the decentralization has highlighted the need for a comprehensive case referral and tracking system equally accessible by all divisions.

We recommend the State Medicaid director take steps to improve its program integrity and utilization function. Steps should address DHSS' inability to effectively investigate complaints due to vacant positions and its ineffective contract with FHSC. Further, the State Medicaid director should take appropriate action to recoup any Medicaid funds determined to have been inappropriately paid to FHSC for services not rendered and ensure decreasing federal claims are processed as necessary.

CFDA: 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS

CFDA: 93.767
Questioned Costs: Indeterminate

Federal Agency: USDHHS

Agency Response – Department of Health and Social Services

The Department recognizes the need for additional improvements and concurs with this recommendation. In FY03, DHSS restructured utilization control and program integrity (PI) responsibilities by placing them directly with the appropriate Division Directors. This change resulted in increased PI staffing and a more efficient link between program operations and program integrity. Another facet of the DHSS reorganization effort created the Office of Program Review to function as a Department-level team focusing on program integrity that reports directly to the Commissioner.

DHSS partially concurs that their fiscal agent performed poorly under contract amendment #20, posing some degree of risk to Medicaid program integrity. However, since the amendment was signed in December 2003 and terminated in May 2004, it is clear DHSS acted quickly to address contractor performance issues and minimize any likelihood of decreased program integrity.

Recruitment efforts are underway to find qualified staff for vacant auditing positions as they come open. Improvements to utilization control and program integrity operations including a Department-wide complaint system implemented November 2004, continue to be a major Department objective as always.

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Recommendation No. 20

We recommend the State Medicaid director improve procedures over the calculation of the Medicaid upper payment limit.

Prior Finding

The DHSS calculation of the FY 03 Medicaid upper payment limit included several procedural errors. This caused the amount of Medicaid payments under the upper payment limit to be overstated by over \$10 million.

Upper payment limits were established by the federal Medicaid agency to ensure the reasonableness of payments to providers. They refer to total amounts the federal Medicaid agency would agree to pay for a variety of services and are based on what Medicare⁹ would pay for comparable services. Upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Because state Medicaid payment rates are generally less than Medicare rates, states often have large gaps between their actual Medicaid payment and what they would pay using Medicare payment rates. This gap is referred to as the amount of Medicaid payments under the upper payment limit.

States, including Alaska, have developed methods to maximize federal Medicaid revenue based on the upper payment limit calculation. Federally-approved amendments to the Medicaid state plan permit Alaska to access Medicaid funding, under certain circumstances, up to the upper payment limit for specific purposes. DHSS refers to these funding mechanisms as Proshare, Fairshare, and Private Hospital Refinancing.

The upper payment limit is calculated annually by DHCS staff using cost reports provided by each hospital. The amount Medicare would have paid for services is calculated for each hospital using information contained in these reports for discharges, capital costs, and patient days. Federally-published information on Medicare rates is also used. The amount Medicaid paid for services is estimated based on patient days and hospital-specific Medicaid rates. The amount Medicaid paid is deducted from the amount Medicare would have paid to determine the amount the State under/over paid in terms of the upper payment limit.

The State's FY 03 calculation of the amount of Medicaid payments under the upper payment limit includes individual calculations for 18 hospitals. We tested six of the 18 individual hospital calculations. Testing included verifying that the calculations were performed in compliance with the Medicaid state plan and that they were supported by cost reports, approved Medicaid payment rates, and federally-published information on Medicare rates.

⁹ Medicare is the federal health care program for the elderly and some disabled individuals.

DHCS staff calculated for FY 03 that Medicaid paid \$36 million less than Medicare would have paid (i.e. \$36 million under the upper payment limit). Our review of this calculation for six of the 18 hospitals found several errors. The errors included an unreasonable basis for allocating capital costs to Providence Hospital and Alaska Regional Hospital and the use of outdated cost information when more current cost data was available. The errors appeared to be systematic. Therefore, questioned costs likely exist for previous years.

Legislative Audit's Current Position

Again, DHSS' calculation of the FY 04 Medicaid upper payment limit (UPL) included several procedural errors resulting in an overstatement of \$8.7 million. This overstatement resulted in DHSS paying \$6.2 million to hospitals in excess of their UPL. Also, hospitals were paid approximately \$27.1 million during the first quarter of FY 04 based on the prior year's UPL calculation

Although, DHSS revised their FY 04 UPL calculation based on our FY 03 findings, the revised calculation was not used by the department when making decisions on how much to pay hospitals. Consequently, DHSS did not effectively address errors in calculating the UPL.

Testing of the FY 04 UPL calculation focused on two hospitals – Charter North Hospital and Providence Hospital. For both hospitals tested, outdated cost information continued to be used when more current cost information was available. Additionally, we found several errors in DHSS' calculation methodology as summarized below:

- (1) For Charter North Hospital, an incorrect rate was used to calculate the UPL rather than the federally-published rate.
- (2) For Providence Neonatal Care Unit, the State used the number of neonatal intensive care unit (NICU) admissions rather than discharges in the calculation. This methodology is not in agreement with the State's Medicaid plan. DHSS staff stated that the Medicaid cost report does not provide detail as to the number of NICU Medicaid discharges and believe the number of admissions reasonably approximates the number of discharges. Since the NICU discharge data was not available, questioned costs could not be determined for this error.
- (3) For Providence Non-Neonatal Care, a three-year (cost information for calendar years 1999-2001) average was used to calculate the Medicaid discharges rather than using information in the most current cost report (calendar year 2002). DHSS staff stated that they used an average because the 2002 Medicaid discharge number reported was substantially lower in 2002 and they considered this to be an anomaly. Additionally, the number of discharges for the Neonatal Care Unit were included in the total for the Non-Neonatal Care Unit resulting in double counting of discharge data.

Additionally, the FY 04 calculation methodology continued to incorrectly allocated capital costs. This systematic problem was discussed in detail during the prior year and applies to the UPL calculation for all hospitals.

Further, DHSS paid approximately \$27.1 million to hospitals based on their FY 03 UPL calculation. The purpose of the UPL calculation is to determine what the federal Medicaid agency would agree to pay for a variety of services and is based on what Medicare¹⁰ would pay for comparable services. Upper payments represent a ceiling on Medicaid payments for a category of providers above which the federal government will not share. Since the calculation is based on a state fiscal year, seeking additional federal participation in the subsequent year based on the UPL calculation is not allowable. Since these \$27.1 million in payments cause DHSS to exceed their FY 04 UPL, the entire \$27.1 million is questioned.

We recommend the State Medicaid director take steps to ensure the procedures used to calculate the upper payment limit under/over payment by hospital are revised to utilize the most current cost information available. We also recommend that the Medicaid project director take steps to ensure the UPL is calculated in accordance with the State Medicaid plan.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: \$33,337,220

Agency Response – Department of Health and Social Services

The Department partially concurs. We have recalculated 2003 and 2004 upper limits to correct the error noted in the 2003 audit report, and to address other legislative audit concerns. The original 2004 upper limit calculations, which included the same error noted in the 2003 audit, and related Medicaid payments were completed by the time the 2003 audit report was transmitted to DHSS.

DHSS views the upper limit process as a prospective estimate of future events while the legislative audit staff has the opinion that the process should follow a retrospective settlement scenario. This difference in philosophy, along with differences in the DHSS's understanding of the applicable approved state plan amendment, causes us to respectfully disagree with questioned costs outlined in the 2004 draft audit report. The Department will continue to improve the upper limit calculations based on legislative audit recommendations and other applicable information.

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¹⁰ Medicare is the federal health care program for the elderly and some disabled individuals.

Legislative Audit's Additional Comment

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 21

We recommend the State Medicaid director improve internal controls over prescription drug payments.

DHSS has internal control weaknesses over the billing and adjudication of Medicaid prescription payments. Weaknesses were centered around the allowability of dispensing fees associated with med-paks.¹¹

Pharmacies that serve Medicaid clients are permitted by the State Medicaid Plan to charge a dispensing fee for their service. The dispensing fee is preset for each pharmacy by DHSS and is based on the result of cost surveys of Alaskan pharmacies. Dispensing fees are paid by drug. Therefore, if a prescription calls for five drugs, the dispensing fee is billed five times by the pharmacy.

State regulation 12 AAC 52.520 states that instead of dispensing one or more prescribed drug products in separate containers, a pharmacist may, with the written consent of the patient, patient's caregiver, or prescribing practitioner, provide a customized patient medication package or med-pak (also referred to as Mediset). Med-paks group multiple drugs into easy to administer packets to help ensure clients receive the appropriate dosage of prescribed medications. Med-paks are used extensively in long-term care facilities and assisted living homes where care providers help administer medications to clients.

State billing procedures specify that med-paks must be authorized by the prescribing practitioner and the pharmacy must maintain documentation describing the reason for using a med-pak. The provider will be paid a maximum of 50 cents per drug dispensed in the med-pak in addition to the standard dispensing fee.

The use of med-paks greatly increases the cost of dispensing drugs. The dispensing fee for med-paks is in addition to the dispensing fee for the drugs that go into the med-paks. Additionally, med-paks are dispensed by week which requires the pharmacies to charge multiple dispensing fees for the one prescription. For example, if a doctor prescribes 30 units of a drug and the drug is dispensed via a med-pak, four med-paks would be needed. Consequently, the dispensing fee for the monthly prescription of 30 units is paid four times rather than once. Additionally, an additional cost of 50 cents is incurred for each of the four

¹¹ Med-paks are customized patient medication packages.

med-paks. If the dispensing fee for the drug is \$7.20, using a med-pak rather than dispensing the drug in one container increases the dispensing cost by \$23.60.

Strong internal controls over the allowability of dispensing fees is an important cost containment measure. Our review of 60 Medicaid pharmacy claims identified nine payments with errors in paying dispensing fees. The following errors are described:

Support justifying the necessity of med-paks: Six payments did not have adequate support for dispensing via a med-pak. Five of the six instances of inadequate support were associated with reliance on client intake forms. One of the errors was caused by a pharmacy failing to provide any support for dispensing via the med-pak.

Use of the client intake forms represents a weakness in internal controls over the payment of dispensing fees. The client intake form does not comply with regulations that require adequate authorization because the form does not specify the drugs to be included in the med-pak. Most of the forms we reviewed were signed over a year before the claim was paid indicating that intake forms are not routinely updated. Using client intake forms as authorization allows a pharmacy to make the decision of whether or not to dispense using a med-pak. Pharmacies should not be permitted to make this decision as it represents a conflict of interest.

Excessive med-pak dispensing fees: We found two instances where a pharmacy billed too much for med-pak dispensing fees. As discussed earlier, pharmacies can charge 50 cents for each drug included in the med-pak. One billing charged for 11 drugs when only 10 drugs were included. One billing charged for 12 drugs when only 11 were included. The pharmacy payment system does not automatically check for excessive med-pak dispensing fees.

Provider paid in excess of authorized dispensing fee: One claim was paid a dispensing fee for a non-med-pak drug in excess of that authorized in the State's Medicaid system. The Medicaid system is set up to interface authorized dispensing fee data into the pharmacy claim adjudication subsystem. The pharmacy system is programmed to limit dispensing fee payments to the lesser of billed fees or the amount authorized by the State. For all but one claim tested, the automatic payment limit appeared to work effectively. For one billing, the provider billed a dispensing fee of \$7.90 and the maximum fee allowed was \$7.59. Instead of limiting payment to \$7.59, the billed amount of \$7.90 was paid. We were unable to determine why the payment error occurred.

Our sample 60 payments totaled \$3,243.61. Questioned costs for dispensing fees were \$49.81. Projecting the questioned costs to the universe of \$114,579,151 and applying the appropriate federal participation rate resulted in projected questioned costs of \$1,155,982.

We recommend the State Medicaid director strengthen internal controls over the payment of pharmacy drug payments. Regulations should be changed to require med-paks be supported by the prescribing physician each time the drugs are initially prescribed. This improvement

will help ensure the increase in costs that result from the use of med-paks are reasonable and necessary. We further recommend the State Medicaid director improve their pharmacy claims system to provide an automated edit to prevent excessive dispensing fees.

CFDA: 93.778

Federal Agency: USDHHS

Questioned Costs: \$1,155,982

Agency Response – Department of Health and Social Services

The Department concurs with the recommendation and has implemented a HIPAA-compliant billing system to eliminate paying providers' excess dispensing fees. The new claiming system is effective May 3, 2005 and only allows one dispensing fee per drug to ensure that Medicaid does not pay in excess of fees authorized.

HIPAA-related system changes were also responsible for the Department paying a Pharmacy Provider incorrectly for dispensing fees. In April 2005, the Department issued a recoupment order to this provider for the entire overpayment of 0.31 per paid claim.

The Department is tightening controls over MedPak usage and dispensing fees through clarifications published in the May 2005 revisions of the Pharmacy billing manual and plans a provider letter in June 2005 to further clarify policy in this area. In addition, the Department plans to complete a survey of prescription dispensing costs before issuing new regulations and billing manual language. The survey will attempt to quantify the work and materials that go into filling a MedPak to determine whether to roll costs into the dispensing fee.

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

One recommendation was made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation No. 29 is considered resolved.

No new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

No recommendations were made to the Department of Commerce, Community, and Economic Development (DCCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*.

No new recommendations have been made during the FY 04 Statewide Single Audit.

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DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

No 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, 2003*.

No new recommendations have been made during the FY 04 Statewide Single Audit.

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DEPARTMENT OF NATURAL RESOURCES

One recommendation was made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation No. 30 has been resolved.

No new recommendations have been made during the FY 04 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, 2003*.

No new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY

One recommendation was made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation No. 31 has been resolved.

Additionally, no new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Four recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year Recommendation Nos. 32 and 33 have not been resolved; however, DEC has instigated significant changes which are expected to resolve Recommendation No. 33 in FY 05 and Recommendation No. 32 in FY 06. Therefore, these recommendations are not reiterated in this report. Prior Year Recommendation Nos. 34 and 35 have not been resolved and are reiterated in this report as Recommendation Nos. 22 and 23.

Additionally, two new recommendations have been made and are included as Recommendation Nos. 24 and 25.

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Recommendation No. 22

The DEC finance officer should implement procedures to ensure personal services expenditures charged to the Environmental Conservation Agency (EPA) infrastructure grants comply with federal cost principles.

Prior Finding

DEC did not follow applicable federal guidance for the personal services costs charged to the FY 03 EPA infrastructure grant. Village Safe Water (VSW) personal services costs were charged to the EPA infrastructure grant through a yearly reimbursable service agreement (RSA). During FY 03, 29 DEC employees charged personal services costs to the FY 03 EPA infrastructure grant. Of those who charged time to the EPA infrastructure grant, 20 charged 100% of their time, and the remaining nine charged only a portion of their time.

Office of Management and Budget (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. State agencies, with approval from federal program managers, may utilize an alternative system. OMB Circular A-87 states that budget estimates or other distribution percentages, determined before the services are performed, do not qualify as support for charges to federal awards. Charges for employees working solely on a program funded by a single federal award will be supported by periodic (at least semiannual) certifications that the employee worked solely on that program for the period covered by the certification.

For FY 03, we reviewed time sheets for employees charging time to the EPA infrastructure grant, and found that DEC was not following OMB Circular A-87 requirements for charging personal services costs to federal programs. Split-funded employees' time was being charged to the EPA infrastructure grant based on annual estimates which are intended to represent the percent of total time devoted to the programs charged. Further, employees charging 100% of their time to the EPA infrastructure grant did not prepare certifications stating the employee worked solely on the program for the period covered by the certification. While the employees charging 100% of their time to the EPA infrastructure grant maintained timesheets, the timesheets did not directly indicate that 100% of the time was being charged to the EPA infrastructure grant, but rather charged to the VSW Administration reimbursable service agreement (RSA).

Finally, we found that all VSW personal services costs were being charged to the EPA infrastructure grant, CFDA 66.606. No VSW personal services costs were charged to the U.S. Department of Agriculture—Rural Development (USDA-RD)—CFDA 10.760, even though VSW activities benefit both programs.

Given the lack of required OMB Circular A-87 support for the personal services costs charged to the EPA infrastructure grant, we questioned the federal portion of all personal

service costs charged to CFDA 66.606 through the EPA infrastructure grant in FY 03 (\$1,166,051).

Legislative Audit's Current Position

In FY 04, DEC's personal services costs charged to EPA infrastructure grants through a RSA are not adequately supported as allowable costs. The DEC finance officer confirmed that personal services costs were charged in the same manner as in FY 03 without certifications or detailed timesheets. Also, all personal services costs were charged to the EPA infrastructure grant even though VSW activities benefit both the EPA and the USDA-RD programs.

A total of 24 DEC employees charged personal services costs to the FY 04 EPA infrastructure grant. Of those who charged time to the EPA infrastructure grant, 17 charged 100% of their time, and the remaining seven charged only a portion of their time. The federal portion of these costs was \$1,115,721.

Given the lack of required OMB Circular A-87 support for the personal services costs charged to the EPA infrastructure grant, we again questioned the federal portion of all personal service costs charged to CFDA 66.606 through the EPA infrastructure grant in FY 04.

We recommend the DEC finance officer implement procedures to ensure that VSW personal service costs comply with OMB Circular A-87 requirements.

CFDA: 66.606
Questioned Costs: \$1,115,721

Federal Agency: EPA

Agency Response – Department of Environmental Conservation

The Department supports this recommendation, and has implemented processes to ensure the requirements of OMB Circular A-87 are met. Those employees solely dedicated to a particular federal grant are required to complete bi-annual certifications. Additionally, for those employees whose salaries are chargeable to more than one cost objective, actual hours worked on each cost objective are reflected on the employee timesheet.

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Recommendation No. 23

The VSW program manager should work with project engineers to strength internal controls over the VSW procurement process.

Prior Finding

In FY 03, DEC did not consistently follow procurement procedures for VSW projects. VSW procedures, including procurement, are prescribed in the EPA-approved VSW procedures manual. DEC engineers, in addition to on-site managers/superintendents hired by the village, are required to follow the VSW procedures manual.

We reviewed 15 procurement-related transactions from eight projects which were funded by EPA infrastructure grants. Of the 15 transactions reviewed, five did not follow VSW procedures in some manner. While no error was significant on its own, the number of errors indicated a weakness in the internal controls over the VSW procurement process.

Legislative Audit's Current Position

In FY 04, DEC again did not consistently follow procurement procedures for VSW projects. We reviewed 25 procurement-related transactions from 11 projects which were funded by either EPA infrastructure or USDA Rural Development grants. Of the 25 transactions reviewed, six did not follow VSW procedures in some manner:

- One transaction failed to document a rent/purchase analysis or receive federal agency approval for an equipment purchase as required by DEC internal policy.
- Three transactions failed to maintain all copies of vendor bids and quotations in the procurement files.
- A project on-site manager verbally agreed to pay for \$172,673 in rental services and materials without following procurement procedures.
- One transaction failed to use a necessary VSW purchase order.

These errors continue to indicate a weakness in the internal controls over the VSW procurement process. We recommend the VSW program manager work with the VSW engineers to ensure VSW procurement procedures are followed.

CFDA: 66.606
Questioned Costs: None

Federal Agency: EPA

CFDA: 10.760
Questioned Costs: None

Federal Agency: USDA

Agency Response – Department of Environmental Conservation

The Department supports this recommendation, and hired a Procurement Specialist III in September 2004 to support the VSW program. This position is solely dedicated to the VSW program, and is supervised by the Division of Information and Administrative Service to ensure appropriate segregation of duties and authorities. The incumbent has been working to strengthen internal controls and to provide appropriate oversight and guidance for VSW procurement practices.

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Recommendation No. 24

The DEC finance officer and Division of Water facility programs manager should implement procedures to ensure compliance with EPA grant requirements for small and disadvantaged business utilization.

DEC is not in compliance with EPA grant conditions pertaining to the U.S. EPA's Program for the Utilization of Small, Minority, and Women's Business Enterprises (MBE/WBE). DEC does not include in its bid documents the required MBE/WBE percentage and does not require that subrecipients and prime contractors report to DEC the actual amount of expenditures from MBE/WBE procurements.

EPA grants contain an administrative condition regarding small and disadvantaged business utilization which requires DEC to accept applicable MBE/WBE "fair share" goals. The grant agreements also state:

- (b) The recipient agrees to ensure, to the fullest extent possible, that at least the applicable "fair share" objectives of Federal Funds for prime contracts or subcontracts for supplies, construction, equipment or services are made available to organizations owned or controlled by socially and economically disadvantaged individuals, women and Historically Black Colleges and Universities.*
- (c) The recipient agrees to include in its bid documents the applicable "fair share" objectives and require all of its prime contractors to include in their bid documents for subcontracts the negotiated "fair share" percentages.*
- (d) The recipient agrees to follow the six affirmative steps or positive efforts stated in 40 CFR 30.44(b), 40 CFR 31.36(e), or 40 CFR 35.6580, as appropriate, and retain records documenting compliance.*

In addition, the grant agreements require DEC to report, on a quarterly basis, the dollar amount of actual MBE/WBE procurements by DEC or its subrecipients and prime contractors.

DEC's current position regarding MBE/WBE procurements for EPA infrastructure grants is that all cash advances to the Alaska Native Tribal Health Consortium (ANTHC) are MBE procurements due to ANTHC's status as an Alaska Native organization. The cash advances to ANTHC, however, are on behalf of the Native communities and may not go directly to Native communities or may not be used to procure products and services from Native companies. Thus, DEC is required to obtain information from ANTHC regarding actual procurements rather than reporting 100% of the cash advances as MBE.

DEC does not include the MBE/WBE objectives in any of its bid or grant documents. In order to be in compliance, DEC must include the MBE/WBE "fair share" objectives in their bid documents for procurements related to projects managed by VSW engineers, grant documents to municipalities under the Municipal Grants program, and grant documents for projects managed by ANTHC. Additionally, DEC must establish reporting procedures to require all subrecipients and prime contractors to report actual expenditures from MBE/WBE procurements to DEC.

We recommend the DEC finance officer and Division of Water facility programs manager modify EPA-related bid and grant documents and establish reporting procedures with subrecipients and prime contractors to ensure compliance with EPA MBE/WBE requirements.

CFDA: 66.606

Federal Agency: EPA

Questioned Costs: None

Agency Response – Department of Environmental Conservation

The Department supports this recommendation. The VSW Procurement Specialist is working to update bid documents and agreements to include Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) "fair share" objectives, and to require reporting of actual MBE/WBE procurements.

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Recommendation No. 25

The DEC finance officer and Division of Water facility programs manager should improve oversight of funds passed through to ANTHC.

DEC's oversight of infrastructure funds transferred to ANTHC is insufficient to ensure compliance with federal requirements. DEC transfers federal EPA and USDA Rural Development funds to the ANTHC on behalf of Alaska villages for VSW projects. In July 2000, the Indian Health Service (IHS) contracted with ANTHC (a nonprofit organization) to manage IHS projects in Alaska. Because ANTHC is acting on behalf of a federal agency, DEC believes that their current oversight of funds passed through to ANTHC is sufficient. This oversight includes reviewing quarterly reports and contracting for an annual review¹² by a third-party CPA firm. DEC confirmed their position with EPA and USDA officials in FY 03.

The current scope of the third-party CPA review includes: (1) examining expenditures to determine if they are supported and in accordance with VSW requirements; (2) determining if ANTHC is meeting VSW, EPA, and USDA grant requirements; (3) evaluating ANTHC procurement practices; and, (4) suggesting recommendations for improvement of the management of VSW grant funds.

However, for oversight to be complete and effective, it must have three components: collecting information; reviewing information collected; and following up on identified problems. The third-party CPA firm reviews—as currently implemented by DEC—accomplish the oversight components of collecting and reviewing information, but do not provide for follow-up on identified problems. The most current review (FY 03) identified duplicate administrative expense billings and a frequent inability to reconcile actual expenditures to reported expenditures. DEC does not have an agreement with ANTHC requiring the development of a follow-up corrective action plan on findings and recommendations. Without such an agreement, the value of these reviews is questionable.

We recommend the DEC finance officer and Division of Water facility programs manager improve oversight of federal funds. DEC should sign an agreement with ANTHC requiring a follow-up corrective action plan on findings and recommendations and DEC following up on corrective action in a timely manner.

CFDA: 66.606
Questioned Costs: None

Federal Agency: EPA

CFDA: 10.760
Questioned Costs: None

Federal Agency: USDA

Agency Response – Department of Environmental Conservation

The Department disagrees with this recommendation, in that the Indian Health Service (IHS), a federal agency, not the Department, is responsible for oversight of the Alaska Native Tribal Health Consortium (ANTHC). The IHS contracts with the ANTHC to manage IHS

¹² A review does not provide the same level of assurance as does an audit.

projects, and is the cognizant federal agency for the ANTHC. All agreements related to IHS projects funded by EPA and USDA monies granted to the state are between the Department and the IHS. The ANTHC is not a party, and is in no way a subrecipient of the Department subject to its oversight. As questions frequently arise due to the unique nature of the relationship between the Department, the IHS, and the ANTHC, a legal review is underway to confirm relationships and responsibilities to the satisfaction of all interested parties, and put the matter to rest.

*Contact Person: Gary Zepp, Financial Officer21
Telephone: 907-465-5289*

Legislative Audit's Additional Comments

We have reviewed DEC's response to this recommendation and nothing contained in the response has provided sufficient information to persuade us to remove or revise this recommendation. We agree that the relationship between DEC, ANTHC, and the federal agencies is confusing and expect a complete legal review should clearly identify the responsibilities of each party.

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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, 2003*.

No new recommendations have been made during the FY 04 statewide single audit.

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

One recommendation was made to the Department of Transportation and Public Facilities (DOTPF) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2003*. Prior year recommendation No. 36 is considered resolved.

No new recommendations have been made during the FY 04 statewide single audit.

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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, 2003*.

No new recommendations have been made during the FY 04 statewide single audit.

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COMPONENT UNITS

This section includes one federal compliance recommendation made to the University of Alaska that is audited by other auditors. Complete copies of this report may be obtained directly from the University of Alaska.

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University of Alaska

Recommendation No. 26

TRIO: Talent Search Noncompliance

Criteria or Specific Requirement – According to the Code of Federal Regulations, Title 34, Sections 643-10 and 643-7, at least two-thirds of the individuals served by a talent search project must be low-income individuals who are potential first-generation college students.

Condition – For the program year 2002-2003, 63.5 percent of the University of Alaska Anchorage Talent Search Program participants were low-income individuals who were potential first-generation college students. For the program year 2002-2003, 12.2 percent of the University of Alaska Fairbanks (Bristol Bay region) Talent Search Program participants were low-income individuals who were potential first-generation college students.

Context – Isolated to Talent Search Program.

Effect – The University provided Talent Search Program services to a population that did not meet the program's earmarking requirement.

Recommendation – The University should make every effort to serve the number of Talent Search participants required by the program.

CFDA: 84.044

Federal Agency: USDOE

Questioned Cost: None

Agency Response – University of Alaska

The University of Alaska Anchorage and University of Alaska Fairbanks (Bristol Bay region) Talent Search Programs had previously reported the percentage of participants served to the grantor in their annual performance reports for the program year 2002-2003.

During the program year 2002-2003, the University of Alaska Anchorage program had an ineffective database system and significant staff turnover, including the director. The director who supervised the talent search director over saw the program while a search was conducted for a replacement. For the program year 2003-2004, a new director was hired with 20 years TRIO experience and a new database system was implemented leading to the University of Alaska Anchorage program exceeding the two-thirds requirement.

The 2002-2003 program year was the first year of the University of Alaska Fairbanks (Bristol Bay Region) Talent Search Program, and the program faced significant cultural challenges in rural Alaska. There has been a continued hesitance by participants and families to provided needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress has been made. The program served 52 percent low-income and potential first-generation college students in 2003-2004. The program is on track to meet the two-thirds objective for the 2004-2005 program year.

*Contact Person: Myron Dosch, Financial Accounting Manager
Telephone: 907-450-8063*

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2004

Part I – Summary of Auditor’s Results

- a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.
- b) No reportable conditions were disclosed by the audit of the financial statement.
- 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 an unqualified opinion for all 34 programs.
- f) There were several audit findings that were required to be reported under Section 510(a) of Office and Management and Budget (OMB) Circular A-133. These are summarized in Part III of this schedule of findings and questioned costs. The detail findings and recommendations can be read in Section II – Recommendations and Questioned Costs of this report.
- g) The State of Alaska has 34 major federal programs for the fiscal year ended June 30, 2004 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
10.553, 10.555, 10.556, 10.559 10.557	Child Nutrition Cluster Special Supplemental Nutrition Program for Women, Infants, and Children
10.760	Water and Waste Disposal Systems for Rural Communities
11.452	Unallied Industry Projects
11.550	Public Telecommunications Facilities Planning and Construction
11.552	Technology Opportunities Program Grant
12.400	Military Construction, National Guard
12.999	Track Realignment Grant
14.117	Mortgage Insurance: Homes
14.239	HOME Investment Partnerships Program
14.850	Public and Indian Housing

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2004

Part I – Summary of Auditor’s Results (continued)

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
17.207, 17.801, 17.804	Employment Services Cluster
17.258, 17.259, 17.260	Workforce Investment Act Cluster
20.205, 23.033	Highway Planning and Construction Cluster
20.999	Capital Rehabilitation and Improvements Grant
21.999	Jobs and Growth Tax Relief Reconciliation Act
66.606	Surveys, Studies, Investigations, and Special Purpose Grants
81.042	Weatherization Assistance for Low-Income Persons
84.042, 84.044, 84.047, 84.066	TRIO Cluster
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States
84.287	Twenty-first Century Community Learning Centers
84.318	Education Technology State Grants
84.338	Reading Excellence
84.363	School Leadership Grants
84.367	Improving Teacher Quality State Grants
84.369	Grants for State Assessments and Related Activities
90.100	Denali Commission Program
93.283	Center for Disease Control and Prevention: Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575, 93.596	Child Care Cluster
93.767	State Children’s Insurance Program
93.775	Medicaid Cluster
Various	Research and Development Cluster

- h) A threshold of \$7,669,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
- i) 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, 2004

Part II – Findings related to the Basic Financial Statements

Reportable Conditions

There were no reportable condition findings related to the basic financial statements.

Irregularities and Illegal Acts

There were no reportable findings relating to irregularities and illegal acts.

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 10	\$ -0-	Reportable condition
Recommendation No. 14	previously reported	Noncompliance
Recommendation No. 23	-0-	Reportable condition, Noncompliance
Recommendation No. 25	-0-	Reportable condition
USDOE		
Recommendation No. 6	-0-	Noncompliance
Recommendation No. 14	previously reported	Noncompliance
Recommendation No. 26	-0-	Noncompliance
USDHHS		
Recommendation No. 7	236,317	Noncompliance
Recommendation No. 8	60,642	Noncompliance
Recommendation No. 9	27,044	Noncompliance
Recommendation No. 10	-0-	Reportable condition
Recommendation No. 11	314,476	Noncompliance
Recommendation No. 13	-0-	Noncompliance
Recommendation No. 14	previously reported	Noncompliance
Recommendation No. 15	106,778	Material weakness, Noncompliance
Recommendation No. 16	-0-	Reportable condition, Noncompliance
Recommendation No. 17	-0-	Material weakness
Recommendation No. 18	5,505,244	Noncompliance
Recommendation No. 19	indeterminate	Reportable condition, Noncompliance
Recommendation No. 20	33,337,220	Noncompliance
Recommendation No. 21	1,155,982	Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2004

Part III – Federal Findings and Questioned Costs (continued)

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
EPA		
Recommendation No. 22	1,115,721	Reportable condition, Noncompliance
Recommendation No. 23	-0-	Reportable condition, Noncompliance
Recommendation No. 24	-0-	Noncompliance
Recommendation No. 25	-0-	Reportable condition
DC		
Recommendation No. 10	-0-	Reportable condition

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters 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, 2004, and have issued our report thereon dated April 8, 2005. That report, presented in Section I, describes our division of responsibility with other auditors. 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.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 or other matters 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. Our recommendations for these instances are identified in the Summary of Recommendation under *Other State Issues*.

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, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Pat Davidson, CPA
Legislative Auditor

April 8, 2005

Independent Auditor's Report on Compliance Requirements
Applicable to Each Major Program, Internal Control Over
Compliance, and Schedule of Expenditures of Federal Awards 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, 2004. 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. 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 those 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.

