

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013

PURPOSE AND SCOPE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of approximately \$3.3 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal *Single Audit Act Amendments of 1996* and the related *United States Office of Management and Budget Circular A-133*.

The report contains an opinion on the basic financial statements of the State of Alaska for FY 13, 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 13 *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 of Alaska did not comply with *Federal Funding Accountability and Transparency Act* (FFATA) reporting requirements applicable to the Social Services Block Grant (SSBG; CFDA 93.667) administered by the Department of Health and Social Services. Failure to comply with FFATA reporting requirements resulted in a material weakness and material noncompliance for the SSBG program. The State has substantially complied with the applicable laws and regulations in the administration of its other major federal financial assistance programs. The report does contain recommendations regarding significant deficiencies in the State's internal control over financial statements and federal programs.

FINDINGS AND RECOMMENDATIONS

This report contains 53 recommendations, of which 20 are unresolved issues from last year. One of the 53 recommendations is made to Alaska Energy Authority whose audit was 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 13 statewide single audit.

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

February 25, 2014

Honorable Members of the
Alaska State Legislature

The Honorable Sean Parnell
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, 2013. 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 *Office of Management and Budget Circular A-133* issued by the United States Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for FY 13, recommendations on financial and compliance matters, 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 and compliance findings not fully corrected by the departments. Our FY 12 single audit contained 41 recommendations; this report presents a total of 53 recommendations, 20 of which were presented, at least in part, last year. Included in this year's recommendations is one recommendation made to the Alaska Energy Authority whose audit was 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 financial accounting and reporting for the State of Alaska. Its continued efforts toward 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.



Kris Curtis, CPA, CISA
Legislative Auditor

TABLE OF CONTENTS

	<u>Page</u>
ORGANIZATIONAL CHART	v
 <u>SECTION I - AUDITOR'S REPORT AND FINANCIAL STATEMENTS</u>	
Independent Auditor's Report	I – 1
Management's Discussion and Analysis	I – 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	I – 17
Statement of Activities	I – 18
Fund Financial Statements:	
<u>Governmental Funds</u>	
Balance Sheet	I – 20
Reconciliation of the Balance Sheet to the Statement of Net Position	I – 21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	I – 22
Reconciliation of the Change in Fund Balances to the Statement of Activities	I – 23
<u>Proprietary Funds</u>	
Statement of Net Position.....	I – 24
Statement of Revenues, Expenses, and Changes in Fund Net Position	I – 25
Statement of Cash Flows	I – 26

TABLE OF CONTENTS

(continued)

Page

SECTION I - AUDITOR'S REPORT AND FINANCIAL STATEMENTS (CONT.)

Fiduciary Funds

Statement of Fiduciary Net Position I – 28

Statement of Changes in Fiduciary Net Position..... I – 29

Component Units

Statement of Net Position..... I – 31

Statement of Activities I – 32

Notes to the Basic Financial Statements I – 35

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund..... I – 120

Note to Required Supplementary Information – Budgetary Reporting I – 121

SECTION II - RECOMMENDATIONS AND QUESTIONED COSTS

Introduction..... II – 1

Summary of Recommendations..... II – 3

Findings and Recommendations..... II – 5

Schedule of Findings and Questioned Costs II – 123

TABLE OF CONTENTS

(continued)

Page

SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS AND SUPPLEMENTAL INFORMATION

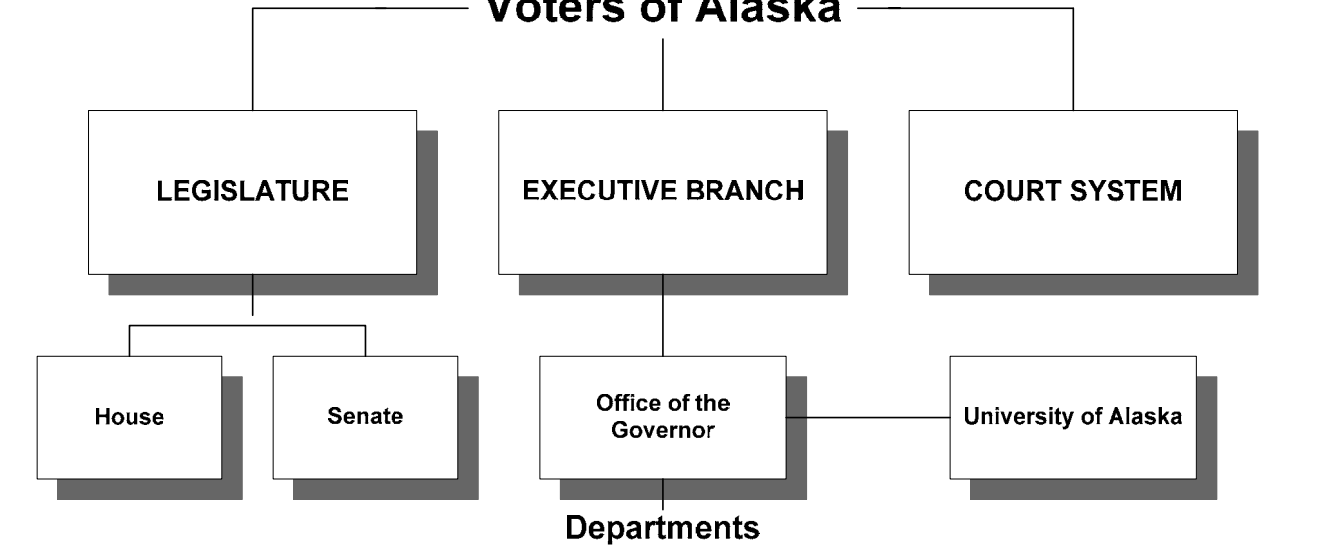
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	III – 1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by <i>OMB Circular A-133</i>	III – 5
Schedule of Expenditures of Federal Awards by Federal Agency	III – 11
Notes to the Schedule of Expenditures of Federal Awards	III – 37
Summary Schedule of Prior Audit Findings.....	III – 41
Corrective Action Plan	III – 59

