

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of approximately \$2.7 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 2006, recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, the Schedule of Expenditures of Federal Awards and the Summary of Prior Audit Findings.

REPORT CONCLUSIONS

The basic financial statements for the State of Alaska are fairly presented in accordance with accounting principles generally accepted in the United States of America without qualification. Additionally, the State's FY 06 Comprehensive Annual Financial Report includes a Certificate of Achievement for Excellence in Financial Reporting which is presented by the Government Finance Officers Association.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs. However, the State has material weaknesses in its administrative controls for the Medical Assistance program (Medicaid) which may not prevent fraud, waste, and abuse.

FINDINGS AND RECOMMENDATIONS

This report contains 28 recommendations, of which five are unresolved issues from last year. Also, three of the recommendations are made to component units: one recommendation for Alaska Housing Finance Corporation and two recommendations for the University of Alaska whose audits were performed by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings, in Section III, identifies the current status of most prior audit recommendations not resolved by the release of the FY 05 Statewide Single Audit.

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April 30, 2007

Honorable Members of the
Alaska State Legislature

The Honorable Sarah Palin
Governor
State of Alaska

The Honorable Daniel R. Levinson
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, 2006. 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 2006, 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 2005 Single Audit contained 32 recommendations; this report presents 28 recommendations, five of which were presented last year. Included in this year's recommendations are three recommendations, one made to Alaska Housing Finance Corporation and two made to the University of Alaska, whose audits were performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations 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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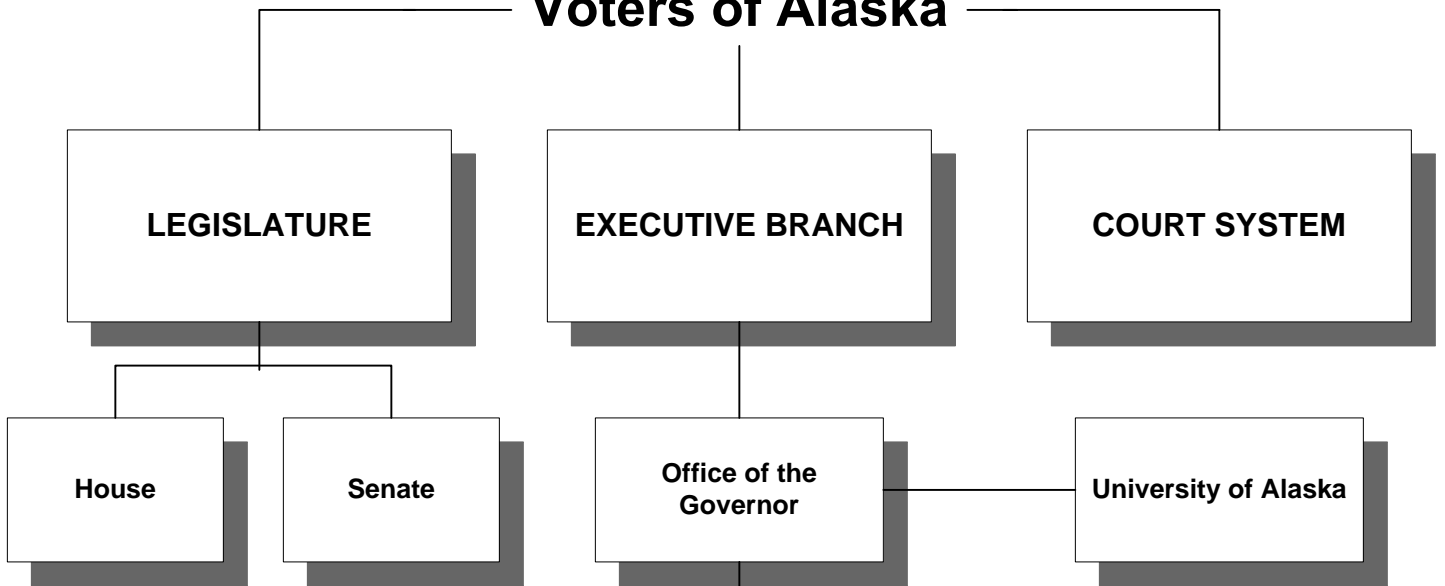
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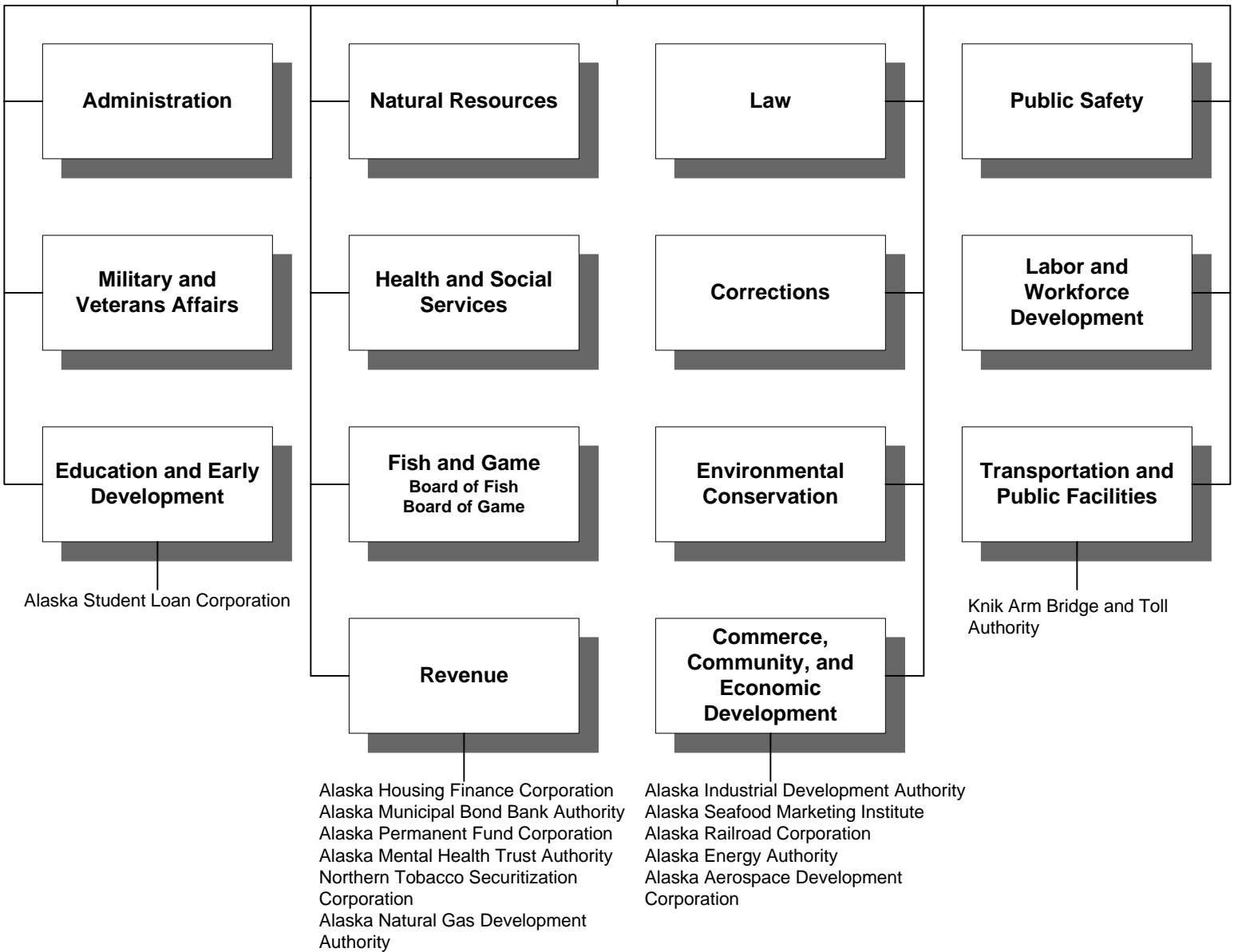
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Voters of Alaska



Departments



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Independent Auditor's Report

Members of the Legislative Budget
 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, 2006, 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 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	78%	76%	35%
Component Units	95%	91%	97%
 <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	95%	91%	97%

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.

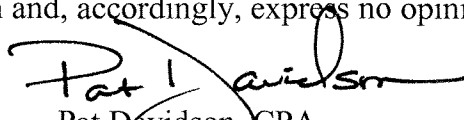
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund); Alaska Industrial Development and Export Authority (Component Unit); and Supplemental Benefit System, Public Employees Retirement System and Teachers Retirement System (Fiduciary Funds). 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 provide 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 November 29, 2006, on our consideration of the State's 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 table of contents are not a required part of the basic financial statements but are supplementary information required by the 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, accordingly, express no opinion on it.


Pat Davidson, CPA
Legislative Auditor

November 29, 2006
Except for Note 12 – Subsequent Events
which is dated March 28, 2007

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, 2006. 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 06 by \$44.4 billion (net assets). Of this amount, \$5.2 billion is invested in capital assets, \$31.3 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$30.3 billion), and unrestricted net assets are \$7.9 billion. Unrestricted net assets may be used to meet the state's ongoing obligations to citizens and creditors.
- The state's total net assets increased by \$4.4 billion. This increase is primarily attributable to higher taxes and royalties from petroleum production and interest and investment income of the Alaska Permanent Fund. See page I-8 for a discussion 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 \$38.9 billion, with \$2.7 billion unreserved fund balance and a fund balance reserved for specific purposes of \$36.2 billion. The Alaska Permanent Fund principal is \$30.3 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 \$124 thousand.

Long-term debt

- The state's total long-term debt increased by \$375 million (22 percent) during the current fiscal year. The key factors in this increase include the issuance of the sport fishing revenue bonds and International Airports revenue bonds, new certificates of participation related to the state virology lab, deferred revenue activity related to federal revenues and royalty payments, and the recognition of the net pension obligation.

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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements (reporting on the state as a whole)

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

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

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

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

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

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

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

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

Fund Financial Statements (reporting on the state's major funds)

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, 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 projects 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 96.9 percent of total government-wide cash and investments and 86 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 within the General Fund, including the Constitutional Budget Reserve Fund, the Permanent Fund Dividend Fund, and the Public Education Fund. Because of materiality and public interest in these 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 activities such as international airports operations, 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 5.8 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 Basic 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 basic 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 a budgetary comparison schedule 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 \$44.4 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (74 percent) reflects its investments held in the Alaska Permanent Fund. This increase for the Alaska Permanent Fund is mainly attributable to the financial markets, in particular interest income, dividends, and real estate income were higher in FY 06 than in prior fiscal years. However, the majority of these assets are not available for future spending since the principal of the fund (\$30.3 billion) may not be spent.

The remainder of the state's net assets (26 percent) represents amounts invested in capital assets net of related debt (\$5.3 billion), resources that are subject to external restrictions of how they may be used (\$.9 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$5.3 billion).

Net Assets						
(Stated in millions)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Current and Other Noncurrent Assets	\$ 49,770	\$ 41,392	\$ 1,301	\$ 957	\$ 51,071	\$ 42,349
Capital Assets	5,147	5,041	840	775	5,987	5,816
Total Assets	54,917	46,433	2,141	1,732	57,058	48,165
Long-term Liabilities	1,433	1,295	656	417	2,089	1,712
Other Liabilities	10,452	6,362	81	22	10,533	6,384
Total Liabilities	11,885	7,657	737	439	12,622	8,096
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,721	4,655	536	484	5,257	5,139
Restricted	30,772	28,936	527	467	31,299	29,403
Unrestricted	7,539	5,185	341	342	7,880	5,527
Total Net Assets	\$ 43,032	\$ 38,776	\$ 1,404	\$ 1,293	\$ 44,436	\$ 40,069

The net assets of governmental activities increased \$4,381 million and business-type activities increased \$110 million, before prior period adjustments and restatements. The increase for governmental activities is primarily due to higher petroleum revenues and 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, and an increase in revenue received by and a reduction in benefits paid by the Unemployment Compensation Fund.

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 06.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Revenues						
Program Revenues						
Charges for Services	\$ 2,725	\$ 2,220	\$ 282	\$ 258	\$ 3,007	\$ 2,478
Operating Grants	1,460	1,401	19	17	1,479	1,418
Capital Grants	619	642	74	84	693	726
General Revenues						
Taxes	2,417	1,794	-	-	2,417	1,794
Interest and Investment earnings	3,313	2,841	3	5	3,316	2,846
Payments In from Component Units	104	121	-	-	104	121
Other Revenues	81	41	1	1	82	42
Total Revenues	10,719	9,060	379	365	11,098	9,425
Expenses						
General Government	292	255	-	-	292	255
Alaska Permanent Fund Dividend	505	552	-	-	505	552
Education and University	1,523	1,388	-	-	1,523	1,388
Health and Human Services	1,769	1,832	-	-	1,769	1,832
Law and Justice	176	148	-	-	176	148
Public Protection	536	518	-	-	536	518
Natural Resources	264	243	-	-	264	243
Development	477	130	1	-	478	130
Transportation	711	762	-	-	711	762
Intergovernmental	58	43	-	-	58	43
Debt Service	-	-	-	-	-	-
Interest Expense	32	32	-	-	32	32
Loans	-	-	12	9	12	9
Unemployment Compensation	-	-	130	148	130	148
Airports	-	-	121	99	121	99
Total Expenses	6,343	5,903	264	256	6,607	6,159
Excess (Deficiency) of Revenues	4,376	3,157	115	109	4,491	3,266
Over Expenditures						
Transfers	5	5	(5)	(5)	-	-
Special Items:						
ITBE/ASTF Liquidation	-	-	-	-	-	-
Change in Net Assets	4,381	3,162	110	104	4,491	3,266
Net Assets - Beginning of Year	38,776	34,918	1,294	1,189	40,070	36,107
Prior Period Adjustment	(125)	(925)	-	-	(125)	(925)
Restatement for Historical Infrastructure	-	1,621	-	-	-	1,621
Net Assets - End of Year	\$ 43,032	\$ 38,776	\$ 1,404	\$ 1,293	\$ 44,436	\$ 40,069

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 \$38.9 billion, an increase of \$4,161 million in comparison with the prior year. This increase is a combination of the Alaska Permanent Fund investments and the increase within the General Fund from petroleum revenues. The unreserved fund balance, which is normally available for spending at the government's discretion was a balance of \$2.7 billion, consisting of a deficit of \$124 million in the General Fund, \$2,585 million in the Alaska Permanent Fund (earnings reserve account), \$141 million in capital projects funds, and \$62 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 (\$30.3 billion), 2) for the Constitutional Budget Reserve Fund (\$5.1 billion), 3) to liquidate contracts and purchase orders of the prior period (\$394 million), or 4) for a variety of other restricted purposes (\$397 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 \$124 million, while total fund balance reached \$5.3 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 2 percent of total General Fund expenditures, while total fund balance represents 86 percent of that same amount.

The fund balance of the state's General Fund increased by \$1,254 million during the current fiscal year. The key factor in this increase is higher oil prices resulting in increased taxes and royalties. Most of this surplus was appropriated to the Public Education Fund during FY 06. There was no appropriated borrowing from the Constitutional Budget Reserve Fund.

General Fund revenues for FY 06 were \$6.7 billion, an increase of \$1.1 billion compared to revenues of \$5.6 billion for FY 05. Revenues by source for FY 06 are compared to FY 05 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 06</u>	<u>Percent</u>	<u>FY 05</u>	<u>Percent</u>
Taxes	\$ 2,333.9	34.7%	\$ 1,734.5	30.8%
Rents and Royalties	1,802.3	26.8%	1,435.9	25.4%
Interest and Investment Income	179.0	2.6%	147.4	2.6%
Federal	1,970.4	29.3%	1,924.9	34.1%
Miscellaneous	444.2	6.6%	404.9	7.1%
Total Revenue	<u>\$ 6,729.8</u>	<u>100.0%</u>	<u>\$ 5,647.6</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes and royalties (\$866 million).

Alaska Permanent Fund

The Alaska Permanent Fund (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.*

In FY06 the Board of Trustees (Trustees) of the Alaska Permanent Fund Corporation adopted new investment regulations as directed by House Bill 215, passed earlier in the year by the Alaska Legislature. The bill removed the list of allowed fund investments from Alaska statutes, and required the Trustees to maintain the investment list in regulation, guided by the prudent investor rule. New investment regulations were passed by the Trustees in November 2005, and became effective January 1, 2006.

The fund is made up of two parts.

- **Reserved Fund Balances:** The reserved fund balances, or principal, include the contributions and appropriations, which are the main body of the trust. At June 30, 2006, this amounted to \$26.1 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$9.2 billion in dedicated mineral revenues; \$9.9 billion of fund realized earnings transferred to principal for inflation proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved fund balances (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 \$4.2 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2006, realized earnings have amounted to \$31.5 billion. Of this amount \$14.3 billion has been paid out for dividends, \$9.9 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$.4 billion has been paid out to the general fund, and \$2.6 billion remains in the fund at June 30, 2006 in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$773 million increase in appropriations (or 7 percent) and can be briefly summarized as follows:

- \$59 million allocated to health and human services
- \$55 million allocated to public protection
- \$343 million allocated to development
- \$221 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$59 million was to be funded out of an increase in federal grants in aid, another \$246 million from interagency receipts, with the balance coming from other financing sources.

Budgets for these program areas are difficult to predict. It is not unusual for additional budget authority to be granted when new funding sources become available.

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, 2006, amounts to \$5.3 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 06 totaled \$272 million for governmental activities and \$36 million for business-type activities.

Capital Assets (net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Land	\$ 690	\$ 680	\$ 30	\$ 30	\$ 720	\$ 710
Buildings	732	675	465	434	1,197	1,109
Equipment	387	376	13	14	400	390
Infrastructure	2,131	1,888	271	226	2,402	2,114
Construction in Progress	1,207	1,422	62	71	1,269	1,493
Total Capital Assets	\$ 5,147	\$ 5,041	\$ 841	\$ 775	\$ 5,988	\$ 5,816

In FY 06, infrastructure increased by \$288 million, with a related reduction in construction in progress. The Joint Readiness Center was completed and put into use in FY 06, which accounts for some of the increase for buildings. Additional information on the state's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,356 million. Of this amount, \$434 million was general obligation bonds, and \$276 million of revenue bonds payable is comprised of \$208 million issued by the Northern Tobacco Securitization Corporation (NTSC), and \$68 million of sport fishing revenue bonds. 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 sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$646 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing 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 06	FY 05	FY 06	FY 05	FY 06	FY 05
Revenue Bonds Payable	\$ 276	\$ 213	\$ 646	\$ 412	\$ 922	\$ 625
General Obligation Debt	434	463	-	-	434	463
Notes Payable	-	-	-	-	-	-
Capital Leases Payable	141	148	-	-	141	148
Deferred Revenues and Advances	194	160	5	5	199	165
Certificates of Participation	75	62	-	-	75	62
Compensated Absences	125	120	-	-	125	120
Claims and Judgments	83	72	-	-	83	72
Other Noncurrent Liabilities	1	1	1	-	2	1
Net Pension Obligation	103	56	3	-	106	56
Total	\$ 1,432	\$ 1,295	\$ 655	\$ 417	\$ 2,087	\$ 1,712

The state's total debt increased by \$375 million (22 percent) during the current fiscal year. This increase is mainly attributable to the issuance of additional revenue bonds within the International Airport Fund and sport fishing revenue bonds. Principal payments on the General Obligation Bonds were made during the year reducing the outstanding balance. Deferred revenues and advances increase results from credits on royalty payments received for FY 07. Certificates of participation were also issued for the state virology lab.

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

Significant Fact

- In FY 06, the State of Alaska recognized a net pension obligation (NPO) for the second consecutive year. The NPO is the difference between the actuarially determined rate and the contributions actually paid. The NPO for FY 06 was \$50 million, which when added to the FY 05 amount results in a total NPO of \$103 million. Although the state paid its required contribution for participating in the Public Employee Retirement System (PERS), the contribution rates are based on a capped rate, an annual maximum increase of 5 percent per year. This caused the required rate to be less than the actuarial determined rate, resulting in a NPO for these years.

Economic Factors and Next Year's Budgets and Rates

- The state's average unemployment rate for FY 06 was 6.8 percent, which compares favorably to the average unemployment rate for FY 05 of 7.0 percent. Alaska's five year average (2002 to 2006) was 7.1 percent. The United States unemployment rate at fiscal year end was 4.8 percent.
- The state's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for just over 56 percent of total revenue, with federal revenue making up another 29 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. Although oil production has declined, the high price per barrel more than made up for this reduction, resulting in an increase of \$865.8 million in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 06 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 869 thousand barrels per day. This is 65 thousand barrels per day less than in the prior year. FY 06 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 57.6 percent.
- The State of Alaska FY 06 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 (\$846/resident, total \$505 million in FY 06), 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, 2006
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 39,991,239	\$ 536,746	\$ 40,527,985	\$ 2,462,639
Accounts Receivable - Net	700,485	17,652	718,137	48,060
Interest and Dividends Receivable	127,885	29,623	157,508	34,567
Internal Balances	28,411	(28,411)	0	
Due from Primary Government			0	10,591
Due from Component Units	21,823		21,823	1,664
Due from Other Governments	462,736	6,279	469,015	35,859
Loans, Notes, and Bonds Receivable	18,678	290,003	308,681	4,069,244
Inventories	15,165		15,165	29,557
Repossessed Property		4,305	4,305	
Net Investment in Direct Financing Leases			0	297,418
Investments in Projects, Partnerships, or Corporations		7,759	7,759	53,537
Restricted Assets	27,781	373,466	401,247	1,859,754
Securities Lending Collateral	8,356,614	62,708	8,419,322	175,713
Other Assets	18,886	657	19,543	149,947
Capital Assets:				
Equipment, Net of Depreciation	387,192	13,673	400,865	218,409
Buildings, Net of Depreciation	731,947	464,408	1,196,355	643,417
Infrastructure, Net of Depreciation	2,131,120	269,854	2,400,974	492,405
Land	690,311	29,738	720,049	63,578
Construction in Progress	1,206,621	61,950	1,268,571	298,817
Total Assets	<u>54,916,894</u>	<u>2,140,410</u>	<u>57,057,304</u>	<u>10,945,176</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	2,083,096	7,579	2,090,675	90,686
Obligations Under Securities Lending	8,356,614	62,708	8,419,322	175,713
Due to Primary Government			0	109,755
Due to Component Units	1,665		1,665	1,009
Due to Other Governments	139	5,406	5,545	2
Interest Payable	10,424	5,255	15,679	40,161
Other Current Liabilities	14	303	317	280,085
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	161,946	6	161,952	2,825
Unearned and Deferred Revenue	164,261	4,942	169,203	10,652
Notes, Bonds, and Leases Payable	55,381	12,770	68,151	322,126
Other Long-term Debt			0	5,800
Other Noncurrent Liabilities	846		846	5,719
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	45,837		45,837	
Unearned and Deferred Revenue	30,001		30,001	366,351
Notes, Bonds, and Leases Payable	870,315	633,468	1,503,783	4,302,336
Other Long-term Debt			0	5,916
Other Noncurrent Liabilities	103,879	4,324	108,203	62,652
Total Liabilities	<u>11,884,418</u>	<u>736,761</u>	<u>12,621,179</u>	<u>5,781,788</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,721,066	535,585	5,256,651	1,091,089
Restricted for:				
Permanent Funds				
Nonexpendable	30,646,465		30,646,465	353,566
Expendable	10,086		10,086	90,607
Education	13,603		13,603	411,228
Conservation, Environment, and Natural Resources	29,310		29,310	
Unemployment Compensation		233,325	233,325	
Health and Human Services		268,005	268,005	
Debt Service	28,670	14,999	43,669	714,236
Other Purposes	44,156	11,180	55,336	93,405
Unrestricted	7,539,120	340,555	7,879,675	2,409,257
Total Net Assets	<u>\$ 43,032,476</u>	<u>\$ 1,403,649</u>	<u>\$ 44,436,125</u>	<u>\$ 5,163,388</u>

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, 2006
(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	\$ 292,265	\$ 13,908	\$ 20,498	\$ 3,869
Alaska Permanent Fund Dividend	505,093			
Education	1,251,111	2,895	182,253	2,958
University	271,687			
Health and Human Services	1,768,611	29,774	974,984	57,081
Law and Justice	175,878	9,736	18,910	48
Public Protection	535,877	138,192	67,309	32,307
Natural Resources	263,777	2,460,023	91,432	27,492
Development	477,249	6,840	81,295	1,372
Transportation	711,351	63,257	6,823	485,385
Intergovernmental Revenue Sharing	57,598		15,353	(1)
Debt Service	32,152		1,288	8,043
Total Governmental Activities	6,342,649	2,724,625	1,460,145	618,554
Business-type Activities:				
Loans	12,285	9,116	7,145	9,287
Unemployment Compensation	130,487	168,942	10,746	
Airports	120,879	103,999	949	53,143
Development	598		422	11,140
Total Business-type Activities	264,249	282,057	19,262	73,570
Total Primary Government	\$ 6,606,898	\$ 3,006,682	\$ 1,479,407	\$ 692,124
Component Units:				
University of Alaska	\$ 638,387	\$ 132,200	\$ 212,721	\$ 6,824
Alaska Housing Finance Corporation	319,099	200,148	54,596	12,117
Alaska Industrial Development and Export Authority	38,442	44,882	1,410	1,643
Nonmajor Component Units	303,930	208,258	81,433	29,299
Total Component Units	\$ 1,299,858	\$ 585,488	\$ 350,160	\$ 49,883

General Revenues:

Taxes:

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

Interest and Investment Income

Tobacco Settlement

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Transfers - Internal Activity

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

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
\$ (253,990)	\$	\$ (253,990)	\$
(505,093)		(505,093)	
(1,063,005)		(1,063,005)	
(271,687)		(271,687)	
(706,772)		(706,772)	
(147,184)		(147,184)	
(298,069)		(298,069)	
2,315,170		2,315,170	
(387,742)		(387,742)	
(155,886)		(155,886)	
(42,246)		(42,246)	
(22,821)		(22,821)	
<u>(1,539,325)</u>		<u>(1,539,325)</u>	
	13,263	13,263	
	49,201	49,201	
	37,212	37,212	
	10,964	10,964	
	<u>110,640</u>	<u>110,640</u>	
<u>(1,539,325)</u>	<u>110,640</u>	<u>(1,428,685)</u>	
			(286,642)
			(52,238)
			9,493
			<u>15,060</u>
			<u>(314,327)</u>
1,332,880		1,332,880	
196,605		196,605	
821,664		821,664	
54,508		54,508	
11,865		11,865	
3,312,907	2,935	3,315,842	149,024
19,975		19,975	
104,556		104,556	4,662
		0	573,854
60,857	1,393	62,250	3,053
4,894	(4,894)	0	
<u>5,920,711</u>	<u>(566)</u>	<u>5,920,145</u>	<u>730,593</u>
4,381,386	110,074	4,491,460	416,266
38,776,131	1,293,332	40,069,463	4,743,842
(125,041)	243	(124,798)	3,280
<u>\$ 43,032,476</u>	<u>\$ 1,403,649</u>	<u>\$ 44,436,125</u>	<u>\$ 5,163,388</u>

STATE OF ALASKA
 Balance Sheet
 Governmental Funds
 June 30, 2006
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 4,435,656	\$ 34,833,091	\$ 675,858	\$ 39,944,605
Accounts Receivable - Net	346,525	258,028	4,273	608,826
Interest and Dividends Receivable	8,315	117,811	1,696	127,822
Due from Other Funds	773,284		837	774,121
Due from Component Units	19,876		1,947	21,823
Due from Other Governments	456,232		4,964	461,196
Loans, Notes, and Bonds Receivable	18,604		74	18,678
Inventories	12,424			12,424
Securities Lending Collateral	865,459	7,466,539	17,596	8,349,594
Other Assets	12,650		33	12,683
Total Assets	<u>\$ 6,949,025</u>	<u>\$ 42,675,469</u>	<u>\$ 707,278</u>	<u>\$ 50,331,772</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 482,676	\$ 1,573,845	\$ 11,153	\$ 2,067,674
Obligations Under Securities Lending	865,459	7,466,539	17,596	8,349,594
Due to Other Funds	7,202	725,366	11,999	744,567
Due to Component Units	1,653		12	1,665
Due to Other Governments	139			139
Unearned and Deferred Revenue	267,745		721	268,466
Other Liabilities	851		328	1,179
Total Liabilities	<u>1,625,725</u>	<u>9,765,750</u>	<u>41,809</u>	<u>11,433,284</u>
Fund Balances:				
Reserved:				
Encumbrances	289,710		103,885	393,595
Nonliquid Assets	5,119,467			5,119,467
Debt Service			35,909	35,909
Other Purposes	37,908	30,324,951	323,321	30,686,180
Unreserved:				
General Fund	(123,785)			(123,785)
Special Revenue Funds			51,662	51,662
Capital Projects Funds			140,606	140,606
Permanent Funds		2,584,768	10,086	2,594,854
Total Fund Balances	<u>5,323,300</u>	<u>32,909,719</u>	<u>665,469</u>	<u>38,898,488</u>
Total Liabilities and Fund Balances	<u>\$ 6,949,025</u>	<u>\$ 42,675,469</u>	<u>\$ 707,278</u>	<u>\$ 50,331,772</u>

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, 2006
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 38,898,488

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:

Equipment, net of depreciation	290,193	
Buildings, net of depreciation	693,674	
Infrastructure, net of depreciation	2,131,120	
Land	690,311	
Construction in progress	<u>1,200,642</u>	5,005,940

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)

203,675

Certain revenues are not available to pay for the current period's expenditures
 and therefore are not reported in the funds.

160,130

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	(140,162)	
Compensated absences	(122,003)	
Claims and judgments (net of federal reimbursement)	(81,628)	
Pension benefit obligation	<u>(101,876)</u>	(445,669)

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	(785,026)	
Unamortized costs of issuance	5,299	
Accrued interest receivable	63	
Accrued interest payable	<u>(10,424)</u>	(790,088)

Net Assets of Governmental Activities

\$ 43,032,476

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, 2006
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,333,869	\$	\$ 27,394	\$ 2,361,263
Licenses and Permits	102,094		27,510	129,604
Charges for Services	158,204		1,206	159,410
Fines and Forfeitures	10,368		73	10,441
Rents and Royalties	1,802,250	599,395	16,524	2,418,169
Premiums and Contributions	11,567		6,339	17,906
Interest and Investment Income	179,024	3,135,330	24,773	3,339,127
Federal Grants in Aid	1,970,439		27,128	1,997,567
Payments in from Component Units	104,555			104,555
Other Revenues	57,418		16,745	74,163
Total Revenues	<u>6,729,788</u>	<u>3,734,725</u>	<u>147,692</u>	<u>10,612,205</u>
EXPENDITURES				
Current:				
General Government	234,921	57,301	1,929	294,151
Alaska Permanent Fund Dividend	505,093			505,093
Education	1,164,369		63,154	1,227,523
University	258,942		13,251	272,193
Health and Human Services	1,789,841		4,598	1,794,439
Law and Justice	169,236	1,477	472	171,185
Public Protection	526,396		936	527,332
Natural Resources	198,556	4,252	56,279	259,087
Development	460,785		17,160	477,945
Transportation	833,547		61,024	894,571
Intergovernmental Revenue Sharing	59,477			59,477
Debt Service:				
Principal	10,875		29,090	39,965
Interest and Other Charges	3,739		34,690	38,429
Total Expenditures	<u>6,215,777</u>	<u>63,030</u>	<u>282,583</u>	<u>6,561,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>514,011</u>	<u>3,671,695</u>	<u>(134,891)</u>	<u>4,050,815</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	24,000		68,060	92,060
Bonds Issued Premium	562		294	856
Other Debt Proceeds	1,957			1,957
Capital Leases	8,628			8,628
Transfers In from Other Funds	761,190	1,722	44,181	807,093
Transfers (Out to) Other Funds	(57,176)	(725,366)	(18,622)	(801,164)
Total Other Financing Sources and Uses	<u>739,161</u>	<u>(723,644)</u>	<u>93,913</u>	<u>109,430</u>
Net Change in Fund Balances	1,253,172	2,948,051	(40,978)	4,160,245
Fund Balances - Beginning of Year	4,069,735	29,961,668	706,447	34,737,850
Prior Period Adjustment	393			393
Fund Balances - End of Year	<u>\$ 5,323,300</u>	<u>\$ 32,909,719</u>	<u>\$ 665,469</u>	<u>\$ 38,898,488</u>

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, 2006
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 4,160,245

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).

Equipment	(220)	
Buildings	51,992	
Infrastructure	25,240	
Land	10,592	
Construction in progress	123,892	
		211,496

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).

Net current year revenue		20,100
--------------------------	--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 94,978

Bond and other debt 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	(92,354)	
Other debt proceeds	(1,957)	
Refunding bonds issued		
Accrued interest	5,005	
Repayment of bond principal	39,945	
Payment to refunded bond escrow agent		
Amortization of bond issue costs	442	
		(48,919)

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. (8,628)

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	(12,051)	
Compensated absences	(4,456)	
Capital lease payments	15,301	
Pension benefit obligation	(46,680)	
		(47,886)

Change in Net Assets of Governmental Activities \$ 4,381,386

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

STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 1.21

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 136,316	\$ 400,430	\$ 536,746	\$ 74,415
Accounts Receivable - Net	13,360	4,292	17,652	433
Interest and Dividends Receivable		5,427	5,427	
Due from Other Funds		1,169	1,169	4,713
Due from Other Governments	6,054	225	6,279	315
Loans, Notes, and Bonds Receivable		20,551	20,551	
Inventories				2,741
Securities Lending Collateral	41,910	20,798	62,708	7,020
Other Current Assets				904
Total Current Assets	197,640	452,892	650,532	90,541
Noncurrent Assets:				
Accounts Receivable - Net				
Interest and Dividends Receivable		24,196	24,196	
Loans, Notes, and Bonds Receivable		269,452	269,452	
Repossessed Property		4,305	4,305	
Investment in Projects, Partnerships, or Corporations		7,759	7,759	
Restricted Assets	373,466		373,466	
Other Noncurrent Assets		657	657	
Capital Assets:				
Equipment, Net of Depreciation	13,673		13,673	96,999
Buildings, Net of Depreciation	464,408		464,408	38,273
Infrastructure, Net of Depreciation	269,854		269,854	
Land	29,738		29,738	
Construction in Progress	39,933	22,017	61,950	5,979
Total Noncurrent Assets	1,191,072	328,386	1,519,458	141,251
Total Assets	1,388,712	781,278	2,169,990	231,792
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,199	5,380	7,579	15,422
Obligations Under Securities Lending	41,910	20,798	62,708	7,020
Due to Other Funds	28,637	943	29,580	556
Due to Other Governments		5,406	5,406	
Interest Payable	5,255		5,255	
Claims, Judgments, and Compensated Absences		6	6	2,927
Unearned and Deferred Revenue	4,942		4,942	
Notes, Bonds, and Leases Payable	12,770		12,770	362
Other Current Liabilities		303	303	7
Total Current Liabilities	95,713	32,836	128,549	26,294
Noncurrent Liabilities:				
Notes, Bonds, and Leases Payable	633,468		633,468	146
Other Noncurrent Liabilities	3,427	897	4,324	1,677
Total Noncurrent Liabilities	636,895	897	637,792	1,823
Total Liabilities	732,608	33,733	766,341	28,117
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	513,306	22,279	535,585	140,743
Restricted for:				
Unemployment Compensation		233,325	233,325	
Health and Human Services		268,005	268,005	
Debt Service	14,999		14,999	
Other Purposes	10,993	187	11,180	
Unrestricted	116,806	223,749	340,555	62,932
Total Net Assets	\$ 656,104	\$ 747,545	\$ 1,403,649	\$ 203,675

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, 2006
(Stated in Thousands)

STATEMENT 1.22

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Premiums and Contributions	\$	\$	\$	\$
Charges for Goods and Services	103,581	168,942	168,942	66,771
Interest and Investment Income		1,212	104,793	77,479
Allowance for Uncollectible Interest		7,840	7,840	
Fines and Forfeitures		475	475	
Federal Grants in Aid		147	147	
Other Operating Revenues	418	552	552	
Total Operating Revenues	103,999	179,168	283,167	1,334
OPERATING EXPENSES				
Benefits		130,487	130,487	58,202
Operating	68,732	5,274	74,006	64,179
Depreciation	35,438	36	35,474	15,383
Provision for Loan Losses and Forgiveness		128	128	
Other Operating Expenses		120	120	
Total Operating Expenses	104,170	136,045	240,215	137,764
Operating Income (Loss)	(171)	43,123	42,952	7,820
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	3,126	14,225	17,351	1,277
Interest and Investment Expense	(11,688)	(514)	(12,202)	(195)
Gain (Loss) on Disposal of Capital Assets		(275)	(275)	(61)
Other Nonoperating Revenues (Expenses)	(4,148)	11,149	7,001	45
Total Nonoperating Revenues (Expenses)	(12,710)	24,585	11,875	1,066
Income Before Capital Contributions and Transfers	(12,881)	67,708	54,827	8,886
Capital Contributions	53,219	6,922	60,141	2,134
Transfers In from Other Funds		1,802	1,802	11,233
Transfers (Out to) Other Funds		(6,696)	(6,696)	(2,153)
Change in Net Assets	40,338	69,736	110,074	20,100
Total Net Assets - Beginning of Year	615,766	677,566	1,293,332	183,139
Prior Period Adjustment		243	243	436
Total Net Assets - End of Year	\$ 656,104	\$ 747,545	\$ 1,403,649	\$ 203,675

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, 2006
(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	\$	\$ 1,721	\$ 1,721	\$ 171
Receipts from Customers	103,522	2,258	105,780	93,747
Receipt of Principal from Loan Recipients		22,466	22,466	
Receipt of Interest and Fees from Loan Recipients		8,459	8,459	
Receipts from Insured		168,473	168,473	66,787
Interfund Services Provided		(4)	(4)	
Payments to Employees	(34,492)	(999)	(35,491)	(22,992)
Payments to Suppliers	(30,797)	(1,687)	(32,484)	(37,356)
Payments to Other Governments		1	1	
Payments to Loan Recipients		(27,982)	(27,982)	
Claims Paid	(3,085)	(132,976)	(136,061)	(56,216)
Interfund Services Used		(3,730)	(3,730)	
Other Receipts		721	721	1,063
Other Payments		(66)	(66)	(2,209)
Net Cash Provided (Used) by Operating Activities	35,148	36,655	71,803	42,995
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(6,794)	(6,794)	(1,026)
Operating Subsidies and Transfers In from Other Funds		776	776	9,413
Payments (Out to) Federal Government		(266)	(266)	
Federal Grants		7,297	7,297	
Proceeds from Issuance of Short-term Debt		2,365	2,365	
Payments on Short-term Debt		(2,365)	(2,365)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	1,010	1,010	8,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(86,841)	(12,847)	(99,688)	(35,102)
Proceeds from Capital Debt	344,595		344,595	
Principal Paid on Capital Debt	(110,745)		(110,745)	(719)
Interest and Fees Paid on Capital Debt	(21,697)		(21,697)	(30)
Federal Grants	50,300	13,041	63,341	
Other Receipts (Payments)	14,575	(194)	14,381	(28)
Net Cash Provided (Used) by Capital and Related Financing Activities	190,187	0	190,187	(35,879)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	12,576		12,576	
Income from Securities Lending Activities	1,272	494	1,766	
Expenses from Securities Lending Activities	(1,240)	(477)	(1,717)	
Purchase of Investments	(32,756)		(32,756)	
Interest and Dividends on Investments	12,247	13,895	26,142	1,111
Change in Restricted Cash and Investments	(222,043)		(222,043)	
Net Cash Provided (Used) by Investing Activities	(229,944)	13,912	(216,032)	1,111
Net Increase (Decrease) in Cash	(4,609)	51,577	46,968	16,614
Cash and Cash Equivalents - Beginning of Year	16,073	348,853	364,926	57,801
Cash and Cash Equivalents - End of Year	\$ 11,464	\$ 400,430	\$ 411,894	\$ 74,415

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 Fiscal Year Ended June 30, 2006
(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)	\$ (171)	\$ 43,123	\$ 42,952	\$ 7,820
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	35,438	36	35,474	15,383
Other Reconciling Items		(619)	(619)	71
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(996)	(779)	(1,775)	(360)
Due from Other Funds		594	594	15,356
Due from Component Units			0	(311)
Due from Other Governments		1,169	1,169	
Loans, Notes and Bonds Receivable - Net		(5,313)	(5,313)	
Repossessed Property		495	495	
Investment in Projects, Partnerships, or Corporations		227	227	
Securities Lending Collateral	(39,493)	(20,005)	(59,498)	6,796
Interest and Dividends Receivable - Net		(323)	(323)	
Inventories			0	(93)
Other Assets		576	576	19
Due to Other Funds	(3,085)	40	(3,045)	1,445
Due to Other Governments		123	123	
Accounts Payable and Accrued Liabilities	299	(2,306)	(2,007)	2,869
Obligations Under Securities Lending	39,493	20,005	59,498	(6,796)
Other Liabilities	3,663	(388)	3,275	796
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,148</u>	<u>\$ 36,655</u>	<u>\$ 71,803</u>	<u>\$ 42,995</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 136,316	\$ 400,430	\$ 536,746	\$ 74,415
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(124,852)		(124,852)	
Cash, End of Year	<u>\$ 11,464</u>	<u>\$ 400,430</u>	<u>\$ 411,894</u>	<u>\$ 74,415</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets			0	2,134
Transfers (Out to) Other Funds (Accrual)		(192)	(192)	

STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 80,574	\$ 117,986
Investments:		189,035
Short-Term Investments	109,759	
Commercial Paper	90,266	
U.S. Treasury	617,093	
U.S. Government Agency	526,222	
Municipal Bonds	2,099	
Foreign Government Bonds	163,639	
Mortgage-Backed	1,758,847	
Other Asset-Backed	414,176	
Corporate Bonds	1,317,144	
Yankees	65,725	
Fixed Income Pool	55	
Domestic Equity Pool	5,783,433	
International Equity Pool	2,102,947	
Emerging Markets Equity Pool	277,429	
Private Equity Pool	823,852	
Absolute Return Pool	350,564	
Other Investment Pool	103,515	
Real Estate Pool	1,378,907	
Participant-Directed	891,676	
Other	(292,954)	
Investment Loss Trust Fund Assets	1,677	
Accounts Receivable - Net		10
Contributions Receivable	32,092	
Interest and Dividends Receivable	198	
Securities Lending Collateral	1,392,542	
Due from Other Funds	527	2,052
Other Assets	39	
Total Assets	17,992,043	309,083
LIABILITIES		
Accounts Payable and Accrued Liabilities	69,435	2,837
Obligations Under Securities Lending	1,392,542	
Trust Deposits Payable		306,077
Due to Other Funds	1,714	169
Total Liabilities	1,463,691	309,083
NET ASSETS		
Held in Trust for:		
Pension Benefits	10,083,971	
Postemployment Healthcare Benefits	3,929,618	
Individuals, Organizations, and Other Governments	2,514,763	
Total Net Assets	\$ 16,528,352	\$ 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, 2006
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 746,387
Member	311,445
Other	22,895
Total Premiums and Contributions	1,080,727
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	1,196,839
Interest	196,899
Dividends	246,338
Total Investment Income	1,640,076
Less Investment Expense	30,609
Net Investment Income	1,609,467
Other Additions	50,262
Total Additions	2,740,456
DEDUCTIONS	
Benefits Paid	1,433,266
Insurance Premiums	4,797
Refunds of Premiums and Contributions	17,895
Administrative Expenses	24,711
Transfers Out to Other Funds	50,000
Total Deductions	1,530,669
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	635,924
Postemployment Healthcare Benefits	435,411
Individuals, Organizations, and Other Governments	138,452
Net Assets - Beginning of the Year	15,318,565
Net Assets - End of the Year	\$ 16,528,352

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, 2006
(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	\$ 54,555	\$ 1,217,603	\$ 351,370	\$ 839,111	\$ 2,462,639
Accounts Receivable - Net	13,456			34,604	48,060
Interest and Dividends Receivable	337	19,013	5,451	9,766	34,567
Due from Primary Government	8,698	438	61	1,394	10,591
Due from Component Units	207	208	1,009	240	1,664
Due from Other Governments	28,864		459	6,536	35,859
Loans, Notes, and Bonds Receivable	7,065	3,240,209	357,954	464,016	4,069,244
Inventories	9,122			20,435	29,557
Net Investment in Direct Financing Leases		29,110	268,308		297,418
Investments in Projects, Partnerships, or Corporations			53,537		53,537
Securities Lending Collateral		58,293	424	116,996	175,713
Restricted Assets	275,331	503,865	111,673	968,885	1,859,754
Other Assets	102,802	40,807	3,277	3,061	149,947
Capital Assets:					
Equipment, Net of Depreciation	109,636	774		107,999	218,409
Buildings, Net of Depreciation	524,604	79,721	1,945	37,147	643,417
Infrastructure, Net of Depreciation	30,919			461,486	492,405
Land	27,129	13,762	600	22,087	63,578
Construction in Progress	38,722	25,773		234,322	298,817
Total Assets	1,231,447	5,229,576	1,156,068	3,328,085	10,945,176
LIABILITIES					
Accounts Payable and Accrued Liabilities	37,317		871	52,498	90,686
Obligations Under Securities Lending		58,293	424	116,996	175,713
Due to Primary Government		4,972	355	104,428	109,755
Due to Component Units				1,009	1,009
Due to Other Governments				2	2
Interest Payable		17,340	5,058	17,763	40,161
Other Current Liabilities	36,646	242,449	190	800	280,085
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and					
Compensated Absences		1,979		846	2,825
Unearned and Deferred Revenue				10,652	10,652
Notes, Bonds, and Leases Payable	5,200	211,968	10,670	94,288	322,126
Other Long-term Debt				5,800	5,800
Other Noncurrent Liabilities	1,281	4,416		22	5,719
Portion Due or Payable After One Year:					
Unearned and Deferred Revenue	8,116			358,235	366,351
Notes, Bonds, and Leases Payable	113,183	2,695,255	271,755	1,222,143	4,302,336
Other Long-term Debt				5,916	5,916
Other Noncurrent Liabilities	41,777	2,872	11,158	6,845	62,652
Total Liabilities	243,520	3,239,544	300,481	1,998,243	5,781,788
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	608,596	119,503	(12,243)	375,233	1,091,089
Restricted for:					
Permanent Funds					
Nonexpendable				353,566	353,566
Expendable				90,607	90,607
Education	282,337			128,891	411,228
Debt Service	3,371	663,178		47,687	714,236
Other Purposes		45,349	4,723	43,333	93,405
Unrestricted	93,623	1,162,002	863,107	290,525	2,409,257
Total Net Assets	\$ 987,927	\$ 1,990,032	\$ 855,587	\$ 1,329,842	\$ 5,163,388

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, 2006
(Stated in Thousands)

STATEMENT 1.42

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Component Units:				
University of Alaska	\$ 638,387	\$ 132,200	\$ 212,721	\$ 6,824
Alaska Housing Finance Corporation	319,099	200,148	54,596	12,117
Alaska Industrial Development and Export Authority	38,442	44,882	1,410	1,643
Nonmajor Component Units	303,930	208,258	81,433	29,299
Total Component Units	\$ 1,299,858	\$ 585,488	\$ 350,160	\$ 49,883

General Revenues:

Interest and Investment Income
Payments In from Component Units
Payments In from Primary Government
Other Revenues

Total General Revenues

Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Net Assets - End of Year

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

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
\$ (286,642)	\$	\$	\$	\$ (286,642)
	(52,238)			(52,238)
		9,493		9,493
			15,060	15,060
<u>(286,642)</u>	<u>(52,238)</u>	<u>9,493</u>	<u>15,060</u>	<u>(314,327)</u>
38,552	58,390	2,185	49,897	149,024
1,759		2,903		4,662
271,416	300,000		2,438	573,854
2,246	807			3,053
<u>313,973</u>	<u>359,197</u>	<u>5,088</u>	<u>52,335</u>	<u>730,593</u>
27,331	306,959	14,581	67,395	416,266
960,596	1,683,073	841,006	1,259,167	4,743,842
			3,280	3,280
<u>\$ 987,927</u>	<u>\$ 1,990,032</u>	<u>\$ 855,587</u>	<u>\$ 1,329,842</u>	<u>\$ 5,163,388</u>

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**STATE OF ALASKA
INDEX
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006**

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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 86 percent of the total cash and investments and 74 percent of total government-wide net assets excluding discretely presented component units. The fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, 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 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 Retirement Management Board (ARMB) 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. ARMB 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. ARMB 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. ARMB 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. ARMB 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. ARMB 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 Commerce, 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 Commerce, 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 Commerce, 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 may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Anchorage, AK 99508.

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 Commerce, 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 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 Commerce, 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 2006 budget was approximately \$15.9 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 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.

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; however, agency funds have no measurement focus. 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. 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 (collectible 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. Investment purchases and sales are recorded on a trade-date basis.

Marketable debt 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 most current stale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

Domestic equity under the fiduciary responsibility of the Commissioner of Revenue is 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 by the Trustee Committee at fair value in accordance with generally accepted valuation principles.

Other 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.

Emerging markets securities are valued at their current market or fair values on the last business day of each month by the Trustee.

Private equity securities are valued periodically by the general partners. Underlying private equity investments that are listed on a national exchange are valued using quoted market prices. Securities for which there are not market quotations available are initially carried at original cost and subsequently valued at fair value as determined by the general partners. In determining fair value, the financial condition, operating results and projected operating cash flow of the underlying portfolio companies, prices paid in private sales of such securities, the nature and duration of restrictions on disposition of the securities, the expenses and delay that would be involved in registration, the price and extent of public trading in similar securities, the existence of merger proposals or tender offers affecting securities, reports prepared by analysts are considered as appropriate. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

Absolute return investments are carried at fair value as determined by the pro-rata interest in the net assets of the underlying investment funds. These investment funds are valued periodically by the general partners and the managers of the underlying investments. The net asset value represents the amount that would be expected to be received if it were to liquidate its interests subject to liquidity or redemption restrictions. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

The energy related investments in the Other Investments Pool consist primarily of loans and preferred stock that are valued at the lower of cost or fair value. The agricultural investments in the Other Investments Pool consist primarily of farmland investments that are stated at fair value based upon independent appraisals performed periodically. In years when an independent appraisal is not performed, the valuation is reviewed by an independent advisor. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

With the exception of real estate investment trust holdings, real estate investments are valued quarterly by investment managers based on market conditions and their knowledge of industry trends. Separate account real estate investments are appraised once every three years, in conjunction with the property's purchase anniversary date, by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

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 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, 2006, 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.

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 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 Alaska Aerospace Development Corporation and the University of Alaska are carried at the lower of cost or market. The Alaska Railroad Corporation carries their inventories at the lower of average 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.

All public domain infrastructure acquired by the state, such as highways, bridges, harbors, and rural airports, is capitalized.

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, 2006, 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 government-wide Statement of Net Assets, is \$124.9 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. 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. 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 ended June 30, 2006 (in thousands).

Reserved	General	Permanent	Special Revenue	Debt Service	Capital Projects
Encumbrances	\$ 289,710	\$ -	\$ 40,545	\$ -	\$ 63,340
Nonliquid Assets	5,119,467	-	-	-	-
Bonds	-	-	-	35,909	-
Other	37,908	30,646,465	1,807	-	-
Total Reserved	<u>5,447,085</u>	<u>30,646,465</u>	<u>42,352</u>	<u>35,909</u>	<u>63,340</u>
Unreserved					
Designated					
Continuing Appropriations	-	583	9,862	-	127,375
Other	-	2,584,768	56	-	-
Undesignated	(123,785)	9,503	41,744	-	13,231
Total Unreserved	<u>(123,785)</u>	<u>2,594,854</u>	<u>51,662</u>	<u>-</u>	<u>140,606</u>
Total Fund Balance	<u>\$ 5,323,300</u>	<u>\$ 33,241,319</u>	<u>\$ 94,014</u>	<u>\$ 35,909</u>	<u>\$ 203,946</u>

There are 12 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include \$26,567 thousand for Certifications of Participation that pay debt service on state construction projects, \$8,052 thousand for purposes outlined in state statute, and \$3,289 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes (\$30,324,951 thousand) is the principal balance of the fund. The Constitution of the State of Alaska specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes (\$321,514 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There are two Special Revenue Funds that have fund balance amounts reserved for other purposes, the Fish and Game Fund and the Mine Reclamation Fund. The Fish and Game Fund amount reserved for other purposes (\$947 thousand) is limited to implementing the fish and game code in Title 16 of the Alaska Statutes as a requirement to receive federal funding. The Mine Reclamation Fund reserved for other purposes (\$860 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

The negative undesignated fund balance is attributable to a subfund of the general fund that is important for users of the financial statements to understand. The \$5.1 billion reserved for nonliquid assets is comprised primarily of the amount due to the Constitutional Budget Reserve Fund (CBRF) from the remaining general fund arising from Article IX, section 17(d) in the Alaska Constitution. This CBRF receivable is unlikely to be realized.

RESTRICTED NET ASSETS

Permanent Funds

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$30,325 million), \$322 million of the Public School Trust Fund net assets, and \$354 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$10 million (3 percent) of the Public School Trust Fund restricted net assets, and \$91 million (20 percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$31.3 billion of restricted net assets for the primary government, of which \$21.6 million is restricted by enabling legislation.

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 06, supplemental appropriations of \$254 million were required, of which \$224 million were appropriations from the General Fund.

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 06, the Office of Management and Budget estimated the limit to be approximately \$7.4 billion. The FY 06 budget passed by the legislature was \$3.2 billion (unrestricted General Fund revenues only), or \$4.2 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)	(94,626,898)
Subtotal FY 04	<u>5,022,585</u>
Chapter 159, SLA 2004, section 61(d)	94,626,898
Chapter 159, SLA 2004, section 61(e)	34,922,767
Chapter 159, SLA 2004, section 61(f) and Chapter 6, SLA 2005, section 17(a)	125,940
Article IX, section 17(d) Alaska Constitution (FY 05)	(85,513,723)
Subtotal FY 05	<u>44,161,882</u>
Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)
Subtotal FY 06	<u>(70,991,994)</u>
Total appropriated from the CBRF	<u><u>\$ 5,091,129,825</u></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), chapter 159 SLA 2004, section 61(b), and chapter 159 SLA 2004, section 61(e), 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, 2004 and 2005 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, 2004, 2005 and 2006, 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, FY 03, FY 04 and FY 05 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04, FY 05 and FY 06 respectively. The amount for FY 06 will be transferred to the CBRF during FY 07.

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, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, and chapter 82, SLA 2006, section 63(a) for FY 06.

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), chapter 159, SLA 2004, section 61(c), chapter 159, SLA 2004, section 61(f), chapter 6, SLA 2005, section 17(a), and chapter 3, FSSLA 2005, section 61(c) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04, FY 05 and FY 06 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

Changes displayed as prior period adjustments in the fund financial statements are listed below.

- \$393 thousand increase to the General Fund due to \$3 thousand increase in revenues for timing difference for activity in Trustee bank accounts for Certificates of Participation; \$390 thousand increase in revenues incorrectly reported as due to the Alaska Public Building Fund.
- \$436 thousand increase for the Internal Service funds: \$1,137 thousand increase for the Alaska Public Building Fund is the net of a \$390 thousand decrease for revenues incorrectly reported as due from the General Fund and a \$1,527 thousand increase in the net value of assets which were not capitalized in prior years; and \$700 thousand decrease in the Correctional Industries Fund for assets that were erroneously reported in the fund for prior years.
- \$243 thousand increase in Enterprise funds is comprised of the following: \$488 thousand net increase in the Knik Arm Bridge and Toll Authority includes \$1,015 thousand increase in revenues not recognized in the prior year and \$527 thousand increase in expenses, which were classified as capital assets in prior years; \$484 thousand net decrease for the Unemployment Compensation Fund due to \$924 thousand increase in revenue from unrecorded interest earned, a \$196 thousand decrease in expenses for payments made and recorded as a transfer between the fund and federally reimbursable programs and \$501 thousand increase in expenses to adjust for UI fraud penalties that reduced expenses in the prior year, and \$1,103 thousand decrease in revenues that were related to the incorrect reporting of employer refunds in FY05; \$8 thousand increase in Drinking Water Fund is due to a reimbursement of a prior year expense; \$39 thousand decrease in revenues in the Commercial Fisheries Loan Fund for interest previously accrued; and \$270 thousand increase in the Alaska Clean Water Fund due to a reimbursement of a prior year expense.

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

- \$127,827 thousand decrease in capital assets includes \$275,059 thousand decrease for construction in progress as a result of activity moved from construction in progress to infrastructure, \$48,410 thousand decrease for construction in progress as a result of a calculation error, \$22,077 thousand decrease in construction in progress for reclassified activity, \$269,565 thousand increase for infrastructure for activity from construction in progress and (\$51,848) thousand increase to accumulated depreciation for infrastructure activity that was not reported in the correct fiscal year.
- \$1,957 thousand increase in revenues for activity from other debt proceeds.

Based on Alaska Statute effective July 1, 2005, the Correctional Industries Internal Service Fund sunset. As a result, this internal service fund reverted to the General Fund in FY 06.

NOTE 4 – DEPOSIT AND INVESTMENT RISK

Deposits and investments may be exposed to various types of risks. These risks are interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

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 Retirement Management 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, Mine Reclamation Trust Fund, Alaska Sport Fish Construction 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 judgment 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, the Domestic Fixed Income Indexed Account and Domestic Equity Indexed Account, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. External management companies manage the Securities Lending Collateral, Tobacco Revenue Fixed Income, International Equity Pool, Domestic Fixed Income Indexed Account and the Domestic Equity Indexed Account. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term, Intermediate-term, and the Broad Market Fixed Income Pools are internally managed.

Additional information related to the various pools and investments 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.

Deposits and investments at June 30, 2006, are as follows:

Investment Type	Fair Value (in thousands)					
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ 6,338
Overnight Sweep Account (LMCS)	4,581	-	-	-	-	4,581
Short-term Investment Fund	112,799	-	-	-	-	112,799
Money Market	-	-	-	5	1,064,177	1,064,182
Commercial Paper	226,233	-	-	16,518	-	242,751
U.S. Treasury Notes	-	1,488,734	50,910	-	-	1,539,644
U.S. Treasury Bonds	-	-	56,407	-	-	56,407
U.S. Government Agency						
Discount Notes	-	-	15,120	-	-	15,120
U.S. Government Agency	-	553,840	104,830	-	-	658,670
Mortgage-backed	194,749	328,440	446,588	-	-	969,777
Other Asset-backed	1,354,220	74,042	17,348	-	-	1,445,610
Corporate Bonds	700,653	486,901	218,394	-	-	1,405,948
Yankees:						
Government	-	-	5,316	-	-	5,316
Corporate	28,755	16,200	14,306	-	-	59,261
Domestic Fixed Income - Indexed	-	-	-	-	17,828	17,828
Domestic Equity	-	-	-	-	632,804	632,804
International Equity	-	-	-	-	197,025	197,025
Total Invested Assets	2,621,990	2,948,157	929,219	16,523	1,918,172	8,434,061
Pool related net assets (liabilities)	9,889	(8,354)	(83,811)	-	(279)	(82,555)
Net Invested Assets before earnings distribution to participants	2,631,879	2,939,803	845,408	16,523	1,917,893	8,351,506
Earnings payable to participants	(11,595)	277	417	-	-	(10,901)
Other pool ownership	(244,858)	135,072	109,786	-	-	-
Other fiduciary responsibility:						
Alaska Retirement Management Board	(357,775)	-	-	-	-	(357,775)
Exxon Valdez Oil Spill Trustee Council	(8)	-	(66,169)	-	(122,861)	(189,038)
University of Alaska	(2)	-	-	-	(50,020)	(50,022)
Alaska Mental Health Trust Authority	-	(29,661)	-	-	-	(29,661)
Commissioner's fiduciary responsibility	\$ 2,017,641	\$ 3,045,491	\$ 889,442	\$ 16,523	\$ 1,745,012	\$ 7,714,109

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2006, the expected average life of

individual fixed rate securities ranged from three days to seven months and the expected average life of floating rate securities ranged from less than one year to three years.