In our opinion, 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, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB 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 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 reportable 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 caused by error or fraud 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 accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described, in detail, in the preceding Recommendations and Questioned Costs section.

Schedule of Expenditures of Federal Awards

We have audited the 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, 2004, and have issued our report thereon dated April 8, 2005. That report makes reference to our reliance on the reports of other auditors as described therein. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

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, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Pat Davidson, CPA
Legislative Auditor

April 8, 2005

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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>
U.S. Agency for International Development						
DCED	02.118-G-00-00-115		USAID Alaska-Sakhalin Working Group	54,412		
UofA	2.999		Alaska Chukotka Development Project	77,599		
UofA	2.999		Alaska Chukotka Development Project	873,022	3, 10	269,328
	2.999 Total			<u>950,621</u>		
			Total U.S. Agency for International Development	<u>1,005,033</u>		
Legal Services Corporation						
COURT	09.902000		Technology Initiative Grant Program	29,345		
			Total Legal Services Corporation	<u>29,345</u>		
U.S. Department of Agriculture						
DNR	10.001		Agricultural Research: Basic and Applied Research	168,825		
UofA	10.001		Agricultural Research - Basic and Applied Research	1,355,129	3, 10	828,039
UofA	10.001		Agricultural Research - Basic and Applied Research	625,202		
	10.001 Total			<u>2,149,156</u>		
DPS	10.02CA-111001-039		Cooperative Law Enforcement Agreement	53,148		
DNR	10.025		Plant and Animal Disease, Pest Control, and Animal Care	776,775	6	
DEC	10.03-9702-0322		Homeland Security Animal Disease Emergency Response	11,766		
DEC	10.103-9702-1083		Johne's Disease	29,255		
DEC	10.12-25-A-40251		Cooperative Pesticide Recordkeeping Program	8,148	6	
DNR	10.162		Inspection Grading and Standardization	3,571		
DNR	10.163		Market Protection and Promotion	77,903		
UofA	10.200		Grants for Agricultural Research, Special Research Grants	2,492,308	3, 10	569,614
UofA	10.200		Grants for Agricultural Research, Special Research Grants	1,506,812		
	10.200 Total			<u>3,999,120</u>		
UofA	10.202		Cooperative Forestry Research	34,647		
UofA	10.206		Grants for Agricultural Research, Competitive Research Grar	4,913	3, 10	
UofA	10.206		Grants for Agricultural Research, Competitive Research Grar	263,128		30,000
UofA	10.206	35101-7859-99	Grants for Agricultural Research, Competitive Research Grants - Pass-through from University of California	16,661	3, 10	
	10.206 Total			<u>284,702</u>		
UofA	10.228		Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	962,800		
UofA	10.302	RCUH LTR JAN 1, 02	Initiative for Future Agriculture and Food Systems - Pass-through from University of Hawaii	40,254		
UofA	10.303		Integrated Programs	112,657	3, 10	
UofA	10.303		Integrated Programs	6,434		
UofA	10.303	K009607-AK	Integrated Programs - Pass-through from Cornell University	3,613	3, 10	
UofA	10.303	2002-51110-01510	Integrated Programs - Pass-through from University of California Davis	2,971		
UofA	10.303	various	Integrated Programs - Pass-through from University of Idaho	79,835		
	10.303 Total			<u>205,510</u>		
UofA	10.304	K007797-02	Integrated Programs - Pass-through from University of California, Davis	19,900	3, 10	
AHFC	10.410		Very Low to Moderate Income Housing Loans	130,814		
DEC	10.43-0109-3-0325		Regulatory oversight of Contaminated Sites cleanup	31,913	6	
UofA	10.500		Cooperative Extension Service	173,579	3, 10	
UofA	10.500		Cooperative Extension Service	1,838,519		178,581
UofA	10.500	WSU-WE-TAA-SAL	Cooperative Extension Service - Pass-through from National 4H Council	4,652		

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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	10.500	SUB-GRANT 03/03/03	Cooperative Extension Service - Pass-through from Oregon State University	200		
UofA	10.500	ESPN00200	Cooperative Extension Service - Pass-through from University of Wyoming	2,143		
UofA	10.500	UTSTUNV6160:6128 STATE	Cooperative Extension Service - Pass-through from Washington State University	387,091		
10.500 Total				2,406,184		
DEED	10.550		Food Donation	3,005,404	15	3,005,404
DHSS	10.551		Food Stamps	63,246,210	7, 10	-
DEED	10.553		School Breakfast Program	3,858,273	3, 10	3,842,453
DEED	10.555		National School Lunch Program	19,851,170	3, 10	19,851,170
DEED	10.556		Special Milk Program for Children	7,083	3, 10	7,083
DHSS	10.557		Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	21,493,936	3, 8	5,194,788
DEED	10.558		Child and Adult Care Food Program	6,979,342		6,902,292
DEED	10.559		Summer Food Service Program for Children	413,221	3, 10	376,322
DEED	10.560		State Administrative Expenses for Child Nutrition	441,962		
DHSS	10.561		State Administrative Matching Grants for Food Stamp Program	8,082,328	10	-
DEED	10.568		Emergency Food Assistance Program (Administrative Costs)	148,911	10	147,210
DHSS	10.570		Nutrition Services Incentive	369,083		-
DEED	10.574		Team Nutrition Grants	125,234		53,463
ASMI	10.601		Market Access Program	2,909,596		-
UofA	10.652		Forestry Research	27,530	3, 10	
UofA	10.652		Forestry Research	(725)		
10.652 Total				26,805		
DCED	10.664		Cooperative Forestry Assistance	125,384		90,022
DNR	10.664		Cooperative Forestry Assistance	3,115,422	6	
UofA	10.664		Cooperative Forestry Assistance	77,460	3, 10	
UofA	10.664		Cooperative Forestry Assistance	3,736		
10.664 Total				3,322,002		
DCED	10.665		Schools and Roads: Grants to States	8,717,170	10	8,717,170
DOTPF	10.665		Schools and Roads: Grants to States	170,000	10	
10.665 Total				8,887,170		
DCED	10.672		Rural Development, Forestry, and Communities	16,050		16,050
DNR	10.676		Forest Legacy	1,639		
DEC	10.760		Water and Waste Disposal Systems for Rural Communities	2,991,777	3	276,844
UofA	10.769		Rural Business Enterprise Grants	98,705		
UofA	10.769	various	Rural Business Enterprise Grants - Pass-through from Alaska One - HUD Grant	40,525		
10.769 Total				139,230		
AEA	10.857	USDA-RURAL UTILITY SYSTEMS	State Bulk Fuel Revolving Fund Grants	1,640,590		
UofA	10.901		Resource Conservation and Development	(5,315)	3, 10	
DNR	10.905		Plant Materials for Conservation	605,012	6	
ASMI	10.999	agreement #1	Quality Samples Program (QSP)	20,371		-
ASMI	10.999	agreement #67	Section 108 Program	328,043		-
DFG	10.999		Miscellaneous Animal and Plant Health Inspection Service	29,000		
DFG	10.999		Miscellaneous U.S. Forest Service	1,088,543		
DOTPF	10.999	PO 43-0109-3-0356	Acquisition of right of way on section of Coffman Cove Rd costs reimb by USDA AK DOT Pj # 68690	32,237		
UofA	10.999		Miscellaneous	324,829	3, 10	

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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	10.999		Miscellaneous	960,421		
UofA	10.999	RBS-03	Miscellaneous - Pass-through from Alaska One - HUD Grant	17,084		
UofA	10.999	43-3AEK-4-80042	Miscellaneous - Pass-through from Alaska Public Broadcasting Service, Inc.	6,544		
UofA	10.999	MOA DATED 11/26/02	Miscellaneous - Pass-through from The Denali Commission	37,157		
UofA	10.999	LETTER 1/9/03	Miscellaneous - Pass-through from The Oceanic Institute	(8)	3, 10	
10.999 Total				2,844,221		
DNR	10.L83008		Calendar Year 2001 Fire Suppression	9,516		
DNR	10.L83008		Calendar Year 2002 Fire Suppression	-	6	
DNR	10.L83008		Calendar Year 2003 Fire Suppression	4,525,411	6	
DNR	10.L83008		Calendar Year 2004 Fire Suppression	7,840		
DNR	10.L83008		CY 04 Miscellaneous Fire Billings	1,148		
10.L83008 Total				4,543,915		
DNR	10.Other		Agricultural Economic Assistance	50,383		
DNR	10.Other		Calendar Year 2003 Misc Fire Billings	44,400		
10.Other Total				94,783		
Total U.S. Department of Agriculture				167,265,198		
U.S. Department of Commerce						
DPS	11.02 & 03-NMFS-JEA		National Marine Fisheries Joint Enforcement Agreement	546,864		
UofA	11.303		Economic Development - Technical Assistance	26,871	3, 10	
DCED	11.307		Economic Adjustment Assistance	55,270	10	87,172
UofA	11.307		Economic Adjustment Assistance	(42,979)	10	
11.307 Total				12,291		
ASMI	11.313		Trade Adjustment Assistance	947,491		-
DFG	11.405		Anadromous Fish Conservation Act Program	345,513		
DFG	11.407		Interjurisdictional Fisheries Act of 1986	144,958		
DFG	11.417		Sea Grant Support	58,756		
UofA	11.417		Sea Grant Support	14,202	3, 10	
UofA	11.417		Sea Grant Support	2,167,181		95,257
11.417 Total				2,240,139		
DCED	11.419		Coastal Zone Management Administration Awards	2,966,539		2,709,397
DMVA	11.419		Coastal Zone Management Administration Awards	15,550		
DNR	11.419		Coastal Zone Management Administration Awards	1,158,701	6	99,336
OG	11.419		Coastal Zone Management Administration Awards	399,191		
11.419 Total				4,539,981		
DFG	11.420		Coastal Zone Management Estuarine Research Reserves	540,305		
UofA	11.420		Coastal Zone Management Estuarine Research Reserves	(2,464)	3, 10	
11.420 Total				537,841		
UofA	11.427		Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	55,330	3, 10	
UofA	11.430		Undersea Research	2,346,421	3, 10	938,277
UofA	11.432		Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,326,107	3, 10	663,434
UofA	11.433	2003-5-5 CML	Marine Fisheries Initiative - Pass-through from the Sloan Foundation	13,647		
DFG	11.437		Pacific Fisheries Data Program	4,142,531		142,170
DCED	11.438		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	1,708,150		1,705,733
DFG	11.438		Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	17,533,931	4	108,206
11.438 Total				19,242,081		

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DFG	11.439		Marine Mammal Data Program	2,793,155		17,951
UofA	11.439		Marine Mammal Data Program	1,410,431	3, 10	
UofA	11.439		Marine Mammal Data Program	31,598		
UofA	11.439	NOAA NO. NA16FX1419	Marine Mammal Data Program - Pass-through from Aleutians East Borough - ANC	26,981	3, 10	
UofA	11.439	NA03NMF4390465	Marine Mammal Data Program - Pass-through from North Pacific Marine Science Foundation	16,630	3, 10	
UofA	11.439	1435-01-98-CA-30909 TASK15180	Marine Mammal Data Program - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	91,996	3, 10	
11.439 Total				4,370,791		
UofA	11.444		Hawaii Sustainable Fisheries Development (Aquaculture Program)	(57)	3, 10	
DEC	11.45ABNA0N0252		Miscellaneous Inspection Service	20,881		
DCED	11.452		Unallied Industry Projects	10,720,507	3	9,915,583
DLWD	11.452		Unallied Industry Projects	4,418,654	3	
OG	11.452		Unallied Industry Projects	112,322	3	
UofA	11.452	Check # 1034	Unallied Industry Projects - Pass-through from Alaska Food Group	2,104	3, 10	
11.452 Total				15,253,587		
DFG	11.454		Unallied Management Projects	105,585		
UofA	11.460		Special Oceanic and Atmospheric Projects	156,081	3, 10	23,935
DFG	11.463		Habitat Conservation	63,965		
UofA	11.472	PNOTH239	Unallied Science Program - Pass-through from North Pacific Research Board	278,032	3, 10	31,061
UofA	11.472	PNOTH239	Unallied Science Program - Pass-through from North Pacific Research Board	18,967		
UofA	11.472	PNOTH063	Unallied Science Program - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	91,143	3, 10	
11.472 Total				388,142		
DFG	11.473		Coastal Services Center	72,923		
UofA	11.473		Coastal Services Center	7,126	3, 10	
UofA	11.473	NA03NOS4730024	Coastal Services Center - Pass-through from Alaska Ocean Observing System	41,655		
11.473 Total				121,704		
DCED	11.477		Fisheries Disaster Relief	1,897,031		1,841,365
DFG	11.477		Fisheries Disaster Relief	1,044,690		
11.477 Total				2,941,721		
UofA	11.478		Center for Sponsored Coastal Ocean Research - Coastal Oc	17,450	3, 10	
UofA	11.480		National Ocean Service Intern Program	17,746		
UofA	11.480	NA16RG1724	National Ocean Service Intern Program - Pass-through from	1,447	3, 10	
11.480 Total				19,193		
DEC	11.50ABNC100055		Regulatory Oversight, Pribilof Islands, Alaska	37,779		
UofA	11.550		Public Telecommunications Facilities Planning and Construct	687,462	3	
UofA	11.552		Technology Opportunities Program	315,909	3	
DFG	11.999		Miscellaneous NOAA	2,948,697		
DOTPF	11.999	Lease of space no Fed Agreement #	Space leased by National Weather Service at DOTPF facility in Slana & Ernestine	1,858		
UofA	11.999	various	Miscellaneous	275,004	3, 10	28,545
UofA	11.999		Miscellaneous	47,847		
UofA	11.999	R1742-01	Miscellaneous - Pass-through from AFD	685	3, 10	

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UofA	11.999	40ABNA001534	Miscellaneous - Pass-through from Consortium for Oceanographic Research & Education	18,891		
UofA	11.999	HA133F-04-SE-0010	Miscellaneous - Pass-through from LGL Alaska Research Associates Inc.	14,799	3, 10	
UofA	11.999	various	Miscellaneous - Pass-through from North Pacific Marine Science Foundation	1,696	3, 10	
UofA	11.999	various	Miscellaneous - Pass-through from North Pacific Research Board	173,235	3, 10	
UofA	11.999	R1991-02	Miscellaneous - Pass-through from Pacific Aquaculture Caucus	1,963	3, 10	
UofA	11.999	various	Miscellaneous - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	67,295	3, 10	
UofA	11.999	R0327	Miscellaneous - Pass-through from Technology Planning & Management Corporation	(226)	3, 10	
UofA	11.999	40ABNA001534	Miscellaneous - Pass-through from The Denali Commission	141,054		
UofA	11.999	50ABNF900008	Miscellaneous - Pass-through from University of British Columbia	2,475	3, 10	
11.999 Total				3,695,273		
DEC	11.NA16AB2392		DEC VSW Grants to St. Paul and St. George Islands for construction	950,000		950,000
Total U.S. Department of Commerce				67,613,532		
U.S. Department of Defense						
UofA	12.002		Procurement Technical Assistance for Business Firms	337,388		
UofA	12.101		Beach Erosion Control Projects	12,843	3, 10	
DEC	12.113		State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,923,762	6	
UofA	12.114	UM02-09-029 ASSUMPT	Collaborative Research and Development - Pass-through from University of Mississippi	408,368	3, 10	
UofA	12.114	UAF-03-01	Collaborative Research and Development - Pass-through from Chenega Technology Services Corporation	60,501		
12.114 Total				468,869		
UofA	12.300		Basic and Applied Scientific Research	6,411,053	3, 10	
UofA	12.300		Basic and Applied Scientific Research	60,087		
UofA	12.300	885010	Basic and Applied Scientific Research - Pass-through from Consortium for Oceanographic Research & Education	(520)		
UofA	12.300	various	Basic and Applied Scientific Research - Pass-through from John Hopkins University	1,253,004	3, 10	
12.300 Total				7,723,624		
AADC	12.400	DAHA51-99-2-3038	Military Construction, National Guard	12,667,003	3	
DMVA	12.400		Military Construction, National Guard	2,442,766	3	
UofA	12.400	DAHA51-98-2-3039	Military Construction, National Guard	-	3, 10	
12.400 Total				15,109,769		
DMVA	12.401		National Guard Military Operations and Maintenance (O&M) Projects	11,719,419		
DMVA	12.404		National Guard Civilian Youth Opportunities	2,742,693		
UofA	12.420		Military Medical Research and Development	666,052	3, 10	282,843
UofA	12.420		Military Medical Research and Development	28,179		
12.420 Total				694,231		
UofA	12.431		Basic Scientific Research	797		
UofA	12.630		Basic, Applied, and Advanced Research in Science and Engineering	66,431	3, 10	

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AEA	12.999	US AIRFORCE MOU	Nikolski Powerhouse Clean-up	21,242		
ARRC	12.999	DTFRDV-99-G-60016	Track Realignment - Elmendorf Air Force Base and Ft. Richa	372,174	3, 9	
ARRC	12.999	DTFRDV-00-G-60025	Track Realignment - Elmendorf Air Force Base 2000 (pass-tf	18,944	3, 9	
ARRC	12.999	DTFRDV-01-G-60031	Track Realignment - Elmendorf Air Force Base and Ft. Richa	860,425	3, 9	
ARRC	12.999	DTFRDV-02-G-60035	Track Realignment - Elmendorf Air Force Base and Ft. Richa	4,316,333	3, 9	
ARRC	12.999	DTFRDV-03-G-60039	Track Realignment - Elmendorf Air Force Base and Ft. Richa	6,112,922	3, 9	
DCED	12.999		Delta Junction Missile Defense Test Bed Facilities Impact			
				6,508,714		6,471,501
DEED	12.999		Troops to Teachers	140,068		
DFG	12.999		Miscellaneous Army	91,737		
DNR	12.999		Stewart River Revegetation	4,054		
DOTPF	12.999	N6871104MDC4010	Funding from US Navy for Adak Airport Operations	554,821		
UofA	12.999		Miscellaneous	3,823,138	3, 10	47,691
UofA	12.999		Miscellaneous	18,705		
UofA	12.999	872597 ASSUMPT	Miscellaneous - Pass-through from Calspan - UB Research Center, Inc.	17,769	3, 10	
UofA	12.999	various				
			Miscellaneous - Pass-through from John Hopkins University	1,664,918	3, 10	
UofA	12.999	885205	Miscellaneous - Pass-through from New Mexico State University	199,492	3, 10	
UofA	12.999	872597 ASSUMPT	Miscellaneous - Pass-through from Oklahoma State University	131,343		
UofA	12.999	various				
			Miscellaneous - Pass-through from University of Michigan	340,134	3, 10	
		12.999 Total		25,196,933		
DOTPF	12.F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	358,473		
DOTPF	12.F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	381,454		
DMVA	12.Other		Various Programs	80,213		
DEC	12.USAF	Elmendorf Site cleanup	USAF Elmendorf Site Cleanup	19,448	6	
		Total U.S. Department of Defense		66,836,347		
		U.S. Department of Housing and Urban Development				
AHFC	14.117		Mortgage Insurance: Homes	2,691,281	3	
AHFC	14.182		Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	1,973,846	10	
AHFC	14.195		Section 8 Housing Assistance Payments Program: Special Allocations	6,003,467	10	6,003,467
AHFC	14.227		Community Development Block Grants/Special Purpose Grants/Technical Assistance Program	65,614		
DLWD	14.227		Community Development Block Grants/Technical Assistance Programs	33,837		
		14.227 Total		99,451		
DCED	14.228		Community Development Block Grants/State's Program	3,011,443		2,879,533
DCED	14.231		Emergency Shelter Grants Program	112,000		112,000
AHFC	14.235		Supportive Housing Program	20,287		
AHFC	14.238		Shelter Plus Care	213,830		213,830
AHFC	14.239		HOME Investment Partnerships Program	2,452,044	3	2,284,597
AHFC	14.241		Housing Opportunities for Persons with Aids	394,307		392,558
UofA	14.243	2-298 SUB-GRANT	Opportunities for Youth - Youthbuild Program - Pass-through from National Youth Sports Program	2,421		
UofA	14.246		Community Development Block Grants / Brownfields Economic Development Initiative	729,511		
AHFC	14.249		Section 8 Moderate Rehabilitation Single Room Occupancy	305,967	10	249,310
UofA	14.511		Community Outreach Partnership Center Program	(208)		
UofA	14.515		Alaska Native / Native Hawaiian Institutions Assisting Communities	388,792		29,324

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AHFC	14.850		Public and Indian Housing	7,431,634	3	
AHFC	14.854		Public and Indian Housing Drug Elimination Program	35,287		
AHFC	14.855		Section 8 Rental Voucher Program	26,812,441		
AHFC	14.870		Resident Opportunity and Supportive Services	40,128		
AHFC	14.872		Public Housing Capital Fund	3,240,054		
UofA	14.872	AHFC/UAA-EOC 2004.1	Public Housing Capital Fund - Pass-through from Alaska Housing Finance Corporation	34,102		
		14.872 Total		3,274,156		
AHFC	14.901		Healthy Homes Demonstration Grants	253,229		250,474
UofA	14.901	various	Healthy Homes Demonstration Grants - Pass-through from Alaska Housing Finance Corporation	61,528	3, 10	
		14.901 Total		314,757		
UofA	14.999		Miscellaneous	83,362		
		Total U.S. Department of Housing and Urban Development		56,390,204		
U.S. Department of the Interior						
UofA	15.034		Agriculture on Indian Lands	15,657	3, 10	
UofA	15.034		Agriculture on Indian Lands	15,374		
		15.034 Total		31,031		
DNR	15.1422L953A98-0009		Development of an Electronic Access for Digital Mineral and Land Records	89,500		
UofA	15.221		Denali Biotic Communities	477	3, 10	
DFG	15.222		Cooperative Inspection Agreements With States and Tribes	48,267		
DNR	15.222		Cooperative Inspection Agreements with States and Tribes	452,470	6	
UofA	15.222		Cooperative Inspection Agreements with States and Tribes	961		
		15.222 Total		501,698		
DNR	15.224		Cultural Resource Management	141,893		
UofA	15.224		Cultural Resource Management	11,694	3, 10	
UofA	15.224		Cultural Resource Management	4,875		
		15.224 Total		158,462		
DCED	15.226		Payments to States in Lieu of Real Estate Taxes	5,858,416		5,858,416
DNR	15.228		Wildland Urban Interface Community & Rural Fire Assistance	327		
DNR	15.250		Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	184,220	6	
DNR	15.252		Abandoned Mine Land Reclamation (AMLR) Program	1,463,556	6	
DFG	15.605		Sport Fish Restoration	13,975,025	6, 10	2,016,983
DFG	15.608		Fish and Wildlife Management Assistance	337,956		
UofA	15.608		Fish and Wildlife Management Assistance	40,215	3, 10	
		15.608 Total		378,171		
DFG	15.611		Wildlife Restoration	8,648,916	6, 10	
DFG	15.614		Coastal Wetlands Planning, Protection and Restoration Act	834		
DFG	15.615		Cooperative Endangered Species Conservation Fund	162,573		
DFG	15.616		Clean Vessel Act	8,194		
DFG	15.622		Sportfishing and Boating Safety Act	52,704		52,704
DFG	15.625		Wildlife Conservation and Restoration	707,114	6	
DFG	15.626		Hunter Education and Safety Program	53,749	6	
UofA	15.630		Coastal Program	32,225	3, 10	
DOTPF	15.631	70181-3-G206	Partners for Fish and Wildlife	70,000		
DFG	15.633		Landowner Incentive	50,236	6	

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DFG	15.634		State Wildlife Grants	1,972,715	6	
DNR	15.701813M757		Togiak Refuge Maps	7,618		
DNR	15.7018M176		Comprehensive Conservation Plans	15,836		
DNR	15.745003M194		AK Maritime Refuge Maps	4,897		
UofA	15.805					
			Assistance to State Water Resources Research Institutes	102,428	3, 10	
UofA	15.806		Walrus Specimens Database	5,000		
UofA	15.807		Earthquake Hazards Reduction Program	910,134	3, 10	
DFG	15.808					
			U.S. Geological Survey: Research and Data Acquisition	25,969	6	
DNR	15.808		U.S. Geological Survey: Research and Data Collection	1,448,449	6	
UofA	15.808		US Geological Survey - Research and Data Collection	3,108,431	3, 10	25,211
	15.808 Total			4,582,849		
DNR	15.810		National Cooperative Geologic Mapping Program	486,495	6	
UofA	15.812		Cooperative Research Units Program	16,419	3, 10	
UofA	15.900		NPS Glac. Bay Seals Monitoring FY02	69,248	3, 10	
UofA	15.900		NPS Glac. Bay Seals Monitoring FY02	11,315		
	15.900 Total			80,563		
DNR	15.904		Historic Preservation Fund Grants-In-Aid	985,951	6	
UofA	15.904		Historic Preservation Fund Grants-in-Aid	6		
	15.904 Total			985,957		
UofA	15.915		Technical Preservation Services	(184)	3, 10	
DNR	15.916					
			Outdoor Recreation: Acquisition, Development and Planning	2,165	6	
UofA	15.922					
			Native American Graves Protection and Repatriation Act	(2,445)		
DNR	15.9911040018		NPS Planning Assistance	2,024		
ARRC	15.999	H.R. 4578	U.S. Department of Interior	249,273	9	
DFG	15.999		Miscellaneous Bureau of Land Management	364,625		
DFG	15.999		Miscellaneous National Park Service	158,659		
DFG	15.999		Miscellaneous U.S. Fish and Wildlife Service	3,727,456		
DOTPF	15.999		Bridge Design - Selected Alaska Communities AK DOT Pj#74975	85,051		
UofA	15.999		Miscellaneous	2,130,840	3, 10	15,276
UofA	15.999		Miscellaneous	1,205,008		
UofA	15.999	PENDING	Miscellaneous - Pass-through from Anchorage Fire Department	19,717	3, 10	
UofA	15.999	H99110030024	Miscellaneous - Pass-through from Assoc Village Council Presidents	27,232		
UofA	15.999	9815-1001-NZI / J9910324401	Miscellaneous - Pass-through from C & C Technologies	10,858	3, 10	
UofA	15.999	0102CA85294	Miscellaneous - Pass-through from MBC Applied Environmental Sciences	5,197		
UofA	15.999		Miscellaneous - Pass-through from National Fish & Wildlife Foundation	10,294	3, 10	
UofA	15.999	LAA035001	Miscellaneous - Pass-through from Ounalashka Corporation	(524)	3, 10	
UofA	15.999	H9840040073	Miscellaneous - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	8,844	3, 10	
UofA	15.999	1434-HQ-97-RU-01582, RWO 140	Miscellaneous - Pass-through from University of Washington	(727)	3, 10	
	15.999 Total			8,001,803		
DNR	15.AAN	H9915040004	NPS Fire Program Analysis	4,634		
DNR	15.CA-02-02-06		Independence Mine	680,074		
DNR	15.CA9910-8-0050/99-01		Denali National Park Interpretative Services	5,000		

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DNR	15.DDD	LAA-02-0005	Cadastral Project	293,093	6	
UofA	15.DDD		AK Resource Library Info Svc ARLIS	381,342		
	15.DDD Total			674,435		
ARRC	15.FFA	DCN 70181-3-G236	U.S. Department of Fish and Wildlife Services	9,623	9	
DNR	15.FFB	701812G173	Davidson Ditch Land	6,040		
DNR	15.H9910030005		Stampede Road Alignment	53,179		
DNR	15.H9913020017		Iditarod Trail Improvements	9,426		
DNR	15.L300CA9301		Calendar Year 2004 Fire Suppression	793,113		
DNR	15.L300CA9301		Calendar Year 2003 Fire Suppression	(126,833)		
DNR	15.L300CA9301		CY04 Miscellaneous Fire Billings	1,403		
	15.L300CA9301 Total			667,683		
DNR	15.Other	LBA022158	BLM Vibroseis	2,415		
DNR	15.Other		Onshore Compliance	60,772	6	
DNR	15.Other	0204CA25505	Survey GIS Coverage	147		
	15.Other Total			63,334		
			Total U.S. Department of the Interior	51,775,130		
			U.S. Department of Justice			
DPS	16.03-02 & 04-02		Marijuana Eradication	80,579		
DHSS	16.202		Offender Reentry Program	141,728		118,284
DHSS	16.523		Juvenile Accountability Incentive Block Grants	513,105		-
DPS	16.527		Supervised Visitation, Safe Havens for Children	84,059		77,316
DHSS	16.540		Juvenile Justice and Delinquency Prevention: Allocation to States	390,261		143,491
COURT	16.541		Juvenile Justice and Delinquency Prevention: Special Emphasis	12,559		
DHSS	16.541		Developing, Testing and Demonstrating Promising New Programs	405,659		277,461
DOA	16.541	OPA	Developing, Testing and Demonstrating Promising New Programs	48,601		
	16.541 Total			466,819		
DHSS	16.548		Title V: Delinquency Prevention Program	57,617		56,091
DHSS	16.549		Part E: State Challenge Activities	87,606		-
UofA	16.550		State Justice Statistics Program for Statistical Analysis Centers	69,274	3, 10	
DPS	16.554		National Criminal History Improvement Program (NCHIP)	940,656		
COURT	16.560		Anchorage Wellness Court Subaward	-		
UofA	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	157,367	3, 10	36,970
	16.560 Total			157,367		
DPS	16.564		Crime Laboratory Improvement: Combined Offender DNA Index System Backlog Reduction	237,048		
UofA	16.565	SUBCONTRACT NIOJ 2003-45	Executive Office for Weed and Seed - Pass-through from University of Oklahoma	6,425	3, 10	
DPS	16.575		Crime Victim Assistance	2,348,702		2,286,180
DOA	16.576	VCCB	Crime Victim Compensation	367,670		
DPS	16.579		Byrne Formula Grant Program	2,325,937		542,086
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	3,423,602		
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,240,306		

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16.580 Total				4,663,908		
COURT	16.585		Drug Court Discretionary Grant Program	20,701		
DOTPF	16.585		Drug Court Discretionary Grant Program	113,991		
16.585 Total				134,692		
DPS	16.588		Violence Against Women Formula Grants	624,423		223,477
DPS	16.589		Rural Domestic Violence and Child Victimization Enforcement Grant Program	663,654		646,381
COURT	16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	100,247		
DPS	16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	183,738		120,302
16.590 Total				283,985		
DPS	16.592		Local Law Enforcement Block Grants Program	276,219		
DPS	16.593		Residential Substance Abuse Treatment for State Prisoners	213,280		
UofA	16.595	2001-WS-QX-066 SUBCONTRACT	Executive Office for Weed and Seed - Pass-through from East Anchorage Weed & Seed Initiative	47,814	3, 10	
DPS	16.609		Community Prosecution and Project Safe Neighborhoods	20,208		
UofA	16.609		Community Prosecution and Project Safe Neighborhoods	58,305	3, 10	
16.609 Total				78,513		
DOA	16.710	ETS	Public Safety Partnership and Community Policing Grants	2,061,923		
DPS	16.710		Public Safety Partnership and Community Policing Grants	1,629,588		411,308
UofA	16.710		Public Safety Partnership and Community Policing Grants	(90)		
16.710 Total				3,691,421		
DHSS	16.727		Enforcing Underage Drinking Laws Program	281,215		362,505
DHSS	16.729		Drug-Free Communities Support Program Grants	1,098,910		1,376,220
DPS	16.729		Drug Prevention Program	146,123		
16.729 Total				1,245,033		
DOC	16.999	2002-RE-CX-0014	Serious and Violent Offender Reentry Initiative	223,430		
DOC	16.999	2002-RG-CX-0012	Offender Tracking System	176,248		
UofA	16.999		Miscellaneous	794		
UofA	16.999	SHARE LETTERS	Miscellaneous - Pass-through from National Opinion Research Center	35,533	3, 10	
16.999 Total				436,005		
DMVA	16.A98-229-CV		Counterdrug Support Program-Asset Forfeiture	121,048		
COURT	16.SJI-03-E-110		Judicial Education on Substance Abuse	20,000		
COURT	16.SJI-03-N-007		The Solutions Project	4,156		
COURT	16.SJI-04-T-040		Technical Assistance to Improve Public Access to Court Records	10,322		
Total U.S. Department of Justice				21,070,541		
U.S. Department of Labor						
DLWD	17.002		Labor Force Statistics	1,013,614	6	
DLWD	17.005		Compensation and Working Conditions	90,496	6	
DLWD	17.203		Labor Certification for Alien Workers	75,865	6	
DLWD	17.207		Employment Service	7,805,105	3, 6, 10	
DLWD	17.225		Unemployment Insurance	207,766,079	6, 11	
DHSS	17.235		Senior Community Service Employment Program	1,412,905		1,446,359