SECTION IV - APPENDICES

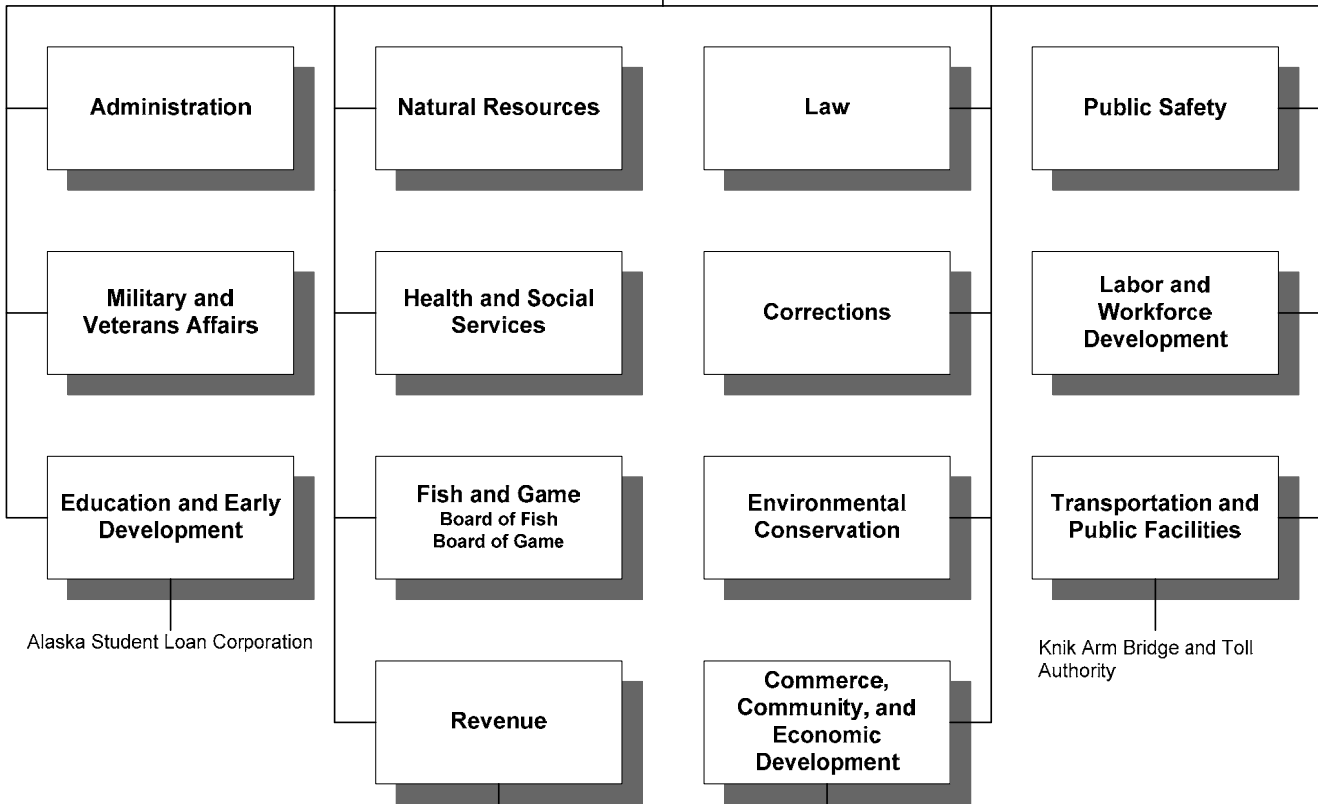
Schedule of Expenditures of Federal Awards by State Agency	IV – 1
Statewide Abbreviations.....	IV – 29
Agency Responses	IV – 43
Legislative Auditor’s Additional Comments.....	IV – 91

(Intentionally left blank)

Voters of Alaska



Departments



Alaska Student Loan Corporation

Knik Arm Bridge and Toll Authority

Alaska Housing Finance Corporation
 Alaska Municipal Bond Bank Authority
 Alaska Permanent Fund Corporation
 Alaska Mental Health Trust Authority
 Northern Tobacco Securitization Corporation
 Alaska Natural Gas Development Authority
 Alaska Gasline Development Corporation
 Alaska Housing Capital Corporation

Alaska Industrial Development and Export Authority
 Alaska Seafood Marketing Institute
 Alaska Railroad Corporation
 Alaska Energy Authority
 Alaska Aerospace Corporation

(Intentionally left blank)

SECTION I – AUDITOR’S REPORT AND FINANCIAL STATEMENTS

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Housing Capital Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of Revenue. As shown on the following page, those financial statements reflect the assets and revenues of the indicated opinion units.

Opinion Unit	Percent of Assets	Percent of Revenues
Governmental Activities	90%	38%
Business-Type Activities	76%	35%
Aggregate Discretely Presented Component Units	89%	92%
Major Funds:		
General Fund	91%	6%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	90%	78%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, is based solely on the report of the other auditors. We conducted our audits 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 from material misstatement. Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Municipal Bond Bank Authority (a discretely presented component unit), the Alaska Housing Capital Corporation (a blended component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds) and Invested Assets Under the Investment Authority of the Commissioner of Revenue (certain cash and investment accounts).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above 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, the aggregate remaining fund information of the State of Alaska as of June 30, 2013, the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In 2013, the State of Alaska and its components adopted the provisions of Governmental Accounting Standards Board Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Note 1F to the financial statements includes a discussion of deferred outflows and inflows of resources and of net inflows. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the Corresponding Notes, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is

presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the State of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Alaska's internal control over financial reporting and compliance.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
December 11, 2013

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, 2013. 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 13 by \$76.0 billion (net position). Of this amount, \$6.8 billion is invested in capital assets, \$42.6 billion is restricted for various purposes, and unrestricted net position is \$26.6 billion. Unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net position increased by \$5.9 billion as a result of this year's operations. This increase is primarily attributable to interest and investment gains.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.0 billion, with \$27.1 billion unrestricted (includes committed, assigned, and unassigned), \$41.4 billion nonspendable, and \$503 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$40.8 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of \$22.4 billion. This is an increase of \$1.1 billion from FY 12. The increase is mainly attributable to investment gains.

Long-term debt

- As a result of this year's activity, the State's total long-term debt increased by \$259 million (9.5 percent). The increase in debt is primarily due to the sale of General Obligation Bonds. Additional information regarding long-term debt can be found in Note 6.

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 position presents information on all of the State's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 interest and investment income, taxes, rents and royalties, 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 eleven 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, intangibles, 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.
- Certain revenues, unavailable to pay for current period expenditures, are not reported in the governmental fund 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.
- Bond 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 fund statements, and the International Airports Fund, which is included in the proprietary fund 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 96.6 percent of total government-wide cash and investments and 88.8 percent of total government-wide net position (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 Statutory 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. The International Airports Fund is 7.8 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 Position and Statement of Changes in Fiduciary Net Position. 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 primary government 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 position should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$76.0 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net position (59 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$40.8 billion) may not be spent.

The remainder of the State's net position (41 percent) represents net investment in capital assets (\$6.8 billion), resources that are subject to external restrictions of how they may be used (\$1.7 billion), and the remaining unrestricted net position of \$22.6 billion, which excludes \$4.1 billion that is in the Alaska Permanent Fund.