Intermediate-term and Broad Market Fixed Income Pools

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income pool portfolios to the following:

Intermediate-term Fixed Income Pool - \pm 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2006, was 2.28 years.

Broad Market Fixed Income Pool - \pm 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2006, was 4.80 years.

At June 30, 2006, the effective duration by investment type was as follows:

	<u>Effective Duration (in years)</u>	
	<u>Intermediate-term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
U.S. Treasury Notes	2.01	3.13
U.S. Treasury Bonds		9.74
U.S. Government Agency	2.36	4.25
Mortgage-backed	2.79	3.75
Other Asset-backed	1.06	0.87
Corporate Bonds	2.65	4.99
Yankees:		
Government		8.83
Corporate	4.17	6.34
Portfolio Effective Duration	2.16	3.96

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Other Fixed Income

The Tobacco Revenue Fixed Income securities are invested accordingly to the terms of the related bond indentures. The respective bond indentures do not establish policy with regard to interest rate risk.

Treasury has no policy with regard to interest rate risk for the money market balance held in the International Equity Pool.

Credit Risk

Treasury's investment policy has the following limitations with regard to credit risk:

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least A-1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by

one of the rating agencies mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least A-1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is Baa3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA.

The Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The bond indentures governing the investment of tobacco revenue related bond proceeds limits the investment in commercial paper to only those securities rated A-1 or equivalent.

Treasury has no policy with regard to credit risk for the money market balance held in the International Equity Pool.

At June 30, 2006, the Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

<u>Investment Type</u>	<u>Rating¹</u>	<u>Short-term Fixed Income Pool</u>	<u>Intermediate- term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
Overnight Sweep Account	Not Rated	0.17%	-	-
Short-term Investment Account	Not Rated	4.29%	-	-
Commercial Paper	A-1	8.60%	-	-
U.S. Government Agency Discount Notes	AAA	-	-	1.79%
U.S. Government Agency Mortgage-backed	AAA	-	18.84%	12.39%
Mortgage-backed	AAA	-	10.48%	44.12%
Mortgage-backed	Not Rated	7.40%	0.69%	8.68%
Other Asset-backed	AAA	48.17%	1.67%	2.05%
Other Asset-backed	A	3.28%	0.85%	-
Corporate Bonds	AAA	2.02%	5.78%	2.01%
Corporate Bonds	AA	15.32%	3.20%	4.01%
Corporate Bonds	A	9.27%	4.42%	10.91%
Corporate Bonds	BBB	-	3.17%	8.89%
Yankees - Corporate	AAA	-	0.24%	0.36%
Yankees - Corporate	AA	0.91%	-	0.22%
Yankees - Corporate	A	0.18%	0.13%	0.63%
Yankees - Corporate	BBB	-	-	0.48%
Yankees - Government	AAA	-	-	0.33%
Yankees - Government	BBB	-	-	0.30%
No Credit Exposure		0.39%	50.53%	2.83%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

¹Rating modifiers are not disclosed.

At June 30, 2006, the Tobacco Revenue Fixed Income consisted of commercial paper rated A and the securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Custodial Credit Risk – Deposits

Treasury’s policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2006, the state had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
Non-interest Bearing Deposits	\$ 6
International Equity Pool	42
	<u>\$ 48</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds. At June 30, 2006, more than five percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

	Fair Value (in thousands)	Percent of Total Investments
Federal Home Loan Mortgage Corporation	\$ 547,785	7%
Federal National Mortgage Association	\$ 814,879	10%

Foreign Currency Risk

The Commissioner (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council) formally adopts asset allocation policies, which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 06 and invested assets included the following holdings at June 30, 2006, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	16% ± 5%	20.14%
Power Cost Equalization Endowment Fund	17% ± 5%	19.03%
Retiree Health Insurance Fund, Long Term Care	18% ± 4%	20.32%
Alaska Children's Trust Fund	22% ± 4%	22.38%
Exxon Valdez Oil Spill Investments	17% ± 5%	17.96%

At June 30, 2006, the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>
Deposits:	
Euro Currency	\$ 4
Japanese Yen	193
	<u>197</u>
Investments - International Equity	
Australian Dollar	1,276
Euro Currency	79,736
Japanese Yen	36,046
Norwegian Krone	2,712
Pound Sterling	31,656
Swedish Krona	1,662
Swiss Franc	17,847
	<u>170,935</u>
Total	<u>\$ 171,132</u>

Foreign Exchange Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Equity Pool investment income included the following at June 30, 2006:

Net Realized Gain on Foreign currency	\$ 1,110,964
Net Unrealized Gain on Foreign currency	12,709
Net Realized Gain (Loss) on Foreign Exchange Contracts	(32,375)

The International Equity Pool includes 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 period for the contract is sixteen days. The International Equity Pool had net unrealized gains (losses) with respect to such contract, calculated using forward rates at June 30, as follows:

Contract Sales	\$(231,104)
Less: Fair Value	<u>(234,631)</u>
Net unrealized Gains on Contracts	<u>\$ 3,527</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.

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 fair value. 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, 2006, the fair value of securities on loan totaled \$1.046 billion, 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 collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair

value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund, which is valued at amortized cost. Maturities of investments in the money market fund generally do not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since the Commissioner does not have the ability to pledge or sell the securities collateral unless the borrower defaults, they are not recorded on the combined schedules. Securities under loan, cash collateral and cash collateral payable are recorded on the combined schedules. The Bank, participating funds, and the borrower receive a fee from earnings on invested collateral. The Bank and participating funds share a fee paid by the borrower for loans not collateralized with cash.

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 or its related income distributions. The Bank further indemnifies the Commissioner against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2006, 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.

B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA RETIREMENT MANAGEMENT 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 Retirement Management Board (ARMB).

PENSION FUNDS

ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ARMB has the statutory authority (AS 14.25.007, AS 22.25.048, AS 26.05.228, AS 39.35.007 and AS 37.10.071) to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment to manage the investments for which ARMB has fiduciary responsibility. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Securities Lending Collateral, External Domestic Fixed Income Pool, International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool and, with the exception of real estate investment trust holdings, the Real Estate Pool are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, real estate investment trust holdings, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-term Fixed Income Pool is a pool for which the Commissioner of Revenue has fiduciary responsibility.

Additional information related to the various pools and investments is disclosed in the financial schedules issued by ARMB. 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.

Deposits and investments at June 30, 2006 are as follows:

	Fair Value (in thousands)					
	Fixed Income Pools				Other	Total
	Short-term	Domestic	International	High Yield		
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Overnight Sweep Account (Imcs)	625	1,089	-	18,221	-	19,935
Money Market Fund (SL)	-	-	-	-	1,362,652	1,362,652
Short-term Investment Fund	15,401	-	1,740	-	31,537	48,678
Commercial Paper	30,890	10,085	-	-	-	40,975
U. S. Treasury Notes	-	164,424	-	-	-	164,424
U. S. Treasury Bonds	-	175,936	-	-	-	175,936
U. S. Treasury Strips	-	17,038	-	-	-	17,038
U.S. Government Agency						
Discount Notes	-	142,565	-	-	-	142,565
U.S. Government Agency	-	258,432	-	-	-	258,432
Municipal Bonds	-	2,099	-	-	-	2,099
Foreign Government Bonds	-	-	163,639	-	-	163,639
Mortgage-backed	26,591	1,415,535	-	-	-	1,442,126
Other Asset-backed	184,906	174,711	-	366	-	359,983
Corporate Bonds	95,668	617,272	111,657	183,255	-	1,007,852
Convertible Bonds	-	-	-	3,987	-	3,987
Yankees:						
Government	-	23,019	-	-	-	23,019
Corporate	3,926	2,018	-	6,834	-	12,778
Fixed Income Pools:						
Equity	-	-	-	56	-	56
Domestic Equity Pool:						
Limited Partnership	-	-	-	-	294,419	294,419
Equity	-	-	-	-	4,901,206	4,901,206
International Equity Pool:						
Equity	-	-	-	-	2,050,586	2,050,586
Emerging Markets Equity Pool	-	-	-	-	277,430	277,430
Private Equity Pool:						
Limited Partnerships	-	-	-	-	823,851	823,851
Absolute Return Pool:						
Limited Partnerships	-	-	-	-	350,565	350,565
Other Investments Pool:						
Limited Partnerships	-	-	-	-	40,218	40,218
Agricultural Holdings	-	-	-	-	63,297	63,297
Real Estate Pool:						
Real Estate	-	-	-	-	782,650	782,650
Commingled Funds	-	-	-	-	280,098	280,098
Limited Partnerships	-	-	-	-	215,919	215,919
Real estate investment trusts	-	-	-	-	100,240	100,240
Mortgages	-	-	-	-	34	34
Net Other Assets (Liabilities)	(195)	(327,636)	10,468	1,727	7,763	(307,873)
Other Pool Ownership	(356,660)	308,723	-	-	47,937	-
Total Invested Assets	\$ 1,152	\$ 2,985,310	\$ 287,504	\$ 214,446	\$ 11,635,402	\$15,123,814

Participant Ownership in Pooled Investments

Public Employees' Trust Fund	\$10,302,183
Teachers' Trust Fund	4,716,935
Judicial Trust Fund	87,283
Alaska National Guard and Alaska Naval Militia Retirement Fund	17,413
Total	<u>\$15,123,814</u>

Interest Rate Risk

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to ± 20 percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2006, was 4.80 years.

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to ± 25 percent of the Citigroup Non-U.S. World Government Bond Index. The effective duration for the Citigroup Non-U.S. World Government Bond Index at June 30, 2006, was 6.08 years.

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to ± 20 percent of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2006, was 4.59 years. The High Yield Pool was funded April 15, 2006. Investment managers were in the transition period at year end working towards fully investing allocated funds. Funds not invested at year end have no duration causing the pool's duration to be lower than the policy limit.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows for purposes of the effective duration calculation.

At June 30, 2006, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective Duration (in years)		
	Domestic	International	High Yield
U.S. Treasury Notes	2.65	-	-
U.S. Treasury Bonds	9.73	-	-
U.S. Treasury Strips	20.17	-	-
U.S. Government Agency	3.61	-	-
Municipal Bonds	11.98	-	-
Foreign Government Bonds	-	6.41	-
Mortgage-backed	3.57	-	-
Other Asset-backed	1.78	-	4.73
Corporate Bonds	5.21	4.12	3.76
Convertible Bonds	-	-	2.40
Yankees	-	-	-
Government	9.67	-	-
Corporate	2.18	-	4.43
Portfolio Effective Duration	3.83	5.45	3.43

Credit Risk

Investments in externally managed pools may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

ARMB's investment policy has the following limitations with regard to credit risk:

Domestic Fixed Income:

- Commercial paper must carry a rating of at least A-1 or equivalent;
- Corporate debt securities must be investment grade;
- Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.
- Corporate bonds may be purchased if rated by two of these agencies.

International Fixed Income:

- Corporate debt and asset-backed securities must be investment grade.

Domestic and International Equity:

- Corporate debt obligations must carry a rating of at least A or equivalent.

High Yield

- No more than 10 percent of the portfolio's assets may be invested in securities rated A3 or higher.
- No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.
- No more than 5 percent of the portfolio's assets may be invested in unrated securities.

The lower of any Standard & Poor's Corporation, Moody's or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

Daily cash surpluses that arise in this pool are invested in the custodian's repurchase agreement sweep account. This account is secured by U.S. Government or Agency securities. As such, ARMB does not consider this investment subject to the credit risk limitations above.

At June 30, 2006, Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

	Rating ¹	Fixed Income Pool		
		Domestic	International	High Yield
Overnight Sweep Account	Not Rated	-	-	8%
U. S. Government Agency				
Discount Notes	Not Rated	5%	-	-
U. S. Government Agency	Not Rated	10%	-	-
Foreign Government	AAA	-	51%	-
Foreign Government	AA	-	3%	-
Foreign Government	A	-	3%	-
Mortgage-backed	AAA	42%	-	-
Mortgage-backed (Agency)	Not Rated	11%	-	-
Other Asset-backed	AAA	6%	-	-
Other Asset-backed	AA	1%	-	-
Corporate Bonds	AAA	1%	26%	-
Corporate Bonds	AA	4%	13%	-
Corporate Bonds	A	10%	-	1%
Corporate Bonds	BBB	8%	-	1%
Corporate Bonds	BB	-	-	18%
Corporate Bonds	B	-	-	53%
Corporate Bonds	CCC	-	-	12%
Corporate Bonds	D	-	-	1%
Convertible Bonds	B	-	-	2%
Yankees:				
Government	AAA - BBB	1%	-	-
Corporate	B	-	-	3%
No credit exposure		1%	4%	1%
		<u>100%</u>	<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Custodial Credit Risk – Deposits

ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2006, Invested Assets had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	\$ 4,900

Foreign Currency Risk

ARMB's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citibank Non-U.S. World Government Bond Index.

In addition, ARMB's asset allocation policy limits total investments in international fixed income, international equity, emerging markets and private equity to the following:

Pension Fund	International Fixed Income Pool	International Equity and Emerging Markets Pool	Private Equity Pool
Public Employees' Retirement System	4%	18%	10%
Teachers' Retirement System	4%	18%	10%
Judicial Retirement System	5%	21%	-
Alaska National Guard and Naval Militia Retirement System	-	15%	-

At June 30, 2006, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands) International Equity Pool
Canadian Dollar	\$ 5
Euro Currency	1,841
Hong Kong Dollar	66
Japanese Yen	2,446
New Zealand Dollar	5
Norwegian Krone	202
Pound Sterling	504
Singapore Dollar	24
Swedish Krona	178
Swiss Franc	52
	<u>\$ 5,323</u>

At June 30, 2006, the Pension Funds had exposure to foreign currency risk with the following investments:

Currency	Amount (in thousands)			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	\$ 17,229	\$ -	\$ 37,306	\$ -
Canadian Dollar	-	-	41,443	-
Danish Krone	-	-	1,516	-
Euro Currency	129,886	-	750,880	53,597
Hong Kong Dollar	-	-	21,369	-
Hungarian Forint	-	-	3,946	-
Japanese Yen	8,756	111,657	422,469	-
New Taiwan Dollar	-	-	4,577	-
New Zealand Dollar	-	-	3,172	-
Norwegian Krone	-	-	24,097	-
Polish Zloty	7,767	-	-	-
Pound Sterling	-	-	348,378	9,370
Singapore Dollar	-	-	17,630	-
South African Rand	-	-	10,574	-
South Korean Won	-	-	21,849	-
Swedish Krona	247,834	-	30,482	-
Swiss Franc	-	-	138,281	-
	<u>\$ 411,472</u>	<u>\$ 111,657</u>	<u>\$ 1,877,969</u>	<u>\$ 62,967</u>

At June 30, 2006, the Pension Funds also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool represents an investment in commingled investment funds; therefore no disclosure of specific currencies is made.

Concentration of Credit Risk

ARMB's policy with regard to concentration of credit risk for the Domestic Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than 5 percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2006, the Pension Funds invested assets included \$1.1 billion in Federal National Mortgage Association securities which represented 7.73 percent of total Pension Funds invested assets.

Foreign Exchange, Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2006:

Realized Gain on Foreign Currency	\$ 35,153,556
Unrealized Gain (Loss) on Foreign Currency	(38,921)
Realized Gain (Loss) on Foreign Exchange Contracts	372,259

The International Equity Pool includes 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 eight to 124 days. The Pension Funds had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, 2006 as follows:

Net Contract Sales	\$ 4,526,332
Less: Fair Value	4,538,590
Net unrealized gains (losses)	<u>\$ (12,258)</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.

Securities Lending

Alaska Statute 37.10.071 authorizes ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ARMB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as ARMB’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, 2006, the fair value of securities on loan allocable to the Pension Funds totaled \$1.3 billion. There is no limit to the amount that can be loaned and ARMB is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since ARMB does not have the ability to pledge or sell securities collateral unless the borrower defaults, they are not recorded on the financial schedules. Securities on loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The bank, Pension Funds and the borrower receive a fee from earnings on invested collateral. The bank and Pension Funds share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since ARMB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies ARMB against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2006, 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.

DEFERRED COMPENSATION

The State’s Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2005, Deferred Compensation Plan investments totaled \$470 million.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203.

Interest Rate Risk

Collective Investment and Money Market Funds

ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Deferred Compensation Plan are subject to the provisions of the collective investment funds the ARMB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2005, are as follows:

	<u>Fair Value (in thousands)</u>	<u>Weighted Average Maturity</u>
Government/Credit Bond Fund	\$ 25,537	7.54 years
Intermediate Bond Fund	9,193	3.90 years
Bond Fund	126	7.2 years
Money Market Fund	456	37 days

Interest Income Fund

ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a Reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 4.88 years at December 31, 2005. The duration of the Lehman Brother's Aggregate Bond Index was 4.57 years at December 31, 2005.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2.0 years at December 31, 2005.

Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows. Duration of the Deferred Compensation Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which has a weighted average maturity of 24 days at December 31, 2005.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

ARMB does not have a policy to limit credit risk for the Deferred Compensation Plan's Collective Investment Funds and the commingled money market portfolio. These investments are not rated.

The Deferred Compensation Plan's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

ARMB's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

- Synthetic Investment contract issuers must have an investment grade rating,
- Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,
- Corporate debt securities must have a minimum rating of BBB or equivalent,
- Asset-backed securities must have a minimum rating of AAA or equivalent,
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,
- Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by Agency mortgage-backed securities listed above, and
- The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2005, the investments underlying the synthetic investment contracts and the Reserve consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

<u>Synthetic investment contracts</u>	<u>Rating</u>	<u>Fair Value (in thousands)</u>
Short-Term Investment Fund	Not Rated	\$ 5,525
U.S. Agency Securities	AAA	2,842
Mortgage-Backed Securities	AAA	9,198
Mortgage-Backed Securities	Not Rated	14,608
Corporate Bonds	AAA	2,245
Corporate Bonds	AA	10,515
Corporate Bonds	A	25,789
Corporate Bonds	BBB	7,833
Corporate Bonds	BB	107
Asset Backed Securities	AAA	32,366
Investments with no credit exposure		11,364
Total		<u>\$ 122,392</u>
Reserve - Short-Term Investment Fund	Not Rated	\$ 5,268

Concentration of Credit Risk

ARMB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

ARMB's policy with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

<u>Investment Type</u>	<u>Issuer</u>	<u>All Issuers</u>
U.S. Treasury and Agencies	100%	100%
Mortgage-backed securities and collateralized		
Mortgage Obligations secured by Mortgage-backed securities limited to sequential class or PAC1 and II Collateralized		
Mortgage Obligations	50%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – Non Gov/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

For the Reserve, the total investment of any single issuer of money market instruments may not exceed 5 percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2005, the Deferred Compensation Plan had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. The Deferred Compensation Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

ARMB’s policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

SUPPLEMENTAL BENEFITS SYSTEM

The State’s Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State’s internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly owned Pooled Investment Funds. At January 31, 2006, SBS investments totaled \$2 billion.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203.

Interest Rate Risk

Collective Investment and Money Market Funds

ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for SBS are subject to the provisions of the collective investment funds the ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio.

ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 6.69 years at January 31, 2006. The weighted average maturity of the money market portfolio was 36 days at January 31, 2006.

Short-term Fixed Income Pool

The Investment Loss Trust Fund and SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2006, the expected average life of individual fixed rate securities ranged from one day to 6 months and the expected average life of floating rate securities ranged from 15 days to three years.

Stable Value Fund

ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a Reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 2.09 years at January 31, 2006. The duration of the Lehman Brother's Aggregate Bond Index was 2.03 years at January 31, 2006.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 4.72 years at January 31, 2006.

Duration is a measure of interest rate risk. In the case of SBS's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of 40 days at January 31, 2006.

Pooled Investment Funds

ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate six participant directed funds. Through ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2006, the duration of the government and corporate debt securities was 5.04 years and the duration of the Lehman Brothers Government Credit Index was 5.04 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2006, the duration of the mortgage-backed securities was 3.26 years and the duration of the Lehman GNMA Index was 3.24 years.

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

ARMB does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

Credit Risk

ARMB does not have a policy to limit credit risk for SBS's Collective Investment Funds and commingled money market portfolio. These investments are not rated.

SBS's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

ARMB's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

- Synthetic investment contract issuers must have an investment grade rating,
- Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,
- Corporate debt securities must have a minimum rating of BBB or equivalent,
- Asset-backed securities must have a minimum rating of AAA or equivalent,
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,
- Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by mortgage-backed securities listed above, and
- The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

ARMB's investment policy has the following limitations with regard to credit risk for wholly owned pooled investments:

- All government and corporate fixed income securities must be rated BBB or better at time of purchase,
- All mortgage-backed securities must be issued by the Government National Mortgage Association, and
- Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2006, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

Investment Type	Rating	Fair Value (in thousands)				
		Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Wholly owned Pooled	Investment Loss Trust	Collective Investment Funds
Investments with credit exposure:						
Overnight Sweep Account	Not Rated	\$ 45	\$ -	\$ -	\$ 40	\$ -
Money Market Fund	Not Rated	-	-	-	-	3,257
Short-term Investment Fund	Not Rated	-	6,394	21,611	-	-
Commercial Paper	A-1	265	-	49,292	237	-
U.S. Government Agency						
Discount Notes	Not Rated	-	-	-	-	-
U.S. Government Agency	AAA	-	-	-	-	-
U.S. Government Agency	Not Rated	-	4,879	92,908	-	-
Mortgage-backed	AAA	229	-	-	205	-
Mortgage-backed	Not Rated	69	18,699	-	62	-
Other Asset-backed	AAA	689	17,877	-	615	-
Other Asset-backed	AA	-	-	-	-	-
Other Asset-backed	A	54	-	-	48	-
Corporate Bonds	AAA	27	2,561	9,694	24	-
Corporate Bonds	AA	223	6,027	16,781	199	-
Corporate Bonds	A	219	20,297	93,096	195	-
Corporate Bonds	BB	-	70	-	-	-
Corporate Bonds	BBB	-	7,275	53,129	-	-
Yankees:						
Corporate	AAA	-	193	3,963	-	-
Corporate	AA	13	197	-	11	-
Corporate	A	4	198	4,715	4	-
Corporate	BBB	-	257	2,953	-	-
Government	AAA	-	-	1,479	-	-
Government	AA	-	-	5,475	-	-
Government	A	-	-	3,122	-	-
Government	BBB	-	-	4,087	-	-
Deposits and Investments with no credit exposure:						
Deposits		-	-	54	-	-
U.S. Treasury Bills		55	-	-	49	-
U.S. Treasury Notes		-	8,921	149,459	-	-
U.S. Treasury Bonds		-	2,829	67,188	-	-
Mortgage-backed		-	2,907	210,622	-	-
Collective Investment Funds		-	-	-	-	545,537
Domestic Equity		-	-	528,635	-	-
International Equity		-	-	26,223	-	-
Total invested assets		1,892	99,581	1,344,486	1,689	548,794
Pool related net assets (liabilities)		(38)	-	11,236	(13)	-
Total		\$ 1,854	\$ 99,581	\$1,355,722	\$ 1,676	\$ 548,794

Concentration of Credit Risk

ARMB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

Treasury's policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than 5 percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

ARMB's policy with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Stable Value Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

<u>Investment Type</u>	<u>Issuer</u>	<u>All Issuers</u>
U.S. Treasury and Agencies	100%	100%
Mortgage-backed securities and collateralized		
Mortgage Obligations secured by Mortgage-backed securities limited to sequential class or PAC1 and II Collateralized		
Mortgage Obligations	50%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – Non Gov/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

For the Reserve, the total investment of any single issuer of money market instruments may not exceed 5 percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

ARMB's policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

Equity holdings will be limited to 5 percent of the equity portfolio at the time of purchase,

With the exception of the U.S. Government or its agencies, fixed income holdings of any single issuer is limited to 2 percent of the total portfolio at the time of purchase,

Mortgage-backed securities must be those issued by the Government National Mortgage Association, and

With the exception of the U.S. Government or its agencies, money market holdings of any single issuer are limited to no more than 5 percent of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At January 31, 2006, SBS had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. SBS has exposure to foreign currency risk in the International Equity and the Global Balanced collective investment funds.

ARMB's policy with regard to the Stable Value Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

ARMB's policy with regard to pooled investments requires that all money market holdings be made in entities domiciled in the U.S. ARMB has no policy with regard to other pooled investments.

At January 31, 2006, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

<u>Currency</u>	<u>Deposits</u>	<u>Equity (Fair Value)</u>
Australian Dollar	\$ 50	\$ 1,747
Euro Currency		8,025
Hong Kong Dollar		522
Japanese Yen		6,729
Pound Sterling	3	4,843
Swiss Franc		1,115
Mexican Peso		330
Norwegian Krone		897
New Zealand Dollar	1	41
Swedish Krona		1,630
Singapore Dollar		344
	<u>54</u>	<u>26,223</u>
U.S. Dollar	3,372	
	<u>\$ 3,426</u>	<u>\$ 26,223</u>

Custodial Credit Risk

ARMB does not have a policy for custodial credit risk. At January 31, 2006, SBS's deposits were uncollateralized and uninsured.

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

There are many component units of the state that maintained their accounts outside of the state treasury. However, the overwhelming majority of the activity is within the Alaska Permanent Fund Corporation (APFC). Information on deposits and investments maintained by the other component units are available within their separately issued audit reports.

ALASKA PERMANENT FUND CORPORATION

Investments and related policies

Carrying value of investments

The Alaska Permanent Fund's (the "Fund") investments, excluding certain real estate investments, are reported at fair market value in the financial statements. Unrealized gains and losses are reported as components of net income. Fair market values are obtained from independent sources for marketable debt and equity securities and real estate investment trusts. Fair market values of alternative investments are determined by managers of such investments, who are under contract with the APFC to provide such services.

Private equity real estate investments are carried at the equity value, which is historical cost plus the Fund's share of undistributed earnings. If, upon analysis by management under applicable accounting rules, a permanent impairment of value has occurred, the investment is written down to fair market value by recording a permanent impairment loss on invested assets.

Securities transactions are recorded on the trade date that securities are purchased or sold.

Investment policy

The Trustees have established a long-term goal of achieving a 5 percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund investments among various asset classes. In order to allow for market

fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets. At June 30, 2006, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

Domestic equities	34% (± 6%)
International equities	19% (± 4%)
Domestic fixed income	25% (± 6%)
Non-domestic fixed income	4% (± 3%)
Real estate	10% (± 3%)
Private equity	4% (± 4%)
Absolute return	4% (± 3%)

In accordance with Alaska Statute 37.13.120, the Trustees have adopted regulations designating the types of assets eligible for investment. Those regulations follow the prudent-investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 06-04 and 06-02, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments.

Credit risk

The APFC requires that its core fixed income managers invest in corporate bonds and non-domestic bonds that are rated investment grade by at least two of the following three rating agencies: Moody's, Standard & Poor's, and Fitch. If only two of the three agencies rate the security, the lower rating is used to determine eligibility for purchase. If only one of the three agencies rates a security, the rating must be investment grade. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain non-core investment managers are allowed to opportunistically invest a specified amount of funds in bonds rated below investment grade.

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects pending transactions yet to settle. The APFC manages the aggregate cash position of all domestic equity, a majority of real estate investment trust managers, and the internal fixed income portfolio in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by either Moody's or Standard & Poor's equivalents of P1 or A1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internal fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have a minimum rating of AAA for asset backed bonds and either P1 or A1 for asset-backed commercial paper.

Custodial credit risk

The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund. For non-domestic securities held by sub-custodians, the APFC is indemnified against custodial credit risk by its primary custodian.

Foreign currency risk

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

Interest rate risk

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5 percent.

The APFC's investment policy specifies an effective duration range for each long-term fixed income mandate (based on the respective portfolio's benchmark index duration) as follows: core domestic and core plus fixed income portfolios 80-120 percent; non-domestic fixed income 50-150 percent; and high yield fixed income 50-200 percent. The APFC uses industry-standard analytical software to calculate effective duration. The software takes into account various possible interest rates, historical and estimated prepayment rates, call and put options, and other variable cash flows for the effective duration calculation.

For short-term debt investments, the APFC's policy states that the weighted average day count of the short-term UCF cannot exceed 150 days, with a final maximum maturity of 14 months for any single investment. The policy further limits asset backed securities held in cash management accounts to a maximum average life of 12 months at time of purchase.

Forward exchange contracts

Fund managers hold a variety of forward currency contracts in their trading activities, and in the management of their foreign currency exchange rate risk exposure. These contracts are intended to guard against foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase in the fair value of investments at the time the contract is closed or matures, and are determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

Short-Term Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2006 (in thousands):

U.S. agencies	\$ 540,853
U.S. treasury bills	-
Domestic certificates of deposit	-
Commercial paper	242,836
Asset-backed securities	833,980
Total short-term investments	<u>1,617,669</u>
Cash and pooled funds	99,681
Total cash and short-term investments	<u><u>\$ 1,717,350</u></u>

At June 30, 2006, all commercial paper investments were rated A-1 by Standard & Poor's, P-1 by Moody's, or an equivalent rating, and all asset-backed securities were rated AAA by either Moody's or Standard & Poor's. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Short-term investments held at fiscal year end 2006 in the UCF and TBA Cash Management Account had weighted average maturities of 22 and 18 days, respectively. At June 30, 2006, uninvested, uninsured cash of \$40,451,000 was held at the custodian or sub-custodian banks. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor's.

Marketable Debt Securities

Marketable debt securities at June 30, 2006 are summarized as follows (in thousands):

	Cost	Market	Unrealized gains/(losses)
Treasury notes/bonds	\$ 2,171,304	\$ 2,141,787	\$ (29,517)
Mortgage-backed securities	3,275,690	3,195,957	(79,733)
Other federal agencies	608,790	588,970	(19,820)
Corporate bonds	2,532,048	2,451,703	(80,345)
Non-domestic bonds	959,337	965,034	5,697
Total marketable debt securities	<u>\$ 9,547,169</u>	<u>\$ 9,343,451</u>	<u>\$ (203,718)</u>

Marketable Debt Credit Ratings

In order to manage credit risk for marketable debt securities, the APFC monitors daily market values of all securities and routinely reviews its investment holdings' credit ratings. For accounts with a core mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Account managers with non-core mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds, rated BB+ or below) based on the terms of their contract. For purposes of this note, if credit ratings differ between Nationally Recognized Statistical Rating Organization's (NRSRO), the rating with the highest degree of risk (the lowest rating) is used.

At June 30, 2006, the Fund's credit ratings for its marketable debt securities issued by NRSROs are as follows (in thousands):

NRSRO Quality rating	Domestic	Non-domestic	Total market value	Percent of holdings
AAA	\$ 905,315	\$ 791,202	\$ 1,696,517	18.16%
AA	420,288	12,300	432,588	4.63%
A	665,008	127,732	792,740	8.48%
BBB	647,535	33,800	681,335	7.29%
BB	13,733	-	13,733	0.15%
B	20,319	-	20,319	0.22%
CCC	3,912	-	3,912	0.04%
Total market value of rated debt securities	2,676,110	965,034	3,641,144	38.97%
U.S. government explicitly backed by the U.S. government	2,176,640	-	2,176,640	23.30%
U.S. government implicitly backed by the U.S. government	3,525,667	-	3,525,667	37.73%
Total market value debt securities	<u>\$ 8,378,417</u>	<u>\$ 965,034</u>	<u>\$ 9,343,451</u>	<u>100.00%</u>

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC monitors daily market values and routinely reviews portfolio effective duration in comparison to an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required range in relation to such benchmarks. At June 30, 2006, the effective duration by investment type, based on market value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Mortgages (agency and corporate)	32.72%	4.00
Treasuries	29.53%	4.54
Corporate bonds	24.74%	5.73
Government sponsored	10.55%	4.36
Supra/Sovereign	2.46%	3.29
Total domestic bonds	<u>100.00%</u>	<u>4.61</u>
Non-domestic bonds		
Government and agency	92.45%	5.73
Corporate and other non-government	7.55%	4.77
Total non-domestic bonds	<u>100.00%</u>	<u>5.65</u>

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5 percent.

Concentration of Credit Risk

At June 30, 2006, more than 5 percent of the Fund's total net investments were held in securities of the issuer listed below (in thousands):

Issuer of securities	Market value of holdings	Percent of total Fund
Federal National Mortgage Association (FNMA)		
Mortgage-backed securities	\$ 2,048,255	6.23%
Senior debt	181,812	0.55%
Equity	27,084	0.08%
Total	<u>\$ 2,257,151</u>	<u>6.86%</u>

Mortgage-backed securities represent pooled debt obligations of homeowners throughout the U.S. Although a large percentage of holdings of the Fund are aggregated through FNMA mortgages, the actual risk remains with the underlying loans, and the ability or inability to recover balances of loans in default from the underlying loan collateral. Risk is mitigated by the FNMA's guarantee of the underlying debt, and its implicit guarantee from the U.S. government.

Preferred and Common Stock

Except for one commingled fund investment, all investments in preferred and common stock are held by custodian banks in the name of the Fund. The commingled fund investment, the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., is held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market values of the Fund's shares in the EMGF were \$645,014,000 as of June 30, 2006, and are included in the non-

domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 5.9 percent of the total EMGF value at June 30, 2006.

Preferred and common stocks at June 30, 2006 are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains</u>
Domestic	\$ 10,297,205	\$ 12,617,686	\$ 2,320,481
Non-domestic	4,939,026	6,638,695	1,699,669
Total preferred and common stock	<u>\$ 15,236,231</u>	<u>\$ 19,256,381</u>	<u>\$ 4,020,150</u>

Foreign Currency Exposure

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2006, the Fund's non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent, in thousands):

Foreign currency	Public equity	Debt	Private equity	Total foreign currency exposure
Australian Dollar	\$ 266,235	\$ 27,359	\$ -	\$ 293,594
Brazilian Real	34,739	-	-	34,739
British Pound Sterling	1,233,675	196,965	11,554	1,442,194
Canadian Dollar	102,110	94,791	-	196,901
Czech Koruna	4,726	-	-	4,726
Danish Krone	18,262	68,156	-	86,418
Egyptian Pound	5,753	-	-	5,753
Euro Currency	2,130,754	355,482	11,406	2,497,642
Hong Kong Dollar	110,788	-	-	110,788
Hungarian Forint	5,183	-	-	5,183
Indian Rupee	9,137	-	-	9,137
Indonesian Rupiah	7,135	-	-	7,135
Israeli Shekel	11,504	-	-	11,504
Japanese Yen	1,337,461	114,724	-	1,452,185
Malaysian Ringgit	25,888	-	-	25,888
Mexican Nuevo Peso	11,434	23,398	-	34,832
New Taiwan Dollar	63,446	-	-	63,446
New Zealand Dollar	3,683	-	-	3,683
Norwegian Krone	39,408	37,235	-	76,643
Philippines Peso	436	-	-	436
Polish Zloty	6,888	10,361	-	17,249
Renminbi Yuan	1,139	-	-	1,139
Russian New Ruble	1,867	-	-	1,867
Singapore Dollar	36,520	26,952	-	63,472
South African Rand	54,074	-	-	54,074
South Korean Won	82,367	9,820	-	92,187
Swedish Krona	115,849	-	-	115,849
Swiss Franc	439,963	-	-	439,963
Thai Baht	23,758	-	-	23,758
Turkish Lira	9,055	-	-	9,055
Total foreign currency exposure	<u>\$ 6,193,237</u>	<u>\$ 965,243</u>	<u>\$ 22,960</u>	<u>\$ 7,181,440</u>

Amounts in the schedule above include receivable, payable, and cash balances in the related currency of each investment type.

Real Estate

The APFC is authorized by State regulations to invest Fund assets in various forms of real estate, which generally 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 APFC invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies, and partnerships that own title to the real estate. External real estate management firms administer the Fund's private equity real estate investments.

The APFC routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 05-08 and Governmental Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." At fiscal year end June 30, 2006, one property was analyzed for permanent impairment, and it was determined that a write-down of value due to impairment was not warranted.

The carrying value of real estate at June 30, 2006 was \$3,367,049,000. Private equity real estate investments, 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 investments (real estate investment trusts) are recorded in the financial statements at their market value.

In the ordinary course of business, the APFC has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a materially adverse effect on the Fund's financial position, results of operations, or liquidity. Real estate investments at June 30, 2006 are summarized as follows (in thousands):

	Cost/equity value	Market value	Unrealized gains	Financial statement carrying value
Real estate investment trusts	\$ 668,908	\$ 1,008,067	\$ 339,159	\$ 1,008,067
Alaska residential mortgages	60	60	-	60
Property note receivable	3,414	3,414	-	3,414
Private equity real estate -				
Retail	438,408	793,679	355,271	438,408
Office	756,211	865,242	109,031	756,211
Industrial	212,217	233,682	21,465	212,217
Multifamily	948,672	987,778	39,106	948,672
Total real estate	<u>\$ 3,027,890</u>	<u>\$ 3,891,922</u>	<u>\$ 864,032</u>	<u>\$ 3,367,049</u>

Subsequent to fiscal year end 2006, two real estate properties were sold. An office building in Washington D.C., with a carrying value of \$50,512,000 was sold at a gain of \$42,659,000. Another office building in Kentucky with a carrying value of \$36,018,000 was sold at a gain of \$3,498,000.

Alternative Investments

Alternative investments include absolute return strategies and private equity.

Absolute return strategies are investments in non-market correlated strategies through specialized investment funds. The Fund's absolute return strategies are managed through three separate portfolios, each being comprised of a single-investor limited partnership ("fund of one") that invests in a diversified portfolio of underlying limited partnership interests (or similar type entity), with the general partner providing essential investment management services. The Fund obtains fair value for its limited partnership interests from the general partner, which is then reviewed by the investment advisor, and subject to annual audits. Most of the absolute return investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and/or additional expenses upon early withdrawal of invested funds.

Private equity investments involve the purchase of limited partnership interests which typically invest in unlisted, illiquid common and preferred stock and to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired an external advisor to select limited partnership interests which are diversified by geography and strategy. This investment type is characteristically funded slowly over time as opportunities are identified by the external advisor and general partners. The Fund obtains fair value for its investments in private equity utilizing the most current information provided by the general partner, as reviewed by the external advisor, and subject to annual audits.

Alternative investments at June 30, 2006 are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Absolute return strategy	\$ 784,290	\$ 844,732	\$ 60,442
Private equity	110,575	106,564	(4,011)
Total alternative investments	<u>\$ 894,865</u>	<u>\$ 951,296</u>	<u>\$ 56,431</u>

As of June 30, 2006, the APFC, on behalf of the Fund, had outstanding private equity investment commitments of approximately \$614,000,000.

Alaska Certificates of Deposit

The APFC is authorized by State regulations and Trustee 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 securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

Securities Lending

Under State regulation 15 AAC 137.510, the APFC is authorized to enter into securities lending transactions on behalf of the Fund. The APFC, through an agreement with the Bank of New York (the Bank), lends marketable debt and equity securities. These loans are fully collateralized with cash or U.S. government guaranteed marketable securities at not less than 102 percent of the market value of the loaned securities for domestic securities and 105 percent of the market value for non-domestic loaned securities. The APFC is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against any loss resulting from counterparty failure, loss resulting from the reinvestment of collateral, default on collateral investments, or failure to return loaned securities.

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2006, such investments were in overnight repurchase agreements, and had a weighted average maturity of one day. The average term of the loans was also one day. At June 30, 2006 the value of securities on loan and related collateral is as follows (in thousands):

Market value of securities on loan	<u>\$ 7,251,052</u>
Collateral	
Cash collateral	\$ 7,466,539
Non-cash collateral	-
Total collateral	<u>\$ 7,466,539</u>

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank receives 20 percent. During the years ended June 30, 2006, there were no losses incurred as a result of securities lending transactions. The Fund received income of \$15,836,000 from securities lending for the year ended June 30, 2006.

Investment Income by Source

Investment income during the year ended June 30, 2006 is summarized as follows (in thousands):

Interest	
Domestic marketable debt securities	\$ 347,679
Non-domestic marketable debt securities	39,590
Alaska certificates of deposit	6,835
Short-term domestic and other	60,814
Total interest	<u>\$ 454,918</u>
Dividends	
Domestic stocks	\$ 179,178
Non-domestic stocks	163,392
Total dividends	<u>\$ 342,570</u>
Real estate and other income	
Private equity real estate interest	\$ 340
Private equity real estate net rental income	114,142
Real estate investment trust dividends	46,784
Absolute return management expenses, net of dividend and interest income	(4,979)
Private equity dividends	89
Loaned securities and other income	21,582
Total real estate and other income	<u>\$ 177,958</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Public equity and bond asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at June 30, 2006 ranged between 11 days and 145 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties; however, the APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2006 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for the fiscal year ended June 30, 2006 are summarized as follows (in thousands):

Face value of FX forward contracts	\$ 1,507,176
Net FX forward contracts receivable	8,172
Market value of FX forward contracts	<u>\$ 1,515,348</u>
Unrealized gains	\$ 4,184
Realized losses	(14,319)
Net increase (decrease) in fair value of FX forward contracts	<u>\$ (10,135)</u>

The face value of FX forward contracts shown in this schedule is not required to be included in the balance sheet of the Fund. All other balance and activity amounts shown above are included in the financial statements of the Fund.

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:

Capital Asset	Governmental Activities		Business-type Activities	
	Value	Useful Life	Value	Useful Life
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, and are protected, kept unencumbered, cared for, and preserved. 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, 2006, are as follows (in millions):

Governmental Activities	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 680	\$ 10	\$ -	\$ 690
Construction in progress	1,077	457	(327)	1,207
Total capital assets not being depreciated	1,757	467	(327)	1,897
Capital assets being depreciated:				
Buildings	1,069	107	(33)	1,143
Equipment	700	43	(26)	717
Infrastructure	4,337	244	-	4,581
Total capital assets being depreciated	6,106	394	(59)	6,441
Less accumulated depreciation for:				
Buildings	(392)	(24)	5	(411)
Equipment	(325)	(27)	22	(330)
Infrastructure	(2,231)	(219)	-	(2,450)
Total accumulated depreciation	(2,948)	(270)	27	(3,191)
Total capital assets being depreciated, net	3,158	124	(32)	3,250
Capital assets, net	\$ 4,915	\$ 591	\$ (359)	\$ 5,147

For the General Fund and internal service funds, see Note 3 for additional information on restated beginning balances resulting from prior period adjustments.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	71	12	(21)	62
Total capital assets not being depreciated	<u>101</u>	<u>12</u>	<u>(21)</u>	<u>92</u>
Capital assets being depreciated:				
Buildings	564	48	-	612
Equipment	48	2	(1)	49
Infrastructure	443	61	-	504
Total capital assets being depreciated	<u>1,055</u>	<u>111</u>	<u>(1)</u>	<u>1,165</u>
Less accumulated depreciation for:				
Buildings	(130)	(17)	-	(147)
Equipment	(34)	(3)	1	(36)
Infrastructure	(217)	(16)	-	(233)
Total accumulated depreciation	<u>(381)</u>	<u>(36)</u>	<u>1</u>	<u>(416)</u>
Total capital assets being depreciated, net	<u>674</u>	<u>75</u>	<u>-</u>	<u>749</u>
Capital assets, net	<u>\$ 775</u>	<u>\$ 87</u>	<u>\$ (21)</u>	<u>\$ 841</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	<u>Amount</u>
General Government	\$ 3
Education	9
Health and Human Services	5
Law and Justice	2
Natural Resources	1
Public Protection	6
Transportation	231
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>15</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 272</u>
Business-type Activities	
Enterprise	<u>\$ 36</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, 2006 (in millions):

	Beginning Balance Restated	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 63	\$ 1	\$ -	\$ 64
Library, media, and museum collections	52	1	-	53
Construction in progress	253	156	(110)	299
Infrastructure	-	-	-	-
Total capital assets not being depreciated	<u>368</u>	<u>158</u>	<u>(110)</u>	<u>416</u>
Capital assets being depreciated:				
Buildings	1,097	72	(6)	1,163
Equipment	374	18	(11)	381
Infrastructure	763	36	-	799
Total capital assets being depreciated	<u>2,234</u>	<u>126</u>	<u>(17)</u>	<u>2,343</u>
Less accumulated depreciation for:				
Buildings	(477)	(46)	4	(519)
Equipment	(196)	(30)	10	(216)
Infrastructure	(280)	(27)	-	(307)
Total accumulated depreciation	<u>(953)</u>	<u>(103)</u>	<u>14</u>	<u>(1,042)</u>
Total capital assets being depreciated, net	<u>1,281</u>	<u>23</u>	<u>(3)</u>	<u>1,301</u>
Capital assets, net	<u>\$ 1,649</u>	<u>\$ 181</u>	<u>\$ (113)</u>	<u>\$ 1,717</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, and are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale of collection items are used to acquire other items for collections.

The Alaska Mental Health Trust Authority (AMHTA) had a separately issued audited financial statement for FY 06. As a result, there were some additional capital assets reported by the AMHTA that were not previously reported. These will be reflected as a prior period adjustment. See note 3 for additional information.

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, 2006 (in thousands):

Governmental Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within
					One Year
Revenue bonds payable	\$ 212,794	\$ 68,354	\$ 4,808	\$ 276,340	\$ 2,464
General obligation debt	463,117	-	29,201	433,916	29,050
Notes payable	-	-	-	-	-
Capital leases payable	147,993	8,628	15,951	140,670	14,372
Unearned & deferred revenue	160,294	60,554	26,586	194,262	164,261
Certificates of participation	61,625	24,000	10,855	74,770	9,495
Compensated absences	120,462	110,794	106,326	124,930	124,930
Claims and judgments	71,626	37,690	26,463	82,853	37,016
Other noncurrent liabilities	1,253	6	87	1,172	846
Net pension obligation	56,346	47,207	-	103,553	-
Total	\$ 1,295,510	\$ 357,233	\$ 220,277	\$ 1,432,466	\$ 382,434

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities.

The General Fund, special revenue and internal service funds in which the leases are recorded typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the funds incurring the related salaries and wages. Claims and judgments attributable to governmental activities will generally be liquidated by the General Fund. Certain claims and judgment liquidations will receive proportional federal reimbursement. Other non-current liabilities due within one year will be liquidated by the General Fund and those due after one year will be liquidated by the Reclamation Bonding Pool, a special revenue fund.

Claims and judgments also includes \$81 thousand for arbitrage payable to the federal government due to interest earned on the Sport Fish Revenue Bond proceeds.

Business-type Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within
					One Year
Revenue bonds payable	\$ 412,057	\$ 344,595	\$ 110,414	\$ 646,238	\$ 12,770
Unearned & deferred revenue	4,423	519	-	4,942	4,942
Compensated absences	54	-	48	6	6
Other noncurrent liabilities	225	831	-	1,056	-
Net pension obligation	18	3,250	-	3,268	-
Total	\$ 416,777	\$ 349,195	\$ 110,462	\$ 655,510	\$ 17,718

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, 2006, the following were the general obligation bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2007	\$ 24.7	\$ 20.3	\$ 45.0
2008	25.4	19.0	44.4
2009	26.2	17.6	43.8
2010	27.1	16.3	43.4
2011	28.1	14.8	42.9
2012-2016	133.2	51.6	184.8
2017-2021	99.7	22.2	121.9
2022-2026	49.8	3.5	53.3
Total debt service requirements	414.2	\$ 165.3	\$ 579.5
Unamortized bond premium	19.7		
Total principal outstanding	\$ 433.9		

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 06, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

REVENUE BONDS

As of June 30, 2006, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2.4	\$ 14.9	\$ 12.8	\$ 31.6
2008	8.5	15.0	15.5	30.5
2009	8.9	14.6	19.9	29.7
2010	9.4	14.1	20.7	28.8
2011	9.8	13.6	21.7	27.8
2012-2016	49.4	61.2	125.9	121.4
2017-2021	62.3	46.5	146.7	87.6
2022-2026	74.9	29.4	172.7	45.9
2027-2031	52.2	7.7	108.8	14.6
Total debt service requirements	277.8	\$ 217.0	644.7	\$ 417.9
Unamortized bond discounts	(1.4)		1.5	
Total principal outstanding	\$ 276.4		\$ 646.2	

There are two types of revenue bonds within governmental activities reported above, the Northern Tobacco Securitization Corporation revenue bonds and the State of Alaska Sport Fishing Revenue bonds. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets.

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. NTSC revenue bond total at year end include \$209.7 million in principal, \$179.1 million in interest, and \$1.7 of unamortized discount.

The State of Alaska Sport Fishing (SF) Revenue Bonds are issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds. SF revenue bond total at year end include \$68.1 million in principal, \$37.9 million in interest, and \$0.3 of unamortized premium.

The business activities revenue bonds include bond issuances by the International Airports Fund. 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.

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
2007	\$ 29.8	\$ 14.4	\$ 6.6	\$ 21.0
2008	25.4	14.5	6.0	20.5
2009	21.9	14.0	5.3	19.3
2010	16.4	13.5	4.6	18.1
2011	11.9	10.7	4.0	14.7
2012-2016	26.2	41.9	13.8	55.7
2017-2021	1.4	28.9	4.1	33.0
2022-2026	0.5	2.7	0.1	2.8
2027-2031	0.4	-	-	-
2032-2036	0.4	-	-	-
2037-2041	0.4	-	-	-
2042-2046	0.4	-	-	-
2047-2051	0.1	-	-	-
Total	<u>\$ 135.2</u>	<u>\$ 140.6</u>	<u>\$ 44.5</u>	<u>\$ 185.1</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, 2006 (expressed in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2007	\$ 9.5	\$ 3.7	\$ 13.2
2008	8.3	2.8	11.1
2009	5.6	2.5	8.1
2010	5.8	2.2	8.0
2011	6.0	2.0	8.0
2012-2016	25.0	6.1	31.1
2017-2021	14.6	1.6	16.2
Total	<u>\$ 74.8</u>	<u>\$ 20.9</u>	<u>\$ 95.7</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2007	\$ 327.9	\$ 220.6	\$ 548.5
2008	139.9	207.6	347.5
2009	142.3	201.6	343.9
2010	141.5	195.4	336.9
2011	174.6	188.4	363.0
2012-2016	851.1	818.3	1,669.4
2017-2021	687.1	653.9	1,341.0
2022-2026	753.6	565.3	1,318.9
2027-2031	613.7	317.8	931.5
2032-2036	360.0	184.7	544.7
2037-2041	318.2	60.1	378.3
2042-2046	65.8	20.5	86.3
2047-2051	35.9	3.8	39.7
Total debt service requirements	\$ 4,611.6	\$ 3,638.0	\$ 8,249.6
Unamortized discounts, unexpended bond proceeds, accreted interest, & deferred amount on refunding	23.8		
Total principal outstanding	\$ 4,635.4		

The preceding table does not include \$710,000 of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

In order to both reduce Alaska Housing Finance Corporation's (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 AHFC would have paid to issue conventional fixed-rate debt.

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2006, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms 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 Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2007	\$ 3,795	\$ 15,744	\$ 2,067	\$ 21,606
2008	4,640	15,644	2,045	22,329
2009	5,135	15,420	2,019	22,574
2010	5,465	15,231	1,990	22,686
2011	5,710	15,013	1,960	22,683
2012-2016	61,630	69,378	9,107	140,115
2017-2021	82,715	54,834	7,458	145,007
2022-2026	94,065	36,556	5,437	136,058
2027-2031	80,440	19,736	3,172	103,348
2032-2036	49,415	6,768	1,178	57,361
2037-2041	5,540	112	19	5,671
	<u>\$ 398,550</u>	<u>\$ 264,436</u>	<u>\$ 36,452</u>	<u>\$ 699,438</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2006, 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	SWAP	Counterparty Credit Rating ⁶
						Termination Date	
GP01A ¹	\$ 69,190	\$ (2,326)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B	84,555	(2,820)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	A+/Aa3
E021A1 ²	50,000	(1,326)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	(1,989)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	469	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	81	12/5/2002	4.3030%	BMA ⁵ + 0.115%	7/1/2022	AAA/Aaa
Total	<u>\$ 398,550</u>	<u>\$ (7,911)</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, the majority of the AHFC's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2006. The negative fair values are 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 and reconciled to present value calculations done by AHFC, 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, 2006, AHFC was exposed to credit risk on its SC02B and SC02C outstanding swaps in the amount of the swap's fair value of \$550,000. 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 61 percent of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21 percent and 18 percent, 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 swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2006, the BMA rate was 3.97 percent, whereas LIBOR was 5.35 percent. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, 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, 2006, 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, 2006, the number of participating employers was:

State of Alaska	3
Municipalities	77
School Districts	53
Other	<u>27</u>
Total employers	<u><u>160</u></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. The actuarially determined employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The FY 06 actuarially determined rate was 27.65 percent (29.40 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2006, was 17.65 percent of compensation (18.42 percent for peace officers and firefighters). This difference is attributable to a maximum allowable increase or decrease in the contribution rate for an employer from one year to the next of no more than 5 percent (Title 2 Alaska Administrative Code 35.900).

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)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
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%)
2004	2,880,188	4,194,403	(1,314,215)	68.7%	870,838	(150.9%)

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 60 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 60, and receive benefits at no premium cost if they are over age 60 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)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
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%)
2004	2,030,875	2,957,551	(926,676)	68.7%	870,838	(106.4%)

The actuarial valuation as of June 30, 2003 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 06 follows (in thousands):

Annual Required Contribution	\$ 134,126
Interest on net pension obligation	4,851
Adjustment to annual required contribution	<u>(3,703)</u>
Annual Pension Cost (APC)	135,274
Contributions Made	<u>(84,676)</u>
Increase in Net Pension Obligation (NPO)	50,598
Net Pension Obligation Beginning of Year	<u>58,804</u>
Net Pension Obligation End of the Year	<u>\$ 109,402</u>

Three year trend information for pension benefits follows:

Year ended June 30	APC	Percentage of APC Contributed	NPO
2004	\$ 57,483	100.0%	\$ -
2005	117,626	50.0%	58,804
2006	135,274	62.6%	109,402

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, 2006 the number of participating employers was:

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

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

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

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, 2006, was 21 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 60 or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age 60 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, 2006, 2005, and 2004 were \$10.1, \$7.5, and \$5.5 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 before federal income tax is withheld. Contributions are not required after members have made contributions for 15 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, 2006, was 33.53 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
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%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)

In replicating the June 30, 2004 actuarial valuation report, an error was discovered in the development of liabilities associated with post employment healthcare benefits. The information reported above corrects this information.

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
2000	\$ 4,545	\$ 4,596	\$ (51)	98.9%	\$5,702	(0.9%)
2002	6,979	7,873	(894)	88.6%	5,942	(15.0%)
2004	16,855	21,856	(5,001)	77.1%	6,530	(76.6%)

In replicating the June 30, 2004 actuarial valuation report, an error was discovered in the development of liabilities associated with post employment healthcare benefits. The information reported above corrects this information.

The annual required contributions for pension benefits for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,133,876, \$1,911,799, and \$1,675,077. The state contributed 115.6 percent in FY 06 and 100 percent for FY 05 and FY 04. For FY 06, the state made pension contributions of \$2,467,780, resulting in a first time net pension asset of \$333,904.

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
2000	\$ 13,734	\$ 17,967	\$ (4,233)	76.4%
2002	12,114	20,545	(8,431)	59.0%
2004	13,391	19,749	(6,358)	67.8%

The actuarial valuation as of June 30, 2002 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 06 follows (in thousands):

Annual Required Contribution	\$ 2,025
Interest on net pension obligation	2
Adjustment to annual required contribution	(4)
Annual Pension Cost (APC)	2,023
Contributions Made	(2,054)
Increase in Net Pension Obligation/(Asset)	(31)
Net Pension Obligation Beginning of Year	29
Net Pension Obligation/(Asset) End of the Year	<u>\$ (2)</u>

Three year trend information for pension benefits follows (in thousands):

Year ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2004	\$ 1,323	100.0%	\$ -
2005	2,025	98.6%	29
2006	2,023	101.5%	(2)

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, 2006, 2005, and 2004 was \$1.7 million, \$1.6 million, and 1.8 million. The contributions received from employees totaled \$12,189 in FY 06. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2005.

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
2005	\$0	\$20,028	\$(20,028)	0.0%

Prior to the June 30, 2005 actuarial valuation, the last valuation performed on EPORS was for the period ended June 30, 1986.

Plan benefits for EPORS are not prefunded, but are paid when due. Enough money has been appropriated each year to pay the benefits as they come due; therefore there is no net pension obligation at the end of the year. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay.

Three year trend information for pension benefits follows (in thousands):

Year ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2004	\$ 1,207	100.0%	\$ -
2005	1,197	100.0%	-
2006	1,250	100.0%	-

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.

Systems	Fair Value
Public Employees' Retirement System	\$10,302,183
Teachers' Retirement System	4,716,935
Judicial Retirement System	87,283
Alaska National Guard and Alaska Naval Militia Retirement System	17,413

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, 2006.

	PERS 6/30/06	TRS 6/30/06	JRS 6/30/06	NGNMRS 6/30/06	EPORS 6/30/06
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	27,954	10,083	93	1,474	36
Current active employees:					
Vested	19,151	5,524	41	*	3
Nonvested	15,509	4,311	25	4,339	-
Total	62,614	19,918	159	5,813	39

* 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 Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others	FY 05	9.5%	14.0%	3.5%	6/30/2004
			FY 06	9.0%	13.0%		
			FY 07	8.5%	12.0%		
TRS	8.25%	5.5% first 5 years	FY 05	9.5%	14.0%	3.5%	6/30/2004
			FY 06	9.0%	13.0%		
			FY 07	8.5%	12.0%		
JRS	8.25%	4.0% per year	FY 05	12.0%		3.5%	6/30/2004
			FY 06	11.5%			
			FY 07	11.0%			
NGNMRS	8.25%	–		–	–		6/30/2004
EPORS	5.00%	4.0 % per year	FY 06	9.5%	14.0%	3.5%	6/30/2005
			FY 07	9.0%	13.0%		

All assets are at market value.

For PERS and TRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years and phased in over the next five 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 \$862.5 thousand in FY 06.

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, 2006, there were sixteen other employers participating in SBS. There were approximately 34,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. The Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in SBS until October 1, 2005. ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

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, 2006, were \$102,116,039. The state's covered payroll was approximately \$832,900,000.

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, 2006, were \$4,655,906.

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 assistance. 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 assistance, are provided through insurance policies. The state administers the dependent care assistance plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2006. 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 \$688,988 in FY 06.