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DLWD	17.245		Trade Adjustment Assistance: Workers	647,475	6	
DEED	17.249		School to Work	79,012		79,012
DLWD	17.257		One Stop Career Center Initiative	83,052		4,182
DLWD	17.258		WIA Adult Program	3,826,738	3, 6, 10	555,363
DLWD	17.259		WIA Youth Activities	3,688,601	3, 6, 10	2,038,427
DLWD	17.260		WIA Dislocated Workers	8,507,327	3, 6, 10	2,311,949
UofA	17.260		WIA Dislocated Workers	586,021	10	
			17.260 Total	9,093,348		
DLWD	17.261		Employment and Training Administration Pilots, Demonstrations, and Research Projects	384,821	6	
UofA	17.261		Employment and Training Administration Pilots, Demonstrations, and Research Projects	1,859,765		84,078
			17.261 Total	2,244,586		
DLWD	17.503		Occupational Safety and Health: State Program	1,206,043	6	
DLWD	17.504		Consultation Agreements	629,603	6	
UofA	17.600		Mine Health and Safety Grants	42,974		
DLWD	17.720		Employment Programs for People with Disabilities	797,262	6	
DLWD	17.801		Disabled Veterans' Outreach Program (DVOP)	218,525	3, 6, 10	
DLWD	17.804		Local Veterans' Employment Representative Program	423,475	3, 6, 10	
UofA	17.999	SF02-14B	Miscellaneous - Pass-through from IHI Environmental	5,741	3, 10	
			Total U.S. Department of Labor	241,150,499		
			U.S. Department of State			
UofA	19.402		International Visitors Program	119,806		
DHSS	19.S-LMAQM-01-M4627		Arctic Human Health and Environmental Contaminants	16,142		
			Total U.S. Department of State	135,948		
			U.S. Department of Transportation			
DNR	20.106		Airport Improvement Program	70		
DOTPF	20.106		Airport Improvement Program	134,162,771	6, 19	43,603
			20.106 Total	134,162,841		
UofA	20.108		Aviation Research Grants	10,530	3, 10	
UofA	20.108		Aviation Research Grants	97,725		
UofA	20.108	AGREEMENT NO. 01-G-017	Aviation Research Grants - Pass-through from Embry-Riddle Aeronautical University	12,609	3, 10	
UofA	20.108	2001-G-021	Aviation Research Grants - Pass-through from Embry-Riddle Aeronautical University	6,303		
			20.108 Total	127,167		
AIDEA	20.205	Ketchikan Shipyard Dev	Highway Planning and Construction	75,949	10	
DNR	20.205		Highway Planning and Construction	17,416	3, 10	
DOTPF	20.205		Highway Planning and Construction	376,941,134	3, 6, 10, 11	3,146,233
			20.205 Total	377,034,499		
UofA	20.215	03-447552-NSTI-UAA-AK P304115	Highway Training and Education - Pass-through from South Carolina State University	32,447		
DOA	20.217	DMV	Motor Carrier Safety	500,440		
DOTPF	20.218		National Motor Carrier Safety	839,872		9,035
DNR	20.219		Recreational Trails Program	607,302		
ARRC	20.500		Federal Transit: Capital Investment Grants	14,701,449	9, 10	
DOTPF	20.500		Federal Transit: Capital Investment Grants	7,412,518	10	
ARRC	20.507		Federal Transit: Formula Grants	6,938,054	9, 10	
DOTPF	20.509		Formula Grants for Other Than Urbanized Areas	1,671,083		1,265,102
DOTPF	20.513		Capital Assistance Program for Elderly Persons and Persons with Disabilities	635,385		688,967
DOTPF	20.515		State Planning and Research	158,121		152,124
DOTPF	20.600		State and Community Highway Safety	153,362	6, 10	19,160
DOTPF	20.601		Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	765,369	6, 10	567,499

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DOTPF	20.602		Occupant Protection	643,662	6, 10	118,908
DOTPF	20.603		Federal Highway Safety Data Improvements Incentive Grants	140,420	6, 10	
DOTPF	20.604		Safety Incentive Grants for Use of Seatbelts	96,686	6, 10	493,928
DOTPF	20.605		Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	1,720,983	6, 10	357,545
DMVA	20.703		Interagency Hazardous Materials Public Sector Training and Planning Grants	96,055		
ARRC	20.999	DTFRDV-00-G-60022	Seward Dock Intermodal Project – 2000	4,091	9	
ARRC	20.999	DTFRDV-01-G-60029	Seward Dock Intermodal Project – 2001	106,095	9	
ARRC	20.999	DTFRDV-99-G-60001	Capital Rehabilitation and Improvements – 1999	15,615	3, 9	
ARRC	20.999	DTFRDV-99-G-60004	Positive Train Control – 1999	1,246,366	3, 9	
ARRC	20.999	DTFRDV-99-G-60005	Anchorage International Airport Rail Passenger Station – 1999	858,749	3, 9	
ARRC	20.999	DTFRDV-00-G-60021	Capital Rehabilitation and Improvements – 2000	137,962	3, 9	
ARRC	20.999	DTFRDV-00-G-60028	Positive Train Control – 2000	730,525	3, 9	
ARRC	20.999	DTFRDV-01-G-60030	Track Rehab, Siding Access Improv. and Track Relocation – 2000	1,507,187	3, 9	
ARRC	20.999	DTFRDV-02-G-60032	Rail Safety and Infrastructure Improvements – 2002	3,724,190	3, 9	
ARRC	20.999	DTFRDV-03-G-60040	Rail Safety and Infrastructure Improvements – 2003	12,877,617	3, 9	
ARRC	20.999	DTFRDV-03-G-60015	Seward Loading Facility – 2003	7,941,146	3, 9	
ARRC	20.999	DTFRDV-03-G-60016	Grade Crossing Safety Improvements & Noise Reduction - 2003	655	3, 9	
UofA	20.999		Miscellaneous	10,000		
UofA	20.999	2303 P00020013	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	(657)	3, 10	
UofA	20.999	RSA 2533441	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	18,263		
20.999 Total				29,177,804		
DOTPF	20 DTFA-03-X-02057		Rural Airport Lighting install at various airports	1,636,125		
DOTPF	20 DTFA-0402P-44814		FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	69,144		
DOTPF	20 DTFA-AAL03P-45013		FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	55,397		
DOTPF	20 DTFAWA-02-X-44090		Runway End Identifier Lighting (REIL) at various airports	59,517		
DOTPF	20 DTFAWA-03-X-02009		FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	1,193,225		
DOTPF	20.DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	10,969		
DOTPF	20.DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	34,926		
DEC	20.DTFAAL-04-X-0000		Clean up contaminated Sites in Alaska	3,068	6	
DOTPF	20.PO 00200031-000		FHWA Alaska Division for FY 01 ITS Service Plan - Purchase Order	8,935		
DOTPF	20-00-A-17-0049& 02-A-17-0063		Projects contracted by Western Federal Lands Division	647,264		
Total U.S. Department of Transportation				581,334,089		
U.S. Department of Treasury						
ARRC	21.999	None	Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	4,459,547	9	
DCED	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	17,887,994	3	17,707,994
DEED	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	35,145	3	
DHSS	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	10,025,583	3	
DOA	21.999	APOC	Electronic Filing of Public Official & Legislative Financial Disclosure	17,182	3	
DOC	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	185,000	3	

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DOR	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	200,000	3	
DOTPF	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	661,600	3, 6	
DPS	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	11,008	3	
21.999 Total				33,483,059		
Total U.S. Department of Treasury				33,483,059		
U.S. Equal Employment Opportunity Commission						
OG	30.002		Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	151,816		
Total U.S. Equal Employment Opportunity Commission				151,816		
U.S. General Services Agency						
DOA	39.003	GS	Donation of Federal Surplus Personal Property	1,341,761	14	
UofA	39.009		Federal Citizen Information Center	10,308,282	3, 10	
UofA	39.009		Federal Citizen Information Center	164,366		
39.009 Total				10,472,648		
OG	39.011		Election Reform Payments	510,606		
Total U.S. General Services Agency				12,325,015		
Library of Congress						
UofA	42.005		Library of Congress Publications	15		
Total Library of Congress				15		
National Aeronautics and Space Administration						
UofA	43.001		Aerospace Education Services Program	509,140	3, 10	34,199
UofA	43.001	NAG5-12411	Aerospace Education Services Program - Pass-through from Arizona State University	41,494	3, 10	
UofA	43.001	NAG5-12449	Aerospace Education Services Program - Pass-through from JPL	32,567	3, 10	
UofA	43.001	NAG5-12411	Aerospace Education Services Program - Pass-through from University of Washington	7,600	3, 10	
43.001 Total				590,801		
UofA	43.002		Technology Transfer	362	3, 10	
UofA	43.999		Miscellaneous	10,524,780	3, 10	181,115
UofA	43.999	NAG5-13760	Miscellaneous - Pass-through from Hampton University	125,249	3, 10	
UofA	43.999	NAG5-12914	Miscellaneous - Pass-through from University of California Berkeley	19,797	3, 10	
UofA	43.999	various	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	539,517	3, 10	
UofA	43.999	NNGO4HZ03C	Miscellaneous - Pass-through from University of Montana	14,132		
43.999 Total				11,223,475		
DNR	43.NAG1301010		Remote Sensing	267,838		4,225
DNR	43.NAG1301011		Remote Sensing	507,822		301,166
Total National Aeronautics and Space Administration				12,590,298		
National Foundation on the Arts and the Humanities						
UofA	45.024		Promotion of the Arts - Grants to Organizations and Individuæ	1	3, 10	
UofA	45.024		Promotion of the Arts - Grants to Organizations and Individuæ	(10,580)		
45.024 Total				(10,579)		
DEED	45.025		Promotion of the Arts: Partnership Agreements	510,861		300,100
UofA	45.027		Arts Resource Community Residencies	14,496		
DEED	45.149		Promotion of the Humanaties	4,375		

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UofA	45.149		Promotion of the Humanities - Division of Preservation and A	113,575		
	45.149 Total			117,950		
UofA	45.301		Museum for America Grants	25,614		
DEED	45.310		State Library Program	623,459		549,767
UofA	45.999		Miscellaneous	74,068		32,447
UofA	45.999	PA-24162-02	Miscellaneous - Pass-through from National Film Preservation Foundation	(107)		
	45.999 Total			73,961		
		Total National Foundation on the Arts and the Humanities		1,355,762		
		National Science Foundation				
UofA	47.041		Engineering Grants	361,247	3, 10	
UofA	47.041		Engineering Grants	192,935		
	47.041 Total			554,182		
UofA	47.049		Mathematical and Physical Sciences	168,912	3, 10	
UofA	47.049		Mathematical and Physical Sciences	(4,120)		
	47.049 Total			164,792		
UofA	47.050		Geosciences	5,076,726	3, 10	
UofA	47.050		Geosciences	4,614		
UofA	47.050	EAR-0329215	Geosciences - Pass-through from Marine Biological Laboratc	70,745	3, 10	
UofA	47.050	EAR-0324640	Geosciences - Pass-through from SRI International	30,641	3, 10	
UofA	47.050	ATM-0334795	Geosciences - Pass-through from UCAR Office of Programs	15,348	3, 10	
UofA	47.050	OCE-0432334	Geosciences - Pass-through from UNAVCO, Inc.	33,043	3, 10	
UofA	47.050	various	Geosciences - Pass-through from University of Nevada, Ren	81,483	3, 10	
UofA	47.050	ATM-0420205	Geosciences - Pass-through from University of Pittsburgh	12,312	3, 10	
UofA	47.050	ATM-0334800	Geosciences - Pass-through from Utah State University	10,985	3, 10	
	47.050 Total			5,335,897		
UofA	47.070		Computer and Information Science and Engineering	171,174	3, 10	
UofA	47.070		Computer and Information Science and Engineering	437,171		187,648
UofA	47.070		Computer and Information Science and Engineering - Pass-through from EDUCAUSE	4,561		
	47.070 Total			612,906		
UofA	47.074		Biological Sciences	1,553,955	3, 10	83,479
UofA	47.074		Biological Sciences	58,943		
UofA	47.074	DEB-0424513	Biological Sciences - Pass-through from Marine Biological Laboratory	62,484	3, 10	
UofA	47.074	DEB-0351966	Biological Sciences - Pass-through from Texas A & M University Research Foundation	6,024	3, 10	
UofA	47.074	DEB-0424513	Biological Sciences - Pass-through from University of Florida	27,951	3, 10	
	47.074 Total			1,709,357		
UofA	47.075		Social, Behavioral, and Enonomic Sciences	3,716	3, 10	
UofA	47.075		Social, Behavioral, and Enonomic Sciences	22,693		
UofA	47.075		Social, Behavioral, and Enonomic Sciences - Pass-through from National Research Council	(36)		
	47.075 Total			26,373		
DEED	47.076		Education and Human Resources	9,176		
DNR	47.076		Place Based Geospatial	2,282		
UofA	47.076		Education and Human Resources	1,616,973		
UofA	47.076		Education and Human Resources	3,319,159	3, 10	418,012
UofA	47.076		Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	25,044		
UofA	47.076		Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	395,864	3, 10	
	47.076 Total			5,368,498		

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UofA	47.078		Polar Programs	10,790,444	3, 10	982,046
UofA	47.078		Polar Programs	1,494,035		
UofA	47.078	OPP-0352716	Polar Programs - Pass-through from Arctic Research Consortium of the U.S. (ARCUS)	46,334		
UofA	47.078	OPP-9725843	Polar Programs - Pass-through from Idaho State University	616	3, 10	
UofA	47.078	OPP-0425120	Polar Programs - Pass-through from University of California, San Diego	28,143	3, 10	
UofA	47.078	OPP-0352995	Polar Programs - Pass-through from University of New Hampshire -Complex	16,799	3, 10	
UofA	47.078	OPP-0352995	Polar Programs - Pass-through from University of Texas at Austin	(47)	3, 10	
UofA	47.078	various	Polar Programs - Pass-through from University of Washington	40,148	3, 10	
UofA	47.078	OPP-0422068	Polar Programs - Pass-through from Woods Hole Oceanographic Institution	78,356	3, 10	
47.078 Total				12,494,828		
UofA	47.999		Miscellaneous	1,362,967	3, 10	
UofA	47.999		Miscellaneous	(5,875)		
UofA	47.999	OCE-0205167	Miscellaneous - Pass-through from Alaska Federation of Natives Inc.	9,981		
UofA	47.999	OCE0002672	Miscellaneous - Pass-through from Assoc Village Council Presidents	488	3, 10	
UofA	47.999	ATM0001875	Miscellaneous - Pass-through from Association for Women in Mathemtaics	188		
UofA	47.999	OPP-0086997	Miscellaneous - Pass-through from Idaho State University	(14)	3, 10	
UofA	47.999	OPP-0301324	Miscellaneous - Pass-through from National Academy of Sciences	3,836		
UofA	47.999	various	Miscellaneous - Pass-through from The University of Texas at Austin	150,079	3, 10	
47.999 Total				1,521,650		
Total National Science Foundation				27,788,483		
Small Business Administration						
UofA	59.005		Business Development Assistance to Small Business	(665)		
UofA	59.007		Technical Assistance	693		
UofA	59.037		Small Business Development Center	512,062		
Total Small Business Administration				512,090		
U.S. Department of Veterans' Affairs						
AHFC	64.114		Veterans Housing: Guaranteed and Insured Loans	357,527		
ASLC	64.V101(223b)-P4301&P4401		Veteran's Administration Contract	69,483		
Total U.S. Department of Veterans' Affairs				427,010		
U.S. Environmental Protection Agency						
DEC	66.001		Air Pollution Control Program Support	1,130,243	6	54,000
DHSS	66.032		State Indoor Radon Grants	17,835		-
DEC	66.034		Surveys Studies, Investigations, Demonstrations and specia	264,019	6	
UofA	66.400		Biochemical Response of Marine Mamm	(2,030)	3, 10	
DEC	66.419		Water Pollution Control: State and Interstate Program support	263,043	6	
DEC	66.432		State Public Water System Supervision	2,109,982	6	
DOA	66.433	AOGCC	State Underground Water Source Protection	124,500		
DEC	66.454		Water Quality Management Planning	112,597	6	
DEC	66.458		Capitalization Grants for Water State Revolving Funds	17,535,064	6, 17	17,192,501
DFG	66.461		Regional Wetland Program Development Grants	15,443	6	
DEC	66.463		Water Quality Cooperative Agreements	130,300		
UofA	66.463		Water Quality Cooperative Agreements	3,514	3, 10	
66.463 Total				133,814		

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DEC	66.467		Wastewater Operator Training Grant Program (Technical Assistance)	20,118		
DEC	66.468		Capitalization Grants for Drinking Water State Revolving Fund	11,567,604	6, 18	10,525,041
UofA	66.468		Capitalization Grants for Drinking Water State Revolving Fun	18,473		
	66.468 Total			11,586,077		
DEC	66.471		State Grants to Reimburse Operators of Small Water for Training & Certification Costs	126,867	6	
DEC	66.472		Beach Monitoring and Notification Program Implementation Grants	71,963	6	
DEC	66.474		Water Protection Grants to the States	121,959	6	
DEC	66.500		Environmental Protection Consolidated Research	86,212	6	
UofA	66.500		Environmental Protection - Consolidated Research	22,249	3, 10	
	66.500 Total			108,461		
DEC	66.511		Office of Research and Development, Consolidated Researc	242		
DEC	66.605		Performance Partnership Grants	3,514,760	6	123,697
DCED	66.606		Surveys, Studies, Investigations and Special Purpose Grants	1,110,562	3	
DEC	66.606		Surveys, Studies, Investigations and Special Purpose Grants	32,976,401	3, 6	7,738,558
UofA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	162,363	3, 10	122,156
UofA	66.606		Surveys, Studies, Investigations and Special Purpose Grants	531,989		
	66.606 Total			34,781,315		
DEC	66.608		State Information Grants	139,657		
DEC	66.700		Consolidated Pesticide Enforcement Cooperative Agreements	275,510	6	
DEC	66.708		Pollution Prevention Grants Program	1,266	6	
UofA	66.708		Pollution Prevention Grants Program	69,397	3, 10	39,942
	66.708 Total			70,663		
DEC	66.804		State and Tribal Underground Storage Tanks Program	181,885	6	
DEC	66.805		Leaking Underground Storage Tank Trust Fund Program	509,417	6	
DEC	66.809		Superfund State and Indian Tribe Core Program Cooperative Agreements	226,856	6	
DEC	66.817		State and Tribal Response Program Grants	263,404	6	
UofA	66.951		Environmental Education Grants	3,590	3, 10	
UofA	66.951		Environmental Education Grants	(347)		
	66.951 Total			3,243		
UofA	66.999		Miscellaneous	9,460		
DEC	66.LUST	Trust Cost Recovery	LUST Trust Cost Recovery	15,951	6	
		Total U.S. Environmental Protection Agency		73,732,318		
		U.S. Department of Energy				
AHFC	81.041		State Energy Program	459,632		
AHFC	81.042		Weatherization Assistance for Low-Income Persons	1,795,612	3	1,672,052
UofA	81.049		Office of Science Financial Assistance Program	159,216	3, 10	
UofA	81.049	DOELOC2284:: 2285AKUNV	Office of Science Financial Assistance Program - Pass-through Columbia University	1,304	3, 10	
UofA	81.049	DE-FG03-03ER63530	Office of Science Financial Assistance Program - Pass-through University of Wyoming	45,224	3, 10	
	81.049 Total			205,744		

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AEA	81.079	VARIOUS	Regional Biomass Energy Programs	69,124		10,000
AEA	81.087	VARIOUS	Renewable Energy Research and Development	2,775,008		2,771,145
DNR	81.089		Fossil Energy Research and Development	535,754	6	
UofA	81.089		Fossil Energy Research and Development	137,916	3, 10	69,744
UofA	81.089	DE-FG02-04ER54741	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	(22,103)	3, 10	
UofA	81.089	various	Fossil Energy Research and Development - Pass-through from Sandia National Laboratories	239,825	3, 10	
81.089 Total				891,392		
UofA	81.104	SUB1 UCD-W/GEC 03-019 PO542760	Office of Environmental Cleanup and Acceleration - Pass-through from Columbia University	30,458	3, 10	
UofA	81.104	SUB UNDR DE-FG26-00NT 40938	Office of Environmental Cleanup and Acceleration - Pass-through from Institute for Responsible Management, Inc.	478	3, 10	
81.104 Total				30,936		
UofA	81.113	CONTRACT 409909-A-R8	Defense Nuclear Nonproliferation Research - Pass-through from Battelle Pacific Northwest Lab	23,740		
UofA	81.113	UM03-02-074	Defense Nuclear Nonproliferation Research - Pass-through from University of Mississippi	170,934	3, 10	
81.113 Total				194,674		
AHFC	81.117		EERE-Wind/Geothermal Energy Support	9,761		
AHFC	81.119		State Energy Program Special Projects	51,083		51,083
UofA	81.999		Miscellaneous	1,631,964	3, 10	377,020
UofA	81.999	DE-FC26-01NT41228	Miscellaneous - Pass-through from Battelle Pacific Northwest Lab	(21)	3, 10	
UofA	81.999	DE-FC26-01NT41248	Miscellaneous - Pass-through from Inland Northwest Research Alliance	238,750		
UofA	81.999	DE-FC26-01NT41248	Miscellaneous - Pass-through from Institute for Responsible Management, Inc.	129,007	3, 10	
UofA	81.999	DE-FC26-01NT41248	Miscellaneous - Pass-through from Los Gatos Research, Inc.	30,343	3, 10	
UofA	81.999	DE-FC26-01NT41248	Miscellaneous - Pass-through from Pacific Northwest National Laboratory	73,030	3, 10	
UofA	81.999	DE-FC26-01NT41058	Miscellaneous - Pass-through from University of California	43,000	3, 10	
UofA	81.999	DE-FC26-01NT41248	Miscellaneous - Pass-through from University of Oregon	30,281	3, 10	
81.999 Total				2,176,354		
DEC	81.DE-FC03-02EH02039		Amchitka Medical Screening Program	501,048	6	
DEC	81.DE-FG08-99NV13763		Amchitka Oversight/NEWNET	47,541	6	
Total U.S. Department of Energy				9,207,909		
U.S. Information Agency						
UofA	82.999		Miscellaneous	9,499		
Total U.S. Information Agency				9,499		
U.S. Department of Education						
DLWD	84.002		Adult Education: State Grant Program	946,547	6	692,086
UofA	84.007		Federal Supplemental Educational Opportunity Grants	1,015,090	10	
DEED	84.010		Title I Grants to Local Educational Agencies	32,187,822		31,902,803
DEED	84.011		Migrant Education: State Grant Program	7,393,152		6,685,374
DEED	84.013		Title I Program for Neglected and Delinquent Children	287,651		285,195
UofA	84.016		Undergraduate International Studies and Foreign Language Programs	40,897		
UofA	84.024		Long Dist Family IEI Yr5	58,405		
DEED	84.027		Special Education: Grants to States	29,044,969	10	26,210,219
UofA	84.029		Trng Early Intervention&Preschool	(104)		
UofA	84.031		Higher Education - Institutional Aid	3,885,606		

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ASLC	84.032		Federal Family Education Loans	1,374,600	10, 21	
UofA	84.032		Federal Family Education Loans	32,176,034	10	
	84.032 Total			33,550,634		
UofA	84.033		Federal Work-Study Program	420,839	10	
DEED	84.041		Impact Aid	26,764,684		
UofA	84.042		Trio - Student Support Services	219,787	3, 10	
UofA	84.044		Trio - Talent Search	954,851	3, 10	124,615
UofA	84.047		Trio - Upward Bound	1,295,922	3, 10	90,060
DEED	84.048		Vocational Education: Basic Grants to States	5,394,302		4,821,478
DLWD	84.063		Federal Pell Grant Program	234,252		
UofA	84.063		Federal Pell Grant Program	9,008,237	10	
	84.063 Total			9,242,489		
UofA	84.066		Trio - Educational Opportunity Centers	544,915	3, 10	
DEED	84.116		Fund for the Improvement of Postsecondary Education	94,369		
UofA	84.116		Fund for the Improvement of Postsecondary Education	1,761,076		92,841
	84.116 Total			1,855,445		
DLWD	84.126		Rehabilitation Services: Vocational Rehabilitation Grants to States	9,459,934	3, 6	
DEED	84.161		Rehabilitation Services: Client Assistance Program	121,881		
DLWD	84.169		Independent Living: State Grants	309,427	6	306,588
DEED	84.173		Special Education: Preschool Grants	1,324,299	10	1,239,106
DLWD	84.177		Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	243,544	6	241,389
DHSS	84.181		Special Education: Grants for Infants and Families with Disabilities	1,916,424		1,651,461
DEED	84.184		Safe and Drug-Free Schools and Communities: National Programs	170,263		
DEED	84.185		Byrd Honors Scholarships	114,750		114,750
DEED	84.186		Safe and Drug-Free Schools and Communities: State Grants	2,394,746		2,260,174
DLWD	84.187		Supported Employment Services for Individuals with Severe Disabilities	454,244	6	
UofA	84.195		IATC Career Ladder	656,132		127,147
DEED	84.196		Education for Homeless Children and Youth	140,628		70,550
DOC	84.203	R203F990010-01	Star Schools - Pass-thru from Education Service District #1, Spokane, WA	864		
DEED	84.213		Even Start: State Educational Agencies	958,249		929,555
UofA	84.215		Fund for the Improvement of Education	1,834,976		2,577
UofA	84.215	72110	Fund for the Improvement of Education - Pass-through from Anchorage School District	12,500		
DEED	84.215K		Fund for the Improvement of Education	3,375,350		2,071
DLWD	84.224		Assistive Technology	382,781	6	
DEED	84.243		Tech-Prep Education	574,760		546,728
DLWD	84.265		Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	31,616	6	
DEED	84.281		Eisenhower Professional Development State Grants	156,310		155,802
DEED	84.282		Charter Schools	1,574,485		1,454,533
UofA	84.283	8313	Comprehensive Regional Assistance Centers - Pass-through from Southeast Regional Resource Center	10,000		
DEED	84.287		Twenty-First Century Community Learning Centers	3,583,100	3	3,358,785
UofA	84.295	AGREEMENT 8/2003	Ready-to-Learn Television - Pass-through from Public Broadcasting Service	22,069		
UofA	84.297		Hawaii-Alive	110,158	3, 10	33,614
DEED	84.298		Innovative Education Program Strategies	2,039,292		1,677,846
DEED	84.303		Technology Innovation Challenge Grants	46,484		

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UofA	84.303	R303A980236	PECT AK Reform/Classrm (ARCTIC) Yr3 - Pass-through from Chugach School District	2,731		
84.303 Total				49,215		
UofA	84.306		National Institute on the Education of At-Risk Students	496,622	3, 10	29,729
DEED	84.318		Education Technology State Grants	3,205,301	3	3,120,516
UofA	84.320		PEC/USDOE Native Education Planning	918,678		773
UofA	84.321	MOA				
			CATG-Rural Early Childhood Education - Pass-through from Council of Athabascan Tribal Governments	(1,065)		
UofA	84.322		Alive 2	109,451	3, 10	
DEED	84.323		Special Education: State Program Improvement Grants for Children with Disabilities	475,907	10	135,327
UofA	84.325		Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	333,893		
UofA	84.325	various	Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities - Pass-through from 2001 Special Olympics World Winter Games AK	4,588	3, 10	
84.325 Total				338,481		
DEED	84.326		Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	70,113	10	
DEED	84.330		Advanced Placement Program	239,421		143,833
DOC	84.331	V331A010032	Grants to States for Incarcerated Youth Offenders	46,389		
DEED	84.332		Comprehensive School Reform Demonstration	1,049,161		1,011,601
DEED	84.334		Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	1,201,537		1,100,156
UofA	84.334	SERVICE AGREEMENT 03 PFG	Gaining Early Awareness and Readiness for Undergraduate Programs - Pass-through from Anchorage School District	37,588		
84.334 Total				1,239,125		
UofA	84.336		Teacher Quality Enhancement Grants	1,309,159		394,603
DEED	84.338		Reading Excellence	4,393,765	3	4,224,350
DEED	84.340		Class Size Reduction	44,601		44,601
UofA	84.342		Preparing Tomorrow's Teachers to Use Technology	564,354		
UofA	84.342	P342A030147	Preparing Tomorrow's Teachers to Use Technology - Pass-through from Internatl Society for Technology in Education	103,617	3, 10	
84.342 Total				667,971		
DLWD	84.346		Vocational Education: Occupational and Employment Information State Grants	123,310	6	
DEED	84.348		Title I Accountability Grants	102,743		102,743
UofA	84.350		Transition to Teaching	76,171		
DEED	84.352		School Renovation Grants	869,335		859,505
UofA	84.356		Alaska Native Educational Programs	319,707	3, 10	7,784
UofA	84.356		Alaska Native Educational Programs	1,184,038		
UofA	84.356	S356A030058	Alaska Native Educational Programs - Pass-through from Alaska Humanities Forum	41,618	3, 10	
84.356 Total				1,545,363		
DEED	84.357		Reading First State grants	1,197,201		1,122,745
DEED	84.358		Rural Education	26,209		
UofA	84.362	S362A030013	Native Hawaiian Education - Pass-through from ALU LIKE, Inc.	169,030	3, 10	
UofA	84.363		School Leadership	541,079	3	162,369

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DEED	84.365		English Language Acquisition Grants	625,109		592,802
DEED	84.366		Mathematics and Science Partnership	210,142		206,223
DEED	84.367		Improving Teacher Quality State Grants	13,780,335	3	13,565,867
DEED	84.369		Grants for State Assessments and Related Activities	5,615,059	3	
DHSS	84.989		Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	208,567		-
DEED	84.999		Consolidated Programs IASA Admin	965,451		
UofA	84.999	LETTER DATED APRIL 28, 02	Miscellaneous - Pass-through from Association of American Colleges and Universities	4,194		
UofA	84.999	84.000	Miscellaneous - Pass-through from Chugach School District	163,771		
UofA	84.999	92 -AK01	Miscellaneous - Pass-through from National Writing Project Corporation	31,106		
84.999 Total				<u>1,164,522</u>		
Total U.S. Department of Education				<u>227,983,155</u>		
National Archives and Records Administration						
DEED	89.003		National Historical Publications and Records Grants	5,110		
Total National Archives and Records Administration				<u>5,110</u>		
Denali Commission						
AIDEA	90.000	Denali Commission	Statewide Energy Plan	8,909		-
DHSS	90.0022-DC-2001-14		Alaska Rural Primary Health Care Needs Assessment - Phase II	31,103		
AEA	90.100	VARIOUS	Denali Commission Program	31,715,764	3	26,221,328
DCED	90.100		Denali Commission Program	3,446,744	3	3,440,501
DHSS	90.100		Denali Commission Program	2,223,773	3	2,293,308
DLWD	90.100		Denali Commission Program	2,756,963	3, 6	1,901,038
DOTPF	90.100		Denali Commission	759,924	3, 6	
DPS	90.100		Denali Commission Program	68,011	3	68,011
UofA	90.100		Denali Commission Program	933,280		
UofA	90.100	various	Denali Commission Program - Pass-through from The Denali Commission	62,745		
90.100 Total				<u>41,967,204</u>		
DHSS	90.A-2002-06		Health Facilities "Pre-Award" Support Services	24,857		
Total Denali Commission				<u>42,032,073</u>		
U.S. Department of Health and Human Services						
DHSS	93.003		Public Health and Social Services Emergency Fund	1,475,167		1,918,657
DHSS	93.030178D4D-CDC		Adult Lead Surveillance Data	15,971		
DHSS	93.042		Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	47,262		-
DHSS	93.043		Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	87,348		9,506
DHSS	93.044		Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,850,146	10	2,239,670
DHSS	93.045		Special Program for the Aging - Title III, Part C - Nutrition Services	2,848,900	10	2,715,451
DHSS	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	79,161		-
UofA	93.048		Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	183,221	3, 10	
93.048 Total				<u>262,382</u>		
DHSS	93.051		Alzheimer's Disease Demonstration Grants to States	427,522		-
DHSS	93.052		National Family Caregiver Support	906,467		921,651
DHSS	93.110		Maternal and Child Health Federal Consolidated Programs	280,043		-