Net Position
 (Stated in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Current and Other Noncurrent Assets	\$ 75,016	\$ 68,884	\$ 1,237	\$ 1,138	\$ 76,253	\$ 70,022
Capital Assets	6,717	6,490	1,335	1,295	8,052	7,785
Total Assets	81,733	75,374	2,572	2,433	84,305	77,807
Long-term Liabilities	2,428	2,155	572	586	3,000	2,741
Other Liabilities	5,282	4,926	18	17	5,300	4,943
Total Liabilities	7,710	7,081	590	603	8,300	7,684
Net Position:						
Net Investment in Capital Assets	5,940	5,785	847	806	6,787	6,591
Restricted	41,812	39,110	778	680	42,590	39,790
Unrestricted	26,271	23,398	357	344	26,628	23,742
Total Net Position	\$ 74,023	\$ 68,293	\$ 1,982	\$ 1,830	\$ 76,005	\$ 70,123

The net position of governmental activities increased \$5,730 million and business-type activities increased \$152 million as a result of this year's operations. Although the governmental activities experienced a significant decrease (\$2.6 billion) in petroleum related revenue (taxes and rents and royalties), the decrease was offset by an increase in interest and investment gains (\$4.9 billion). The increase in business-type activities is primarily due to an increase in charges for services, royalties and other fees along with a decrease in unemployment compensation expenditures.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during FY 13.

Changes in Net Position

	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Revenues						
Program Revenues						
Charges for Services	\$ 3,190	\$ 3,355	\$ 359	\$ 320	\$ 3,549	\$ 3,675
Operating Grants	1,867	1,846	81	118	1,948	1,964
Capital Grants	651	649	109	111	760	760
General Revenues						
Taxes	4,787	7,187	-	-	4,787	7,187
Interest and Investment Income/(Loss)	5,208	318	(17)	(14)	5,191	304
Payments In from Component Units	32	40	16	-	48	40
Other Revenues	99	59	4	9	103	68
Total Revenues	15,834	13,454	552	544	16,386	13,998
Expenses						
General Government	573	504	-	-	573	504
Alaska Permanent Fund Dividend	563	758	-	-	563	758
Education and University	2,645	2,405	-	-	2,645	2,405
Health and Human Services	2,717	2,596	-	-	2,717	2,596
Law and Justice	267	278	-	-	267	278
Public Protection	730	703	-	-	730	703
Natural Resources	376	404	-	-	376	404
Development	701	598	5	6	706	604
Transportation	1,157	1,111	-	-	1,157	1,111
Intergovernmental	287	254	-	-	287	254
Debt Service	64	73	-	-	64	73
Loans	-	-	8	11	8	11
Unemployment Compensation	-	-	259	303	259	303
Airports	-	-	151	144	151	144
Total Expenses	10,080	9,684	423	464	10,503	10,148
Excess (Deficiency) of Revenues						
Over Expenditures	5,754	3,770	129	80	5,883	3,850
Transfers	(23)	(3)	23	3	-	-
Change in Net Position	5,731	3,767	152	83	5,883	3,850
Net Position - Beginning of Year	68,292	64,526	1,830	1,747	70,122	66,273
Net Position - End of Year	\$ 74,023	\$ 68,293	\$ 1,982	\$ 1,830	\$ 76,005	\$ 70,123

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, unassigned, assigned, and committed fund balances 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 \$69.0 billion, an increase of \$5.7 billion in comparison with the prior year. This increase is primarily from the Alaska Permanent Fund investment gains.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$16.4 billion, and \$6.0 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$4.1 billion, and the remaining nonmajor governmental funds had committed fund balances of \$598 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$40.8 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$608 million), and amounts restricted for a variety of other purposes (\$503 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was \$22.4 billion, while total fund balance reached \$22.6 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 229 percent of total General Fund expenditures, while total fund balance represents 230 percent of that same amount.

The fund balance of the State's General Fund increased by \$1.1 billion during the current fiscal year. Even with the decrease in petroleum related revenue, taxes remain the most significant form of revenue for the State.

General Fund revenues for FY 13 were \$10.3 billion, a decrease of \$2.1 billion compared to revenues of \$12.4 billion for FY 12. Revenues by source for FY 13 are compared to FY 12 in the following schedule (in millions):

Revenue Source	FY 13	Percent	FY 12	Percent
Taxes	\$ 4,765.8	46.1%	\$ 7,163.6	57.7%
Rents and Royalties	1,949.6	18.8%	2,062.1	16.6%
Interest and Investment Income/(Loss)	766.7	7.4%	309.5	2.5%
Federal	2,392.4	23.1%	2,464.9	19.9%
Miscellaneous	471.4	4.6%	411.2	3.3%
Total Revenue	\$ 10,345.9	100.0%	\$ 12,411.3	100.0%

The primary component of this revenue decrease is petroleum related income compared to the previous year. The State received \$2.6 billion less in taxes and royalties due to several factors; a decrease in wellhead value, decrease in overall production, and the change in tax calculations with the passage of the More Alaska Production Act.

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.*

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2013, this amounted to \$36.6 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$14.5 billion in dedicated mineral revenues; \$15.1 billion of fund realized earnings transferred to principal for inflation proofing; \$6.9 billion in additional deposits approved by special legislative appropriation, and \$153 million in settlement earnings (*State v. Amerada Hess, et al.*).

A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to \$4.2 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2013, realized earnings (both gains and losses) have amounted to \$43.9 billion. Of this amount \$20.5 billion has been paid out for dividends, \$15.1 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$480 million has been paid out to the General Fund, and \$3.6 billion remains in the fund at June 30, 2013 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to \$567 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$2.1 billion increase in appropriations (or 12 percent) and can be briefly summarized as follows:

- \$1,230.9 million increase allocated to education
- \$312.3 million increase allocated to transportation
- \$168.5 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$366.6 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money transferred from the Statutory Budget Reserve Fund (SBR) of \$526 million. Please see note 2 for additional information on the SBR.

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. However, the increase in the final budget for education is easily identifiable. The increase in budgetary authority for the education function is mainly attributable to additional funding necessary to support the education formula-driven programs within the Public Education Fund, a subfund of the General Fund. Expenditures for public education and pupil transportation are not included in the original budget.

Capital Assets and Debt Administration

Capital assets. The State's net investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$6.8 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 13 totaled \$460 million for governmental activities and \$66 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Land	\$ 912	\$ 868	\$ 31	\$ 31	\$ 943	\$ 899
Buildings	1,334	1,190	771	750	2,105	1,940
Equipment	453	451	36	32	489	483
Infrastructure	2,712	2,614	415	412	3,127	3,026
Construction in Progress	1,306	1,367	82	70	1,388	1,437
Total Capital Assets	\$ 6,717	\$ 6,490	\$ 1,335	\$ 1,295	\$ 8,052	\$ 7,785

In FY 13, increases were primarily in infrastructure with an increase of \$101 million and an increase in buildings of \$165 million. This increase is attributable to large capital budgets in recent years. 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 \$1,862 million. Of this amount, \$894 million was general obligation bonds, and \$968 million of revenue bonds payable comprised of \$361 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$42 million of sport fishing revenue bonds, and \$565 million issued by the International Airport Fund. 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 \$565 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		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Revenue Bonds Payable	\$ 403	\$ 414	\$ 565	\$ 580	\$ 968	\$ 994
General Obligation Debt	894	610	-	-	894	610
Capital Leases Payable	342	360	-	-	342	360
Unearned Revenues and Advances	397	380	1	-	398	380
Certificates of Participation	5	11	-	-	5	11
Compensated Absences	176	170	5	5	181	175
Claims and Judgments	111	98	-	-	111	98
Pollution Remediation	99	108	1	1	100	109
Other Noncurrent Liabilities	1	1	-	-	1	1
Net Pension Obligation	-	3	-	-	-	3
Total	\$ 2,428	\$ 2,155	\$ 572	\$ 586	\$ 3,000	\$ 2,741

The State's total debt increased by \$259 million (9.45 percent) as a result of this year's operations. The increase in debt is primarily due to issuance of General Obligation Bonds.