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 and long term non-permanent employees, or elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions who perform services for the State in the capacity of an independent contractor) 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, 2005, the Plan had approximately 8,300 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 (ASPIB) was responsible for the specific investment of monies in the plan. Effective October 1, 2005, the ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

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, 2005, were \$476,946,000. 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, 2006, 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	\$ -	\$ 838	\$ 135	\$ 3,557	\$ 2,672	\$ 7,202
Alaska Permanent Fund	725,366	-	-	-	-	725,366
Nonmajor						
Governmental Funds	11,999	-	-	-	-	11,999
International Airports	28,637	-	-	-	-	28,637
Nonmajor						
Enterprise Funds	943	-	-	-	-	943
Internal Service Funds	556	-	-	-	-	556
Fiduciary Funds	1,883	-	-	-	-	1,883
Other	3,900	(1)	1,034	1,156	(93)	5,996
Total	<u>\$ 773,284</u>	<u>\$ 837</u>	<u>\$ 1,169</u>	<u>\$ 4,713</u>	<u>\$ 2,579</u>	<u>\$ 782,582</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, 2006.

The \$725 million balance due from the Alaska Permanent Fund to the General Fund includes \$688 million for payment of 2006 Permanent Fund dividends to qualified residents of the state and administrative and associated costs of the 2006 Permanent Dividend Program. The remaining balance of \$37 million Due from the Alaska Permanent Fund is payable to the Alaska Capital Income Fund, a subfund of the General Fund. The Due to the Alaska Capital Income Fund is for realized earnings on the principal balance of the dedicated state revenues from the settlement of the North Slope royalty case, *State v. Amerada Hess, et. al.*

The majority of the other Due from Other Funds and Due to Other Funds balances are attributable to FY 06 activity during the reappropriation period in July and August 2006 that caused the movement of cash balances between funds after June 30, 2006.

INTERFUND TRANSFERS

Transfers From	Transfers to					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ 44,141	\$ 1,802	\$ 11,233	\$ -	\$ 57,176
Alaska Permanent Fund	725,366	-	-	-	-	725,366
Nonmajor						
Governmental Funds	16,865	35	-	-	1,722	18,622
Nonmajor Enterprise Funds	6,690	5	-	-	1	6,696
Internal Service Funds	2,107	-	-	-	46	2,153
Other	10,162	-	-	-	-	10,162
Total	<u>\$ 761,190</u>	<u>\$ 44,181</u>	<u>\$ 1,802</u>	<u>\$ 11,233</u>	<u>\$ 1,769</u>	<u>\$ 820,175</u>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due, and transfer accumulated surpluses from Other funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$689 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from other to the General Fund represents an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out. The transfer from Nonmajor Governmental Funds to Other represents a transfer from the National Petroleum Reserve Account to the Alaska Permanent Fund component unit, which does not report a transfer in. The transfer from nonmajor enterprise funds to other represents rounding differences. The transfer from Internal Service Funds to Other represents the difference between what the Correctional Industries Fund, an Internal Service Fund, reported as a transfer out and what the General Fund reported as a transfer in. This difference is due to capital assets that did not meet the threshold for capitalization and were expensed, and debt of the Correctional Industries Fund, which was recorded in the Government-wide statements. Previously, this type of expense was recorded in the fund due to its nature, but once it was re-classified as a governmental fund, the debt only gets recorded in the Government-wide statements.

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.

The estimated amount of unused accumulated sick leave as of June 30, 2006, is \$33,719,506. This amount was calculated using the base pay on file for each employee as of June 30, 2006. 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 60, 70, 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 60 percent limitation, enacted in 2002, applies to fiscal years after June 30, 1999. The higher percentages apply to earlier years.

Although the statute provides that the state may reimburse school districts 60, 70, 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 06 expended for school debt was \$79,859,214, 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 \$1,176,656,436. 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 06, 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, 2005 and June 30, 2006. The state records its related liability using discounted amounts provided by actuaries. Unpaid claim liabilities for Risk Management are presented at their present value using a 3 percent discount interest rate for FY 05 and a 3.5 percent discount interest rate for FY 06.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2005	\$ 69,177,486	\$ 22,354,560	\$ (24,956,131)	\$ 66,575,915
2006	66,575,915	30,332,586	(26,463,026)	70,445,475

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 \$12,236,000, with an additional possible liability of \$60,294,000. 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, 2006, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$79,296,718 and \$30,445,432 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, 2006, the Alaska Energy Authority had open loan commitments of \$3,451,000 and held approximately \$5,174,000 of investments in escrow.

At June 30, 2006, the Alaska Industrial Development and Export Authority (AIDEA) had extended open loan commitments of \$38,629,000 and loan guarantees of \$1,608,000. In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000,000. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments.

Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 69,729,977	\$ 31,886,112	\$ 627,726	\$ 99,660
Limited Partnership 94% paid through 2010. 6% withdrawn annually in December with 90 days notice.	507,540,902	232,081,930		
To be paid through 2007.	23,056,852	10,543,148		
Real Estate Investment To be paid through 2010.	228,703,629	104,579,278	2,207,964	
	\$ 829,031,360	\$ 379,090,468	\$ 2,835,690	\$ 99,660

NOTE 12 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2006, the Bond Bank issued:

1. General Obligation Bonds, 2006 Series Two, in the face amount of \$40,265,000 with interest rates ranging from 4.25 percent to 4.5 percent, over maturities of December 1, 2007 through December 1, 2011.
2. General Obligation Refunding Bonds, 2007 Series One in the face amount of \$26,735,000 with interest rates ranging from 3.875 percent to 5.5 percent over maturities of December 1, 2007 through December 1, 2026.
3. General Obligation Refunding Bonds, 2007 Series Two in the face amount of \$24,860,000 with interest rates ranging from 3.75 percent to 5.0 percent over maturities of December 1, 2007 through December 1, 2028.

B. ALASKA STUDENT LOAN CORPORATION

On July 1, 2006, the Alaska Student Loan Corporation called all outstanding Series 1996 A Bonds at par in the amount of \$23,000,000.

C. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 07. 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.

Plans are in place to transfer \$29,000,000 from the Alaska Clean Water Fund to the Alaska Drinking Water Fund.

D. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 07. 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. NORTHERN TOBACCO SECURITIZATION CORPORATION

On August 17, 2006, the Northern Tobacco Securitization Corporation issued \$411,988,000 of its Tobacco Settlement Asset-Backed Bonds, 2006 Series A, B, and C. Proceeds of the sale were used to fully defease the Corporation's outstanding Tobacco Settlement Asset-Backed Bonds, Series 2000 and Series 2001. Pursuant to the terms of the 2006 Bond Indenture, proceeds from the sale in the amount of \$170,000,000 will be used to fund additional capital projects as appropriated by the Alaska State Legislature.

F. ALASKA HOUSING FINANCE CORPORATION

1. On July 1, 2006, \$300,000,000 of state appropriated funds was transferred to the Alaska Housing Capital Corporation, a subsidiary of the Alaska Housing Finance Corporation.
2. On July 20, 2006, the Alaska Housing Finance Corporation (AHFC) issued \$75,000,000 Home Mortgage Revenue Bonds, 2006 Series C. The Bonds are general obligations of AHFC that bear interest at fixed rates between 3.9 percent and 5.5 percent, payable on each June 1 and December 1, with a final maturity date of December 1, 2037. The scheduled debt service on the Bonds is guaranteed under an insurance policy issued by MBIA Insurance Corporation. The Bonds are primarily secured by program obligations consisting of qualifying mortgage loans purchased from bond proceeds.
3. On August 9, 2006, AHFC's Board of Directors authorized the issuance of \$190,000,000 Collateralized Bonds, 2006 First Series (Veterans Mortgage Program).
4. On September 19, 2006, issued \$190,000,000 Collateralized Bonds, 2006 First Series (Veterans Mortgage Program). The Bonds are general obligations of AHFC that bear interest at fixed rates between 3.75 percent and 4.9 percent, payable on each June 1 and December 1, with a final maturity date of December 1, 2037. The Bonds are primarily secured by program obligations consisting of qualifying mortgage loans purchased from bond proceeds. Payment of principal and interest on the Bonds is unconditionally guaranteed by the State of Alaska.
5. On October 25, 2006, issued \$100,890,000 State Capital Project Bonds, 2006 Series A. The Bonds are general obligations of AHFC that bear interest at fixed rates between 3.5 percent and 5.0 percent, payable on each June 1 and December 1, with a final maturity date of June 1, 2040. The scheduled debt service on the Bonds is guaranteed under an insurance policy issued by MBIA Insurance Corporation.
6. On February 14, 2007, issued \$89,370,000 Home Mortgage Revenue Bonds, 2007 Series C. The Bonds are general obligations of AHFC that bear interest at fixed rates between 3.75 percent and 4.8 percent, payable on each June 1 and December 1, with a final maturity date of June 1, 2038. The Bonds are primarily secured by program obligations consisting of qualifying mortgage loans purchased from bond proceeds.
7. On March 8, 2007, issued March 8, 2007 Draw Down Bonds, 2007 Series A, B, C, and D. The Series A, C, and D Bonds are secured solely by amounts on deposit in the Bond Escrow Fund and investment earnings thereon. The Series B Bonds are general obligations of AHFC and are primarily secured by amounts on deposit in the Bond Escrow Fund attributable to draws under the Series B Bonds. The Bonds bear interest at variable interest rates on the outstanding principal amount drawn, payable on the first business day of each calendar month, with a final maturity date of February 1, 2019, subject to mandatory tender on March 1, 2011, and February 1, 2015.
8. On January 10, 2007, AHFC's Board of Directors authorized the issuance of up to \$100,000,000 Home Mortgage Revenue Bonds, 2007 Series D.

G. PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS

During the 2005 legislative session, a law was enacted that closes these two retirement plans. Senate Bill 141, signed into law on July 27, 2005 and effective July 1, 2006, closes the plans to new members and creates two new defined contribution plans for members first hired on or after July 1, 2006.

H. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

On February 22, 2007, AIDEA issued \$113,095,000 of Revolving Fund Refunding Bonds, Series 2007A and Series 2007B to refund and defease—along with funds contributed by AIDEA—AIDEA's outstanding Revolving Fund Bonds, Series 1997A. The Series 2007 Bonds were initially issued in daily rate mode and mature April 1, 2027. The Series 1997A bonds will be redeemed on April 1, 2007.

I. ALASKA RAILROAD CORPORATION

1. On August 22, 2006, ARRC issued \$76.4 million in Capital Grant Receipts Bonds, Series 2006 FTA Section 5307 Urbanized Area Formula Funds and Section 5309 Fixed Guideway Modernization Formula Funds, to provide funds to finance various capital improvement projects. The 2006 Bonds are limited obligations of ARRC payable solely from and secured solely by amounts received by ARRC from its share of FTA Section 5307 Urbanized Area Formula Funds and Section 5309 Fixed Guideway Modernization Formula Funds. The bonds bear fixed interest rates from 3.625% to 5.250% and mature at various dates through 2021. Bond issuance costs of \$1.4 million and bond premium of \$3.4 million will be amortized over the life of the bonds.
2. In July 2006, Standard & Poor's Ratings Services and Fitch Ratings assigned A+ and A ratings, respectively, to the approximately \$80.0 million of Capital Grant Receipts Bonds, Series 2006 (FTA Section 5307 Urbanized Area Formula Funds and Section 5309 Fixed Guideway Modernization Formula Funds). These ratings were used to determine ARRC's financial strength for the bond issuance insured under a policy issued by Financial Guaranty Insurance Company.

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REQUIRED
SUPPLEMENTARY INFORMATION

STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,611,345	\$ 1,610,132	\$ 2,316,068	\$ (705,936)
Licenses and Permits	111,198	101,717	102,094	(377)
Charges for Services	153,608	137,422	158,204	(20,782)
Fines and Forfeitures	17,000	17,000	10,368	6,632
Rents and Royalties	1,174,926	1,174,221	1,758,997	(584,776)
Premiums and Contributions	421	362	11,567	(11,205)
Interest and Investment Income	142,200	142,200	154,903	(12,703)
Payments in from Component Units	53,511	53,511	53,511	0
Other Revenues	14,849	14,849	52,496	(37,647)
Restricted:				
Federal Grants in Aid	5,650,015	5,708,937	1,920,818	3,788,119
Interagency	519,769	766,054	461,654	304,400
Payments in from Component Units	222,664	222,636	51,044	171,592
Other Revenues	24,679	4,680	4,923	(243)
Total Revenues	9,696,185	9,953,721	7,056,647	2,897,074
EXPENDITURES				
Current:				
General Government	453,154	465,868	381,539	84,329
Alaska Permanent Fund Dividend	511,046	511,046	505,093	5,953
Education	1,351,005	1,368,216	1,294,300	73,916
University	766,217	768,574	259,013	509,561
Health and Human Services	2,489,246	2,548,622	1,979,219	569,403
Law and Justice	185,529	207,717	188,928	18,789
Public Protection	720,750	775,616	626,114	149,502
Natural Resources	448,249	487,633	306,948	180,685
Development	337,696	681,039	563,579	117,460
Transportation	4,379,956	4,600,997	1,429,967	3,171,030
Intergovernmental Revenue Sharing	62,561	63,304	62,538	766
Debt Service:				
Principal	11,565	11,565	10,875	690
Interest and Other Charges	3,739	3,739	3,739	0
Total Expenditures	11,720,713	12,493,936	7,611,852	4,882,084
Excess (Deficiency) of Revenues Over Expenditures	(2,024,528)	(2,540,215)	(555,205)	(1,985,010)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	24,000	24,000	24,000	0
Bonds Issued Premium	562	562	562	0
Other Debt Proceeds	1,957	1,957	1,957	0
Transfers in from Other Funds	1,161,053	2,388,801	2,388,335	466
Transfers (Out to) Other Funds	(764,741)	(1,687,077)	(1,688,102)	1,025
Total Other Financing Sources and Uses	422,831	728,243	726,752	1,491
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	\$ (1,601,697)	\$ (1,811,972)	171,547	\$ (1,983,519)
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			1,013,617	
Basis Difference			67,987	
Perspective Difference			21	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis			1,253,172	
Fund Balances - Beginning of Year			4,069,735	
Prior Period Adjustment			393	
Fund Balances - End of Year			\$ 5,323,300	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2006**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. 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 99821-0204, or may be viewed online at http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp, the Division of Finance web page under the “Of Interest”, “Financial Reports” section.

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ 61,120
Medical Assistance Program	714
Working Reserve	6,219
Tobacco Tax	(267)
Alcohol Tax	145
Tire Tax	(11)
Vehicle Rental Tax	67
Total General Fund Basis Difference	\$ 67,987

- Perspective differences result from the structure of financial information for budgetary purposes. The federal receipts/disbursements for PL 103-382, Title VIII are budgeted in the general fund but are accounted for as an agency fund.

Federal Receipts for PL 103-382 (Impact Aid)	21
Total General Fund Perspective Difference	\$ 21

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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 report conclusions and recommendations which are relevant to the FY 06 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.

In addition to the 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 06 statewide single audit objectives. Copies of the management letters may be obtained directly from the state corporations and the University of Alaska.

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SUMMARY OF RECOMMENDATIONS
For FY 06

/-----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>
GOV						1
DOA						2
DHSS		9		5, 6 10, 13	5, 6, 7, 8, 10, 11, 12, 13, 14 15, 16	3, 4
DLWD			17	18	18	17, 19
DCCED						20
DPS						21
DOC						22
DOTPF			23, 24			24, 25
Component Units					26, 27 28	

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*.

One new recommendation has been made during the FY 06 statewide single audit and is included as Recommendation No. 1.

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Recommendation No. 1

The director of Alaska Office of Management and Budget (AOMB) should request the legislature amend Alaska Statute 37.05.146(c) to include Alaska Marine Highway System (AMHS) program receipts.

Over-appropriating marine highway revenues over the years has contributed to a negative fund balance of over \$10.7 million at the end of FY 06 in the Alaska Marine Highway Fund.

The AMHS expenditure authorization is supported by two funding sources, general fund transfers and program receipts from ferry ticket sales and concessions (AS 19.65.060). Typically, when an appropriation is based on the collection of particular revenue, if the entire amount is not collected, the appropriation must be reduced.

The requirement to collect revenues to support an appropriation is found in each year's budget act. The language specifically requires:

If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2007, fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

However, this section does not apply to marine highway revenues because those revenues are not included in AS 37.05.146 or in AS 44.21.045.¹ Therefore, the Department of Transportation and Public Facilities may expend the entire amount appropriated whether the entire amount of Alaska Marine Highway budgeted receipts are collected or not.

AS 19.65.050 provides the legislative findings, purposes, and intent related to the AMHS fund and budget. Some of the enumerated items include:

(a)(4) efficient and prudent management of the system will benefit the state's economy and foster economic development.

(b)(1) enable the Alaska marine highway system to manage and operate in a manner that will enhance performance and accountability by allowing the system to account for and spend its generated revenue;...

Allowing AMHS to spend funds that have not been collected will not meet the intent of the AMHS fund and impose unanticipated liabilities on the state's general funds.

Therefore, we recommend that AOMB seek a statutory change to add marine highway revenues collected under AS 19.65.060 to the list of program receipts identified in

¹AS 37.05.146 defines and identifies program receipts and nongeneral fund program receipts and AS 44.21.045 identifies Information Services Fund revenues.

AS 37.05.146(c). Alternatively, the budget submitted by the governor could include a reference to AMHS funds in the section that is typically labeled as Federal and Other Program Receipts.

While implementing this recommendation will not prevent overexpenditures of the Alaska Marine Highway Fund, it will provide for timely recognition of the liability incurred by the general fund if overexpenditure does occur.

Agency Response – Office of the Governor

I understand your desire to prevent the over-expenditure of AMHS receipts. I, too, share that goal. However, I am not convinced that making the suggested statute change will accommodate the unique circumstances of the AMHS. The AMHS is very limited in the actions it can take to reduce expenditures if receipts fall short of the budgeted amounts: AMHS either ties up vessels or requests a general fund supplemental from the Governor and the legislature. Dependable ferry service is critical to the transport of people and goods throughout Alaska. Ad hoc ferry schedule changes are tremendously disruptive. On occasion, AMHS has also initiated fee surcharges, but those generally have not resulted in additional receipts very quickly. For these reasons, the legislature has made supplemental appropriations to the AMHS in lieu of drastic reductions in ferry service.

At the time I responded to the management letter regarding this audit, the Senate Finance Committee had incorporated the Alaska Marine Highway System Fund in the Federal and Other Program Receipts language section of the operating budget.

As I stated in my April 16 letter, there would be two effects of the inclusion of the AMHS Fund within that section. The first is that the Legislative Budget and Audit Committee (LB&A) would have the authority to review increases in AMHS Fund appropriations based upon increases in receipts above the amount appropriated. This would be an unlikely occurrence. The second is that if AMHS Fund receipts fell below the amount appropriated, the AMHS appropriation would be reduced by the amount of the shortfall.

The second effect causes the most concern. The AMHS does not know sufficiently in advance of the end of any fiscal year exactly what their receipts will be — given that they are predicated upon the purchase of ferry tickets by Alaskans and tourists. Thus, with little time left within a fiscal year in which to reduce expenditures (i.e., eliminating ferry sailings for which tickets have already been purchased), AMHS's only recourse is to request a general fund supplemental.

Furthermore, in the recent past the AMHS has had major disruptions in service due to a vessel running aground and a ship-board fire. When events like this happen after a legislative session has adjourned and there is no immediate opportunity for a general fund supplemental, AMHS is in an untenable situation. Costs generally increase while revenue decreases. If AMHS runs out of money as happened in FY06, vendors go unpaid. The

administration's commitment to request a supplemental appropriation during the next legislative session has generally been the only solution. Other vessels cannot be tied up to save money because service to Alaskans would be severely disrupted and would exacerbate the loss of revenue.

The final FY08 operating budget passed by the legislature ultimately did not include the AMHS Fund in the Federal and Other Program Receipts language section. I believe that happened because the legislature realized that action by itself would not "fix" a future problem.

In April I suggested that a possible solution would be to establish a new AMHS mechanism for unanticipated expenditures that could be accessed after the review process of LB&A. The legislature could appropriate general funds, for example \$2 million, into the AMHS Fund but segregated into a separate "emergency use only" account within the AMHS Fund. Then when an extraordinary event took place, AMHS could request an RPL, to use those "emergency use only" dollars within the AMHS Fund. If LB&A concurred, AMHS would be able to increase their expenditure authorization. This would, of course, require a statute to implement.

Another suggestion would be for the legislature to include "an amount necessary" general fund appropriation in the operating budget for AMHS's use upon an extraordinary event that takes a vessel out of service unexpectedly. This option would enable the AMHS to respond to unforeseen circumstances at the end of a fiscal year and allow vendors to be paid promptly rather than wait for a supplemental bill to pass the Legislature. This option requires no statute changes, but would be a departure from the standing practice. Given that the AMHS is a unique entity in state government tasked with providing dependable, reliable transportation of people and goods throughout the state, perhaps a departure from standing practice is warranted.

I believe that our joint goal of preventing AMHS over-expenditures will be accomplished by the new management team at the Department of Transportation and Public Facilities implementing the recommendations you have made to that department. In addition, I hope the legislature may want to consider the suggestions made in this letter.

Contact Person: *Karen J. Rehfeld, Director
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Telephone: (907) 465-4660*

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DEPARTMENT OF ADMINISTRATION

Two recommendations were made to the Department of Administration (DOA) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*. Prior year Recommendation Nos. 1 and 2 are considered resolved.

One new recommendation has been made and is included as Recommendation No. 2.

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Recommendation No. 2

The Department of Administration's director of Enterprise Technology Services (ETS) should implement procedures to properly account for capital assets owned by the Information Services Fund (ISF).

The asset tracking system used by ETS does not accurately track and value ISF's capital assets. Specifically, the capital asset tracking system does not:

- consistently capitalize the cost of capital improvements,
- employ a consistent methodology for tracking the disposal of capital assets, and
- provide for a formal inventory reconciliation process.

Accounting guidance from generally accepted accounting principles require capital assets be reported at historical cost. They also require that, ISF, an internal service fund, operate on a cost reimbursement basis, including recovering the cost of capital assets. Not maintaining accurate and complete records of ISF's capital assets limits the State's ability to accurately report capital assets in the financial statements. Further, it limits ETS' ability to develop rates that provide for the recovery of all costs, including its capital assets.

We recommend that the Department of Administration's director of Enterprise Technology Services implement procedures to properly account for its ISF capital assets.

Agency Response – Department of Administration

The Department of Administration (DOA) concurs with this recommendation.

Between July and September 2006 ETS contracted with a recognized expert consulting firm in asset management to conduct a study which would identify key needs and process gaps and make recommendations that would help the State of Alaska meet auditing and information management requirements. One of the critical asset management functions identified in this report is to ensure that the asset tracking system interfaces with the financial system. This information exchange ensures that capitalization, tracking, and disposal information is accurate and readily available. The study also made recommendations on procedures that should be implemented to ensure a formal inventory reconciliation process is designed and used.

ETS has funding earmarked for software and consulting services to begin implementing the asset tracking and management recommendations in the study. ETS is drafting an RFP which should be issued in early FY08 to procure the appropriate vendor to begin this project. The new system and procedures will be designed to meet the requirements outlined in your findings.

Your audit also indicates that this issue limits ETS's ability to develop rates that provide for recovery of all costs, including capital assets. I want to clarify that our rate process effectively recovers all costs. The rate process takes into account all activity of the fund. Any capital assets that are purchased from the ISF that are not accounted for as a capital asset and depreciated are expensed in the year of purchase and therefore the expense is recovered when the operating results from the prior years are rolled into the rates. Based on the process we would have to take conscious specific action to not recover a cost.

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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, 2005*.

No new recommendations have been made during the FY 06 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, 2005*.

Additionally, no new recommendations have been made during the FY 06 statewide single audit.

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DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Three recommendations were made to the Department of Education and Early Development (DEED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*. Prior year Recommendation Nos. 3, 4, and 5 are considered resolved.

No new recommendations have been made during the FY 06 statewide single audit

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Twenty 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, 2005*. Prior year Recommendation Nos. 13, 14, 15, 22, 24, and 25 have been resolved. Prior year Recommendation Nos. 9, 10, 16, 17, and 19 have not been resolved and are reiterated in this report as Recommendation Nos. 5, 6, 9, 10, and 11 respectively. Additionally, prior year Recommendation Nos. 6, 7, 8, 11, 12, 18, 20, 21, and 23 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, nine new recommendations have been made and are included as Recommendation Nos. 3, 4, 7, 8, 12, 13, 14, 15, and 16.

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Recommendation No. 3

DHSS' finance officer should implement controls to ensure expenditures do not exceed the authorized appropriation limit.

Expenditures exceeded the authorized limit by \$11,416 for the Faith Based Council appropriation (AR 22703-06), an unbudgeted reimbursable services agreement (RSA). Article IX, Section 13 of the Alaska Constitution requires that “*no money shall be withdrawn from the treasury except in accordance with appropriations made by law.*”

This overspent appropriation occurred due to the processing of personal services expenditures greater than the expenditure authorization which is systemically allowed in the accounting system. Also, DHSS lacked controls to monitor the processing of expenditures greater than the amount authorized. Inadequate controls for monitoring expenditures contributes to the misuse of expenditures and inaccurate reporting by appropriation.

We recommend the DHSS' finance officer amend the RSA authorization for the additional expenditures recorded to the Faith Based Council appropriation (AR 22703-06) and bill the requesting agency for the outstanding revenue.

Agency Response – Department of Health and Social Services

The department partially agrees with this recommendation. There was an over-expenditure of personal services costs above the amount authorized in the Faith Based Council unbudgeted RSA (AR 22703-06). However, the Administrative Support Services AR 23905-06 is the legislatively appropriated allocation and had a lapse balance to cover the over expenditures in AR 22703-06. Therefore, the department disagrees that it is noncompliant with Article IX, Section 13 of the Alaska Constitution requiring, no money shall be withdrawn from the treasury except in accordance with appropriations made by law.

The department intended to resolve the over expenditure through a prior year journal entry to transfer the excess expenditures to the legislatively appropriated allocation, AR 22703-06. However, per Legislative Audit's recommendation, the amended unbudgeted RSA was sent to OMB in June for processing.

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Recommendation No. 4

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

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 06, six potential shortfalls have been identified for DHSS as follows:

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 22930-05	Health Care Services	\$213,000
AR 22793-06	School Based Claims	\$ 50,000
AR 07500-06	Pioneer Homes Renovations/Repairs	\$ 60,000
AR 23666-06	MMIS Reprocurement/Y2K	\$190,000
AR 23776-06	JHC Fire/Life Safety	\$ 1,000
AR 23783-06	Reopen Fahrenkamp Residential Facility	\$ 8,000

The revenue shortfalls are a result of weaknesses in internal controls over monitoring of revenue collections and untimely revenue billings.

We recommend that DHSS' finance officer work with the directors of the pertinent operating divisions to collect earned revenues where possible and request supplemental appropriations for the remaining revenue shortfall amounts. In addition, we recommend that DHSS strengthen internal controls over the billing and monitoring of revenue collections to prevent revenue shortfalls.

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation. DHSS' position and actions are as follows:

AR 22930-05 Health Care Services — The amount of \$213,000 is not a revenue shortfall, but a situation where a restriction release on SDPR should have been processed during reconciliation to collect the related earned receipts. The restriction has been released. Additionally, the department received ratification in SB 53 that is awaiting the governor's signature. Once the bill is signed, the Division of Finance will certify and process this transaction. After the ratification process, this appropriation will be balanced.

AR 22793-06 School Based Claims — As the department had stated previously during the audit, this is not a revenue shortfall. The RSA did not get billed to fully collect for valid expenditures (four out of five billings were processed, one was not). The department's

Fiscal Section processed the one additional billing in June to fully collect the RSA expenditures.

AR 07500-06 Pioneer Homes Renovations/Repairs — The revenue shortfall for this capital item is due to timing differences between the recording of expenditures and revenue collections. DHSS received \$60,075 of AHFC revenue on April 26, 2007 that balanced the revenues and expenditures of \$696,696. No revenue shortfall exists.

AR 23666-06 MMIS Reprourement/Y2K — The revenue shortfall for this capital item is due to the time needed to research and find an error in federal claiming. When the error was identified, the department received \$189,898 federal revenue on May 7, 2007. Total expenditures of \$4,835,000 matches GF revenue of \$483,500 and federal revenue of \$4,351,502.

AR 23776-06 JHC Fire/Life Safety — The revenue shortfall for this capital item is indicated due to timing differences between the recording of expenditures and revenue collections. The department received \$2,742 of AHFC revenue on 4/26/07. Total expenditures of \$129,185 are matched against AHFC revenue of \$105,637 and federal revenue of \$24,973, leaving no revenue shortfall.

AR 23783-06 Reopen Fahrenkamp Residential Facility — The revenue shortfall for this capital item is due to timing differences between the recording of expenditures and revenue collections. The department received \$8,951 of AHFC revenue on April 26, 2007. Total expenditures of \$494,067 are matched against AHFC revenue of \$395,000 and MHTAAR revenue of \$100,000. The \$933 unexpended MHTAAR revenue balance was lapsed.

The department's Revenue and Fiscal Sections will work to establish processes and timelines for final prior year reconciliations to be reviewed and completed. The department's Finance Officer will work closely with staff processing RSA billings to insure work is completed in a timely manner.

*Contact Person: Janet Clarke, Assistant Commissioner
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Legislative Audit's Additional Comments:

We have reviewed DHSS' response and agree that subsequent revenue collections have resolved most of the indicated shortfalls in the recommendation. However, the accounting records still indicate that the FY 05 Health Care Services appropriation (AR 22930-05) has a revenue shortfall of approximately \$213,000 after consideration of the ratification contained in SB 53.

Recommendation No. 5

DHSS' assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Medicaid and Child Care Cluster programs comply with federal cost principles.

Prior Finding

Although improvements were noted during testing of personal services expenditures, further improvements are still needed. The error rate dropped from over 50 percent in FY 04 to approximately 13 percent in FY 05. This illustrates some weaknesses still exist for individuals working on multiple activities, as well as those working solely on one federal program. Of the 32 personal services expenditures tested, four failed to have supporting documentation necessary to comply with federal requirements.

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.² In addition, OMB Circular A-87 requires appropriate time distributions 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.

Legislative Audit's Current Position

Lack of sufficient supporting documentation to substantiate personal services expenditures charged to federal programs continued in FY 06. Of 39 personal services expenditures tested, six failed to have supporting documentation necessary to comply with federal requirements. The lack of required supporting documentation was a result of staff being unaware of federal requirements for personal services expenditures. In order for salaries and benefits to be an allowable cost, federal cost principles require certain documentation be maintained.

Of the six errors identified:

- Two related to Division of Senior and Disabilities Services (DSDS) employee certifications which could not be located for the Medicaid program.
- Four related to personal services costs charged to a federal program through a Reimbursable Services Agreement (RSA) between Office of Children Services (OCS)³

² 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."

³ The personal service costs were based on four Foster Care Community Care Licensing Specialists' (CCLS) positions in the Office of Children Services.

and Division of Public Assistance (DPA). The RSA charged a total of \$179,560 of the four employees' personal service costs to the Child Care Cluster program. There was no support (i.e. either time sheet or certification) to determine how much time should be charged to the Child Care Cluster program. Additionally, these same expenditures were charged to other federal programs through the Cost Allocation Plan (see Recommendation No. 6 below) resulting in duplicate charging of those expenditures.

We, again, reiterate our recommendation that 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 principles and makes sure adequate documentation is maintained.

CFDA: 93.575 and 93.596
Questioned Costs: \$179,560
CFDA: 93.778
Questioned Costs: \$44,120

Federal Agency: USDHHS
Reportable Condition, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation. The Division of Senior and Disabilities Services (DSDS) was able to locate one of the three required certifications for the Medicaid program.

Office of Children's Services:

The department partially concurs with this recommendation. The scope of services for the RSA in question (006-60059) states, "Continued funding of the Office of Children Services conducting child protective services and prior licensing checks for individuals for child care licensure," this is an allowable expense of the federal CCDF. The RSA did not limit the number of staff who could be charged for this purpose and while ultimately four staff charged some of their time to the RSA, there were a total of 15 staff that worked in this capacity and could have charged some of their time to the RSA. Again, it is not appropriate to use employee certification forms since no one employee worked 100% on this RSA.

Legislative Audit staff contacted one of the employees in question directly to verify funding sources, which caused significant confusion. Since there are a variety of funding sources in the Office of Children's Services (OCS), an employee would not necessarily know how their position is being funded. A real barrier for program managers on recognizing a need to complete certification forms is that these funds are inter-agency receipts when they are used and budgeted in OCS. A quick estimate indicates that the RSA paid for approximately 12% of the cost of doing this work (\$165,000/\$1,400,000). Therefore, the department believes the relatively small charge to the CCDF is justified.

However, OCS will review their current methodology and make appropriate changes for the future.

DHSS does not concur with the questioned costs cited in the management letter. We believe that the personal service costs charged to the federal programs are valid.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: (907) 465-1630*

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. As a point of clarification, there may be justification for charging personal services to CCDF for staff time spent conducting child protective services and prior licensing checks for individuals for child care licensure. However, there was no support for the costs charged to CCDF. Further, those costs had already been charged to other programs through the OCS-22 allocation method based on a random moment time study as noted in Recommendation No. 6. We reaffirm our recommendation.

Recommendation No. 6

DHSS' finance officer should ensure the public assistance cost allocation plan (PACAP) methodologies are properly updated, accurate, and new methodologies are submitted for federal approval.

Prior Finding

Two methodologies in the PACAP used to allocate costs, specifically Health Care Policy Services #14 (HCS-14) and Office of Children's Services #10 (OCS-10), were not updated as required during FY 05. In addition, one methodology used in FY 05 was not submitted for federal approval. DHSS allocates costs to federal programs based on methodologies prescribed by their federal PACAP. As a condition of OMB Circular A-87, state public assistance agencies are required to promptly submit amendments to the PACAP for review and approval.

Legislative Audit's Current Position

DHSS continued to allocate Denali Kid Care (DKC) administrative costs to State Children's Health Insurance Program and Medicaid programs in FY 06 through a methodology that has

not been submitted for federal approval. Approximately \$1.7 million in expenditures were allocated through this methodology in FY 06.

In addition, we identified four more methods being used that are not found in the PACAP. These methods are identified by DHSS as DW-XXXX, DW-XXXXX, DHCS-22, and DPA-15. Approximately \$5.3 million in expenditures were allocated through these methodologies in FY 06.

There were costs allocated through a methodology (DW-15) that did not conform to the allocation method defined in the PACAP. Additionally, the organization structure described in the DW-15 method in the PACAP is different from the current organization. This is due to the departmental reorganization that occurred in FY 05. Total costs allocated through this method for FY 06 were approximately \$4.7 million.

Another weakness found was allocation of personal services expenditures of Foster Care CCLS through the OCS-22 allocation method. The OCS-22 allocation method distributes costs based on a random moment time study (RMTS) to the following federal programs: Adoption Assistance, Medicaid, and Foster Care-Title IVE. However, the CCLS also spent time for activities chargeable to the Child Care Development Fund (CCDF) program. The allocation of the CCLS personal services expenditures—through the OCS-22 method—results in overcharging Adoption Assistance, Medicaid, and Foster Care and undercharging CCDF. In FY 06, there were 27 CCLS with personal services expenditures of approximately \$1.6 million that were allocated through the OCS-22 method.

Reorganization and staff turnover at DHSS contributed to inconsistencies in the methodologies and implementation of the PACAP. As a result, expenditures were allocated to state and federal programs in a manner that does not comply with the federally-approved PACAP requirements. As a condition of receiving federal awards,⁴ states are required to provide reasonable assurances that they are managing these awards in compliance with applicable laws and regulations, including the reasonable update of cost allocation methodologies.

We, again, recommend DHSS' finance officer ensure new or revised PACAP methodologies are submitted for federal approval. We further recommend a methodology be developed to accurately charge personal services costs of OCS Foster Care Community Care licensing specialists to all of the applicable state and federal programs for which they work. Given the significant changes to DHSS' organizational restructuring that occurred in FY 05, the department should also consider updating the terminology in the PACAP.

CFDA: 93.575, 93.658, 93.659,

Federal Agency: USDHHS

⁴ As a condition of OMB Circular A-87, state public assistance agencies are required to promptly submit amendments to the PACAP for review and approval.

93.767, and 93.778
Questioned Costs: Indeterminate

Reportable condition, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. The department was in the process of updating the PACAP for any new and updated methodologies. The updated PACAP was submitted to the department's cognizant agency in April 2007. The department has updated the methodology for DW-15 (which includes an updated organization structure) as well as added the methodologies for the Denali Kid Care (DKC), DW-XXXX, DW-XXXXX, DHCS-22, and DPA-15.

The department appreciates the information on the weakness found in the allocation of personal service expenditures for the Foster Care Community Care licensing specialists (CCLS) through the OCS22 allocation method. We will review this recommendation and update the PACAP as needed.

In addition, the department is currently working on updating the current PACAP system. The department is in the midst of creating and implementing MAXCARS, the replacement PACAP system, with our PACAP consultant, MAXIMUS. We are currently in the development/testing phase. Parallel processing will begin during third quarter SFY07.

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Division of Finance & Management Services
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Recommendation No. 7

DHSS' finance officer should ensure that costs are charged to federal programs in accordance with the DHSS federally approved public assistance cost allocation plan (PACAP).

DHSS expenditures totaling \$137,941 were inappropriately and directly charged to Medicaid. DHSS could not provide adequate support for why these costs did not flow through their PACAP.

The expenditures are information service costs and commissioners office personal service and travel costs. These expenditures were incurred for administrative purposes. Therefore, these costs should have been allocated in accordance with DHSS' approved PACAP. DHSS has in place approved allocation methodologies for distributing these types of costs. Rather than include these costs under the approved methodologies, DHSS directly charged them to Medicaid using a Reimbursable Services Agreement. In addition, their methodology for

claiming resulted in these costs being reimbursed as disproportionate share inpatient hospital services rather than administrative costs.

Office of Management and Budget (OMB) Circular A-87, Attachment D, states that all administrative costs (direct and indirect) are normally charged to federal awards by implementing the PACAP. Further, 45 CFR 95.517 prescribes that states must claim federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan.

We recommend that DHSS' finance officer strengthen procedures to ensure that costs are charged to federal awards in accordance with OMB Circular A-87 requirements.

CFDA: 93.778

Questioned Costs: \$137,941

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs with this recommendation; however, the referenced \$137,941 of expenditures identified by Legislative Audit as inappropriately charged directly to Medicaid is a timing issue. This relates to a RSA from API for support services including personal service and travel costs. This issue was brought to the department's attention in August 2006 by Legislative Audit during the SFY05 Statewide Audit review. Due to the timing of the Legislative Review last year, the FY06 RSA was already in place; however, the department has changed its procedures for FY07 so this item has been corrected.

Also, the department has been working diligently to update and revise the PACAP to remain in compliance. The department recently submitted the revised PACAP to our monitoring agency. This revision incorporates the required changes necessary to properly charge indirect costs to agency programs.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
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Recommendation No. 8

DHSS' finance officer should improve the controls over categorization and allocation of allowable claims.

DHSS allocates direct and indirect expenditures to federal programs through computerized worksheets. Current internal control procedures for the determination and allocation of costs

through these worksheets are not adequate. Significant errors have occurred and not been detected.

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

Specifically, instances were found where costs were allocated twice to the Medicaid program and the Special Supplemental Nutrition Program for Women, Infants and Children. These resulted in questioned costs to each of the federal programs of \$370,900 and \$11,501 respectively. Similarly, expenditures totaling \$390,379 were allocated twice to the Social Services Block Grant. In this instance, there were no questioned costs as there are unclaimed allowable expenditures greater than this amount.

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

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

CFDA: 93.778

Questioned Costs: \$370,900

CFDA: 10.557

Questioned Costs: \$11,501

CFDA: 93.667

Questioned Costs: None

Federal Agency: USDHHS

Federal Agency: USDA

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

The department partially concurs with this recommendation because DHSS has already moved to improve our allocation and claiming process. DHSS has made considerable progress toward improving its procedures regarding allocation of expenditures to federal programs. The department will replace its public assistance cost allocation plan (PACAP) spreadsheet, utilized to allocate expenditures to federal programs, with a new cost allocation database system (MAXCARS). This new system will be used for the quarter in FY07.

The department will correct the linkage and/or formula errors in the third quarter's CAP spreadsheet and include the adjustments for the questioned costs on the fourth quarter reports.

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Recommendation No. 9

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 internal controls over Medicaid payments. In a report dated January 31, 2003, *Department of Health and Social Services, Division of Medical Assistance, Internal Control Over Medicaid Payments*, (Audit Control Number 06-30018-03), numerous control deficiencies were identified. Findings and recommendations related to federal compliance were included in the FY 02 SWSA.

FY 03 and FY 04 federal compliance testing continued to find significant internal control weaknesses over Medicaid payments. Additionally, two federal reviews conducted during FY 04 echoed the need for improving controls over Medicaid expenditures.

In FY 05, we noted that poor statutory/regulatory language and staff vacancies kept DHSS from taking action in response to audits of personal care service agencies and other Medicaid providers. Internal control deficiencies in DHSS' program integrity and utilization control, noted during the prior year, worsened during FY 05. In prior year testing of DHSS' detection and reporting of Medicaid overpayments, we found internal controls over this area of Medicaid also needed to be improved.

The recommendations noted in the Medicaid performance audit—and the additional internal control deficiencies found during FY 02-05 testing—represented significant deficiencies in internal controls over federal program funds.

Legislative Audit's Current Position

In FY 06, DHSS made some improvements including their control environment and in taking action in response to independently performed audits of Medicaid providers. Overall however, DHSS' efforts in FY 06 to address the prior year internal control weaknesses fell short of making significant progress.

Internal controls over the detection and reporting of Medicaid overpayments, and Program Integrity and Utilization Control, noted in the prior years, were found, overall, not to have been significantly improved. Further, current year testing over Personal Care Services and MRDD waiver services payments determined improvements in controls are needed over these types of expenditures.

An FY 06 federal review found weaknesses in the State's fraud and abuse program. The federal review of the State's Medicaid Program Integrity procedures determined the State's fraud and abuse program was not fully effective in the prevention, identification, and referral of fraud and abuse cases. The federal reviewers concluded that due to the lack of an effective fraud and abuse program, the fiscal integrity of the State's Medicaid program was at risk. Various control weaknesses were cited including 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 part 92 and various sections of 42 CFR require the State to maintain internal controls over federal programs that provide reasonable assurances 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 06, the State was reimbursed over \$689 million, as part of the federal Medicaid program.

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

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Material Weakness

Allowable Costs

Agency Response – Department of Health and Social Services

The department concurs that strong internal controls are a requirement and the Commissioner is committed to improvements.

Legislative Audit provides two examples of weak internal controls identified in FY05. The first example relates to internal control issues concerning the Personal Care program. Several improvements have occurred since July 1, 2005 in this area, including establishment of a separate Personal Care Attendant (PCA) section in the Division of Senior & Disability Services and a major effort to staff that unit appropriately. In addition, the development and adoption of PCA regulations will provide DHSS the authority it needs to better manage and control the provision of PCA services. The second example relates to detection and reporting of Medicaid overpayments. DHSS has adopted an audit flowchart and policy regarding how and when Medicaid overpayments will be reported on the CMS-64.

DHSS also acknowledges that the aging Medicaid Management Information System (MMIS) currently used does not have the capability for desired internal control features; and that replacement of the system is two to three years away. However, we are committed to securing a new MMIS in a reasonable manner in the most cost effective means for the State.

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Recommendation No. 10

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

Prior Finding

During FY 04 and FY 05, significant components of DHSS' utilization control and program integrity function were not operating effectively. State Medicaid agencies are required by the U.S. Department of Health and Human Services (USDHSS) 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. Further, agencies are 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:⁵

- 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.
- 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, First Health Services Corporation (FHSC) to carry out some of its program integrity and utilization functions. DHSS also utilizes quality control sections within each division that administer Medicaid 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.

⁵ 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.

During FY 04, DHSS amended its contract with 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.

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.

During FY 05, DHSS made no progress in addressing the prior year finding. Three main factors weakened DHSS' integrity and utilization program in FY 05: nonperformance by FHSC, decentralization of its program integrity and utilization function, staff vacancies, and conflicting priorities.

Nonperformance by DHSS' Medicaid fiscal agent

In May 2005, the program integrity and utilization functions, as specified in the contract between FHSC and DHSS, were renegotiated. Under a contract amendment, FHSC's responsibilities for program integrity and utilization were significantly reduced. FHSC continued to be responsible for the SUR, PA, DUR, REOMB, and Lock-ins at a reduced level. DHSS did not increase its program integrity and utilization activities to compensate for the nonperformance of FHSC.

During the first half of FY 05, FHSC did not report SURS or REOMB information and DHSS staff was uncertain whether FHSC performed the activities. FHSC did perform some of the requirements during the later half of FY 05. However, due to staff vacancies and other conflicting priorities, DHSS staff did not take action in response to information provided by FHSC.

Decentralization of DHSS' program integrity and utilization function

In FY 04, DHSS decentralized its program integrity function, breaking out responsibility into the three divisions. The decentralization of its program integrity and utilization program placed DHSS in an awkward position to monitor Medicaid payments that are reviewed and paid centrally by the Medicaid fiscal agent, FHSC.

Decentralization increases the need for coordination and clear guidance. DHSS has not organized in an effective manner. Divisional program staff has not been given clear responsibilities, nor is there guidance on how to accomplish department-wide goals. There is no central entity within DHSS that monitors program integrity and utilization activities to ensure department-wide compliance with federal requirements.

Responsibilities, objectives, and action steps are needed for the department to effectively function in a decentralized organizational structure.

Staff Vacancies and Conflicting Priorities

Each division's quality assurance section was understaffed during FY 05 and lacked adequate written procedures to ensure a thorough coordinated response to complaints or other indications of fraud and abuse. Additionally, the quality assurance sections did not have adequate case/complaint tracking tools. Divisional quality assurance staff could not identify the number or status of referrals made to the State Medicaid Fraud Control Unit during FY 05.

One of the responsibilities of quality control staff is to follow-up on provider audits. During FY 05, DHSS staff took minimal action in response to 80 provider audits completed by a contractor. Division quality assurance staff cited vacancies and conflicting priorities as reasons for not following up on audit findings. Timely follow-up of potential overpayments is necessary to meet federal requirements.

Reorganization and shifting responsibilities have led to a lack of clear guidance on priorities and procedure. During FY 05, an audit committee, made up of commissioner's office and director-level staff was created, in part, to help improve the Medicaid fraud detection, prosecution, and collection processes. The audit committee did meet sporadically, but no minutes were taken and little was communicated to program staff.

Legislative Audit's Current Position

During FY 06, while some improvements were evident, DHSS did not make significant progress in addressing weaknesses in their Program Integrity and Utilization Control functions.

Improvements included increased performance by FHSC, development of a centralized department-wide unit based in the commissioner's office, creation of additional staff positions, and establishment of a department-wide audit committee which meets to improve the quality integrity program and review audit issues. However, the position overseeing the centralized unit was not filled until FY 07; and, of the eight new positions in this unit, only one has been filled. At the divisional level, staff turnover and vacancies, poor communication, and overall lack of coordination remain as hindrances to DHSS' activities. Further, DHSS is still in the process of performing an overall review and analysis of program integrity functions. Overall, the improvements made in FY 06 did not bring DHSS into full compliance with federal requirements.

In April 2007, the USDHHS' CMS issued their report *Review of State Medicaid Program Integrity Procedures* based on audit work performed in September of 2005. The CMS review determined DHSS' fraud and abuse program was not fully effective in the prevention,

identification, and referral of fraud and abuse cases. The review's findings included the following:

- The State had no written policies and procedures for addressing fraud and abuse.
- There was no dedicated core group of staff responsible for the identification and investigation of potential fraud and abuse.
- The State lacked procedures for referring cases to the Medicaid Fraud Control Unit (MFCU) and the memorandum of agreement between DHSS and MFCU was outdated.
- Responsibilities were not fully defined within the various divisions.
- The fragmentation of fraud and abuse responsibilities lessened the effectiveness of the State's fraud and abuse program.

The federal review concluded that the State's lack of an effective fraud and abuse program places its Medicaid program at risk for potentially fraudulent providers, leaves the State's program vulnerable to unnecessary utilization of care and services, and puts the program and fiscal integrity of Alaska's Medicaid program at risk.

The lack of internal controls associated with program integrity and utilization increases control risk associated with allowable costs, allowable activities, and eligibility; thereby, creating a weakness in internal controls over the Medicaid program. The consequence of not having an effective integrity and utilization program is far reaching. During FY 06, approximately \$1 billion was paid by the State of Alaska for Medicaid services (both state and federally funded). Clearly, the financial effects of poor controls over program integrity and utilization function can be substantial.

We, again, recommend the DHSS commissioner and the State Medicaid director make improving DHSS' program integrity and utilization function a priority. Improvements should address the need for a coordinated department-wide approach to ensure compliance with federal requirements.

CFDA: 93.778
Questioned Costs: None

Federal Agency: USDHHS
Reportable Condition, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

The department partially concurs with the recommendation because significant improvements have already taken place.

The department acknowledges past problems in quality assurance and program integrity management. As a result, the department has created a new vision for overall quality improvement. The new plan creates a centralized department-wide unit, based in the Commissioner's Office. The unit is headed by a quality improvement manager who is

responsible directly to the Deputy Commissioner for the Office of Program Review. The manager coordinates all department quality improvement efforts. These efforts include:

1. *program integrity – fraud control and program abuse investigations;*
2. *quality assurance – audit activity and the oversight of provider compliance with regulations; and*
3. *quality enhancement – training and technical assistance for staff and Medicaid providers to enhance overall quality in program administration.*

The department has made significant progress towards updating utilization control and program integrity functions. The implementation and annual extensions of Myers and Stauffer audits have coincided with and offset much of the impact of the nonperformance of First Health Service Corporation (FHSC) in the SURS area. The 2006 Myers and Stauffer audits have been promptly processed. From February 2006 and throughout the remainder of fiscal year 2006, audit committee minutes will reflect department referrals to the Medicaid Fraud Control Unit as well as periodic assignment of responsibilities, objectives, and action steps.

Recruiting problems were partially addressed early in fiscal year 2007 as the department joined with other state departments in obtaining range increases for some positions essential to the new program integrity process. The audit committee was resurrected and met regularly (twice monthly) to address utilization control and program integrity functions. Meeting minutes, agendas, and handouts are available from February 2006 on. The department's key PERM position for audit management was hired in the fall 2006. The audit manager is also the primary contact with FHSC regarding SURS issues. Of the seven additional positions discussed in the department's earlier audit response, the department has successfully recruited the internal auditor, program coordinator, and an investigator. The position of research analyst is currently vacant. Divisions are moving to address and ameliorate issues brought to light by the preliminary PERM results. This has primarily occurred with discussions of provider technical assistance and corrective action plans in audit committee meetings. Finally, HESS Track, the department's new complaint database, has been implemented.

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Recommendation No. 11

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements.

Prior Finding

DHSS procedures for identifying and reporting Medicaid and the State Children's Health Insurance Program (SCHIP) provider overpayments did not ensure overpayments are identified and reported accurately and timely. Approximately \$8.6 million in provider overpayments,⁶ discovered during FY 05, were not reported and refunded as required by federal law. We noted DHSS lacked written policies and procedures for tracking overpayments and ensuring overpayments were refunded within the required time period.

In addition, overpayments collected from providers were netted against expenditures in DHSS' Medicaid management information system and never identified in the tracking spreadsheets. We were unable to identify the extent to which provider overpayments are netted with expenditures because provider overpayments are not distinguishable between other credit type adjustments within the system. As a result, DHSS had no way to determine the proper amount of overpayments to report.

Federal requirements for reporting Medicaid provider overpayments are defined in 42 CFR Part 433 and the State Medicaid Manual issued by the Federal Centers for Medicare and Medicaid Services (CMS). The State must refund the federal share of overpayments within 60 days following discovery, whether or not the State has recovered the overpayment from the provider. Overpayments must be reported on line 10C of the CMS-64 report and should include the total amount as well as the federal share.

Legislative Audit's Current Position

Although DHSS made some improvements in provider overpayment reporting; the improvements were not fully in place during FY 06 and are not sufficient to bring DHSS into full compliance with federal requirements.

To evaluate DHSS' FY 06 compliance with provider overpayment requirements, we reviewed amounts reported as overpayments on the CMS-64 for the second and fourth quarters of FY 2006.

In the second quarter, ending December 31, 2005, the amount which DHSS refunded to the federal government through claims adjustments and the amount reported on the CMS-64 as overpayments were the same. However, that amount was approximately \$1.5 million less than the amount DHSS' tracking spreadsheets identified to refund and report. DHSS could not provide justification for the difference between the amount in the tracking spreadsheet and the amount refunded and reported on the CMS-64.

For the fourth quarter, ending June 30, 2006, DHSS did not process decreasing claims adjustments or report any overpayments on the CMS-64. The \$3.2 million identified in

⁶ This amount was identified through review of DHSS' tracking spreadsheets. However, we were unable to ascertain the accuracy and completeness of the amounts.

tracking spreadsheets for the period was reported in the following quarter. As a result, at a minimum, overpayments identified in the first month of the fourth quarter were not reported and refunded within the 60-day federal time requirement.

In FY 07, DHSS implemented written policies and procedures for tracking and reporting overpayments. This includes a new tracking spreadsheet that more clearly identifies the discovery date of provider overpayments and the information necessary to establish accounts receivable in the state accounting system. However, these procedures do not address the identification of overpayment recoveries from providers that are netted against expenditures in DHSS' Medicaid management system and are never identified in the tracking spreadsheets. As a result, DHSS has no way to identify the true amount of overpayments for proper reporting on the CMS-64 report.

We recommend the DHSS finance officer and the State Medicaid director continue to work together to develop effective policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements. As a long-term solution, we recommend the State Medicaid director ensure the new Medicaid management system, currently being developed, addresses the need to separately account for provider overpayments.

CFDA: 93.778, 93.767
Questioned Costs: Indeterminate

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department does not fully concur with Legislative Audit's current position on this prior year recommendation.

The department has made significant progress in ensuring that provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal requirements. Procedures and tracking of the overpayment recoveries have been improved and continue to be refined. The changes that have been made should bring the department into full compliance with federal requirements.

The department does not agree that these procedures fail to address the identification of overpayment recoveries from providers that are netted against expenditures. The department is not aware of any overpayments that we are not tracking and reporting. The department's tracking system is identifying the true amount of overpayments for proper reporting on the CMS-64.

The department agrees that in the second quarter, ending December 31, 2005, the amount which DHSS reported on the CMS-64 did not match the amount identified on the

department's tracking spreadsheet and was under reported by approximately \$1.5 million total computable. The department will report the \$1.5 million on the next CMS-64.

The department agrees that for the fourth quarter, ending June 30, 2006, the department did not report any overpayments on the CMS-64. This was an oversight that occurred during staff transition and vacancies. However, the department has since claimed this on the September 30, 2006 CMS-64 report.

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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 instituted new overpayment policies and procedures; however, they were not implemented in FY 06.

Recommendation No. 12

The Medicaid State Director should ensure that private hospital proportionate share (proshare) payments are made in accordance with federal regulations.

DHSS made payments to a private inpatient hospital totaling \$37.4 million, using a methodology the federal CMS has determined to be unallowable. Under the proshare program, DHSS made these payments through agreements that require the hospital to redistribute the funds to "qualified community providers." CMS has determined this redistribution to be unallowable under Medicaid regulations and the approved Medicaid State Plan.

Per 45 CFR 430.10, the Medicaid State Plan is a comprehensive written statement submitted by the State describing the nature and scope of its Medicaid program. The State Plan provides assurances that the program will be administered in accordance with federal regulations, and contains the information necessary to determine whether the plan, as approved, can serve as a basis for federal participation in the state program.

Per the approved State Plan, the private proshare program allows for incentive payments to qualifying, privately-owned hospitals to ensure continued access to inpatient hospital services for low-income persons with special needs, who otherwise would be unable to access needed services. To be eligible for payment, hospitals must be enrolled as a Medicaid provider of inpatient hospital services and enter into an agreement with the State to provide a

certain number of encounters (units of service). Distribution of payments among qualifying hospitals is based on the number of encounters a hospital agrees to perform, relative to the total number of encounters to be performed by all qualifying hospitals within specific classifications. Therefore, under the state plan, proshare payments are to be made to support the services of Medicaid inpatient hospital providers.

During FY 06, DHSS reported and claimed federal participation for the \$37.4 million in proshare payments as inpatient hospital services. However, the agreements under which the payments were made require the hospital to distribute the money to “qualified community providers” while retaining only an administrative fee. The distribution payments are based on information provided by DHSS. CMS has disallowed this practice because the payments did not serve the purpose of paying for covered inpatient hospital services. Rather, the funds were diverted to other entities for other purposes which are not authorized under the approved State Plan for the private hospital proshare program.

CMS first communicated their position to DHSS in a February 2004 claim deferral notice.⁷ According to a CMS letter to the State dated May 31, 2006: “*In October 2004, CMS released the deferral on the condition that Alaska would ‘sunset’ the practice, effective June 30, 2005*”. However, because DHSS did not end the practice, CMS disallowed \$21,357,099 for FY 06 payments. The amount CMS disallowed does not include the federal portion of an additional FY 06 payment of \$370,000 made after the date of the disallowance letter. Questioned costs associated with the federal reimbursable portion of payments, including the additional payment, are equal to \$21,570,145.

The State has appealed CMS’ decision and established an accounts receivable for the amount disallowed pending resolution of the appeal. Denial of the State’s appeal would result in a FY 06 shortfall totaling \$13,385,000 under AR 22930 – Division of Health Care Services.

We recommend that the Medicaid State director ensure proshare payments are made in accordance with federal regulations.

CFDA: 93.778
Questioned Costs: \$21,570,145

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department does not agree with the recommendation, but contends that the department is in compliance with the approved State Plan and that the State Plan comports with federal statute. As noted in the analysis, CMS first deferred these payments in February 2004. However, in October 2004, CMS released the deferral, not on the basis that the State end the practice, but that the State submit “the necessary State plan change to create the necessary

⁷ This notice deferred federal participation in \$35.8 million of proshare expenditures from FY 04.

‘firewall’ between funding sources to ensure appropriate matching requirements are met and that funds are used to service individuals in the Medicaid program.”

When this notification was received, no one in Alaska nor at CMS could understand or explain what state plan changes were needed to meet this ‘firewall’ requirement. CMS was asked verbally and in writing several times what this meant. Unfortunately, the only response from CMS has been letters disallowing further claiming.

The State’s position has been and remains that the State has an approved plan amendment to support this claiming. When it was approved, the plan must have met all statutory requirements or CMS would not have approved it. There has been no intervening statutory change.

CMS has promulgated a NPRM on ‘Cost Limit for Providers Operated by Units of Government.’ While this proposal is not applicable to private hospitals, some of the new concepts being imposed on states by CMS are now being codified in this regulatory package. An example is the concept that providers must retain all Medicaid reimbursement. While CMS has taken this position for several years, there has never been anything in statute or regulation to support the CMS position. If the regulations become final, there still may be no statutory basis for this position. The State is aware that in the current federal funding bills for military expenditures, language in both House and Senate versions prevents CMS from implementing these regulations for two years. These are very significant issues that affect all states and demonstrate a substantial difference of position between the federal executive and legislative branches.

This issue is now before the Departmental Appeals Board. A decision is anticipated this year. It would be premature at this point to concede that the CMS actions will prevail in the appeals process and that the department should stop making proshare payments. Once we have the final decision on this matter, the department will act accordingly. It is the department’s belief that to change or cease our proshare claiming practice before a final legal decision is rendered would be a disservice to the legislature, governor, and people of this state. The department is expected to maximize federal funding for our programs through all legal means and, in this instance, the disagreement between the state and CMS will require a judicial decision to resolve the dispute.