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UofA	93.113		Biological Response to Environmental Health Hazards	73,244	3, 10	
DHSS	93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	475,124		75,500
DHSS	93.127		Emergency Medical Services for Children	170,167		-
DHSS	93.130		Primary Care Services: Resource Coordination and Development	917,584		25,674
DHSS	93.136		Injury Prevention and Control Research and State and Community Based Programs	468,824		57,680
DHSS	93.150		Projects for Assistance in Transition from Homelessness (PATH)	225,000		225,000
UofA	93.157	SUBCON # 423393	Centers of Excellence - Pass-through from University of Washington	(2,267)		
UofA	93.178		Nursing Workforce Diversity	56,243		
UofA	93.189	various	Health Education and Training Centers - Pass-through from University of Washington	489,353		
DHSS	93.197		Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	(271)		-
DHSS	93.200-2000-07201		NCHS Contract	209,354		
UofA	93.211	ANTHC-03-C-5239	Telehealth Network Grants - Pass-through from Ak Native Tribal Health Consortium	272,004		
DHSS	93.217		Family Planning: Services	367,290		92,000
DEC	93.223-02-4037		Food Sanitation Inspections	(472)		
DEC	93.223-03-4037		Food Sanitation Inspections	287,074		
DHSS	93.223-03-4401		Mammography Inspection	27,244		
DEED	93.230		Consolidated Knowledge Development and Application (KD&A) Program	402,743		187,993
DHSS	93.230		Consolidated Knowledge Development and Application (KD&A) Program	8,700,743		3,145,002
UofA	93.230	CONTRACT 11-27-01	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Fairbanks Native Association	45,323		
UofA	93.230	241-23622G-3101	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Municipality of Anchorage	65,517	3, 10	
93.230 Total				9,214,326		
DHSS	93.230-BHPR-034(03)		National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	97,801		
DHSS	93.234		Traumatic Brain Injury: State Demonstration Grant Program	136,189		6,967
DHSS	93.235		Abstinence Education	61,667		69,932
DHSS	93.238		Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	4,875		-
DHSS	93.240		State Capacity Building	120,792		-
DHSS	93.241		State Rural Hospital Flexibility Program	856,685		270,832
UofA	93.242		Mental Health Research Grants	(90)	3, 10	
UofA	93.242	3R15MH58453-02	Mental Health Research Grants - Pass-through from University of Colorado HSC	4,925	3, 10	
93.242 Total				4,835		
DHSS	93.243		Substance Abuse and Mental Health Services: Projects of Regional and National Significance	280,752		66,429
DHSS	93.243-03-1045		NIOSH Trauma Registry	64,765		
DHSS	93.251		Universal Newborn Hearing Screening	143,741		-
DHSS	93.259		Rural Access to Emergency Devices Grant	442,366		-
DHSS	93.262		Occupational Safety and Health Research Grants	75,330		-
DHSS	93.268		Immunization Grants	7,372,096	23	131,300
UofA	93.273		Alcohol Research Programs	69,826	3, 10	

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UofA	93.279	PHS R01 DA013139	Drug Abuse Research Programs - Pass-through from Medical College of Wisconsin	84,992	3, 10	
UofA	93.279	SUB 4-12804-7810/ PO895128	Drug Abuse Research Programs - Pass-through from Univ of New Mexico Health Science Center	9,744	3, 10	
UofA	93.279	various	Drug Abuse Research Programs - Pass-through from Univ of New Mexico Health Science Center	18,469		
93.279 Total				113,205		
DEED	93.283		Centers for Disease Control and Prevention: Investigations and Technical Assistance	9,803	3	9,804
DHSS	93.283		Centers for Disease Control and Prevention: Investigations and Technical Assistance	13,536,188	3	1,091,725
93.283 Total				13,545,991		
DHSS	93.301		Small Rural Hospital Improvement Grants	174,305		174,305
UofA	93.358		Advanced Education Nursing Traineeships	16,399		
UofA	93.361	various	Nursing Research - Pass-through from University of Washington	4,422	3, 10	
UofA	93.375		Ak Ntv Sci Research Part for Health	171,066	3, 10	27,004
UofA	93.389		National Center for Research Resources	6,697,936	3, 10	213,079
DHSS	93.556		Promoting Safe and Stable Families	884,419		658,160
DHSS	93.558		Temporary Assistance for Needy Families	34,456,786	3	-
DOR	93.563		Child Support Enforcement	15,647,514	3, 6	
AHFC	93.568		Low-Income Home Energy Assistance	1,383,765	4	1,383,765
DHSS	93.568		Low-Income Home Energy Assistance (LIHEAP)	7,376,614		-
93.568 Total				8,760,379		
DCED	93.569		Community Services Block Grant	2,227,777		2,128,887
UofA	93.570	various				
			Community Services Block Grant - Discretionary Awards - Pass-through from National Youth Sports Program	70,178		
DCED	93.571		Community Services Block Grant Discretionary Awards: Community Food and Nutrition	641		
DEED	93.575		Child Care and Development Block Grant CCDBG	93,962	3, 10	
DHSS	93.575		Child Care and Development Block Grant	16,968,089	3, 10	2,394,681
93.575 Total				17,062,051		
COURT	93.586		State Court Improvement Program	131,751		
DHSS	93.590		Community-Based Child Abuse Prevention	242,021		217,311
DHSS	93.596		Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,608,228	3, 10	-
DOR	93.597		Grants to States for Access and Visitation Programs	64,677		
DHSS	93.599					
			Chafee Education and Training Vouchers Program (ETV)	59,049		-
DEED	93.600		Head Start	55,150		
DHSS	93.603		Adoption Incentive Payments	249,806		-
DHSS	93.630		Developmental Disabilities Basic Support and Advocacy Grants	676,443		-
DHSS	93.631					
			Developmental Disabilities Projects of National Significance	(79,078)		-
UofA	93.632		University Centers for Excellence in Developmental Disabilities Education, Research, and Service	308,570		
DHSS	93.643		Children's Justice Grants to States	71,416		-
DHSS	93.645		Child Welfare Services: State Grants	245,696		266,502
UofA	93.647		Social Services Research and Demonstration	393,577	3, 10	
COURT	93.652		Adoption Opportunities	78,493		
DHSS	93.658		Foster Care: Title IV-E	16,123,422		1,463,999
DHSS	93.659		Adoption Assistance	6,851,500		-
DHSS	93.667		Social Services Block Grant	6,732,147		65,000
DHSS	93.669		Child Abuse and Neglect State Grants	102,979		-

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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	93.670		Child Abuse and Neglect Discretionary Activities	(965)		(965)
DHSS	93.670		Child Abuse and Neglect Discretionary Activities	2,973,732		2,478,611
UofA	93.670		Child Abuse and Neglect Discretionary Activities	102,907		
	93.670 Total			3,075,674		
DPS	93.671		Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	538,758		516,500
DHSS	93.674		Chafee Foster Care Independent Living	405,087		130,000
DHSS	93.752-3-939519		Healthy Start Grow Smart Program	31,988		
DHSS	93.767		State Children's Insurance Program	20,266,233	3	-
DHSS	93.768		Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	389,331		-
DHSS	93.773		Medicare: Hospital Insurance	657,366		-
LAW	93.775		State Medicaid Fraud Control Units	386,972	3, 10	
DHSS	93.777		State Survey and Certification of Health Care Providers and Suppliers	182,823	3, 10	-
DEED	93.778		Medical Assistance Program	3,160,652	3, 4, 10	
DHSS	93.778		Medical Assistance Program	683,660,291	3, 10, 20	-
	93.778 Total			686,820,943		
DHSS	93.779		Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluation	762,886		-
UofA	93.822		Health Careers Opportunity Program	241,495		4,000
UofA	93.822	1D18HP10000-01	Health Careers Opportunity Program - Pass-through from University of Washington	36,974		
	93.822 Total			278,469		
UofA	93.824	PO 611555	Basic / Core Area Health Education Centers - Pass-through from University of Washington	37,067	3, 10	
UofA	93.848	PO#29995F MOD#5	Digestive Diseases and Nutrition Research - Pass-through from University of Washington	58,808	3, 10	
UofA	93.854		AK Basic Neuroscience Center-Adm C.	1,273,860	3, 10	218,882
DHSS	93.887		Health Care and Other Facilities	726,146		-
UofA	93.891	various	Alcohol Research Center Grants - Pass-through from University of Connecticut	12,780	3, 10	
DHSS	93.912		Rural Health Outreach and Rural Network Development Program	497,518		-
UofA	93.912		Rural Health Outreach and Rural Network Development Program	536,705		43,000
UofA	93.912	1 DIA RH 00052-01	Rural Health Outreach and Rural Network Development Program - Pass-through from University of Washington	4,960		
	93.912 Total			1,039,183		
DHSS	93.913		Grants to States for Operation of Offices of Rural Health	159,913		-
DHSS	93.917		HIV Care Formula Grants	919,402		3,750
DHSS	93.919		Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	9,396		143,126
UofA	93.923	#486071	Disadvantaged Health Professions Faculty Loan Repayment and Fellowship Program - Pass-through from University of Washington	809		
UofA	93.928	various	Special Projects of National Significance - Pass-through from Ak Native Tribal Health Consortium	62,348	3, 10	
DEED	93.938		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Health Problems	210,965		41,296

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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	93.940		HIV Prevention Activities - Health Department Based	1,522,839		-
DHSS	93.944					
			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	124,187		-
DHSS	93.945		Assistance Programs for Chronic Disease Prevention and Control	423,125		-
DHSS	93.952		Improving EMS/Trauma Care in Rural Areas	33,707		-
DHSS	93.958		Block Grant for Community Mental Health Services	525,898		179,412
DHSS	93.959		Block Grants for Prevention and Treatment of Substance Abuse	4,480,541		3,061,536
UofA	93.969		Geriatric Education Centers	293,235	3, 10	
DHSS	93.977		Preventive Health Services: Sexually Transmitted Diseases Control Grants	429,992		-
DHSS	93.988					
			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	422,416		30,000
DHSS	93.991		Preventive Health and Health Services Block Grant	518,502		81,473
DHSS	93.994		Maternal and Child Health Services Block Grant to the States	1,264,001		48,600
UofA	93.999		Miscellaneous	906,489		
UofA	93.999	0630223	Miscellaneous - Pass-through from Alaska Federation of Natives Inc.	3,338		
UofA	93.999	236-01-0003 sub	Miscellaneous - Pass-through from Alaska Native Trival Health Consortium	239,265		
UofA	93.999	CONTRACT 12/16/02	Miscellaneous - Pass-through from Cook Inlet Council on Alcohol and Drug Abuse	1,895	3, 10	
UofA	93.999	various	Miscellaneous - Pass-through from Fairbanks Native Association	315,769		
UofA	93.999	CONTRACT 12/16/02	Miscellaneous - Pass-through from University of Washington	62,527	3, 10	
UofA	93.999	ADN640362 / EN643186	Miscellaneous - Pass-through from University of Washington	4,154		
		93.999 Total		1,533,437		
DEC	93.FD-R-0022425-01		Food Safety Systems	4,064		
DEC	93.FD-R-002475-01		Food Safety Systems	24,949		
		Total U.S. Department of Health and Human Services		900,839,765		
		U.S. Corporation for National and Community Service				
DCED	94.003		State Commissions	139,135		
DCED	94.004		Learn & Serve America - School & Community Based Programs	10,856		83,407
DEED	94.004		Learn and Serve America: School and Community Based Programs	46,872		33,264
		94.004 Total		57,728		
UofA	94.005		Learn and Serve America - Higher Education	94,637		2,000
DCED	94.006		Americorps	800,124		800,124
DCED	94.007		Planning & Program Development Grants	16,771		12,905
DCED	94.009		Training & Technical Assistance	59,597		1,695
DCED	94.013		Volunteers in Service to America	7,418		-
		Total U.S. Corporation for National and Community Service		1,175,410		
		Social Security Administration				
DLWD	96.001		Social Security: Disability Insurance	1,384,184	6, 10	
DLWD	96.006		Supplemental Security Income	2,620,639	6, 10	
UofA	96.008		Social Security - Benefits Planning, Assistance, and Outreach Program	54,185		
		Total Social Security Administration		4,059,008		
		U.S. Department of Homeland Security				

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By Federal Agency
(see acronyms)

<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>
ARRC	20.420	DTSA20-03-G-01069	U.S. Department of Homeland Security	83,342	9	
DPS	83.009		National Fire Academy	12,399		
UofA	83.012		Disaster Resistant University	127		
DMVA	83.543		Individual Assistance Grants	9,763		
ARRC	83.544	1423-DR-AK	U.S. Department of Emergency Management	(2,582)	9	
ARRC	83.544	1445-DR-AK	U.S. Department of Emergency Management	1,291,387	9	
ARRC	83.544	1461-DR-AK	U.S. Department of Emergency Management	71,924	9	
83.544 Total				1,360,729		
DPS	83.547		Anti Terrorism Training	40,668		
UofA	83.554		FEMA Fire Prevention	28,503		
DMVA	97.004		State Domestic Preparedness Equipment Program	274,819		28,088
DNR	97.012		Boating Safety Financial Assistance	489,544		
DCED	97.023		Community Assistance Program: State Support Services Element (CAP-SSSE)	75,700		-
DCED	97.029		Flood Mitigation Assistance	56,915		56,915
DLWD	97.034		Disaster Unemployment Assistance (DUA)	896	6	
DMVA	97.036		Public Assistance Grants	3,967,357		3,117,575
DMVA	97.039		Hazard Mitigation Grant	734,327		684,072
DNR	97.041		National Dam Safety Program	50,270		
DMVA	97.042		Emergency Management Performance Grants	1,939,968		364,242
DMVA	97.047		Pre-Disaster Mitigation	235,106		79,547
DMVA	97.051		State and Local All Hazards Emergency Operations Planning	47,610		38,587
DMVA	97.052		Emergency Operations Center	14,900		
DMVA	97.053		Citizen Corps	19,454		19,454
DMVA	97.054		Community Emergency Response Teams	139,622		110,470
DMVA	97.067		Homeland Security Grant Program	2,057,009		1,216,339
DOTPF	97.067		Homeland Security Grant Program	550,560	6	
97.067 Total				2,607,569		
DOTPF	97.072		National Explosives Detection Canine Team Program	125,672		
Total U.S. Department of Homeland Security				12,315,260		
U.S. Agency for International Development						
COURT	98.001		USAID Foreign Assistance for Programs Overseas	8,488		
Total U.S. Agency for International Development				8,488		
Total Federal Financial Assistance				2,614,607,409		360,196,087

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STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

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, 2004.

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, 2004, using the A-133 criteria, the State of Alaska has 34 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

Federal financial assistance 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

Expenditure amounts include indirect costs recovered.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2004

Note 7: Food Stamps

At fiscal year end, June 30, 2004, food stamp inventory was approximately \$0 and during FY 04, approximately \$63.2 million were issued.

Note 8: WIC Rebates

During FY 04 the Alaska Department of Health and Social Services (DHSS) received cash rebates of \$3,289,687 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 60,388 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	
Cooperative State Research, Education, and Extension Service	2,823,631
Natural Resources Conservation Service	(5,315)
U.S. Forest Service	104,990
Other Subdivision	1,679,950
U.S. DEPARTMENT OF COMMERCE	
Economic Development Administration	26,871
National Oceanic and Atmospheric Administration	7,838,960
Other Subdivision	536,926
U.S. DEPARTMENT OF DEFENSE	
Department of the Army, Army Research and Material Command	666,052

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2004

	<u>EXPENDITURES</u>
Department of the Army, Office of the Chief of Engineers	421,211
Defense Logistics Agency	66,431
Department of the Navy, Office of the Chief of Naval Research	7,664,057
Other Subdivision	6,045,451
 U.S. GENERAL SERVICES AGENCY	 10,308,282
 U.S. DEPARTMENT OF THE INTERIOR	
Bureau of Indian Affairs	15,657
Bureau of Land Management	11,694
National Park Service	(184)
U.S. Fish and Wildlife Service	72,440
U.S. Geological Survey	4,137,412
Other Subdivision	2,249,027
 U.S. DEPARTMENT OF JUSTICE	
Bureau of Justice Statistics	69,274
Office of Justice Programs	269,911
Other Subdivision	35,533
 U.S. DEPARTMENT OF TRANSPORTATION	
Federal Aviation Administration	23,139
Other Subdivision	(657)
 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	 11,800,506
 NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
National Endowment for the Arts	1
 NATIONAL SCIENCE FOUNDATION	 23,869,748
 ENVIRONMENTAL PROTECTION AGENCY	
Office of Environmental Education	3,590
Office of Water	25,763
Other Subdivision	229,730
 U.S. DEPARTMENT OF ENERGY	
Office of Environmental Management	30,936
Other Subdivision	2,669,920
 U.S. DEPARTMENT OF EDUCATION	 1,354,791

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Administration on Aging	183,221
Health Resources and Services Administration	392,650
National Institutes of Health	7,016,587
Substance Abuse and Mental Health Services Administration	65,517
Other Subdivision	1,902,925
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	61,528
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT	873,022
U.S. DEPARTMENT OF LABOR	5,741
	<u>95,546,919</u>
B. STUDENT FINANCIAL AID CLUSTER	
U.S. DEPARTMENT OF EDUCATION	
84.007 Federal Supplemental Educational Opportunity Grants	1,015,090
84.032 Federal Family Education Loans	33,550,634
84.033 Federal Work-Study Program	420,839
84.063 Federal Pell Grant Program	9,008,237
	<u>43,994,800</u>
C. OTHER CLUSTERS	
FOOD STAMP CLUSTER	
10.551 Food Stamps	63,246,210
10.561 State Administrative Matching Grants for Food Stamp Program	8,082,328
	<u>71,328,538</u>
CHILD NUTRITION CLUSTER	
10.553 School Breakfast Program	3,858,273
10.555 National School Lunch Program	19,851,170
10.556 Special Milk Program for Children	7,083
10.559 Summer Food Service Program for Children	413,221
	<u>24,129,747</u>
EMERGENCY FOOD ASSISTANCE CLUSTER	
10.568 Emergency Food Assistance Program (Administrative Costs)	\$148,911
	<u>148,911</u>
SCHOOLS AND ROADS CLUSTER	
10.665 Schools and Roads: Grants to States	\$8,887,170
	<u>8,887,170</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

	<u>EXPENDITURES</u>
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER	
11.307 Economic Adjustment Assistance	\$12,291
SECTION 8 PROJECT-BASED CLUSTER	
14.182 Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	1,973,846
14.195 Section 8 Housing Assistance Payments Program: Special Allocations	6,003,467
14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	305,967
	<hr/>
Total Section 8 Project-based Cluster	\$8,283,280
FISH AND WILDLIFE CLUSTER	
15.605 Sport Fish Restoration	13,975,025
15.611 Wildlife Restoration	8,648,916
	<hr/>
Total Fish and Wildlife Cluster	\$22,623,941
EMPLOYMENT SERVICES CLUSTER	
17.207 Employment Service	7,805,105
17.801 Disabled Veterans' Outreach Program (DVOP)	218,525
17.804 Local Veterans' Employment Representative Program	423,475
	<hr/>
Total Employment Services Cluster	\$8,447,105
WORKFORCE INVESTMENT ACT CLUSTER	
17.258 WIA Adult Program	3,826,738
17.259 WIA Youth Activities	3,688,601
17.260 WIA Dislocated Workers	9,093,348
	<hr/>
Total Employment Services Cluster	\$16,608,687
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	
20.205 Highway Planning and Construction	\$377,034,499
FEDERAL TRANSIT CLUSTER	
20.500 Federal Transit: Capital Investment Grants	22,113,967
20.507 Federal Transit: Formula Grants	6,938,054
	<hr/>
Total Federal Transit Cluster	\$29,052,021

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

	<u>EXPENDITURES</u>
HIGHWAY SAFETY CLUSTER	
20.600 State and Community Highway Safety	153,362
20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	765,369
20.602 Occupant Protection	643,662
20.603 Federal Highway Safety Data Improvements Incentive Grant	140,420
20.604 Safety Incentive Grants for Use of Seatbelts	96,686
20.605 Safety Incentive to Prevent Operation of Motor Vehicles By Intoxicated Persons	1,720,983
	<hr/>
Total Highway Safety Cluster	<u>\$3,520,482</u>
SPECIAL EDUCATION CLUSTER	
84.027 Special Education: Grants to States	29,044,969
84.173 Special Education: Preschool Grants	1,324,299
84.323 Special Education: State Program Improvement Grants for Children with Disabilities	475,907
84.326 Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	70,113
	<hr/>
Total Special Education Cluster	<u>\$30,915,288</u>
TRIO CLUSTER	
84.042 TRIO: Student Support Services	219,787
84.044 TRIO: Talent Search	954,851
84.047 TRIO: Upward Bound	1,295,922
84.066 TRIO: Educational Opportunity Centers	544,915
	<hr/>
Total TRIO Cluster	<u>\$3,015,475</u>
ADMINISTRATION ON AGING CLUSTER	
93.044 Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	1,850,146
93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services	2,848,900
	<hr/>
Total Administration on Aging Cluster	<u>\$4,699,046</u>
CHILD CARE CLUSTER	
93.575 Child Care and Development Block Grant	16,968,089
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,608,228
93.575 Child Care and Development Block Grant (CCDBG)	93,962
	<hr/>
Total Child Care Cluster	<u>\$24,670,279</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2004

	<u>EXPENDITURES</u>
MEDICAID CLUSTER	
93.775 State Medicaid Fraud Control Units	386,972
93.777 State Survey and Certification of Health Care Providers and Suppliers	182,823
93.778 Medical Assistance Program (Medicaid)	686,820,943
Total Medicaid Cluster	\$687,390,738
 DISABILITY INSURANCE/SSI CLUSTER	
96.001 Social Security: Disability Insurance	1,384,184
96.006 Supplemental Security Income	2,620,639
Total Disability Insurance/SSI Cluster	\$4,004,823

Note 11: Unemployment Insurance

Federal participation in FY 04 Unemployment Insurance Benefits was \$30,119,058. Federal participation for program administration was \$20,286,285. UI benefits paid by the State during FY 04 was \$155,222,511 and Reed Act distribution was \$2,138,225. (CFDA No. 17.225)

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 04, AHFC expended \$.00 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY 04, 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, 2004, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 898,184,050
Department of Veterans' Affairs Mortgage Guarantees	624,448,900
Farmers Home Administration Mortgage Insurance	133,747,162
Total Loan Guarantees and Insurance Programs	\$ 1,656,380,112

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 04, the state processed federal property valued at \$5,758,630 donors' acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.3% of donors' cost. The expenditure amount shown on the schedule is \$1,341,761. The ending inventory at June 30, 2004, carried at the donors' acquisition cost was \$4,675,097 (CFDA 39.003).

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY 04, commodities distributed totaled \$3,005,404. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2004 (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, 2004, there were 7 outstanding scholarships, which totaled \$69,235 (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, 2004, 94 loan commitments totaling \$186,819,491 had been granted. Total loans against these commitments were \$144,662,691 of which \$120,552,194 was federal participation. Of the \$120,552,194, \$17,192,501 was disbursed in FY 04. Repayment received during FY 04 totaled \$8,443,066. Loans outstanding at June 30, 2004, totaled \$104,757,834 (CFDA 66.458).

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, 2004, 49 loan commitments totaling \$75,489,890 had been granted, which consists of \$7,821,000 in disadvantaged assistance and \$67,668,890 in loan assistance. Total loans against these commitments were \$46,092,137, of which \$38,410,099 was federal participation. Of the \$38,410,099, \$10,525,041 was disbursed in FY04. Loans outstanding at June 30, 2004, totaled \$37,830,960 (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 04 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, 2004, totaled \$346,296. Federal share of principal is \$324,899.

Note 20: Medical Assistance Program Deferred Claims

Medical Assistance Program Claims - \$39.7 million of Medical Assistance Program federal expenditures for In-Patient Hospital Services included in the FY 04 Schedule of Expenditures of Federal Awards are pending reimbursement. Legal action is pending between the State of Alaska and the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services. (CFDA 93.778)

Note 21: Federal Family Education Loan Program (FFELP)

FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal (i) insurance or reinsurance of eligible loans, (ii) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loans outstanding at year end was \$24,973,470 (CFDA 84.032).

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

Note 22: Perkins Loan Program

The University receives Federal awards under the Perkins Loan Program (CFDA #84.638). The outstanding loan balances under this program totaled \$36,879 as of June 30, 2004.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY04 valued at \$4,890,955.

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STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40001-01**
Finding Number: **14**
Fiscal Year: **2000**
Initial Finding Year: **1997**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Prior Audit Finding:

The director of the Division of Medical Assistance (DMA) should ensure that providers are eligible and aware of its disclosure requirements by updating enrollment on a periodic basis.

Status/corrective action planned/reasons for no further action:

The audit finding has been partially implemented. DHSS is currently developing the new MMIS system with a scheduled implementation date of October 2005. DHSS is currently designing the new enrollment application and process, which will be used or the reenrollment of all providers prior to the implementation of the new MMIS. HCS continues to rely on the following controls:

- 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.

Report: **02-40003-03**
Finding Number: **4**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOL**
State Agency: **DOA/DHSS**
CFDA: **17.235**
Questioned Costs:
Indeterminate

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit findings has been resolved in accordance with OMB Circular A-133__315. The Senior Employment Program was transferred to the Department of Labor and Workforce Development. Subsequent to the transfer, a new state plan was drafted to address the State's inability to find subrecipients in rural areas. The Federally approved state plan transfers the rural positions to urban areas .

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**

Finding Number: **5**

Fiscal Year: **2002**

Initial Finding Year: **1998**

Federal Agency: **USDHHS,
USDOL**

State Agency: **DOA/DHSS**

CFDA: **93.044, 93.045**

Questioned Costs:

Indeterminate

CFDA: **17.235**

Questioned Costs:

Indeterminate

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133__315. In FY 04, the senior grant programs under the Alaska Commission on Aging were transferred from the Department of Administration to the Department of Health and Social Services. Granting procedures for all senior grant programs were updated to reflect DHSS grant policies and procedures that provide for more active monitoring of quarterly reports. Also, site visits to monitor subrecipients are now being cycled every three years for the aging cluster. Site visits are conducted annually for subrecipients of the senior employment program.

Report: **02-40003-03**

Finding Number: **6**

Fiscal Year: **2002**

Initial Finding Year: **2002**

Federal Agency: **USDOJ**

State Agency: **DOL**

CFDA: **16.579**

Questioned Costs: \$137,922

CFDA: **16.588**

Questioned Costs: \$36,080

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

The Department of Law agrees that the requirements for personal service costs are not vastly different between federal grants and we fully concur that adequate record should have been maintained to comply with typical requirements. As described below, the department has developed a corrective action plan for both direct and indirect costs.

Direct Costs: The Department of Law now requires employees working directly on federally funded and pass-through federally funded projects or in programs to 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: DMG Maximus has revised our indirect cost allocation plan to include the indirect cost allocation method of assigning costs on a per capita basis for the entire department. The federal government approved the revised plan with an effective date back to July 1, 2002. Included in the approved plan are those cost centers associated with the Violence Against Women Grant RSA and the Byrne Grant RSA.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**
Finding Number: **12**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DEED**
CFDA: **93.575, 93.596**
Questioned Costs: None

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB circular A-133 __.315. Please see status of prior year finding #12, Report 02-40004-03.

Report: **02-40003-03**
Finding Number: **16**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.010, 84.011**
Questioned Costs: None

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

During FY04 the department developed procedures at the State Education Agency (SEA) level to assure that comparability reporting in the state is adhered to and is adequate to meet federal requirements. FY02 comparability reports were completed, reviewed and found to be in compliance. TLS has accomplished a fully compliant corrective action plan for Comparability reporting.

This audit finding is resolved in accordance with OMB circular A-133 __.315. Please see status of prior year finding #16, Report 02-40004-03.

Report: **02-40003-03**
Finding Number: **17**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.010**
Questioned Costs: None

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

During FY04 the department reviewed written procedures and documentation requirements and is fully compliant with the corrective action plan for Title I carryover.

This audit finding is resolved in accordance with OMB circular A-133 __.315. Please see status of prior year finding #17, Report 02-40004-03.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**
Finding Number: **19**
Fiscal Year: **2002**
Initial Finding Year: **2001**

Prior Audit Finding:

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

Federal Agency: **USDA, USDHHS**
State Agency: **DHSS**
CFDA: **10.561**
Questioned Costs: \$27,807
CFDA: **93.558**
Questioned Costs: \$18,581
CFDA: **93.568**
Questioned Costs: Immaterial
CFDA: **93.778**
Questioned Costs: \$11,982
CFDA: **93.767**
Questioned Costs: \$1,669
CFDA: **93.658**
Questioned Costs: \$24,486

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315. DHSS has submitted a revised public assistance cost allocation plan with an effective date of July 1, 2004. The department has implemented RMTS software beginning July 1, 2004. Each quarter the RMTS results in at least 2000 random moments. The cost allocation spreadsheets have been changed to provide for the calculation of the RMTS fourth quarter moving average for the Office of Children's Services in accordance with the cost allocation plan.

Report: **02-40003-03**
Finding Number: **24**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: Previously reported
CFDA: **93.778**
Questioned Costs: Previously reported

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133 ____.315. Decreasing claims for the Medicaid and TANF related questioned costs were processed. However, we determined there was an error in the methodology for adjusting the TANF questioned costs. Decreasing claims for TANF of \$8080 were processed for quarter ending June 30, 2004.

Report: **02-40003-03**
Finding Number: **31**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None
CFDA: **93.767**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133 ____.315. During the 2003 legislative session, CH 66 (Senate Bill 41) was enacted. The legislation mandated increased surveillance, utilization and review (SURS) of Medicaid. The division of Health Care Services (formally known as the Division of Medical Assistance.) will ensure at least 80 audits of will be conducted.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**
Finding Number: **32**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$64,661
CFDA: **93.767**
Questioned Costs: Not
determined

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. DHSS continues to monitor and enhance system edits to the current Legacy MMIS. However, with the implementation of the new MMIS system, DHSS staff has focused on the edits and controls being built into the new MMIS. The design of the new system provides the opportunity to evaluate all edits and controls in a thorough and consistent process.

Report: **02-40003-03**
Finding Number: **33**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. DHSS is currently undertaking a comprehensive review of the enrollment application and process as part of the implementation of the new MMIS. In addition, DHSS has instructed First Health Services Corporation to de-activate providers that have not submitted a claim within 18 months.

Report: **02-40003-03**
Finding Number: **34**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None
CFDA: **93.767**
Questioned Costs: None

Prior Audit Finding:

DMA's health program and policy manager should strengthen controls over transportation claims.

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB Circular A-133 ___.315. Effective January 1, 2005, all non-emergent Medicaid travel will be managed through the State Travel Office. Centralizing Medicaid air travel will result in better managerial controls, data collection and identification of and reduction in aberrant use of the program.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**
Finding Number: **35**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Prior Audit Finding:

DMA's director should take action to improve the agency's utilization control and program integrity function.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. Please see our response to finding No. 31 FY 03. Also, a new MMIS is currently under development that will have significant improvements for enhanced surveillance, utilization and review. In addition, a contract amendment with the state's fiscal agent established an 1-800 number that encourages and allows for complaints of fraud and abuse or misuse of Medicaid; the deployment of advance abuse and fraud detection tools; an increase in the number of SURS generated and state referred cases for review; and an increase in lock-ins over the first year of the contact. The period of performance for the amendment is 09/01/2003-06/30/2005. However, in May 2004, DHSS ceased all payments under the contract amendment due to substantial contractor non-performance. DHSS is currently negotiating with the fiscal agent to resolve this issue.

Report: **02-40003-03**
Finding Number: **37**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Prior Audit Finding:

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.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: None

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133___.315. The department has promulgated new regulations which have unbundled home and community based services to ensure that the state pays for only those services that are necessary to assure that the individual leads a quality life. Currently, divisional staff is meeting with providers on a one by one basis to set rates of reimbursements for the services they provide.