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

Significant Facts

State petroleum revenues decreased from FY 12 to FY 13. The weighted average production tax rate was lower and was applied to a wellhead value of \$97.81 per barrel. In FY 12 \$103.84 per barrel average was realized. This resulted in a decrease of General Fund tax and royalty revenue close to \$2.5 billion from FY 12.

Another significant factor affecting revenues was an increase of \$4.9 billion in interest and investment income between FY 12 and FY 13. In FY12 the Alaska Permanent Fund (APF) experienced investment income loss of \$1.6 million, compared to a gain of \$4.4 billion in FY13. The APF experienced a total fund return of 10.93 percent for FY 13. FY 2013's results are in the upper half of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 13 was 6.5 percent, which is lower than the average unemployment rate for FY 12 of 7.9 percent. Alaska's five year average (2009 to 2013) was 7.3 percent. The United States unemployment rate for FY 13 was 7.8 percent.
- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 60 percent of total revenue, with federal revenue making up another 23 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. During the fiscal year the price per barrel decreased, resulting in a lower tax rate and a decrease of \$2.6 billion 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 13 crude oil and natural gas liquids production in the State of Alaska averaged 544 thousand barrels per day. This is 35 thousand barrels per day less than in the prior year (a state wide effective decline of 6 percent). FY 13 production, follows the last 25 years of overall decline, which started in 1988 when production peaked at 2.049 million barrels per day. The current level is now just 26.6 percent of that peak production.
- The State of Alaska FY 13 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$878/resident) was paid to each qualifying Alaskan for a total of \$563 million.

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, AK 99811-0204.

(Intentionally left blank)

BASIC FINANCIAL STATEMENTS

(Intentionally left blank)

STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2013
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 69,881,746	\$ 706,482	\$ 70,588,228	\$ 2,865,920
Accounts Receivable - Net	842,305	38,880	881,185	49,753
Interest and Dividends Receivable	109,533	17,018	126,551	34,598
Internal Balances	63,389	(63,389)	-	-
Due from Primary Government	-	-	-	102,219
Due from Component Units	3,463	-	3,463	4,472
Due from Other Governments	508,698	4,472	513,170	49,452
Loans, Notes, and Bonds Receivable	17,301	399,641	416,942	3,608,155
Inventories	20,222	-	20,222	16,826
Repossessed Property	-	615	615	350
Net Investment in Direct Financing Leases	-	-	-	250,137
Investments in Projects, Partnerships, or Corporations	-	2,787	2,787	44,436
Restricted Assets	14	117,352	117,366	1,658,297
Securities Lending Collateral	3,451,974	-	3,451,974	32,092
Other Assets	117,721	12,936	130,657	201,886
Capital Assets:				
Equipment, Net of Depreciation	453,420	34,525	487,945	266,217
Buildings, Net of Depreciation	1,334,195	771,450	2,105,645	908,442
Library and Museum Collections	-	-	-	61,698
Infrastructure, Net of Depreciation	2,711,316	415,396	3,126,712	841,790
Land / Right-of-Way	911,935	31,202	943,137	109,681
Construction in Progress	1,306,007	82,284	1,388,291	614,887
Total Assets	<u>81,733,239</u>	<u>2,571,651</u>	<u>84,304,890</u>	<u>11,721,308</u>
DEFERRED OUTFLOWS OF RESOURCES				
Change in Fair Value-Interest Rate Swaps	-	-	-	136,070
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,070</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,777,718	7,688	1,785,406	165,544
Obligations Under Securities Lending	3,451,974	-	3,451,974	32,092
Due to Primary Government	-	-	-	107,597
Due to Component Units	35,808	-	35,808	4,763
Due to Other Governments	32	2,594	2,626	2,177
Interest Payable	16,138	6,661	22,799	29,231
Derivative Instruments	-	-	-	138,635
Other Current Liabilities	182	417	599	43,101
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	204,915	3,851	208,766	16,666
Unearned Revenue	29,488	1,462	30,950	24,126
Notes, Bonds, and Leases Payable	223,823	14,350	238,173	198,229
Other Long-term Debt	-	-	-	4,405
Other Noncurrent Liabilities	523	-	523	657
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	181,324	2,040	183,364	5,193
Unearned Revenue	367,693	-	367,693	547,674
Notes, Bonds, and Leases Payable	1,419,864	550,679	1,970,543	3,741,872
Other Long-term Debt	-	-	-	31,129
Other Noncurrent Liabilities	468	-	468	30,553
Total Liabilities	<u>7,709,950</u>	<u>589,742</u>	<u>8,299,692</u>	<u>5,123,644</u>
NET POSITION				
Net Investment in Capital Assets	5,940,490	847,214	6,787,704	1,826,431
Restricted for:				
Permanent Funds				
Nonexpendable	41,299,265	-	41,299,265	409,256
Expendable	10,328	-	10,328	108,537
Education	166,890	-	166,890	516,562
Development	272,507	-	272,507	82,471
Unemployment Compensation	-	311,084	311,084	-
Health and Human Services	16,788	426,194	442,982	-
Debt Service	40,252	17,579	57,831	635,654
Other Purposes	5,781	22,695	28,476	54,671
Unrestricted	26,270,988	357,143	26,628,131	3,100,152
Total Net Position	<u>\$ 74,023,289</u>	<u>\$ 1,981,909</u>	<u>\$ 76,005,198</u>	<u>\$ 6,733,734</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, 2013
(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	\$ 572,776	\$ 12,374	\$ 20,883	\$ 447
Alaska Permanent Fund Dividend	562,621	-	-	-
Education	2,076,009	4,123	232,390	31
University	568,955	-	1,998	-
Health and Human Services	2,717,565	48,904	1,300,712	58,450
Law and Justice	266,949	12,960	22,154	118
Public Protection	729,682	179,861	71,359	3,541
Natural Resources	376,333	2,864,093	80,211	22,791
Development	700,695	2,472	79,093	1,821
Transportation	1,156,853	65,158	33,672	552,157
Intergovernmental Revenue Sharing	287,028	-	24,431	-
Debt Service	64,334	-	-	11,948
Total Governmental Activities	<u>10,079,800</u>	<u>3,189,945</u>	<u>1,866,903</u>	<u>651,304</u>
Business-type Activities:				
Loans	8,350	11,477	635	15,847
Unemployment Compensation	258,709	237,694	80,145	-
Airports	151,125	107,864	-	89,332
Development	4,820	1,765	-	3,973
Total Business-type Activities	<u>423,004</u>	<u>358,800</u>	<u>80,780</u>	<u>109,152</u>
Total Primary Government	<u>\$ 10,502,804</u>	<u>\$ 3,548,745</u>	<u>\$ 1,947,683</u>	<u>\$ 760,456</u>
Component Units:				
University of Alaska	\$ 838,469	\$ 187,316	\$ 229,417	\$ 45,302
Alaska Housing Finance Corporation	343,940	133,760	47,626	120,526
Alaska Industrial Development and Export Authority	51,709	41,572	68,472	16,808
Nonmajor Component Units	509,795	246,029	141,045	95,757
Total Component Units	<u>\$ 1,743,913</u>	<u>\$ 608,677</u>	<u>\$ 486,560</u>	<u>\$ 278,393</u>