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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. 13

DHSS' director of the Division of Senior and Disabilities Services (DSDS) should take action to improve controls over the processing and payment of Personal Care Services (PCS) and Mentally Retarded/Developmentally Disabled (MRDD) waiver service claims.

Review of PCS and MRDD waiver claims paid by Medicaid found multiple instances of noncompliance. We reviewed 46 PCS claims and 14 MRDD waiver claims. We found instances where claims were paid for services that were not provided, claims paid were not supported by timesheets, service plans were calculated incorrectly, and assessments and service plans lacked required approvals. Additionally, DSDS is not conducting biennial compliance reviews of PCS providers as required by regulations.⁸

DSDS has improved controls over the PCS program in recent years by strengthening the assessment process and changing the methodology of how MMIS claims are processed. However, as testing revealed, there are still significant weak areas in both programs. DSDS should improve their oversight of the MRDD waiver and PCS programs.

The MRDD waiver is a federally funded program for individuals with mental retardation, autism, cerebral palsy, or other condition that means the individual functions as if they had mental retardation. To be found eligible for the MRDD waiver, an individual must be diagnosed with a mental or physical disability and apply and be approved by DSDS. The MRDD waiver program is meant to keep individuals with disabilities in their home communities and out of institutions, hospitals, and nursing facilities. The level of support the waiver provides must be the same level of care that would be provided by an institution. Services available under the waiver include residential supported living, day habilitation, residential habilitation, supported employment, care coordination, respite care, transportation, environmental modification, and meal services.

Personal Care Services is a Medicaid program within DSDS that enables functionally disabled and handicapped Alaskans of all ages and frail elderly Alaskans to live in their own home or community, instead of being placed in a more costly and restrictive long-term care institution. The program provides services which help with the difficulties in performing activities of daily living, including bathing, dressing, and grooming; problems with instrumental activities of day living, such as shopping and housekeeping; and with other problems that require semiskilled and/or, in some cases, skilled care. These services are provided in the consumer's home by a PCA.

The State has two types of personal care programs – Agency-Based and Consumer-Directed. Agency-Based allows consumers to receive services through an agency that oversees, manages, and supervises their care. Consumer-Directed allows the consumer to manage his or her own care by selecting, hiring, firing, and supervising their own PCA. The consumer

⁸ 7 AAC 43.792 requires the department to conduct compliance reviews of personal care agencies on a biennial basis and at other times determined necessary by the department.

must be capable of managing their own care or must choose a personal representative who would be involved in the day-to-day management of their care. Although the PCA “works” for the consumer, a personal care agency submits the claim to Medicaid and pays the PCA’s wages. For FY 06, the majority (approximately 90%) of PCS claims were Consumer-Directed.

The personal care program has been in a state of flux for the past few years. Originally, the program consisted of only Agency-Based services. In 2001, Consumer-Directed services were added. The program itself has grown tremendously throughout the past few years. In FY 03, the personal care program had approximately \$39 million in expenditures while the program had over \$83 million in expenditures for FY 06. Program personnel positions have been created and added to keep up with program demands. Regulations have been modified and improved. In recent years, the division of Health Care Services and First Health (the Medicaid fiscal agent) has improved the billing processes for PCS claims making it easier to use edits to evaluate claims. Until recently, the personal care agencies were doing their own assessments and creating their own service plans. DSOS has recently contracted with Arbitre Consulting to provide independent assessments and service plans.

For FY 06, a total of \$83,512,384 in PCS claims and \$66,870,774 in MRDD waiver claims were paid out through the State’s Medicaid payment system. We randomly selected 60 claims for testing. The sample totaled \$24,281.25 from 46 PCS claims and \$18,508.52 from 14 MRDD waiver claims. These figures were reflective of the division of PCS and MRDD claims in our universe.

Testing included ensuring claims were adequately supported, services were provided in compliance with state and federal regulations, providers were certified by DSOS, and providers charged the proper amount per PCS regulations or the MRDD plan of care. Testing also included the personal care service plan. The service plan was reviewed to ensure the service plan reflected the consumer’s assessment, was properly calculated, dated, and signed.

Review of MRDD and PCS claims revealed the following weaknesses:

Unsupported MRDD waiver service costs – Supporting documentation was reviewed for evidence of the service being performed. In three cases there was not sufficient evidence to prove the services were performed. These errors identified a total of \$3,844 in unsupported claims. The federal portion of these expenditures \$2,213, are questioned costs. Using professional standards for projecting to the universe, these errors would project to a total of \$13,509,749. The federally reimbursable portion of these costs is \$7,895,860.

Authorized services were not provided, but maximum time allowable per the service plan was billed – The PCA documents the services performed on a timesheet. Services are assigned an interval of time⁹ and frequency based on a recipient’s service plan. The

⁹ The interval of time is in minutes.

maximum time allowable, per the service plan, is the total time of all the services needed. In 24 cases, the PCS claim reviewed was paid based on the maximum time allowable per the service plan; i.e., as if all services required in the plan were provided. However, the timesheets supporting the claims indicated not all the services were provided. These errors identified a total of \$853 in unsupported claims. The federal portion of these expenditures \$491, are questioned costs. Using professional standards for projecting to the universe, these errors would project to a total of \$2,998,176. The federally reimbursable portion of these costs is \$1,752,303.

Claims were paid for more time than was supported by the provider records – Two claims were paid for more time than was documented in the PCA’s timesheet. These errors identified a total of \$651 in unsupported claims. The federal portion of these expenditures \$375, are questioned costs. Using professional standards for projecting to the universe, these errors would project to a total of \$2,287,906. The federally reimbursable portion of these costs is \$1,337,181.

Service plans were not properly calculated, signed, or dated – The service plan is created by the assessor to reflect the services the consumer needs to be able to continue to reside in their own home. As required by regulations, the assessor signs and dates the service plan annually. The consumer, or their personal representative if they do not have capacity, signs the service plan either agreeing or disagreeing with the services documented. In 16 instances the service plan contained calculation errors, was not signed, or not dated. This includes one instance where the PCA signed as the consumer representative. These errors identified a total of \$7 in unsupported claims.¹⁰ The federal portion of these expenditures \$4, are questioned costs. Using professional standards for projecting to the universe, these errors would project to a total of \$24,601. The federally reimbursable portion of these costs is \$14,378.

Overall, errors totaling \$5,355 were identified. Projecting this amount for the universe tested calculates to a total of \$18,820,431 of which the federally reimbursable portion is \$10,999,723.

Regulations require DHSS to complete biennial compliance reviews of all PCS providers. Per regulations these reviews would include an evaluation of service delivery, service authorization, records maintenance, financial accountability, and recipient satisfaction. Periodic audits for overpayments have been done on various personal care agencies, by independent contractors, as part of 80 annual Medicaid provider audits required by state law. These do not replace the requirement for PCS compliance reviews. DSDS lacks a systematic process for ensuring each provider is subject to a biennial compliance review. DSDS, instead, is relying on the personal care agencies to institute internal controls over personal care services claims. Personal care agencies are responsible for verifying the consumer received the services authorized on the service plan. Claim support is typically not reviewed by First Health or by DSDS. Because DSDS is so dependent on the personal care agencies, it

¹⁰ Service plan errors only resulted in unallowable costs if a calculation error resulted in over claiming.

is essential that DSDS implement a process to ensure all providers are reviewed for compliance on a regular two-year cycle.

Adequate and accurate documentation is essential to validate that services were provided. Documentation requirements should be strengthened for both the PCA program and the MRDD waiver program. Each PCA and MRDD services provider had different supporting documentation. Some providers had stronger documentation than others. DSDS needs to hold the providers accountable and communicate to the providers the documentation requirements expected of them.

We recommend the DSDS director continue taking action to improve controls over the processing and payment of PCS claims and MRDD waiver service claims. This should include improved oversight by conducting periodic reviews of providers to ensure they are providing services they are billing for, and adequately documenting the services provided.

CFDA: 93.778
Questioned Costs: \$3,084

Federal Agency: USDHHS
Reportable Condition, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

The department does not concur with this recommendation only because of the manner in which the recommendation is characterized. Significant efforts have already been made in regard to compliance of the Division of Senior and Disabilities Services (DSDS). Using the current regulations, policies and procedures and with considerable legal support from the Department of Law, Medicaid providers are receiving substantial ongoing feedback from DSDS regarding the need to accurately and thoroughly document services. The outline of these efforts and specific responses to deficiencies are answered below.

Personal Care Services:

The Personal Care Attendant Program (PCA) has grown significantly since the implementation of the Consumer Directed PCA program in 2001. This alternative service precipitated the need for a significant change in the management and oversight of the program as it led to rapid growth nearly doubling the costs from FY03 to FY05.

The process of implementing new PCA regulations, as mandated in the DSDS FY '06 legislative budget language in conjunction with the APS Healthcare, and DHSS compliance reviews, led to a significant slowing of the program's growth. The program was projected to reach \$97 million for FY06 but in fact was less than \$84 million. Since the implementation of new guiding regulations on April 1, 2006 the growth has been reversed and the projection for the PCA program in FY07 is \$78.5 million.

The 14 legislative mandates which were implemented through the April 1, 2006 regulations were as follows:

- a) It is the intent of the legislature that the Department of Health and Social Services implement regulation changes to 7 AAC 43.750 - to control and reduce costs of the personal care attendant program by:*
- (1) Clearly defining recipient eligibility in the “purpose and scope” section where, absent personal care attendant assistance, an individual would require hospitalization or nursing home care;*
 - (2) Clearly defining recipient eligibility in the “purpose and scope” section where, absence of personal attendant care assistance would result in the individual’s loss of employment;*
 - (3) Deleting “stand-by” assistance as an allowable personal care attendant task;*
 - (4) Clearly stating that instrumental activities of daily living are not allowable unless specifically related to an approved task for an activity of daily living need;*
 - (5) adopting an objective client assessment tool that results in a reliable and consistent care plan to be used by personal care attendant providers, personal care attendant agencies, and the department;*
 - (6) Requiring physical certification of an individual’s condition as stated in the personal care attendant assessment to confirm need for services;*
 - (7) requiring that if more than one personal care attendant services recipient resides in the same home, only one personal care attendant is allowed for both recipients;*
 - (8) Tightening enrollment criteria for all providers to require specific training and experience;*
 - (9) Requiring Medicaid certification for personal care attendant provider agencies;*
 - (10) Requiring that the owner or manager of a personal care attendant agency meet a specified minimum level of education and administrative or business experience in a related field;*
 - (11) Clearly stating that an individual’s assessment function will be conducted by department staff or the department’s designee;*
 - (12) Requiring prior authorization by department staff or the department’s designee for all personal care attendant services;*
 - (13) Including a new regulation that prevents the individual solicitation of clients by personal care attendant agencies and provides consequences for those actions;*
 - (14) Reviewing consumer-directed services to determine processes or procedures to improve program effectiveness”*

DSDS has increased the staff assigned to this program from two (2) to fourteen (14) in the past three years allowing for significantly more oversight and control.

There is a class action lawsuit currently being litigated regarding reduction of services through the use of the new standardized assessment tool. An injunction requiring the State of Alaska to disregard the results of the assessment while the case is being decided was not upheld by the court; however, all of the questions have not been resolved.

Deficiencies cited in the letter for the Personal Care Attendant Program and responses follow:

- ***DSDS is not conducting biennial compliance reviews of PCA providers.***

In the past 3 years DSDS has conducted 26 compliance reviews of PCA providers through the provision of the APS and DHSS compliance reviews and 52 Meyers and Stauffer audits completed in response to Senate Bill 41, which mandated 80 audits annually of the Medicaid program. Furthermore, agencies are now required to be certified every two years which includes a review of their policies regarding several key compliance components.

This process and subsequent development of corrective action plans are laying the groundwork to improve compliance and oversight of PCA providers. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- ***DSDS has not begun to individually enroll personal care attendants as required in regulation.***

The regulations cited (7 AAC 43.770 (a) (3)) has been changed and now requires the department to begin the enrollment process “on or after July 1, 2008.” It was determined that staff resources could more effectively be used to review recipients service plans and develop monitoring regimens.

- ***Authorized Services were not provided but maximum time allowable per the service plan was billed. Timesheets of providers did not support time billed for services.***

Provider education and technical assistance is currently taking place in order to help them understand the requirements of this Medicaid Program. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- ***Service plans were not properly calculated (16 plans), signed (Personal Care Attendant Signed for the Recipient) or dated.***

Service plans are now being completed by State of Alaska contractors and reviewed by DSDS staff for compliance with regulations and accuracy of calculations. They are then forwarded to agencies for signature of clients or their Power of Attorney. Specific

attention is being paid to having a legal representative sign for the recipient when the recipient is unable.

Mental Retardation and Developmental Disabilities Waiver

The Mental Retardation and Developmental Disabilities (MR/DD) Waiver has seen several efforts to improve the compliance of providers with Medicaid rules and state regulations. Beginning in calendar year 2006, 100% of Plans of Care and Cost sheets are being reviewed for compliance. Individual recipient surveys are being completed by Regional Program Specialists with feedback being used to assist providers with compliance issues.

Deficiencies cited in the letter for the MR/DD Waiver Program and responses follow:

- ***Unsupported Waiver Service costs due to lack of documentation of services rendered.***

DSDS is developing training opportunities for providers and exploring the use of Regional Program Specialists to complete regular compliance reviews by shifting some of their workload to other staff in the division.

Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: (907) 465-1630

Recommendation No. 14

We recommend the DHSS finance officer ensure the information reported on Quarterly Medical Assistance expenditure reports is accurate and adequately supported.

Expenditure reports submitted to the federal Centers for Medicare and Medicaid Services for the Medicaid and SCHIP programs reported incorrect or unsupported amounts.

Specifically, on the CMS-64 for the fourth quarter, amounts reported for the federal share of administration expenditures, increasing claims adjustments, and decreasing claims adjustments, were not supported by the public assistance cost allocation plan (PACAP) spreadsheets. This resulted in a net difference of \$771,598 between what was reported as the federal share of Medicaid administration expenditures on the CMS-64 and the applicable PACAP spreadsheets.

Additionally, the amount reported on the SCHIP CMS-21 report for first quarter administration expenditures were not supported by PACAP spreadsheets. There was a difference of \$99,179 between what was reported for SCHIP administration expenditures on the CMS-21 and the applicable PACAP spreadsheets.

In both cases, the amount reported on the pertinent report was less than the amount supported by the PACAP spreadsheet.

Departmental PACAP spreadsheets are the basis for determining the amounts claimed for federal reimbursement and for reporting on the Schedule of Expenditures of Federal Awards. As such, the PACAP spreadsheets are directly traceable to the underlying accounting records. Therefore, amounts reported in the above expenditure reports do not agree with the underlying accounting records.

Medicaid regulations require the submission of quarterly reports of actual expenditures. These reports are used by CMS to determine the amount of quarterly grant awards to the State to cover the federal share of expenditures for Medicaid Services and administration. The reports were submitted, however, they were not accurate nor were they adequately supported.

We recommend the DHSS finance officer ensure the information reported on federal Medicaid expenditure reports is accurate and adequately supported.

CFDA: 93.778, 93.767
Question Costs: Indeterminate

Federal Agency: USDHHS
Noncompliance
Reporting

Agency Response – Department of Health and Social Services

The department agrees the DHSS finance officer should ensure that the information reported quarterly on the CMS-64 is accurate and adequately supported; however, the department does not fully concur with all of Legislative Audit's specific recommendations.

In the CMS-64 for the fourth quarter, ended June 30, 2006, Legislative Audit found there was a difference of \$771,598 between the federal share reported on the CMS-64 and the PACAP spreadsheet. Investigation by the department showed the version of the spreadsheet the department provided Legislative Audit was not the final version. Apparently this resulted in Legislative Audit's determination that there was a discrepancy. The final version (December 22, 2006) matches what was claimed on the CMS-64. On one line there was a linkage problem in the final version of the spreadsheet which calculated the Total Fed Share Adjustment at 25% instead of 75%. This did not cause an error in claiming, however, because only the total computable amount is entered in the online database for reporting the CMS-64 (MBES/CBES), not the federal share. The report was submitted accurately and it was adequately supported as the error in the final version of the spreadsheet did not affect

the actual claim. The error did not affect the amount of federal funding drawn as the CMS-64 is the basis for reconciling the quarterly grant award, not the spreadsheets. The total computable and federal share amounts claimed are correct. There is no adjustment required.

The department agrees with the finding that the SCHIP CMS-21 report for the first quarter, ending September 30, 2005, was \$99,179 less than what was supported on the PACAP spreadsheets. The CMS21 reported a \$500,799 total computable amount and \$353,112 federal share. The amount claimed should have been a \$641,822 total computable amount and a \$451,291 federal share. The \$352,112 came from the February 13, 2006 version of the PACAP spreadsheet which was revised August 23, 2006 to the \$641,822 figure. The department has since made an adjustment to claim the difference (\$141,023 total computable and \$99,179 federal share) on the CMS-21 for quarter ending March 31, 2006.

The department has replaced the PACAP spreadsheets with a new cost allocation system, MAXCARS, effective with the quarter ending June 30, 2007, MAXCARS will now be the basis for determining the amounts claimed for federal reimbursement. This new application will ensure that linkage problems found in the spreadsheet are eliminated and that information reported on federal Medicaid expenditure reports is accurate and adequately supported.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: (907) 465-1630*

Legislative Audit's Additional Comments:

We have reviewed DHSS' response and based on inspection of the revised version of the PACAP spreadsheets (version December 22, 2006) provided to us June 20, 2007, we agree the CMS-64 is adequately supported. We reaffirm the finding and recommendation related to the SCHIP CMS-21 report.

Recommendation No. 15

DHSS' finance officer should ensure all interest liabilities due to federal agencies are accurately reported in accordance with federal regulations.

DHSS did not report its interest liabilities due on over-collected federal funds totaling \$7,164,403. These federal funds were claimed for reimbursement in FY 03 on expenditures paid to Indian Health Service facilities that had been deemed unallowable by the federal oversight agency.

The department attempted to exclude the unallowable payments to IHS facilities from their federal draw down process in FY 03 by moving these payments to a state funded account.

However, \$7.2 million of the expenditures were inadvertently missed. Consequently, the department received federal reimbursement and held these funds as deferred revenue until a court decision was reached that ultimately denied the federal reimbursement for those claims in September 2005. The funds were not effectively paid back to the federal agency until August 15, 2006.

According to federal regulation 31 CFR 205, state interest liability accrues from the day federal funds are credited to a state account to the day the State pays out the federal funds for allowable federal assistance program purposes. A State must calculate and report federal interest liabilities on an annual basis. The liability is reported on the Cash Management Improvement Act Annual Report based on the State's fiscal year. While the State has submitted this report every year, this interest liability has not been included.

As of June 30, 2006, over \$533,000 in interest due to the federal government has accrued. An additional \$38,000 has accrued through August 15, 2006.

We recommend DHSS report its interest liabilities to the federal government in accordance with the Cash Management Improvement Act.

CFDA: 98.778

Questioned Costs: None

Federal Agency: USDHSS

Noncompliance

Cash Management

Agency Response – Department of Health and Social Services

The department concurs with this recommendation. The department has discussed the CMIA requirements and processes with the Department of Revenue. The department will report the over-collected federal funds and pay the appropriate interest amount as required under the CMIA.

Legislative Audit states that DHSS owes the federal government interest in the amount of \$571,000. However, 31 CFR Part 205.26(a) states, "... Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. . . ." In accordance with this section, the department would report all liabilities, and the amount to be paid to the federal CMIA in interest is \$500,583.

The Department of Revenue, Division of Treasury, has advised the department that this interest liability payment is a DHSS responsibility due to the inordinate amount of this particular liability. Annual net interest liabilities owed to the federal government and paid through the Treasury Division are normally miniscule in comparison, i.e., under \$50,000.00. Based on the Division of Treasury's advice, DHSS will set aside SFY07 funds to pay this liability. The mechanics of providing the SFY07 funds to the Department of Revenue for payment to the federal treasury account will be worked out with the Departments of Revenue and Administration.

In addition to the DHSS' finance officer ensuring all interest liabilities due to federal agencies are accurately reported, DHSS will also ensure that all interest liabilities due to the State from the federal agencies, i.e., CMS, will be accurately reported in accordance with federal CMIA regulations.

For instance, the department receives numerous deferrals from CMS that go through at times an arduous review process by the Regional CMS office. Many of these deferrals are ultimately resolved and the claims paid by CMS. However, while CMS is holding these federal funds in deferral, DHSS can only pay for Medicaid services by using state funds that were not projected to be used. At this time, there are a number of CMS deferrals that are, or may be incurring, federal interest liability due to delays in CMS' resolution, In particular the School Based Claims deferral of over \$8 million has been continuously questioned with the original deferral occurring in the first quarter of FFY04 and the latest in the first quarter of FFY06. DHSS has offered a resolution on these deferrals; however CMS has refused the offer and is asking for additional documentation. At this point over \$780,000.00 in interest liability has accrued related to this deferral. The department feels confident it will prevail and as such the federal government will owe interest liability when deferred federal funds are released for payment to DHSS claims.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: (907) 465-1630*

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

The health program manager for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Office of Children Services, should establish procedures for reviewing overall program revenue and expenditures, to ensure all expenditures are reported and spending options¹¹ are not lost.

¹¹ Under 7 CFR 246.16(b)(3), state agencies are given a certain amount of flexibility in administering their annual grant authorization. This flexibility is known as spending options. That is, unused prior grant authorization may be used to fund current year WIC administrative expenditures, limited to one percent of their total grant. Conversely, subsequent year grant authorization may also be used to fund current year expenditures, up to one percent of their total grant. However, food grant authorization may only be spent on food expenditures.

Expenditures were understated by \$210,476 on WIC's FNS-798 closeout financial report for its FFY 05 grant. OCS' procedures are not sufficient for monitoring program revenue and expenditures. The underreporting of expenditures resulted in a loss of \$51,523 in spending options available for the FFY 2005 WIC grant. Consequently, those expenditures must be covered by state general funds. Additionally, the program manager was not aware how much the FFY 05 grant was actually overspent due to the underreporting of expenditures.

The misreporting of expenditures was due to a lack of procedures at the program level to reconcile revenues and expenditures. DHSS segregates responsibilities between the draw down and collection of federal revenue, reporting of expenditures and management of the program. Consequently, there is a lack of communication and understanding of the duties and responsibilities between program staff reporting expenditures and staff responsible for collecting federal funds.

7 CFR 246.13(a) requires that state agencies shall maintain a financial management system which provides accurate, current, and complete disclosure of the financial status of the program. This shall include accounting for all program funds received and expended each fiscal year.

We recommend the WIC program manager implement procedures to reconcile program revenue and expenditures and ensure all program expenditures are properly reported in accordance with program regulations.

CFDA: 10.557

Questioned Costs: None

Federal Agency: USDA
Noncompliance
Reporting

Agency Response – Department of Health and Social Services

The department concurs with the recommendation. The WIC program has already implemented corrective action. Specifically, the federal revenue unit staff are providing the WIC program staff with the results of the quarterly cost allocation spreadsheets. The financial results are reconciled to the monthly FNS-798. Any differences or adjustments required are resolved during the reconciliation process.

*Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: (907) 465-1630*

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

No recommendations were made to the Department of Labor and Workforce Development (DLWD) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*.

Three new recommendations have been made and are included as Recommendation Nos. 17, 18, and 19.

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Recommendation No. 17

DLWD's finance officer should work together with the administrative manager responsible for the Unemployment Compensation Fund (UCF) to address accounting issues.

For the past several years, accounting issues in the UCF have been identified during the audit process and not sufficiently addressed by management. Some of the issues may have been created when DLWD replaced its subsidiary unemployment compensation accounting system. Specifically, accounting in the UCF needs improvement for the following:

- **Estimating uncollectible accounts:** DLWD does not have adequate procedures for estimating the amount of uncollectible accounts receivable. Generally accepted accounting principles require that losses (accounts receivable that will not be recovered) be recognized and reported. DLWD has made progress in reviewing the collectibility of its accounts receivable. However, more work is needed to provide an acceptable and reliable basis for estimating the uncollectible amounts.
- **Correctly valuing the transfer of non-fund activity:** Employee taxes related to the State Training and Employment Program (STEP), the Alaska Technical and Vocation Education Program (ATVE), and interest/penalties are held in the UCF and transferred to the general fund. For at least the past two years, the amounts transferred from the UCF to the general fund have not equaled the deposits collected which caused a misreporting between funds. Deposits were \$152,000 less than transfers in FY 05 and deposits were \$72,000 more than transfers in FY 06. DLWD staff is aware the transfers are necessary for proper financial reporting but do not have adequate procedures to ensure the amounts collected and transferred are equal.
- **Accrual of fraud penalties in the fund:** During FY 05, DLWD became aware that fraud penalties associated with benefits issued to federal employees should be retained in the fund. Fraud penalties assessed but not collected should be reported as an accounts receivable of the fund. However, fraud penalty receivable could not be properly valued because DLWD does not have a procedure for estimating the amount of fraud penalties uncollectible.
- **Proper recording of tax receivable accounts:** Unconventional accounting entries that appear to have been necessary under DLWD's old accounting system have created accounting problems. The entries are related to accounting for unemployment taxes owed by employers who have not filed with DLWD. For those employers that do not file, DLWD can assess the amount owed based on historical records or industry standards. When the amounts are assessed, DLWD staff process a series of accounting entries that appear to understate revenue and overstate the allowance for uncollectible receivables. DLWD staff is uncertain why the accounting entries are needed and it is unclear if the financial activity is appropriate.

DLWD management is responsible for ensuring internal controls over accounting and financial accounting for the UCF are adequate. None of the problems discussed above are material to the fund as a whole. However, when considered together, they raise concerns on

the adequacy of internal controls over the valuation and presentation of UCF financial activity and may lead to material misstatement in future years. We recommend DLWD's finance officer work together with the administrative manager responsible for the UCF to investigate the issues discussed above, decide on corrective action, and establish standard procedures to ensure the activities are accounted for and reported in accordance with generally accepted accounting principles.

Agency Response – Department of Labor and Workforce Development

DOLWD concurs with three of the four items specified within this recommendation, and does not concur with the one remaining item, as related to activities with the Unemployment Compensation Fund (UCF).

Estimating uncollectable accounts:

DOLWD concurs, has implemented improvements to the process of estimating uncollectable accounts, and has met all federal requirements for such valuations. DOLWD is confident that with the recently improved tracking software and write-off procedures, the asset account will remain in the allowable range compared to the allowance for doubtful accounts, in accordance with Generally Accepted Accounting Principles.

Correctly valuing the transfer of non-fund activity:

DOLWD concurs, and has implemented updated procedures to ensure adjusting entries are processed during the end of each state fiscal year. Transactions have been submitted to the Division of Finance for SFY2004 to SFY2006.

Accrual of fraud penalties in the fund:

DOLWD does not concur, and has contacted the United States Department of Labor, Employment and Training Administration (ETA) to seek clarification and guidance of the letter sent to DOLWD on January 12, 2005. DOLWD received verbal confirmation that the existing process is what was intended. Jamie Bachinski, Chief of the Division of Workforce Security for ETA, is preparing a written statement that will clarify the intent of this letter and provide concurrence with the current method DOLWD is using in recording interest and/or penalties collected on Federal benefit overpayments. Once received, a copy of this letter will be provided to the audit team for their files. DOLWD requests that this item be removed from the final audit report.

Proper recording of tax receivable accounts:

DOLWD concurs, and processed correcting entries in January, 2007. After a thorough review of the entries initially made in the old and new UCF systems, DOLWD has determined that the accounting entries were unnecessary and caused us to understate revenue and overstate the allowance for uncollectible accounts.

DOLWD remains committed to ensuring the internal controls over the accounting of the UCF are adequate, and that UCF activities are accounted for and reported in accordance

with Generally Accepted Accounting Principles. I appreciate the professionalism displayed and sound advice received from the audit team conducting the FY06 Statewide Single Audit.

Contact Person: William "Bill" Endicott, Assistant Director
Division of Administrative Services
Telephone: (907) 465-5982

Legislative Audit's Additional Comments:

The accounting for fraud penalties is a complex accounting issue. The problem we highlight in the recommendation is related to the proper financial reporting of year-end accruals. If the federal oversight agency permits DLWD to retain penalties in the fund, procedures are needed to properly estimate and report the amount of uncollectible fraud penalties. If the State is required to remit the penalties to the federal agency, procedures are needed to eliminate the receivable which is generated by DLWD's accounting system when penalties are assessed.

In summary, we reaffirm our recommendation.

Recommendation No. 18

The Division of Business Partnership's (DBP) director should implement established procedures to ensure monitoring activities are performed as required and adequately documented.

Monitoring of Workforce Investment Act (WIA) program subrecipients was not performed in accordance with federal regulations. During FY 06, only three of 17 subrecipients receiving WIA funding had a complete on-site review. Other subrecipients had either a partial review on-site or some off-site monitoring efforts; however, these efforts were not sufficient to meet program requirements. Noncompliance could result in federal sanctions.

Inadequate monitoring appears to be due, at least in part, to a lack of coordinated effort between fiscal and program staff responsible for program monitoring. Additionally, scheduling of review activities was not centralized but rather assigned to individual staff personnel on a program-by-program basis.

U.S. Department of Labor 20 CFR 667.410(b)(3) stipulates that the State conduct annual on-site monitoring review of each local area to determine compliance with applicable laws and regulations. Within the approved federal two-year WIA plan, a program waiver designates the entire State of Alaska as a single regional planning area. In that, the division's responsibilities are acting as both a "local area" and the State simultaneously. Therefore, DLWD should be conducting annual on-site monitoring of each subrecipient of the WIA program.

We recommend that DBP's director implement procedures to comply with federal monitoring requirements of WIA program recipients. If the director believes that annual on-site monitoring is not cost-effective, she should obtain a federal waiver for a more efficient monitoring method which could ensure the division meets the needs of the State while remaining in compliance with the goals of the WIA program.

CFDA 17.258, 17.259, 17.260
Questioned Costs: None

Federal Agency: USDOL
Reportable Condition, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Labor and Workforce Development

DOLWD concurs that the Division of Business Partnerships' monitoring activities can be improved. The Division is currently developing a single monitoring schedule for all of its programs. The Division believes that organizational restructuring that occurred late in state fiscal year 2006 is resulting in greater coordination between the program leads and grants administrators in conducting monitoring this fiscal year. Additionally, the Division will seek guidance from the ETA regarding the requirements of 20 CFR 667.410(b)(3) with respect to annual on-site monitoring of all sub-recipients and, if appropriate, will seek a waiver of such requirements.

Please note the following clarification to the Preliminary Report: the State of Alaska still has two local workforce investment areas under the Workforce Investment Act; however, the Department's waiver establishes a single regional planning area. We request the report be changed to reflect this point.

*Contact Person: Corine Geldhof, Director
Division of Business Partnership
Telephone: (907) 465-5937*

Recommendation No. 19

The DLWD finance officer should ensure reimbursable service agreements (RSAs) are paid in a timely manner.

DLWD owes Department of Transportation and Public Facilities (DOTPF) \$27,098 for services provided through an RSA. Failure to pay these expenditures has created a revenue shortfall in DOTPF's Design, Engineering, and Construction appropriation (AR 57504-06).

The OMB Revised Program Manual and AS 36.30.730(b) specify that a requesting agency shall pay for the expenses of the services provided in accordance with the agreement between the parties.

Reimbursement by DLWD to DOTPF has not occurred, due to other accounting issues that need to be resolved by DLWD staff before the payment can be made.

We recommend that DLWD's finance officer review and correct outstanding accounting issues to ensure that interagency billings on RSAs are paid in a timely manner.

Agency Response – Department of Labor and Workforce Development

DOLWD concurs with the recommendation that RSA's are to be paid in a timely manner, and that DOLWD owes the Department of Transportation and Public Facilities for services rendered under the RSA mentioned. During the fiscal year-end closeout process, DOLWD processed restrictions and deferrals as required, which accounted for this outstanding obligation. However, subsequent to that action, revenue refunds were issued to students of the Alaska Vocational Technical Center (AVTEC) for dropped courses as required by federal grant requirements. This action has caused the shortfall addressed in the letter. The DOLWD Finance Officer will work with the Director of AVTEC to review and correct the outstanding accounting issues, and to establish procedures to avoid similar shortfall issues in the future.

*Contact Person: William "Bill" Endicott, Assistant Director
Division of Administrative Services
Telephone: (907) 465-5982*

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

One recommendation was 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, 2005*. The prior year recommendation has been resolved.

One new recommendation has been made during the FY 06 statewide single audit and is included as Recommendation No. 20.

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Recommendation No. 20

The DCCED financial officer should take measures to resolve revenue shortfall issues.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 06, two shortfalls have been identified for DCCED. These shortfalls are as follows:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 29507-06	Community Assistance	\$16,000
AR 29550-06	Investments	\$34,000

We recommend that DCCED's finance officer work with the directors of the pertinent operating divisions to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.

Agency Response – Department of Commerce, Community, and Economic Development

The \$34,000 revenue “shortfall” for the Division of Investment’s AR 29550-06 is not a shortfall. This appropriation is funded from numerous statutory revolving loan funds. Because a terminated appropriation may continue incurring expenses and/or reduce its obligations for up to 12 months after the appropriation has terminated – the final amount of cash needed to cover actual expenses was not determined until after the re-appropriation period. A sufficient amount of cash has been transferred from the revolving loan funds to cover the appropriation’s actual expenses.

The \$16,000 revenue shortfall reflected was in reality a \$45,000 to \$53,000 revenue shortfall. Since an over collection in one revenue type can not subsidize the under collection of another revenue type, the revenue shortfall should have been determined at the Legislative allocation and not the Legislative appropriation level. The correct revenue shortfall of \$45,000 to \$53,000 was reflected at the Legislative allocation level (AR 29673-06).

The shortfall resulted from the Alaska Marine Highway System (AMHS) not honoring a Reimbursable Services Agreement (RSA) it had with DCCED. As has been the case since 2003, Commerce’s Tok staff booked ferry reservations for the AMHS in FY06 and payment for those services was suppose to be ten percent of the sales. In June 2006 (end of fiscal year) AMHS notified DCCED that it would not be able to pay DCCED. Consequently, DCCED requested ratification during the 2007 Legislative session. The request was denied because the AMHS was requesting a supplemental. AMHS received their supplemental and has since paid DCCED and there is no longer a shortfall.

Contact Person: Philiciann (Phil) Bennett, Finance Officer
Telephone: (907) 465-5445

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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, 2005*.

No new recommendations have been made during the FY 06 Statewide Single Audit.

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DEPARTMENT OF NATURAL RESOURCES

No recommendations were made to the Department of Natural Resources (DNR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*.

No new recommendations have been made during the FY 06 statewide single audit.

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DEPARTMENT OF FISH AND GAME

One recommendation was made to the Department of Fish and Game (DFG) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*. The prior year recommendation has been resolved.

No new recommendations have been made during the FY 06 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY

No recommendations were made to the Department of Public Safety (DPS) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*.

One new recommendation has been made during the FY 06 statewide single audit and is included as Recommendation No. 21

(Intentionally left blank)

Recommendation No. 21

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

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 06, one revenue shortfall was identified for the Department of Public Safety. The shortfall is:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 46730-06	Fire Prevention	\$15,000

We recommend the DPS finance officer work with pertinent staff to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.

Agency Response – Department of Public Safety

Recommendation No. 21 recommends that “the DPS finance officer work with pertinent staff to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.”

The department has acted on this recommendation and the outstanding revenues have been collected. No supplemental appropriations will be needed.

*Contact Person: Dan Spencer, Director
Division of Administrative Services
Telephone: (907) 465-5488*

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

No recommendations were made to the Department of Environmental Conservation (DEC) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*.

No new recommendations have been made during the FY 06 statewide single audit.

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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, 2005*.

One new recommendation has been made during the FY 06 statewide single audit and is included as Recommendation No. 22.

(Intentionally left blank)

Recommendation No. 22

DOC's administrative services director should take measures to resolve revenue shortfall issues.

The State Budget Act provides that if actual collections fall short of appropriated program receipts, an agency is required to reduce its budget by the estimated reduction in collections. For FY 06, two shortfalls were identified for DOC. These shortfalls, after eliminating revenues recorded for uncollected accounts receivable, are:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 51299-06	Offender Tracking Information System	\$ 83,000
AR 50582-05	Existing Community Residential Centers	\$ 28,000

We recommend that DOC's administrative service director work with staff of the pertinent divisions to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts.

Agency Response – Department of Corrections

The Department of Corrections (DOC) concurs with your recommendation. We have reviewed potential revenue shortfalls for the referenced appropriations which result in the following conclusions:

Appropriation Number 51299-06 Offender Tracking Information System

Appropriation 51299-06 appears to have a revenue shortfall in the amount of \$59,856.00. This shortfall is the result of inadvertently processing a general warrant transaction against an account receivable open item. DOC personnel involved in preparing and processing revenues for restricted receipts have been advised of this situation and measures for improved internal controls have been implemented to avoid future occurrences of this nature.

Appropriation Number 50582-05 Existing Community Residential Centers

Appropriation 50582-05 has an Accounts Receivable open item reflecting the amount of restricted receipts collected by the Department of Law (DOL) on the behalf of the Department of Corrections, The dollar amount DOC used as support documentation when establishing this receivable was taken directly from the FY05 total dollar amount of judgments received and collected by the Departments of Law. The amount not collected by the end of the reappropriation was the amount used to establish this receivable.

Efforts have been made by DOC to work jointly with the Department of Law to determine why these collected receipts have yet to be forwarded to our department. Further discussions with DOL are underway to determine if actual collections truly fell short or if they are pending transfer to DOC.

The Department of Corrections administration is committed to collecting earned revenues, if available. Actions to resolve these revenue shortfalls are ongoing, including the possibility of requesting ratifications, if necessary, for remaining balances next legislative session.

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 Administrative Services
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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Two recommendations were made to the Department of Transportation and Public Facilities (DOTPF) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2005*. Prior year Recommendation Nos. 28 and 29 are considered resolved.

Three new recommendations have been made during the FY 06 statewide single audit and are included as Recommendation Nos. 23, 24, and 25.

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Recommendation No. 23

The DOTPF finance officer should ensure staff are properly trained to record expenditures to the correct chart of accounts (COA) year.

In FY 06, over \$13.6 million of expenditures were incorrectly recorded to the wrong COA year. This error occurred primarily due to the lack of training of staff responsible for processing and recording transactions in the State's Accounting System (AKSAS). Reporting expenditures to the wrong COA year leads to misstatements in the State's Comprehensive Annual Financial Report.

Alaska Statute 37.05.150 requires the State's accounting system to be in accordance with accepted principles of governmental (fund) accounting. Generally accepted accounting principles require governmental funds be accounted for, and reported, on a modified accrual basis. Under the modified accrual basis of accounting, measurable expenditures should be recognized in the accounting period in which the fund liability is incurred.

COA year is used in AKSAS to ensure expenditures are reported to the year in which goods and services are received. We recommend the DOTPF finance officer improve employee training to ensure expenditures are reported in AKSAS to the correct COA year.

Agency Response – Department of Transportation and Public Facilities

DOT&PF agrees with this recommendation. Since we are at the end of the fiscal year, training has been provided to ensure that employees understand the correct fiscal year posting of transactions.

*Contact Person: Nancy Slagle, Director
Division of Administrative Services
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Recommendation No. 24

The DOTPF finance officer should take measures to ensure the validity of financial transactions and resolve an overspent appropriation.

The DOTPF finance officer directed that over \$940,000 of Alaska Marine Highway System (AMHS) fuel expenditures be recorded as prepaid expense¹² in FY 06, even though the

¹² Prepaid expenses are expenses paid in cash and recorded as assets before they are used or consumed. At year-end, prepaid expenses are recorded for goods paid for in the current year but not used or consumed until the next fiscal year.

vendor invoices supported the fuel was consumed before year-end. Classifying these expenditures as a prepaid item caused the financial activity for the AMHS fund to be misreported. Initially, DOTPF staff erroneously processed these fuel expenditures in FY 07 due to a cash shortage in FY 06.

After identification of the inappropriate activity, a correction was made to properly present the fuel expenditures in the State’s FY 06 Comprehensive Annual Financial Report. However, that correction was not recorded to the Alaska Marine Highway operating appropriation (AR 57518-06). Consideration of these expenditures at the appropriation level results in an over-expended appropriation as follows:

<u>Appropriation Number</u>	<u>Appropriation Title</u>	<u>Amount</u>
AR 57518-06	Alaska Marine Highway	\$ 398,426

Article IX, Section 13 of the Alaska Constitution requires that “*no money shall be withdrawn from the treasury except in accordance with appropriations made by law.*”

Additionally these fuel expenditures increase AMHS’ total FY 06 expenditures, in excess of revenues, to \$4.8 million and contribute to a negative fund balance of \$10.7 million at the end of FY 06.

We recommend DOTPF’s finance officer strengthen controls to ensure financial transactions entered in AKSAS are valid and appropriate. Further, we recommend that DOTPF’s finance officer work with AMHS’ management to request ratification from the legislature to resolve the overspent appropriation.

Agency Response – Department of Transportation and Public Facilities

There were no funds available from FY06 for the payment of outstanding fuel invoices nor were we allowed by the Division of Finance to process the payments from FY07. Additionally, there were no other FY06 funds from which to pay these invoices nor were there opportunities to add funds to cover these expenses. Finally, last summer the fuel distributors were discussing their options regarding the unpaid invoices including the exercise of liens or arresting our vessels. Under these circumstances we believed that paying the invoices as pre-pay inventory items was a reasonable approach. We hope that the Legislature will assist us in finding a means to deal with this type of situation should it reoccur.

DOT&PF concurs with the identification of approximately \$940,000 in fuel bills that should have been charged to FY06 rather than as a pre-pay. Verification of inventory levels supports this action. A request was submitted and the Legislature approved a general fund supplemental to cover the FY06 over-expenditure.

Contact Person: Nancy Slagle, Director
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Recommendation No. 25

The DOTPF director of administrative services should coordinate with AMHS management to establish a sound fiscal policy for the AMHS fund.

Currently, the AMHS fiscal policy is weak. Management expends AMHS fund resources as cash is collected without adequate consideration to the revenue earning process. This practice, along with increased operating costs and less than anticipated revenues, has contributed to an AMHS fund deficit of \$10.7 million at the end of FY 06.

The intent of Alaska Statute 19.65.050(c) is to “*encourage prudent administration through cost management and accurate budgeting by managers of the Alaska marine highway system ... increase revenue ... with sound fiscal policy, and assist the prudent management and operation of the system;*”.

Due to the nature of AMHS operations, cash is collected for ferry ticket sales and revenue is recorded. At year-end the revenue recorded for ferry ticket sales of the next fiscal year are reclassified as a liability, or unearned revenue, for financial reporting purposes. However, due to management’s practice of operating the AMHS fund on a cash basis, much of the cash collections for the unearned revenues have already been expended for current operations.

Prudent financial management should include consideration of the revenue earnings process, rather than focusing on the availability of cash. Implementing prudent and effective management controls requires accurate and timely financial information. Currently, information regarding the amount of earned and unearned revenue is determined only at year-end.

We recommend that AMHS’ management implement procedures to consider the earning process to ensure accurate and reliable information is available for financial planning and decision-making. More specifically, DOTPF’s fiscal staff should periodically recognize unearned AMHS revenue—at a minimum monthly, and more frequently if necessary—to provide good financial information to AMHS management.

Agency Response – Department of Transportation and Public Facilities

AMHS management supports the concept of a strong fiscal policy with regards to the AMHS fund. The current policy of spending cash as it is received and not when earned is not sound policy. The following is a list of challenges that need to be overcome to successfully

implement a cash management system that only spends cash receipts as earned and not as collected.

- *Restore the fund to a cash neutral position - At the end of fiscal year 2006 the fund had a negative balance of \$10.7M*
- *Revisit AMHS credit policy*

Currently approximately 25% of AMHS' customers operate on a credit basis. This represents companies like Alaska Marine Lines and Lynden Transport who have a 65-day period to pay their invoices. To meet the intent of the cash management recommendation, credit policies would have to be eliminated. This would put stress on the market demand curve because businesses are built on some type of float period. Another option is to provide funding to cover this float period.

- *Formulate contingency plans for periods of budget deficits with regard to earned revenues.*

The current market is demanding schedules be posted up to 2 years in advance. In doing this AMHS is committing to provide that service. The time period between providing service and verifying budgeted earned revenues can be problematic as the customer mix is made up of prepaying and walk-on customers and current reservations software do not provide for real time revenue analysis. A component of the revenue mix is comprised of passenger service amenities such as food and beverage sales which are not booked ahead of time and therefore have a risk element when forecasting.

Because the traveling public needs a forward looking schedule, plans should be developed that allow for service curtailments in the most efficient way possible when faced with a period of unmet budget assumptions with regards to earned revenues.

Cash management policies that formulate monthly service levels for spending only earned revenues will be difficult to establish and implement and still provide the traveling public with the service for which they are asking. Other possible alternatives could include the capitalization of the AMHS fund, a separate appropriation for use when emergencies occur, or a special fund controlled by the Legislative Budget and Audit Committee to deal with unforeseen circumstances.

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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, 2005*.

No new recommendations have been made during the FY 06 statewide single audit.

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COMPONENT UNITS

This section includes three federal compliance recommendations; one directed to Alaska Housing Finance Corporation (AHFC) and two directed to the University of Alaska. These component units are audited by other auditors. Complete copies of their reports may be obtained directly from AHFC and the University of Alaska.

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Alaska Housing Finance Corporation (AHFC)

Recommendation No. 26

Section 8 Rental Assistance Program Cluster

Criteria: According to 24 CFR Part 882, Subpart H, the housing agency must provide a full explanation of the family and owner responsibilities under the lease and contract to each participant in the Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) program. The housing agency is responsible to maintain such records as are necessary to demonstrate compliance with HUD requirements for this program. According to AHFC's Section 8 SRO Moderate Rehabilitation Administrative Plan, Part B - Mandatory Federal Requirements, page 8, item 3, "New participants must sign a 'Statement of Family Responsibility', Form HUD 52578-B, acknowledging their obligations and responsibilities to AHFC. The OWNER and AHFC will retain certain documentation as outlined in Part D of this Administrative Plan." The above-mentioned Administrative Plan, Part C – Participant Selection, item 4, File Documentation table, states that both AHFC and the Owner, identified as Anchorage Neighborhood Housing Services, (ANHS) should retain HUD Form 52578 – B in their files for each participant.

Condition: Of the files of 6 participants tested for the Section 8 SRO program, one was found to contain no evidence that HUD Form 52578 – B had been signed by the participant. Neither the ANHS file nor the AHFC file contained the document. In the case of a different participant, both files contained a partial document, one page of the two page form.

Context: There were 57 participants on the rental roll for the Adelaide SRO program. Six participants were selected and we obtained their files from AHFC and ANHS and tested them for this requirement. The noted exceptions represent 33 percent of the sample tested and 3.5 percent of the total participants.

Effect: We were unable to determine if ANHS or AHFC informed the participants noted above of their responsibilities under the program. It appears that AHFC may not be in compliance with the documentation requirements for the Section 8 SRO Moderate Rehabilitation Program and does not appear to be consistently following its own administrative plan for this program.

Cause: AHFC Public Housing has researched the files in question. The cause of this find was found to be oversight and error. The AHFC has contacted the ANHS to review policy and procedures.

Recommendation: We recommend that the AHFC Public Housing Department provide training for staff at ANHS regarding documentation requirements for this program. We also recommend that PHD perform a complete file review of participant files kept by

AHFC and ANHS to detect and correct any deficiencies in their documentation for the Section 8 SRO program. We encourage AHFC to continue its program of periodic quality control file reviews for the Section 8 programs.

CFDA: 14.182, 14.195, 14.249, 14.856

Questioned Cost: Not Determinable

Federal Agency: HUD

Noncompliance

Eligibility

Agency Response: Alaska Housing Finance Corporation

AHFC has identified the files with the missing documentation. ANHS has been instructed to follow the procedures for documentation and ensure they adhere to the procedures. ANHS will set an appointment with the two clients in order to complete the file with the proper documentation. In addition, ANHS will review all of the files to ensure they are complete by October 31, 2006. AHFC has instituted a procedure to check file documentation submitted from ANHS to ensure proper documentation has been submitted before paying HAP payments. Each paperwork package must contain the 52578-B before it is posted for payment. AHFC will also continue its program of periodic sample reviews for the Section 8 program.

*Contact Person: Kevin Tune, Director
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University of Alaska

Recommendation No. 27

Criteria or Specific Requirements: According to the Code of Federal Regulations (CFR), Title 34, Section 668-22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

According to the CFR, Title 34, Section 668-173, returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate FFEL lender as soon as possible, but no later than thirty days after the date the institution determines the student withdrew.

Condition: For the program year 2005-2006, the University of Alaska Anchorage failed to identify withdrawn Title IV recipients in a timely manner.

Context: Isolated to Federal Family Education Loans and Federal Pell Grant Program.

Effect: The University of Alaska Anchorage returned Title IV funds untimely for 38 of the 101 students that withdrew from the institution.

Recommendation: The University should make every effort to return Title IV funds within the allowable time period.

CFDA: 84.032, 84.063
Questioned Costs: None

Federal Agency: USDOE
Noncompliance
Special Tests and Provisions

Agency Response: University of Alaska

During the program year 2005-2006, the University of Alaska Anchorage modified the procedure for applying for student withdrawal in person to include a web-based process. Students using the web-based withdrawal process were not captured in the data utilized to determine which students had withdrawn from the institution. Once the university determined the 38 students were missing in the refund calculation, the procedure was changed and the refunds for the missing students were made. For the program year 2006-2007, a new report has been designed to include both populations of students that withdraw in person and online.

*Contact Person: Janice Coker, Financial Accounting Manager
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Recommendation No. 28

Criteria or Specific Requirements: According to the Code of Federal Regulations (CFR), Title 29, Section 5-5, nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed a copy of the payroll and a statement of compliance (certified payrolls).

Condition: For grant awards #P031N000007, #P031N000004, #P031N050007, and #P031N050005-05, the University did not enforce the receipt of all required weekly certified payrolls.

Context: Isolated to four grants within the Institutional Aid Program.

Effect: The University did not receive all required weekly certified payrolls from contractors or subcontractors.

Recommendation: The University should make every effort to ensure weekly certified payrolls are received from contractors or subcontractors as required by the Davis-Bacon Act.

CFDA: 84.031

Questioned Costs: None

Federal Agency: USDOE

Noncompliance

Davis-Bacon

Agency Response: University of Alaska

During the program year 2005-2006, the University of Alaska Fairbanks Facilities Services' Division of Design and Construction did not receive or have on file all of the required weekly certified payrolls for awards #P031N000007, #P031N050007, and #P031N050005-05. For completed project award #P031N000004, certified payrolls were no longer maintained on file once the Alaska Department of Labor's Notice of Completion was received.

Corrective action will include the following steps:

- Project managers will ensure certified payrolls are received from contractors and subcontractors on a weekly basis.*
- If weekly certified payrolls are not received, a log will be maintained documenting the university's efforts to obtain the records.*
- Certified payrolls will be maintained with project files upon project completion.*

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State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2006

Part I – Summary of Auditor’s Results

- a) An unqualified opinion was issued on the basic financial statements of the State of Alaska.
- b) Reportable conditions, but no material weaknesses, in internal controls over financial reporting were disclosed by the audit of the basic financial statements.
- c) There were no instances of noncompliance which were 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 29 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 29 major federal programs for the fiscal year ended June 30, 2006 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.760	Water and Waste Disposal Systems for Rural Communities
11.437	Pacific Fisheries Data Program
11.438	Pacific Coast Salmon Recovery – Pacific Salmon Treaty Program
12.400	Military Construction, National Guard
12.999	Track Realignment Projects
14.182, 14.195, 14.249	Section 8 Project Based Cluster
14.872	Public Housing Capital Fund
15.605, 15.611	Fish and Wildlife Cluster
17.258, 17.259, 17.260	Workplace Investment Act Cluster
20.106	Airport Improvement Program

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2006

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

<u>CFDA or Other Identifying Number</u>	<u>Title of Federal Program</u>
20.509	Formula Grants for Other Than Urbanized Areas
20.999	Rail Safety and Track Rehabilitation Projects
66.606	Surveys, Studies, Investigations, and Special Purpose Grants
84.007, 84.032, 84.033, 84.063	Student Financial Aid Cluster
84.031	Higher Education – Institution Aid
84.041	Impact Act
84.282	Charter Schools
84.352	School Renovation Grants
84.367	Improving Teacher Quality State Grants
90.100	Denali Commission Program
93.210	Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and HIS Compacts/Funding Agreements
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.575, 93.596	Child Care Cluster
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.767	State Children’s Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster

- h) A threshold of \$7,997,200 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.

Part II – Findings Related to the Basic Financial Statements

State of Alaska Division of Legislative Audit
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006

Reportable Conditions

<u>State Department</u>	<u>Recommendation Numbers</u>	<u>Comments</u>
Labor and Workforce Development	Recommendation No. 17	
Transportation and Public Facilities	Recommendation No. 23	
	Recommendation No. 24	

Irregularities and Illegal Acts

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

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2006

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA		
Recommendation No. 8	\$ 11,501	Noncompliance
Recommendation No. 16	None	Noncompliance
USDOE		
Recommendation 27	None	Noncompliance
Recommendation 28	None	Noncompliance
USDHHS		
Recommendation No. 5	223,680	Reportable Condition, Noncompliance
Recommendation No. 6	Indeterminate	Reportable Condition, Noncompliance
Recommendation No. 7	137,941	Noncompliance
Recommendation No. 8	370,900	Noncompliance
Recommendation No. 9	None	Material Weakness
Recommendation No. 10	None	Reportable Condition, Noncompliance
Recommendation No. 11	Indeterminate	Noncompliance
Recommendation No. 12	21,570,145	Noncompliance
Recommendation No. 13	3,084	Reportable Condition, Noncompliance
Recommendation No. 14	Indeterminate	Noncompliance
Recommendation No. 15	None	Noncompliance
USDOL		
Recommendation No. 18	None	Reportable Condition, Noncompliance
HUD		
Recommendation No. 26	Not Determinable	Noncompliance

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



Division of Legislative Audit

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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 financial statements of the governmental activities, the business-type activities, the aggregate discreetly 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, 2006, which collectively comprise the State of Alaska's basic financial statements and have issued our report thereon dated November 29, 2006. 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. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Permanent Fund (Major Fund); Alaska Industrial Development and Export Authority (Component Unit); and Supplemental Benefit System, Public Employees Retirement System, and Teachers Retirement System (Fiduciary Funds).

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Alaska's ability to initiate, record, process, and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying Summary of Recommendations and Schedule of Findings and Questions Costs in Section II – Recommendations and Questioned Costs of this report.


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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions identified above are a material weakness.

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 matters which are described in the preceding Section II – Recommendations and Questioned Cost of this report. 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 and 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

November 29, 2006

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program, on Internal Control Over
Compliance and on Supplementary
Information – 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, 2006. 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, 2006. 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 summarized in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described in detail in Section II - 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 requirements of 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 Section II - Recommendations and Questioned Costs section.

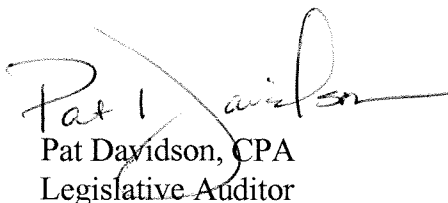
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable laws, regulations, contracts, and grants caused by error or fraud that would be material 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 as identified on the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs, we consider Recommendation No. 9 to be a material weakness as described, in detail, in the preceding Section II - Recommendations and Questioned Costs section.