Report: **02-40003-03**
Finding Number: **38**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Prior Audit Finding:

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.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
Indeterminate
CFDA: **93.767**
Questioned Costs:
Indeterminate

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB circular A-133___.315. DMA has implemented this recommendation by contracting with Public Consulting Group (PCG), Inc. to pursue the third party billing process. The process employed by PCG includes a reconciliation of third party accounts receivable.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40003-03**
Finding Number: **39**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOD**
State Agency: **DMVA**
CFDA: **12.400, 12.401**
Questioned Costs: None

Prior Audit Finding:

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.

Status/corrective action planned/reasons for no further action:

Standard Operating Procedures (SOP) for Procurement Authority and Approving Officer have been drafted and are being reviewed by divisions for comment. Programmatic implementation and possible process modification is expected prior to finalizing these SOPs. Expected implementation date is August 2005.

Report: **02-40003-03**
Finding Number: **40**
Fiscal Year: **2002**
Initial Finding Year: **2002**

Federal Agency: **USDOD**
State Agency: **DMVA**
CFDA: **12.401**
Questioned Costs: None

Prior Audit Finding:

The F&M deputy director and the director of DAS should ensure proper approval for payment of state obligations.

Status/corrective action planned/reasons for no further action:

An Accounting Documentation SOP has been drafted and reviewed by the Division of Administrative Services. The signature card procedure has been drafted and included in the above referenced Approving Officer SOP. Programmatic review prior to implementation and possible process modification is expected prior to finalizing the Accounting Documentation SOP. Expected implementation date is August 2005.

Report: **02-40004-04**
Finding Number: **03**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **Various**
State Agency: **DEED**
CFDA: **Various**
Questioned Costs: None

Prior Audit Finding:

The Division of Education Support Services (ESS) assistant director should ensure that the schedule of expenditures of federal awards (federal schedule) is prepared in accordance with state and federal requirements.

Status/corrective action planned/reasons for no further action:

Departmental procedures have been developed for the federal schedule process. Department review of the methodology and documentation used to prepare the federal schedule has occurred.

This audit finding is resolved in accordance with OMB circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **04**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The Teacher and Learning Services (TLS) director should ensure record management and retention procedures are adequate for compliance with federal regulations.

Status/corrective action planned/reasons for no further action:

The division of TLS has notified all division staff that all financial and programmatic information be retained for three years; this is in accordance with departmental record retention requirements.

This audit finding is resolved in accordance with OMB circular A-133 __.315.

Report: **02-40004-04**
Finding Number: **05**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The TLS director should establish procedures to ensure that eligibility determinations for sub grantees are consistently applied.

Status/corrective action planned/reasons for no further action:

The department does not agree with the findings of the audit pertaining to Recommendation No. 5. The State of Alaska has worked in earnest to implement all provisions of No Child Left Behind (NCLB) since it became law. Title II A, Subpart 3 grant, while not of the magnitude of changes that occurred with Title I, was also implemented with careful consideration. TLS implementation of this grant program corresponds in every way with the NCLB law.

Corrective action in process.

Report: **02-40004-04**
Finding Number: **06**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The TLS director should ensure that sub recipient monitoring activities are adequately documented.

Status/corrective action planned/reasons for no further action:

The Director of Teaching and Learning Support (TLS) is working with the Deputy Director and the Title I/No Child Left Behind Administrator to ensure that all monitoring documents, letters and other supporting information are filed properly and accessible within the department.

This audit finding is resolved in accordance with OMB circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **07**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.367**
Questioned Costs: None

Prior Audit Finding:

The TLS director should establish procedures to ensure that private school participation in Improving Teacher Quality State Grants (ITQSG) services is provided in accordance with program requirements.

Status/corrective action planned/reasons for no further action:

The department communicates the requirements related to private school participation under NCLB. Current monitoring visits include verification of private school participation in Title II A. The department's NCLB monitoring form for FY05 has been updated to include this component and districts have been monitored under this form since February 2005.

Report: **02-40004-04**
Finding Number: **08**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DEED**
CFDA: **93.575/93.596**
Questioned Costs: \$33,000

Prior Audit Finding:

The deputy commissioner should develop and implement procedures to ensure that timely management decisions are issued to sub recipients for all audit findings.

Status/corrective action planned/reasons for no further action:

The department has developed interim procedures and workpaper templates to ensure management decisions are issued timely and questioned costs are resolved for all federal sub-recipient audit findings. The department is in receipt of the current year sub recipient audit that restates the prior years \$33,000 in questioned costs. The department issued a management letter to the subrecipient and is reviewing the subrecipient's letter of appeal on this issue

Report: **02-40004-04**
Finding Number: **09**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DEED**
CFDA: **93.575/93.596**
Questioned Costs: None

Prior Audit Finding:

The ESS assistant director should ensure equipment management procedures meet state and federal requirements.

Status/corrective action planned/reasons for no further action:

The daily equipment management inventory process is now under the direction of the department's Accounting Supervisor. The department is following state procedures to meet state and federal equipment management requirements.

This audit finding is resolved in accordance with OMB circular A-133 __.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **10**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Prior Audit Finding:

The ESS assistant director should ensure sufficient supporting documentation exists for the transfer of expenditures between legal appropriations.

Federal Agency: **USDHHS**
State Agency: **DEED**
CFDA: **93.575/93.596**
Questioned Costs: Immaterial

Status/corrective action planned/reasons for no further action:

The department agrees and believes that sufficient procedures are in place to ensure supporting documentation is attached to adjusting journal entries (AJEs) when processed. Additional training in this area will be provided to staff to ensure that procedures are followed.

This audit finding is resolved in accordance with OMB circular A-133 __.315.

Report: **02-40004-04**
Finding Number: **13**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Prior Audit Finding:

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

Federal Agency: **USDA, USDOE, USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$8,615
CFDA: **84.181**
Questioned Costs: \$37
CFDA: **93.283**
Questioned Costs: \$3,636
CFDA: **93.767**
Questioned Costs: \$1,237
CFDA: **93.778**
Questioned Costs: \$740,994

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB Circular A-133 __.315. The finance officer has established internal controls by limiting access to the cost allocation spreadsheets after its quarterly completion. Access is limited to two staff people, the finance officer and the accountant IV responsible for implementation. Additionally, the federal unit will continue to work with the information technology staff to ensure the spreadsheets are safeguarded to prevent changes occurring.

The federal reporting unit has processed decreasing federal claim adjustments for CFDA #93.778.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **14**
Fiscal Year: **2003**
Initial Finding Year: **2001**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.658**
Questioned Costs: \$10,819

Prior Audit Finding:

The DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and that the information is obtained in compliance with federal requirements.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133 __.315. Effective July 1, 2004 the Office of Children Services and the Division of Public Assistance implemented a computerized random moment time study that randomly selects 2500 samples for each quarter. Implementation of the computerized software will ensure that at least 1900 valid samples are used as outlined in the FY 02 recommendation. The cost allocation spreadsheets have been changed to provide for the calculation of the RMTS four quarter moving average for the Office of Children's Services in accordance with the cost allocation plan.

Report: **02-40004-04**
Finding Number: **17**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA, USDOE, USDOJ, USDHHS**
State Agency: **DHSS**
CFDA: **Various**
Questioned Costs: None

Prior Audit Finding:

The internal auditor should implement procedures to ensure subrecipient information provided to the Office of the Governor, Office of Management and Budget (AOMB) is accurate and that federal single audit reports are reviewed timely.

Status/corrective action planned/reasons for no further action:

This audit finding is partially resolved in accordance with OMB Circular A-133 __.315. In January 2004, the Department consolidated the administrative functions for all departmental grants in the Grants and Contracts Support Team. The Grants and Contracts Support Team is currently developing an electronic grants (eGrants) program to be fully implemented in FY 06 that will have the capability to track and report federal sub-recipient payments, by CFDA number, to individual grantees. This system should provide accurate, timely, and consistent sub-recipient information across the Department grant programs. Additionally, grants staff will be trained on the federal requirements for identifying and reporting sub-recipient pass through amounts.

The consolidation of the grant administration functions in the Grants and Contracts Support Team should also help considerably in the timely review of federal single audit reports. The Audit Section has implemented a process that prioritizes the review of federal single audit reports that contain findings and questioned costs. This process, along with the grant files and administrative staff being consolidated in the Grants and Contracts Support Team, should improve the timely review of federal single audits.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **18**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA,**
USDOE
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$6,687
CFDA: **84.181**
Questioned Costs: \$6,687

Prior Audit Finding:

We recommend DHSS administrative managers for the Division of Public Health (DPH) and the Office of Children's Services (OCS) ensure personal services expenditures charged to federal programs comply with federal cost principals.

Status/corrective action planned/reasons for no further action:

This audit finding is resolved in accordance with OMB Circular A-133 ____.315. Effective September 16, 2003, the State of Alaska consolidated the human resource function within the Department of Administration. The employee services section has mandated the use of positive timekeeping records for the majority of employees. DHSS has implemented this requirement for all employees currently working on multiple benefiting programs.

Report: **02-40004-04**
Finding Number: **19**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$253,934

Prior Audit Finding:

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 food costs are net of rebates earned.

Status/corrective action planned/reasons for no further action:

This recommendation is considered resolved in accordance with OMB A-133 ____.315. Questioned costs have been resolved.

Report: **02-40004-04**
Finding Number: **20**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DHSS**
CFDA: **84.181**
Questioned Costs: \$35,787

Prior Audit Finding:

DHSS' finance officer should work with program staff to ensure that grant overpayments are refunded in a timely manner and the appropriate prior period adjustments are performed to reduce federal expenditures.

Status/corrective action planned/reasons for no further action:

This finding has been resolved in accordance with OMB circular A-133 ____.315. Effective, January 2004, DHSS established the grants and contracts unit (GCU). The GCU has implemented processes requiring the grantee to spend the majority of its initial advance prior to receiving future payments. If the grantee did not spend the predetermined amount, the advance payment is reduced appropriately or not made until the quarterly expenditure reports reflect the appropriate amount of expenditures.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **21**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOE**
State Agency: **DHSS**
CFDA: **84.181**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The Office of Children's Services (OCS) director should establish procedures to ensure that ILP subrecipients allocate indirect costs to federally funded grants in accordance with federal program guidelines.

Status/corrective action planned/reasons for no further action:

This finding has not been resolved. The Grants and Contracts Support Team staff will work with the Office of Children's Services to ensure Infant Learning Program grantees comply with program regulations for FY 06. This will be accomplished through an addendum to the FY 06 grant agreements explaining the Federal indirect cost rate requirements and requesting submission of revised FY 06 grant program budgets.

Report: **02-40004-04**
Finding Number: **22**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: \$21,731
CFDA: **93.778**
Questioned Costs: \$11,043

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented. Effective September, 2003, the State's human resource function was consolidated within the Department of Administration. The employee services section has mandated the use of positive timekeeping records for the majority of employees. DHSS has implemented this requirement for all employees currently working on multiple benefiting programs. All employees have received written instructions and directives on how they will need to document their time and effort for multiple benefiting programs.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **23**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: None

Prior Audit Finding:

We recommend the Division of Health Care Services (DHCS) director improve internal controls over maintenance of the Juneau Claims Eligibility (JUCE) database.

Status/corrective action planned/reasons for no further action:

This audit finding has been resolved in accordance with OMB Circular A-133 __.315. We have trained back-up personnel within the division though it is not dedicated to this task and maintains other functions within the department. This HCS staff member can, with the help of the existing procedure manual, download and verify data from MMIS, process all standard monthly and quarterly reports, update projections, and complete all but the most difficult ad hoc data pulls.

In addition, maintenance of the JUCE database is contracted out to Wostman and Associates of Juneau. This local company built the system and is on contract to provide support to the HCS regarding all aspects of the system including data pulls if necessary. In addition, most existing data pulls are saved and well-documented electronically.

Report: **02-40004-04**
Finding Number: **24**
Fiscal Year: **2003**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: None

Prior Audit Finding:

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

Status/corrective action planned/reasons for no further action:

This finding has been partially implemented. The Division of Health Care Services continues to identify and strengthen recommended controls to the best of its ability under current circumstances. The Department expects much greater flexibility with the new Medicaid Management Information System, which is expected to be implemented by October 1, 2005. .

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**

Finding Number: **25**

Fiscal Year: **2003**

Initial Finding Year: **2003**

Federal Agency: **USDHHS**

State Agency: **DHSS &**

DEED

CFDA: 93.778

Questioned Costs: \$6,480,333

Prior Audit Finding:

DHSS' Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented. During the fourth quarter of FY 04, the time survey instrument was changed to clearly identify Medicaid activities. Additionally, training was provided to school district employees in June 2004.

During FY 04, DHSS and DEED revised its procedures for calculating the school based services claim and the selection of school district staff for survey purposes. These procedures were implemented in the third quarter of FY 05. The cost pool calculation includes all salaries and benefits of school district staff and all staff is part of the time study selection process. In addition, DHSS established a program coordinator position in FY 05. The responsibilities of this position are to train school district staff on completing the Medicaid school based administrative time study and to ensure DHSS's claim is calculated in accordance with federal requirements.

DHSS plans to acquire CMS approval of the activity codes. DEED and DHSS plan to negotiate and sign a new interagency agreement that will explain the responsibilities of each department. DHSS plans to include the necessary Medicaid school based services information in the DHSS cost allocation plan and get CMS approval.

Report: **02-40004-04**

Finding Number: **26**

Fiscal Year: **2003**

Initial Finding Year: **2003**

Federal Agency: **USDHHS**

State Agency: **DHSS**

CFDA: **93.778**

Questioned Costs: \$860,700

Prior Audit Finding:

The Division of Health Care Services (DHCS) director should ensure that disproportionate share hospital (DSH) payments are made in accordance with federal guidelines

Status/corrective action planned/reasons for no further action:

This finding is not resolved. DHSS believes it was in compliance with federal regulations because the payment was made prior to CMS issuance of clarifying guidance prohibiting this type of payment. DHSS has ceased payments for prisoner care and is currently working with CMS Region X representatives regarding this audit finding.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **27**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$792,830

Prior Audit Finding:

DHSS' director of the Division of Health Care Services (DHCS) should take action to improve controls over the processing and payment of personal care service claims.

Status/corrective action planned/reasons for no further action:

This audit finding has been partially implemented. The Division of Senior and Disability Services has conducted audits of personal care attendant (PCA) agencies, medical assistance providers, and PCA clients. DSDS has also conducted quality assurance investigations of the PCA program, and is currently working with the Association of Personal Care Attendant Agencies to gather recommendations for possible cost containment regulatory changes. DSDS is planning to utilize the outcomes of these various audits and quality assurance activities in order to revise the program regulations. DSDS is also working the House and Senate finance committees to determine possible regulatory changes to the PCA program.

As a result of these activities, DSDS anticipates some or all of the following regulatory changes:

- Clearly define client eligibility and minimum deficiencies in activities of daily living
- Require physician's certification of client condition.
- Clearly state the types of allowable and non-allowable tasks.
- Prohibit direct solicitation of clients from other PCA agencies.
- Clearly state that DSDS or its designee, not the PCA agency, will conduct the assessment function
- Incorporate new assessment tool into regulations.
- Require PCA provider training prior to enrollment.
- Prior authorize all PCA services
- Institute hard coverage limits (maximum number of hours of services).
- Require coordination of PCA plans with Waiver plans.

Report: **02-40004-04**
Finding Number: **28**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Prior Audit Finding:

We recommend the DHCS director improve procedures over the calculation of the Medicaid upper payment limit.

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$10,360,692

Status/corrective action planned/reasons for no further action:

This finding is only partially resolved. DHSS has revised the UPL calculation methodology for allocating capital costs attributable to Medicaid. Additionally, the UPL calculations are now reviewed for accuracy and reasonableness by an Internal Auditor. For FY 05, DHSS will exclusively utilize the most recent Medicare cost report information available. DHSS is working with CMS regarding the audit finding.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **30**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDOJ**
State Agency: **DNR**
CFDA: **15.808**
Questioned Costs: None

Prior Audit Finding:

The Support Services Division (SSD) director should implement procedures to ensure personal services expenditures charged to federal programs comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

The Department concurs with the recommendation for DNR.

We will ensure that semiannual certifications are completed and on file for employees working solely on a single federal program or cost objective.

This audit finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40004-04**
Finding Number: **31**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DPS**
CFDA: **93.671**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The Council of Domestic Violence and Sexual Assault (CDVSA) executive director should develop and implement procedures to ensure federal funds are distributed to subrecipients in compliance with federal requirements.

Status/corrective action planned/reasons for no further action:

Thank you for the opportunity to comment on your recommendation. As I earlier indicated to your staff, the department agrees with the recommendation and will implement it as described below.

Effective with FY05 funding, CDVSA will prepare an assessment of all agencies that receive Family Violence Prevention and Services Program (FVPSP) funding and determine the ratio of FVPSP funds to total state and federal funds granted to the agency in the previous years. This information will be used when determining grant awards.

November 2004, This audit finding is resolved in accordance with OMB circular A-133_.315. CDVSA did determine the ratio for FVPSA and distributed funds accordingly.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

Report: **02-40004-04**
Finding Number: **34**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: \$1,166,051

Prior Audit Finding:

The DEC finance officer should implement procedures to ensure personal services expenditures charged to the EPA infrastructure grants comply with federal cost principles.

Status/corrective action planned/reasons for no further action:

The Department supports this recommendation, and has implemented processes to require those employees funded 100% by a federal grant to complete bi-annual certifications. Additionally, for those funded by multiple funding sources, actual hours worked on a particular project are reflected on the employee timesheet.

Report: **02-40004-04**
Finding Number: **35**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs: None

Prior Audit Finding:

The VSW program manager should work with project engineers to strength internal controls over the VSW procurement process.

Status/corrective action planned/reasons for no further action:

The Department supports this recommendation, and hired a Procurement Specialist III in September 2004 to support the VSW program. This position is solely dedicated to the VSW program, and is supervised by the Division of Information and Administrative Service to ensure appropriate segregation of duties and authorities. The incumbent has been working to strengthen internal controls and to provide appropriate oversight and guidance for VSW procurement practices.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC – Report: **02-40004-04**

Finding Number: 37

Fiscal Year: 2003

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: Corrective action was taken.

AADC – Report: **02-40004-04**

Finding Number: 38

Fiscal Year: 2003

Federal Agency: USDOD

CFDA: 12.400

Condition found:

The Alaska Aerospace Development Corporation reported incorrect cash balances on the Kodiak Launch Complex SF-272 grant reports.

Status: Corrective action was taken.

AADC – Report: **02-40004-04**

Finding Number: 39

Fiscal Year: 2003

Federal Agency: USDOD

CFDA: 12.400

Condition found:

The Alaska Aerospace Development Corporation reported \$1,533,923 of expenditures on the Kodiak Launch Complex SF-272 grant reports.

Status: Corrective action was taken.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

ALASKA HOUSING FINANCE CORPORATION (AHFC)

AHFC - FINDING 01-1

Federal Agency: HUD
CFDA 14.182 & 14.871

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: Corrective action was taken.

AHFC - Report: **02-40004-04**

Finding Number: 40
Fiscal Year: 2003
Federal Agency: USHUD
CFDA: 14.855

Condition found: We tested 25 tenant files and found four tenant files that either had no unassisted unit comparability surveys or only had one unassisted unit comparability survey.

Status: Corrective action was taken.

AHFC - Report: **02-40004-04**

Finding Number: 41
Fiscal Year: 2003
Federal Agency: USHUD
CFDA: 14.182 & 14.195

Condition found:

We tested 24 tenant files and found two tenants that were selected from an incorrect waitlist. While they were selected from a Section 8 waitlist, they were selected from a different location's wait list while they were eligible individuals on the waitlist for the location that was to be filled.

Status: Corrective action was taken.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2004 Audit

UNIVERSITY OF ALASKA (U of A)

U of A - Report: **02-40004-04**

Finding Number: 42

Fiscal Year: 2003

Federal Agency: USHUD

CFDA: 14.246

Condition found:

According to OMB Circular A-110 (Section 22), when the reimbursement method is used, the federal awarding agency shall make payment to the grantee after receipt of billing for costs incurred under the award. The University submitted a \$270,868 request for reimbursement to the grantor; however, the University had not incurred costs prior to the request of this amount. During the University's conversion to a new billing system, the setup of this grant was incorrect, leading to an incorrect beginning cash balance transferring to the new system. This was an isolated incident.

Status: Corrective action has been taken and this matter has been fully resolved. The University returned the \$270,868 to the grantor.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2004

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, 2004*. 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 IV – APPENDICES.

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
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	DAHA51-99-2-3038		Military Construction, National Guard	12,667,003
Total Alaska Aerospace Development Corporation					12,667,003
Alaska Energy Authority					
USDA	10.857	USDA-RURAL UTILITY SYSTEMS		State Bulk Fuel Revolving Fund Grants	1,640,590
USDOD	12.999	US AIRFORCE MOU		Nikolski Powerhouse Clean-up	21,242
ENERGY	81.079	VARIOUS		Regional Biomass Energy Programs	69,124
ENERGY	81.087	VARIOUS		Renewable Energy Research and Development	2,775,008
DC	90.100	VARIOUS		Denali Commission Program	31,715,764
Total Alaska Energy Authority					36,221,728
Alaska Housing Finance Corporation					
USDA	10.410			Very Low to Moderate Income Housing Loans	130,814
HUD	14.117			Mortgage Insurance: Homes	2,691,281
HUD	14.182		S8PBC	Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	1,973,846
HUD	14.195		S8PBC	Section 8 Housing Assistance Payments Program: Special Allocations	6,003,467
HUD	14.227			Community Development Block Grants/Special Purpose Grants/Technical Assistance Program	65,614
HUD	14.235			Supportive Housing Program	20,287
HUD	14.238			Shelter Plus Care	213,830
HUD	14.239			HOME Investment Partnerships Program	2,452,044
HUD	14.241			Housing Opportunities for Persons with Aids	394,307
HUD	14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	305,967
HUD	14.850			Public and Indian Housing	7,431,634
HUD	14.854			Public and Indian Housing Drug Elimination Program	35,287
HUD	14.855			Section 8 Rental Voucher Program	26,812,441
HUD	14.870			Resident Opportunity and Supportive Services	40,128
HUD	14.872			Public Housing Capital Fund	3,240,054
HUD	14.901			Healthy Homes Demonstration Grants	253,229
USDVA	64.114			Veterans Housing: Guaranteed and Insured Loans	357,527
ENERGY	81.041			State Energy Program	459,632
ENERGY	81.042			Weatherization Assistance for Low-Income Persons	1,795,612
ENERGY	81.117			EERE-Wind/Geothermal Energy Support	9,761
ENERGY	81.119			State Energy Program Special Projects	51,083
USDHHS	93.568			Low-Income Home Energy Assistance	1,383,765
Total Alaska Housing Finance Corporation					56,121,610
Alaska Industrial Development and Export Authority					
USDOT	20.205	Ketchikan Shipyard Dev	HPCC	Highway Planning and Construction	75,949
DC	90.000	Denali Commission		Statewide Energy Plan	8,909
Total Alaska Industrial Development and Export Authority					84,858
Alaska Railroad Corporation					
USDOD	12.999	DTFRDV-99-G-60016		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 1999 (pass-through from FRA)	372,174
USDOD	12.999	DTFRDV-00-G-60025		Track Realignment - Elmendorf Air Force Base 2000 (pass-through from FRA)	18,944
USDOD	12.999	DTFRDV-01-G-60031		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2001 (pass-through from FRA)	860,425
USDOD	12.999	DTFRDV-02-G-60035		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2002 (pass-through from FRA)	4,316,333
USDOD	12.999	DTFRDV-03-G-60039		Track Realignment - Elmendorf Air Force Base and Ft. Richardson 2003 (pass-through from FRA)	6,112,922
USDOJ	15.999	H.R. 4578		U.S. Department of Interior	249,273
USTreas	21.999	None		Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	4,459,547

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004
By State Agency

Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
USDOJ	15.FFA	DCN 70181-3-G236		U.S. Department of Fish and Wildlife Services	9,623
USDHS	20.420	DTSA20-03-G-01069		U.S. Department of Homeland Security	83,342
USDOT	20.500		FTC	Federal Transit: Capital Investment Grants	14,701,449
USDOT	20.507		FTC	Federal Transit: Formula Grants	6,938,054
USDOT	20.999	DTFRDV-00-G-60022		Seward Dock Intermodal Project – 2000	4,091
USDOT	20.999	DTFRDV-01-G-60029		Seward Dock Intermodal Project – 2001	106,095
USDOT	20.999	DTFRDV-99-G-60001		Capital Rehabilitation and Improvements – 1999	15,615
USDOT	20.999	DTFRDV-99-G-60004		Positive Train Control – 1999	1,246,366
USDOT	20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station – 1999	858,749
USDOT	20.999	DTFRDV-00-G-60021		Capital Rehabilitation and Improvements – 2000	137,962
USDOT	20.999	DTFRDV-00-G-60028		Positive Train Control – 2000	730,525
USDOT	20.999	DTFRDV-01-G-60030		Track Rehab, Siding Access Improv. and Track Relocation – 2001	1,507,187
USDOT	20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements – 2002	3,724,190
USDOT	20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements – 2003	12,877,617
USDOT	20.999	DTFRDV-03-G-60015		Seward Loading Facility – 2003	7,941,146
USDOT	20.999	DTFRDV-03-G-60016		Grade Crossing Safety Improvements & Noise Reduction - 2003	655
USDHS	83.544	1423-DR-AK		U.S. Department of Emergency Management	(2,582)
USDHS	83.544	1445-DR-AK		U.S. Department of Emergency Management	1,291,387
USDHS	83.544	1461-DR-AK		U.S. Department of Emergency Management	71,924
Total Alaska Railroad Corporation					68,633,013
Alaska Student Loan Corporation					
USDVA	64.V101	(223b)-P4301&P4401		Veteran's Administration Contract	69,483
USDOE	84.032		SFAC	Federal Family Education Loans	1,374,600
Total Alaska Student Loan Corporation					1,444,083
Alaska Seafood Marketing Institute					
USDA	10.601			Market Access Program	2,909,596
USDA	10.999	agreement #1		Quality Samples Program (QSP)	20,371
USDA	10.999	agreement #67		Section 108 Program	328,043
USDOC	11.313			Trade Adjustment Assistance	947,491
Total Alaska Seafood Marketing Institute					4,205,501
Alaska Court System					
LSC	09.902000			Technology Initiative Grant Program	29,345
USDOJ	16.541			Juvenile Justice and Delinquency Prevention: Special Emphasis	12,559
USDOJ	16.560			Anchorage Wellness Court Subaward	-
USDOJ	16.585			Drug Court Discretionary Grant Program	20,701
USDOJ	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	100,247
USDOJ	16.SJI-03-E-110			Judicial Education on Substance Abuse	20,000
USDOJ	16.SJI-03-N-007			The Solutions Project	4,156
USDOJ	16.SJI-04-T-040			Technical Assistance to Improve Public Access to Court Records	10,322
USDHHS	93.586			State Court Improvement Program	131,751
USDHHS	93.652			Adoption Opportunities	78,493
USAID	98.001			USAID Foreign Assistance for Programs Overseas	8,488
Total Alaska Court System					416,062
Department of Community and Economic Development					
USAID	02.118-G-118-G-00-00-00-115			USAID Alaska-Sakhalin Working Group	54,412
USDA	10.664			Cooperative Forestry Assistance	125,384
USDA	10.665		SRC	Schools and Roads: Grants to States	8,717,170
USDA	10.672			Rural Development, Forestry, and Communities	16,050
USDOC	11.307		PWEDC	Economic Adjustment Assistance	55,270
USDOC	11.419			Coastal Zone Management Administration Awards	2,966,539
USDOC	11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	1,708,150
USDOC	11.452			Unallied Industry Projects	10,720,507

STATE OF ALASKA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2004
 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>
USDOC	11.477			Fisheries Disaster Relief	1,897,031
USDOD	12.999			Delta Junction Missile Defense Test Bed Facilities Impact	6,508,714
HUD	14.228			Community Development Block Grants/State's Program	3,011,443
HUD	14.231			Emergency Shelter Grants Program	112,000
USDOJ	15.226			Payments to States in Lieu of Real Estate Taxes	5,858,416
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	17,887,994
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	1,110,562
DC	90.100			Denali Commission Program	3,446,744
USDHHS	93.569			Community Services Block Grant	2,227,777
USDHHS	93.571			Community Services Block Grant Discretionary Awards: Community Food and Nutrition	641
USCNCS	94.003			State Commissions	139,135
USCNCS	94.004			Learn & Serve America - School & Community Based Programs	10,856
USCNCS	94.006			Americorps	800,124
USCNCS	94.007			Planning & Program Development Grants	16,771
USCNCS	94.009			Training & Technical Assistance	59,597
USCNCS	94.013			Volunteers in Service to America	7,418
USDHS	97.023			Community Assistance Program: State Support Services Element (CAP-SSSE)	75,700
USDHS	97.029			Flood Mitigation Assistance	56,915
Total Department of Community and Economic Development					67,591,320
Department of Environmental Conservation					
USDA	10.03-9702-0322			Homeland Security Animal Disease Emergency Response	11,766
USDA	10.103-9702-1083			Johne's Disease	29,255
USDA	10.12-25-A-40251			Cooperative Pesticide Recordkeeping Program	8,148
USDA	10.43-0109-3-0325			Regulatory oversight of Contaminated Sites cleanup	31,913
USDA	10.760			Water and Waste Disposal Systems for Rural Communities	2,991,777
USDOC	11.45ABNA0N0252			Miscellaneous Inspection Service	20,881
USDOC	11.50ABNC100055			Regulatory Oversight, Pribilof Islands, Alaska	37,779
USDOC	11.NA16AB2392			DEC VSW Grants to St. Paul and St. George Islands for construction	950,000
USDOD	12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,923,762
USDOD	12.USAF	Elmendorf Site cleanup		USAF Elmendorf Site Cleanup	19,448
USDOT	20.DTFAAL-04-X-0000			Clean up contaminated Sites in Alaska	3,068
EPA	66.001			Air Pollution Control Program Support	1,130,243
EPA	66.034			Surveys Studies, Investigations, Demonstrations and special purpose activities relating to the Clean Air Act.	264,019
EPA	66.419			Water Pollution Control: State and Interstate Program support	263,043
EPA	66.432			State Public Water System Supervision	2,109,982
EPA	66.454			Water Quality Management Planning	112,597
EPA	66.458			Capitalization Grants for Water State Revolving Funds	17,535,064
EPA	66.463			Water Quality Cooperative Agreements	130,300
EPA	66.467			Wastewater Operator Training Grant Program (Technical Assistance)	20,118
EPA	66.468			Capitalization Grants for Drinking Water State Revolving Fund	11,567,604
EPA	66.471			State Grants to Reimburse Operators of Small Water for Training & Certification Costs	126,867
EPA	66.472			Beach Monitoring and Notification Program Implementation Grants	71,963
EPA	66.474			Water Protection Grants to the States	121,959
EPA	66.500			Environmental Protection Consolidated Research	86,212
EPA	66.511			Office of Research and Development, Consolidated Research	242
EPA	66.605			Performance Partnership Grants	3,514,760
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	32,976,401
EPA	66.608			State Information Grants	139,657