General Revenues:
Taxes:
Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes
Interest and Investment Income (Loss)
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 Position
Net Position - Beginning of Year
Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (539,072)	\$	\$ (539,072)	\$
(562,621)		(562,621)	
(1,839,465)		(1,839,465)	
(566,957)		(566,957)	
(1,309,499)		(1,309,499)	
(231,717)		(231,717)	
(474,921)		(474,921)	
2,590,762		2,590,762	
(617,309)		(617,309)	
(505,866)		(505,866)	
(262,597)		(262,597)	
(52,386)		(52,386)	
<u>(4,371,648)</u>		<u>(4,371,648)</u>	
	19,609	19,609	
	59,130	59,130	
	46,071	46,071	
	918	918	
	<u>125,728</u>	<u>125,728</u>	
<u>(4,371,648)</u>	<u>125,728</u>	<u>(4,245,920)</u>	
			(376,434)
			(42,028)
			75,143
			<u>(26,964)</u>
			<u>(370,283)</u>
3,855,649	-	3,855,649	9,563
246,235	-	246,235	-
583,429	-	583,429	-
99,598	-	99,598	-
2,444	-	2,444	-
5,208,270	(16,838)	5,191,432	164,167
30,012	-	30,012	-
31,336	15,873	47,209	7,993
-	-	-	620,642
68,841	4,460	73,301	13,674
(23,127)	23,127	-	-
<u>10,102,687</u>	<u>26,622</u>	<u>10,129,309</u>	<u>816,039</u>
5,731,039	152,350	5,883,389	445,756
68,292,250	1,829,559	70,121,809	6,287,978
<u>\$ 74,023,289</u>	<u>\$ 1,981,909</u>	<u>\$ 76,005,198</u>	<u>\$ 6,733,734</u>

STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2013
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 22,108,230	\$ 46,106,382	\$ 1,558,404	\$ 69,773,016
Accounts Receivable - Net	691,660	129,769	4,545	825,974
Interest and Dividends Receivable	249	109,284	-	109,533
Due from Other Funds	747,872	-	6,044	753,916
Due from Component Units	3,463	-	-	3,463
Due from Other Governments	498,352	-	6,290	504,642
Loans, Notes, and Bonds Receivable	17,233	-	68	17,301
Inventories	16,527	-	-	16,527
Securities Lending Collateral	-	3,451,974	-	3,451,974
Other Assets	91,930	-	37	91,967
Total Assets	<u>\$ 24,175,516</u>	<u>\$ 49,797,409</u>	<u>\$ 1,575,388</u>	<u>\$ 75,548,313</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 860,528	\$ 858,366	\$ 7,701	\$ 1,726,595
Obligations Under Securities Lending	-	3,451,974	-	3,451,974
Due to Other Funds	41,526	633,735	33,116	708,377
Due to Component Units	30,443	-	5,365	35,808
Due to Other Governments	32	-	-	32
Unearned and Unavailable Revenue	619,059	-	4,819	623,878
Other Liabilities	523	-	651	1,174
Total Liabilities	<u>1,552,111</u>	<u>4,944,075</u>	<u>51,652</u>	<u>6,547,838</u>
FUND BALANCES				
Nonspendable:				
Inventory	16,527	-	-	16,527
Principal	-	40,799,542	499,723	41,299,265
Advances and Prepaid Items	91,997	-	-	91,997
Restricted for:				
Debt Service	10	-	43,587	43,597
Education	12,673	-	154,217	166,890
Health and Human Services	486	-	16,302	16,788
Development	58,254	-	211,305	269,559
Other Purposes	5,619	-	162	5,781
Committed to:				
Debt Service	8,440	-	-	8,440
Education	2,255,055	-	10,328	2,265,383
Health and Human Services	295,526	-	-	295,526
Public Protection	196,014	-	-	196,014
Permanent Fund	622,166	-	-	622,166
Development	2,418,969	-	588,112	3,007,081
Other Purposes	201,403	-	-	201,403
Assigned to:				
Permanent Fund	-	4,053,792	-	4,053,792
Unassigned:				
	16,440,266	-	-	16,440,266
Total Fund Balances	<u>22,623,405</u>	<u>44,853,334</u>	<u>1,523,736</u>	<u>69,000,475</u>
Total Liabilities and Fund Balances	<u>\$ 24,175,516</u>	<u>\$ 49,797,409</u>	<u>\$ 1,575,388</u>	<u>\$ 75,548,313</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 Position
Governmental Funds
June 30, 2013
(Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 69,000,475

Amounts reported for governmental activities in the Statement of Net Position 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	269,924	
Buildings, net of depreciation	1,217,853	
Infrastructure, net of depreciation	2,711,316	
Land / right-of-way	911,935	
Construction in progress	1,305,265	
		6,416,293

Some of the state's assets are not current available resources and are not reported in the funds.

Claims and judgments, net of federal reimbursement	4,056	
Net pension Asset (Note 7)	2,947	
Other post employment benefits asset (Note 7)	785	
Unamortized bond issuance cost	5,231	
Unamortized deferred loss on bond refundings	8,776	
		21,795

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 Position (See Statement 1.21).