Schedule of Expenditure 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, 2006, and have issued our report thereon dated November 29, 2006. That report, presented in Section I, describes our division of responsibility with other auditors. 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

March 28, 2007, except for the
Schedule of Expenditures of
Federal Awards, which is
dated November 29, 2006

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By Federal Agency
(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
U.S. Department of Agriculture						
DNR	10.001		Agricultural Research - Basic and Applied Research	\$ 8,816		
UofA	10.001		Agricultural Research - Basic and Applied Research	222,269		463,252
UofA	10.001		Agricultural Research - Basic and Applied Research	1,022,887	10	
	10.001 Total			1,253,972		463,252
DEC	10.025		Plant and Animal Disease, Pest Control and Animal Care	194,501	5	
DFG	10.025		Plant and Animal Disease, Pest Control and Animal Care	43,044	6	
DNR	10.025		Plant and Animal Disease, Pest Control and Animal Care	474,966	5,6	
	10.025 Total			712,511		
UofA	10.029	Pending	Avian Influenza Indemnity Program Pass-through University of Maryland	46,506	10	
DNR	10.156		Federal-State Marketing Improvement Program	19,135	5	
DNR	10.162		Inspection Grading and Standardization	13,328		
DNR	10.163		Market Protection and Promotion	88,802		
UofA	10.200		Grants for Agricultural Research, Special Research Grants	423,638		532,347
UofA	10.200		Grants for Agricultural Research, Special Research Grants	5,422,166	10	
	10.200 Total			5,845,804		532,347
UofA	10.206		Grants for Agricultural Research - Competitive Research Grants	40,510	10	
UofA	10.228		Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,009,216		127,552
UofA	10.302	RCUH LTR JAN 1, 02	Initiative for Future Agriculture and Food Systems Pass-through University of Hawaii, HILO	13,921		
UofA	10.303	BJKE27-UA (PO013815)	Integrated Programs Pass-through University of Idaho	66,204		
UofA	10.303	K009607-AK AMEND 2	Integrated Programs Pass-through University of California, Davis	17,322		
UofA	10.303		Integrated Programs	15,091		
UofA	10.303		Integrated Programs	128,410	10	
	10.303 Total			227,027		
UofA	10.457		Commodity Partnerships for Risk Management Education	13,939		
UofA	10.500	104777-G00189_0	Cooperative Extension Service Pass-through Washington State University	155,338		
UofA	10.500	K007797-02	Cooperative Extension Service Pass-through University of California, Davis	26,199	10	
UofA	10.500	S05043	Cooperative Extension Service Pass-through Kansas State University	16,758		
UofA	10.500	UTSTUNV6160:6128STATE	Cooperative Extension Service Pass-through University of Wyoming	4,553		
UofA	10.500		Cooperative Extension Service	2,785,725		85,014
UofA	10.500		Cooperative Extension Service	305,390	10	
	10.500 Total			3,293,963		85,014
DEED	10.550		Food Donation	1,769,849	15	1,769,849
DHSS	10.551		Food Stamps	84,775,024	7,10	
DEED	10.553		School Breakfast Program	4,722,588	10	4,707,175
DEED	10.555		National School Lunch Program	22,245,720	10	22,216,161
DEED	10.556		Special Milk Program for Children	12,800	10	12,800

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DHSS	10.557		Special Supplemental Nutrition Program for Women, Infants, and Children	22,595,751	3,8	5,841,613
DEED	10.558		Child and Adult Care Food Program	7,440,673		7,403,198
DEED	10.559		Summer Food Service Program for Children	436,492	10	412,675
DEED	10.560		State Administrative Expenses for Child Nutrition	697,891		
DHSS	10.561		State Administrative Matching Grants for Food Stamp Program	9,667,050	10	
DEED	10.568		Emergency Food Assistance Program (Administrative Costs)	140,550	10	131,317
DEED	10.574		Team Nutrition Grants	29,286		
ASMI	10.601		Market Access Program	4,104,959	5	
ASMI	10.605		Quality Samples Program (QSP)	9,171		
UofA	10.652		Forestry Research	99,509	10	5,838
DCCED	10.664		Cooperative Forestry Assistance	9,662		
DNR	10.664		Cooperative Forestry Assistance	3,155,859	6	385,534
UofA	10.664		Cooperative Forestry Assistance	126,228		
UofA	10.664		Cooperative Forestry Assistance	81,835	10	
			10.664 Total	3,373,584		385,534
DCCED	10.665		Schools and Roads - Grants to States	9,115,491	10	9,115,491
DOTPF	10.665		Schools and Roads - Grants to States	170,000	10	
			10.665 Total	9,285,491		9,115,491
DCCED	10.672		Rural Development, Forestry, and Communities	113,881		74,645
DNR	10.676		Forest Legacy Program	23,857	5	
DNR	10.677		Forest Land Enhancement Program	235,930		11,724
DNR	10.680		Forest Health Protection	10,069		
UofA	10.680		Forest Health Protection	55		
			10.680 Total	10,124		
DEC	10.760		Water and Waste Disposal Systems for Rural Communities	20,925,504	3,5,6	2,653,816
DCCED	10.766		Community Facilities Loans and Grants	3,189,466		3,157,682
UofA	10.769		Rural Business Enterprise Grants	53,572		
DCCED	10.857		State Bulk Fuel Revolving Fund Grants	281,592	5	418,592
UofA	10.901		Resource Conservation and Development	2,926	10	
DNR	10.905		Plant Materials for Conservation	563,583	6	
UofA	10.999	1165133	Miscellaneous	692,526	10	
ARRC	10.999	05DG1110000226	U.S. Department of Agriculture-Forest Service-Whistle Stop	24,875	9	
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 JPL 68690	8,481		
DOTPF	10.999	USDA 05RO-11100100-098	Design for reconstruction of Forest Service Rd 8453, Skater Cabin	321,575		
DOTPF	10.999	USDA 05RO-11100100-120	Design 24' bridge on Forest Service Rd 81 A-Lewis Reef Rd	34,947		
DOTPF	10.999	USDA 05RO-11100100-127	Design & construct AMHS interpretive portal prototype for Forest Service	19,155		
DOTPF	10.999	USDA 68-0150-5-009	Design & construct facility for the Plant Materials Center in Palmer	413,240		
DFG	10.999		Miscellaneous U.S. Forest Service	873,222	5,6	
UofA	10.999		Miscellaneous	311,862		
			10.999 Total	2,699,883		
DPS	10.02CA-111001-039		Cooperative Law Enforcement Agreement	35,825		
DEC	10.06-9702-1613		High Pathogenic Avian Influenza	72,362		
DNR	10.12-25-A-4454		National Organic Costs Share	4,278		

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DEC	10.43-0109-4-0380		Forest Service Regulatory Oversight	1,647	6	
DNR	10.43-0120-4-0169		Spot Revegetation (purchase order)	6,437		
DNR	10.43-0120-4-0210		Scenic Byways Maps & Signs	5,016		
DNR	10.43-0120-5-0113		Spot Revegetation #2 (purchase order)	3,453		
DEC	10.AF-0109-P-06-0024		Forest Service Regulatory Oversight	11,499		
DNR	10.L83008		USFS Fire Suppression	1,376,487		
DNR	10.PO-0150-05-030		NRCS Imagery Purchase	9,555		
AEA	10.UNK	Memo of Understanding	Rural Energy Conference Travel Assistance	5,000		
Total U.S. Department of Agriculture				213,616,899		59,526,275
U.S. Department of Commerce						
AIDEA	11.300	07-01-05278	Grants for Public Works and Economic Development Facilities	459,355	10	
UofA	11.300	F0414	Grants for Public Works and Economic Development Facilities Pass-through North Pacific Research Board	35,870	10	
11.300 Total				495,225		
UofA	11.303		Economic Development - Technical Assistance	111,272		
UofA	11.303		Economic Development - Technical Assistance	(4)	10	
11.303 Total				111,268		
DCCED	11.307		Economic Adjustment Assistance	197,366	5,10	29,183
UofA	11.307		Economic Adjustment Assistance	943,395	10	
11.307 Total				1,140,761		29,183
DFG	11.405		Anadromous Fish Conservation Act Program	309,373	5,6	
DFG	11.407		Interjurisdictional Fisheries Act of 1986	141,878	6	
DFG	11.417		Sea Grant Support	334,422	6	
UofA	11.417		Sea Grant Support	769,555		59,779
UofA	11.417		Sea Grant Support	1,801,328	10	
11.417 Total				2,905,305		59,779
DCCED	11.419		Coastal Zone Management Administration Awards	1,445,695	4,5	1,280,399
DMVA	11.419		Coastal Zone Management Administration Awards	101,716		44,466
DNR	11.419		Coastal Zone Management Administration Awards	1,656,364	5,6	
11.419 Total				3,203,775		1,324,865
DFG	11.420		Coastal Zone Management Estuarine Research Reserves	560,211	6	
UofA	11.420		Coastal Zone Management Estuarine Research Reserves	18,660	10	
11.420 Total				578,871		
UofA	11.430		Undersea Research	1,842,656	10	980,304
UofA	11.432		Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	4,663,791	10	696,537
DFG	11.437		Pacific Fisheries Data Program	5,895,030	3,6	
DFG	11.437		Pacific Fisheries Data Program - Pass Through Pacific States Marine Fisheries Commission	2,257,480	3,6	
11.437 Total				8,152,510		
DCCED	11.438		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	5,597,082	3,4	4,611,395
DFG	11.438		Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	20,309,617	3,4,6	3,120,582
OG	11.438		Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	(199)	3	
11.438 Total				25,906,500		7,731,977
UofA	11.439	Award LTR 6/17/03	Marine Mammal Data Program Pass-through Aleutians East Borough	24,543	10	

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	11.439	NA 05NMF4391068	Marine Mammal Data Program Pass-through North Pacific Marine Science Foundation	68,577	10	
UofA	11.439	R0601-01	Marine Mammal Data Program Pass-through Seward Association for Advancement of Science (SAAMS)	21,908	10	
DFG	11.439		Marine Mammal Data Program	3,009,322	6	
UofA	11.439		Marine Mammal Data Program	54,342		
UofA	11.439		Marine Mammal Data Program	943,666	10	
	11.439 Total			4,122,358		
ASMI	11.452	NA03NMF4520499	Unallied Industry Projects -- Domestic Marketing	461,042		
DCCED	11.452		Unallied Industry Projects	6,462,810	4	6,006,946
DCCED	11.452		Unallied Industry Projects	675,500		
OG	11.452		Unallied Industry Projects	109,764		
	11.452 Total			7,709,116		6,006,946
UofA	11.460	1067068	Special Oceanic and Atmospheric Projects	422,571	10	153,439
UofA	11.460	A 100388	Special Oceanic and Atmospheric Projects Pass-through Woods Hole Oceanographic Institution	(154)	10	
	11.460 Total			422,417		153,439
DFG	11.463		Habitat Conservation	190,478	6	
UofA	11.472	503	Unallied Science Program Pass-through North Pacific Research Board	114,916		
UofA	11.472	Project # 520	Unallied Science Program Pass-through North Pacific Research Board	1,029,063	10	
	11.472 Total			1,143,979		
UofA	11.473	1165088	Coastal Services Center	85	10	16,100
UofA	11.473	UA/AOOS MOA	Coastal Services Center Pass-through Alaska Ocean Observing System	32,763		
UofA	11.473	07-5-25535.3734	Coastal Services Center Pass-through University of Maryland - UMCES	32,278	10	
UofA	11.473	H-2201	Coastal Services Center Pass-through Seward Association for Advancement of Science (SAAMS)	942,281	10	
DFG	11.473		Coastal Services Center	302,186	6	121,936
	11.473 Total			1,309,593		138,036
DFG	11.477		Fisheries Disaster Relief	1,039,834	6	
UofA	11.478		Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	144,644	10	
UofA	11.481		Educational Partnership Program	176,583		117,489
UofA	11.550		Public Telecommunications Facilities Planning and Construction	14,463		
UofA	11.552		Technology Opportunities Program	158,283		
UofA	11.999	ADN 1145345	Miscellaneous	141,358	10	
UofA	11.999	F0407	Miscellaneous Pass-through North Pacific Research Board	361,811	10	
UofA	11.999	Letter 11/14/2005	Miscellaneous Pass-through Consortium for Oceanographic Research & Education	20,589		
UofA	11.999	NA16FX2629 #13	Miscellaneous Pass-through North Pacific Marine Science Foundation	52,614	10	
UofA	11.999	R1991-03	Miscellaneous Pass-through Seward Association for Advancement of Science (SAAMS)	43,835	10	
DFG	11.999		Miscellaneous NOAA	554,216	6	
DOTPF	11.999		Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20		
UofA	11.999		Miscellaneous	51,114		10,180
	11.999 Total			1,225,557		10,180

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DPS	11.04 and 05-NMFS-JEA		National Marine Fisheries Joint Enforcement Agreement	1,167,932		
DEC	11.45ABNAON0252		Miscellaneous Inspection Service	7,963		
DEC	11.50ABNC100055		Regulatory Oversight, Pribilof Islands, Alaska	23,557	6	
DNR	11.NA05OAR4601083		Threatened Alaska Shipwrecks	45,773	5	
Total U.S. Department of Commerce				68,354,443		17,248,735
U.S. Department of Defense						
UofA	12.002		Procurement Technical Assistance for Business Firms	321,256		
DEC	12.113		State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,672,303	6	
UofA	12.114	UM02-09-029 Assumpt	Collaborative Research and Development Pass-through University of Mississippi	368,495	10	
UofA	12.300	885010	Basic and Applied Scientific Research Pass-through John Hopkins University	850,808	10	
UofA	12.300	Index #332520 PO426688	Basic and Applied Scientific Research Pass-through Wayne State University	148,925	10	
UofA	12.300	R00427 FSU#091004-520-015474	Basic and Applied Scientific Research Pass-through Florida State University	33,470	10	
UofA	12.300		Basic and Applied Scientific Research	5,574,918	10	116,887
12.300 Total				6,608,121		116,887
AADC	12.400	W91ZRU-06-2-3038	Military Construction, National Guard	16,173,360	3	
DMVA	12.400		Military Construction, National Guard	3,734,508		
12.400 Total				19,907,868		
DMVA	12.401		National Guard Military Operations and Maintenance (OandM) Projects	12,429,017	5	
DMVA	12.404		National Guard Civilian Youth Opportunities	2,433,033	5	
DFG	12.420		Military Medical Research and Development	6,645	6	
UofA	12.420		Military Medical Research and Development	32,296		
UofA	12.420		Military Medical Research and Development	1,189,602	10	
12.420 Total				1,228,543		
UofA	12.431		Basic Scientific Research	308,068	10	
UofA	12.630		Basic, Applied, and Advanced Research in Science and Engineering	106,556	10	
UofA	12.999	885205	Miscellaneous Pass-through John Hopkins University	785,389	10	
UofA	12.999	C40628	Miscellaneous Pass-through New Mexico State University	2,080	10	
ARRC	12.999	DTFRDV-03-G-60039	Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2003 (pass-through from FRA)	3,137	3,9	
ARRC	12.999	DTFRDV-04-G-00006	Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2004 (pass-through from FRA)	1,843,222	3,9	
ARRC	12.999	DTFRDV-05-G-00005	Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2005 (pass-through from FRA)	965,179	3,9	
ARRC	12.999	DTFRDV-05-G-00006	Northern Line Realignment & Extension - 2005	4,786,000	3,9	
UofA	12.999	Letter MAY 29, 2001	Miscellaneous Pass-through Native Village of Barrow	421	10	
DOTPF	12.999	N6871104MDC4010	Funding from US Navy for Adak Airport Operations	401,182		
UofA	12.999	Sub Under CA W56HZV-04-2-0001	Miscellaneous Pass-through University of Michigan	228,268	10	
UofA	12.999	Tracking #14540-05-01	Miscellaneous	4,030,398	10	
AEA	12.999	U.S. Airforce MOU	Nikolski Powerhouse Clean-up	4,910		
DCCED	12.999		Delta Junction Missile Defense Test Bed Facilities Impact	2,180,655		2,126,853
DEED	12.999		Troops to Teachers	120,530		
DFG	12.999		Miscellaneous Army	76,133	6	

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DMVA	12.999		Junior Reserve Officer Training Corps	1,485		
DMVA	12.999		Ground Missile Defense	13,170		
UofA	12.999		Miscellaneous	12,212		
	12.999 Total			15,454,371		2,126,853
DNR	12.1A 2003-01		Stewart River Revegetation	5,942		
DOTPF	12.F65501-95C0017		Maintain Galena Airport to USAF Safety Standards	342,639		
DOTPF	12.F65501-96C0006		Maintain King Salmon Airport to USAF Safety Standards	371,691		
DEC	12.USAF Elmendorf Site cleanup		USAF Elmendorf Site Cleanup	1,036		
DEC	12.USAF Elmendorf Site cleanup		USAF Elmendorf Site Cleanup	136		
	12.USAF Elmendorf Site cleanup Total			1,172		
	Total U.S. Department of Defense			61,559,075		2,243,740
<u>U.S. Department of Housing and Urban Development</u>						
AHFC	14.117		Mortgage Insurance - Homes	477,015		
AHFC	14.182		Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	2,375,943	3,10	
AHFC	14.195		Section 8 Housing Assistance Payments Program - Special Allocations	6,845,100	3,10	6,845,100
AHFC	14.227		Technical Assistance Program	124,103		
DCCED	14.228		Community Development Block Grants/State's Program	3,228,601		2,921,785
DCCED	14.231		Emergency Shelter Grants Program	132,155		132,155
AHFC	14.238		Shelter Plus Care	537,409		537,409
AHFC	14.239		HOME Investment Partnerships Program	2,443,323		2,415,557
AHFC	14.241		Housing Opportunities for Persons with AIDS	441,019		429,742
UofA	14.246		Community Development Block Grants / Brownsfields Economic Development Initiative	57,123		
AHFC	14.249		Section 8 Moderate Rehabilitation Single Room Occupancy	345,582	3,10	257,223
UofA	14.515		Alaska Native / Native Hawaiian Institutions Assisting Communities	1,668,556		
AHFC	14.850		Public and Indian Housing	8,300,466		
AHFC	14.870		Resident Opportunity and Supportive Services	81,342		
AHFC	14.871		Section 8 Housing Choice Vouchers	27,626,648		
AHFC	14.872		Public Housing Capital Fund	2,701,384	3	
	Total U.S. Department of Housing and Urban Development			57,385,769		13,538,971
<u>U.S. Department of Interior</u>						
UofA	15.043		Indian Child and Family Education	3,015	10	
UofA	15.114		Indian Education - Higher Education Grant Program	49,657		
DFG	15.222		Cooperative Inspection Agreements With States and Tribes	47,281	5,6	
DNR	15.222		Cooperative Inspection Agreements with States and Tribes	878,982	6	
	15.222 Total			926,263		
UofA	15.224	G251-06-W0094	Cultural Resource Management Pass-through University of Montana	264	10	
DNR	15.224		Cultural Resource Management	1,539,894	6	
UofA	15.224		Cultural Resource Management	17,755		
	15.224 Total			1,557,913		
DFG	15.225		Recreation Resource Management	6,743	6	
UofA	15.225		Recreation Resource Management	13,542	10	
	15.225 Total			20,285		

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DCCED	15.226		Payments in Lieu of Taxes	6,212,248		6,212,248
DCCED	15.227		Distribution of Receipts to State and Local Governments	12,496,237		12,496,237
DNR	15.228		National Fire Plan - Wildland Urban Interface Community Fire Assistance	51,275	6	
DNR	15.250		Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	188,025	5,6	
DNR	15.252		Abandoned Mine Land Reclamation (AMLR) Program	2,006,185	6	
DFG	15.605		Sport Fish Restoration	15,995,937	3,5,6,10	448,378
ARRC	15.608	DCN 70181-3-G236	U.S. Department of Fish and Wildlife Services	122,640	9	
DFG	15.608		Fish and Wildlife Management Assistance	1,255,465	5,6	
UofA	15.608		Fish and Wildlife Management Assistance	(41)	10	
	15.608 Total			1,378,064		
DFG	15.611		Wildlife Restoration	9,497,590	3,5,6,10	
DFG	15.614		Coastal Wetlands Planning, Protection and Restoration Act	328	5	
DNR	15.614		Coastal Wetlands Planning, Protection, and Restoration Act	1,990,142		
	15.614 Total			1,990,470		
DFG	15.615		Cooperative Endangered Species Conservation Fund	163,436	5,6	
DFG	15.616		Clean Vessel Act	75,600		72,000
DFG	15.622		Sportfishing and Boating Safety Act	185,472	5	247,296
DFG	15.625		Wildlife Conservation and Restoration	158,330	5,6	
DFG	15.626		Hunter Education and Safety Program	79,135	5,6	
DFG	15.630		Coastal Program	50,000	6	
DNR	15.630		Coastal Program	703		
UofA	15.630		Coastal Program	106,419	10	
	15.630 Total			157,122		
UofA	15.631		Partners for Fish and Wildlife	9,737		
DFG	15.633		Landowner Incentive	21,575	5,6	
DFG	15.634		State Wildlife Grants	3,169,488	5,6	5,989
DFG	15.636		Alaska Subsistence Management	1,802,329	6	
UofA	15.805		Assistance to State Water Resources Research Institutes	114,374	10	
UofA	15.807		Earthquake Hazards Reduction Program	466,798	10	
UofA	15.808	ADN # 1056014	U.S. Geological Survey - Research and Data Collection	3,221,607	10	
UofA	15.808	AV04-AK01	U.S. Geological Survey - Research and Data Collection Pass-through America View, Inc.	78,630	10	
DNR	15.808		U.S. Geological Survey - Research and Data Collection	2,004,472	5,6	
UofA	15.808		U.S. Geological Survey - Research and Data Collection	6,193		
	15.808 Total			5,310,902		
DNR	15.810		National Cooperative Geologic Mapping Program	756,988	5,6	
UofA	15.812		Cooperative Research Units Program	426,128	10	
UofA	15.900		Disposal of Surplus Wildlife	23,160		
UofA	15.900		Disposal of Surplus Wildlife	107,442	10	
	15.900 Total			130,602		
DNR	15.904		Historic Preservation Fund Grants-In-Aid	753,579	5,6	85,122
DNR	15.916		Outdoor Recreation - Acquisition, Development and Planning	605,552	5,6	221,174
UofA	15.999	18394-UAF INT	Miscellaneous Pass-through University of Vermont	7,861	10	

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State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	15.999	2003-0029-011	Miscellaneous Pass-through National Fish & Wildlife Foundation	1,472	10	
UofA	15.999	AC-279	Miscellaneous Pass-through Bering Sea Fisherman's Association	36,510	10	
UofA	15.999	ADN# 1165091	Miscellaneous	2,860,027	10	
DOTPF	15.999	FWS-701815J604	Harbor aquatic vegetation study commissioned by Fish & Wildlife Service	12,227		
ARRC	15.999	H.R. 4578	U.S. Department of the Interior	14,262	9	
DOTPF	15.999	NPS-H9910020027	Reimbursement from NPS for their share of work on Dyea Rd MP 4.2-8.1	31,000		
UofA	15.999	P788B	Miscellaneous Pass-through LGL Alaska Research Associates, Inc.	15,424	10	
UofA	15.999	Subcontract TAES 570271	Miscellaneous Pass-through Texas A&M University	11,806	10	
DFG	15.999		Miscellaneous Minerals Management Service	165,559	6	
DFG	15.999		Miscellaneous National Park Service	219,548	6	
DFG	15.999		Miscellaneous Bureau of Land Management	374,263	5,6	
DFG	15.999		Miscellaneous U.S. Fish and Wildlife Service	1,293,776	5,6	
DNR	15.999		BLM Miscellaneous Fire Billings	639		
DNR	15.999		CY05 Miscellaneous USFWS Fire Billings	6,551		
DOTPF	15.999		Reimbursement for maintenance at Paxson & Sourdough BLM campground	1,759		
UofA	15.999		Miscellaneous	1,035,571		155,527
		15.999 Total		6,088,255		155,527
DNR	15.02-02-06		Independence Mine	138,672		
DNR	15.1435-02-04-CA-40364		Onshore Compliance	143,258	6	
DNR	15.701815M333		Izembek Interpretation Panels	8,214		
DNR	15.7018M176		Comprehensive Conservation Plans	13,500		
DNR	15.9910-8-0050/99-01		Denali National Park Interpretative Services	5,000		
DNR	15.AAI 0203ML1302		Wickersham House	8,048	5	
DNR	15.AAN H9915040004		NPS Fire Program Analysis	368		
DNR	15.DDD LAA-02-0005		Cadastral Project	128,520	6	
UofA	15.DDD		Alaska Resource Library Info Service (ARLIS)	(360)		
DNR	15.H9837041015		South Denali Implementation	18,585		
DNR	15.H9865060001		Wrangell/St. Elias Student Interns	2,450		
DNR	15.H9921030026		South Denali Recon Survey	7,569		
DNR	15.H9921030026		Teklanika West & East	27,000		
		15.H9921030026 Total		34,569		
DNR	15.LAA02005		Survey GIS Coverage	1,347		
DNR	15.LAA040005		Calendar Year 2004 Fire Suppression	574,345		
DNR	15.LAA040005		Calendar Year 2005 BLM Fire Suppression	10,845,207		
DNR	15.LAA040005		Calendar Year 2006 BLM Fire Suppression	1,567,642		
		15.LAA040005 Total		12,987,194		
DNR	15.P9911050003		NPS Anilca Assistance	15,844		
DNR	15.P9911060003		05 NPS Planning Assistance	47,715		
		Total U.S. Department of Interior		86,401,490		19,943,971
		U.S. Department of Justice				
DMVA	16.000		Counterdrug Support Program-Asset Forfeiture	20,628		
DHSS	16.202		Prisoner Reentry Initiative Demonstration (Offender Reentry)	127,514		150,636
DHSS	16.523		Juvenile Accountability Incentive Block Grants	688,532		
DPS	16.527		Supervised Visitation, Safe Havens for Children	103,294		89,343

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DHSS	16.529		Education and Training to End Violence Against and Abuse of Women with Disabilities	218,726		
COURT	16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	8,095		
DHSS	16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	646,107		42,032
	16.540 Total			654,202		42,032
DOR	16.541	16-2005-JL-FK (Project #) Grant ID is 16-081860	Part E - Developing, Testing and Demonstrating Promising New Programs	216,126	6	
DHSS	16.541		Part E - Developing, Testing and Demonstrating Promising New Programs	920,259		308,250
DOA	16.541		Part E - Developing, Testing and Demonstrating Promising New Programs	68,000		
	16.541 Total			1,204,385		308,250
DPS	16.543		Missing Children's Assistance	5,880		
DHSS	16.548		Title V - Delinquency Prevention Program	119,828		107,543
DHSS	16.549		Part E - State Challenge Activities	20,398		
UofA	16.550		State Justice Statistics Program For Statistical Analysis Centers	62,912	10	
DPS	16.554		National Criminal History Improvement Program (NCHIP)	246,511		
DMVA	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	288,656		
DPS	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	631,141		
UofA	16.560		National Institute of Justice Research, Evaluation, and Development Project Grants	186,517	10	10,408
	16.560 Total			1,106,314		10,408
DPS	16.564		Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	38,889		
DPS	16.575		Crime Victim Assistance	1,115,834		1,062,000
DOA	16.576		Crime Victim Compensation	391,520		
DPS	16.579		Edward Byrne Memorial Formula Grant Program	788,464		287,122
LAW	16.580	2005DDBX1154	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	202,845		
COURT	16.580	2005-RG-CX-1072	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	322,175	6	
COURT	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	9,000		
DPS	16.580		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,961,519		7,950
	16.580 Total			2,495,539		7,950
DOTPF	16.585		Drug Court Discretionary Grant Program	144,258		
LAW	16.588	2005WFAX0001	Violence Against Women Formula Grants	399,619		
DPS	16.588		Violence Against Women Formula Grants	746,026		101,904
	16.588 Total			1,145,645		101,904
COURT	16.590	2002-WE-BX-0025	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	3,815		
COURT	16.590	2004-WE-AX-0013	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	216,591		

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DPS	16.590		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	129,768		
	16.590 Total			350,174		
DPS	16.592		Local Law Enforcement Block Grants Program	168,608		
DPS	16.593		Residential Substance Abuse Treatment for State Prisoners	384,940		
DOC	16.606	99-AP-VX-0503	State Criminal Alien Assistance Program	1,393,010		
LAW	16.609	2002GPCX0190	Community Prosecution and Project Safe Neighborhoods	87,855		
DPS	16.609		Community Prosecution and Project Safe Neighborhoods	211,923		49,759
UofA	16.609		Community Prosecution and Project Safe Neighborhoods	38,845	10	
	16.609 Total			338,623		49,759
DMVA	16.710		Public Safety Partnership and Community Policing Grants	1,123,306		
DPS	16.710		Public Safety Partnership and Community Policing Grants	1,944,533		331,612
	16.710 Total			3,067,839		331,612
DHSS	16.727		Enforcing Underage Drinking Laws Program	355,716		164,150
DPS	16.728		Drug Prevention Program	152,062		
DPS	16.738		Edward Byrne Memorial Justice Assistance Grant Program	668,156		141,121
DOC	16.999	2002-RE-CX-0014	Serious and Violent Offender Reentry Initiative	352,809		
DOC	16.999	2002-RG-CX-0012	Offender Tracking System	216,161		
UofA	16.999		Miscellaneous	24,444		
UofA	16.999		Miscellaneous	65,625	10	
	16.999 Total			659,039		
DPS	16.05-2 & CY06		Marijuana Eradication	107,538		
COURT	16.SJI-04-T-119		Technical Assistance for Language Interpreter Development	13,505		
Total U.S. Department of Justice				18,358,483		2,853,830
U.S. Department of Labor						
DLWD	17.002		Labor Force Statistics	871,497	6	
DLWD	17.005		Compensation and Working Conditions	113,248	5,6	
DLWD	17.203		Labor Certification for Alien Workers	54,893	6	
DLWD	17.207		Employment Service/Wagner-Peyser Funded Activities	9,181,263	6,10	
DLWD	17.225		Unemployment Insurance	160,372,722	6,11	
DLWD	17.235		Senior Community Service Employment Program	1,917,849	6	1,372,035
DLWD	17.245		Trade Adjustment Assistance - Workers	608,469	6	
DLWD	17.258		WIA Adult Program	3,058,940	3,6,10	95,802
DLWD	17.259		WIA Youth Activities	3,219,821	3,6,10	1,840,913
UofA	17.260	DBA File NO 6-801	WIA Dislocated Workers	(497)	10	
DLWD	17.260		WIA Dislocated Workers	6,567,626	3,6,10	650,361
	17.260 Total			6,567,129		650,361
UofA	17.261	RSA EN 760020	WIA Pilots, Demonstrations, and Research Projects	396,747		
DLWD	17.261		WIA Pilots, Demonstrations, and Research Projects	2,684,178	6	985,679
	17.261 Total			3,080,925		985,679
DLWD	17.503		Occupational Safety and Health - State Program	1,403,007	5,6	
DLWD	17.504		Consultation Agreements	636,912	5,6	
UofA	17.600		Mine Health and Safety Grants	56,645		

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DLWD	17.720		Disability Employment Policy Development	1,374,538	6	441,948
DLWD	17.801		Disabled Veterans' Outreach Program (DVOP)	236,559	6,10	
DLWD	17.804		Local Veterans' Employment Representative Program	311,028	6,10	
DLWD	17.807		Transition Assistance Program	47,829	6	
UofA	17.999	SF02-14B	Miscellaneous Pass-through IHI Environmental	(583)	10	
Total U.S. Department of Labor				193,112,691		5,386,738
<u>U.S. Department of State</u>						
UofA	19.999		Miscellaneous	13,945		
Total U.S. Department of State				13,945		
<u>U.S. Department of Transportation</u>						
UofA	20.100	04-C-GA-ERAU Amend #007	Aviation Education Pass-through Embry-Riddle Aeronautical University	2,615		
DOTPF	20.106		Airport Improvement Program	168,876,573	3,19	
UofA	20.108		Aviation Research Grants	80,626		39,826
KABATA	20.205	Pj E 56047	Highway Planning and Construction	12,241,445	10	
DOTPF	20.205		Highway Planning and Construction	325,287,281	10,19	9,124,128
20.205 Total				337,528,726		9,124,128
DOA	20.217		Motor Carrier Safety	279,201		
DOTPF	20.218		National Motor Carrier Safety	876,967		
DNR	20.219		Recreational Trails Program	378,473		94,630
ARRC	20.500		Federal Transit - Capital Investment Grants	11,989,648	9,10	
DOTPF	20.500		Federal Transit - Capital Investment Grants	7,655,390	10	25,868
20.500 Total				19,645,038		25,868
DOTPF	20.505		Federal Transit - Metropolitan Planning Grants	17,999		10,391
ARRC	20.507		Federal Transit - Formula Grants	10,905,142	9,10	
DOTPF	20.509		Formula Grants for Other Than Urbanized Areas	11,073,360	3	11,073,360
DOTPF	20.513		Capital Assistance Program for Elderly Persons and Persons with Disabilities	362,393		299,436
DOTPF	20.515		State Planning and Research	289,248		252,351
DOTPF	20.516		Job Access - Reverse Commute	411,071		350,429
COURT	20.600		State and Community Highway Safety	42,967	10	
DOTPF	20.600		State and Community Highway Safety	608,826	10	454,984
20.600 Total				651,793		454,984
DOTPF	20.601		Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	2,266,393	10	928,817
DOTPF	20.602		Occupant Protection	467,079	10	252,403
DOTPF	20.603		Federal Highway Safety Data Improvements Incentive Grants	138,330	10	30,882
DOTPF	20.605		Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	470,470	10	391,163
DMVA	20.703		Interagency Hazardous Materials Public Sector Training and Planning Grants	77,645		25,000
UofA	20.999	61043-UAA/04-C-GA-ERAU #10	Miscellaneous Pass-through Embry-Riddle Aeronautical University	43,736		
ARRC	20.999	DTFR53-04-H-00005	Track Integrity System – 2004	130,646	3,9	
ARRC	20.999	DTFR53-05-G-00005	Luminescent Grade Crossing-R & D - 2005	7,994	3,9	
ARRC	20.999	DTFRDV-00-G-60028	Positive Train Control – 2000	1,489,095	3,9	
ARRC	20.999	DTFRDV-01-G-60030	Track Rehab, Siding Access Improvements and Track Relocation - 2001	875,166	3,9	
ARRC	20.999	DTFRDV-02-G-60032	Rail Safety and Infrastructure Improvements – 2002	588,557	3,9	

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ARRC	20.999	DTFRDV-03-G-60015	Seward Loading Facility - 2003	1,094,481	3,9	
ARRC	20.999	DTFRDV-03-G-60016	Grade Crossing Safety Improvements and Noise Reduction - 2003	62,608	3,9	
ARRC	20.999	DTFRDV-03-G-60040	Rail Safety and Infrastructure Improvements - 2003	1,770,428	3,9	
ARRC	20.999	DTFRDV-04-G-00005	Rail Safety and Infrastructure Improvements - 2004	10,231,844	3,9	
ARRC	20.999	DTFRDV-05-G-00007	Rail Safety and Infrastructure Improvements - 2005	21,679,786	3,9	
ARRC	20.999	DTFRDV53-04-G-00007	Anchorage C Street Grade Crossing - 2004	477,172	3,9	
ARRC	20.999	DTFRDV-99-G-60004	Positive Train Control - 1999	245,195	3,9	
ARRC	20.999	DTFRDV-99-G-60005	Anchorage International Airport Rail Passenger Station - 1999	241,035	3,9	
		20.999 Total		38,937,743		
DOTPF	20.BRM/09/02/2004		FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. Pj 57882	310,308		
DOTPF	20.DTFA-03-X-02057		Rural Airport Lighting install at various airports. PJ 57794	219,932		
DOTPF	20.DTFA04-81-F-81018		Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,159		
DOTPF	20.DTFA04-92-89229		Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	36,582		
DOTPF	20.DTFA-04-A-00003		FAA agreement for installation of lighting at Chenega & Perryville airports. PJ 57884 & 57892	759,389		
DOTPF	20.DTFA-04-A-00003		FAA agreement for installation of lighting at Steven Village airports. PJ 62750	16,347		
		20.DTFA-04-A-00003 Total		775,736		
DOTPF	20.DTFA-AAL03P-45013		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. PJ 62315	8,999		
DEC	20.DTFAAL-04-X-80000		Clean up contaminated Sites in Alaska	74,357	6	
DOTPF	20.DTFAAL-05-X-00006		Design & construct FAA facility in Nome reimbursed by FAA through PO	68,123		
DOTPF	20.DTFAWA-02-X-44090		Runway End Identifier Lighting (REIL) at various airports. PJ 62462	855,029		
DOTPF	20.DTFAWA-03-X-02009		FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Various PJ's	7,317		
DNR	20.DTHF70-05-E-00028		Alaska Trails Initiative	98,351		
DOTPF	20-00-AK PFH 44-1(1) & AK PFH 2-1(1)		Projects contracted by Western Federal Public Lands Division. PJ 68096 and 67667	939,448		
		Total U.S. Department of Transportation		597,142,226		23,353,668
		U.S. Department of Treasury				
ARRC	21.999	None	Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	282,057	9	
DEED	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	1,835,463		
DNR	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	585,857		
DOA	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	107,675		
DPS	21.999		Jobs and Growth Tax Relief Reconciliation Act of 2002	122,903		
UofA	21.999		Miscellaneous	1,408,242	10	
		21.999 Total		4,342,197		
		Total U.S. Department of Treasury		4,342,197		

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<u>U.S. Equal Employment Opportunity Commission</u>						
OG	30.002		Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	101,512		
Total U.S. Equal Employment Opportunity Commission				101,512		
<u>U.S. General Services Administration</u>						
DOA	39.003		Donation of Federal Surplus Personal Property	1,474,347	14	
UofA	39.009		Federal Citizen Information Center	252,237		287,195
UofA	39.009		Federal Citizen Information Center	14,055,287	10	
39.009 Total				14,307,524		287,195
OG	39.011		Election Reform Payments	1,666,888		
UofA	39.999		Miscellaneous	228,216		
Total U.S. General Services Administration				17,676,975		287,195
<u>Library of Congress</u>						
DEED	42.006		Library of Congress - Library Services	13,536		
Total Library of Congress				13,536		
<u>National Aeronautics and Space Administration</u>						
UofA	43.001	478959	Aerospace Education Services Program Pass-through University of Washington	15,650	10	
UofA	43.001		Aerospace Education Services Program	283,462	10	109,250
43.001 Total				299,112		109,250
DMVA	43.002		Technology Transfer	467,304		
UofA	43.999	06-CA84A-05-001	Miscellaneous Pass-through SETI Institute	16,403	10	
UofA	43.999	0965 G FB372	Miscellaneous Pass-through University of California, Los Angeles	12,412	10	
UofA	43.999	1-0001080910	Miscellaneous Pass-through University of California, Berkeley	2,676	10	
UofA	43.999	402256-1	Miscellaneous Pass-through University of Pittsburgh	7,963	10	
UofA	43.999	PO 3012590 Prime NAG13-03021	Miscellaneous Pass-through University of Massachusetts	102,000	10	
UofA	43.999	Subc #03-12	Miscellaneous Pass-through Hampton University	124,109	10	
UofA	43.999		Miscellaneous	9,722,851	10	43,399
43.999 Total				9,988,414		43,399
DNR	43.NAG1301010		Remote Sensing	95,966		33,143
DNR	43.NAG1301011		Remote Sensing	69,368		
National Aeronautics and Space Administration				10,920,164		185,792
<u>National Endowment for the Arts</u>						
DEED	45.024		Promotion of the Arts - Grants to Organizations and Individuals	8,000		
DEED	45.025		Promotion of the Arts - Partnership Agreements	502,354		223,537
Total National Endowment for the Art				510,354		223,537
<u>Institute of Museum and Library Services</u>						
UofA	45.149		Promotion of the Humanities - Division of Preservation and Access	106,837		
UofA	45.301		Museums for America	27,625		
DEED	45.310		Grants to States	745,670		734,212
UofA	45.312		National Leadership Grants	26,314		
UofA	45.999		Miscellaneous	11,494	10	
Institute of Museum and Library Services				917,940		734,212

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National Science Foundation						
UofA	47.041		Engineering Grants	166,204		154,395
UofA	47.041		Engineering Grants	541,957	10	
	47.041 Total			708,161		154,395
UofA	47.049	Subaward NO. 30891-A	Mathematical and Physical Sciences Pass-through Stanford University	128,515	10	
UofA	47.049		Mathematical and Physical Sciences	90,940	10	
	47.049 Total			219,455		
UofA	47.050	#892069	Geosciences Pass-through University of Washington	17,412	10	
UofA	47.050	MBL Subcontract #10705 Pending	Geosciences Pass-through Marine Biological Laboratory	35,860	10	
UofA	47.050	PO# 0313498	Geosciences Pass-through Monterey Bay Aquarium Research Institute	14,250	10	
UofA	47.050	Subaward EAR-0318549-07	Geosciences Pass-through UNAVCO, Inc.	26,764	10	
UofA	47.050	Subcontract C029979	Geosciences Pass-through Utah State University	15,105	10	
UofA	47.050	UNR-02-72 P.O.12GC0000075	Geosciences Pass-through University of Nevada, Reno	46,695	10	
UofA	47.050		Geosciences	130,955		
UofA	47.050		Geosciences	3,025,407	10	
	47.050 Total			3,312,448		
UofA	47.070	EDUCAUSE Agreement	Computer and Information Science and Engineering Pass-through EDUCAUSE	8,773		
UofA	47.070		Computer and Information Science and Engineering	45,473		22,006
UofA	47.070		Computer and Information Science and Engineering	613,442	10	
	47.070 Total			667,688		22,006
UofA	47.074	527144-01	Biological Sciences Pass-through Stevens Institute of Technology	27,083	10	
UofA	47.074		Biological Sciences	45,464		146,439
UofA	47.074		Biological Sciences	2,659,580	10	
	47.074 Total			2,732,127		146,439
UofA	47.075	420-40-46	Social, Behavioral, and Economic Sciences Pass-through Iowa State University	7,964	10	
UofA	47.075		Social, Behavioral, and Economic Sciences	101,138	10	
	47.075 Total			109,102		
UofA	47.076	40257-00-01N	Education and Human Resources Pass-through Northeastern Illinois University	5,019		
UofA	47.076	Letter 2/28/02 - MOD6/03;10/04	Education and Human Resources Pass-through Alaska Federation of Natives, Inc.	76,001	10	
DNR	47.076		Education and Human Resources	123,532	6	
UofA	47.076		Education and Human Resources	2,168,197		166,344
UofA	47.076		Education and Human Resources	4,232,510	10	
	47.076 Total			6,605,259		166,344
UofA	47.077		Academic Research Infrastructure	(14,638)		
UofA	47.078	3872	Polar Programs Pass-through University of Delaware	68,623	10	
UofA	47.078	03-221A	Polar Programs Pass-through Idaho State University	16,533	10	
UofA	47.078	03-747	Polar Programs Pass-through University of New Hampshire	8,978	10	
UofA	47.078	10228091-002	Polar Programs Pass-through University of California, San Diego	3,640	10	

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UofA	47.078	ARCUS CONTRACT8.26.04 Pending	Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	16,324	10	
UofA	47.078	NO. 153556	Polar Programs Pass-through University of Washington	1,137	10	
UofA	47.078	Sub #E0003588	Polar Programs Pass-through San Diego State University	20,950	10	
UofA	47.078	Wire 03/23/05 + Personal CK	Polar Programs	10,092,607	10	
UofA	47.078		Polar Programs	263,555		979,697
	47.078 Total			10,492,347		979,697
UofA	47.999	JSA 5-05	Miscellaneous Pass-through Joint Oceanographic Institutes, Inc.	3,286		
UofA	47.999	JSA 5-09	Miscellaneous Pass-through Joint Oceanographic Institutes, Inc.	15,734	10	
UofA	47.999	MOA 3-10-05	Miscellaneous Pass-through Bristol Bay Native Association	179		
UofA	47.999	UTA4-172	Miscellaneous Pass-through The University of Texas at Austin	15,990	10	
UofA	47.999		Miscellaneous	(11,149)		4,242
UofA	47.999		Miscellaneous	985,074	10	
	47.999 Total			1,009,114		4,242
		Total National Science Foundation		25,841,063		1,473,123
		<u>U.S. Small Business Administration</u>				
UofA	59.007		Technical Assistance	38,478		
UofA	59.009		Procurement Assistance to Small Businesses	6,650		
UofA	59.037		Small Business Development Center	602,504		
		Total U.S. Small Business Administration		647,632		
		<u>U.S. Department of Veterans' Affairs</u>				
AHFC	64.114		Veterans Housing - Guaranteed and Insured Loans	470,839		
DMVA	64.999		State Approving Agency	46,824		
		Total U.S. Department of Veterans' Affairs		517,663		
		<u>U.S. Environmental Protection Agency</u>				
DHSS	66.032		State Indoor Radon Grants	60,967		
DEC	66.034		Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act.	162,581	6	
DEC	66.432		State Public Water System Supervision	2,075,164	5,6	
DOA	66.433		State Underground Water Source Protection	126,900		
DEC	66.436		Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	101,010		
DEC	66.454		Water Quality Management Planning	95,004		
DEC	66.458		Capitalization Grants for Clean Water State Revolving Funds	1,340,527	5,6	1,335,271
DEC	66.463		Water Quality Cooperative Agreements	224,789	5,6	
DEC	66.467		Wastewater Operator Training Grant Program (Technical Assistance)	24,992	5	
DEC	66.468		Capitalization Grants for Drinking Water State Revolving Fund	6,896,751	5,6	5,587,316

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DEC	66.471		State Grants to Reimburse Operators of Small Water for Training and Certification Costs	91,217	6	
DEC	66.472		Beach Monitoring and Notification Program Implementation Grants	42,588	6	
DEC	66.474		Water Protection Grants to the States	142,694	6	
UofA	66.500	G-5817-3	Environmental Protection - Consolidated Research Pass-through Colorado State University	27,954	10	
DEC	66.500		Environmental Protection - Consolidated Research Grants	44,264	6	
UofA	66.500		Environmental Protection - Consolidated Research	13,695	10	
	66.500 Total			85,913		
DEC	66.511		Office of Research and Development, Consolidated Research/Training	116,987		
DEC	66.605		Performance Partnership Grants	5,627,506	5,6	387,538
UofA	66.606	PO# 600663	Congressionally Mandated Projects Pass-through Fairbanks North Star Borough	68,159	10	
DCCED	66.606		Surveys, Studies, Investigations and Special Purpose Grants	907,727	3,5	
DEC	66.606		Surveys, Studies, Investigations and Special Purpose Grants	29,916,805	3,5,6	5,779,170
UofA	66.606		Congressionally Mandated Projects	383,189		
	66.606 Total			31,275,880		5,779,170
DEC	66.608		Environmental Information Exchange network Grant Program and Related Assistance	205,375		
UofA	66.610		Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	13,853		
UofA	66.708		Pollution Prevention Grants Program	47,044		30,372
DEC	66.804		State and Tribal Underground Storage Tanks Program	183,494	5	
DEC	66.805		Leaking Underground Storage Tank Trust Fund Program	408,012	5	
DEC	66.809		Superfund State and Indian Tribe Core Program Cooperative Agreements	199,063	5	
DEC	66.817		State and Tribal Response Program Grants	480,588		
UofA	66.926	SGTC06-001	Indian Environmental General Assistance Program (GAP) Pass-through Saint George Traditional Council	8,203		
UofA	66.951		Environmental Education Grants	4,854	10	
DFG	66.999		Miscellaneous U.S. Environmental Protection Agency	38,205	6	
UofA	66.999		Miscellaneous	35,797		6,585
UofA	66.999		Miscellaneous	32,276	10	
	66.999 Total			106,278		6,585
DEC	66.LUST	Trust Cost Recovery	LUST Trust Cost Recovery	64,604		
		U.S. Environmental Protection Agency		50,212,838		13,126,252
		U.S. Department of Energy				
AEA	81.041	GO1608 & GO1756	Energy Program -Passed from U. of Wash.	23,994	5	
AHFC	81.041		State Energy Program	448,877		
	81.041 Total			472,871		
AHFC	81.042		Weatherization Assistance for Low-Income Persons	1,747,414		1,653,052
UofA	81.049	DOELOC2284::2285AKUNV	Office of Science Financial Assistance Program Pass-through University of Wyoming	39,416	10	
UofA	81.049		Office of Science Financial Assistance Program	104,230	10	
	81.049 Total			143,646		

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AEA	81.079	Various	Regional Biomass Energy Programs	75,960	5	30,852
AEA	81.087	DE-FC36-00ID14004	Energy Tech Dev-Nome Diesel	337,243		336,960
AEA	81.087	DE-FG07-97ID13564	Energy Tech Dev-Prince of Wales Interties	99,063		99,063
AEA	81.087	Various	Renewable Energy Research and Development	108,285	5	
	81.087 Total			544,591		436,023
UofA	81.089	17839	Fossil Energy Research and Development Pass-through Sandia National Laboratories	172,140	10	
DNR	81.089		Fossil Energy Research and Development	501,207	6	
UofA	81.089		Fossil Energy Research and Development	90,045	10	22,437
	81.089 Total			763,392		22,437
UofA	81.104	SUB1 UCD-W/GEC 03-019 PO542760	Office of Environmental Cleanup and Acceleration Pass-through Columbia University	25,562	10	
UofA	81.113	Contract 409909-A-R8	Defense Nuclear Nonproliferation Research Pass-through Battelle Pacific Northwest Lab		(4) 10	
UofA	81.113	UM03-02-074	Defense Nuclear Nonproliferation Research Pass-through University of Mississippi	123,513	10	
	81.113 Total			123,509		
AEA	81.117	DE-FG3604R021600	Geo Therm Outreach	22,358	5	5,000
AHFC	81.117		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	18,885		18,885
	81.117 Total			41,243		23,885
AHFC	81.119		State Energy Program Special Projects	18,947		18,947
UofA	81.999	234043A	Miscellaneous Pass-through University of Oregon	32,067	10	
UofA	81.999	60-4005-101	Miscellaneous Pass-through Inland Northwest Research Alliance	50,238		
UofA	81.999	60-5005-101	Miscellaneous Pass-through Inland Northwest Research Alliance	4,228	10	
UofA	81.999	65520-001-03 97	Miscellaneous Pass-through University of California	19,436	10	
UofA	81.999	CRESP II	Miscellaneous Pass-through Institute for Responsible Management, Inc.	(4,510)	10	
UofA	81.999	DE-FC02-02EH02039 Amend 6	Miscellaneous Pass-through Alaska State District Council of Laborers	14,565	10	
UofA	81.999	NO. 9064	Miscellaneous Pass-through Battelle Pacific Northwest Lab	244,035	10	
UofA	81.999	SUBC# 36461-SOL-06	Miscellaneous Pass-through Los Alamos National Laboratory	13,513	10	
UofA	81.999		Miscellaneous	10,768		162,306
UofA	81.999		Miscellaneous	2,583,662	10	
	81.999 Total			2,968,002		162,306
DEC	81.DE-FC03-02EH02039		Amchitka Medical Screening Program	43,251		
DEC	81.DE-FG08-99NV13763		Amchitka Oversight/NEUNET	5,958	6	
DEC	81.MINV0056		Amchitka Underground Nuclear Test Site - oversight	8,034		
Total U.S. Department of Energy				6,982,380		2,347,502
U.S. Department of Education						
DLWD	84.002		Adult Education - State Grant Program	1,411,297	5,6	750,891
UofA	84.007		Federal Supplemental Education Opportunity Grants	607,172	3,10	
DEED	84.010		Title I Grants to Local Educational Agencies	35,159,905		34,807,158
DEED	84.011		Migrant Education - State Grant Program	7,535,254		6,808,020
DEED	84.013		Title I Program for Neglected and Delinquent Children	195,787		193,050
UofA	84.016		Undergraduate International Studies and Foreign Language Programs	68,626		

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UofA	84.021		Overseas - Group Projects Abroad	35,298		
DEED	84.027		Special Education - Grants to States	29,827,687	10	27,829,099
UofA	84.031		Higher Education - Institution Aid	4,777,657	3	19,493
ASLC	84.032		Federal Family Education Loans	3,380,862	3,10,21	
UofA	84.032		Federal Family Education Loans	39,633,802	3,10	
	84.032 Total			43,014,664		
UofA	84.033		Federal Work - Study Program	660,498	3,10	
DEED	84.041		Impact Aid	26,528,293	3	
UofA	84.042		TRIO - Student Support Services	522,664	10	4,622
UofA	84.044		TRIO - Talent Search	957,617	10	84,254
UofA	84.047		TRIO - Upward Bound	1,115,637	10	48,429
DEED	84.048		Vocational Education - Basic Grants to States	3,733,240		2,867,156
DLWD	84.063		Federal Pell Grant Program	237,109	10	
UofA	84.063		Federal Pell Grant Program	8,939,777	3,10	
	84.063 Total			9,176,886		
UofA	84.066		TRIO - Educational Opportunity Centers	666,286	10	
ACPE	84.069 A	N069A050002	Leveraging Educational Assistance Partnership Program	47,762		
ACPE	84.069 B	N069B050001	Special Leveraging Educational Assistance Partnership Program	79,271		
UofA	84.116	Subaward DTD 12/5/05	Fund for the Improvement of Postsecondary Education Pass-through The Corella and Bertram F. Bonner Foundation	7,069		
DEED	84.116		Fund for the Improvement of Postsecondary Education	17,721		
UofA	84.116		Fund for the Improvement of Postsecondary Education	757,444		
	84.116 Total			782,234		
DLWD	84.126		Rehabilitation Services - Vocational Rehabilitation Grants to States	8,379,721	5,6	109,200
DEED	84.161		Rehabilitation Services - Client Assistance Program	119,796		
DLWD	84.169		Independent Living - State Grants	313,900	5,6	374,824
DEED	84.173		Special Education - Preschool Grants	1,091,928	10	971,556
DLWD	84.177		Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	225,103	5,6	225,092
DHSS	84.181		Special Education - Grants for Infants and Families with Disabilities	2,832,245		2,101,829
DEED	84.185		Byrd Honors Scholarships	119,250		102,750
DEED	84.186		Safe and Drug-Free Schools and Communities - State Grants	2,371,092		2,257,858
DLWD	84.187		Supported Employment Services for Individuals with Severe Disabilities	207,753	6	
UofA	84.195		Bilingual Education - Professional Development	230,543		60,825
DEED	84.196		Education for Homeless Children and Youth	167,254		81,809
DOC	84.203	R203F990010-01	Star Schools	13,714		
DEED	84.213		Even Start - State Educational Agencies	1,177,741		1,127,755
DEED	84.215		Fund for the Improvement of Education	4,420,539		
UofA	84.215		Fund for the Improvement of Education	2,069,595		783,646
	84.215 Total			6,490,134		783,646
DLWD	84.224		Assistive Technology	318,178	6	281,851
DEED	84.243		Tech-Prep Education	465,971		438,418
DLWD	84.265		Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	22,154	5,6	
DEED	84.282		Charter Schools	2,264,064	3	2,200,947
DEED	84.287		Twenty-first Century Community Learning Centers	4,742,187		4,535,707

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UofA	84.297		Native Hawaiian Curriculum Development, Teacher Training and Recruitment	(33)	10	
DEED	84.298		State Grants for Innovative Program	1,266,724		942,027
UofA	84.299		Indian Education - Special Programs	483,235		
UofA	84.306		National Institute on the Education of At-Risk Students	973,589	10	
DEED	84.318		Education Technology State Grants	2,586,609		2,497,607
UofA	84.320	Prof Svcs Agreement 8/99	Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program Pass-through Sealaska Heritage Foundation	1,840		
UofA	84.320		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	1,987		
	84.320 Total			3,827		
DEED	84.323		Special Education - State Personnel Development	705,664		188,053
UofA	84.325		Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	182,365		
DEED	84.326		Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	120,891		
UofA	84.330	Agreement Dated 3/30/06	Advanced Placement Program Pass-through Anchorage School District	6,090	10	
DEED	84.330		Advanced Placement Program	8,326		
	84.330 Total			14,416		
DOC	84.331	V331A010032	Grants to States for Incarcerated Youth Offenders	30,039		
DEED	84.332		Comprehensive School Reform Demonstration	763,168		736,039
UofA	84.333		Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	71,388		
DEED	84.334		Gaining Early Awareness and Readiness for Undergraduate Programs	577,426		46,123
UofA	84.336		Teacher Quality Enhancement Grants	1,845,060		256,772
UofA	84.342		Preparing Tomorrow's Teachers to Use Technology	482,664		
DLWD	84.346		Vocational Education - Occupational and Employment Information State Grants	142,469	6	
UofA	84.350		Transition to Teaching	325,629		
DEED	84.352		School Renovation Grants	2,991,216	3	2,991,216
UofA	84.356	Agreement DTD 1/21/2005	Alaska Native Educational Programs Pass-through Alaska Humanities Forum	35,461	10	
UofA	84.356	MOA Dated 3/27/2006	Alaska Native Educational Programs Pass-through Project GRAD Kenai Peninsula	3,043		
UofA	84.356	Subaward DTD 4/9/05	Alaska Native Educational Programs Pass-through Copper River Native Association	91,795	10	
UofA	84.356		Alaska Native Educational Programs	3,380,050		101,353
UofA	84.356		Alaska Native Educational Programs	202,302	10	
	84.356 Total			3,712,651		101,353
DEED	84.357		Reading First State grants	2,714,009		2,087,542
DEED	84.358		Rural Education	34,677		
UofA	84.362	S362A030013	Native Hawaiian Education Pass-through ALU LIKE, Inc.	349,304	10	
UofA	84.363		School Leadership	394,785		261,754
DEED	84.365		English Language Acquisition Grants	996,720		968,059
DEED	84.366		Mathematics and Science Partnership	803,664		776,235
DEED	84.367		Improving Teacher Quality State Grants	16,084,435	3	15,492,645
DEED	84.369		Grants for State Assessments and Related Activities	3,233,668		

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DEED	84.372		Statewide Data Systems	136,902		
DEED	84.938		Hurricane Education Recovery	220,125		220,125
UofA	84.999	92-AK01	Miscellaneous Pass-through National Writing Project Corporation	125,058		
UofA	84.999	Agreement Dated 6/3/06	Miscellaneous Pass-through Alaska Humanities Forum	25,001	10	
UofA	84.999	Letter Nov. 2004	Miscellaneous Pass-through Public Broadcasting Service	6,704		
DEED	84.999		Consolidated Programs IASA Admin	878,783		
	84.999 Total			1,035,546		
		Total U.S. Department of Education		241,739,295		116,631,789
		<u>National Archives and Records Administration</u>				
UofA	89.003	Agreement Dated 08/09/2005	National Historical Publications and Records Grants Pass-through Whitworth College	10,900		
DEED	89.003		National Historical Publications and Records Grants	2,807		
UofA	89.003		National Historical Publications and Records Grants	6,391		
	89.003 Total			20,098		
		National Archives and Records Administration		20,098		
		<u>Denali Commission</u>				
AEA	90.100	Various	Denali Commission Program	27,896,137	3	24,107,013
AHFC	90.100		Denali Commission Program	3,801,460	3	
DCCED	90.100		Denali Commission Program	2,755,375		2,612,368
DEC	90.100		Denali Commission Program	14,266		
DHSS	90.100		Denali Commission Program	6,171,666		
DLWD	90.100		Denali Commission Program	5,174,211	6	2,966,942
DMVA	90.100		Denali Commission Program	296,551		269,303
DOTPF	90.100		Denali Commission Program	470,868		
DPS	90.100		Denali Commission Program	501,274		445,700
UofA	90.100		Denali Commission Program	(21)	10	
UofA	90.100	0760002	Denali Commission Program	113,849		129,656
UofA	90.100	Letter Award 10/31/05	Denali Commission Program Pass-through Corporation For Public Broadcasting	27,979		
	90.100 Total			47,223,615		30,530,982
		Total Denali Commission		47,223,615		30,530,982
		<u>U.S. Department of Health and Human Services</u>				
UofA	93.001		Civil Rights and Privacy Rule Compliance Activities	17,610	10	
DHSS	93.041		Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,473		
DHSS	93.042		Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	57,121		
DHSS	93.043		Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	47,121		
DHSS	93.044		Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,559,972	10	1,357,684
DHSS	93.045		Special Program for the Aging - Title III, Part C - Nutrition Services	2,761,922	10	2,111,016
AHFC	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	241,554		
DHSS	93.048		Special Program for the Aging - Title IV and Title II - Discretionary Projects	113,631		

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UofA	93.048		Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	301,132	10	15,000
	93.048 Total			656,317		15,000
DHSS	93.052		National Family Caregiver Support	711,814		893,945
DHSS	93.053		Nutrition Services Incentive	241,229	10	
UofA	93.107	Subcontract 919481	Model State - Supported Area Health Education Centers Pass-through University of Washington	27,310	10	
UofA	93.110	PO Y432109 MOD 1	Maternal and Child Health Federal Consolidated Programs Pass-through University of Arizona Tucson	10,028	10	
DHSS	93.110		Maternal and Child Health Federal Consolidated Programs	266,762		
UofA	93.110		Maternal and Child Health Federal Consolidated Programs	76,654		21,734
	93.110 Total			353,444		21,734
UofA	93.113		Environmental Health	1,155	10	
DHSS	93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	822,779		90,500
DHSS	93.127		Emergency Medical Services for Children	218,054		
DHSS	93.130		Primary Care Services Resource Coordination and Development	511,505		
DHSS	93.136		Injury Prevention and Control Research and State and Community Based Programs	685,550		
DHSS	93.150		Projects for Assistance in Transition from Homelessness (PATH)	396,442		274,224
UofA	93.173		Research Related to Deafness and Communication Disorders	1	10	
UofA	93.189	162846	Health Education and Training Centers Pass-through University of Washington	218,175		25,000
UofA	93.192		Quentin N. Burdick Programs for Rural Interdisciplinary Training	174,777		
DEC	93.210		Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements - Pass-Through from ANTHC	2,584,562	3,6	
UofA	93.211	ANTHC-03-C-5239	Telehealth Network Grants Pass-through Alaska Native Tribal Health Consortium	90,933		
DHSS	93.217		Family Planning - Services	453,825		
DEED	93.230		Consolidated Knowledge Development and Application (KDandA) Program	45,439		
DHSS	93.230		Consolidated Knowledge Development and Application (KDandA) Program	2,240,375		714,738
	93.230 Total			2,285,814		714,738
DHSS	93.234		Traumatic Brain Injury: State Demonstration Grant Program	182,287		
DHSS	93.235		Abstinence Education Program	84,072		
DHSS	93.238		Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	136,684		
DHSS	93.241		State Rural Hospital Flexibility Program	537,302		132,861
UofA	93.242	FY04.001.022 AK, FY06.001.012	Mental Health Research Grants Pass-through University of Colorado HSC	110,101	10	
UofA	93.242		Mental Health Research Grants	65,922	10	
	93.242 Total			176,023		