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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>
EPA	66.700			Consolidated Pesticide Enforcement Cooperative Agreements	275,510
EPA	66.708			Pollution Prevention Grants Program	1,266
EPA	66.804			State and Tribal Underground Storage Tanks Program	181,885
EPA	66.805			Leaking Underground Storage Tank Trust Fund Program	509,417
EPA	66.809				
				Superfund State and Indian Tribe Core Program Cooperative Agreements	226,856
EPA	66.817			State and Tribal Response Program Grants	263,404
EPA	66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	15,951
ENERGY	81.DE-FC03-02EH02039			Amchitka Medical Screening Program	501,048
ENERGY	81.DE-FG08-99NV13763			Amchitka Oversight/NEWNET	47,541
USDHHS	93.223-02-4037			Food Sanitation Inspections	(472)
USDHHS	93.223-03-4037			Food Sanitation Inspections	287,074
USDHHS	93.FD-R-0022425-01			Food Safety Systems	4,064
USDHHS	93.FD-R-002475-01			Food Safety Systems	24,949
Total Department of Environmental Conservation					78,537,321
Department of Education and Early Development					
USDA	10.550			Food Donation	3,005,404
USDA	10.553		CNC	School Breakfast Program	3,858,273
USDA	10.555		CNC	National School Lunch Program	19,851,170
USDA	10.556		CNC	Special Milk Program for Children	7,083
USDA	10.558			Child and Adult Care Food Program	6,979,342
USDA	10.559		CNC	Summer Food Service Program for Children	413,221
USDA	10.560			State Administrative Expenses for Child Nutrition	441,962
USDA	10.568		EFAC	Emergency Food Assistance Program (Administrative Costs)	148,911
USDA	10.574			Team Nutrition Grants	125,234
USDOD	12.999			Troops to Teachers	140,068
USDOL	17.249			School to Work	79,012
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	35,145
NFAH	45.025			Promotion of the Arts: Partnership Agreements	510,861
NFAH	45.149			Promotion of the Humanities	4,375
NFAH	45.310			State Library Program	623,459
NSF	47.076			Education and Human Resources	9,176
USDOE	84.010			Title I Grants to Local Educational Agencies	32,187,822
USDOE	84.011			Migrant Education: State Grant Program	7,393,152
USDOE	84.013			Title I Program for Neglected and Delinquent Children	287,651
USDOE	84.027		SEC	Special Education: Grants to States	29,044,969
USDOE	84.041			Impact Aid	26,764,684
USDOE	84.048			Vocational Education: Basic Grants to States	5,394,302
USDOE	84.116			Fund for the Improvement of Postsecondary Education	94,369
USDOE	84.161			Rehabilitation Services: Client Assistance Program	121,881
USDOE	84.173		SEC	Special Education: Preschool Grants	1,324,299
USDOE	84.184			Safe and Drug-Free Schools and Communities: National Programs	170,263
USDOE	84.185			Byrd Honors Scholarships	114,750
USDOE	84.186			Safe and Drug-Free Schools and Communities: State Grants	2,394,746
USDOE	84.196			Education for Homeless Children and Youth	140,628
USDOE	84.213			Even Start: State Educational Agencies	958,249
USDOE	84.215K			Fund for the Improvement of Education	3,375,350
USDOE	84.243			Tech-Prep Education	574,760
USDOE	84.281			Eisenhower Professional Development State Grants	156,310
USDOE	84.282			Charter Schools	1,574,485
USDOE	84.287			Twenty-First Century Community Learning Centers	3,583,100
USDOE	84.298			Innovative Education Program Strategies	2,039,292
USDOE	84.303			Technology Innovation Challenge Grants	46,484

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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>
USDOE	84.318			Education Technology State Grants	3,205,301
USDOE	84.323		SEC	Special Education: State Program Improvement Grants for Children with Disabilities	475,907
USDOE	84.326		SEC	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	70,113
USDOE	84.330			Advanced Placement Program	239,421
USDOE	84.332			Comprehensive School Reform Demonstration	1,049,161
USDOE	84.334			Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	1,201,537
USDOE	84.338			Reading Excellence	4,393,765
USDOE	84.340			Class Size Reduction	44,601
USDOE	84.348			Title I Accountability Grants	102,743
USDOE	84.352			School Renovation Grants	869,335
USDOE	84.357			Reading First State grants	1,197,201
USDOE	84.358			Rural Education	26,209
USDOE	84.365			English Language Acquisition Grants	625,109
USDOE	84.366			Mathematics and Science Partnership	210,142
USDOE	84.367			Improving Teacher Quality State Grants	13,780,335
USDOE	84.369			Grants for State Assessments and Related Activities	5,615,059
USDOE	84.999			Consolidated Programs IASA Admin	965,451
NARA	89.003			National Historical Publications and Records Grants	5,110
USDHHS	93.230				
				Consolidated Knowledge Development and Application (KD&A) Program	402,743
USDHHS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	9,803
USDHHS	93.575		CCC	Child Care and Development Block Grant CCDBG	93,962
USDHHS	93.600			Head Start	55,150
USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	(965)
USDHHS	93.778		MC	Medical Assistance Program	3,160,652
USDHHS	93.938			Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Health Problems	210,965
USCNCS	94.004			Learn and Serve America: School and Community Based Programs	46,872
Total Department of Education and Early Development					192,029,924
Department of Fish and Game					
USDA	10.999			Miscellaneous Animal and Plant Health Inspection Service	29,000
USDA	10.999			Miscellaneous U.S. Forest Service	1,088,543
USDOC	11.405			Anadromous Fish Conservation Act Program	345,513
USDOC	11.407			Interjurisdictional Fisheries Act of 1986	144,958
USDOC	11.417			Sea Grant Support	58,756
USDOC	11.420			Coastal Zone Management Estuarine Research Reserves	540,305
USDOC	11.437			Pacific Fisheries Data Program	4,142,531
USDOC	11.438			Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	17,533,931
USDOC	11.439			Marine Mammal Data Program	2,793,155
USDOC	11.454			Unallied Management Projects	105,585
USDOC	11.463			Habitat Conservation	63,965
USDOC	11.473			Coastal Services Center	72,923
USDOC	11.477			Fisheries Disaster Relief	1,044,690
USDOC	11.999			Miscellaneous NOAA	2,948,697
USDOD	12.999			Miscellaneous Army	91,737
USDOI	15.222			Cooperative Inspection Agreements With States and Tribes	48,267
USDOI	15.605		F&WC	Sport Fish Restoration	13,975,025
USDOI	15.608			Fish and Wildlife Management Assistance	337,956
USDOI	15.611		F&WC	Wildlife Restoration	8,648,916
USDOI	15.614			Coastal Wetlands Planning, Protection and Restoration Act	834

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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>
USDOI	15.615			Cooperative Endangered Species Conservation Fund	162,573
USDOI	15.616			Clean Vessel Act	8,194
USDOI	15.622			Sportfishing and Boating Safety Act	52,704
USDOI	15.625			Wildlife Conservation and Restoration	707,114
USDOI	15.626			Hunter Education and Safety Program	53,749
USDOI	15.633			Landowner Incentive	50,236
USDOI	15.634			State Wildlife Grants	1,972,715
USDOI	15.808			U.S. Geological Survey: Research and Data Acquisition	25,969
USDOI	15.999			Miscellaneous Bureau of Land Management	364,625
USDOI	15.999			Miscellaneous National Park Service	158,659
USDOI	15.999			Miscellaneous U.S. Fish and Wildlife Service	3,727,456
EPA	66.461			Regional Wetland Program Development Grants	15,443
Total Department of Fish and Game					61,314,724
Department of Health and Social Services					
USDA	10.551		FSC	Food Stamps	63,246,210
USDA	10.557			Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	21,493,936
USDA	10.561		FSC	State Administrative Matching Grants for Food Stamp Program	8,082,328
USDA	10.570			Nutrition Services Incentive	369,083
USDOJ	16.202			Offender Reentry Program	141,728
USDOJ	16.523			Juvenile Accountability Incentive Block Grants	513,105
USDOJ	16.540			Juvenile Justice and Delinquency Prevention: Allocation to States	390,261
USDOJ	16.541			Developing, Testing and Demonstrating Promising New Programs	405,659
USDOJ	16.548			Title V: Delinquency Prevention Program	57,617
USDOJ	16.549			Part E: State Challenge Activities	87,606
USDOJ	16.727			Enforcing Underage Drinking Laws Program	281,215
USDOJ	16.729			Drug-Free Communities Support Program Grants	1,098,910
USDOL	17.235			Senior Community Service Employment Program	1,412,905
USDOS	19.S-LMAQM-01-M4627			Arctic Human Health and Environmental Contaminants	16,142
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	10,025,583
EPA	66.032			State Indoor Radon Grants	17,835
USDOE	84.181			Special Education: Grants for Infants and Families with Disabilities	1,916,424
USDOE	84.989			Systems Change Project to Expand Employment Opportunities for Individuals with Mental or Physical Disabilities, or Both, Who Receive Public Support	208,567
DC	90.0022-DC-2001-14			Alaska Rural Primary Health Care Needs Assessment - Phase II	31,103
DC	90.100			Denali Commission Program	2,223,773
DC	90.A-2002-06			Health Facilities "Pre-Award" Support Services	24,857
USDHHS	93.003			Public Health and Social Services Emergency Fund	1,475,167
USDHHS	93.030178D4D-CDC			Adult Lead Surveillance Data	15,971
USDHHS	93.042			Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	47,262
USDHHS	93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	87,348
USDHHS	93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,850,146
USDHHS	93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	2,848,900
USDHHS	93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	79,161
USDHHS	93.051			Alzheimer's Disease Demonstration Grants to States	427,522
USDHHS	93.052			National Family Caregiver Support	906,467
USDHHS	93.110			Maternal and Child Health Federal Consolidated Programs	280,043
USDHHS	93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	475,124

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USDHHS	93.127			Emergency Medical Services for Children	170,167
USDHHS	93.130			Primary Care Services: Resource Coordination and Development	917,584
USDHHS	93.136			Injury Prevention and Control Research and State and Community Based Programs	468,824
USDHHS	93.150			Projects for Assistance in Transition from Homelessness (PATH)	225,000
USDHHS	93.197			Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	(271)
USDHHS	93.200-2000-07201			NCHS Contract	209,354
USDHHS	93.217			Family Planning: Services	367,290
USDHHS	93.223-03-4401			Mammography Inspection	27,244
USDHHS	93.230			Consolidated Knowledge Development and Application (KD&A) Program	8,700,743
USDHHS	93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	97,801
USDHHS	93.234			Traumatic Brain Injury: State Demonstration Grant Program	136,189
USDHHS	93.235			Abstinence Education	61,667
USDHHS	93.238			Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	4,875
USDHHS	93.240			State Capacity Building	120,792
USDHHS	93.241			State Rural Hospital Flexibility Program	856,685
USDHHS	93.243			Substance Abuse and Mental Health Services: Projects of Regional and National Significance	280,752
USDHHS	93.243-03-1045			NIOSH Trauma Registry	64,765
USDHHS	93.251			Universal Newborn Hearing Screening	143,741
USDHHS	93.259			Rural Access to Emergency Devices Grant	442,366
USDHHS	93.262			Occupational Safety and Health Research Grants	75,330
USDHHS	93.268			Immunization Grants	7,372,096
USDHHS	93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	13,536,188
USDHHS	93.301			Small Rural Hospital Improvement Grants	174,305
USDHHS	93.556			Promoting Safe and Stable Families	884,419
USDHHS	93.558			Temporary Assistance for Needy Families	34,456,786
USDHHS	93.568			Low-Income Home Energy Assistance (LIHEAP)	7,376,614
USDHHS	93.575		CCC	Child Care and Development Block Grant	16,968,089
USDHHS	93.590			Community-Based Child Abuse Prevention	242,021
USDHHS	93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,608,228
USDHHS	93.599			Chafee Education and Training Vouchers Program (ETV)	59,049
USDHHS	93.603			Adoption Incentive Payments	249,806
USDHHS	93.630			Developmental Disabilities Basic Support and Advocacy Grants	676,443
USDHHS	93.631			Developmental Disabilities Projects of National Significance	(79,078)
USDHHS	93.643			Children's Justice Grants to States	71,416
USDHHS	93.645			Child Welfare Services: State Grants	245,696
USDHHS	93.658			Foster Care: Title IV-E	16,123,422
USDHHS	93.659			Adoption Assistance	6,851,500
USDHHS	93.667			Social Services Block Grant	6,732,147
USDHHS	93.669			Child Abuse and Neglect State Grants	102,979
USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	2,973,732
USDHHS	93.674			Chafee Foster Care Independent Living	405,087
USDHHS	93.752-3-939519			Healthy Start Grow Smart Program	31,988
USDHHS	93.767			State Children's Insurance Program	20,266,233
USDHHS	93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	389,331

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Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
USDHHS	93.773			Medicare: Hospital Insurance	657,366
USDHHS	93.777		MC		
				State Survey and Certification of Health Care Providers and Suppliers	182,823
USDHHS	93.778		MC	Medical Assistance Program	683,660,291
USDHHS	93.779			Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluation	762,886
USDHHS	93.887			Health Care and Other Facilities	726,146
USDHHS	93.912			Rural Health Outreach and Rural Network Development Program	497,518
USDHHS	93.913			Grants to States for Operation of Offices of Rural Health	159,913
USDHHS	93.917			HIV Care Formula Grants	919,402
USDHHS	93.919			Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	9,396
USDHHS	93.940			HIV Prevention Activities - Health Department Based	1,522,839
USDHHS	93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	124,187
USDHHS	93.945			Assistance Programs for Chronic Disease Prevention and Control	423,125
USDHHS	93.952			Improving EMS/Trauma Care in Rural Areas	33,707
USDHHS	93.958			Block Grant for Community Mental Health Services	525,898
USDHHS	93.959			Block Grants for Prevention and Treatment of Substance Abuse	4,480,541
USDHHS	93.977			Preventive Health Services: Sexually Transmitted Diseases Control Grants	429,992
USDHHS	93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	422,416
USDHHS	93.991			Preventive Health and Health Services Block Grant	518,502
USDHHS	93.994			Maternal and Child Health Services Block Grant to the States	1,264,001
Total Department of Health and Social Services					974,948,302
Department of Labor and Workforce Development					
USDOC	11.452			Unallied Industry Projects	4,418,654
HUD	14.227				
				Community Development Block Grants/Technical Assistance Programs	33,837
USDOL	17.002			Labor Force Statistics	1,013,614
USDOL	17.005			Compensation and Working Conditions	90,496
USDOL	17.203			Labor Certification for Alien Workers	75,865
USDOL	17.207		ESC	Employment Service	7,805,105
USDOL	17.225			Unemployment Insurance	207,766,079
USDOL	17.245			Trade Adjustment Assistance: Workers	647,475
USDOL	17.257			One Stop Career Center Initiative	83,052
USDOL	17.258		WIAC	WIA Adult Program	3,826,738
USDOL	17.259		WIAC	WIA Youth Activities	3,688,601
USDOL	17.260		WIAC	WIA Dislocated Workers	8,507,327
USDOL	17.261			Employment and Training Administration Pilots, Demonstrations, and Research Projects	384,821
USDOL	17.503			Occupational Safety and Health: State Program	1,206,043
USDOL	17.504			Consultation Agreements	629,603
USDOL	17.720			Employment Programs for People with Disabilities	797,262
USDOL	17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	218,525
USDOL	17.804		ESC	Local Veterans' Employment Representative Program	423,475
USDOE	84.002			Adult Education: State Grant Program	946,547
USDOE	84.063			Federal Pell Grant Program	234,252
USDOE	84.126			Rehabilitation Services: Vocational Rehabilitation Grants to States	9,459,934
USDOE	84.169			Independent Living: State Grants	309,427
USDOE	84.177			Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	243,544

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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>
USDOE	84.187			Supported Employment Services for Individuals with Severe Disabilities	454,244
USDOE	84.224			Assistive Technology	382,781
USDOE	84.265			Rehabilitation Training: State Vocational Rehabilitation Unit In-Service Training	31,616
USDOE	84.346			Vocational Education: Occupational and Employment Information State Grants	123,310
DC	90.100			Denali Commission Program	2,756,963
SSA	96.001		DISSIC	Social Security: Disability Insurance	1,384,184
SSA	96.006		DISSIC	Supplemental Security Income	2,620,639
USDHS	97.034			Disaster Unemployment Assistance (DUA)	896
Total Department of Labor and Workforce Development					260,564,909
Department of Military and Veterans' Affairs					
USDOC	11.419			Coastal Zone Management Administration Awards	15,550
USDOD	12.400			Military Construction, National Guard	2,442,766
USDOD	12.401			National Guard Military Operations and Maintenance (O&M) Projects	11,719,419
USDOD	12.404			National Guard Civilian Youth Opportunities	2,742,693
USDOD	12.Other			Various Programs	80,213
USDOJ	16.A98-229-CV			Counterdrug Support Program-Asset Forfeiture	121,048
USDOT	20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	96,055
USDHS	83.543			Individual Assistance Grants	9,763
USDHS	97.004			State Domestic Preparedness Equipment Program	274,819
USDHS	97.036			Public Assistance Grants	3,967,357
USDHS	97.039			Hazard Mitigation Grant	734,327
USDHS	97.042			Emergency Management Performance Grants	1,939,968
USDHS	97.047			Pre-Disaster Mitigation	235,106
USDHS	97.051			State and Local All Hazards Emergency Operations Planning	47,610
USDHS	97.052			Emergency Operations Center	14,900
USDHS	97.053			Citizen Corps	19,454
USDHS	97.054			Community Emergency Response Teams	139,622
USDHS	97.067			Homeland Security Grant Program	2,057,009
Total Department of Military and Veterans' Affairs					26,657,679
Department of Natural Resources					
USDOD	12.999			Stewart River Revegetation	4,054
USDA	10.001			Agricultural Research: Basic and Applied Research	168,825
USDA	10.025			Plant and Animal Disease, Pest Control, and Animal Care	776,775
USDA	10.162			Inspection Grading and Standardization	3,571
USDA	10.163			Market Protection and Promotion	77,903
USDA	10.664			Cooperative Forestry Assistance	3,115,422
USDA	10.676			Forest Legacy	1,639
USDA	10.905			Plant Materials for Conservation	605,012
USDA	10.L83008			Calendar Year 2001 Fire Suppression	9,516
USDA	10.L83008			Calendar Year 2002 Fire Suppression	-
USDA	10.L83008			Calendar Year 2003 Fire Suppression	4,525,411
USDA	10.L83008			Calendar Year 2004 Fire Suppression	7,840
USDA	10.L83008			CY 04 Miscellaneous Fire Billings	1,148
USDA	10.Other			Agricultural Economic Assistance	50,383
USDA	10.Other			Calendar Year 2003 Misc Fire Billings	44,400
USDOC	11.419			Coastal Zone Management Administration Awards	1,158,701
USDOI	15.1422L953A98-0009			Development of an Electronic Access for Digital Mineral and Land Records	89,500
USDOI	15.222			Cooperative Inspection Agreements with States and Tribes	452,470

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Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
USDOJ	15.224			Cultural Resource Management	141,893
USDOJ	15.228			Wildland Urban Interface Community & Rural Fire Assistance	327
USDOJ	15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	184,220
USDOJ	15.252			Abandoned Mine Land Reclamation (AMLR) Program	1,463,556
USDOJ	15.701813M757			Togiak Refuge Maps	7,618
USDOJ	15.7018M176			Comprehensive Conservation Plans	15,836
USDOJ	15.745003M194			AK Maritime Refuge Maps	4,897
USDOJ	15.808			U.S. Geological Survey: Research and Data Collection	1,448,449
USDOJ	15.810			National Cooperative Geologic Mapping Program	486,495
USDOJ	15.904			Historic Preservation Fund Grants-In-Aid	985,951
USDOJ	15.916			Outdoor Recreation: Acquisition, Development and Planning	2,165
USDOJ	15.9911040018			NPS Planning Assistance	2,024
USDOJ	15.AAN	H9915040004		NPS Fire Program Analysis	4,634
USDOJ	15.CA-02-02-06			Independence Mine	680,074
USDOJ	15.CA9910-8-0050/99-01			Denali National Park Interpretative Services	5,000
USDOJ	15.DDD	LAA-02-0005		Cadastral Project	293,093
USDOJ	15.FFB	701812G173		Davidson Ditch Land	6,040
USDOJ	15.H9910030005			Stampede Road Alignment	53,179
USDOJ	15.H9913020017			Iditarod Trail Improvements	9,426
USDOJ	15.L300CA9301			Calendar Year 2004 Fire Suppression	793,113
USDOJ	15.L300CA9301			Calendar Year 2003 Fire Suppression	(126,833)
USDOJ	15.L300CA9301			CY04 Miscellaneous Fire Billings	1,403
USDOJ	15.Other	LBA022158		BLM Vibroseis	2,415
USDOJ	15.Other			Onshore Compliance	60,772
USDOJ	15.Other	0204CA25505		Survey GIS Coverage	147
USDOT	20.106			Airport Improvement Program	70
USDOT	20.205		HGCC	Highway Planning and Construction	17,416
USDOT	20.219			Recreational Trails Program	607,302
NASA	43.NAG1301010			Remote Sensing	267,838
NASA	43.NAG1301011			Remote Sensing	507,822
NSF	47.076			Place Based Geospatial	2,282
ENERGY	81.089			Fossil Energy Research and Development	535,754
USDHS	97.012			Boating Safety Financial Assistance	489,544
USDHS	97.041			National Dam Safety Program	50,270
Total Department of Natural Resources					20,096,762
Department of Administration					
USDOJ	16.541	OPA		Developing, Testing and Demonstrating Promising New Programs	48,601
USDOJ	16.576	VCCB		Crime Victim Compensation	367,670
USDOJ	16.710	ETS		Public Safety Partnership and Community Policing Grants	2,061,923
USDOT	20.217	DMV		Motor Carrier Safety	500,440
USTreas	21.999	APOC		Electronic Filing of Public Official & Legislative Financial Disclosure	17,182
GSA	39.003	GS		Donation of Federal Surplus Personal Property	1,341,761
EPA	66.433	AOGCC		State Underground Water Source Protection	124,500
Total Department of Administration					4,462,077
Department of Corrections					
USDOJ	16.999	2002-RE-CX-0014		Serious and Violent Offender Reentry Initiative	223,430
USDOJ	16.999	2002-RG-CX-0012		Offender Tracking System	176,248
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	185,000
USDOE	84.203	R203F990010-01		Star Schools - Pass-thru from Education Service District #1, Spokane, WA	864
USDOE	84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	46,389
Total Department of Corrections					631,931
Department of Revenue					

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Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	200,000
USDHHS	93.563			Child Support Enforcement	15,647,514
USDHHS	93.597			Grants to States for Access and Visitation Programs	64,677
Total Department of Revenue					15,912,191
Department of Transportation and Public Facilities					
USDOD	12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	554,821
USDA	10.665		SRC	Schools and Roads: Grants to States	170,000
USDA	10.999	PO 43-0109-3-0356		Acquisition of right of way on section of Coffman Cove Rd costs reimb by USDA AK DOT Pj # 68690	32,237
USDOC	11.999	Lease of space no Fed Agreement		Space leased by National Weather Service at DOTPF facility in Slana & Ernestine	1,858
USDOD	12.F65501-95C0017			Maintain Galena Airport to USAF Safety Standards	381,454
USDOD	12.F65501-96C0006			Maintain King Salmon Airport to USAF Safety Standards	358,473
USDOI	15.631	70181-3-G206		Partners for Fish and Wildlife	70,000
USDOI	15.999			Bridge Design - Selected Alaska Communities AK DOT Pj#74975	85,051
USDODJ	16.585			Drug Court Discretionary Grant Program	113,991
USDOT	20 DTFA-03-X-02057			Rural Airport Lighting install at various airports	1,636,125
USDOT	20 DTFA-0402P-44814			FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	69,144
USDOT	20 DTFA-AAL03P-45013			FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	55,397
USDOT	20 DTFAWA-02-X-44090			Runway End Identifier Lighting (REIL) at various airports	59,517
USDOT	20 DTFAWA-03-X-02009			FAA agreement to install Precision Approach Path Indicator (PAPI) & Runway End Identifier Lights (REIL) at various airports	1,193,225
USDOT	20.106			Airport Improvement Program	134,162,771
USDOT	20.205		HPCC	Highway Planning and Construction	376,941,134
USDOT	20.218			National Motor Carrier Safety	839,872
USDOT	20.500		FTC	Federal Transit: Capital Investment Grants	7,412,518
USDOT	20.509			Formula Grants for Other Than Urbanized Areas	1,671,083
USDOT	20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	635,385
USDOT	20.515			State Planning and Research	158,121
USDOT	20.600		HSC	State and Community Highway Safety	153,362
USDOT	20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	765,369
USDOT	20.602		HSC	Occupant Protection	643,662
USDOT	20.603		HSC	Federal Highway Safety Data Improvements Incentive Grants	140,420
USDOT	20.604		HSC	Safety Incentive Grants for Use of Seatbelts	96,686
USDOT	20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	1,720,983
USDOT	20.DTFA04-81-F-81018			Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	10,969
USDOT	20.DTFA04-92-89229			Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	34,926
USDOT	20.PO 00200031-000			FHWA Alaska Division for FY 01 ITS Service Plan - Purchase Order	8,935
USDOT	20-00-A-17-0049& 02-A-17-0063			Projects contracted by Western Federal Lands Division	647,264
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	661,600
DC	90.100			Denali Commission	759,924
USDHS	97.067			Homeland Security Grant Program	550,560
USDHS	97.072			National Explosives Detection Canine Team Program	125,672
Total Department of Transportation and Public Facilities					532,922,509
Department of Public Safety					
USDA	10.02CA-111001-039			Cooperative Law Enforcement Agreement	53,148
USDOC	11.02 & 03-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	546,864

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Federal Agency	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
USDOJ	16.03-02 & 04-02			Marijuana Eradication	80,579
USDOJ	16.527			Supervised Visitation, Safe Havens for Children	84,059
USDOJ	16.554			National Criminal History Improvement Program (NCHIP)	940,656
USDOJ	16.564			Crime Laboratory Improvement: Combined Offender DNA Index System Backlog Reduction	237,048
USDOJ	16.575			Crime Victim Assistance	2,348,702
USDOJ	16.579			Byrne Formula Grant Program	2,325,937
USDOJ	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	3,423,602
USDOJ	16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,240,306
USDOJ	16.588			Violence Against Women Formula Grants	624,423
USDOJ	16.589			Rural Domestic Violence and Child Victimization Enforcement Grant Program	663,654
USDOJ	16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	183,738
USDOJ	16.592			Local Law Enforcement Block Grants Program	276,219
USDOJ	16.593			Residential Substance Abuse Treatment for State Prisoners	213,280
USDOJ	16.609			Community Prosecution and Project Safe Neighborhoods	20,208
USDOJ	16.710			Public Safety Partnership and Community Policing Grants	1,629,588
USDOJ	16.729			Drug Prevention Program	146,123
USTreas	21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	11,008
USDHS	83.009			National Fire Academy	12,399
USDHS	83.547			Anti Terrorism Training	40,668
DC	90.100			Denali Commission Program	68,011
USDHHS	93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	538,758
Total Department of Public Safety					15,708,978
Department of Law					
USDHHS	93.775		MC	State Medicaid Fraud Control Units	386,972
Total Department of Law					386,972
Office of the Governor					
USDOC	11.419			Coastal Zone Management Administration Awards	399,191
USDOC	11.452			Unallied Industry Projects	112,322
USEEOC	30.002			Employment Discrimination: State and Local Fair Employment Practices Agency Contracts	151,816
GSA	39.011			Election Reform Payments	510,606
Total Office of the Governor					1,173,935
University of Alaska					
USAID	02.999			Alaska Chukotka Development Project	77,599
USAID	02.999		R&DC	Alaska Chukotka Development Project	873,022
USDA	10.001		R&DC	Agricultural Research - Basic and Applied Research	1,355,129
USDA	10.001			Agricultural Research - Basic and Applied Research	625,202
USDA	10.200		R&DC	Grants for Agricultural Research, Special Research Grants	2,492,308
USDA	10.200			Grants for Agricultural Research, Special Research Grants	1,506,812
USDA	10.202			Cooperative Forestry Research	34,647
USDA	10.206		R&DC	Grants for Agricultural Research, Competitive Research Grants	4,913
USDA	10.206			Grants for Agricultural Research, Competitive Research Grants	263,128
USDA	10.206	35101-7859-99	R&DC	Grants for Agricultural Research, Competitive Research Grants - Pass-through from University of California	16,661
USDA	10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	962,800
USDA	10.302	RCUH LTR JAN 1, 02		Initiative for Future Agriculture and Food Systems - Pass-through from University of Hawaii	40,254

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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>
USDA	10.303		R&DC	Integrated Programs	112,657
USDA	10.303			Integrated Programs	6,434
USDA	10.303	K009607-AK	R&DC	Integrated Programs - Pass-through from Cornell University	3,613
USDA	10.303	2002-51110-01510		Integrated Programs - Pass-through from University of California Davis	2,971
USDA	10.303	various		Integrated Programs - Pass-through from University of Idaho	79,835
USDA	10.304	K007797-02	R&DC	Integrated Programs - Pass-through from University of California, Davis	19,900
USDA	10.500		R&DC	Cooperative Extension Service	173,579
USDA	10.500			Cooperative Extension Service	1,838,519
USDA	10.500	WSU-WE-TAA-SAL		Cooperative Extension Service - Pass-through from National 4H Council	4,652
USDA	10.500	SUB-GRANT 03/03/03		Cooperative Extension Service - Pass-through from Oregon State University	200
USDA	10.500	ESPN00200		Cooperative Extension Service - Pass-through from University of Wyoming	2,143
USDA	10.500	UTSTUNV6160:6128STATE		Cooperative Extension Service - Pass-through from Washington State University	387,091
USDA	10.652		R&DC	Forestry Research	27,530
USDA	10.652			Forestry Research	(725)
USDA	10.664		R&DC	Cooperative Forestry Assistance	77,460
USDA	10.664			Cooperative Forestry Assistance	3,736
USDA	10.769			Rural Business Enterprise Grants	98,705
USDA	10.769	various		Rural Business Enterprise Grants - Pass-through from Alaska One - HUD Grant	40,525
USDA	10.901		R&DC	Resource Conservation and Development	(5,315)
USDA	10.999		R&DC	Miscellaneous	324,829
USDA	10.999			Miscellaneous	960,421
USDA	10.999	RBS-03		Miscellaneous - Pass-through from Alaska One - HUD Grant	17,084
USDA	10.999	43-3AEK-4-80042		Miscellaneous - Pass-through from Alaska Public Broadcasting Service, Inc.	6,544
USDA	10.999	MOA DATED 11/26/02		Miscellaneous - Pass-through from The Denali Commission	37,157
USDA	10.999	LETTER 1/9/03	R&DC	Miscellaneous - Pass-through from The Oceanic Institute	(8)
USDOC	11.303		R&DC	Economic Development - Technical Assistance	26,871
USDOC	11.307		PWEDC	Economic Adjustment Assistance	(42,979)
USDOC	11.417		R&DC	Sea Grant Support	14,202
USDOC	11.417			Sea Grant Support	2,167,181
USDOC	11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	(2,464)
USDOC	11.427		R&DC	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	55,330
USDOC	11.430		R&DC	Undersea Research	2,346,421
USDOC	11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	3,326,107
USDOC	11.433	2003-5-5 CML		Marine Fisheries Initiative - Pass-through from the Sloan Foundation	13,647
USDOC	11.439		R&DC	Marine Mammal Data Program	1,410,431
USDOC	11.439			Marine Mammal Data Program	31,598
USDOC	11.439	NOAA NO. NA16FX1419	R&DC	Marine Mammal Data Program - Pass-through from Aleutians East Borough - ANC	26,981
USDOC	11.439	NA03NMF4390465	R&DC	Marine Mammal Data Program - Pass-through from North Pacific Marine Science Foundation	16,630
USDOC	11.439	1435-01-98-CA-30909 T/	R&DC	Marine Mammal Data Program - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	91,996
USDOC	11.444		R&DC	Hawaii Sustainable Fisheries Development (Aquaculture Program)	(57)