400,386

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

226,698

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

Claims and judgments, net of federal reimbursement	(110,594)	
Compensated absences	(172,654)	
Pollution remediation	(99,285)	
Capital lease obligations	(341,765)	
		(724,298)

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	(1,301,922)	
Accrued interest payable	(16,138)	
		(1,318,060)

Net Position of Governmental Activities \$ 74,023,289

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, 2013
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,765,743	\$ -	\$ 21,612	\$ 4,787,355
Licenses and Permits	119,401	-	28,389	147,790
Charges for Services	193,421	-	637	194,058
Fines and Forfeitures	30,113	-	502	30,615
Rents and Royalties	1,949,548	840,121	17,586	2,807,255
Premiums and Contributions	19,858	-	6,091	25,949
Interest and Investment Income (Loss)	766,717	4,440,917	40,636	5,248,270
Federal Grants in Aid	2,392,390	-	41,898	2,434,288
Payments In from Component Units	31,336	-	-	31,336
Other Revenues	77,338	-	24,369	101,707
Total Revenues	<u>10,345,865</u>	<u>5,281,038</u>	<u>181,720</u>	<u>15,808,623</u>
EXPENDITURES				
Current:				
General Government	467,958	119,965	365	588,288
Alaska Permanent Fund Dividend	562,621	-	-	562,621
Education	1,999,500	-	81,938	2,081,438
University	467,757	-	101,048	568,805
Health and Human Services	2,736,135	-	4,867	2,741,002
Law and Justice	270,155	1,478	-	271,633
Public Protection	736,055	-	78	736,133
Natural Resources	319,002	5,585	75,351	399,938
Development	685,512	-	22,153	707,665
Transportation	1,234,758	-	42,443	1,277,201
Intergovernmental Revenue Sharing	288,281	-	-	288,281
Debt Service:				
Principal	30,549	-	67,410	97,959
Interest and Other Charges	19,283	-	45,608	64,891
Total Expenditures	<u>9,817,566</u>	<u>127,028</u>	<u>441,261</u>	<u>10,385,855</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>528,299</u>	<u>5,154,010</u>	<u>(259,541)</u>	<u>5,422,768</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	312,125	312,125
Bonds Issued Premium	-	-	36,338	36,338
Capital Leases	5,279	-	-	5,279
Transfers In from Other Funds	637,397	-	78,630	716,027
Transfers (Out to) Other Funds	(111,752)	(633,735)	(9,420)	(754,907)
Total Other Financing Sources and Uses	<u>530,924</u>	<u>(633,735)</u>	<u>417,673</u>	<u>314,862</u>
Net Change in Fund Balances	<u>1,059,223</u>	<u>4,520,275</u>	<u>158,132</u>	<u>5,737,630</u>
Fund Balances - Beginning of Year	21,564,182	40,333,059	1,365,604	63,262,845
Fund Balances - End of Year	<u>\$ 22,623,405</u>	<u>\$ 44,853,334</u>	<u>\$ 1,523,736</u>	<u>\$ 69,000,475</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
For the Fiscal Year Ended June 30, 2013
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 5,737,630

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).

Capital outlay	650,034	
Depreciation expense	(431,370)	
	218,664	218,664

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 Position (Statement 1.22).

Net current year revenue		12,290
--------------------------	--	--------

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

17,030

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

Bond proceeds	(348,462)	
Accrued interest	(4,363)	
Repayment of bond principal	83,619	
Amortization of bond issue costs	(3,391)	
	(272,597)	(272,597)

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 Position, the lease obligation is reported as a liability.

(5,279)

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

Claims and judgments	(8,600)	
Compensated absences	(6,011)	
Pollution remediation	8,814	
Capital lease payments	23,030	
Pension obligation	4,173	
Other post employment benefits	1,895	
	23,301	23,301

Change in Net Position of Governmental Activities \$ 5,731,039

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

STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2013
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 115,307	\$ 591,175	\$ 706,482	\$ 108,744
Accounts Receivable - Net	11,667	27,213	38,880	539
Interest and Dividends Receivable	-	6,260	6,260	-
Due from Other Funds	90	934	1,024	9,204
Due from Other Governments	3,710	762	4,472	-
Loans, Notes, and Bonds Receivable	-	26,767	26,767	-
Inventories	-	-	-	3,695
Restricted Assets	2,586	-	2,586	-
Other Current Assets	-	-	-	8,015
Total Current Assets	<u>133,360</u>	<u>653,111</u>	<u>786,471</u>	<u>130,197</u>
Noncurrent Assets:				
Interest and Dividends Receivable	-	10,758	10,758	-
Loans, Notes, and Bonds Receivable	-	372,874	372,874	-
Repossessed Property	-	615	615	-
Investment in Projects, Partnerships, or Corporations	-	2,787	2,787	-
Restricted Assets	114,766	-	114,766	-
Other Noncurrent Assets	8,967	3,969	12,936	-
Capital Assets:				
Equipment, Net of Depreciation	34,525	-	34,525	183,496
Buildings, Net of Depreciation	771,450	-	771,450	116,342
Infrastructure, Net of Depreciation	415,396	-	415,396	-
Land / Right-of-Way	31,202	-	31,202	-
Construction in Progress	25,679	56,605	82,284	742
Total Noncurrent Assets	<u>1,401,985</u>	<u>447,608</u>	<u>1,849,593</u>	<u>300,580</u>
Total Assets	<u>1,535,345</u>	<u>1,100,719</u>	<u>2,636,064</u>	<u>430,777</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,327	5,361	7,688	25,683
Due to Other Funds	62,750	1,663	64,413	1,002
Due to Other Governments	-	2,594	2,594	-
Interest Payable	6,661	-	6,661	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	3,815	36	3,851	2,751
Unearned Revenue	1,462	-	1,462	-
Notes, Bonds, and Leases Payable	14,350	-	14,350	-
Other Current Liabilities	-	417	417	-
Total Current Liabilities	<u>91,365</u>	<u>10,071</u>	<u>101,436</u>	<u>29,436</u>
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	1,869	171	2,040	955
Notes, Bonds, and Leases Payable	550,679	-	550,679	-
Total Noncurrent Liabilities	<u>552,548</u>	<u>171</u>	<u>552,719</u>	<u>955</u>
Total Liabilities	<u>643,913</u>	<u>10,242</u>	<u>654,155</u>	<u>30,391</u>
NET POSITION				
Net Investment in Capital Assets	790,609	56,605	847,214	300,580
Restricted for:				
Unemployment Compensation	-	311,084	311,084	-
Health and Human Services	-	426,194	426,194	-
Debt Service	17,579	-	17,579	-
Other Purposes	22,476	219	22,695	-
Unrestricted	60,768	296,375	357,143	99,806
Total Net Position	<u>\$ 891,432</u>	<u>\$ 1,090,477</u>	<u>\$ 1,981,909</u>	<u>\$ 400,386</u>