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UofA	93.243	1 H79 TI16092-01	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Cook Inlet Council on Alcohol and Drug Abuse	(682)	10	
UofA	93.243	Con for Svcs DTD 3/24/05	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Fairbanks Native Association	33,042	10	
UofA	93.243	MOA PO# 250057	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Municipality of Anchorage	10,278	10	
DHSS	93.243		Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,763,804		381,856
		93.243 Total		1,806,442		381,856
UofA	93.247	Sub GSONO0130A B Amend 1	Advanced Education Nursing Grant Program Pass-through Oregon Health & Science University	16,569	10	
DHSS	93.251		Universal Newborn Hearing Screening	108,218		
DHSS	93.256		State Planning Grants Health Care Access for the Uninsured	105,382		
DHSS	93.259		Rural Access to Emergency Devices Grant	75,855		
DHSS	93.268		Immunization Grants	10,338,747	3,23	126,707
UofA	93.273		Alcohol Research Programs	335,758	10	
DHSS	93.276		Drug Free Communities Support Program	1,596,669		1,583,963
UofA	93.279	PHS R01 DA013139 PO710841	Drug Abuse and Addiction Research Programs Pass-through Medical College of Wisconsin	46,570	10	
UofA	93.279	Sub 320020-1R01DA015966-01A2	Drug Abuse and Addiction Research Programs Pass-through Pacific Instit for Research and Evaluation Louisville Center	41,555	10	
UofA	93.279		Drug Abuse and Addiction Research Programs	85,146	10	
		93.279 Total		173,271		
DHSS	93.283		Centers for Disease Control and Prevention: Investigations and Technical Assistance	11,921,894		772,511
UofA	93.283		Centers for Disease Control and Prevention - Investigations and Technical Assistance	137,647		
		93.283 Total		12,059,541		772,511
DHSS	93.301		Small Rural Hospital Improvement Grant Program	218,942		168,120
UofA	93.307		Minority Health and Health Disparities Research	195,728	10	
UofA	93.358		Advanced Education Nursing Traineeships	36,192		
UofA	93.375		Minority Biomedical Research Support	443,376	10	54,726
UofA	93.389	G152-06-Z3532	National Center for Research Resources Pass-through Montana State University	38,268	10	
UofA	93.389		National Center for Research Resources	1,433,249		123,899
UofA	93.389		National Center for Research Resources	6,484,495	10	
		93.389 Total		7,956,012		123,899
UofA	93.390		Academic Research Enhancement Award	80,596	10	
DHSS	93.556		Promoting Safe and Stable Families	1,046,362		1,111,673
DHSS	93.558		Temporary Assistance for Needy Families	32,743,180	3	
DLWD	93.558		Temporary Assistance for Needy Families	2,926,054	3,6	
		93.558 Total		35,669,234		
COURT	93.563		Child Support Enforcement	425,000		
DOR	93.563		Child Support Enforcement	16,231,242	5,6	
		93.563 Total		16,656,242		
AHFC	93.568		Low-Income Home Energy Assistance	1,186,504	4	1,186,504
DHSS	93.568		Low-Income Home Energy Assistance	10,835,847		
		93.568 Total		12,022,351		1,186,504

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By Federal Agency
(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DCCED	93.569		Community Services Block Grant	2,210,890		2,063,425
UofA	93.570	NYSPPF 05 1148	Community Services Block Grant - Discretionary Awards Pass-through National Youth Sports Program	24,688		
DCCED	93.571		Community Services Block Grant Discretionary Awards: Community Food and Nutrition Programs	10,072		10,072
DHSS	93.575		Child Care and Development Block Grant	20,610,290	3,10	6,098,766
COURT	93.586	G-0301AKSCIP	State Court Improvement Program	2,696		
COURT	93.586	G-0401AKSCIP	State COURT Improvement Program	107,914		
COURT	93.586	G-0501AKSCIP	State Court Improvement Program	44,921		
		93.586 Total		155,531		
DHSS	93.590		Community-Based Child Abuse Prevention Grants	74,031		183,634
DHSS	93.596		Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,633,116	3,10	
DOR	93.597		Grants to States for Access and Visitation Programs	89,235		
DHSS	93.599		Chafee Education and Training Vouchers Program (ETV)	151,027		
DEED	93.600		Head Start	209,471		75,451
DHSS	93.603		Adoption Incentive Payments	116,000		
DHSS	93.630		Developmental Disabilities Basic Support and Advocacy Grants	596,093		
UofA	93.632		University Centers for Excellence in Developmental Disabilities Education, Research, and Service	499,861		
DHSS	93.643		Children's Justice Grants to States	140,182		35,247
DHSS	93.645		Child Welfare Services - State Grants	324,072		584,667
UofA	93.647		Social Services Research and Demonstration	(846)	10	
UofA	93.648		Child Welfare Services Training Grants	61,891		
DHSS	93.658		Foster Care - Title IV-E	16,809,092	3	
DHSS	93.659		Adoption Assistance	7,375,746		462,496
DHSS	93.667		Social Services Block Grant	10,200,465	3	711,142
DHSS	93.670		Child Abuse and Neglect Discretionary Activities	1,352,969		1,467,993
UofA	93.670		Child Abuse and Neglect Discretionary Activities	(41,511)		
		93.670 Total		1,311,458		1,467,993
DPS	93.671		Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	707,256		687,686
DHSS	93.674		Chafee Foster Care Independence Program	460,310		90,000
DHSS	93.767		State Children's Insurance Program	20,034,762	3	
DHSS	93.768		Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	586,646		
LAW	93.775	0501AK5050	State Medicaid Fraud Control Units	85,746	3,5,10	
LAW	93.775	0601AK5050	State Medicaid Fraud Control Units	359,342	3,5,10	
		93.775 Total		445,088		
DHSS	93.777		State Survey and Certification of Health Care Providers and Suppliers	935,092	3, 10	
DHSS	93.778		Medical Assistance Program	689,881,161	3,10,20	37,500
AHFC	93.779		Centers for Medicare and Medicaid Services	15,976		
DHSS	93.779		Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	2,038,575		
		93.779 Total		2,054,551		
UofA	93.822	Subcontract 169916	Health Careers Opportunity Program Pass-through University of Washington	37,937	10	
UofA	93.822	Subcontract 933805	Health Careers Opportunity Program Pass-through University of Washington	55,270		

STATE OF ALASKA
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(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	93.822		Health Careers Opportunity Program	182,064		
	93.822 Total			275,271		
UofA	93.824		Basic / Core Area Health Education Centers	223,614		117,635
UofA	93.853		Extramural Research Programs in the Neurosciences and Neurological Disorders	274,387	10	
UofA	93.854		Biological Basis Research in the Neurosciences	866,741	10	212,303
UofA	93.856	Agremnt 1/1/06-5U54AI057141-03	Microbiology and Infectious Diseases Research Pass-through Idaho AHEC of Mountain States Group, Inc.	2,500		
UofA	93.856	NO. 968134	Microbiology and Infectious Diseases Research Pass-through University of Washington	52,929	10	
	93.856 Total			55,429		
DHSS	93.887		Health Care and Other Facilities	476,243		
UofA	93.888	Subcontract 145952	Specially Selected Health Projects Pass-through University of Washington	2,347		
DHSS	93.888		Specially Selected Health Projects	182,685		4,000
UofA	93.888		Specially Selected Health Projects	824,563		
UofA	93.888		Specially Selected Health Projects	621,790	10	
	93.888 Total			1,631,385		4,000
DHSS	93.889		National Bioterrorism Hospital Preparedness Program	1,466,530		1,726,289
UofA	93.912	PO 74623	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through Southeast Alaska Regional Health Consortium	121,043	10	
DHSS	93.912		Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	112,690		
UofA	93.912		Rural Health Care Services Outreach and Rural Health Network Development Program	530,439		
	93.912 Total			764,172		
DHSS	93.917		HIV Care Formula Grants	1,134,602		416,718
UofA	93.928	ANTHC-03-U-6877 MOD 005	Special Projects of National Significance Pass-through Alaska Native Tribal Health Consortium	78,115	10	
DEED	93.938		Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	237,011		3,791
DHSS	93.940		HIV Prevention Activities - Health Department Based	1,493,296		619,078
DHSS	93.944		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	114,157		
DHSS	93.945		Assistance Programs for Chronic Disease Prevention and Control	408,420		
DHSS	93.952		Trauma Care systems Planning and Development	49,350		
DHSS	93.958		Block Grant for Community Mental Health Services	969,652		1,044,217
DHSS	93.959		Block Grants for Prevention and Treatment of Substance Abuse	3,551,525		6,233,489
UofA	93.969		Geriatric Education Centers	384,863	10	
DHSS	93.977		Preventive Health Services - Sexually Transmitted Diseases Control Grants	474,050		
DHSS	93.988		Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	564,841		53,995
DHSS	93.991		Preventive Health and Health Services Block Grant	348,482		37,000
DHSS	93.994		Maternal and Child Health Services Block Grant to the States	1,038,498		

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
UofA	93.999	1H79 T1 15948-01	Miscellaneous Pass-through Fairbanks Native Association	50,665		
UofA	93.999	236-01-0003 SUB.	Miscellaneous Pass-through Alaska Native Tribal Health Consortium	37,768		
UofA	93.999	258-060-2-1-12	Miscellaneous Pass-through Fairbanks Native Association	66,766	10	
UofA	93.999	CDC Subcon 200-2002-00433	Miscellaneous Pass-through Center to Protect Worker's Rights	(120)	10	
UofA	93.999		Miscellaneous	6,462	10	
		93.999 Total		161,541		
DHSS	93.030178D4D-CDC		Adult Lead Surveillance Data	23,243		
DEC	93.1R13DF003185		State Food Safety and Food Security Task Force Meetings Conference Grant Program	4,477		
DHSS	93.200-2000-07201		NCHS Contract	192,540		
DHSS	93.223-03-4401		Mammography Inspection	31,314		
DEC	93.223-04-4037		FDA Food Inspections	7		
DHSS	93.230-BHPR-034(03)		National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	158,000		
DHSS	93.243-03-1045		NIOSH Trauma Registry	71,400		
DHSS	93.25020043601C		HRSA/Office of Rural Health Policy	168,673		
DEC	93.HHSF223200540013C		FDA Inspections	341,663		
		Total U.S. Department of Health and Human Services		918,701,483		34,123,255
		<u>U.S. Corporation for National and Community Service</u>				
DCCED	94.003		State Commissions	92,531	5	
DCCED	94.004		Learn and Serve America - School and Community Based Programs	54,452		37,178
UofA	94.005		Learn and Serve America - Higher Education	11,101		
UofA	94.005		Learn and Serve America - Higher Education	824	10	
		94.005 Total		11,925		
DCCED	94.006		AmeriCorps	1,319,958		1,319,958
DCCED	94.007		Planning and Program Development Grants	46,862	5	17,011
DCCED	94.009		Training and Technical Assistance	94,665		
DCCED	94.013		Volunteers in Service to America	3,376	5	
		Total U.S. Corporation for National and Community Service		1,623,769		1,374,147
		<u>Social Security Administration</u>				
DLWD	96.001		Social Security - Disability Insurance	3,919,214	6,10	
DLWD	96.006		Supplemental Security Income	645,064	6,10	
UofA	96.008		Social Security - Work Incentives Planning and Assistance Program	63,805		
		Social Security Administration		4,628,083		
		<u>U.S. Department of Homeland Security</u>				
ARRC	83.544	1445-DR-AK	U.S. Department of Emergency Management	29,791	9	
ARRC	83.544	1461-DR-AK	U.S. Department of Emergency Management	5,981	9	
		83.544 Total		35,772		
ARRC	83.548	1445.00006	U.S. Department of Emergency Management	311,912	9	
DMVA	97.004		State Domestic Preparedness Equipment Support Program	19,322,848	10	15,161,919
DNR	97.012		Boating Safety Financial Assistance	698,557	6	
DNR	97.013		State Access to the Oil Spill Liability Trust Fund	4,939		

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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(see acronyms)

State Agency	CFDA Number	Grant or Other Identifying Number	Federal Program Title	Federal Expenditures	Notes	Provided to Subrecipient
DMVA	97.017		Pre-Disaster Mitigation Competitive Grants	12,824		12,824
DMVA	97.020		Hazardous Materials Training Program	33,810		33,810
DCCED	97.023		Community Assistance Program: State Support Services Element (CAP-SSSE)	102,943		
DMVA	97.026		Emergency Management Institute - Training Assistance	7,211		
DCCED	97.029		Flood Mitigation Assistance	8,029		8,029
DMVA	97.036		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	7,369,115	5	6,331,889
DMVA	97.039		Hazard Mitigation Grant	690,604	5	581,107
DNR	97.041		National Dam Safety Program	5,455		
DMVA	97.042		Emergency Management Performance Grants	1,764,624		424,318
DPS	97.043		State Fire Training Systems Grants	8,633		
DPS	97.044		Alaska Home Fire Safety Inspection Project	25,128		
DPS	97.044		Assistance to Firefighters Grant	31,123		
UofA	97.044		Assistance to Firefighters Grant	74,315		
	97.044 Total			130,566		
DNR	97.046		Fire Management Assistance Grant	(119,959)	5	
DMVA	97.047		Pre-Disaster Mitigation	4,439		4,439
DMVA	97.053		Citizen Corps	31,823	10	28,255
ARRC	97.056	HSTS04-04-G-GPS540	U.S. Department of Homeland Security-Seward Video System	49,785	9	
DOTPF	97.056		Port Security Grant Program	1,255,386		
	97.056 Total			1,305,171		
DOTPF	97.067		Homeland Security Grant Program	603,910	10	
DCCED	97.070		Map Modernization Management Support	81,219		
DMVA	97.071		Metropolitan Medical Response System	12,325	10	12,325
DOTPF	97.072		National Explosives Detection Canine Team Program	200,362		
DMVA	97.073		State Homeland Security Program	1,801,514	10	1,173,508
DMVA	97.074		Law Enforcement Terrorism Prevention Program (LETPP)	848,934	10	553,357
DFG	97.999		Miscellaneous U.S. Coast Guard	6,935	6	
		U.S. Department of Homeland Security		35,284,515		24,325,780
		U.S. Agency for International Development				
UofA	98.012	FY06-ARO2-U-Alaska-02	USAID Development Partnerships for University Cooperation and Development Pass-through IREX	114,640		
UofA	98.999		USAID / Russia	976,227		113,269
UofA	98.999		U.S. Agency for International Development	599,399	10	
	98.999 Total			1,575,626		113,269
DCCED	98.118-G-00-00-115		USAID Alaska-Sakhalin Working Group	193,091		
		Total U.S. Agency for International Development		1,883,357		113,269
		Total Federal Financial Assistance		\$2,665,733,490		\$369,572,763

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2006

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, 2006.
- 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, 2006, using the A-133 criteria, the State of Alaska has 29 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.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

Note 6: Indirect Costs

Expenditure amounts include indirect costs recovered.

Note 7: Food Stamps

At fiscal year end, June 30, 2006, food stamp inventory was \$0 and during FY 06, approximately \$84.8 million were issued.

Note 8: WIC Rebates

During FY 06 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of \$3,422,319 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(a) 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 58,826 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	\$ 7,868,864
U.S. DEPARTMENT OF COMMERCE	12,555,511
U.S. DEPARTMENT OF DEFENSE	13,627,398
U.S. DEPARTMENT OF THE INTERIOR	7,471,278
U.S. DEPARTMENT OF JUSTICE	353,899
U.S. DEPARTMENT OF LABOR	(583)
U.S. DEPARTMENT OF TREASURY	1,408,242

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2006

	<u>EXPENDITURES</u>
U.S. GENERAL SERVICES AGENCY	14,055,287
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	10,287,526
INSTITUTE OF MUSEUM AND LIBRARY SERVICES	11,494
NATIONAL SCIENCE FOUNDATION	22,906,213
ENVIRONMENTAL PROTECTION AGENCY	146,938
U.S. DEPARTMENT OF ENERGY	3,461,898
U.S. DEPARTMENT OF EDUCATION	1,683,509
DENALI COMMISSION	(21)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	10,854,025
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES	824
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT	<u>599,399</u>
Total Research and Development Cluster	<u>\$ 107,291,701</u>
 B. STUDENT FINANCIAL AID CLUSTER	
U.S. DEPARTMENT OF EDUCATION	
84.007 Federal Supplemental Educational Opportunity Grants	\$ 607,172
84.032 Federal Family Education Loans	43,014,664
84.033 Federal Work-Study Program	660,498
84.063 Federal Pell Grant Program	<u>9,176,886</u>
Total Student Financial Aid Cluster	<u>\$ 53,459,220</u>
 C. OTHER CLUSTERS	
FOOD STAMP CLUSTER	
10.551 Food Stamps	\$ 84,775,024
10.561 State Administrative Matching Grants for Food Stamp Program	<u>9,667,050</u>
Total Food Stamp Cluster	<u>\$ 94,442,074</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

	<u>EXPENDITURES</u>
CHILD NUTRITION CLUSTER	
10.553 School Breakfast Program	\$ 4,722,588
10.555 National School Lunch Program	22,245,720
10.556 Special Milk Program for Children	12,800
10.559 Summer Food Service Program for Children	436,492
Total Child Nutrition Cluster	<u>\$ 27,417,600</u>
EMERGENCY FOOD ASSISTANCE CLUSTER	
10.568 Emergency Food Assistance Program (Administrative Costs)	<u>\$ 140,550</u>
SCHOOLS AND ROADS CLUSTER	
10.665 Schools and Roads: Grants to States	<u>\$ 9,285,491</u>
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER	
11.300 Grants for Public Works and Economic Development Facilities	\$ 495,225
11.307 Economic Adjustment Assistance	1,140,761
Total Public Works and Economic Development Cluster	<u>\$ 1,635,986</u>
SECTION 8 PROJECT-BASED CLUSTER	
14.182 Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	\$ 2,375,943
14.195 Section 8 Housing Assistance Payments Program: Special Allocations	6,845,100
14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	345,582
Total Section 8 Project-based Cluster	<u>\$ 9,566,625</u>
FISH AND WILDLIFE CLUSTER	
15.605 Sport Fish Restoration	15,995,937
15.611 Wildlife Restoration	9,497,590
Total Fish and Wildlife Cluster	<u>\$ 25,493,527</u>
EMPLOYMENT SERVICES CLUSTER	
17.207 Employment Service/Wagner-Peyser Funded Activities	\$ 9,181,263
17.801 Disabled Veterans' Outreach Program (DVOP)	236,559
17.804 Local Veterans' Employment Representative Program	311,028
Total Employment Services Cluster	<u>\$ 9,728,850</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2006

	<u>EXPENDITURES</u>
WORKFORCE INVESTMENT ACT CLUSTER	
17.258 WIA Adult Program	\$ 3,058,940
17.259 WIA Youth Activities	3,219,821
17.260 WIA Dislocated Workers	<u>6,567,129</u>
Total Workforce Investment Act Cluster	<u>\$ 12,845,890</u>
 HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	
20.205 Highway Planning and Construction	<u>\$ 337,528,726</u>
 FEDERAL TRANSIT CLUSTER	
20.500 Federal Transit: Capital Investment Grants	\$ 19,645,038
20.507 Federal Transit: Formula Grants	<u>10,905,142</u>
Total Federal Transit Cluster	<u>\$ 30,550,180</u>
 HIGHWAY SAFETY CLUSTER	
20.600 State and Community Highway Safety	\$ 651,793
20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	2,266,393
20.602 Occupant Protection	467,079
20.603 Federal Highway Safety Data Improvements Incentive Grants	138,330
20.605 Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	<u>470,470</u>
Total Highway Safety Cluster	<u>\$ 3,994,065</u>
 SPECIAL EDUCATION CLUSTER	
84.027 Special Education: Grants to States	\$ 29,827,687
84.173 Special Education Preschool Grants	<u>1,091,928</u>
Total Special Education Cluster	<u>\$ 30,919,615</u>
 TRIO CLUSTER	
84.042 TRIO: Student Support Services	\$ 522,664
84.044 TRIO: Talent Search	957,617
84.047 TRIO: Upward Bound	1,115,637
84.066 TRIO: Educational Opportunity Centers	<u>666,286</u>
Total TRIO Cluster	<u>\$ 3,262,204</u>

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2006

	<u>EXPENDITURES</u>
ADMINISTRATION ON AGING CLUSTER	
93.044 Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	\$ 1,559,972
93.045 Special Programs for the Aging: Title III, Part C - Nutrition Services	2,761,922
93.053 Nutrition Services Incentive	241,229
	\$ 4,563,123
 CHILD CARE CLUSTER	
93.575 Child Care and Development Block Grant	\$ 20,610,290
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,633,116
	\$ 28,243,406
 MEDICAID CLUSTER	
93.775 State Medicaid Fraud Control Units	\$ 445,088
93.777 State Survey and Certification of Health Care Providers and Suppliers	935,092
93.778 Medical Assistance Program	689,881,161
	\$ 691,261,341
 DISABILITY INSURANCE/SSI CLUSTER	
96.001 Social Security - Disability Insurance	\$ 3,919,214
96.006 Supplemental Security Income	645,064
	\$ 4,565,278
 HOMELAND SECURITY CLUSTER	
97.004 State Domestic Preparedness Equipment Support Program	\$ 19,322,848
97.053 Citizen Corps	31,823
97.067 Homeland Security Grant Program	603,910
97.071 Metropolitan Medical Response System	12,325
97.073 State Homeland Security Program	1,801,514
97.074 Law Enforcement Terrorism Prevention Program (LETPP)	848,934
	\$ 22,621,354

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

Note 11: Unemployment Insurance

Federal participation in FY 06 Unemployment Insurance Benefits was \$38,614,542. Federal participation for program administration was \$26,222,157. UI benefits paid by the State during FY 06 was \$120,972,041 and Reed Act distribution was \$3,666,546. (CFDA 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 06, AHFC expended \$0 from the trust fund in support of ENERGY programs.

Note 13: AHFC Loan Guarantee Programs

During FY 06, 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, 2006, are:

Housing and Urban Development FHA Mortgage Insurance	\$ 755,126,356
Department of Veterans' Affairs Mortgage Guarantees	602,012,679
Farmers Home Administration Mortgage Insurance	156,266,341
Total Loan Guarantees and Insurance Programs	<u>\$ 1,513,405,376</u>

Note 14: Federal Surplus Property Program

All assistance provided to the Federal Surplus Property Program is in the form of donations of excess property to the Division of General Services. In FY 06 the State processed federal property valued at \$6,327,669 donors acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.3% of donors cost. This is the expenditure amount shown on the schedule \$1,474,347. The ending inventory at June 30, 2006, carried at the donors' acquisition cost was \$6,315,940. (CFDA 39.003)

Note 15: Commodities

DEED administers federal commodities distribution through other governmental and nonprofit agencies. In FY 06, commodities distributed totaled \$1,769,849. Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2006. (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, 2006, there were 5 outstanding scholarships, which totaled \$48,958.27. (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, 2006, 93 loan commitments totaling \$217,401,338 had been granted. Total loans against these commitments were \$167,662,620 of which \$133,906,834 was federal participation. Of the

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

\$133,906,834, \$1,335,271 was disbursed in FY 06. Repayment received during FY 06 totaled \$6,148,103. Loans outstanding at June 30, 2006, totaled \$107,935,987. (CFDA 66.458)

Note 18: Capitalization Grants for Drinking Water State Revolving Fund

The EPA jointly funds the Alaska Safe Drinking Water Loan Fund with the State. At fiscal year end June 30, 2006, 59 loan commitments totaling \$99,641,206 had been granted which consists of \$7,821,000 in disadvantaged assistance and \$91,820,206 in loan assistance. Total loans against these commitments were \$62,167,143 of which \$51,805,932 was federal participation. Of the \$51,805,932, \$5,587,316 was disbursed in FY 06. Repayment received during FY06 totaled \$1,463,963. Loans outstanding at June 30, 2006, totaled \$50,558,211. (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 06 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, 2006, totaled \$163,333. Federal share of principal is \$139,345.

Note 20: Medical Assistance Program Deferred Claims

Medical Assistance Program Claims - \$3 million of Medical Assistance Program federal expenditures for School based administrative costs included in the FY 06 Schedule of Expenditures of Federal Awards are pending reimbursement. DHSS's claiming methodology has not been federally approved. Negotiations are in progress between the State of Alaska and the U.S. Department of Health and Human Services, Centers for Medicaid and Medicare Services (CMS). Additionally, \$21,357,099 million of FY 06 Schedule of Expenditures for private inpatient hospital services claims by the State of Alaska were disallowed by CMS, as these claims were not in accordance with the approved state plan for the private hospital proshare program. The State of Alaska is awaiting resolution of this issue in the Federal Court System. (CFDA 93.778).

Note 21: Federal Family Education Loan Program (FFELP)

Federal Family Education Loan Program (FFELP) - FFELP loans are governed by the Higher Education Act (Act). The Act provides for federal: (a) insurance or reinsurance of eligible loans, (b) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (c) 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 \$62,752,613. (CFDA 84.032)

Note 22: Perkins Loan Program

The University has received Federal awards under the Perkins Loan Program (CFDA 84.638). The outstanding loan balances under this program totaled \$5,758 as of June 30, 2006.

Note 23: Immunization Grants

Federal expenditures include vaccines received during FY 06 valued at \$8,064,522. (CFDA 93.268)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-4001-01**
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:

DHSS is currently developing the new MMIS system. DHSS is designing the new enrollment application and process, which will be used for the re-enrollment of all providers prior to the implementation of the new MMIS. However, implementation of the new MMIS has been delayed due to a contract dispute. DHSS reissued an RFP for the new MMIS in October 2006. Implementing the new MMIS system will include assigning providers with National Provider Identification (NPI) numbers during the enrollment/re-enrollment process. The Division of Health Care Services (which succeeded DMA) continues to rely on the following controls:

1. Monthly provider enrollment and eligibility list cross-checks against the Division of Occupational Licensing database to ensure licensed providers remain licensed;
2. Ongoing reviews of non-licensed providers to identify potential problem areas and update re-enrollment; and
3. 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.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-4003-03**
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 audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

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:

DHSS continues with a comprehensive review of the enrollment application and process in expectation of the implementation of the new MMIS. However, implementation of the new MMIS has been delayed due to a contract dispute. DHSS reissued an RFP for the MMIS in October 2006. Due to the delayed implementation and various new federal requirements, HCS has determined the re-enrollment process cannot wait for the new MMIS. HCS is in the planning stages of a comprehensive re-enrollment project. The anticipated start date for this project is summer 2007.

In addition, HCS did a review of provider enrollment in November 2006. Providers that did not have activity within the last 18 months were contacted. Based on the response, First Health Services Corporation deactivated approximately 1,200 providers. Another review is scheduled for April 2007.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

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

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

Prior Audit Finding:

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

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

During SFY 04 and SFY 05, DHSS implemented a provider audit program. In SFY 04, 80 audits were conducted and an additional 80 audits of providers was selected. The contract with the DHSS fiscal agent for enhanced integrity functions was terminated due to non-performance. During SFY 06, an audit committee was established to review the audit reports. DHSS is currently evaluating the existing structure and will be making changes during SFY 07.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 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:

This audit finding is resolved in accordance with OMB Circular A-133_.315. The Standard Operating Procedure (SOP) for Procurement Authority was implemented in August 2005. The SOP for Approving Officer was implemented in April 2006.

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:

This audit finding is resolved in accordance with OMB Circular A-133_.315. The signature card procedure, which is included in the above referenced Approving Officer SOP, was implemented in April 2006.

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:

This finding is resolved in accordance with OMB Circular A-133 _____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

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:

The finance officer and revenue supervisor have established internal controls by limiting access to the cost allocation spreadsheets after its quarterly completion. Access is limited to two staff accountants, the revenue supervisor, and the accountant IV responsible for implementation. Additionally, the revenue section will continue to work with the information technology staff to ensure the spreadsheets are safeguarded to prevent changes occurring.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40004-04**
Finding Number: **18**
Fiscal Year: **2003**
Initial Finding Year: **2003**

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.

Federal Agency: **USDA, USDOE**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$6,687
CFDA: **84.181**
Questioned Costs: \$6,687

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40004-04**
Finding Number: **20**
Fiscal Year: **2003**
Initial Finding Year: **2003**

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.

Federal Agency: **USDOE**
State Agency: **DHSS**
CFDA: **84.181**
Questioned Costs: \$35,787

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

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. DHSS, Office of Children's Services corresponded with the federal agency providing financial documentation that State general fund dollars were used for federal allowable costs.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40004-04**
Finding Number: **24**
Fiscal Year: **2003**
Initial Finding Year: **2002**

Prior Audit Finding:

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

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

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

In September 2005, CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS received the DRAFT results of that review in August 2006. DHSS responded on October 12, 2006, to the recommendations made. DHSS will use the final report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

Implementation of the new MMIS has been delayed due to a contract dispute. DHSS reissued an RFP for the MMIS in October 2006. The new MMIS will improve internal controls for the Medicaid program.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40004-04**
Finding Number: **25**
Fiscal Year: **2003**
Initial Finding Year: **2003**

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.

Federal Agency: **USDHHS**
State Agency: **DHSS & DEED**
CFDA: 93.778
Questioned Costs:
\$6,480,333

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

Agency Response – Department of Health & Social Services

In February 2007, CMS approved the DHSS claiming plan for the Medicaid school-based administrative costs. Also, in February 2007, DHSS agreed to research prior year claims to make them consistent with the claiming plan and to give CMS a proposal for resolving all claims. The proposed analysis should be completed by April 2007.

Agency Response – Department of Education & Early Development

This finding is resolved in accordance with OMB Circular A-133 ____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

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:

In February 2007, CMS agreed that DHSS will research this issue for a resolution. There is some evidence that needs confirmation that this payment was either never made or a warrant was returned. DHSS has ceased payments for prisoner care and is currently working with CMS Region X representatives regarding this audit finding. Based on the research, DHSS will propose a resolution to CMS.

Recently, CMS has promulgated regulations for auditing DSH payments and calculations. Once finalized, DHSS will follow those regulations and configure our DSH payments and processes to be compliant.

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 resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40004-04**
Finding Number: **28**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$10,360,692

Prior Audit Finding:

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

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

This audit finding has been partially implemented in accordance with OMB Circular A-133_.315. 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 continues to evaluate and improve the UPL process. CMS has not provided any additional guidance regarding the methodology that DHSS applied. 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' understanding of the applicable approved state plan amendment, causes us to respectfully disagree with questioned costs outlined in the 2004 audit report. DHSS will continue to improve the upper limit calculations based on legislative audit recommendations and other applicable information.

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:

This finding is resolved in accordance with OMB Circular A-133 ____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **8**
Fiscal Year: **2004**
Initial Finding Year: **2002**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$22,672
CFDA: **93.659**
Questioned Costs: \$35,179
CFDA: **93.658**
Questioned Costs: \$2,791

Prior Audit Finding:

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.

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

This audit finding partially implemented. Federal Division of Cost Allocation has approved DHSS' 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. 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.

DHSS will process the remaining questioned costs totaling \$3,001 when requested by the federal granting agency.

Report: **02-40005-05**
Finding Number: **9**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.913**
Questioned Costs: \$20,000
CFDA: **93.283**
Questioned Costs: \$7,044

Prior Audit Finding:

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

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

This finding is not resolved. DHSS does not concur with the questioned costs cited in the audit finding. The referenced federal programs include funding for IT related expenditures. In addition, DHSS has not been requested to reimburse the questioned costs by the federal granting agency.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **11**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.283**
Questioned Costs: \$181,079
CFDA: **93.575**
Questioned Costs: \$112,303
CFDA: **93.778**
Questioned Costs: \$21,094

Prior Audit Finding:

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

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

DHSS has implemented positive time reporting requirements for all employees currently working on multiple benefiting programs. DHSS also requires employees working 100 percent of their time for only one grant or program to prepare a "Federal Program Employee Certification Form" signed by the employee, the supervisor, and the appropriate section chief.

DHSS has not been contacted by the federal granting agencies requesting reimbursement. These questioned costs resulted from not having the A-87 federal certification on file at the time of the audit. However, the personal services were valid federal expenditures.

Report: **02-40005-05**
Finding Number: **15**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 & 93.596**
Questioned Costs: \$106,778

Prior Audit Finding:

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

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40005-05**
Finding Number: **16**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575 & 93.596**
Questioned Costs: None

Prior Audit Finding:

We recommend DHSS' project manager for the child care program improve monitoring of sub-recipients.

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **17**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
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:

In September 2005, CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS received the DRAFT results of that review in August 2006. DHSS responded on October 12, 2006, to the recommendations made. DHSS will use the final report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

DHSS has completed the PERM pilot project which highlighted areas for improving internal controls. DHSS continues to work towards improving PCA regulations. As DHSS evaluates its program integrity and utilization function, it will consider implementing best practices when possible.

Report: **02-40005-05**
Finding Number: **18**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DEED & DHSS**
CFDA: **93.778**
Questioned Costs:
\$5,505,244

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:

Agency Response – Department of Health & Social Services

This finding has been partially implemented. DHSS has ceased the partnership with DEED for School based Administrative claiming and is solely continuing the implementation of changes as required by CMS 2003 guidance. DHSS worked with CMS and Division of Cost Allocation to understand their needs and has submitted an implementation plan to CMS. CMS approved the plan in February 2007. DHSS, respectfully, disagrees with the questioned costs cited.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **19**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Prior Audit Finding:

The State Medicaid 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:

In September 2005, CMS conducted a weeklong review of DHSS' utilization review and quality control processes and procedures. DHSS received the DRAFT results of that review in August 2006. DHSS responded on October 12, 2006, to the recommendations made. DHSS will use the final report to implement further improvements. Proposed regulations regarding audits and quality assurance are currently in process within DHSS. These regulations will inform providers of the review process and their rights of appeal. The proposal also describes the audit functions of SURS, the audit manager, and audit committee. The proposal will provide clarity for providers and DHSS staff.

Report: **02-40005-05**
Finding Number: **20**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Prior Audit Finding:

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

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$33,337,220

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

Please see response to item 02-40004-04 #28.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **21**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs:
\$1,155,982

Prior Audit Finding:

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

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

This finding is partially resolved. DHSS continues to strengthen controls in the pharmacy program. Medicare Part D moved the pharmacy benefit from Medicaid to Medicare on January 1, 2006. A cost avoidance system, which requires a third party be billed before Medicaid, was implemented in November 2005 to ensure the transition went smoothly. The department continues to evaluate the "clawback" calculations to insure Alaska appropriately repays the federal government. The department is working with other states through the Pharmacy Technical Assistance Group to get CMS to reevaluate their "clawback" calculations.

DHSS has tightened controls over MedPak usage and dispensing fees through changes to Pharmacy POS system implementation, updating the pharmacy billing manual, and provider letters. Regulations have also been drafted to formalize MedPak usage and dispensing fees. The regulations are currently being reviewed by the Department of Law. The department is contracting with the University of Oklahoma, School Of Pharmacy, to complete a survey of prescription dispensing costs. 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. The department anticipates survey work being completed in June 2007 and anticipates regulations may need to be further modified based on the results of the survey. The department recently hired and trained a new Medicaid pharmacist who will provide additional pharmacy program oversight.

Report: **02-40005-05**
Finding Number: **22**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **EPA**
State Agency: **DEC**
CFDA: **66.606**
Questioned Costs:
\$1,115,721

Prior Audit Finding:

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.

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

This finding is resolved in accordance with OMB Circular A-133 ____.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-40005-05**
Finding Number: **26**
Fiscal Year: **2004**
Initial Finding Year: **2004**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.044**
Questioned Costs: None

Prior Audit Finding:

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

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. 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.

Status - 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 provide needed financial information, thereby delaying verification of participant eligibility. As trust for the program has increased in the region, progress continues. The program served 52 percent low-income and potential first-generation college students in program year 2003–2004, 60 percent in program year 2004–2005, and 56 percent in program year 2005–2006. Overall, this program has progressed in the number of students served. In program year 2004–2005, 186 of 312 program participants met the requirement for low-income and potential first-generation college students. In program year 2005–2006, 221 of 396 program participants met the requirement for low-income and potential first-generation college students. Increased participation among program participants resulted from partnering with personnel from the four school districts served, by working with native Alaskan village councils, and by creating opportunities that appeal to the target group. The program is on track to meet the two-thirds objective for the 2006–2007 program year.

STATE OF ALASKA
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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **2**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDHHS**
State Agency: **DOA, DHSS**
CFDA: **93.283**
Questioned Costs: \$17,812
CFDA: **93.778**
Questioned Costs: \$103,160

Prior Audit Finding:

The State Medicaid director should work with the administrative manager for the Department of Administration (DOA), Division of Administrative Services to ensure Medicaid administrative costs incurred by DOA's Office of Public Advocacy (OPA) are claimed in accordance with federal guidelines.

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

Agency Response – Department of Administration

For FY 2006, the State did not seek reimbursement for these Medicaid eligible services pending corrective action. In FY 2007, the department, in conjunction with staff from the Department of Health and Social Services, implemented a timekeeping process that was approved by the department and should result in claims being made in accordance with federal guidelines.

Agency Response – Department of Health & Social Services

In FY06, DHSS suspended the reimbursement for Medicaid eligible services pending resolution of timekeeping issues. DHSS staff provided training based on an approved timekeeping model; DOA/OPA then engaged the vendor to implement the timekeeping system. Following confirmation from DOA/OPA administrative staff that the timekeeping issues are resolved, DHSS issued the FY07 RSA.

Report: **02-40006-06**
Finding Number: **3**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDOE**
State Agency: **DEED**
CFDA: **84.041**
Questioned Costs:
\$1,439,110

Prior Audit Finding:

The director of School Finance should strengthen review procedures to ensure data, specifically the number of eligible children, is reported accurately on the Impact Aid funding application.

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

This finding is resolved in accordance with OMB Circular A-133 ____.315. The department has been in contact with the USDOE Impact Aid office and submitted corrections to the Impact Aid application. USDOE has deducted the overpayment from two of EED's Impact Aid vouchers: \$1,386,132 from voucher number 109378 2006-1 dated April 10, 2006 and \$52,978 from voucher number 116039 2006-2 dated December 27, 2006.

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Report: **02-40006-06**
Finding Number: **9**
Fiscal Year: **2005**
Initial Finding Year: **2004**

Federal Agency: **USHHS,
USDA**

State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: \$25,129
CFDA: **93.658**
Questioned Costs: \$24,042
CFDA: **93.959**
Questioned Costs: \$3,664

Prior Audit Finding:

The DHSS' assistant commissioner, responsible for finance and management services, should continue to ensure personal service expenditures charged to federal programs comply with federal cost principles.

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

The department partially concurs with the recommendation. The department has adopted the corrective actions to ensure that procedures are in place for accurate *Time and Effort Reporting* for the programs identified. The Office of Children's Services has established procedures to ensure compliance with federal OMB Circular A-87. Specifically, if the personal service costs related to a position are fully covered by the grant award, the DHSS Federal Program Employee Certification form is sent to the appropriate personnel. The date of the employee certification is noted on the monthly federal grant management report. One month prior to the month in which the next semi-annual Federal Program Employee Certification is due, a new certification form is emailed with the monthly reports. The certification is logged into the federal grant management report upon receipt from the applicable employee(s) and a hard copy is retained in the central office.

The Division of Behavior Health implemented a positive time keeping system during SFY 06. All employees were provided with training on how to complete their timesheets for their time and effort to multiple benefiting programs.

The department has been contacted by federal agencies and questioned costs for CFDA 93.658 and CFDA 93.959 have been resolved. Payment for both questioned costs was made in April 2007 to the US DHHS.

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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **10**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS,
USDOE, USDA**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**
CFDA: **93.658**
CFDA: **93.670**
CFDA: **84.181**
CFDA: **10.557**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The DHSS' finance officer should ensure the cost allocation plan (CAP) methodologies are properly updated and new methodologies are submitted for federal approval.

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

The department concurs with the recommendation. The department has been working toward the resolution of the questioned costs based on the audit findings and recommendations to ensure compliance. Several improvements have already been accomplished and some are still in progress toward completion. The delay in accomplishing the compliance on the recommendations is partly due to staff turnover that is expected to be resolved soon as a result of a reorganization that has been implemented toward the end of state fiscal year 2006.

The status of the department compliance on the following findings is as follows:

1. Compliance of the quarterly update of the OCS-10 cost allocation methodology has been fully implemented and updated on the CAP effective March 31, 2006 quarterly report. The administrative manager of OCS responsible for the generation of the full time equivalent positions (FTE) for all cost centers is now submitting this report quarterly. Other actions undertaken in connection with the OCS-10 update has been the retroactive revision of September 30, 2005 and December 31, 2005 CAP quarters based on the available current FTE data provided by the division administrative manager for these quarters.
2. The cost allocation methodology being used in the Denali Kid Care cost distribution between Title XIX and Title XXI programs is now included in the amended department cost allocation plan, which was submitted April 2007. This amendment is being requested retroactively when the methodology has been first implemented. While the department realized that this cost allocation methodology has not been submitted for approval, the department has the obligation to ensure that there is equity of costs distribution to all programs. The department believes that the use of the quarterly case count is the only equitable methodology of cost distribution between these programs so the use is continuing with the intention of submitting it to the Federal Cost Allocation for approval.
3. The HCS-14 cost allocation methodology has been updated retroactively to July 1, 2005 on all quarters through September 30, 2006. The retroactive updates are reflected on the December 31, 2006 quarterly report. The quarterly expenditure data are readily available for all these quarters that were required to be updated.

STATE OF ALASKA
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FY 2006 Audit

Report: **02-40006-06**
Finding Number: 11
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: None

Prior Audit Finding:

The DHSS program manager for Temporary Assistance for Needy Families (TANF) program should improve documentation controls for work participation data.

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

The finding has been partially resolved. DHSS has submitted a draft work verification plan to the Administration for Children and Families prior to September 30, 2006 as required by the Deficit Reduction Act of 2005. The plan outlined DPA's draft verification procedures for validating work activities reported in the TANF Data Report. With the new documentation requirements taking effect October 1, 2006, we expect to see further improvements in our documentation of work participation hours. We will continue to work with our contractors to improve the documentation, processes, and procedures.

Report: **02-40006-06**
Finding Number: 12
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: \$59,774

Prior Audit Finding:

The DHSS program manager for TANF should ensure expenditures are charged in accordance with federal cost principles.

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

DHSS concurs with this recommendation. DPA firmly believes that the development of integrated service strategies clearly benefit Temporary Assistance families with multiple needs, and enables them to stay together and become self-sufficient (TANF purpose 1 & 2). DPA's experience with integrated services through its family-centered services pilot project demonstrates that needy families often represent a common service population for multiple agencies within DHSS.

DPA, in conjunction with Finance & Management Services (FMS), determined an allocation methodology that represented the population served and incorporated the appropriate federal reporting adjustments on the quarter ending March 31, 2007 federal reports.

Report: **02-40006-06**
Finding Number: 13
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: None

Prior Audit Finding:

The director of Division of Public Assistance (DPA) should implement procedures to ensure the Income Eligibility and Verification System (IEVS) requirement is met for all programs funded with Temporary Assistance to Needy Families (TANF) monies.

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **14**
Fiscal Year: **2005**
Initial Finding Year: **2004**

Prior Audit Finding:

We recommend DHSS' project manager for the child care program continues to improve monitoring of sub-recipients.

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

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

The department concurs with this recommendation. The department has made substantial progress in relation to this finding. The department's CCDF plan approved by ACF in September 2005 states that we will perform annual on-site monitoring, random desk audits, and review of monthly statistical reports and quarterly fiscal and narrative reports.

In FY06, monitoring reviews were completed on all 14 grantees. These reviews were much more in-depth than previous reviews and included: family and provider eligibility determination and payment reviews; staff, family, provider, and partner agency interviews; and on-site observations of program operations. The reviews were conducted by an entity external to the Child Care Program Office (CCPO), with CCPO staff participating as part of the review team. Monitoring reports were written following the reviews, and in addition to recommendations for the grantee, recommendations for CCPO improvements were included. Written responses from grantees were required within 30 days of receipt of the report if there were improvements needed. The CCPO followed up on responses to ensure that improvements were made. If needed, a second monitoring visit was scheduled to a grantee to ensure that sufficient progress was being made in meeting the needed improvements.

Training to grantees is provided on an as-needed basis. Bi-monthly teleconferences continue to be held with grantees to provide technical assistance and guidance in implementing the program. In FY06, the CCPO dedicated a position to providing quality assurance services for the Child Care Assistance Program. This person started work in August 2006 and currently performs a significant number of grantee file audits and preliminary investigations into suspected improper payments.

In February 2006, implementation of the Integrated Child Care Information System (ICIS) was completed and all grantees were using the system. These enabled the CCPO to access grantee records and monitor their work on an on-going basis. The CCPO also reviews quarterly fiscal and narrative reports and is working to produce monthly statistical reports for review and analysis by the CCPO. In addition, all child care bills that are paid in the system (by grantees) are sent to the CCPO, where they are reviewed to ensure accuracy between what is billed and what is paid.

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

STATE OF ALASKA
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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **15**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.658**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The DHSS' foster care staff should implement procedures to adjust financial records for retroactive effects when eligibility changes are made to the On-line Resources for the Children of Alaska (ORCA) information management system.

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **16**
Fiscal Year: **2005**
Initial Finding Year: **2002**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.778**
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:

The department concurs that strong internal controls are a requirement and is committed to improving in this area.

Legislative Audit provides two examples of weak internal controls identified in FY05. The first example relates to internal control issues concerning the Personal Care program. Several improvements have occurred since July 1, 2005 in this area, including establishment of a separate Personal Care Attendant (PCA) section in the Division of Senior & Disability Services and a major effort to staff that unit appropriately; and development and adoption of PCA regulations that will control the use of services and provide many controls over the program. The second example relates to detection and reporting of Medicaid overpayments. DHSS has adopted an audit flow-chart and policy on how and when Medicaid overpayments will be reported on the CMS-64. That policy was in place for quarter ending March 31, 2006.

DHSS also acknowledges that the old and aging current Medicaid Management Information System (MMIS) does not have the modern capability for desired internal control features and that replacement of the system is two to three years away. However, we are committed to securing a new MMIS in a reasonable manner in the most cost effective means for the State.

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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **17**
Fiscal Year: **2005**
Initial Finding Year: **2002**

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

Prior Audit Finding:

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

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

The department concurs with the recommendation.

The department acknowledges past problems in quality assurance and program integrity management. As a result, the department has created a new vision for overall quality improvement. The new plan creates a centralized department-wide unit, based in the Commissioner's Office and autonomous in action. The unit is headed by a quality improvement manager who is responsible directly to the Deputy Commissioner for the Office of Program Review. The manager coordinates all department quality improvement efforts. Those efforts include program integrity, defined as fraud control and program abuse investigations; quality assurance, defined as audit activity and the oversight of provider compliance with regulations; and quality enhancement, defined as training and technical assistance for staff and Medicaid providers to enhance overall quality in program administration.

The department has made progress towards updating utilization control and program integrity functions; implementation and annual extensions of Myers and Stauffer audits have coincided with and offset much of the impact of the nonperformance of First Health Service Corporation (FHSC) in the SURS area; 2006 Myers and Stauffer audits have been promptly processed; from February 2006 and throughout the remainder of fiscal year 2006, audit committee minutes will reflect department referrals to the Medicaid Fraud Unit as well as periodic assignment of responsibilities, objectives, and action steps; recruiting problems were somewhat addressed early in fiscal year 2007 as the department joined with other state departments in obtaining range increases for some positions essential to the new program integrity process; the audit committee was resurrected and met regularly twice monthly to address utilization control and program integrity functions, and meeting minutes, agendas, and handouts are available from February 2006 on; the key PERM position of Audit Managers was hired early fall 2006; of the 7 additional positions discussed in the department's earlier audit response, the internal auditor, program coordinator, investigator, and research analyst positions are currently in the recruitment process with at least one job offer accepted; divisions are moving to ameliorate issues brought to light by the preliminary PERM results, with discussions of corrective actions plans in audit committee meetings, and implementation of parts of each plan in the various divisions; HESS Track, our new complaint database, has been implemented; and the new audit manager is the primary contact with FHSC regarding SURS issues.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 2006 Audit

Report: **02-4006-06**
Finding Number: **18**
Fiscal Year: **2005**
Initial Finding Year: **2003**

Prior Audit Finding:

We recommend the State Medicaid director improve payment procedures for the Medicaid upper payment limit (UPL).

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: \$203,504

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

The department does not concur with this recommendation. The department followed the Legislative Audit recommendations and did not make 2006 lump sum Pro Share payments after the end of the 2006 fiscal year. However, the department offers the following additional comment on this Legislative Audit finding:

42 CFR 447.272(b) describes upper payment limits as "...a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles...". Alaska estimates upper limits based on dates of service falling within the state's fiscal year.

The issue arises when estimated state payments are compared to the estimated upper payment limits to test whether estimated payments will exceed the estimated upper limit. The Legislative Auditor has taken the position that all Medicaid payments for services during a state fiscal year must be made during the same state fiscal year period. This position ignores the CMS regulation at 42 CFR 447.45(d), which specifically allows state Medicaid programs to allow providers one full year to even submit a claim for payment after the date of service, and additional time after that to process the claim and pay for the service. Although the Department requested, the Legislative Auditor has provided no explanation as to, why or how, the Department's payment practices are not allowable, other than to reiterate that "is not allowable".

Alaska state plan language addressing payments is simply intended to clarify that the department will make payments for services provided in a state fiscal year beyond the end of the fiscal year, not to unnecessarily restrict payments for services provided in a given fiscal year only to payments that can be made during that year.

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Report: **02-40006-06**
Finding Number: **19**
Fiscal Year: **2005**
Initial Finding Year: **2005**

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

Prior Audit Finding:

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements.

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

The department concurs with this recommendation. The department will implement the following:

1. The Division of Health Care Services (DHCS) in conjunction with Finance and Management Services developed written policies to address the tracking of provider overpayments. This policy addressed criteria for including a provider overpayment on the department's tracking spreadsheet, coordinating audits with DHCS, Division of Senior and Disability Services, Division of Behavioral Health, and Office of Children's Services, and ensures overpayment amounts and discovery dates are recorded on the tracking spreadsheet.
2. The amounts identified in the DHSS spreadsheet of overpayments represent the amount as discovered in the final audit. This was addressed in the policies developed, and is reflected in the overpayment spreadsheet maintained by the department.
3. The overpayments identified as a result of audit activity are identified and tracked with relative ease. We have expanded the spreadsheet to take into consideration the limitations of our MMIS system to better track those overpayments which are offset against future claims. Overpayments are identified via audit and put on a spreadsheet for tracking purposes. Any adjustments and collections made to those overpayments are also noted on the spreadsheet and adjusted on the CMS report accordingly. Overpayments as reported on the spreadsheet have been recorded on the CMS 64 in state fiscal year 2007.

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Report: **02-40006-06**
Finding Number: **20**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Prior Audit Finding:

We recommend the DBH administrative manager ensure personal services expenditures charged to the SAPT program comply with federal requirements.

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: \$52,342

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

The department concurs. The Division of Behavioral Health (DBH) has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal Substance Abuse Prevention and Treatment (SAPT) block grant. DBH program staff, FMS grants management staff, and FMS administrative and fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT block grant, including maintenance of effort (MOE) for Women and Children's treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations have been determined based on the required federal SAPT block grant allocations.

For SFY06, the director of DBH has given instructions to the Administrative Manager to reallocate the funds used for a reimbursable services agreement (RSA) with the Department of Corrections to grants. We have utilized general fund dollars to provide mental health services to inmates. The director of DBH, in conjunction with FMS Grants & Contracts section, has ensured that SAPT grant funds are used in accordance with federal requirements.

Report: **02-40006-06**
Finding Number: **21**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Prior Audit Finding:

The director of DBH should ensure that SAPT grant funds which pass through to other state agencies are used in accordance with federal requirements.

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: \$29,400

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

The department concurs. DBH has worked in partnership with the FMS Grants and Contracts section to more carefully allocate funding for community grantees, based on the parameters and federal requirements for the expenditure of the federal SAPT Block Grant. DBH Program staff, FMS Grants Management staff, and FMS Administrative and Fiscal staff have all received clarification regarding the allowable and required expenditures for the SAPT Block Grant, including MOE for Women and Children's treatment programs, 20% prevention funding, and 5% administrative funding. All annual funding allocations have been determined based on the required federal SAPT Block Grant allocations.

For SFY 06, the Director of DBH has given instructions to the Administrative Manager to reallocate the funds used for an RSA with Corrections to grants. We have utilized general fund dollars to provide Mental Health services to inmates. The director of DBH, in conjunction with FMS/Grants and Contracts, have ensured that SAPT grant funds are used in accordance with federal requirements.

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Report: **02-40006-06**
Finding Number: **22**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: None

Prior Audit Finding:

The director of DBH should develop procedures with finance and management services (FMS) grants and contracts section to ensure that grant recipients are informed when grants are provided with federal funds.

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

Report: **02-40006-06**
Finding Number: **23**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: None

Prior Audit Finding:

The director of DBH should establish a methodology for tracking and documenting expenditures that support the SAPT maintenance of effort (MOE) and earmarking requirements.

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

The department concurs. The Director of DBH has requested that the Administrative Manager develop a tracking and documentation system in conjunction with FMS Grants and Contracts section to verify that all SAPT MOE and earmarking requirements are met.

Report: **02-40006-06**
Finding Number: **24**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.959**
Questioned Costs: None

Prior Audit Finding:

Division of Behavior Health (DBH) staff responsible for management of the federal substance abuse prevention and treatment (SAPT) block grant should develop procedures to document independent peer reviews to comply with the 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.

Report: **02-40006-06**
Finding Number: **25**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USHHS**
State Agency: **DHSS**
CFDA: **93.268**
Questioned Costs: \$164,430

Prior Audit Finding:

The Division of Public Health (DPH) administrative manager should ensure that personal service expenditures charged to the immunization program comply with federal cost principals.

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

This audit finding has been resolved in accordance with OMB Circular A-133_.315.

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FY 2006 Audit

Report: **02-40006-06**
Finding Number: **30**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.871**
Questioned Costs: Not
Determinable

Prior Audit Finding:

Of the 23 participant files tested, two files were found to have deficiencies in the documentation of a reasonable rent determination. One file had the appropriate forms, but the information was not that of a comparable unit. One other file contained only one of the required forms.

Status:

AHFC Public Housing Division Staff were briefed on the audit finding within the "Hot Topics" section of the October 2005 annual training. Drafts of proposed changes to various rent reasonableness forms were discussed along with basic regulatory requirements for reviewing comparable rents. On October 31, 2005, Housing support and Compliance issued Numbered Memo 05-41. "Housing Choice Voucher Rent Reasonableness Requirements," which spells out procedures designed to prevent the reoccurrence of this finding. We consider this finding resolved.

Report: **02-40006-06**
Finding Number: **31**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **HUD**
State Agency: **AHFC**
CFDA: **14.871**
Questioned Costs: Not
Determinable

Prior Audit Finding:

Of the 23 participant files tested, one instance was found in which a HAP was made to an owner after the participant had been terminated from the program.

Status:

During annual staff training, Housing Support and Compliance staff presented the above issue within the "Hot Topics" section, and again in a session with the Section 8 CCS "key user." The emphasis was on Chapter 8 of the Administrative Plan, "Termination of HAP." Housing Support and Compliance also conducts quarterly quality control file reviews. Housing Support and Compliance will continue to train on this and related subjects in the October 2006 staff training. We consider this finding resolved.

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Report: **02-40006-06**
Finding Number: **32**
Fiscal Year: **2005**
Initial Finding Year: **2005**

Federal Agency: **USDOE**
State Agency: **U of A**
CFDA: **84.356**
Questioned Costs: \$92,931

Prior Audit Finding:

According to Section 7304(b) of the Alaska Native Educational Equity, Support and Assistance Act, facilities and administrative cost rates include a five percent limit on the administrative component of the rate. For grant award #S356AO30018, the University applied a facilities and administrative cost rate which included an administrative component that exceeded the Department of Education's Alaska Native Education program statute five percent administrative limit.