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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>
USDOC	11.452	Check # 1034	R&DC	Unallied Industry Projects - Pass-through from Alaska Food Group	2,104
USDOC	11.460		R&DC	Special Oceanic and Atmospheric Projects	156,081
USDOC	11.472	PNOTH239	R&DC	Unallied Science Program - Pass-through from North Pacific Research Board	278,032
USDOC	11.472	PNOTH239		Unallied Science Program - Pass-through from North Pacific Research Board	18,967
USDOC	11.472	PNOTH063	R&DC	Unallied Science Program - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	91,143
USDOC	11.473		R&DC	Coastal Services Center	7,126
USDOC	11.473	NA03NOS4730024		Coastal Services Center - Pass-through from Alaska Ocean Observing System	41,655
USDOC	11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	17,450
USDOC	11.480			National Ocean Service Intern Program	17,746
USDOC	11.480	NA16RG1724	R&DC	National Ocean Service Intern Program - Pass-through from North Pacific Marine Science Foundation	1,447
USDOC	11.550			Public Telecommunications Facilities Planning and Construction	687,462
USDOC	11.552			Technology Opportunities Program	315,909
USDOC	11.999	various	R&DC	Miscellaneous	275,004
USDOC	11.999			Miscellaneous	47,847
USDOC	11.999	R1742-01	R&DC	Miscellaneous - Pass-through from AFDF	685
USDOC	11.999	40ABNA001534		Miscellaneous - Pass-through from Consortium for Oceanographic Research & Education	18,891
USDOC	11.999	HA133F-04-SE-0010	R&DC	Miscellaneous - Pass-through from LGL Alaska Research Associates Inc.	14,799
USDOC	11.999	various	R&DC	Miscellaneous - Pass-through from North Pacific Marine Science Foundation	1,696
USDOC	11.999	various	R&DC	Miscellaneous - Pass-through from North Pacific Research Board	173,235
USDOC	11.999	R1991-02	R&DC	Miscellaneous - Pass-through from Pacific Aquaculture Caucus	1,963
USDOC	11.999	various	R&DC	Miscellaneous - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	67,295
USDOC	11.999	R0327	R&DC	Miscellaneous - Pass-through from Technology Planning & Management Corporation	(226)
USDOC	11.999	40ABNA001534		Miscellaneous - Pass-through from The Denali Commission	141,054
USDOC	11.999	50ABNF900008	R&DC	Miscellaneous - Pass-through from University of British Columbia	2,475
USDOD	12.002			Procurement Technical Assistance for Business Firms	337,388
USDOD	12.101		R&DC	Beach Erosion Control Projects	12,843
USDOD	12.114	UM02-09-029 ASSUMPT	R&DC	Collaborative Research and Development - Pass-through from University of Mississippi	408,368
USDOD	12.114	UAF-03-01		Collaborative Research and Development - Pass-through from Chenega Technology Services Corporation	60,501
USDOD	12.300		R&DC	Basic and Applied Scientific Research	6,411,053
USDOD	12.300			Basic and Applied Scientific Research	60,087
USDOD	12.300	885010		Basic and Applied Scientific Research - Pass-through from Consortium for Oceanographic Research & Education	(520)
USDOD	12.300	various	R&DC	Basic and Applied Scientific Research - Pass-through from John Hopkins University	1,253,004
USDOD	12.400	DAHA51-98-2-3039	R&DC	Military Construction, National Guard	-
USDOD	12.420		R&DC	Military Medical Research and Development	666,052
USDOD	12.420			Military Medical Research and Development	28,179
USDOD	12.431			Basic Scientific Research	797
USDOD	12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	66,431
USDOD	12.999		R&DC	Miscellaneous	3,823,138
USDOD	12.999			Miscellaneous	18,705

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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>
USDOD	12.999	872597 ASSUMPT	R&DC	Miscellaneous - Pass-through from Calspan - UB Research Center, Inc.	17,769
USDOD	12.999	various	R&DC	Miscellaneous - Pass-through from John Hopkins University	1,664,918
USDOD	12.999	885205	R&DC	Miscellaneous - Pass-through from New Mexico State University	199,492
USDOD	12.999	872597 ASSUMPT		Miscellaneous - Pass-through from Oklahoma State University	131,343
USDOD	12.999	various	R&DC	Miscellaneous - Pass-through from University of Michigan	340,134
HUD	14.243	2-298 SUB-GRANT		Opportunities for Youth - Youthbuild Program - Pass-through from National Youth Sports Program	2,421
HUD	14.246			Community Development Block Grants / Brownfields Economic Development Initiative	729,511
HUD	14.511			Community Outreach Partnership Center Program	(208)
HUD	14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	388,792
HUD	14.872	AHFC/UAA-EOC 2004.1		Public Housing Capital Fund - Pass-through from Alaska Housing Finance Corporation	34,102
HUD	14.901	various	R&DC	Healthy Homes Demonstration Grants - Pass-through from Alaska Housing Finance Corporation	61,528
HUD	14.999			Miscellaneous	83,362
USDOI	15.034		R&DC	Agriculture on Indian Lands	15,657
USDOI	15.034			Agriculture on Indian Lands	15,374
USDOI	15.221		R&DC	Denali Biotic Communities	477
USDOI	15.222			Cooperative Inspection Agreements with States and Tribes	961
USDOI	15.224		R&DC	Cultural Resource Management	11,694
USDOI	15.224			Cultural Resource Management	4,875
USDOI	15.608		R&DC	Fish and Wildlife Management Assistance	40,215
USDOI	15.630		R&DC	Coastal Program	32,225
USDOI	15.805		R&DC	Assistance to State Water Resources Research Institutes	102,428
USDOI	15.806			Walrus Specimens Database	5,000
USDOI	15.807		R&DC	Earthquake Hazards Reduction Program	910,134
USDOI	15.808		R&DC	US Geological Survey - Research and Data Collection	3,108,431
USDOI	15.812		R&DC	Cooperative Research Units Program	16,419
USDOI	15.900		R&DC	NPS Glac. Bay Seals Monitoring FY02	69,248
USDOI	15.900			NPS Glac. Bay Seals Monitoring FY02	11,315
USDOI	15.904			Historic Preservation Fund Grants-in-Aid	6
USDOI	15.915		R&DC	Technical Preservation Services	(184)
USDOI	15.922			Native American Graves Protection and Repatriation Act	(2,445)
USDOI	15.999		R&DC	Miscellaneous	2,130,840
USDOI	15.999			Miscellaneous	1,205,008
USDOI	15.999	PENDING	R&DC	Miscellaneous - Pass-through from Anchorage Fire Department	19,717
USDOI	15.999	H99110030024		Miscellaneous - Pass-through from Assoc Village Council Presidents	27,232
USDOI	15.999	9815-1001-NZI / J99103	R&DC	Miscellaneous - Pass-through from C & C Technologies	10,858
USDOI	15.999	0102CA85294		Miscellaneous - Pass-through from MBC Applied Environmental Sciences	5,197
USDOI	15.999		R&DC	Miscellaneous - Pass-through from National Fish & Wildlife Foundation	10,294
USDOI	15.999	LAA035001	R&DC	Miscellaneous - Pass-through from Ounalashka Corporation	(524)
USDOI	15.999	H9840040073	R&DC	Miscellaneous - Pass-through from Seward Assoc for Advancement of Science (SAAMS)	8,844
USDOI	15.999	1434-HQ-97-RU-01582, F	R&DC	Miscellaneous - Pass-through from University of Washington	(727)
USDOI	15.DDD			AK Resource Library Info Svc ARLIS	381,342
USDOJ	16.550		R&DC	State Justice Statistics Program for Statistical Analysis Centers	69,274
USDOJ	16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	157,367

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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>
USDOJ	16.565	SUBCONTRACT NIOJ 20	R&DC	Executive Office for Weed and Seed - Pass-through from University of Oklahoma	6,425
USDOJ	16.595	2001-WS-QX-066 SUBC	R&DC	Executive Office for Weed and Seed - Pass-through from East Anchorage Weed & Seed Initiative	47,814
USDOJ	16.609		R&DC	Community Prosecution and Project Safe Neighborhoods	58,305
USDOJ	16.710			Public Safety Partnership and Community Policing Grants	(90)
USDOJ	16.999			Miscellaneous	794
USDOJ	16.999	SHARE LETTERS	R&DC	Miscellaneous - Pass-through from National Opinion Research Center	35,533
USDOL	17.260		WIAC	WIA Dislocated Workers	586,021
USDOL	17.261			Employment and Training Administration Pilots, Demonstrations, and Research Projects	1,859,765
USDOL	17.600			Mine Health and Safety Grants	42,974
USDOL	17.999	SF02-14B	R&DC	Miscellaneous - Pass-through from IHI Environmental	5,741
USDOS	19.402			International Visitors Program	119,806
USDOT	20.108		R&DC	Aviation Research Grants	10,530
USDOT	20.108			Aviation Research Grants	97,725
USDOT	20.108	AGREEMENT NO. 01-G-	R&DC	Aviation Research Grants - Pass-through from Embry-Riddle Aeronautical University	12,609
USDOT	20.108	2001-G-021		Aviation Research Grants - Pass-through from Embry-Riddle Aeronautical University	6,303
USDOT	20.215	03-447552-NSTI-UAA-AK P30411		Highway Training and Education - Pass-through from South Carolina State University	32,447
USDOT	20.999			Miscellaneous	10,000
USDOT	20.999	2303 P00020013	R&DC	Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	(657)
USDOT	20.999	RSA 2533441		Miscellaneous - Pass-through from Embry-Riddle Aeronautical University	18,263
GSA	39.009		R&DC	Federal Citizen Information Center	10,308,282
GSA	39.009			Federal Citizen Information Center	164,366
LC	42.005			Library of Congress Publications	15
NASA	43.001		R&DC	Aerospace Education Services Program	509,140
NASA	43.001	NAG5-12411	R&DC	Aerospace Education Services Program - Pass-through from Arizona State University	41,494
NASA	43.001	NAG5-12449	R&DC	Aerospace Education Services Program - Pass-through from JPL	32,567
NASA	43.001	NAG5-12411	R&DC	Aerospace Education Services Program - Pass-through from University of Washington	7,600
NASA	43.002		R&DC	Technology Transfer	362
NASA	43.999		R&DC	Miscellaneous	10,524,780
NASA	43.999	NAG5-13760	R&DC	Miscellaneous - Pass-through from Hampton University	125,249
NASA	43.999	NAG5-12914	R&DC	Miscellaneous - Pass-through from University of California Berkeley	19,797
NASA	43.999	various	R&DC	Miscellaneous - Pass-through from University of Massachusetts Dartmouth	539,517
NASA	43.999	NNGO4HZ03C		Miscellaneous - Pass-through from University of Montana	14,132
NFAH	45.024		R&DC	Promotion of the Arts - Grants to Organizations and Individuals	1
NFAH	45.024			Promotion of the Arts - Grants to Organizations and Individuals	(10,580)
NFAH	45.027			Arts Resource Community Residencies	14,496
NFAH	45.149			Promotion of the Humanities - Division of Preservation and Access	113,575
NFAH	45.301			Museum for America Grants	25,614
NFAH	45.999			Miscellaneous	74,068
NFAH	45.999	PA-24162-02		Miscellaneous - Pass-through from National Film Preservation Foundation	(107)
NSF	47.041		R&DC	Engineering Grants	361,247

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NSF	47.041			Engineering Grants	192,935
NSF	47.049		R&DC	Mathematical and Physical Sciences	168,912
NSF	47.049			Mathematical and Physical Sciences	(4,120)
NSF	47.050		R&DC	Geosciences	5,076,726
NSF	47.050			Geosciences	4,614
NSF	47.050	EAR-0329215	R&DC	Geosciences - Pass-through from Marine Biological Laboratory	70,745
NSF	47.050	EAR-0324640	R&DC	Geosciences - Pass-through from SRI International	30,641
NSF	47.050	ATM-0334795	R&DC	Geosciences - Pass-through from UCAR Office of Programs	15,348
NSF	47.050	OCE-0432334	R&DC	Geosciences - Pass-through from UNAVCO, Inc.	33,043
NSF	47.050	various	R&DC	Geosciences - Pass-through from University of Nevada, Reno	81,483
NSF	47.050	ATM-0420205	R&DC	Geosciences - Pass-through from University of Pittsburgh	12,312
NSF	47.050	ATM-0334800	R&DC	Geosciences - Pass-through from Utah State University	10,985
NSF	47.070		R&DC	Computer and Information Science and Engineering	171,174
NSF	47.070			Computer and Information Science and Engineering	437,171
NSF	47.070			Computer and Information Science and Engineering - Pass-through from EDUCAUSE	4,561
NSF	47.074		R&DC	Biological Sciences	1,553,955
NSF	47.074			Biological Sciences	58,943
NSF	47.074	DEB-0424513	R&DC		
				Biological Sciences - Pass-through from Marine Biological Laboratory	62,484
NSF	47.074	DEB-0351966	R&DC	Biological Sciences - Pass-through from Texas A & M University Research Foundation	6,024
NSF	47.074	DEB-0424513	R&DC	Biological Sciences - Pass-through from University of Florida	27,951
NSF	47.075		R&DC	Social, Behavioral, and Enonomic Sciences	3,716
NSF	47.075			Social, Behavioral, and Enonomic Sciences	22,693
NSF	47.075			Social, Behavioral, and Enonomic Sciences - Pass-through from National Research Council	(36)
NSF	47.076			Education and Human Resources	1,616,973
NSF	47.076		R&DC	Education and Human Resources	3,319,159
NSF	47.076			Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	25,044
NSF	47.076		R&DC	Education and Human Resources - Pass-through from Alaska Federation of Natives Inc.	395,864
NSF	47.078		R&DC	Polar Programs	10,790,444
NSF	47.078			Polar Programs	1,494,035
NSF	47.078	OPP-0352716		Polar Programs - Pass-through from Arctic Research Consortium of the U.S. (ARCUS)	46,334
NSF	47.078	OPP-9725843	R&DC	Polar Programs - Pass-through from Idaho State University	616
NSF	47.078	OPP-0425120	R&DC		
				Polar Programs - Pass-through from University of California, San Diego	28,143
NSF	47.078	OPP-0352995	R&DC	Polar Programs - Pass-through from University of New Hampshire - Complex	16,799
NSF	47.078	OPP-0352995	R&DC	Polar Programs - Pass-through from University of Texas at Austin	(47)
NSF	47.078	various	R&DC	Polar Programs - Pass-through from University of Washington	40,148
NSF	47.078	OPP-0422068	R&DC	Polar Programs - Pass-through from Woods Hole Oceanographic Institution	78,356
NSF	47.999		R&DC	Miscellaneous	1,362,967
NSF	47.999			Miscellaneous	(5,875)
NSF	47.999	OCE-0205167			
				Miscellaneous - Pass-through from Alaska Federation of Natives Inc.	9,981
NSF	47.999	OCE0002672	R&DC		
				Miscellaneous - Pass-through from Assoc Village Council Presidents	488
NSF	47.999	ATM0001875		Miscellaneous - Pass-through from Association for Women in Mathemtaics	188

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NSF	47.999	OPP-0086997	R&DC	Miscellaneous - Pass-through from Idaho State University	(14)
NSF	47.999	OPP-0301324		Miscellaneous - Pass-through from National Academy of Sciences	3,836
NSF	47.999	various	R&DC		
				Miscellaneous - Pass-through from The University of Texas at Austin	150,079
SBA	59.005			Business Development Assistance to Small Business	(665)
SBA	59.007			Technical Assistance	693
SBA	59.037			Small Business Development Center	512,062
EPA	66.400		R&DC	Biochemical Response of Marine Mamm	(2,030)
EPA	66.463		R&DC	Water Quality Cooperative Agreements	3,514
EPA	66.468			Capitalization Grants for Drinking Water State Revolving Funds	18,473
EPA	66.500		R&DC	Environmental Protection - Consolidated Research	22,249
EPA	66.606		R&DC	Surveys, Studies, Investigations and Special Purpose Grants	162,363
EPA	66.606			Surveys, Studies, Investigations and Special Purpose Grants	531,989
EPA	66.708		R&DC	Pollution Prevention Grants Program	69,397
EPA	66.951		R&DC	Environmental Education Grants	3,590
EPA	66.951			Environmental Education Grants	(347)
EPA	66.999			Miscellaneous	9,460
ENERGY	81.049		R&DC	Office of Science Financial Assistance Program	159,216
ENERGY	81.049	DOELOC2284::2285AKU	R&DC	Office of Science Financial Assistance Program - Pass-through Columbia University	1,304
ENERGY	81.049	DE-FG03-03ER63530	R&DC	Office of Science Financial Assistance Program - Pass-through University of Wyoming	45,224
ENERGY	81.089		R&DC	Fossil Energy Research and Development	137,916
ENERGY	81.089	DE-FG02-04ER54741	R&DC	Fossil Energy Research and Development - Pass-through from Pacific Northwest National Laboratory	(22,103)
ENERGY	81.089	various	R&DC	Fossil Energy Research and Development - Pass-through from Sandia National Laboratories	239,825
ENERGY	81.104	SUB1 UCD-W/GEC 03-0	R&DC	Office of Environmental Cleanup and Acceleration - Pass-through from Columbia University	30,458
ENERGY	81.104	SUB UNDR DE-FG26-00	R&DC	Office of Environmental Cleanup and Acceleration - Pass-through from Institute for Responsible Management, Inc.	478
ENERGY	81.113	CONTRACT 409909-A-R8		Defense Nuclear Nonproliferation Research - Pass-through from Battelle Pacific Northwest Lab	23,740
ENERGY	81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research - Pass-through from University of Mississippi	170,934
ENERGY	81.999		R&DC	Miscellaneous	1,631,964
ENERGY	81.999	DE-FC26-01NT41228	R&DC	Miscellaneous - Pass-through from Battelle Pacific Northwest Lab	(21)
ENERGY	81.999	DE-FC26-01NT41248		Miscellaneous - Pass-through from Inland Northwest Research Alliance	238,750
ENERGY	81.999	DE-FC26-01NT41248	R&DC	Miscellaneous - Pass-through from Institute for Responsible Management, Inc.	129,007
ENERGY	81.999	DE-FC26-01NT41248	R&DC	Miscellaneous - Pass-through from Los Gatos Research, Inc.	30,343
ENERGY	81.999	DE-FC26-01NT41248	R&DC	Miscellaneous - Pass-through from Pacific Northwest National Laboratory	73,030
ENERGY	81.999	DE-FC26-01NT41058	R&DC	Miscellaneous - Pass-through from University of California	43,000
ENERGY	81.999	DE-FC26-01NT41248	R&DC	Miscellaneous - Pass-through from University of Oregon	30,281
USIA	82.999			Miscellaneous	9,499
USDHS	83.012			Disaster Resistant University	127
USDHS	83.554			FEMA Fire Prevention	28,503
USDOE	84.007		SFAC	Federal Supplemental Educational Opportunity Grants	1,015,090
USDOE	84.016				
				Undergraduate International Studies and Foreign Language Programs	40,897
USDOE	84.024			Long Dist Family IEI Yr5	58,405
USDOE	84.029			Trng Early Intervention&Preschool	(104)

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USDOE	84.031			Higher Education - Institutional Aid	3,885,606
USDOE	84.032		SFAC	Federal Family Education Loans	32,176,034
USDOE	84.033		SFAC	Federal Work-Study Program	420,839
USDOE	84.042		TRIOC	Trio - Student Support Services	219,787
USDOE	84.044		TRIOC	Trio - Talent Search	954,851
USDOE	84.047		TRIOC	Trio - Upward Bound	1,295,922
USDOE	84.063		SFAC	Federal Pell Grant Program	9,008,237
USDOE	84.066		TRIOC	Trio - Educational Opportunity Centers	544,915
USDOE	84.116			Fund for the Improvement of Postsecondary Education	1,761,076
USDOE	84.195			IATC Career Ladder	656,132
USDOE	84.215			Fund for the Improvement of Education	1,834,976
USDOE	84.215	72110		Fund for the Improvement of Education - Pass-through from Anchorage School District	12,500
USDOE	84.283	8313		Comprehensive Regional Assistance Centers - Pass-through from Southeast Regional Resource Center	10,000
USDOE	84.295	AGREEMENT 8/2003		Ready-to-Learn Television - Pass-through from Public Broadcasting Service	22,069
USDOE	84.297		R&DC	Hawaii-Alive	110,158
USDOE	84.303	R303A980236		PECT AK Reform/Classrm (ARCTIC) Yr3 - Pass-through from Chugach School District	2,731
USDOE	84.306		R&DC	National Institute on the Education of At-Risk Students	496,622
USDOE	84.320			PEC/USDOE Native Education Planning	918,678
USDOE	84.321	MOA		CATG-Rural Early Childhood Education - Pass-through from Council of Athabaskan Tribal Governments	(1,065)
USDOE	84.322		R&DC	Alive 2	109,451
USDOE	84.325	various		Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	333,893
USDOE	84.325	various	R&DC	Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities - Pass-through from 2001 Special Olympics World Winter Games AK	4,588
USDOE	84.334	SERVICE AGREEMENT 03	PFG	Gaining Early Awareness and Readiness for Undergraduate Programs - Pass-through from Anchorage School District	37,588
USDOE	84.336			Teacher Quality Enhancement Grants	1,309,159
USDOE	84.342			Preparing Tomorrow's Teachers to Use Technology	564,354
USDOE	84.342	P342A030147	R&DC	Preparing Tomorrow's Teachers to Use Technology - Pass-through from Internatl Society for Technology in Education	103,617
USDOE	84.350			Transition to Teaching	76,171
USDOE	84.356		R&DC	Alaska Native Educational Programs	319,707
USDOE	84.356			Alaska Native Educational Programs	1,184,038
USDOE	84.356	S356A030058	R&DC	Alaska Native Educational Programs - Pass-through from Alaska Humanities Forum	41,618
USDOE	84.362	S362A030013	R&DC	Native Hawaiian Education - Pass-through from ALU LIKE, Inc.	169,030
USDOE	84.363			School Leadership	541,079
USDOE	84.999	LETTER DATED APRIL 28,02		Miscellaneous - Pass-through from Association of American Colleges and Universities	4,194
USDOE	84.999	84.000		Miscellaneous - Pass-through from Chugach School District	163,771
USDOE	84.999	92 -AK01		Miscellaneous - Pass-through from National Writing Project Corporation	31,106
DC	90.100			Denali Commission Program	933,280
DC	90.100	various		Denali Commission Program - Pass-through from The Denali Commission	62,745
USDHHS	93.048		R&DC	Projects	183,221
USDHHS	93.113		R&DC	Biological Response to Environmental Health Hazards	73,244
USDHHS	93.157	SUBCON # 423393		Centers of Excellence - Pass-through from University of Washington	(2,267)

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USDHHS	93.178			Nursing Workforce Diversity	56,243
USDHHS	93.189	various		Health Education and Training Centers - Pass-through from University of Washington	489,353
USDHHS	93.211	ANTHC-03-C-5239		Telehealth Network Grants - Pass-through from Ak Native Tribal Health Consortium	272,004
USDHHS	93.230	CONTRACT 11-27-01		Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Fairbanks Native Association	45,323
USDHHS	93.230	241-23622G-3101	R&DC	Consolidated Knowledge Development and Application (KD&A) Program - Pass-through from Municipality of Anchorage	65,517
USDHHS	93.242		R&DC	Mental Health Research Grants	(90)
USDHHS	93.242	3R15MH58453-02	R&DC	Mental Health Research Grants - Pass-through from University of Colorado HSC	4,925
USDHHS	93.273		R&DC	Alcohol Research Programs	69,826
USDHHS	93.279	PHS R01 DA013139	R&DC	Drug Abuse Research Programs - Pass-through from Medical College of Wisconsin	84,992
USDHHS	93.279	SUB 4-12804-7810/PO89	R&DC	Drug Abuse Research Programs - Pass-through from Univ of New Mexico Health Science Center	9,744
USDHHS	93.279	various		Drug Abuse Research Programs - Pass-through from Univ of New Mexico Health Science Center	18,469
USDHHS	93.358			Advanced Education Nursing Traineeships	16,399
USDHHS	93.361	various	R&DC	Nursing Research - Pass-through from University of Washington	4,422
USDHHS	93.375		R&DC	Ak Ntv Sci Research Part for Health	171,066
USDHHS	93.389		R&DC	National Center for Research Resources	6,697,936
USDHHS	93.570	various		Community Services Block Grant - Discretionary Awards - Pass-through from National Youth Sports Program	70,178
USDHHS	93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	308,570
USDHHS	93.647		R&DC	Social Services Research and Demonstration	393,577
USDHHS	93.670			Child Abuse and Neglect Discretionary Activities	102,907
USDHHS	93.822			Health Careers Opportunity Program	241,495
USDHHS	93.822	1D18HP10000-01		Health Careers Opportunity Program - Pass-through from University of Washington	36,974
USDHHS	93.824	PO 611555	R&DC	Basic / Core Area Health Education Centers - Pass-through from University of Washington	37,067
USDHHS	93.848	PO#29995F MOD#5	R&DC	Digestive Diseases and Nutrition Research - Pass-through from University of Washington	58,808
USDHHS	93.854		R&DC	AK Basic Neuroscience Center-Adm C.	1,273,860
USDHHS	93.891	various	R&DC	Alcohol Research Center Grants - Pass-through from University of Connecticut	12,780
USDHHS	93.912			Rural Health Outreach and Rural Network Development Program	536,705
USDHHS	93.912	1 DIA RH 00052-01		Rural Health Outreach and Rural Network Development Program - Pass-through from University of Washington	4,960
USDHHS	93.923	#486071		Disadvantaged Health Professions Faculty Loan Repayment and Fellowship Program - Pass-through from University of Washington	809
USDHHS	93.928	various	R&DC	Special Projects of National Significance - Pass-through from Ak Native Tribal Health Consortium	62,348
USDHHS	93.969		R&DC	Geriatric Education Centers	293,235
USDHHS	93.999			Miscellaneous	906,489
USDHHS	93.999	0630223		Miscellaneous - Pass-through from Alaska Federation of Natives Inc.	3,338
USDHHS	93.999	236-01-0003 sub		Miscellaneous - Pass-through from Alaska Native Trival Health Consortium	239,265
USDHHS	93.999	CONTRACT 12/16/02	R&DC	Miscellaneous - Pass-through from Cook Inlet Council on Alcohol and Drug Abuse	1,895

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USDHHS	93.999	various		Miscellaneous - Pass-through from Fairbanks Native Association	315,769
USDHHS	93.999	CONTRACT 12/16/02	R&DC	Miscellaneous - Pass-through from University of Washington	62,527
USDHHS	93.999	ADN640362 / EN643186		Miscellaneous - Pass-through from University of Washington	4,154
USCNCS	94.005			Learn and Serve America - Higher Education	94,637
SSA	96.008			Social Security - Benefits Planning, Assistance, and Outreach Program	54,185
Total University of Alaska					181,874,017
Total Federal Program Assistance					2,614,607,409

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STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABA	Alaska Bar Association
ACOA	Alaska Commission on the Aging
AEA	Alaska Energy Authority
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
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
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
AOMB	Alaska Office of the Governor, Office of Management and Budget
APBF	Alaska Public Building Fund
APFC	Alaska Permanent Fund Corporation
AR	Accounts Receivable
ARFF	Aircraft Rescue and Firefighting
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

B

BLM	Bureau of Land Management
BMA	Bond Market Association

C

CAFR	Comprehensive Annual Financial Report
CAP-SSSE	Community Assistance Program: State Support Services Element
CATG	Council of Athabascan Tribal Governments
CBRF	Constitutional Budget Reserve Fund
CCC	Child Care Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CCMMF	Child Care Mandatory and Matching Funds
CDC	Center for Disease Control
CDVSA	Council on Domestic Violence and Sexual Assault
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CIP	Capital Improvement Projects
CMH	Community Mental Health
CMIA	Cash Management Improvement Act of 1990
CMS	Centers for Medicare and Medicaid Services
COP	Certificates of Participation
COURT	Alaska Court System
CPA	Certified Public Accountant
CSED	Child Support Enforcement Division

D

DAS	Division of Administrative Services
DC	Denali Commission program
DCCED	Alaska Department of Commerce, Community, and Economic Development
DCP	Deferred Compensation Plan
DCRA	Alaska Department of Community and Regional Affairs
DEC	Alaska Department of Environmental Conservation
DED	Division of Early Development (see Early Development)
DEED	Alaska Department of Education and Early Development
DES	Division of Emergency Services
DFG	Alaska Department of Fish and Game
DFYS	Alaska Division of Family and Youth Services
DGS	Alaska Division of General Services
DHCS	Division of Health Care Services
DHSS	Alaska Department of Health and Social Services
DLWD	Alaska Department of Labor and Workforce Development
DMA	Alaska Division of Medical Assistance
DMHDD	Division of Mental Health and Developmental Disabilities
DMVA	Alaska Department of Military and Veterans Affairs
DNR	Alaska Department of Natural Resources

DOA	Alaska Department of Administration
DOC	Alaska Department of Corrections
DOF	Alaska Division of Finance
DOL	Alaska Department of Law
DOR	Alaska Department of Revenue
DOTPF	Alaska Department of Transportation and Public Facilities
DPA	Alaska Division of Public Assistance
DPH	Division of Public Health
DPS	Department of Public Safety
DRB	Alaska Division of Retirement and Benefits
DSDS	Division of Senior and Disability Services
DSH	Disproportionate Share Hospital
DSS	Division of Senior Services
DUA	Disaster Unemployment Assistance
DUR	Drug Utilization Review
DVOP	Disabled Veterans' Outreach Program

E

ED	Early Development (see Division of Early Development)
eGrants	Electronic Grants
EMGF	Emerging Markets Growth Fund
EMS	Emergency Medical Services
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
ETV	Education and Training Vouchers

F

F&M	Facilities and Maintenance
FAA	Federal Aviation Administration
FASB	Financial Accounting Standards Board
FE	Funding Excess
FEMA	Federal Emergency Management Agency
FFELP	Federal Family Education Loan Program
FFY	Federal Fiscal Year
FHSC	First Health Services Corporation
FHWA	Federal Highway Administration
FIA	Fairbanks International Airport
FIFO	First in first out
FSSLA	First Special Session Law of Alaska
FVPSP	Family Violence Prevention and Services Program
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GCU	Grants and Contracts Unit
GEAR-UP	Gaining Early Awareness and Readiness for Undergraduate Programs
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GNMA	Government National Mortgage Association
GSA	General Services Administration

H

HCBA	Home and Community-Based Agency
HCS	Health Care Services
HIPAA	Health Insurance Portability and Accountability Act
HIV	Human Immunodeficiency Virus
HUD	U.S. Department of Housing and Urban Development

I

IASA	Improving America's Schools Act of 1994
IEVS	Income Eligibility and Verification System
IHS	Indian Health Service
ILP	Infant Learning Program
IRS	Internal Revenue System
IT	Information Technology
ITBE	International Trade and Business Endowment
ITQSG	Improving Teacher Quality State Grants

J

JGTRRA	Job Growth Relief Reconciliation Act
JRS	Judicial Retirement System
JUCE	Juneau Claims Eligibility

K

KABTA	Knik Arm Bridge and Toll Authority
KD&A	Knowledge, Development and Application Program
KLC	Kodiak Launch Complex

L

LAs	Local Administrators
LBA	Legislative Budget and Audit Committee
LC	Library of Congress
LEA	Local Education Agencies

LIBOR	London Interbank Offered Rate
LIHEAP	Low-Income Home Energy Assistance
LUST	Leaking Underground Storage Tanks

M

MBE/WBE	Program for the Utilization of Small, Minority, and Women's Business Enterprises
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MMIS	Medicaid Management Information Systems
MOA	Memorandum of Agreement
MOE	Maintenance of Effort requirement
MOU	Memorandum of Understanding
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NBCC	National Breast and Cervical Cancer
NCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program
NCLB	No Child Left Behind
NFAH	National Foundation on the Arts and the Humanities
NGA	Notice of Grant Award
NGNMRS	Alaska National Guard and Alaska Naval Militia Retirement System
NICU	Neonatal Intensive Care Unit
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NOICC	National Occupational Information Coordinating Committee
NPCR	National Program of Cancer Registries
NPO	Net pension obligation
NPR	National Petroleum Reserve
NSF	National Science Foundation
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OAR	Oceanic and Atmospheric Research
OCS	Office of Children's Services
OG	Office of the Governor (Alaska)
OMB	U.S. Office of Management and Budget

P

PA	Prior Authorization
PAPI	Precision Approach Path Indicator
PATH	Projects for Assistance in Transition from Homelessness
PCA	Personal Care Assistant
PERS	Public Employees' Retirement System
PPA	Prior period adjustments
PVE	Petroleum Violation Escrow

Q

QSP	Quality Sample Program – Forest Service
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R

RD	Responsibility/Distribution codes
REIL	Runway End Identifier Lights
REOMB	Recipient Explanations of Medical Benefits
RHF	Retiree Health Fund
RICR	Restricted Indirect Cost Rate
RMTS	Random Motion Time Study
RPL	Revised Program/Legislative
RSA	Reimbursable Services Agreement

S

SAAMS	Seward Association for Advancement of Science
SBA	Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children's Insurance Program
SEA	State Education Agency
SEARCH	Student/Resident Experiences and Rotations in Community Health
SEP	Senior Employment Program
SF	Division of School Finance
SIR	Self-Insured Retention
SLA	Session Law of Alaska
SFY	State Fiscal Year
SOP	Standard Operating Procedures

SPCS	State Property Control System
SSA	Social Security Administration
SSD	Support Services Division
SSSLA	Second Special Session Law of Alaska
SUR	Surveillance and Utilization Review
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
The Bank	State Street Corporation
TLS	Teaching and Learning Support
TRS	Teachers' Retirement System
Trust	Russell 3000 Index Common Trust Fund
TSR	Tobacco Settlement Revenues

U

UAAL	Unfunded Actuarial Accrued Liabilities
UI	Unemployment Insurance
UofA	University of Alaska
UPL	Upper Payment Limit
USAF	U.S. Department of the Air Force
USAID	U.S. Agency for International Development
USCNCSS	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
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
USIA	U.S. Information Agency
USTREAS	U.S. Treasury

V

VAWA	Violence Against Women Act
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WIA	Workforce Investment Act
WIC	Women, Infants, and Children Special Supplemental Nutrition Program

Y

Y2K	Year 2000
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May 27, 2005

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, 2004

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, 2004, for the Department of Administration.