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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ 237,694	\$ 237,694	\$ 117,897
Charges for Goods and Services	106,586	1,577	108,163	111,486
Interest and Investment Income	-	9,554	9,554	-
Allowance for Uncollectible Interest	-	979	979	-
Fines and Forfeitures	-	35	35	-
Federal Reimbursements	-	80,145	80,145	-
Other Operating Revenues	1,278	-	1,278	1,177
Total Operating Revenues	<u>107,864</u>	<u>329,984</u>	<u>437,848</u>	<u>230,560</u>
OPERATING EXPENSES				
Benefits	-	258,709	258,709	120,526
Operating	79,765	8,709	88,474	101,295
Depreciation	66,285	12	66,297	28,999
Provision for Loan Losses and Forgiveness	-	663	663	-
Total Operating Expenses	<u>146,050</u>	<u>268,093</u>	<u>414,143</u>	<u>250,820</u>
Operating Income (Loss)	<u>(38,186)</u>	<u>61,891</u>	<u>23,705</u>	<u>(20,260)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	588	7,555	8,143	154
Interest and Investment Expense	(24,982)	(15)	(24,997)	-
Gain (Loss) on Disposal of Capital Assets	184	204	388	177
Payments In from Component Units	-	15,873	15,873	-
Other Nonoperating Revenues (Expenses)	(3,902)	861	(3,041)	659
Total Nonoperating Revenues (Expenses)	<u>(28,112)</u>	<u>24,478</u>	<u>(3,634)</u>	<u>990</u>
Income Before Capital Contributions and Transfers	<u>(66,298)</u>	<u>86,369</u>	<u>20,071</u>	<u>(19,270)</u>
Capital Contributions	89,332	19,820	109,152	15,871
Transfers In from Other Funds	4,252	22,537	26,789	15,689
Transfers (Out to) Other Funds	-	(3,662)	(3,662)	-
Change in Net Position	<u>27,286</u>	<u>125,064</u>	<u>152,350</u>	<u>12,290</u>
Total Net Position - Beginning of Year	<u>864,146</u>	<u>965,413</u>	<u>1,829,559</u>	<u>388,096</u>
Total Net Position - End of Year	<u>\$ 891,432</u>	<u>\$ 1,090,477</u>	<u>\$ 1,981,909</u>	<u>\$ 400,386</u>

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, 2013
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ -	\$ 80,697	\$ 80,697	\$ 111
Receipts from Customers	107,170	31	107,201	286
Receipts for Interfund Services Provided	-	-	-	107,606
Receipt of Principal from Loan Recipients	-	50,392	50,392	-
Receipt of Interest and Fees from Loan Recipients	-	14,014	14,014	-
Receipts from Insured	-	231,877	231,877	117,895
Payments to Employees	(45,408)	(808)	(46,216)	(36,129)
Payments to Suppliers	(33,813)	(1,768)	(35,581)	(65,033)
Payments to Other Governments	-	(39)	(39)	-
Payments to Loan Recipients	-	(53,317)	(53,317)	-
Claims Paid	-	(259,547)	(259,547)	(117,626)
Payments for Interfund Services Used	(2,878)	(5,153)	(8,031)	-
Other Receipts	-	86	86	1,176
Other Payments	-	(900)	(900)	(976)
Net Cash Provided (Used) by Operating Activities	<u>25,071</u>	<u>55,565</u>	<u>80,636</u>	<u>7,310</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(5,832)	(5,832)	-
Operating Subsidies and Transfers In from Other Funds	4,252	23,133	27,385	18,951
Payments In from Component Units	-	9,231	9,231	-
Federal Grants	(3,307)	17,702	14,395	-
Proceeds from Issuance of Short-term Debt	-	3,489	3,489	-
Payments on Short-term Debt	-	(3,489)	(3,489)	-
Interest and Fees Paid on Borrowing	-	(5)	(5)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>945</u>	<u>44,229</u>	<u>45,174</u>	<u>18,951</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	428	428	-
Proceeds from Sale of Capital Assets	-	204	204	2,002
Acquisition and Construction of Capital Assets	(51,710)	(4,727)	(56,437)	(26,991)
Principal Paid on Capital Debt	(13,740)	-	(13,740)	-
Interest and Fees Paid on Capital Debt	(25,891)	(29)	(25,920)	-
Federal Grants	43,701	4,328	48,029	-
Other Receipts (Payments)	8,667	-	8,667	658
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,973)</u>	<u>204</u>	<u>(38,769)</u>	<u>(24,331)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	286,200	15	286,215	-
Purchase of Investments	(285,612)	-	(285,612)	-
Interest and Dividends on Investments	-	7,538	7,538	154
Change in Restricted Cash and Investments	15,439	34	15,473	-
Net Cash Provided (Used) by Investing Activities	<u>16,027</u>	<u>7,587</u>	<u>23,614</u>	<u>154</u>
Net Increase (Decrease) in Cash	3,070	107,585	110,655	2,084
Cash and Cash Equivalents - Beginning of Year	34,571	483,590	518,161	106,660
Cash and Cash Equivalents - End of Year	<u>\$ 37,641</u>	<u>\$ 591,175</u>	<u>\$ 628,816</u>	<u>\$ 108,744</u>

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, 2013
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (38,186)	\$ 61,891	\$ 23,705	\$ (20,260)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	66,285	12	66,297	28,999
Provision for Loan Losses and Forgiveness	-	155	155	-
Other Reconciling Items	(2,878)	78	(2,800)	-
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(1,463)	(6,230)	(7,693)	638
Due from Other Funds	-	367	367	(4,124)
Due from Other Governments	-	48	48	-
Loans, Notes, and Bonds Receivable - Net	-	(3,441)	(3,441)	-
Repossessed Property	-	13	13	-
Investment in Projects, Partnerships, or Corporations	-	44	44	-
Interest and Dividends Receivable - Net	-	2,284	2,284	-
Inventories	-	-	-	(127)
Other Assets	-	30	30	338
Due to Other Funds	-	(27)	(27)	(868)
Due to Other Governments	-	(203)	(203)	-
Accounts Payable and Accrued Liabilities	858	433	1,291	2,737
Other Liabilities	455	111	566	(23)
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,071</u>	<u>\$ 55,565</u>	<u>\$ 80,636</u>	<u>\$ 7,310</u>
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position	\$ 115,307	\$ 591,175	\$ 706,482	\$ 108,744
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(77,666)	-	(77,666)	-
Cash, End of Year	<u>\$ 37,641</u>	<u>\$ 591,175</u>	<u>\$ 628,816</u>	<u>\$ 108,744</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	50,000	426	50,426	15,871
Net Income (Loss) on Investment	-	33	33	-
Payments In from Component Units	-	6,642	6,642	-
Transfers (Out to) Other Funds (Accrual)	-	(265)	(265)	-
Transfers In from Other Funds (Accrual)	-	1	1	-