Status - Corrective action has been taken and this matter has been fully resolved. Corrective action included the following steps:

- The administrative component of the facilities and administrative rate was reduced to five percent in the University's accounting system.
 - Facilities and administrative costs were adjusted to correct amounts.
 - A formal budget revision to move excess facilities and administrative amounts to direct program expense categories was submitted to the funding agency.
-

STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2006

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, 2006*. 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, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
<u>Alaska Aerospace Development Corporation</u>				
12.400	W91ZR06-2-3038		Military Construction, National Guard	\$ 16,173,360
	Alaska Aerospace Development Corporation Total			16,173,360
<u>Alaska Commission on Postsecondary Education</u>				
84.069 A	N069A050002		Leveraging Educational Assistance Partnership Program	47,762
84.069 B	N069B050001		Special Leveraging Educational Assistance Partnership Program	79,271
	Alaska Commission on Postsecondary Education Total			127,033
<u>Alaska Energy Authority</u>				
10.UNK	Memo of Understanding		Rural Energy Conference Travel Assistance	5,000
12.999	U.S. Airforce MOU		Nikolski Powerhouse Clean-up	4,910
81.041	GO1608 & GO1756		Energy Program -Passed from U. of Wash.	23,994
81.079	Various		Regional Biomass Energy Programs	75,960
81.087	DE-FC36-00ID14004		Energy Tech Dev-Nome Diesel	337,243
81.087	DE-FG07-97ID13564		Energy Tech Dev-Prince of Wales Interties	99,063
81.087	Various		Renewable Energy Research and Development	108,285
81.117	DE-FG3604R021600		Geo Therm Outreach	22,358
90.100	Various		Denali Commission Program	27,896,137
	Alaska Energy Authority Total			28,572,950
<u>Alaska Housing Finance Corporation</u>				
14.117			Mortgage Insurance - Homes	477,015
14.182		S8PBC	Lower Income Housing Assistance Program: Section 8 New Construction/Substantial Rehabilitation	2,375,943
14.195		S8PBC	Section 8 Housing Assistance Payments Program - Special Allocations	6,845,100
14.227			Technical Assistance Program	124,103
14.238			Shelter Plus Care	537,409
14.239			HOME Investment Partnerships Program	2,443,323
14.241			Housing Opportunities for Persons with AIDS	441,019
14.249		S8PBC	Section 8 Moderate Rehabilitation Single Room Occupancy	345,582
14.850			Public and Indian Housing	8,300,466
14.870			Resident Opportunity and Supportive Services	81,342
14.871			Section 8 Housing Choice Vouchers	27,626,648
14.872			Public Housing Capital Fund	2,701,384
64.114			Veterans Housing - Guaranteed and Insured Loans	470,839
81.041			State Energy Program	448,877
81.042			Weatherization Assistance for Low-Income Persons	1,747,414
81.117			Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	18,885
81.119			State Energy Program Special Projects	18,947
90.100			Denali Commission Program	3,801,460
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	241,554
93.568			Low-Income Home Energy Assistance	1,186,504
93.779			Centers for Medicare and Medicaid Services	15,976
	Alaska Housing Finance Corporation Total			60,249,790
<u>Alaska Industrial Development and Export Authority</u>				
11.300	07-01-05278	PWEDC	Grants for Public Works and Economic Development Facilities	459,355
	Alaska Industrial Development and Export Authority Total			459,355

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
<u>Alaska Railroad Corporation</u>				
10.999	05DG11100000226		U.S. Department of Agriculture-Forest Service-Whistle Stop	24,875
12.999	DTFRDV-03-G-60039		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2003 (pass-through from FRA)	3,137
12.999	DTFRDV-04-G-00006		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2004 (pass-through from FRA)	1,843,222
12.999	DTFRDV-05-G-00005		Track Realignment – Elmendorf Air Force Base and Ft. Richardson 2005 (pass-through from FRA)	965,179
12.999	DTFRDV-05-G-00006		Northern Line Realignment & Extension - 2005	4,786,000
15.608	DCN 70181-3-G236		U.S. Department of Fish and Wildlife Services	122,640
15.999	H.R. 4578		U.S. Department of the Interior	14,262
20.500		FTC	Federal Transit - Capital Investment Grants	11,989,648
20.507		FTC	Federal Transit - Formula Grants	10,905,142
20.999	DTFRDV53-04-G-00007		Anchorage C Street Grade Crossing – 2004	477,172
20.999	DTFR53-04-H-00005		Track Integrity System – 2004	130,646
20.999	DTFRDV-03-G-60016		Grade Crossing Safety Improvements and Noise Reduction - 2003	62,608
20.999	DTFRDV-05-G-00007		Rail Safety and Infrastructure Improvements – 2005	21,679,786
20.999	DTFRDV-99-G-60005		Anchorage International Airport Rail Passenger Station - 1999	241,035
20.999	DTFRDV-01-G-60030		Track Rehab, Siding Access Improvements and Track Relocation - 2001	875,166
20.999	DTFRDV-03-G-60015		Seward Loading Facility - 2003	1,094,481
20.999	DTFRDV-99-G-60004		Positive Train Control – 1999	245,195
20.999	DTFRDV-02-G-60032		Rail Safety and Infrastructure Improvements – 2002	588,557
20.999	DTFRDV-00-G-60028		Positive Train Control – 2000	1,489,095
20.999	DTFRDV-03-G-60040		Rail Safety and Infrastructure Improvements – 2003	1,770,428
20.999	DTFRDV-04-G-00005		Rail Safety and Infrastructure Improvements – 2004	10,231,844
20.999	DTFR53-05-G-00005		Luminescent Grade Crossing-R & D - 2005	7,994
21.999	None		Taxpayer Relief Act of 1997 Amtrak Congressional Appropriation	282,057
83.544	1445-DR-AK		U.S. Department of Emergency Management	29,791
83.544	1461-DR-AK		U.S. Department of Emergency Management	5,981
83.548	1445.00006		U.S. Department of Emergency Management	311,912
97.056	HSTS04-04-G-GPS540		U.S. Department of Homeland Security-Seward Video System	49,785
Alaska Railroad Corporation Total				70,227,638
<u>Alaska Seafood Marketing Institute</u>				
10.601			Market Access Program	4,104,959
10.605			Quality Samples Program (QSP)	9,171
11.452	NA03NMF4520499		Unallied Industry Projects -- Domestic Marketing	461,042
Alaska Seafood Marketing Institute Total				4,575,172
<u>Alaska Student Loan Corporation</u>				
84.032		SFAC	Federal Family Education Loans	3,380,862
Alaska Student Loan Corporation Total				3,380,862
<u>Alaska Court System / Alaska Judicial Council</u>				
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	8,095
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	9,000

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
16.580	2005-RG-CX-1072		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	322,175
16.590	2002-WE-BX-0025		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	3,815
16.590	2004-WE-AX-0013		Grants to Encourage Arrest Policies and Enforcement of Protection Orders	216,591
16.SJI-04-T-119			Technical Assistance for Language Interpreter Development	13,505
20.600		HSC	State and Community Highway Safety	42,967
93.563			Child Support Enforcement	425,000
93.586	G-0501AKSCIP		State Court Improvement Program	44,921
93.586	G-0401AKSCIP		State Court Improvement Program	107,914
93.586	G-0301AKSCIP		State Court Improvement Program	2,696
Alaska Court System / Alaska Judicial Council Total				1,196,679
<u>Department of Commerce, Community and Economic Development</u>				
10.664			Cooperative Forestry Assistance	9,662
10.665		SRC	Schools and Roads - Grants to States	9,115,491
10.672			Rural Development, Forestry, and Communities	113,881
10.766			Community Facilities Loans and Grants	3,189,466
10.857			State Bulk Fuel Revolving Fund Grants	281,592
11.307		PWEDC	Economic Adjustment Assistance	197,366
11.419			Coastal Zone Management Administration Awards	1,445,695
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	5,597,082
11.452			Unallied Industry Projects	6,462,810
11.452			Unallied Industry Projects	675,500
12.999			Delta Junction Missile Defense Test Bed Facilities Impact	2,180,655
14.228			Community Development Block Grants/State's Program	3,228,601
14.231			Emergency Shelter Grants Program	132,155
15.226			Payments in Lieu of Taxes	6,212,248
15.227			Distribution of Receipts to State and Local Governments	12,496,237
66.606			Surveys, Studies, Investigations and Special Purpose Grants	907,727
90.100			Denali Commission Program	2,755,375
93.569			Community Services Block Grant	2,210,890
93.571			Community Services Block Grant Discretionary Awards: Community Food and Nutrition Programs	10,072
94.003			State Commissions	92,531
94.004			Learn and Serve America - School and Community Based Programs	54,452
94.006			AmeriCorps	1,319,958
94.007			Planning and Program Development Grants	46,862
94.009			Training and Technical Assistance	94,665
94.013			Volunteers in Service to America	3,376
97.023			Community Assistance Program: State Support Services Element (CAP-SSSE)	102,943
97.029			Flood Mitigation Assistance	8,029
97.070			Map Modernization Management Support	81,219
98.118-G-00-00-115			USAID Alaska-Sakhalin Working Group	193,091
Department of Commerce, Community and Economic Development Total				59,219,631
<u>Department of Environmental Conservation</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	194,501
10.06-9702-1613			High Pathogenic Avian Influenza	72,362
10.43-0109-4-0380			Forest Service Regulatory Oversight	1,647

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.760			Water and Waste Disposal Systems for Rural Communities	20,925,504
10.AF-0109-P-06-0024			Forest Service Regulatory Oversight	11,499
11.45ABNAON0252			Miscellaneous Inspection Service	7,963
11.50ABNC100055			Regulatory Oversight, Pribilof Islands, Alaska	23,557
12.113			State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,672,303
12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	1,036
12.USAF Elmendorf Site cleanup			USAF Elmendorf Site Cleanup	136
20.DTFAAL-04-X-80000			Clean up contaminated Sites in Alaska	74,357
66.034			Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act.	162,581
66.432			State Public Water System Supervision	2,075,164
66.436			Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	101,010
66.454			Water Quality Management Planning	95,004
66.458			Capitalization Grants for Clean Water State Revolving Funds	1,340,527
66.463			Water Quality Cooperative Agreements	224,789
66.467			Wastewater Operator Training Grant Program (Technical Assistance)	24,992
66.468			Capitalization Grants for Drinking Water State Revolving Fund	6,896,751
66.471			State Grants to Reimburse Operators of Small Water for Training and Certification Costs	91,217
66.472			Beach Monitoring and Notification Program Implementation Grants	42,588
66.474			Water Protection Grants to the States	142,694
66.500			Environmental Protection - Consolidated Research Grants	44,264
66.511			Office of Research and Development, Consolidated Research/Training	116,987
66.605			Performance Partnership Grants	5,627,506
66.606			Surveys, Studies, Investigations and Special Purpose Grants	29,916,805
66.608			Environmental Information Exchange network Grant Program and Related Assistance	205,375
66.804			State and Tribal Underground Storage Tanks Program	183,494
66.805			Leaking Underground Storage Tank Trust Fund Program	408,012
66.809			Superfund State and Indian Tribe Core Program Cooperative Agreements	199,063
66.817			State and Tribal Response Program Grants	480,588
66.LUST Trust Cost Recovery			LUST Trust Cost Recovery	64,604
81.DE-FC03-02EH02039			Amchitka Medical Screening Program	43,251
81.DE-FG08-99NV13763			Amchitka Oversight/NEWNET	5,958
81.MINV0056			Amchitka Underground Nuclear Test Site - oversight	8,034
90.100			Denali Commission Program	14,266
93.210			Tribal Self-Governance Program: Planning and Negotiation Cooperative Agreements and IHS Compacts/Funding Agreements - Pass-Through from ANTHC	2,584,562
93.1R13DF003185			State Food Safety and Food Security Task Force Meetings Conference Grant Program	4,477
93.223-04-4037			FDA Food Inspections	7
93.HHSF223200540013C			FDA Inspections	341,663
Department of Environmental Conservation Total				74,431,098

[Department of Education and Early Development](#)

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.550			Food Donation	1,769,849
10.553		CNC	School Breakfast Program	4,722,588
10.555		CNC	National School Lunch Program	22,245,720
10.556		CNC	Special Milk Program for Children	12,800
10.558			Child and Adult Care Food Program	7,440,673
10.559		CNC	Summer Food Service Program for Children	436,492
10.560			State Administrative Expenses for Child Nutrition	697,891
10.568		EFAC	Emergency Food Assistance Program (Administrative Costs)	140,550
10.574			Team Nutrition Grants	29,286
12.999			Troops to Teachers	120,530
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	1,835,463
42.006			Library of Congress - Library Services	13,536
45.024			Promotion of the Arts - Grants to Organizations and Individuals	8,000
45.025			Promotion of the Arts - Partnership Agreements	502,354
45.310			Grants to States	745,670
84.010			Title I Grants to Local Educational Agencies	35,159,905
84.011			Migrant Education - State Grant Program	7,535,254
84.013			Title I Program for Neglected and Delinquent Children	195,787
84.027		SEC	Special Education - Grants to States	29,827,687
84.041			Impact Aid	26,528,293
84.048			Vocational Education - Basic Grants to States	3,733,240
84.116			Fund for the Improvement of Postsecondary Education	17,721
84.161			Rehabilitation Services - Client Assistance Program	119,796
84.173		SEC	Special Education - Preschool Grants	1,091,928
84.185			Byrd Honors Scholarships	119,250
84.186			Safe and Drug-Free Schools and Communities - State Grants	2,371,092
84.196			Education for Homeless Children and Youth	167,254
84.213			Even Start - State Educational Agencies	1,177,741
84.215			Fund for the Improvement of Education	4,420,539
84.243			Tech-Prep Education	465,971
84.282			Charter Schools	2,264,064
84.287			Twenty-first Century Community Learning Centers	4,742,187
84.298			State Grants for Innovative Program	1,266,724
84.318			Education Technology State Grants	2,586,609
84.323			Special Education - State Personnel Development	705,664
84.326			Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	120,891
84.330			Advanced Placement Program	8,326
84.332			Comprehensive School Reform Demonstration	763,168
84.334			Gaining Early Awareness and Readiness for Undergraduate Programs	577,426
84.352			School Renovation Grants	2,991,216
84.357			Reading First State grants	2,714,009
84.358			Rural Education	34,677
84.365			English Language Acquisition Grants	996,720
84.366			Mathematics and Science Partnership	803,664
84.367			Improving Teacher Quality State Grants	16,084,435
84.369			Grants for State Assessments and Related Activities	3,233,668
84.372			Statewide Data Systems	136,902
84.938			Hurricane Education Recovery	220,125
84.999			Consolidated Programs IASA Admin	878,783
89.003			National Historical Publications and Records Grants	2,807

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.230			Consolidated Knowledge Development and Application (KDandA) Program	45,439
93.600			Head Start	209,471
93.938			Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	237,011
Department of Education and Early Development Total				195,276,846
<u>Department of Fish and Game</u>				
10.025			Plant and Animal Disease, Pest Control and Animal Care	43,044
10.999			Miscellaneous U.S. Forest Service	873,222
11.405			Anadromous Fish Conservation Act Program	309,373
11.407			Interjurisdictional Fisheries Act of 1986	141,878
11.417			Sea Grant Support	334,422
11.420			Coastal Zone Management Estuarine Research Reserves	560,211
11.437			Pacific Fisheries Data Program	5,895,030
11.437			Pacific Fisheries Data Program - Pass Through Pacific States Marine Fisheries Commission	2,257,480
11.438			Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	20,309,617
11.439			Marine Mammal Data Program	3,009,322
11.463			Habitat Conservation	190,478
11.473			Coastal Services Center	302,186
11.477			Fisheries Disaster Relief	1,039,834
11.999			Miscellaneous NOAA	554,216
12.420			Military Medical Research and Development	6,645
12.999			Miscellaneous Army	76,133
15.222			Cooperative Inspection Agreements With States and Tribes	47,281
15.225			Recreation Resource Management	6,743
15.605		F&WC	Sport Fish Restoration	15,995,937
15.608			Fish and Wildlife Management Assistance	1,255,465
15.611		F&WC	Wildlife Restoration	9,497,590
15.614			Coastal Wetlands Planning, Protection and Restoration Act	328
15.615			Cooperative Endangered Species Conservation Fund	163,436
15.616			Clean Vessel Act	75,600
15.622			Sportfishing and Boating Safety Act	185,472
15.625			Wildlife Conservation and Restoration	158,330
15.626			Hunter Education and Safety Program	79,135
15.630			Coastal Program	50,000
15.633			Landowner Incentive	21,575
15.634			State Wildlife Grants	3,169,488
15.636			Alaska Subsistence Management	1,802,329
15.999			Miscellaneous Minerals Management Service	165,559
15.999			Miscellaneous National Park Service	219,548
15.999			Miscellaneous Bureau of Land Management	374,263
15.999			Miscellaneous U.S. Fish and Wildlife Service	1,293,776
66.999			Miscellaneous U.S. Environmental Protection Agency	38,205
97.999			Miscellaneous U.S. Coast Guard	6,935
Department of Fish and Game Total				70,510,086
<u>Department of Health and Social Services</u>				
10.551		FSC	Food Stamps	84,775,024
10.557			Special Supplemental Nutrition Program for Women, Infants, and Children	22,595,751

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.561		FSC	State Administrative Matching Grants for Food Stamp Program	9,667,050
16.202			Prisoner Reentry Initiative Demonstration (Offender Reentry)	127,514
16.523			Juvenile Accountability Incentive Block Grants	688,532
16.529			Education and Training to End Violence Against and Abuse of Women with Disabilities	218,726
16.540			Juvenile Justice and Delinquency Prevention - Allocation to States	646,107
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	920,259
16.548			Title V - Delinquency Prevention Program	119,828
16.549			Part E - State Challenge Activities	20,398
16.727			Enforcing Underage Drinking Laws Program	355,716
66.032			State Indoor Radon Grants	60,967
84.181			Special Education - Grants for Infants and Families with Disabilities	2,832,245
90.100			Denali Commission Program	6,171,666
93.030178D4D-CDC			Adult Lead Surveillance Data	23,243
93.041			Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,473
93.042			Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Individuals	57,121
93.043			Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	47,121
93.044		AC	Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,559,972
93.045		AC	Special Program for the Aging - Title III, Part C - Nutrition Services	2,761,922
93.048			Special Program for the Aging - Title IV and Title II - Discretionary Projects	113,631
93.052			National Family Caregiver Support	711,814
93.053		AC	Nutrition Services Incentive	241,229
93.110			Maternal and Child Health Federal Consolidated Programs	266,762
93.116			Project Grants and Cooperative Agreements for Tuberculosis Control Programs	822,779
93.127			Emergency Medical Services for Children	218,054
93.130			Primary Care Services Resource Coordination and Development	511,505
93.136			Injury Prevention and Control Research and State and Community Based Programs	685,550
93.150			Projects for Assistance in Transition from Homelessness (PATH)	396,442
93.200-2000-07201			NCHS Contract	192,540
93.217			Family Planning - Services	453,825
93.223-03-4401			Mammography Inspection	31,314
93.230			Consolidated Knowledge Development and Application (KDandA) Program	2,240,375
93.230-BHPR-034(03)			National Health Services Corp - Student/Resident Experiences and Rotations in Community Health (SEARCH)	158,000
93.234			Traumatic Brain Injury: State Demonstration Grant Program	182,287
93.235			Abstinence Education Program	84,072
93.238			Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	136,684
93.241			State Rural Hospital Flexibility Program	537,302

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006
By State Agency

CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.243			Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,763,804
93.243-03-1045			NIOSH Trauma Registry	71,400
93.25020043601C			HRSA/Office of Rural Health Policy	168,673
93.251			Universal Newborn Hearing Screening	108,218
93.256			State Planning Grants Health Care Access for the Uninsured	105,382
93.259			Rural Access to Emergency Devices Grant	75,855
93.268			Immunization Grants	10,338,747
93.276			Drug Free Communities Support Program	1,596,669
93.283			Centers for Disease Control and Prevention: Investigations and Technical Assistance	11,921,894
93.301			Small Rural Hospital Improvement Grant Program	218,942
93.556			Promoting Safe and Stable Families	1,046,362
93.558			Temporary Assistance for Needy Families	32,743,180
93.568			Low-Income Home Energy Assistance	10,835,847
93.575		CCC	Child Care and Development Block Grant	20,610,290
93.590			Community-Based Child Abuse Prevention Grants	74,031
93.596		CCC	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,633,116
93.599			Chafee Education and Training Vouchers Program (ETV)	151,027
93.603			Adoption Incentive Payments	116,000
93.630			Developmental Disabilities Basic Support and Advocacy Grants	596,093
93.643			Children's Justice Grants to States	140,182
93.645			Child Welfare Services - State Grants	324,072
93.658			Foster Care - Title IV-E	16,809,092
93.659			Adoption Assistance	7,375,746
93.667			Social Services Block Grant	10,200,465
93.670			Child Abuse and Neglect Discretionary Activities	1,352,969
93.674			Chafee Foster Care Independence Program	460,310
93.767			State Children's Insurance Program	20,034,762
93.768			Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	586,646
93.777		MC	State Survey and Certification of Health Care Providers and Suppliers	935,092
93.778		MC	Medical Assistance Program	689,881,161
93.779			Centers for Medicare and Medicaid Service (CMS) Research, Demonstrations and Evaluations	2,038,575
93.887			Health Care and Other Facilities	476,243
93.888			Specially Selected Health Projects	182,685
93.889			National Bioterrorism Hospital Preparedness Program	1,466,530
93.912			Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through from University of Washington	112,690
93.917			HIV Care Formula Grants	1,134,602
93.940			HIV Prevention Activities - Health Department Based	1,493,296
93.944			Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	114,157
93.945			Assistance Programs for Chronic Disease Prevention and Control	408,420
93.952			Trauma Care systems Planning and Development	49,350
93.958			Block Grant for Community Mental Health Services	969,652
93.959			Block Grants for Prevention and Treatment of Substance Abuse	3,551,525

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
93.977			Preventive Health Services - Sexually Transmitted Diseases Control Grants	474,050
93.988			Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	564,841
93.991			Preventive Health and Health Services Block Grant	348,482
93.994			Maternal and Child Health Services Block Grant to the States	1,038,498
Department of Health and Social Services Total				1,004,358,423
<u>Department of Labor and Workforce Development</u>				
17.002			Labor Force Statistics	871,497
17.005			Compensation and Working Conditions	113,248
17.203			Labor Certification for Alien Workers	54,893
17.207		ESC	Employment Service/Wagner-Peyser Funded Activities	9,181,263
17.225			Unemployment Insurance	160,372,722
17.235			Senior Community Service Employment Program	1,917,849
17.245			Trade Adjustment Assistance - Workers	608,469
17.258		WIAC	WIA Adult Program	3,058,940
17.259		WIAC	WIA Youth Activities	3,219,821
17.260		WIAC	WIA Dislocated Workers	6,567,626
17.261			WIA Pilots, Demonstrations, and Research Projects	2,684,178
17.503			Occupational Safety and Health - State Program	1,403,007
17.504			Consultation Agreements	636,912
17.720			Disability Employment Policy Development	1,374,538
17.801		ESC	Disabled Veterans' Outreach Program (DVOP)	236,559
17.804		ESC	Local Veterans' Employment Representative Program	311,028
17.807			Transition Assistance Program	47,829
84.002			Adult Education - State Grant Program	1,411,297
84.063		SFAC	Federal Pell Grant Program	237,109
84.126			Rehabilitation Services - Vocational Rehabilitation Grants to States	8,379,721
84.169			Independent Living - State Grants	313,900
84.177			Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	225,103
84.187			Supported Employment Services for Individuals with Severe Disabilities	207,753
84.224			Assistive Technology	318,178
84.265			Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	22,154
84.346			Vocational Education - Occupational and Employment Information State Grants	142,469
90.100			Denali Commission Program	5,174,211
93.558			Temporary Assistance for Needy Families	2,926,054
96.001		DISSIC	Social Security - Disability Insurance	3,919,214
96.006		DISSIC	Supplemental Security Income	645,064
Department of Labor and Workforce Development Total				216,582,606
<u>Department of Military and Veterans' Affairs</u>				
11.419			Coastal Zone Management Administration Awards	101,716
12.400			Military Construction, National Guard	3,734,508
12.401			National Guard Military Operations and Maintenance (OandM) Projects	12,429,017
12.404			National Guard Civilian Youth Opportunities	2,433,033
12.999			Junior Reserve Officer Training Corps	1,485

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
12.999			Ground Missile Defense	13,170
16.000			Counterdrug Support Program-Asset Forfeiture	20,628
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	288,656
16.710			Public Safety Partnership and Community Policing Grants	1,123,306
20.703			Interagency Hazardous Materials Public Sector Training and Planning Grants	77,645
43.002			Technology Transfer	467,304
64.999			State Approving Agency	46,824
90.100			Denali Commission Program	296,551
97.004		HLSC	State Domestic Preparedness Equipment Support Program	19,322,848
97.017			Pre-Disaster Mitigation Competitive Grants	12,824
97.020			Hazardous Materials Training Program	33,810
97.026			Emergency Management Institute - Training Assistance	7,211
97.036			Disaster Grants - Public Assistance (Presidentially Declared Disasters)	7,369,115
97.039			Hazard Mitigation Grant	690,604
97.042			Emergency Management Performance Grants	1,764,624
97.047			Pre-Disaster Mitigation	4,439
97.053		HLSC	Citizen Corps	31,823
97.071		HLSC	Metropolitan Medical Response System	12,325
97.073		HLSC	State Homeland Security Program	1,801,514
97.074		HLSC	Law Enforcement Terrorism Prevention Program (LETPP)	848,934
Department of Military and Veterans' Affairs Total				52,933,914
 <u>Department of Natural Resources</u>				
10.001			Agricultural Research - Basic and Applied Research	8,816
10.12-25-A-4454			National Organic Costs Share	4,278
10.025			Plant and Animal Disease, Pest Control and Animal Care	474,966
10.43-0120-4-0169			Spot Revegetation (purchase order)	6,437
10.43-0120-4-0210			Scenic Byways Maps & Signs	5,016
10.43-0120-5-0113			Spot Revegetation #2 (purchase order)	3,453
10.156			Federal-State Marketing Improvement Program	19,135
10.162			Inspection Grading and Standardization	13,328
10.163			Market Protection and Promotion	88,802
10.664			Cooperative Forestry Assistance	3,155,859
10.676			Forest Legacy Program	23,857
10.677			Forest Land Enhancement Program	235,930
10.680			Forest Health Protection	10,069
10.905			Plant Materials for Conservation	563,583
10.L83008			USFS Fire Suppression	1,376,487
10.PO-0150-05-030			NRCS Imagery Purchase	9,555
11.419			Coastal Zone Management Administration Awards	1,656,364
11.NA05OAR4601083			Threatened Alaska Shipwrecks	45,773
12.1A 2003-01			Stewart River Revegetation	5,942
15.02-02-06			Independence Mine	138,672
15.1435-02-04-CA-40364			Onshore Compliance	143,258
15.222			Cooperative Inspection Agreements with States and Tribes	878,982
15.224			Cultural Resource Management	1,539,894
15.228			National Fire Plan - Wildland Urban Interface Community Fire Assistance	51,275
15.250			Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	188,025

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
15.252			Abandoned Mine Land Reclamation (AMLR) Program	2,006,185
15.614			Coastal Wetlands Planning, Protection, and Restoration Act	1,990,142
15.630			Coastal Program	703
15.701815M333			Izembek Interpretation Panels	8,214
15.7018M176			Comprehensive Conservation Plans	13,500
15.808			U.S. Geological Survey - Research and Data Collection	2,004,472
15.810			National Cooperative Geologic Mapping Program	756,988
15.904			Historic Preservation Fund Grants-In-Aid	753,579
15.916			Outdoor Recreation - Acquisition, Development and Planning	605,552
15.9910-8-0050/99-01			Denali National Park Interpretative Services	5,000
15.999			BLM Miscellaneous Fire Billings	639
15.999			CY05 Miscellaneous USFWS Fire Billings	6,551
15.AAI	0203ML1302		Wickersham House	8,048
15.AAN	H9915040004		NPS Fire Program Analysis	368
15.DDD	LAA-02-0005		Cadastral Project	128,520
15.H9837041015			South Denali Implementation	18,585
15.H9865060001			Wrangell/St. Elias Student Interns	2,450
15.H9921030026			South Denali Recon Survey	7,569
15.H9921030026			Teklanika West & East	27,000
15.LAA02005			Survey GIS Coverage	1,347
15.LAA040005			Calendar Year 2004 Fire Suppression	574,345
15.LAA040005			Calendar Year 2005 BLM Fire Suppression	10,845,207
15.LAA040005			Calendar Year 2006 BLM Fire Suppression	1,567,642
15.P9911050003			NPS Anilca Assistance	15,844
15.P9911060003			05 NPS Planning Assistance	47,715
20.219			Recreational Trails Program	378,473
20.DTHF70-05-E-00028			Alaska Trails Initiative	98,351
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	585,857
43.NAG1301010			Remote Sensing	95,966
43.NAG1301011			Remote Sensing	69,368
47.076			Education and Human Resources	123,532
81.089			Fossil Energy Research and Development	501,207
97.012			Boating Safety Financial Assistance	698,557
97.013			State Access to the Oil Spill Liability Trust Fund	4,939
97.041			National Dam Safety Program	5,455
97.046			Fire Management Assistance Grant	(119,959)
Department of Natural Resources Total				34,485,667
<u>Department of Administration</u>				
16.541			Part E - Developing, Testing and Demonstrating Promising New Programs	68,000
16.576			Crime Victim Compensation	391,520
20.217			Motor Carrier Safety	279,201
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	107,675
39.003			Donation of Federal Surplus Personal Property	1,474,347
66.433			State Underground Water Source Protection	126,900
Department of Administration Total				2,447,643
<u>Department of Corrections</u>				
16.606	99-AP-VX-0503		State Criminal Alien Assistance Program	1,393,010
16.999	2002-RG-CX-0012		Offender Tracking System	216,161
16.999	2002-RE-CX-0014		Serious and Violent Offender Reentry Initiative	352,809
84.203	R203F990010-01		Star Schools	13,714

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.331	V331A010032		Grants to States for Incarcerated Youth Offenders	30,039
	Department of Corrections Total			2,005,733
<u>Department of Revenue</u>				
16.541	16-2005-JL-FK (Project #)	Grant ID is 16-08186C	Part E - Developing, Testing and Demonstrating Promising New Programs	216,126
93.563			Child Support Enforcement	16,231,242
93.597			Grants to States for Access and Visitation Programs	89,235
	Department of Revenue Total			16,536,603
<u>Department of Transportation and Public Facilities</u>				
10.665		SRC	Schools and Roads - Grants to States	170,000
10.999	PO 43-0109-3-0356		Acquisition of right of way on section of Coffman Cove Rd costs reimb by USDA AK DOT JPL 68690	8,481
10.999	USDA 05RO-11100100-127		Design & construct AMHS interpretive portal prototype for Forest Service	19,155
10.999	USDA 05RO-11100100-120		Design 24' bridge on Forest Service Rd 81 A-Lewis Reef Rd	34,947
10.999	USDA 05RO-11100100-098		Design for reconstruction of Forest Service Rd 8453, Skater Cabin	321,575
10.999	USDA 68-0150-5-009		Design & construct facility for the Plant Materials Center in Palmer	413,240
11.999			Space leased by National Weather Service at DOTPF facility in Slana and Ernestine	20
12.999	N6871104MDC4010		Funding from US Navy for Adak Airport Operations	401,182
12.F65501-95C0017			Maintain Galena Airport to USAF Safety Standards	342,639
12.F65501-96C0006			Maintain King Salmon Airport to USAF Safety Standards	371,691
15.999	NPS-H9910020027		Reimbursement from NPS for their share of work on Dyea Rd MP 4.2-8.1	31,000
15.999			Reimbursement for maintenance at Paxson & Sourdough BLM campground	1,759
15.999	FWS-701815J604		Harbor aquatic vegetation study commissioned by Fish & Wildlife Service	12,227
16.585			Drug Court Discretionary Grant Program	144,258
20-00-AK PFH 44-1(1) and AK PFH 2-1(1)			Projects contracted by Western Federal Public Lands Division. PJ 68096 and 67667	939,448
20.106			Airport Improvement Program	168,876,573
20.205		HPCC	Highway Planning and Construction	325,287,281
20.218			National Motor Carrier Safety	876,967
20.500		FTC	Federal Transit - Capital Investment Grants	7,655,390
20.505			Federal Transit - Metropolitan Planning Grants	17,999
20.509			Formula Grants for Other Than Urbanized Areas	11,073,360
20.513			Capital Assistance Program for Elderly Persons and Persons with Disabilities	362,393
20.515			State Planning and Research	289,248
20.516			Job Access - Reverse Commute	411,071
20.600		HSC	State and Community Highway Safety	608,826
20.601		HSC	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	2,266,393
20.602		HSC	Occupant Protection	467,079
20.603		HSC	Federal Highway Safety Data Improvements Incentive Grants	138,330
20.605		HSC	Safety Incentives to Prevent Operation of Motor Vehicles By Intoxicated Persons	470,470
20.DTFA-03-X-02057			Rural Airport Lighting install at various airports. PJ 57794	219,932

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
20.DTFA04-81-F-81018			Pay Half of Electric Billed Through Shared Meter at Kodiak Airport	11,159
20.DTFA04-92-89229			Prorated Share of Utilities and Repair/maintenance Cost FAA ARFF Deadhorse Combined Facility	36,582
20.DTFA-04-A-00003			FAA agreement for installation of lighting at Chenega & Perryville airports. PJ 57884 & 57892	759,389
20.DTFA-04-A-00003			FAA agreement for installation of lighting at Steven Village airports. PJ 62750	16,347
20.DTFA-AAL03P-45013			FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. PJ 62315	8,999
20.DTFAWA-02-X-44090			Runway End Identifier Lighting (REIL) at various airports. PJ 62462	855,029
20.DTFAWA-03-X-02009			FAA agreement to install Precision Approach Path Indicator (PAPI) and Runway End Identifier Lights (REIL) at various airports. Various PJ's	7,317
20.BRM/09/02/2004			FAA agreement to install Runway End Identifier Lights (REIL) at Ekwok airport. Pj 57882	310,308
20.DTFAAL-05-X-00006			Design & construct FAA facility in Nome reimbursed by FAA through PO	68,123
90.100			Denali Commission Program	470,868
97.056			Port Security Grant Program	1,255,386
97.067		HLSC	Homeland Security Grant Program	603,910
97.072			National Explosives Detection Canine Team Program	200,362
Department of Transportation and Public Facilities Total				526,836,713
<u>Department of Public Safety</u>				
10.02CA-111001-039			Cooperative Law Enforcement Agreement	35,825
11.04 and 05-NMFS-JEA			National Marine Fisheries Joint Enforcement Agreement	1,167,932
16.05-2 & CY06			Marijuana Eradication	107,538
16.527			Supervised Visitation, Safe Havens for Children	103,294
16.543			Missing Children's Assistance	5,880
16.554			National Criminal History Improvement Program (NCHIP)	246,511
16.560			National Institute of Justice Research, Evaluation, and Development Project Grants	631,141
16.564			Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	38,889
16.575			Crime Victim Assistance	1,115,834
16.579			Edward Byrne Memorial Formula Grant Program	788,464
16.580			Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,961,519
16.588			Violence Against Women Formula Grants	746,026
16.590			Grants to Encourage Arrest Policies and Enforcement of Protection Orders	129,768
16.592			Local Law Enforcement Block Grants Program	168,608
16.593			Residential Substance Abuse Treatment for State Prisoners	384,940
16.609			Community Prosecution and Project Safe Neighborhoods	211,923
16.710			Public Safety Partnership and Community Policing Grants	1,944,533
16.728			Drug Prevention Program	152,062
16.738			Edward Byrne Memorial Justice Assistance Grant Program	668,156
21.999			Jobs and Growth Tax Relief Reconciliation Act of 2002	122,903
97.044			Alaska Home Fire Safety Inspection Project	25,128

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
90.100			Denali Commission Program	501,274
93.671			Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	707,256
97.043			State Fire Training Systems Grants	8,633
97.044			Assistance to Firefighters Grant	31,123
Department of Public Safety Total				12,005,160
<u>Department of Law</u>				
16.580	2005DDBX1154		Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	202,845
16.588	2005WFAX0001		Violence Against Women Formula Grants	399,619
16.609	2002GPCX0190		Community Prosecution and Project Safe Neighborhoods	87,855
93.775	0601AK5050	MC	State Medicaid Fraud Control Units	359,342
93.775	0501AK5050	MC	State Medicaid Fraud Control Units	85,746
Department of Law Total				1,135,407
<u>Knik Arm Bridge Toll Authority</u>				
20.205	Pj E 56047	HPCC	Highway Planning and Construction	12,241,445
Knik Arm Bridget Toll Authority Total				12,241,445
<u>Office of the Governor</u>				
11.438			Pacific Coast Salmon Recovery: Pacific Salmon Treaty Program	(199)
11.452			Unallied Industry Projects	109,764
30.002			Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	101,512
39.011			Election Reform Payments	1,666,888
Office of the Governor Total				1,877,965
<u>University of Alaska</u>				
10.001			Agricultural Research - Basic and Applied Research	222,269
10.001		R&DC	Agricultural Research - Basic and Applied Research	1,022,887
10.029	Pending	R&DC	Avian Influenza Indemnity Program Pass-through University of Maryland	46,506
10.200			Grants for Agricultural Research, Special Research Grants	423,638
10.200		R&DC	Grants for Agricultural Research, Special Research Grants	5,422,166
10.206		R&DC	Grants for Agricultural Research - Competitive Research Grants	40,510
10.228			Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	1,009,216
10.302	RCUH LTR JAN 1, 02		Initiative for Future Agriculture and Food Systems Pass-through University of Hawaii, HILO	13,921
10.303			Integrated Programs	15,091
10.303		R&DC	Integrated Programs	128,410
10.303	K009607-AK AMEND 2		Integrated Programs Pass-through University of California, Davis	17,322
10.303	BJKE27-UA (PO013815)		Integrated Programs Pass-through University of Idaho	66,204
10.457			Commodity Partnerships for Risk Management Education	13,939
10.500			Cooperative Extension Service	2,785,725
10.500		R&DC	Cooperative Extension Service	305,390
10.500	S05043		Cooperative Extension Service Pass-through Kansas State University	16,758
10.500	UTSTUNV6160:6128STATE		Cooperative Extension Service Pass-through University of Wyoming	4,553
10.500	104777-G00189_0		Cooperative Extension Service Pass-through Washington State University	155,338

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
10.500	K007797-02	R&DC	Cooperative Extension Service Pass-through University of California, Davis	26,199
10.652		R&DC	Forestry Research	99,509
10.664			Cooperative Forestry Assistance	126,228
10.664		R&DC	Cooperative Forestry Assistance	81,835
10.680			Forest Health Protection	55
10.769			Rural Business Enterprise Grants	53,572
10.901		R&DC	Resource Conservation and Development	2,926
10.999			Miscellaneous	311,862
10.999	1165133	R&DC	Miscellaneous	692,526
11.300	F0414	PWEDC	Grants for Public Works and Economic Development Facilities Pass-through North Pacific Research Board	35,870
11.303			Economic Development - Technical Assistance	111,272
11.303		R&DC	Economic Development - Technical Assistance	(4)
11.307		PWEDC	Economic Adjustment Assistance	943,395
11.417			Sea Grant Support	769,555
11.417		R&DC	Sea Grant Support	1,801,328
11.420		R&DC	Coastal Zone Management Estuarine Research Reserves	18,660
11.430		R&DC	Undersea Research	1,842,656
11.432		R&DC	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	4,663,791
11.439			Marine Mammal Data Program	54,342
11.439		R&DC	Marine Mammal Data Program	943,666
11.439	Award LTR 6/17/03	R&DC	Marine Mammal Data Program Pass-through Aleutians East Borough	24,543
11.439	R0601-01	R&DC	Marine Mammal Data Program Pass-through Seward Association for Advancement of Science (SAAMS)	21,908
11.439	NA 05NMF4391068	R&DC	Marine Mammal Data Program Pass-through North Pacific Marine Science Foundation	68,577
11.460	1067068	R&DC	Special Oceanic and Atmospheric Projects	422,571
11.460	A 100388	R&DC	Special Oceanic and Atmospheric Projects Pass-through Woods Hole Oceanographic Institution	(154)
11.472	503		Unallied Science Program Pass-through North Pacific Research Board	114,916
11.472	Project # 520	R&DC	Unallied Science Program Pass-through North Pacific Research Board	1,029,063
11.473	1165088	R&DC	Coastal Services Center	85
11.473	UA/AOOS MOA		Coastal Services Center Pass-through Alaska Ocean Observing System	32,763
11.473	H-2201	R&DC	Coastal Services Center Pass-through Seward Association for Advancement of Science (SAAMS)	942,281
11.473	07-5-25535.3734	R&DC	Coastal Services Center Pass-through University of Maryland - UMCES	32,278
11.478		R&DC	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	144,644
11.481			Educational Partnership Program	176,583
11.550			Public Telecommunications Facilities Planning and Construction	14,463
11.552			Technology Opportunities Program	158,283
11.999			Miscellaneous	51,114
11.999	Letter 11/14/2005		Miscellaneous Pass-through Consortium for Oceanographic Research & Education	20,589
11.999	ADN 1145345	R&DC	Miscellaneous	141,358

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
11.999	NA16FX2629 #13	R&DC	Miscellaneous Pass-through North Pacific Marine Science Foundation	52,614
11.999	F0407	R&DC	Miscellaneous Pass-through North Pacific Research Board	361,811
11.999	R1991-03	R&DC	Miscellaneous Pass-through Seward Association for Advancement of Science (SAAMS)	43,835
12.002			Procurement Technical Assistance for Business Firms	321,256
12.114	UM02-09-029 Assumpt	R&DC	Collaborative Research and Development Pass-through University of Mississippi	368,495
12.300		R&DC	Basic and Applied Scientific Research	5,574,918
12.300	R00427 FSU#091004-520-015474	R&DC	Basic and Applied Scientific Research Pass-through Florida State University	33,470
12.300	885010	R&DC	Basic and Applied Scientific Research Pass-through John Hopkins University	850,808
12.300	Index #332520 PO426688	R&DC	Basic and Applied Scientific Research Pass-through Wayne State University	148,925
12.420			Military Medical Research and Development	32,296
12.420		R&DC	Military Medical Research and Development	1,189,602
12.431		R&DC	Basic Scientific Research	308,068
12.630		R&DC	Basic, Applied, and Advanced Research in Science and Engineering	106,556
12.999			Miscellaneous	12,212
12.999	Tracking #14540-05-01	R&DC	Miscellaneous	4,030,398
12.999	885205	R&DC	Miscellaneous Pass-through John Hopkins University	785,389
12.999	Letter MAY 29, 2001	R&DC	Miscellaneous Pass-through Native Village of Barrow	421
12.999	C40628	R&DC	Miscellaneous Pass-through New Mexico State University	2,080
12.999	Sub Under CA W56HZV-04-2-0001	R&DC	Miscellaneous Pass-through University of Michigan	228,268
14.246			Community Development Block Grants / Brownsfields Economic Development Initiative	57,123
14.515			Alaska Native / Native Hawaiian Institutions Assisting Communities	1,668,556
15.043		R&DC	Indian Child and Family Education	3,015
15.114			Indian Education - Higher Education Grant Program	49,657
15.224			Cultural Resource Management	17,755
15.224	G251-06-W0094	R&DC	Cultural Resource Management Pass-through University of Montana	264
15.225		R&DC	Recreation Resource Management	13,542
15.608		R&DC	Fish and Wildlife Management Assistance	(41)
15.630		R&DC	Coastal Program	106,419
15.631			Partners for Fish and Wildlife	9,737
15.805		R&DC	Assistance to State Water Resources Research Institutes	114,374
15.807		R&DC	Earthquake Hazards Reduction Program	466,798
15.808			U.S. Geological Survey - Research and Data Collection	6,193
15.808	ADN # 1056014	R&DC	U.S. Geological Survey - Research and Data Collection	3,221,607
15.808	AV04-AK01	R&DC	U.S. Geological Survey - Research and Data Collection Pass-through America View, Inc.	78,630
15.812		R&DC	Cooperative Research Units Program	426,128
15.900			Disposal of Surplus Wildlife	23,160
15.900		R&DC	Disposal of Surplus Wildlife	107,442
15.999			Miscellaneous	1,035,571
15.999	ADN# 1165091	R&DC	Miscellaneous	2,860,027
15.999	AC-279	R&DC	Miscellaneous Pass-through Bering Sea Fisherman's Association	36,510

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15.999	P788B	R&DC	Miscellaneous Pass-through LGL Alaska Research Associates, Inc.	15,424
15.999	18394-UAF INT	R&DC	Miscellaneous Pass-through University of Vermont	7,861
15.999	2003-0029-011	R&DC	Miscellaneous Pass-through National Fish & Wildlife Foundation	1,472
15.999	Subcontract TAES 570271	R&DC	Miscellaneous Pass-through Texas A&M University	11,806
15.DDD			Alaska Resource Library Info Service (ARLIS)	(360)
16.550		R&DC	State Justice Statistics Program For Statistical Analysis Centers	62,912
16.560		R&DC	National Institute of Justice Research, Evaluation, and Development Project Grants	186,517
16.609		R&DC	Community Prosecution and Project Safe Neighborhoods	38,845
16.999			Miscellaneous	24,444
16.999		R&DC	Miscellaneous	65,625
17.260	DBA File NO 6-801	WIAC	WIA Dislocated Workers	(497)
17.261	RSA EN 760020		WIA Pilots, Demonstrations, and Research Projects	396,747
17.600			Mine Health and Safety Grants	56,645
17.999	SF02-14B	R&DC	Miscellaneous Pass-through IHI Environmental	(583)
19.999			Miscellaneous	13,945
20.100	04-C-GA-ERAU Amend #007		Aviation Education Pass-through Embry-Riddle Aeronautical University	2,615
20.108			Aviation Research Grants	80,626
20.999	61043-UAA/04-C-GA-ERAU #10		Miscellaneous Pass-through Embry-Riddle Aeronautical University	43,736
21.999		R&DC	Miscellaneous	1,408,242
39.009			Federal Citizen Information Center	252,237
39.009		R&DC	Federal Citizen Information Center	14,055,287
39.999			Miscellaneous	228,216
43.001		R&DC	Aerospace Education Services Program	283,462
43.001	478959	R&DC	Aerospace Education Services Program Pass-through University of Washington	15,650
43.999		R&DC	Miscellaneous	9,722,851
43.999	Subc #03-12	R&DC	Miscellaneous Pass-through Hampton University	124,109
43.999	06-CA84A-05-001	R&DC	Miscellaneous Pass-through SETI Institute	16,403
43.999	1-0001080910	R&DC	Miscellaneous Pass-through University of California, Berkeley	2,676
43.999	0965 G FB372	R&DC	Miscellaneous Pass-through University of California, Los Angeles	12,412
43.999	PO 3012590 Prime NAG13-03021	R&DC	Miscellaneous Pass-through University of Massachusetts	102,000
43.999	402256-1	R&DC	Miscellaneous Pass-through University of Pittsburgh	7,963
45.149			Promotion of the Humanities - Division of Preservation and Access	106,837
45.301			Museums for America	27,625
45.312			National Leadership Grants	26,314
45.999		R&DC	Miscellaneous	11,494
47.041			Engineering Grants	166,204
47.041		R&DC	Engineering Grants	541,957
47.049	Subaward NO. 30891-A	R&DC	Mathematical and Physical Sciences Pass-through Stanford University	128,515
47.049		R&DC	Mathematical and Physical Sciences	90,940
47.050			Geosciences	130,955
47.050		R&DC	Geosciences	3,025,407
47.050	MBL Subcontract #10705 Pending	R&DC	Geosciences Pass-through Marine Biological Laboratory	35,860
47.050	PO# 0313498	R&DC	Geosciences Pass-through Monterey Bay Aquarium Research Institute	14,250
47.050	Subaward EAR-0318549-07	R&DC	Geosciences Pass-through UNAVCO, Inc.	26,764

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47.050	UNR-02-72 P.O.12GC0000075	R&DC	Geosciences Pass-through University of Nevada, Reno	46,695
47.050	Subcontract C029979	R&DC	Geosciences Pass-through Utah State University	15,105
47.050	#892069	R&DC	Geosciences Pass-through University of Washington	17,412
47.070			Computer and Information Science and Engineering	45,473
47.070		R&DC	Computer and Information Science and Engineering	613,442
47.070	EDUCAUSE Agreement		Computer and Information Science and Engineering Pass-through EDUCAUSE	8,773
47.074			Biological Sciences	45,464
47.074		R&DC	Biological Sciences	2,659,580
47.074	527144-01	R&DC	Biological Sciences Pass-through Stevens Institute of Technology	27,083
47.075		R&DC	Social, Behavioral, and Economic Sciences	101,138
47.075	420-40-46	R&DC	Social, Behavioral, and Economic Sciences Pass-through Iowa State University	7,964
47.076			Education and Human Resources	2,168,197
47.076		R&DC	Education and Human Resources	4,232,510
47.076	40257-00-01N		Education and Human Resources Pass-through Northeastern Illinois University	5,019
47.076	Letter 2/28/02 - MOD6/03;10/04	R&DC	Education and Human Resources Pass-through Alaska Federation of Natives, Inc.	76,001
47.077			Academic Research Infrastructure	(14,638)
47.078			Polar Programs	263,555
47.078	Wire 03/23/05 + Personal CK	R&DC	Polar Programs	10,092,607
47.078	ARCUS CONTRACT8.26.04 Pending	R&DC	Polar Programs Pass-through Arctic Research Consortium of the U.S. (ARCUS)	16,324
47.078	03-221A	R&DC	Polar Programs Pass-through Idaho State University	16,533
47.078	Sub #E0003588	R&DC	Polar Programs Pass-through San Diego State University	20,950
47.078	10228091-002	R&DC	Polar Programs Pass-through University of California, San Diego	3,640
47.078	3872	R&DC	Polar Programs Pass-through University of Delaware	68,623
47.078	03-747	R&DC	Polar Programs Pass-through University of New Hampshire	8,978
47.078	NO. 153556	R&DC	Polar Programs Pass-through University of Washington	1,137
47.999			Miscellaneous	(11,149)
47.999		R&DC	Miscellaneous	985,074
47.999	MOA 3-10-05		Miscellaneous Pass-through Bristol Bay Native Association	179
47.999	JSA 5-05		Miscellaneous Pass-through Joint Oceanographic Institutes, Inc.	3,286
47.999	JSA 5-09	R&DC	Miscellaneous Pass-through Joint Oceanographic Institutes, Inc.	15,734
47.999	UTA4-172	R&DC	Miscellaneous Pass-through The University of Texas at Austin	15,990
59.007			Technical Assistance	38,478
59.009			Procurement Assistance to Small Businesses	6,650
59.037			Small Business Development Center	602,504
66.500		R&DC	Environmental Protection - Consolidated Research	13,695
66.500	G-5817-3	R&DC	Environmental Protection - Consolidated Research Pass-through Colorado State University	27,954
66.606			Congressionally Mandated Projects	383,189
66.606	PO# 600663	R&DC	Congressionally Mandated Projects Pass-through Fairbanks North Star Borough	68,159
66.610			Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	13,853
66.708			Pollution Prevention Grants Program	47,044
66.926	SGTC06-001		Indian Environmental General Assistance Program (GAP) Pass-through Saint George Traditional Council	8,203
66.951		R&DC	Environmental Education Grants	4,854
66.999			Miscellaneous	35,797

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
66.999		R&DC	Miscellaneous	32,276
81.049		R&DC	Office of Science Financial Assistance Program	104,230
81.049	DOELOC2284::2285AKUNV	R&DC	Office of Science Financial Assistance Program Pass-through University of Wyoming	39,416
81.089		R&DC	Fossil Energy Research and Development	90,045
81.089	17839	R&DC	Fossil Energy Research and Development Pass-through Sandia National Laboratories	172,140
81.104	SUB1 UCD-W/GEC 03-019 PO542760	R&DC	Office of Environmental Cleanup and Acceleration Pass-through Columbia University	25,562
81.113	UM03-02-074	R&DC	Defense Nuclear Nonproliferation Research Pass-through University of Mississippi	123,513
81.113	Contract 409909-A-R8	R&DC	Defense Nuclear Nonproliferation Research Pass-through Battelle Pacific Northwest Lab	(4)
81.999			Miscellaneous	10,768
81.999		R&DC	Miscellaneous	2,583,662
81.999	NO. 9064	R&DC	Miscellaneous Pass-through Battelle Pacific Northwest Lab	244,035
81.999	60-4005-101		Miscellaneous Pass-through Inland Northwest Research Alliance	50,238
81.999	60-5005-101	R&DC	Miscellaneous Pass-through Inland Northwest Research Alliance	4,228
81.999	CRESP II	R&DC	Miscellaneous Pass-through Institute for Responsible Management, Inc.	(4,510)
81.999	SUBC# 36461-SOL-06	R&DC	Miscellaneous Pass-through Los Alamos National Laboratory	13,513
81.999	65520-001-03 97	R&DC	Miscellaneous Pass-through University of California	19,436
81.999	234043A	R&DC	Miscellaneous Pass-through University of Oregon	32,067
81.999	DE-FC02-02EH02039 Amend 6	R&DC	Miscellaneous Pass-through Alaska State District Council of Laborers	14,565
84.007		SFAC	Federal Supplemental Education Opportunity Grants	607,172
84.016			Undergraduate International Studies and Foreign Language Programs	68,626
84.021			Overseas - Group Projects Abroad	35,298
84.031			Higher Education - Institution Aid	4,777,657
84.032		SFAC	Federal Family Education Loans	39,633,802
84.033		SFAC	Federal Work - Study Program	660,498
84.042		TRIOC	TRIO - Student Support Services	522,664
84.044		TRIOC	TRIO - Talent Search	957,617
84.047		TRIOC	TRIO - Upward Bound	1,115,637
84.063		SFAC	Federal Pell Grant Program	8,939,777
84.066		TRIOC	TRIO - Educational Opportunity Centers	666,286
84.116			Fund for the Improvement of Postsecondary Education	757,444
84.116	Subaward DTD 12/5/05		Fund for the Improvement of Postsecondary Education Pass-through The Corella and Bertram F. Bonner Foundation	7,069
84.195			Bilingual Education - Professional Development	230,543
84.215			Fund for the Improvement of Education	2,069,595
84.297		R&DC	Native Hawaiian Curriculum Development, Teacher Training and Recruitment	(33)
84.299			Indian Education - Special Programs	483,235
84.306		R&DC	National Institute on the Education of At-Risk Students	973,589
84.320			Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program	1,987
84.320	Prof Svcs Agreement 8/99		Alaska Native Educational Planning, Curriculum Development, Teacher Training, and Recruitment Program Pass-through Sealaska Heritage Foundation	1,840

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CFDA Number	Grant or Other Identifying Number	Cluster	Federal Program Title	Federal Expenditures
84.325			Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	182,365
84.330	Agreement Dated 3/30/06	R&DC	Advanced Placement Program Pass-through Anchorage School District	6,090
84.333			Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	71,388
84.336			Teacher Quality Enhancement Grants	1,845,060
84.342			Preparing Tomorrow's Teachers to Use Technology	482,664
84.350			Transition to Teaching	325,629
84.356			Alaska Native Educational Programs	3,380,050
84.356		R&DC	Alaska Native Educational Programs	202,302
84.356	Agreement DTD 1/21/2005	R&DC	Alaska Native Educational Programs Pass-through Alaska Humanities Forum	35,461
84.356	Subaward DTD 4/9/05	R&DC	Alaska Native Educational Programs Pass-through Copper River Native Association	91,795
84.356	MOA Dated 3/27/2006		Alaska Native Educational Programs Pass-through Project GRAD Kenai Peninsula	3,043
84.362	S362A030013	R&DC	Native Hawaiian Education Pass-through ALU LIKE, Inc.	349,304
84.363			School Leadership	394,785
84.999	92-AK01		Miscellaneous Pass-through National Writing Project Corporation	125,058
84.999	Letter Nov. 2004		Miscellaneous Pass-through Public Broadcasting Service	6,704
84.999	Agreement Dated 6/3/06	R&DC	Miscellaneous Pass-through Alaska Humanities Forum	25,001
89.003			National Historical Publications and Records Grants	6,391
89.003	Agreement Dated 08/09/2005		National Historical Publications and Records Grants Pass-through Whitworth College	10,900
90.100	0760002		Denali Commission Program	113,849
90.100		R&DC	Denali Commission Program	(21)
90.100	Letter Award 10/31/05		Denali Commission Program Pass-through Corporation For Public Broadcasting	27,979
93.001		R&DC	Civil Rights and Privacy Rule Compliance Activities	17,610
93.048		R&DC	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	301,132
93.107	Subcontract 919481	R&DC	Model State - Supported Area Health Education Centers Pass-through University of Washington	27,310
93.110			Maternal and Child Health Federal Consolidated Programs	76,654
93.110	PO Y432109 MOD 1	R&DC	Maternal and Child Health Federal Consolidated Programs Pass-through University of Arizona Tucson	10,028
93.113		R&DC	Environmental Health	1,155
93.173		R&DC	Research Related to Deafness and Communication Disorders	1
93.189	162846		Health Education and Training Centers Pass-through University of Washington	218,175
93.192			Quentin N. Burdick Programs for Rural Interdisciplinary Training	174,777
93.211	ANTHC-03-C-5239		Telehealth Network Grants Pass-through Alaska Native Tribal Health Consortium	90,933
93.242		R&DC	Mental Health Research Grants	65,922
93.242	FY04.001.022 AK, FY06.001.012	R&DC	Mental Health Research Grants Pass-through University of Colorado HSC	110,101
93.243	1 H79 TI16092-01	R&DC	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Cook Inlet Council on Alcohol and Drug Abuse	(682)
93.243	Con for Svcs DTD 3/24/05	R&DC	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Fairbanks Native Association	33,042

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93.243	MOA PO# 250057	R&DC	Substance Abuse and Mental Health Services - Projects of Regional and National Significance Pass-through Municipality of Anchorage	10,278
93.247	Sub GSONO0130A B Amend 1	R&DC	Advanced Education Nursing Grant Program Pass-through Oregon Health & Science University	16,569
93.273		R&DC	Alcohol Research Programs	335,758
93.279		R&DC	Drug Abuse and Addiction Research Programs	85,146
93.279	PHS R01 DA013139 PO710841	R&DC	Drug Abuse and Addiction Research Programs Pass-through Medical College of Wisconsin	46,570
93.279	Sub 320020-1R01DA015966-01A2	R&DC	Drug Abuse and Addiction Research Programs Pass-through Pacific Instit for Research and Evaluation Louisville Center	41,555
93.283			Centers for Disease Control and Prevention - Investigations and Technical Assistance	137,647
93.307		R&DC	Minority Health and Health Disparities Research	195,728
93.358			Advanced Education Nursing Traineeships	36,192
93.375		R&DC	Minority Biomedical Research Support	443,376
93.389			National Center for Research Resources	1,433,249
93.389		R&DC	National Center for Research Resources	6,484,495
93.389	G152-06-Z3532	R&DC	National Center for Research Resources Pass-through Montana State University	38,268
93.390		R&DC	Academic Research Enhancement Award	80,596
93.570	NYS PF 05 1148		Community Services Block Grant - Discretionary Awards Pass-through National Youth Sports Program	24,688
93.632			University Centers for Excellence in Developmental Disabilities Education, Research, and Service	499,861
93.647		R&DC	Social Services Research and Demonstration	(846)
93.648			Child Welfare Services Training Grants	61,891
93.670			Child Abuse and Neglect Discretionary Activities	(41,511)
93.822			Health Careers Opportunity Program	182,064
93.822	Subcontract 933805		Health Careers Opportunity Program Pass-through University of Washington	55,270
93.822	Subcontract 169916	R&DC	Health Careers Opportunity Program Pass-through University of Washington	37,937
93.824			Basic / Core Area Health Education Centers	223,614
93.853		R&DC	Extramural Research Programs in the Neurosciences and Neurological Disorders	274,387
93.854		R&DC	Biological Basis Research in the Neurosciences	866,741
93.856	NO. 968134	R&DC	Microbiology and Infectious Diseases Research Pass-through University of Washington	52,929
93.856	Agremnt 1/1/06-5U54AI057141-03		Microbiology and Infectious Diseases Research Pass-through Idaho AHEC of Mountain States Group, Inc.	2,500
93.888			Specially Selected Health Projects	824,563
93.888		R&DC	Specially Selected Health Projects	621,790
93.888	Subcontract 145952		Specially Selected Health Projects Pass-through University of Washington	2,347
93.912	PO 74623	R&DC	Rural Health Care Services Outreach and Rural Health Network Development Program Pass-through Southeast Alaska Regional Health Consortium	121,043
93.912			Rural Health Care Services Outreach and Rural Health Network Development Program	530,439
93.928	ANTHC-03-U-6877 MOD 005	R&DC	Special Projects of National Significance Pass-through Alaska Native Tribal Health Consortium	78,115
93.969		R&DC	Geriatric Education Centers	384,863

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93.999	236-01-0003 SUB.		Miscellaneous Pass-through Alaska Native Tribal Health Consortium	37,768
93.999	1H79 TI 15948-01		Miscellaneous Pass-through Fairbanks Native Association	50,665
93.999	258-060-2-1-12	R&DC	Miscellaneous Pass-through Fairbanks Native Association	66,766
93.999		R&DC	Miscellaneous	6,462
93.999	CDC Subcon 200-2002-00433	R&DC	Miscellaneous Pass-through Center to Protect Worker's Rights	(120)
94.005			Learn and Serve America - Higher Education	11,101
94.005		R&DC	Learn and Serve America - Higher Education	824
96.008			Social Security - Work Incentives Planning and Assistance Program	63,805
97.044			Assistance to Firefighters Grant	74,315
98.012	FY06-ARO2-U-ALASKA-02		USAID Development Partnerships for University Cooperation and Development Pass-through IREX	114,640
98.999			USAID / Russia	976,227
98.999		R&DC	U.S. Agency for International Development	599,399
University of Alaska Total				197,885,711
Total Federal Program Assistance				\$ 2,665,733,490

STATEWIDE ABBREVIATIONS

A

AA	Administration on Aging
AAC	Alaska Administrative Code
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABA	Alaska Bar Association
ACF	Administration for Children and Families
ACS	Alaska Court System
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
AIGA	Alaska Insurance Guarantee Association
AJE	Adjusting Journal Entries
AK	Alaska
AKPAY	Alaska State Payroll System
AKSAS	Alaska State Accounting System
AMBBA	Alaska Municipal Bond Bank Authority
AMHS	Alaska Marine Highway System
AMHT	Alaska Mental Health Trust
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
AMS	Agricultural Marketing Service
ALSC	Alaska Legal Services Corporation
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
AOMB	Alaska Office of the Governor, Office of Management and Budget
APC	Annual Pension Cost
APBF	Alaska Public Building Fund
APFC	Alaska Permanent Fund Corporation
APHIS	Animal and Plant Health Inspection Service
AR	Accounts Receivable
ARFF	Aircraft Rescue and Firefighting
ARLIS	Alaska Resources Library and Information Services
ARMB	Alaska Retirement Management Board
ARMC	U.S. Army Material Command
ARMY	Department of the Army, Office of the Chief of Engineers
ARMYMC	U.S. Army Medical Command
ARS	Agricultural Research Service
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
ATSDR	Agency for Toxic Substances and Disease Registry
ATVE	Alaska Technical and Vocation Education program