Recommendation No. 1

The Director of Division of Retirement and Benefits (DRB) should ensure Elected Public Official Retirement System's (EPORS) benefit payments are supported by funds appropriated through the legislative Process.

The DRB concurs with the recommendation and believes that all benefits paid have been appropriated. As discussed on page I-69 of the FY03 State of Alaska Single Audit, *EPORS is funded by both employee contributions and an annual appropriation from the state general fund.* Employee contributions are recorded in the general fund equity section when paid from existing appropriations. The disclosure is a requirement of Internal Revenue Code Section 457.

In years when the general fund appropriation has been sufficient to pay the EPORS benefits, the amounts contributed by employees increased the general fund equity. The contributed amounts were from existing appropriations authorized in the year of the contribution. The recording of these funds in the fund equity section is the manner the Division is using to fulfill the requirement from IRC Section 457 that the State report stewardship of those assets.

AS 39.37.110 states *An estimated amount sufficient to pay all benefits, including interest credited to individual accounts, anticipated to be paid under this chapter in each fiscal year shall be included in the annual appropriation to the department of Administration.* The Division has previously determined that an amount sufficient to pay all benefits should take into account

contributions. The appropriations requested in the last several years has been submitted with an expectation that we may need to utilize some of these contributions to pay benefits due.

However, based on your recommendation the department will increase the amount requested for the FY 2007 operating budget to include the total amount of anticipated benefits. In FY 2006, we will submit a request for supplementary funding in FY 2006 to increase the FY 2006 appropriation to the total amount of anticipated benefits.

Thank you again for the opportunity to respond to this preliminary audit for the fiscal year ended June 30, 2004.

Sincerely,

Ray Matiashowski
Commissioner

RM/db

cc: Kevin Brooks
Deputy Commissioner

Eric Swanson, Director
Division of Administrative Services

Melanie Millhorn, Director
Division of Retirement and Benefits

Department of Education & Early Development
Office of the Commissioner

*Goldbelt Place
801 West Tenth Street, Suite 200
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(907) 465-2800
(907) 465-4156 Fax*

July 6, 2005

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The Department of Education & Early Development (EED) appreciates the opportunity to respond to the audit recommendations in the FY2004 Statewide Single Audit report.

Recommendation No. 2

The director of the Division of School Finance (SF) should improve procedures to report federal revenues at year-end.

The department agrees with recommendation No. 2 and EED will implement an annual review process for the final days of the reappropriation period to ensure activity is properly presented in accounting records.

Recommendation No. 3

The director of SF should ensure expenditures are charged to the proper appropriation.

The department agrees with recommendation No. 3 and will actively monitor appropriations and ensure expenditures are charged to proper appropriations.

Recommendation No. 4

The director of SF should ensure adequate segregation of duties is adhered to when processing accounting transactions.

The department agrees with recommendation No. 4. The department will develop policies for authorizing RD (responsibility/distribution) codes to eliminate one individual from being assigned incompatible duties. The department will implement procedures to review the usage of RD codes and maintain a listing of RD code relationships.

Recommendation No. 5

The director of School Finance should ensure sufficient supporting documentation exists for the transfer of revenues and expenditures between legal appropriations.

The department agrees with recommendation No. 5. Procedures have been reviewed and updated, and the department believes that they are sufficient to ensure supporting documentation

Pat Davidson
May 27, 2005
Page 2 of 2

is attached to adjusting journal entries (AJEs) processed. Additional training in this area has been provided to staff to ensure that procedures are being followed.

Recommendation No. 6

The director of TLS should establish procedures to ensure private school participation in the Improving Teacher Quality State Grants (ITQSG) program is provided in accordance with federal requirements.

The department agrees with recommendation No. 6. The department completed corrective action on this FY03 recommendation as of February 2005.

The department communicates the requirements related to private school participation under No Child Left Behind (NCLB). Current monitoring visits include verification of private school participation in Title II-A. The department's NCLB monitoring form for FY05 has been updated to include this component and districts have been monitored under this form since February 2005.

On April 15, 2005 DEED provided this explanation and a copy of the monitoring form in response to USDOE's request for information to resolve finding related to audit 10034844 (period 7/1/2002-6/30/2003).

DHSS Recommendation No. 18

Department of Health and Social Services' (DHSS) Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed in accordance with federal law.

The department disagrees with recommendation No.18. This is not an EED program and therefore the department disagrees that this recommendation and accompanying questioned costs should be a component of EED's single audit.

The department does agree that EED and DHSS should work to correct any deficiencies in the Medicaid school based administrative claiming program. Over the past twelve months, EED has worked under the direction of DHSS to implement necessary changes to the time study program.

Sincerely,

Roger Sampson
Commissioner

June 13, 2005

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-0601

RE: FY 04 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. 7

The DHSS finance officer should improve the controls over categorization and allocation of allowable claims.

The department concurs with the recommendation. A duplicate adjustment was processed for quarter ending March 31, 2004. A decreasing claim adjustment totaling \$236,317 was processed on the quarter ending March 31, 2005 Medicaid federal financial report.

Recommendation No. 8

DHSS assistant commissioner responsible for finance and management services should ensure staff provides accurate and reliable information for implementing the cost allocation plan and information is obtained in compliance with federal requirements.

DHSS concurs with the recommendation but disagrees on the questioned costs. Effective July 1, 2004 the Office of Children's Services and the Division of Public Assistance implemented a computerized random moment time study that randomly selects 2500 samples for each quarter. Implementation of the computerized software will ensure that at least 1900 valid samples are used as outlined in the recommendation.

In addition, negotiations have occurred between DHSS and the Federal Division of Cost Allocation (FDCA) regarding the prior years' audit findings. Specifically, DHSS will submit an amended Public Assistance Cost Allocation Plan (PACAP), with an effective date of July 1, 2003 removing

the reference to the 4 quarter averaging of OCS's RMTS quarterly results. If FDCA approves the PACAP amendments, the questioned costs identified should be negated by the retro-active approval.

Furthermore, due to the change in Department of Law's billing methodology, DHSS is no longer including the guardianship legal expenditures in its Title IV E Foster Care, Adoption Assistance, and Social Services block grant methodology.

Recommendation No. 9

The DHSS' assistant commissioner responsible for finance and management services should ensure that expenditures are charged in compliance with state law.

DHSS agrees with the basics of the recommendation that expenditures should be charged in compliance with state law. DHSS disagrees with the conclusion of the auditor that DHSS inappropriately charged information technology costs to FY04 balances.

The auditor's conclusion concerning FY04 IT expenditures is taken out of context because there is no reference to the entire DHSS financial management plan for FY04. In FY04 the department undertook a complicated financial plan to fund as much of supplemental spending internally as possible. The ultimate spending on IT costs was a part of the overall plan, but was delayed in implementation until the more complicated financial matters were taken care of. The following summarizes the actions that were taken in FY04 where a total of \$28.8 million was reallocated within the DHSS budget; the IT costs identified by the auditor are only 1% of the total reallocation.

Belt Tightening Measures:

Department-wide Travel/Supplies	-1,403.4
Department-wide Grants	-329.5
Department-wide Personal Services/Contractual	-587.4
Savings from delay of alcohol program expansion	-1,000.0
Excess AYI funds	-450.0
Late Opening Kenai Facility	-200.0
Potential excess grant funds SDS/DD	-1,000.0
Personal Services vacancy Boards/Commissions	-25.0

Refinancing with Federal Funds

Additional ProShare Savings:

Behavioral Health Grants	-9,795.4
SDS/Developmental Disabled Grants	-3,718.1
OCS Grants	-1,013.0
Public Health Grants	-1,206.4

Other Refinancing:

Increased API DSH allotment	-700.0
Additional SSBG Grant funds	-150.0
IHS retroactive claiming contract care	-3,000.0
Remainder of Government (ROGA) allocation of DSH	-1,500.0
Tribal Refinancing DD grants	-310.0

Cost Containment Medicaid:

Behavioral Health Medicaid-RPTC	-295.0
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Behavioral Health Medicaid-MH clinic	-62.0
HCS Medicaid-Overpayments from audits	-50.0
SDS Medicaid-PCA and Assisted Living	-1,881.7

Realign Receipt Authorization:

Pioneer Homes	-775.0
Women and Adolescent services	675.0
Bureau of Vital Statistics	<u>100.0</u>

TOTAL **-\$28,776.9**

Since the IT Integration costs were department-wide in nature the audit is in error in discounting the entire allocation process, since the divisions and programs were benefiting from the integration. All of the areas noted in the audit benefit by the IT Integration and at the very least the auditor should agree that some portion of the allocation is appropriate, although the department maintains that the allocation to Boards and Commissions and Behavioral Health was appropriate.

In addition there are some errors in the audit analysis; there are two in particular we would like to note:

First, the IT Integration costs paid for by AR 22970 State Health Services was for hospital discharge data set collection. This data is integral to the Division of Public Health and directly benefits public health various uses. Through agreements between DHSS and the Alaska State Hospital and Nursing Home Association, Alaska hospital discharge data has been collected for three calendar years (2001-2003) for most hospitals in Alaska, and the 2004 data is expected in May 2005. The data set has supported public health analysis of the burden of cardiovascular disease, diabetes, and tobacco related diseases on the state and its population. The data provides information about length of stay, charges, pay sources, and patient characteristics for comparison with national patterns. This population based data set, clearly benefits public health data analysis. In addition, the federal charges are not in error. DHSS disagrees with the statement contained in the recommendation "*DHSS staff stated that charging the costs to federal programs was an oversight as the department had not intended to charge the costs to federal programs.*" Both the Rural Hospital Flexibility grant (HRSA) and the Cardiovascular Disease prevention and control (CDC) federal grants include specific line items for contributions to the Hospital Discharge Data system.

Second, the IT integration costs paid for by AR 22718 are also in compliance. The costs were charged and first expended from an RSA. This RSA was legitimate charged to the capital appropriation as outlined in the scope of the capital appropriation and plainly shown in the available documentation.

Recommendation No. 10

The internal auditor should implement procedures to ensure subrecipient information provided to the Office of the Governor, Office of Management and Budget (AOMB) is accurate and that federal single audit reports are reviewed timely.

The DHSS concurs that improvements can be made to the accuracy of the subrecipient pass-through amounts provided AOMB. The Grants and Contracts Support Team implemented an electronic grants database (eGrants) in FY 2005 that is expected to provide accurate, timely, and consistent financial information for all DHSS grant programs. We will review all federally funded grants to assure that only those programs meeting the OMB Circular A-133 definition of a subrecipient are included on the pass-through list.

DHSS does not concur with the auditor's position that five of 11 subrecipient audit reports were not reviewed within the six-month time requirement. Subrecipient audit reports are received from AOMB and an initial review is conducted by the FMS Audit Manager. This initial review involves the identification of federal funding and the presence of any findings requiring follow-up by DHSS. The audit reports requiring follow-up are prioritized according to the AOMB date stamp on the cover of the report. The report with the earliest AOMB date stamp is scheduled first for review; increasing the likelihood that follow-up will occur within the required six-month period. Of the eleven audit reports tested by DLA, an initial review was conducted on all eleven within days of their receipt from AOMB. Only one audit report (City of Bethel) contained any federal findings. The findings were related to agency-wide internal control deficiencies and DCED, the major state-funding agency, was assigned by AOMB to conduct follow-up.

Recommendation No. 11

The DHSS assistant commissioner responsible for finance and management services should ensure personal services expenditures charged to federal programs comply with federal cost principals.

The department partially concurs with the recommendation. Effective April 1, 2005 DHSS has implemented a new timesheet requiring employees to record their time and effort to multiple benefiting programs, if applicable. In addition, all divisions have identified employees assigned to a single federal program to ensure the federal certification form is completed timely. Full compliance is expected in current year FY05.

DHSS does not concur on the questioned costs identified in the recommendation. Specifically, the Division of Public Assistance's (CFDA 93.575) questioned costs are valid and legitimate personal services costs identifiable to Child Care Assistance office (CCDF). While signed and dated after the required time period, certifications were signed by employees and their supervisor covering the period tested.

The Division of Public Health (DPH) concurs that three DPH (The context of the recommendation refers to one employee working in the Division of Administrative Services. This is an incorrect conclusion by the auditors. The individual was employed in DPH.) staff members did not allocate to multiple cost centers via their timesheet while 4 additional employees did not complete the Circular A-87 form timely. However, the questioned costs associated with the Circular A-87 form are valid and legitimate personal service expenditures to the federal program.

The Division of Senior and Disability Services (DSDS) concurs that one employee working 100% on the Medicaid program had not completed the Circular A-87 form timely. There is no action necessary for the resolution of the DSDS questioned costs since these are valid and legitimate personal services costs identifiable to the Medicaid program. DSDS has been diligent in getting these forms completed by staff since this error. We do not anticipate having this problem in the future.

DSDS does not concur on the employee cited as not documenting their time and effort on multiple benefiting programs. The individual's timesheet was scrutinized for the pay period 4/16 - 4/30, 2004. This employee tracks the time they spend on Medicaid reimbursable vs. non-Medicaid reimbursable activities. The timesheet clearly shows what percentage of this person's time was spent on each program. We feel this reporting is in keeping within federal guidelines.

Recommendation No. 12

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

The department partially concurs with the recommendation. DHSS's position or actions is the following:

AR 22550-02 Family and Youth Services Management – A revenue shortfall no longer exists. DHSS believes the revenue transfer is appropriate.

AR 22553-02 Family and Youth Services Staff Training - A revenue shortfall no longer exists. DHSS believes the revenue transfer is appropriate.

AR 22520-03 Medical Assistance – Committee Substitute for Senate Bill 46(FIN), section 34(a) from the 2005 Legislative session is awaiting the Governor's approval. If approved, this supplemental funding will resolve the revenue shortfall.

AR 22313-04 APH Unbudgeted RSA – This revenue shortfall results from an adjusting journal entry performed by Alaska Pioneer Home staff after the reimbursable services agreement was closed. DHSS will seek clarification from the Office and Management and Budget (OMB) regarding processing a prior year revised program or seek ratification of the revenue shortfall during the 2006 Legislative session.

AR 22930-04 Health Care Services – The revenue shortfall is indicated due to calculated due to timing differences between the recording of expenditures and revenue collections.

AR 23663-04 Adoption and Foster Care – This shortfall results from revenue incorrectly recorded to AR23689-03 creating a revenue shortfall in this AR 23663-04. DHSS will submit a request during the 2006 legislative session to resolve this revenue shortfall.

Recommendation No. 13

DHSS' finance officer should work with program staff to ensure federal financial reports are properly reported and adequately supported.

The department does not concur with this recommendation. The federal financial reports identified were revised and re-submitted to the federal granting agency.

Recommendation No. 14

The DHSS finance officer should properly present the Summary of Prior Year Audit Findings to accurately reflect corrective action taken by the department.

DHSS partially concurs with the recommendation. Annually, we are requested by the U.S. Health and Human Services, Office of the Inspector General (OIG) to provide information on single audit findings. In addition, the OIG assigns the audit finding to specific federal agencies requesting resolution to any identified questioned costs. The resolution process does not always result in processing decreasing adjustments. As of the date the Summary of Prior Year Audit Findings was prepared, DHSS had processed all decreasing adjustments as requested by the federal agencies. If the federal agency had not contacted DHSS regarding decreasing adjustments, the finding was considered to be resolved.

Recommendation No. 15

We recommend DHSS' project manager for the child care program office improves internal controls over the review and approval of child care subsidy payments.

DHSS concurs with the recommendation. Effective July 1, 2003, the responsibility for approving Anchorage child care providers to participate in the Child Care Assistance program was transferred to the Child Care Program Office (CCPO) from the Municipality of Anchorage. The transfer of responsibility resulted from a new computer management system which eventually failed. Previously, Local Administrator (LA) grantees directly paid child care providers and were reimbursed by the state. This last change greatly increased the state's control over individual child care payments to providers, but it also added a new workload demand and process to Alaska's Child Care program operations.

DHSS has been challenged with balancing the administrative effort necessary to review and approve payments with effort required to provide effective service delivery to clients and timely reimbursement to child care providers. The pressure brought by the provider community demanding short invoice turnaround and payment has influenced DHSS to often choose quantity of bills paid over stringent quality invoice reviewing and processing. DHSS recognizes the need to enhance internal controls for improved invoice processing to reduce the level of perceived payment discrepancies and to help deter instances of potential fraud. In fact, DHSS has already implemented some internal controls and continues to work to improve invoice processing. While there is room for improvement DHSS believes that the overall child care payment accuracy is at an acceptable level. DHSS does not concur with the questioned costs. The auditors tested child care payments and calculated a net total overpayment of roughly \$106,000 projected over a universe of \$22.0 million in child care payments. This estimated overpayment level represents an overpayment rate of less than 1 percent or payment *accuracy* of 99.5%.

Recommendation No. 16

We recommend DHSS' project manager for the child care program improves monitoring of subrecipients.

DHSS concurs with this recommendation. The Child Care Assistance Program staff have completed a draft of a much-improved grantee monitoring tool and are currently operating at a fully staffed level (has not occurred since the Fall of 2003). The monitoring tool will be piloted in May and June of 2005 and implemented in FY06.

In addition, the Child Care Program Office's new information management system is expected to become operational on a statewide basis by October 2005. This system will give CCPO staff direct access to grantee records, including eligibility determinations, child care authorizations, and payment verification so that we may perform regular monitoring of the timeliness and accuracy of child care payments.

Recommendation No. 17

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

DHSS concurs that strong internal controls are vital to the Medicaid program and we continue our efforts to strengthen them. However, the department does not concur that a "weak control environment" exists or that the reportable conditions noted during your review constitute a "material internal control weakness."

The Department launched a federal pilot project to determine payment error rates (the PERM project), in preparation for implementing a permanent program to comply with federal law. The PERM will allow us to comprehensively measure Medicaid overpayments in a systematic fashion and will serve to strengthen program integrity overall. Additionally, DHSS is hiring a Department-level Quality Assurance Manager to oversee and coordinate Quality Management (QM), including PERM and SURS activities, as a separate and distinct system across DHSS Divisions.

The DHSS quality management effort began by mapping each Division's current quality assurance, quality enhancement and program integrity activities, best practice standards, Division performance measures, federal recommendations/mandates, and gaps analysis. With this data, the Department plans to implement best practices that ensure federal compliance and standardize QM processes where applicable. This information will also guide management changes for integration and oversight of provider, grantee, and contractor audits.

Under the provisions of SB 41, the Department is actively engaged in an intensive Medicaid provider independent audit schedule this year. The Division of Senior and Disabilities Services has also contracted out with an independent audit firm to conduct an audit of the Personal Care Attendant program. The information gleaned from these audits will help identify and validate areas of concern within the program for future administrative and regulatory changes. The audits will also address the previous findings and public concerns. These regulations are in process and will help to better identify recipient eligibility and ensure appropriate level of service based upon documented need for service. DHSS expects costs to decrease significantly in FY06.

The Department believes they have addressed the prior finding from OIG's audit of the Medicaid drug rebate program in FY03. DHSS is currently operating a new drug rebate invoicing and tracking system in response to July 2003 OIG recommendations. It is unclear whether DLA reviewed this new drug rebate system as part of their current audit.

Recommendation No. 18

DHSS's Division of Health Care Services director and the Department of Education and Early Development's (DEED) Division of Teaching and Learning Support director should work together to improve procedures for claiming reimbursement of Medicaid school-based administrative costs to ensure costs are claimed accordance with federal law.

DHSS partially concurs with the recommendation. In response to guidance by CMS received in November 2004 and in alignment with prior recommendations from DLA, DHSS hired a School-Based Medicaid Administrative Claiming Coordinator in January 2005 to implement a statewide training program for Medicaid School-Based Administrative claiming and to otherwise ensure federal compliance. From January to April, eighteen school districts received on-site visits and training on School-Based Medicaid Administrative claiming, as a follow-up to the teleconference training held one year ago. More school district training sessions are planned before the end of the academic year.

The DHSS Coordinator is also working with DEED to update the current interagency agreement, and to reevaluate the cost pool makeup, statewide Medicaid Eligibility Rate (MER) calculation and sampling methodology insuring that school personnel and all eligible students are accurately represented. The Coordinator will also ensure that all calculations are compliant with OMB Circular A-87. DHSS is currently working to update its cost allocation plan in this area as well. While the Coordinator will also work to update the time study, it should be noted that the current activity codes on the DHSS survey comply with CMS Guidance. Since we received no objection or request for revision after CMS reviewed these codes, DHSS considers them CMS-approved.

With respect to prior findings on specific aspects of the time study and MER calculation, all policies and procedures were developed collaboratively with CMS in accordance with federal guidance in effect at the time. For FY 03, CMS considered Alaska fully compliant with federal guidance including OMB Circular A-87, which clearly allows the practice of using alternate time study methodology if it results in a lower or minimally different Federal claim.

Sampling Larger Districts Results in Lower Overall Federal Claim

In fact, the practice of sampling school districts with over 400 students results in a reduced federal claim since the Medicaid eligibility rate runs at least 10% higher in the smaller districts.

Adjusting the Medicaid Eligibility Rate by the Drop-Out Rate Does Not Affect the Claim.

DHSS disagrees with the prior recommendation to adjust MER by subtracting the drop-out rate. Federal guidelines do not require such an adjustment. A drop-out adjustment would not account for the number of months a child may be attending school and receiving services before they drop out, nor would it ultimately make any change to the claim. As proposed, this adjustment assumes that dropouts are 100% Medicaid eligible, which they are not. Therefore, since the drop-out percentage must be subtracted from the numerator (number of Medicaid students) and

the denominator (total number of students) of the overall claim calculation, it has no net effect on the claim.

Recommendation No. 19

The State Medicaid director should take action to improve the agency's utilization control and program integrity function.

The Department recognizes the need for additional improvements and concurs with this recommendation. In FY03, DHSS restructured utilization control and program integrity (PI) responsibilities by placing them directly with the appropriate Division Directors. This change resulted in increased PI staffing and a more efficient link between program operations and program integrity. Another facet of the DHSS reorganization effort created the Office of Program Review to function as a Department-level team focusing on program integrity that reports directly to the Commissioner.

DHSS partially concurs that their fiscal agent performed poorly under contract amendment #20, posing some degree of risk to Medicaid program integrity. However, since the amendment was signed in December 2003 and terminated in May 2004, it is clear DHSS acted quickly to address contractor performance issues and minimize any likelihood of decreased program integrity.

Recruitment efforts are underway to find qualified staff for vacant auditing positions as they come open. Improvements to utilization control and program integrity operations including a Department-wide complaint system implemented November 2004, continue to be a major Department objective as always.

Recommendation No. 20

We recommend the State Medicaid director improve procedures over the calculation of the Medicaid upper payment limit.

The Department partially concurs. We have recalculated 2003 and 2004 upper limits to correct the error noted in the 2003 audit report, and to address other legislative audit concerns. The original 2004 upper limit calculations, which included the same error noted in the 2003 audit, and related Medicaid payments were completed by the time the 2003 audit report was transmitted to DHSS.

DHSS views the upper limit process as a prospective estimate of future events while the legislative audit staff has the opinion that the process should follow a retrospective settlement scenario. This difference in philosophy, along with differences in the DHSS's understanding of the applicable approved state plan amendment, causes us to respectfully disagree with questioned costs outlined in the 2004 draft audit report. The Department will continue to improve the upper limit calculations based on legislative audit recommendations and other applicable information.

Recommendation No. 21

We recommend the State Medicaid director improve internal controls over prescription drug payments.

The Department concurs with the recommendation and has implemented a HIPAA-compliant billing system to eliminate paying providers' excess dispensing fees. The new claiming system is effective May 3, 2005 and only allows one dispensing fee per drug to ensure that Medicaid does not pay in excess of fees authorized.

HIPAA-related system changes were also responsible for the Department paying a Pharmacy Provider incorrectly for dispensing fees. In April 2005, the Department issued a recoupment order to this provider for the entire overpayment of 0.31 per paid claim.

The Department is tightening controls over MedPak usage and dispensing fees through clarifications published in the May 2005 revisions of the Pharmacy billing manual and plans a provider letter in June 2005 to further clarify policy in this area. In addition, the Department plans to complete a survey of prescription dispensing costs before issuing new regulations and billing manual language. The survey will attempt to quantify the work and materials that go into filling a MedPak to determine whether to roll costs into the dispensing fee.

If you have any questions concerning this letter, please feel free to contact Michelle Grose at 465-1690 or by email Michelle_Grose@health.state.ak.us.

Sincerely,

Joel Gilbertson, Commissioner
Department of Health and Social Services

STATE OF ALASKA

FRANK H. MURKOWSKI
GOVERNOR

DEPARTMENT OF FISH AND GAME
OFFICE OF THE COMMISSIONER

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May 23, 2005

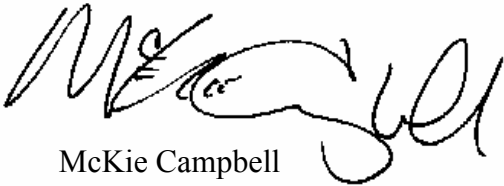
Ms. Pat Davidson
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to comment on the preliminary audit report: Statewide Single Audit for Fiscal Year Ending, June 30, 2004.

Since there were no recommendations made to the Department of Fish and Game in the report, we have no comment.

Sincerely,



McKie Campbell
Commissioner

cc: Tom Lawson, Director, Division of Administrative Services, ADF&G

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May 31, 2005

Pat Davidson
Legislative Auditor
Division of Legislative Audit
Legislative Budget and Audit Committee
Alaska State Legislature

Dear Ms. Davidson:

RE: Statewide Single Audit for Fiscal Year Ending June 30, 2004, Department of
Environmental Conservation (DEC)

We have reviewed the findings and recommendations in the above referenced report, and appreciate this opportunity to respond. The report provides DEC with a good opportunity to review our current procedures and we believe the information in this letter will help to clarify a number of issues, and inform you about our intended actions. We have responded to the recommendations included in the report and offer our suggestions and solutions.

Recommendation No. 22

The DEC finance officer should implement procedures to ensure personal services expenditures charged to the EPA infrastructure grants comply with federal cost principles.

The Department supports this recommendation, and has implemented processes to ensure the requirements of OMB Circular A-87 are met. Those employees solely dedicated to a particular federal grant are required to complete bi-annual certifications. Additionally, for those employees whose salaries are chargeable to more than one cost objective, actual hours worked on each cost objective are reflected on the employee timesheet.

Recommendation No. 23

The VSW program manager should work with project engineers to strength internal controls over the VSW procurement process.

The Department supports this recommendation, and hired a Procurement Specialist III in September 2004 to support the VSW program. This position is solely dedicated to the VSW

program, and is supervised by the Division of Information and Administrative Service to ensure appropriate segregation of duties and authorities. The incumbent has been working to strengthen internal controls and to provide appropriate oversight and guidance for VSW procurement practices.

Recommendation No. 24

The DEC finance officer and Division of Water facility programs manager should implement procedures to ensure compliance with EPA grant requirements for small and disadvantaged business utilization.

The Department supports this recommendation. The VSW Procurement Specialist is working to update bid documents and agreements to include Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) "fair share" objectives, and to require reporting of actual MBE/WBE procurements.

Recommendation No. 25

The DEC finance officer and Division of Water facility programs manager should improve oversight of funds passed through to ANTHC.

The Department disagrees with this recommendation, in that the Indian Health Service (IHS), a federal agency, not the Department, is responsible for oversight of the Alaska Native Tribal Health Consortium (ANTHC). The IHS contracts with the ANTHC to manage IHS projects, and is the cognizant federal agency for the ANTHC. All agreements related to IHS projects funded by EPA and USDA monies granted to the state are between the Department and the IHS. The ANTHC is not a party, and is in no way a subrecipient of the Department subject to its oversight. As questions frequently arise due to the unique nature of the relationship between the Department, the IHS, and the ANTHC, a legal review is underway to confirm relationships and responsibilities to the satisfaction of all interested parties, and put the matter to rest.

Thank you for providing this opportunity to comment on your findings and recommendations. If you have any questions or need additional information regarding the audit response, please contact Joanna McDowell at (907) 465-5289.

Sincerely,

Kurt Fredriksson
Commissioner

cc: Mike Maher, Director, Division of Information and Administrative Services, DEC
Dan Easton, Director, Division of Water, DEC

June 17, 2005

Members of the Legislative Budget
and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. First, agency responses appear in Section II with the audit recommendations themselves, then again in Section V of this report. The response for the University of Alaska's recommendation is from a separately issued single audit report. Copies of that report can be obtained directly from the University of Alaska.

We have also 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 nine of these recommendations which we believe warrant further comments.

In summary, we reaffirm the findings and recommendations presented in this report.

Recommendation No. 9

The DHSS assistant commissioner responsible for finance and management services should ensure that expenditures are charged in compliance with state law.

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response causes us to reconsider our recommendation. There is no disagreement that the expenses for the IT integration are necessary and appropriate charges for the Department of Health and Social Services. However, both state and federal compliance are not determined at the department level, but rather, the appropriation level for state compliance and program level for federal compliance. Expenditures charged to individual appropriations and federal programs must be commensurate with the benefits that are received. DHSS'

methodology and IT integration expenditure support did not address this requirement. We reaffirm our recommendation.

Recommendation No. 11

The DHSS assistant commissioner responsible for finance and management services should ensure personal services expenditures charged to federal programs comply with federal cost principals.

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove our recommendation. However, we offer the following comments:

We agree that the one individual identified as an employee of the Division of Administrative Services was actually an employee of DPH for the time period questioned in this recommendation. We also agree that the timesheet for the DSOS employee, whose time for the 4/16-4/30/2004 was tested, clearly shows the percentage of time spent on each program. However, the allocation of actual time on the employee's timesheet does not agree with the 100% distribution of this individual's personal services costs to Medicaid for this pay period.

Recommendation No. 12

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

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. We continue to believe transferring revenues between appropriations, to resolve shortfalls, is not appropriate.

Recommendation No. 13

DHSS' finance officer should work with program staff to ensure financial status reports are accurate and adequately supported.

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. However, we agree that revision and submittal of corrected federal financial reports is an appropriate corrective action for this recommendation.

Recommendation No. 14

The DHSS finance officer should properly present the Summary of Prior Year Audit Findings to accurately reflect corrective action taken by the department.

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 15

We recommend DHSS' project manager for the child care program office improve internal controls over the review and approval of child care subsidy payments.

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 17

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

Legislative Audit's Additional Comments

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. DHSS' response indicates that the Medicaid control environment in FY 05 will be significantly improved over the control environment in FY 04.

Recommendation No. 20

We recommend the State Medicaid director improve procedures over the calculation of the Medicaid upper payment limit.

Legislative Audit's Additional Comment

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation.

Recommendation No. 25

The DEC finance officer and Division of Water facility programs manager should improve oversight of funds passed through to ANTHC.

Legislative Audit's Additional Comment

We have reviewed DEC's response to this recommendation and nothing contained in the response has provided sufficient information to persuade us to remove or revise this recommendation. We agree that the relationship between DEC, ANTHC, and the federal agencies is confusing and expect a complete legal review should clearly identify the responsibilities of each party.

In summary, we reaffirm the findings and recommendations presented in this report.

Pat Davidson, CPA
Legislative Auditor