B

BIA	Bureau of Indian Affairs
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BLM	Bureau of Land Management
BLS	Bureau of Labor Statistics
BMA	Bond Market Association
BOP	Bureau of Prisons

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
CCLS	Community care Licensing Specialists (Foster Care)
CCMMF	Child Care Mandatory and Matching Funds
CCPO	Child Care Program Office
CDC	Center for Disease Control and Prevention
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
COA	Chart of Accounts
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant
CPD	Office of Community Planning and Development
CPO	Corrections Program Office
CSED	Child Support Enforcement Division

CSREES Cooperative State Research, Education, and Extension Service
CWD Children with Disabilities

D

DAS Division of Administrative Services
DBP Division of Business Partnerships
DC Denali Commission
DCCED Department of Commerce, Community, and Economic Development (AK)
DCP Deferred Compensation Plan
DCRA Department of Community and Regional Affairs (Alaska)
DEA Drug Enforcement Administration
DEC Department of Environmental Conservation (Alaska)
DED Division of Early Development (see Early Development)
DEED Department of Education and Early Development (Alaska)
DES Division of Emergency Services
DFG Department of Fish and Game (Alaska)
DFYS Division of Family and Youth Services
DGS Division of General Services
DHCS Division of Health Care Services
DHSS Department of Health and Social Services (Alaska)
DKC Denali Kid Care
DLA Defense Logistics Agency
DLWD Department of Labor and Workforce Development (Alaska)
DMA Division of Medical Assistance
DMHDD Division of Mental Health and Developmental Disabilities
DMVA Department of Military and Veterans Affairs (Alaska)
DNR Department of Natural Resources (Alaska)
DOA Department of Administration (Alaska)
DOC Department of Corrections (Alaska)
DOF Division of Finance
DOL Department of Law (Alaska)
DOR Department of Revenue (Alaska)
DOTPF Department of Transportation and Public Facilities (Alaska)
DPA Division of Public Assistance
DPH Division of Public Health
DPS Department of Public Safety
DRB 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)
EDA	Economic Development Administration
eGrants	Electronic Grants database
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
ETA	Employment and Training Administration
ETS	Enterprise Technology Services
ETV	Education and Training Vouchers

F

F&M	Facilities and Maintenance
FAA	Federal Aviation Administration
FAS	Foreign Agricultural Service
FASB	Financial Accounting Standards Board
FDA	Food and Drug Administration
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
FMS	Finance and Management Services
FNMA	Federal National Mortgage Association
FNS	Food and Nutrition Service
FRA	Federal Railroad Administration
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FTA	Federal Transit Administration
FSSLA	First Special Session Law of Alaska
FVPSP	Family Violence Prevention and Services Program
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
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
GFOA	Government Finance Officers Association
GNMA	Government National Mortgage Association
GSA	U.S. General Services Administration

H

HCB	Home and Community-Based Agency
HCFA	Health Care Financing Administration
HCS	Health Care Services
HFHC	Office of Housing – Federal Housing Commissioner
HIPAA	Health Insurance Portability and Accountability Act
HIV	Human Immunodeficiency Virus
HRSA	Health Resources and Services Administration
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
IMLS	Institute of Museum and Library Services
IRS	Internal Revenue System
ISF	Information Services Fund
IT	Information Technology
ITA	International Trade Administration
ITBE	International Trade and Business Endowment
ITQSG	Improving Teacher Quality State Grants

J

JGTRRA	Job Growth Relief Reconciliation Act
JHC	Juneau Health Center
JRS	Judicial Retirement System
JUCE	Juneau Claims Eligibility

K

KABATA	Knik Arm Bridge and Toll Authority
KD&A	Knowledge, Development and Application Program
KLC	Kodiak Launch Complex

L

LAs	Local Administrators
LAW	Department of Law (Alaska)
LBA	Legislative Budget and Audit Committee (Alaska)
LC	Library of Congress
LEA	Local Education Agencies
LIBOR	London Interbank Offered Rate
LIHEAP	Low-Income Home Energy Assistance
LMCS	Liquidity Management Cash System
LSC	Legal Services Corporation
LUST	Leaking Underground Storage Tanks

M

MBE/WBE	Small, Minority, & Women's Business Enterprises Program
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association (Pension Plan)
Medicaid	Medical Assistance Program
MEHS	Mt. Edgecumbe High School
MFCU	Medicaid Fraud Control Unit
MIS	Management Information System
MMIS	Medicaid Management Information Systems
MMS	Minerals Management Service
MOA	Memorandum of Agreement
MOE	Maintenance of Effort
MOU	Memorandum of Understanding
MRDD	Mentally Retarded/Developmentally Disabled
MSA	Master Settlement Agreement and Final Judgment
MSHA	Mine Safety and Health Administration

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NAVY	Department of the Navy, Office of the Chief of Naval Research
NBCC	National Breast and Cervical Cancer
NCCCCP	National Comprehensive Cancer Control Program
NCHIP	National Criminal History Improvement Program
NCLB	No Child Left Behind
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NFAH	National Foundation on the Arts and the Humanities
NGA	Notice of Grant Award
NGB	National Guard Bureau
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration

NICU	Neonatal Intensive Care Unit
NIH	National Institute of Health
NIJ	National Institute of Justice
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NOICC	National Occupational Information Coordinating Committee
NPCR	National Program of Cancer Registries
NPI	National Provider Identification
NPO	net pension obligation
NPR	National Petroleum Reserve
NPS	National Park Service
NRCS	Natural Resources Conservation Service
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTIA	National Telecommunications and Information Administration
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OA	Office of Administration
OAR	Office of Air and Radiation
OASH	Office of the Assistant Secretary for Health
OASVET	Office of the Assistant Secretary for Veterans Employment & Training
OCOPS	Office of Community Oriented Policing Services
OCS	Office of Children's Services
ODEP	Office of Disability Employment Policy
OEA	Office of Economic Adjustment (USDOD)
OECA	Office of Enforcement and Compliance Assurance
OEE	Office of Environmental Education
OESE	Office of Elementary and Secondary Education
OG	Office of the Governor (Alaska)
OIG	Office of Inspector General
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OJP	Office of Justice Programs
OMB	U.S. Office of Management and Budget
OPA	Office of Population Affairs
OPDR	Office of Policy Development and Research
OPPTS	Office of Prevention, Pesticides, and Toxic Substances
ORD	Office of Research and Development
OS	Secretary of Health and Social Services (USDHHS)
OSDFS	Office of State and Drug-Free Schools
OSERS	Office of Special Education and Rehabilitative Services
OSHA	Occupational Safety and Health Administration

OSMRE	Office of Surface Mining Reclamation and Enforcement
OSWER	Office of Solid Waste and Emergency Response
OVC	Office of Victims of Crime
OW	Office of Water

P

PA	Prior Authorization
PACAP	Public Assistance Cost Allocation Plan
PAPI	Precision Approach Path Indicator
PATH	Projects for Assistance in Transition from Homelessness
PBF	Public Building Fund (Alaska)
PCA	Personal Care Assistant
PERM	payment error rate measurement
PERS	Public Employees' Retirement System
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIH	Office of Public and Indian Housing
POS	point of sell
PPA	Prior period adjustments
PVE	Petroleum Violation Escrow

Q

QSP	Quality Sample Program – Forest Service
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R

RBCS	Rural Business-Cooperative Services
RD	Responsibility/Distribution codes
REIL	Runway End Identifier Lights
REIT	Real Estate Investment Trust
REOMB	Recipient Explanations of Medical Benefits
RFP	Request for Proposal
RHF	Retiree Health Fund
RHS	Rural Housing Service
RICR	Restricted Indirect Cost Rate
RMTS	Random Motion Time Study
RPL	Revised Program/Legislative
RSA	Reimbursable Services Agreement
RUS	Rural Utilities Service

S

SAAMS	Seward Association for Advancement of Science
SAMHSA	Substance Abuse and Mental Health Services Administration
SBA	Small Business Administration
SBJPA	Small Business Job Protection Act of 1996
SBRF	Statutory Budget Reserve Fund

SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children's Health Insurance Program
SEA	State Education Agency
SEARCH	Student/Resident Experiences and Rotations in Community Health
SEP	Senior Employment Program
SF	Division of School Finance
SF Rev Bond	Sport Fishing Revenue Bonds
SFY	State Fiscal Year
SGBG	Social Services Block Grant
SIR	Self-Insured Retention
SJI	State Justice Institute
SLA	Session Laws of Alaska
SOP	Standard Operating Procedures
SPCS	State Property Control System
SSA	Social Security Administration
SSD	Support Services Division
SSSLA	Second Special Session Law of Alaska
STEP	State Training and Employment Program
SUR	Surveillance and Utilization Review
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TANF	Temporary Assistance for Needy Families
TBA	to-be-announced
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
UCF	Unemployment Compensation Fund
UI	Unemployment Insurance
UofA	University of Alaska
UPL	Upper Payment Limit
USAF	Office of the Air Force, Material Command
USAID	U.S. Agency for International Development
USCG	U.S. Coast Guard
USCNCS	U.S. Corporation for National and Community Services
USDA	U.S. Department of Agriculture
USDHHS	U.S. Department of Health and Human Services
USDHS	U.S. Department of Homeland Security
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
USFS	U.S. Forest Service
USFWS	U.S. Fish and Wildlife Service (USDOI)
USGS	U.S. Geological Survey (USDOI)
USGSA	U.S. General Services Administrator
USIA	U.S. Information Agency
USSBA	U.S. Small Business Administration
USTREAS	U.S. Treasury

V

VAWA	Violence Against Women Act
VAWGO	Violence Against Women Grants Office
VBA	Veterans Benefits Administration
VSW	Village Safe Water

W

WAFD	Western Alaska Fisheries Disaster
WIA	Workforce Investment Act
WIC	Women, Infants, & Children Special Supplemental Nutrition Program

Y

Y2K	Year 2000
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STATE OF ALASKA

SARAH PALIN, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

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JUNEAU, ALASKA 99811-0020
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FAX: (907) 465-3008

June 22, 2007

RECEIVED

JUN 22 2007

LEGISLATIVE AUDIT

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

You have requested that the Office of Management and Budget (OM)B respond to the Office of the Governor Recommendation No. 1 in the FY 06 Statewide Single Audit.

Recommendation No. 1

The director of Alaska Office of Management and Budget (AOMB) should request the legislature amend Alaska Statute 37.05.146(c) to include Alaska Marine Highway System (AMHS) program receipts.

I understand your desire to prevent the over-expenditure of AMHS receipts. I, too, share that goal. However, I am not convinced that making the suggested statute change will accommodate the unique circumstances of the AMHS. The AMHS is very limited in the actions it can take to reduce expenditures if receipts fall short of the budgeted amounts: AMHS either ties up vessels or requests a general fund supplemental from the Governor and the legislature. Dependable ferry service is critical to the transport of people and goods throughout Alaska. Ad hoc ferry schedule changes are tremendously disruptive. On occasion, AMHS has also initiated fee surcharges, but those generally have not resulted in additional receipts very quickly. For these reasons, the legislature has made supplemental appropriations to the AMHS in lieu of drastic reductions in ferry service.

At the time I responded to the management letter regarding this audit, the Senate Finance Committee had incorporated the Alaska Marine Highway System Fund in the Federal and Other Program Receipts language section of the operating budget.

Ms. Pat Davidson
June 22, 2007
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As I stated in my April 16 letter, there would be two effects of the inclusion of the AMHS Fund within that section. The first is that the Legislative Budget and Audit Committee (LB&A) would have the authority to review increases in AMHS Fund appropriations based upon increases in receipts above the amount appropriated. This would be an unlikely occurrence. The second is that if AMHS Fund receipts fell below the amount appropriated, the AMHS appropriation would be reduced by the amount of the shortfall.

The second effect causes the most concern. The AMHS does not know sufficiently in advance of the end of any fiscal year exactly what their receipts will be—given that they are predicated upon the purchase of ferry tickets by Alaskans and tourists. Thus, with little time left within a fiscal year in which to reduce expenditures (i.e., eliminating ferry sailings for which tickets have already been purchased), AMHS's only recourse is to request a general fund supplemental.

Furthermore, in the recent past the AMHS has had major disruptions in service due to a vessel running aground and a ship-board fire. When events like this happen after a legislative session has adjourned and there is no immediate opportunity for a general fund supplemental, AMHS is in an untenable situation. Costs generally increase while revenue decreases. If AMHS runs out of money as happened in FY06, vendors go unpaid. The administration's commitment to request a supplemental appropriation during the next legislative session has generally been the only solution. Other vessels cannot be tied up to save money because service to Alaskans would be severely disrupted and would exacerbate the loss of revenue.

The final FY08 operating budget passed by the legislature ultimately did not include the AMHS Fund in the Federal and Other Program Receipts language section. I believe that happened because the legislature realized that action by itself would not "fix" a future problem.

In April I suggested that a possible solution would be to establish a new AMHS mechanism for unanticipated expenditures that could be accessed after the review process of LB&A. The legislature could appropriate general funds, for example \$2 million, into the AMHS Fund but segregated into a separate "emergency use only" account within the AMHS Fund. Then when an extraordinary event took place, AMHS could request an RPL, to use those "emergency use only" dollars within the

Ms. Pat Davidson
June 22, 2007
Page 3

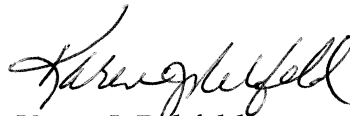
AMHS Fund. If LB&A concurred, AMHS would be able to increase their expenditure authorization. This would, of course, require a statute to implement.

Another suggestion would be for the legislature to include "an amount necessary" general fund appropriation in the operating budget for AMHS's use upon an extraordinary event that takes a vessel out of service unexpectedly. This option would enable the AMHS to respond to unforeseen circumstances at the end of a fiscal year and allow vendors to be paid promptly rather than wait for a supplemental bill to pass the Legislature. This option requires no statute changes, but would be a departure from the standing practice. Given that the AMHS is a unique entity in state government tasked with providing dependable, reliable transportation of people and goods throughout the state, perhaps a departure from standing practice is warranted.

I believe that our joint goal of preventing AMHS over-expenditures will be accomplished by the new management team at the Department of Transportation and Public Facilities implementing the recommendations you have made to that department. In addition, I hope the legislature may want to consider the suggestions made in this letter.

Thank you for the opportunity to respond.

Sincerely,



Karen J. Rehfeld
Director

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STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX 110200
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June 19, 2007

Ms. Pat Davidson, C.P.A.
Legislative Audit
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

RECEIVED
JUN 22 2007
LEGISLATIVE AUDIT

Dear Ms. Davidson:

Thank you for the opportunity to reply to the Preliminary FY06 Single Audit, Department of Administration.

Recommendation No. 1

The Department of Administration's director of Enterprise Technology Services (ETS) should implement procedures to properly account for capital assets owned by the Information Services Fund (ISF).

The Department of Administration (DOA) concurs with this recommendation.

Between July and September 2006 ETS contracted with a recognized expert consulting firm in asset management to conduct a study which would identify key needs and process gaps and make recommendations that would help the State of Alaska meet auditing and information management requirements. One of the critical asset management functions identified in this report is to ensure that the asset tracking system interfaces with the financial system. This information exchange ensures that capitalization, tracking, and disposal information is accurate and readily available. The study also made recommendations on procedures that should be implemented to ensure a formal inventory reconciliation process is designed and used.

ETS has funding earmarked for software and consulting services to begin implementing the asset tracking and management recommendations in the study. ETS is drafting an RFP which should be issued in early FY08 to procure the appropriate vendor to begin this project. The new system and procedures will be designed to meet the requirements outlined in your findings.

Your audit also indicates that this issue *limits ETS's ability to develop rates that provide for recovery of all costs, including capital assets.* I want to clarify that our rate process effectively recovers all costs. The rate process takes into

account all activity of the fund. Any capital assets that are purchased from the ISF that are not accounted for as a capital asset and depreciated are expensed in the year of purchase and therefore the expense is recovered when the operating results from the prior years are rolled into the rates. Based on the process we would have to take conscious specific action to not recover a cost.

The DOA welcomes your finding and recommendation and I thank you again for the opportunity to comment.

Sincerely,



Annette Kreitzer
Commissioner

cc: Rachael Petro, Deputy Commissioner

Kevin Brooks, Deputy Commissioner

Eric Swanson, Director
Division of Administrative Services

Mike Callahan, Director
Enterprise Technology Services

STATE OF ALASKA

Department of Education & Early Development

Office of the Commissioner

SARAH PALIN, GOVERNOR

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(907) 465-4156 Fax*

June 19, 2007

Pat Davidson, Legislative Auditor
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 on the State of Alaska Single Audit for Fiscal Year Ended June 30, 2006.

Since there were no findings or recommendations made to the Department of Education & Early Development in the report, we have no comment.

Sincerely,



Roger Sampson
Commissioner

RECEIVED

JUN 21 2007

LEGISLATIVE AUDIT

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STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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June 25, 2007

RECEIVED

JUN 25 2007

LEGISLATIVE AUDIT

Ms. Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. 113300
Juneau, AK 99811-3300

RE: Response to preliminary audit report, FY06 Statewide Single Audit, Department of Health and Social Services (DHSS)

Dear Ms. Davidson:

Thank you for the opportunity to respond to the preliminary State of Alaska Single Audit Report, Department of Health and Social Services (DHSS) for fiscal year ended June 30, 2006. The department's responses to the recommendations are as follows:

Recommendation No. 3

DHSS's finance officer should implement controls to ensure expenditures do not exceed the authorized appropriation limit.

The department partially agrees with this recommendation. There was an over-expenditure of personal services costs above the amount authorized in the Faith Based Council unbudgeted RSA (AR 22703-06). However, the Administrative Support Services AR 23905-06 is the legislatively appropriated allocation and had a lapse balance to cover the over expenditures in AR 22703-06. Therefore, the department disagrees that it is noncompliant with Article IX, Section 13 of the Alaska Constitution requiring, *no money shall be withdrawn from the treasury except in accordance with appropriations made by law.*

The department intended to resolve the over expenditure through a prior year journal entry to transfer the excess expenditures to the legislatively appropriated allocation, AR 22703-06. However, per Legislative Audit's recommendation, the amended unbudgeted RSA was sent to OMB in June for processing.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 4

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

The department partially concurs with the recommendation. DHSS' position and actions are as follows:

AR 22930-05 Health Care Services – The amount of \$213,000 is not a revenue shortfall, but a situation where a restriction release on SDPR should have been processed during reconciliation to collect the related earned receipts. The restriction has been released. Additionally, the department received ratification in SB 53 that is awaiting the governor's signature. Once the bill is signed, the Division of Finance will certify and process this transaction. After the ratification process, this appropriation will be balanced.

AR 22793-06 School Based Claims – As the department had stated previously during the audit, this is not a revenue shortfall. The RSA did not get billed to fully collect for valid expenditures (four out of five billings were processed, one was not). The department's Fiscal Section processed the one additional billing in June to fully collect the RSA expenditures.

AR 07500-06 Pioneer Homes Renovations/Repairs – The revenue shortfall for this capital item is due to timing differences between the recording of expenditures and revenue collections. DHSS received \$60,075 of AHFC revenue on April 26, 2007 that balanced the revenues and expenditures of \$696,696. No revenue shortfall exists.

AR 23666-06 MMIS Reprourement/Y2K – The revenue shortfall for this capital item is due to the time needed to research and find an error in federal claiming. When the error was identified, the department received \$189,898 federal revenue on May 7, 2007. Total expenditures of \$4,835,000 matches GF revenue of \$483,500 and federal revenue of \$4,351,502.

AR 23776-06 JHC Fire/Life Safety – The revenue shortfall for this capital item is indicated due to timing differences between the recording of expenditures and revenue collections. The department received \$2,742 of AHFC revenue on 4/26/07. Total expenditures of \$129,185 are matched against AHFC revenue of \$105,637 and federal revenue of \$24,973, leaving no revenue shortfall.

AR 23783-06 Reopen Fahrenkamp Residential Facility – The revenue shortfall for this capital item is due to timing differences between the recording of expenditures and revenue collections. The department received \$8,951 of AHFC revenue on April 26, 2007. Total expenditures of \$494,067 are matched against AHFC revenue of \$395,000 and MHTAAR revenue of \$100,000. The \$933 unexpended MHTAAR revenue balance was lapsed.

The department's Revenue and Fiscal Sections will work to establish processes and timelines for final prior year reconciliations to be reviewed and completed. The department's Finance Officer will work closely with staff processing RSA billings to insure work is completed in a timely manner.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 5

DHSS's assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Medicaid and Child Care Cluster programs comply with federal cost principals.

The department partially concurs with this recommendation. The Division of Senior and Disabilities Services (DSDS) was able to locate one of the three required certifications for the Medicaid program.

Office of Children's Services:

The department partially concurs with this recommendation. The scope of services for the RSA in question (06-60059) states, "Continued funding of the Office of Children Services conducting child protective services and prior licensing checks for individuals for child care licensure," this is an allowable expense of the federal CCDF. The RSA did not limit the number of staff who could be charged for this purpose and while ultimately four staff charged some of their time to the RSA, there were a total of 15 staff that worked in this capacity and could have charged some of their time to the RSA. Again, it is not appropriate to use employee certification forms since no one employee worked 100% on this RSA.

Legislative Audit staff contacted one of the employees in question directly to verify funding sources, which caused significant confusion. Since there are a variety of funding sources in the Office of Children's Services (OCS), an employee would not necessarily know how their position is being funded. A real barrier for program managers on recognizing a need to complete certification forms is that these funds are inter-agency receipts when they are used and budgeted in OCS. A quick estimate indicates that the RSA paid for approximately 12% of the cost of doing this work (\$165,000/\$1,400,000). Therefore, the department believes the relatively small charge to the CCDF is justified.

However, OCS will review their current methodology and make appropriate changes for the future.

DHSS does not concur with the questioned costs cited in the management letter. We believe that the personal service costs charged to the federal programs are valid.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services (FMS)
Telephone: 907-465-1630

Recommendation No. 6

DHSS' finance officer should ensure the public assistance cost allocation plan (PACAP) methodologies are properly updated, accurate, and new methodologies are submitted for federal approval.

The department concurs with the recommendation. The department was in the process of updating the PACAP for any new and updated methodologies. The updated PACAP was submitted to the department's cognizant agency in April 2007. The department has updated the methodology for DW-15 (which includes an updated organization structure) as well as added the methodologies for the Denali Kid Care (DKC), DW-XXXX, DW-XXXXX, DHCS-22, and DPA-15.

The department appreciates the information on the weakness found in the allocation of personal service expenditures for the Foster Care Community Care licensing specialists (CCLS) through the OCS-22 allocation method. We will review this recommendation and update the PACAP as needed.

In addition, the department is currently working on updating the current PACAP system. The department is in the midst of creating and implementing MAXCARS, the replacement PACAP system, with our PACAP consultant, MAXIMUS. We are currently in the development/testing phase. Parallel processing will begin during third quarter SFY07.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 7

DHSS' finance officer should ensure that costs are charged to federal programs in accordance with the DHSS federally approved public assistance cost allocation plan (PACAP).

The department concurs with this recommendation; however, the referenced \$137,941 of expenditures identified by Legislative Audit as inappropriately charged directly to Medicaid is a timing issue. This relates to a RSA from API for support services including personal service and

travel costs. This issue was brought to the department's attention in August 2006 by Legislative Audit during the SFY05 Statewide Audit review. Due to the timing of the Legislative Review last year, the FY06 RSA was already in place; however, the department has changed its procedures for FY07 so this item has been corrected.

Also, the department has been working diligently to update and revise the PACAP to remain in compliance. The department recently submitted the revised PACAP to our monitoring agency. This revision incorporates the required changes necessary to properly charge indirect costs to agency programs.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 8

DHSS' finance officer should improve the controls over categorization and allocation of allowable claims.

The department partially concurs with this recommendation because DHSS has already moved to improve our allocation and claiming process. DHSS has made considerable progress toward improving its procedures regarding allocation of expenditures to federal programs. The department will replace its public assistance cost allocation plan (PACAP) spreadsheet, utilized to allocate expenditures to federal programs, with a new cost allocation database system (MAXCARS). This new system will be used for the quarter in FY07.

The department will correct the linkage and/or formula errors in the third quarter's CAP spreadsheet and include the adjustments for the questioned costs on the fourth quarter reports.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 9

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

The department concurs that strong internal controls are a requirement and the Commissioner is committed to improvements.

Legislative Audit provides two examples of weak internal controls identified in FY05. The first example relates to internal control issues concerning the Personal Care program. Several improvements have occurred since July 1, 2005 in this area, including establishment of a separate Personal Care Attendant (PCA) section in the Division of Senior & Disability Services and a major effort to staff that unit appropriately. In addition, the development and adoption of PCA regulations will provide DHSS the authority it needs to better manage and control the provision of PCA services. The second example relates to detection and reporting of Medicaid overpayments. DHSS has adopted an audit flow-chart and policy regarding how and when Medicaid overpayments will be reported on the CMS-64.

DHSS also acknowledges that the aging Medicaid Management Information System (MMIS) currently used does not have the capability for desired internal control features; and that replacement of the system is two to three years away. However, we are committed to securing a new MMIS in a reasonable manner in the most cost effective means for the State.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 10

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

The department partially concurs with the recommendation because significant improvements have already taken place.

The department acknowledges past problems in quality assurance and program integrity management. As a result, the department has created a new vision for overall quality improvement. The new plan creates a centralized department-wide unit, based in the Commissioner's Office. The unit is headed by a quality improvement manager who is responsible directly to the Deputy Commissioner for the Office of Program Review. The manager coordinates all department quality improvement efforts. These efforts include:

1. program integrity - fraud control and program abuse investigations;
2. quality assurance - audit activity and the oversight of provider compliance with regulations; and
3. quality enhancement - training and technical assistance for staff and Medicaid providers to enhance overall quality in program administration.

The department has made significant progress towards updating utilization control and program integrity functions. The implementation and annual extensions of Myers and Stauffer audits have coincided with and offset much of the impact of the nonperformance of First Health Service Corporation (FHSC) in the SURS area. The 2006 Myers and Stauffer audits have been promptly processed. From February 2006 and throughout the remainder of fiscal year 2006, audit committee minutes will reflect department referrals to the Medicaid Fraud Control Unit as well as periodic assignment of responsibilities, objectives, and action steps.

Recruiting problems were partially addressed early in fiscal year 2007 as the department joined with other state departments in obtaining range increases for some positions essential to the new program integrity process. The audit committee was resurrected and met regularly (twice monthly) to address utilization control and program integrity functions. Meeting minutes, agendas, and handouts are available from February 2006 on. The department's key PERM position for audit management was hired in the fall 2006. The audit manager is also the primary contact with FHSC regarding SURS issues. Of the seven additional positions discussed in the department's earlier audit response, the department has successfully recruited the internal auditor, program coordinator, and an investigator. The position of research analyst is currently vacant. Divisions are moving to address and ameliorate issues brought to light by the preliminary PERM results. This has primarily occurred with discussions of provider technical assistance and corrective action plans in audit committee meetings. Finally, HESS Track, the department's new complaint database, has been implemented.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 11

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal timeline requirements.

The department does not fully concur with Legislative Audit's current position on this prior year recommendation.

The department has made significant progress in ensuring that provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal requirements. Procedures and tracking of the overpayment recoveries have been improved and continue to be refined. The changes that have been made should bring the department into full compliance with federal requirements.

The department does not agree that these procedures fail to address the identification of overpayment recoveries from providers that are netted against expenditures. The department is not aware of any overpayments that we are not tracking and reporting. The department's tracking system is identifying the true amount of overpayments for proper reporting on the CMS-64.

The department agrees that in the second quarter, ending December 31, 2005, the amount which DHSS reported on the CMS-64 did not match the amount identified on the department's tracking spreadsheet and was under reported by approximately \$1.5 million total computable. The department will report the \$1.5 million on the next CMS-64.

The department agrees that for the fourth quarter, ending June 30, 2006, the department did not report any overpayments on the CMS-64. This was an oversight that occurred during staff transition and vacancies. However, the department has since claimed this on the September 30, 2006 CMS-64 report.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 12

The Medicaid State Director should ensure that private hospital proportionate share (proshare) payments are made in accordance with federal regulations.

The department does not agree with the recommendation, but contends that the department is in compliance with the approved State Plan and that the State Plan comports with federal statute. As noted in the analysis, CMS first deferred these payments in February 2004. However, in October 2004, CMS released the deferral, not on the basis that the State end the practice, but that the State submit "the necessary State plan change to create the necessary 'firewall' between funding sources to ensure appropriate matching requirements are met and that funds are used to service individuals in the Medicaid program."

When this notification was received, no one in Alaska nor at CMS could understand or explain what state plan changes were needed to meet this 'firewall' requirement. CMS was asked verbally and in writing several times what this meant. Unfortunately, the only response from CMS has been letters disallowing further claiming.

The State's position has been and remains that the State has an approved plan amendment to support this claiming. When it was approved, the plan must have met all statutory requirements or CMS would not have approved it. There has been no intervening statutory change.

CMS has promulgated a NPRM on 'Cost Limit for Providers Operated by Units of Government.' While this proposal is not applicable to private hospitals, some of the new concepts being imposed on states by CMS are now being codified in this regulatory package. An example is the concept that providers must retain all Medicaid reimbursement. While CMS has taken this position for several years, there has never been anything in statute or regulation to support the CMS position. If the regulations become final, there still may be no statutory basis for this position. The State is aware that in the current federal funding bills for military expenditures, language in both House and Senate versions prevents CMS from implementing these regulations for two years. These are very significant issues that affect all states and demonstrate a substantial difference of position between the federal executive and legislative branches.

This issue is now before the Departmental Appeals Board. A decision is anticipated this year. It would be premature at this point to concede that the CMS actions will prevail in the appeals process and that the department should stop making proshare payments. Once we have the final decision on this matter, the department will act accordingly. It is the department's belief that to change or cease our proshare claiming practice before a final legal decision is rendered would be a disservice to the legislature, governor, and people of this state. The department is expected to maximize federal funding for our programs through all legal means and, in this instance, the disagreement between the state and CMS will require a judicial decision to resolve the dispute.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 13

DHSS' director of the Division of Senior and Disabilities Services (DSDS) should take action to improve controls over the processing and payment of Personal Care Services (PCS) and Mentally Retarded / Developmentally Disabled (MRDD) waiver service claims.

The department does not concur with this recommendation only because of the manner in which the recommendation is characterized. Significant efforts have already been made in regard to compliance of the Division of Senior and Disabilities Services (DSDS). Using the current regulations, policies and procedures and with considerable legal support from the Department of Law, Medicaid providers are receiving substantial ongoing feedback from DSDS regarding the need to accurately and thoroughly document services. The outline of these efforts and specific responses to deficiencies are answered below.

Personal Care Services:

The Personal Care Attendant Program (PCA) has grown significantly since the implementation of the Consumer Directed PCA program in 2001. This alternative service precipitated the need for a significant change in the management and oversight of the program as it led to rapid growth nearly doubling the costs from FY03 to FY05.

The process of implementing new PCA regulations, as mandated in the DSDS FY '06 legislative budget language in conjunction with the APS Healthcare, and DHSS compliance reviews, led to a significant slowing of the program's growth. The program was projected to reach \$97 million for FY06 but in fact was less than \$84 million. Since the implementation of new guiding regulations on April 1, 2006 the growth has been reversed and the projection for the PCA program in FY07 is \$78.5 million.

The 14 legislative mandates which were implemented through the April 1, 2006 regulations were as follows:

- a) It is the intent of the legislature that the Department of Health and Social Services implement regulation changes to 7 AAC 43.750 - to control and reduce costs of the personal care attendant program by:
 - (1) Clearly defining recipient eligibility in the "purpose and scope" section where, absent personal care attendant assistance, an individual would require hospitalization or nursing home care;
 - (2) Clearly defining recipient eligibility in the "purpose and scope" section where, absence of personal attendant care assistance would result in the individual's loss of employment;
 - 3) Deleting "stand-by" assistance as an allowable personal care attendant task;
 - (4) Clearly stating that instrumental activities of daily living are not allowable unless specifically related to an approved task for an activity of daily living need;
 - (5) adopting an objective client assessment tool that results in a reliable and consistent care plan to be used by personal care attendant providers, personal care attendant agencies, and the department;
 - (6) Requiring physical certification of an individual's condition as stated in the personal care attendant assessment to confirm need for services;
 - (7) requiring that if more than one personal care attendant services recipient resides in the same home, only one personal care attendant is allowed for both recipients;
 - (8) Tightening enrollment criteria for all providers to require specific training and experience;
 - (9) Requiring Medicaid certification for personal care attendant provider agencies;
 - (10) Requiring that the owner or manager of a personal care attendant agency meet a specified minimum level of education and administrative or business experience in a related field;

- (11) Clearly stating that an individual's assessment function will be conducted by department staff or the department's designee;
- (12) Requiring prior authorization by department staff or the department's designee for all personal care attendant services;
- (13) Including a new regulation that prevents the individual solicitation of clients by personal care attendant agencies and provides consequences for those actions;
- (14) Reviewing consumer-directed services to determine processes or procedures to improve program effectiveness”

DSDS has increased the staff assigned to this program from two (2) to fourteen (14) in the past three years allowing for significantly more oversight and control.

There is a class action lawsuit currently being litigated regarding reduction of services through the use of the new standardized assessment tool. An injunction requiring the State of Alaska to disregard the results of the assessment while the case is being decided was not upheld by the court; however, all of the questions have not been resolved.

Deficiencies cited in the letter for the Personal Care Attendant Program and responses follow:

- **DSDS is not conducting biennial compliance reviews of PCA providers.**

In the past 3 years DSDS has conducted 26 compliance reviews of PCA providers through the provision of the APS and DHSS compliance reviews and 52 Meyers and Stauffer audits completed in response to Senate Bill 41, which mandated 80 audits annually of the Medicaid program. Furthermore, agencies are now required to be certified every two years which includes a review of their policies regarding several key compliance components.

This process and subsequent development of corrective action plans are laying the groundwork to improve compliance and oversight of PCA providers. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- **DSDS has not begun to individually enroll personal care attendants as required in regulation.**

The regulations cited (7 AAC 43.770 (a) (3)) has been changed and now requires the department to begin the enrollment process “on or after July 1, 2008.” It was determined that staff resources could more effectively be used to review recipients service plans and develop monitoring regimens.

- **Authorized Services were not provided but maximum time allowable per the service plan was billed. Timesheets of providers did not support time billed for services.**

Provider education and technical assistance is currently taking place in order to help them understand the requirements of this Medicaid Program. Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

- **Service plans were not properly calculated (16 plans), signed (Personal Care Attendant Signed for the Recipient) or dated.**

Service plans are now being completed by State of Alaska contractors and reviewed by DSDS staff for compliance with regulations and accuracy of calculations. They are then forwarded to agencies for signature of clients or their Power of Attorney. Specific attention is being paid to having a legal representative sign for the recipient when the recipient is unable.

Mental Retardation and Developmental Disabilities Waiver

The Mental Retardation and Developmental Disabilities (MR/DD) Waiver has seen several efforts to improve the compliance of providers with Medicaid rules and state regulations. Beginning in calendar year 2006, 100% of Plans of Care and Cost sheets are being reviewed for compliance. Individual recipient surveys are being completed by Regional Program Specialists with feedback being used to assist providers with compliance issues.

Deficiencies cited in the letter for the MR/DD Waiver Program and responses follow:

- **Unsupported Waiver Service costs due to lack of documentation of services rendered.**

DSDS is developing training opportunities for providers and exploring the use of Regional Program Specialists to complete regular compliance reviews by shifting some of their workload to other staff in the division.

Future resolution of roles between DSDS Quality Assurance (QA) staff and quality assurance efforts from the DHSS Office of Program Review will enhance oversight of providers.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 14

We recommend the DHSS finance officer ensure the information reported on Quarterly Medical Assistance expenditure reports is accurate and adequately supported.

The department agrees the DHSS finance officer should ensure that the information reported quarterly on the CMS-64 is accurate and adequately supported; however, the department does not fully concur with all of Legislative Audit's specific recommendations.

In the CMS-64 for the fourth quarter, ended June 30, 2006, Legislative Audit found there was a difference of \$771, 598 between the federal share reported on the CMS-64 and the PACAP spreadsheet. Investigation by the department showed the version of the spreadsheet the department provided Legislative Audit was not the final version. Apparently this resulted in Legislative Audit's determination that there was a discrepancy. The final version (December 22, 2006) matches what was claimed on the CMS-64. On one line there was a linkage problem in the final version of the spreadsheet which calculated the Total Fed Share Adjustment at 25% instead of 75%. This did not cause an error in claiming, however, because only the total computable amount is entered in the online database for reporting the CMS-64 (MBES/CBES), not the federal share. The report was submitted accurately and it was adequately supported as the error in the final version of the spreadsheet did not affect the actual claim. The error did not affect the amount of federal funding drawn as the CMS-64 is the basis for reconciling the quarterly grant award, not the spreadsheets. The total computable and federal share amounts claimed are correct. There is no adjustment required.

The department agrees with the finding that the SCHIP CMS-21 report for the first quarter, ending September 30, 2005, was \$99,179 less than what was supported on the PACAP spreadsheets. The CMS-21 reported a \$500,799 total computable amount and \$353,112 federal share. The amount claimed should have been a \$641,822 total computable amount and a \$451,291 federal share. The \$352,112 came from the February 13, 2006 version of the PACAP spreadsheet which was revised August 23, 2006 to the \$641,822 figure. The department has since made an adjustment to claim the difference (\$141,023 total computable and \$99,179 federal share) on the CMS-21 for quarter ending March 31, 2006.

The department has replaced the PACAP spreadsheets with a new cost allocation system, MAXCARS, effective with the quarter ending June 30, 2007. MAXCARS will now be the basis for determining the amounts claimed for federal reimbursement. This new application will ensure that linkage problems found in the spreadsheet are eliminated and that information reported on federal Medicaid expenditure reports is accurate and adequately supported.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 15

DHSS' finance officer should ensure all interest liabilities due to federal agencies are accurately reported in accordance with federal regulations.

The department concurs with this recommendation. The department has discussed the CMIA requirements and processes with the Department of Revenue. The department will report the over-collected federal funds and pay the appropriate interest amount as required under the CMIA.

Legislative Audit states that DHSS owes the federal government interest in the amount of \$571,000. However, 31 CFR Part 205.26(a) states, "... *Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. ...*" In accordance with this section, the department would report all liabilities, and the amount to be paid to the federal CMIA in interest is \$500,583.

The Department of Revenue, Division of Treasury, has advised the department that this interest liability payment is a DHSS responsibility due to the inordinate amount of this particular liability. Annual net interest liabilities owed to the federal government and paid through the Treasury Division are normally miniscule in comparison, i.e., under \$50,000.00. Based on the Division of Treasury's advice, DHSS will set aside SFY07 funds to pay this liability. The mechanics of providing the SFY07 funds to the Department of Revenue for payment to the federal treasury account will be worked out with the Departments of Revenue and Administration.

In addition to the DHSS' finance officer ensuring all interest liabilities due to federal agencies are accurately reported, DHSS will also ensure that all interest liabilities due to the State from the federal agencies, i.e., CMS, will be accurately reported in accordance with federal CMIA regulations.

For instance, the department receives numerous deferrals from CMS that go through at times an arduous review process by the Regional CMS office. Many of these deferrals are ultimately resolved and the claims paid by CMS. However, while CMS is holding these federal funds in deferral, DHSS can only pay for Medicaid services by using state funds that were not projected to be used. At this time, there are a number of CMS deferrals that are, or may be incurring, federal interest liability due to delays in CMS' resolution. In particular the School Based Claims deferral of over \$8 million has been continuously questioned with the original deferral occurring in the first quarter of FFY04 and the latest in the first quarter of FFY06. DHSS has offered a resolution

on these deferrals; however CMS has refused the offer and is asking for additional documentation. At this point over \$780,000.00 in interest liability has accrued related to this deferral. The department feels confident it will prevail and as such the federal government will owe interest liability when deferred federal funds are released for payment to DHSS claims.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

Recommendation No. 16

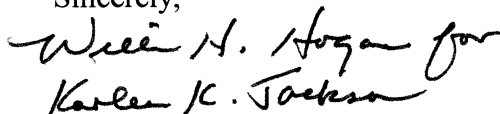
The health program manager for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at DHSS, Office of Children Services, should establish procedures for reviewing overall program revenue and expenditures, to ensure all expenditures are reported and spending options are not lost.

The department concurs with the recommendation. The WIC program has already implemented corrective action. Specifically, the federal revenue unit staff are providing the WIC program staff with the results of the quarterly cost allocation spreadsheets. The financial results are reconciled to the monthly FNS-798. Any differences or adjustments required are resolved during the reconciliation process.

Contact Person: Janet Clarke, Assistant Commissioner
Division of Finance & Management Services
Telephone: 907-465-1630

If you have any additional questions, please contact Janet Clarke at 907-465-1630 or janet_clarke@health.state.ak.us.

Sincerely,



Karleen K. Jackson, Ph.D.
Commissioner

cc: Bill Hogan, Deputy Commissioner, DHSS
Tony Lombardo, Deputy Commissioner, DHSS
Janet Clarke, Assistant Commissioner, FMS, DHSS
Stacy Anderson, Finance Officer, FMS, DHSS
Marilyn SanMiguel, Revenue Section Manager, FMS, DHSS
Laura Baker, Budget Section Manager, FMS, DHSS

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STATE OF ALASKA

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

OFFICE OF THE COMMISSIONER

Sarah Palin, Governor

P. O. Box 111149
Juneau, AK 99811-1149

PHONE: (907) 465-2700
FAX: (907) 465-2784

June 25, 2007

Ms. Pat Davidson, Legislative Auditor
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

Re: SFY06 Statewide Single Audit Preliminary Report Response

Dear Ms. Davidson:

The Department of Labor and Workforce Development (DOLWD) is in receipt of your letter dated June 5, 2007, regarding the preliminary audit report on the State of Alaska Single Audit, for Fiscal Year Ended June 30, 2006.

Outlined below are the DOLWD actions and response to Recommendations 17, 18, and 19 of the report.

Recommendation No. 17

DOLWD concurs with three of the four items specified within this recommendation, and does not concur with the one remaining item, as related to activities with the Unemployment Compensation Fund (UCF).

Estimating uncollectable accounts:

DOLWD concurs, has implemented improvements to the process of estimating uncollectable accounts, and has met all federal requirements for such valuations. DOLWD is confident that with the recently improved tracking software and write-off procedures, the asset account will remain in the allowable range compared to the allowance for doubtful accounts, in accordance with Generally Accepted Accounting Principles.

Correctly valuing the transfer of non-fund activity:

DOLWD concurs, and has implemented updated procedures to ensure adjusting entries are processed during the end of each state fiscal year. Transactions have been submitted to the Division of Finance for SFY2004 to SFY2006.

Accrual of fraud penalties in the fund:

DOLWD does not concur, and has contacted the United States Department of Labor, Employment and Training Administration (ETA) to seek clarification and guidance of the letter sent to DOLWD on January 12, 2005. DOLWD received verbal confirmation that the existing process is what was intended. Jamie Bachinski, Chief of the Division of Workforce Security for ETA, is preparing a written statement that will clarify the intent of this letter and provide concurrence with the current method DOLWD is using in recording interest and/or penalties collected on Federal benefit overpayments. Once received, a copy of this letter will be provided to the audit team for their files. DOLWD requests that this item be removed from the final audit report.

Proper recording of tax receivable accounts:

DOLWD concurs, and processed correcting entries in January, 2007. After a thorough review of the entries initially made in the old and new UCF systems, DOLWD has determined that the accounting entries were unnecessary and caused us to understate revenue and overstate the allowance for uncollectible accounts.

DOLWD remains committed to ensuring the internal controls over the accounting of the UCF are adequate, and that UCF activities are accounted for and reported in accordance with Generally Accepted Accounting Principles. I appreciate the professionalism displayed and sound advice received from the audit team conducting the FY06 Statewide Single Audit.

Recommendation No. 18

DOLWD concurs that the Division of Business Partnerships' monitoring activities can be improved. The Division is currently developing a single monitoring schedule for all of its programs. The Division believes that organizational restructuring that occurred late in state fiscal year 2006 is resulting in greater coordination between the program leads and grants administrators in conducting monitoring this fiscal year. Additionally, the Division will seek guidance from the ETA regarding the requirements of 20 CFR 667.410 (b)(3) with respect to annual on-site monitoring of all sub-recipients and, if appropriate, will seek a waiver of such requirements.

Please note the following clarification to the Preliminary Report: the State of Alaska still has two local workforce investment areas under the Workforce Investment Act; however, the Department's waiver establishes a single regional planning area. We request the report be changed to reflect this point.

Ms. Pat Davidson

June 26, 2007

Page 3

Recommendation No. 19

DOLWD concurs with the recommendation that RSA's are to be paid in a timely manner, and that DOLWD owes the Department of Transportation and Public Facilities for services rendered under the RSA mentioned. During the fiscal year-end closeout process, DOLWD processed restrictions and deferrals as required, which accounted for this outstanding obligation. However, subsequent to that action, revenue refunds were issued to students of the Alaska Vocational Technical Center (AVTEC) for dropped courses as required by federal grant requirements. This action has caused the shortfall addressed in the letter. The DOLWD Finance Officer will work with the Director of AVTEC to review and correct the outstanding accounting issues, and to establish procedures to avoid similar shortfall issues in the future.

If you have any questions regarding this response, please feel free to contact me at 465-2700.

Sincerely,

Clark Bishop
Commissioner

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STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

Sarah Palin, Governor
Emil Notti, Commissioner

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

June 21, 2007

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JUN 21 2007
LEGISLATIVE AUDIT

Dear Ms. Davidson:

I have reviewed the Preliminary FY06 Statewide Single Audit and appreciate the opportunity to respond. Recommendation No. 20 states that the finance officer for the Department of Commerce, Community, and Economic Development (DCCED) should take measures to resolve revenue shortfall issues. As evidence for the recommendation, the Management Letter reflects two appropriations that have revenue shortfalls.

The \$34,000 revenue "shortfall" for the Division of Investment's AR 29550-06 is not a shortfall. This appropriation is funded from numerous statutory revolving loan funds. Because a terminated appropriation may continue incurring expenses and/or reduce its obligations for up to 12 months *after* the appropriation has terminated -- the final amount of cash needed to cover actual expenses was not determined until after the re-appropriation period. A sufficient amount of cash has been transferred from the revolving loan funds to cover the appropriation's actual expenses.

The \$16,000 revenue shortfall reflected was in reality a \$45,000 to \$53,000 revenue shortfall. Since an over collection in one revenue type can not subsidize the under collection of another revenue type, the revenue shortfall should have been determined at the Legislative allocation and not the Legislative appropriation level. The correct revenue shortfall of \$45,000 to \$53,000 was reflected at the Legislative allocation level (AR 29673-06).

The shortfall resulted from the Alaska Marine Highway System (AMHS) not honoring a Reimbursable Services Agreement (RSA) it had with DCCED. As has been the case since 2003, Commerce's Tok staff booked ferry reservations for the AMHS in FY06 and payment for those services was suppose to be ten percent of the sales. In June 2006 (end of fiscal year) AMHS notified DCCED that it would not be able to pay DCCED. Consequently, DCCED requested ratification during the 2007 Legislative session. The request was denied because the AMHS was requesting a supplemental. AMHS received their supplemental and has since paid DCCED and there is no longer a shortfall.

Thank you for the opportunity to respond. If you have any questions regarding this response please contact Philiciann (Phil) Phil Bennett, Finance Officer at 465-5445.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Thomas".

Samuel Thomas
Director

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STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 115526
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JUN 20 2007

LEGISLATIVE AUDIT

June 18, 2007

Pat Davidson
Legislative Auditor
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 on the Statewide Single Audit for the Fiscal Year Ended June 30, 2006. Since there were no findings or recommendations for the Department of Fish and Game, we have no comments on the report.

It was a pleasure working with the audit staff from the Division of Legislative Audit, and we appreciate the time and effort spent on the audit of our agency. We are also pleased that there were no material findings.

Sincerely,



Denby Lloyd
Commissioner

cc: Tom Lawson, Director, Division of Administrative Services
Cristine O'Sullivan, Finance Officer, Division of Administrative Services

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State of Alaska
Department of
Public Safety

Sarah Palin, Governor
Walt Monegan, Commissioner

June 25, 2007

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

RE: Statewide Single Audit for Fiscal Year Ending June 30, 2006

Thank you for the opportunity to comment on this preliminary audit.

Recommendation No. 21 recommends that "the DPS finance officer work with pertinent staff to resolve these revenue shortfalls by collecting earned revenues where possible and requesting supplemental appropriations for the remaining amounts."

The department has acted on this recommendation and the outstanding revenues have been collected. No supplemental appropriations will be needed.

Sincerely,

Walt Monegan
Commissioner

cc: Dan Spencer, Director of Administrative Services

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STATE OF ALASKA

DEPARTMENT OF CORRECTIONS Office of the Commissioner

SARAH PALIN,
GOVERNOR

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FAX: (907) 465-3390

June 26, 2007

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to respond to your June 5, 2007, preliminary audit report on:

State of Alaska Single Audit, for Fiscal Year Ended June 30, 2006

Recommendation No. 22

Doc's administrative services director should take measures to resolve revenue shortfall issues.

The Department of Corrections (DOC) concurs with your recommendation. We have reviewed potential revenue shortfalls for the referenced appropriations which result in the following conclusions:

Appropriation Number 51299-06 Offender Tracking Information System

Appropriation 51299-06 appears to have a revenue shortfall in the amount of \$59,856.00. This shortfall is the result of inadvertently processing a general warrant transaction against an account receivable open item. DOC personnel involved in preparing and processing revenues for restricted receipts have been advised of this situation and measures for improved internal controls have been implemented to avoid future occurrences of this nature.

Appropriation Number 50582-05 Existing Community Residential Centers

Appropriation 50582-05 has an Accounts Receivable open item reflecting the amount of restricted receipts collected by the Department of Law (DOL) on the behalf of the Department of Corrections. The dollar amount DOC used as support documentation when establishing this receivable was taken directly from the FY05 total dollar amount of judgments received and collected by the Departments of Law. The amount not collected by the end of the reapportionment was the amount used to establish this receivable.

Efforts have been made by DOC to work jointly with the Department of Law to determine why these collected receipts have yet to be forwarded to our department. Further discussions with DOL are underway to determine if actual collections truly fell short or if they are pending transfer to DOC.

The Department of Corrections administration is committed to collecting earned revenues, if available. Actions to resolve these revenue shortfalls are ongoing, including the possibility of requesting ratifications, if necessary, for remaining balances next legislative session.

We look forward to assisting your office in any way possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joe Schmidt', written in a cursive style.

Joe Schmidt
Commissioner
Department of Corrections

cc: Sharleen Griffin, Administrative Services Director
cc: Laura Lynk, Budget and Finance Manager

STATE OF ALASKA

OFFICE OF THE COMMISSIONER

June 26, 2007

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JUN 27 2007

LEGISLATIVE AUDIT

Ms. Pat Davidson, Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for allowing me to respond to the findings and recommendations related to the Department of Transportation and Public Facilities (DOT&PF) contained in the preliminary audit report on State of Alaska Single Audit, for Fiscal Year Ended June 30. The following are our comments:

Recommendation 23

The DOT&PF finance officer should ensure staff are properly trained to record expenditures to the correct chart of accounts (COA) year.

DOT&PF agrees with this recommendation. Since we are at the end of the fiscal year, training has been provided to ensure that employees understand the correct fiscal year posting of transactions.

Recommendation No. 24

The DOT&PF finance officer should take measures to ensure the validity of financial transactions and resolve an overspent appropriation.

There were no funds available from FY06 for the payment of outstanding fuel invoices nor were we allowed by the Division of Finance to process the payments from FY07. Additionally, there were no other FY06 funds from which to pay these invoices nor were there opportunities to add funds to cover these expenses. Finally, last summer the fuel distributors were discussing their options regarding the unpaid invoices including the exercise of liens or arresting our vessels. Under these circumstances we believed that paying the invoices as pre-pay inventory items was a reasonable approach. We hope that the Legislature will assist us in finding a means to deal with this type of situation should it reoccur.

"Providing for the movement of people and goods and the delivery of state services."

DOT&PF concurs with the identification of approximately \$940,000 in fuel bills that should have been charged to FY06 rather than as a pre-pay. Verification of inventory levels supports this action. A request was submitted and the Legislature approved a general fund supplemental to cover the FY06 over-expenditure.

Recommendation No. 25

The DOT&PF director of administrative services should coordinate with AMHS management to establish a sound fiscal policy for the AMHS fund.

AMHS management supports the concept of a strong fiscal policy with regards to the AMHS fund. The current policy of spending cash as it is received and not when earned is not sound policy. The following is a list of challenges that need to be overcome to successfully implement a cash management system that only spends cash receipts as earned and not as collected.

- Restore the fund to a cash neutral position - At the end of fiscal year 2006 the fund had a negative balance of \$10.7M
- Revisit AMHS credit policy

Currently approximately 25% of AMHS' customers operate on a credit basis. This represents companies like Alaska Marine Lines and Lynden Transport who have a 65-day period to pay their invoices. To meet the intent of the cash management recommendation, credit policies would have to be eliminated. This would put stress on the market demand curve because businesses are built on some type of float period. Another option is to provide funding to cover this float period.

- Formulate contingency plans for periods of budget deficits with regard to earned revenues.

The current market is demanding schedules be posted up to 2 years in advance. In doing this AMHS is committing to provide that service. The time period between providing service and verifying budgeted earned revenues can be problematic as the customer mix is made up of prepaying and walk-on customers and current reservations software do not provide for real time revenue analysis. A component of the revenue mix is comprised of passenger service amenities such as food and beverage sales which are not booked ahead of time and therefore have a risk element when forecasting.

Because the traveling public needs a forward looking schedule, plans should be developed that allow for service curtailments in the most efficient way possible when faced with a period of unmet budget assumptions with regards to earned revenues.

"Providing for the movement of people and goods and the delivery of state services."

Cash management policies that formulate monthly service levels for spending only earned revenues will be difficult to establish and implement and still provide the traveling public with the service for which they are asking. Other possible alternatives could include the capitalization of the AMHS fund, a separate appropriation for use when emergencies occur, or a special fund controlled by the Legislative Budget and Audit Committee to deal with unforeseen circumstances.

If you have any questions, please contact Nancy Slagle at 465-8974.

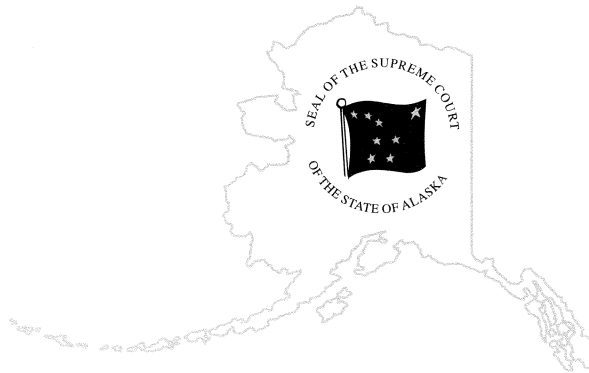
Sincerely,



Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Dennis Hardy, Deputy Commissioner of Marine Operations
Bob Janes, CPA, Chief of Internal Review
John MacKinnon, Deputy Commissioner of Highways and Public Facilities
Nancy Slagle, Director, Division of Administrative Services

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STEPHANIE J. COLE
Administrative Director

Alaska Court System

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June 13, 2007

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JUN 15 2007
LEGISLATIVE AUDIT

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

We have reviewed the preliminary FY06 Single Audit Report compiled by you and your staff. The court system is in agreement with the outcome of "no recommendations" for this audit period.

Thank you for the opportunity to review this information prior to finalization. If you require any additional financial information from the court system, please feel free to contact me at 264-0547 or the court system's fiscal manager, Rhonda McLeod at 264-8215.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie J. Cole".

Stephanie J. Cole

cc: Rhonda McLeod, Manager of Fiscal Operations

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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July 2, 2007

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 IV of this report. The responses for the Alaska Housing Finance Corporation and University of Alaska's recommendations are from a separately issued single audit report. Copies of those reports can be obtained directly from, either, the Alaska Housing Finance Corporation or 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 three of these recommendations which we believe warrant further comments.

Recommendation No. 4

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

We have reviewed DHSS' response and agree that subsequent revenue collections have resolved most of the indicated shortfalls in the recommendation. However, the accounting records still indicate that the FY 05 Health Care Services appropriation (AR 22930-05) has a revenue shortfall of approximately \$213,000 after consideration of the ratification contained in SB 53.

Recommendation No. 5

DHSS' assistant commissioner, responsible for finance and management services, should ensure that personal services expenditures charged to the Medicaid and Child Care Cluster programs comply with federal cost principles.

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. As a point of clarification, there may be justification for charging personal services to CCDF for staff time spent conducting child protective services and prior licensing checks for individuals for child care licensure. However, there was no support for the costs charged to CCDF. Further, those costs had already been charged to other programs through the OCS-22 allocation method based on a random moment time study as noted in Recommendation No. 6. We reaffirm our recommendation.

Recommendation No. 11

The DHSS finance officer and the State Medicaid director should work together to develop policies and procedures that ensure provider overpayments are identified, reported accurately, and decreasing adjustments are processed within federal time requirements.

We have reviewed DHSS' response and nothing contained in the response provided sufficient information to persuade us to revise or remove this recommendation. DHSS instituted new overpayment policies and procedures; however, they were not implemented in FY 06.

Recommendation No.12

The Medicaid State Director should ensure that private hospital proportionate share (proshare) payments are made in accordance with federal regulations.

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. 14

We recommend the DHSS finance officer ensure the information reported on Quarterly Medical Assistance expenditure reports is accurate and adequately supported.

We have reviewed DHSS' response and based on inspection of the revised version of the PACAP spreadsheets (version December 22, 2006) provided to us June 20, 2007, we agree the CMS-64 is adequately supported. We reaffirm the finding and recommendation related to the SCHIP CMS-21 report.

Recommendation No. 15

DHSS' finance officer should ensure all interest liabilities due to federal agencies are accurately reported in accordance with federal regulations.

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

DLWD's finance officer should work together with the administrative manager responsible for the Unemployment Compensation Fund (UCF) to address accounting issues.

The accounting for fraud penalties is a complex accounting issue. The problem we highlight in the recommendation is related to the proper financial reporting of year-end accruals. If the federal oversight agency permits DLWD to retain penalties in the fund, procedures are needed to properly estimate and report the amount of uncollectible fraud penalties. If the State is required to remit the penalties to the federal agency, procedures are needed to eliminate the receivable which is generated by DLWD's accounting system when penalties are assessed.

In summary, we reaffirm the findings and recommendations presented in this report.

Pat Davidson, CPA
Legislative Auditor

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