STATE OF ALASKA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 439,291	\$ 360,336
Investments:		195,015
Synthetic Investment Contracts	472,096	
Broad Market Fixed Income Pool	146,573	
U.S. Treasury Fixed Income Pool	1,378,662	
High Yield Fixed Income Pool	510,466	
International Fixed Income Pool	356,967	
Emerging Markets Debt Pool	151,951	
Broad Domestic Equity	5,949,736	
International Equity Pool	3,536,844	
Emerging Markets Equity Pool	529,224	
Private Equity Pool	1,611,750	
Absolute Return Pool	793,809	
Real Estate Pool	1,373,084	
Real Estate Investment Trust Pool	271,026	
Master Limited Partnership Pool	362,949	
Energy Pool	107,779	
Farmland Pool	680,377	
Farmland Water Pool	35,588	
Timber Pool	261,186	
Treasury Inflation Protected Securities Pool	8,334	
Pooled Investment Funds	2,048,245	
Collective Investments Funds	1,418,498	
Investment Loss Trust Fund Assets	1,929	-
Accounts Receivable - Net	7,649	4
Contributions Receivable	38,046	-
Due from Other Funds	22,674	2,770
Other Assets	5,009	1
Total Assets	<u>22,519,742</u>	<u>558,126</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	113,616	5,465
Forfeiture Payable to Employer	17,434	
Trust Deposits Payable	-	544,675
Due to Other Funds	7,609	7,986
Total Liabilities	<u>138,659</u>	<u>558,126</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	10,140,565	-
Postemployment Healthcare Benefits	8,213,547	-
Individuals, Organizations, and Other Governments	4,026,971	-
Total Net Position	<u>\$ 22,381,083</u>	<u>\$ -</u>

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 648,496
Member	420,708
Other	618,376
Total Premiums and Contributions	<u>1,687,580</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	2,088,938
Interest	99,725
Dividends	238,521
Total Investment Income	<u>2,427,184</u>
Less Investment Expense	37,734
Net Investment Income	<u>2,389,450</u>
Other Additions	
Other	14,738
Total Additions	<u>4,091,768</u>
DEDUCTIONS	
Benefits Paid	1,718,441
Insurance Premiums	3,244
Refunds of Premiums and Contributions	30,206
Administrative Expenses	39,733
Total Deductions	<u>1,791,624</u>
Net Increase (Decrease) in Net Position Held in Trust for:	
Pension Benefits	864,540
Postemployment Healthcare Benefits	979,062
Individuals, Organizations, and Other Governments	456,542
Net Position - Beginning of the Year	20,093,352
Prior Period Adjustment	(12,413)
Net Position - End of the Year	<u>\$ 22,381,083</u>

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

(Intentionally left blank)

STATE OF ALASKA
Statement of Net Position
Component Units
June 30, 2013
(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	\$ 84,508	\$ 656,429	\$ 422,151	\$ 1,702,832	\$ 2,865,920
Accounts Receivable - Net	28,619	-	-	21,134	49,753
Interest and Dividends Receivable	332	11,559	6,432	16,275	34,598
Due from Primary Government	17,143	37,570	147	47,359	102,219
Due from Component Units	101	-	4,122	249	4,472
Due from Other Governments	28,812	-	33	20,607	49,452
Loans, Notes, and Bonds Receivable	9,836	2,305,667	435,445	857,207	3,608,155
Inventories	6,455	-	-	10,371	16,826
Repossessed Property	-	-	350	-	350
Net Investment in Direct Financing Leases	-	48,777	201,360	-	250,137
Investments in Projects, Partnerships, or Corporations	-	-	44,436	-	44,436
Restricted Assets	360,043	621,471	163,658	513,125	1,658,297
Securities Lending Collateral	-	-	-	32,092	32,092
Other Assets	151,098	38,204	2,090	10,494	201,886
Capital Assets:					
Equipment, Net of Depreciation	55,914	795	32,571	176,937	266,217
Buildings, Net of Depreciation	716,772	104,788	51,614	35,268	908,442
Library and Museum Collections	61,698	-	-	-	61,698
Infrastructure, Net of Depreciation	49,475	-	27,312	765,003	841,790
Land / Right-of-Way	38,172	19,691	2,595	49,223	109,681
Construction in Progress	402,177	209	8,149	204,352	614,887
Total Assets	2,011,155	3,845,160	1,402,465	4,462,528	11,721,308
DEFERRED OUTFLOWS OF RESOURCES					
Change in Fair Value-Interest Rate Swaps	-	136,070	-	-	136,070
Total Deferred Outflows of Resources	-	136,070	-	-	136,070
LIABILITIES					
Accounts Payable and Accrued Liabilities	62,772	13,928	4,559	84,285	165,544
Obligations Under Securities Lending	-	-	-	32,092	32,092
Due to Primary Government	-	468	64,172	42,957	107,597
Due to Component Units	-	-	-	4,763	4,763
Due to Other Governments	-	-	-	2,177	2,177
Interest Payable	-	9,947	2,989	16,295	29,231
Derivative Instruments	-	138,635	-	-	138,635
Other Current Liabilities	14,352	28,388	4	357	43,101
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	12,582	2,195	-	1,889	16,666
Unearned Revenue	19,884	-	-	4,242	24,126
Notes, Bonds, and Leases Payable	11,164	50,695	9,910	126,460	198,229
Other Long-term Debt	-	-	-	4,405	4,405
Other Noncurrent Liabilities	-	-	-	657	657
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	3,647	-	1,546	5,193
Unearned Revenue	-	-	4,135	543,539	547,674
Notes, Bonds, and Leases Payable	165,464	2,207,180	145,225	1,224,003	3,741,872
Other Long-term Debt	24,953	-	-	6,176	31,129
Other Noncurrent Liabilities	5,821	619	10,286	13,827	30,553
Total Liabilities	316,992	2,455,702	241,280	2,109,670	5,123,644
NET POSITION					
Net Investment in Capital Assets	1,120,771	125,483	122,241	457,936	1,826,431
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	409,256	409,256
Expendable	-	-	-	108,537	108,537
Education	383,892	-	-	132,670	516,562
Development	-	-	-	82,471	82,471
Debt Service	7,214	564,448	-	63,992	635,654
Other Purposes	-	26,637	2,166	25,868	54,671
Unrestricted	182,286	808,960	1,036,778	1,072,128	3,100,152
Total Net Position	\$ 1,694,163	\$ 1,525,528	\$ 1,161,185	\$ 2,352,858	\$ 6,733,734

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, 2013
(Stated in Thousands)

STATEMENT 1.42

	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Component Units:				
University of Alaska	\$ 838,469	\$ 187,316	\$ 229,417	\$ 45,302
Alaska Housing Finance Corporation	343,940	133,760	47,626	120,526
Alaska Industrial Development and Export Authority	51,709	41,572	68,472	16,808
Nonmajor Component Units	509,795	246,029	141,045	95,757
Total Component Units	\$ 1,743,913	\$ 608,677	\$ 486,560	\$ 278,393

General Revenues:

Taxes
 Severance Taxes
 Interest and Investment Income (Loss)
 Payments In from Component Units
 Payments In from Primary Government
 Other Revenues
 Total General Revenues
 Change in Net Position
 Net Position - Beginning of Year
 Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (376,434)	\$	\$	\$	\$ (376,434)
	(42,028)			(42,028)
		75,143		75,143
			(26,964)	(26,964)
<u>(376,434)</u>	<u>(42,028)</u>	<u>75,143</u>	<u>(26,964)</u>	<u>(370,283)</u>
-	-	-	9,563	9,563
39,643	9,088	1,283	114,153	164,167
-	-	7,993	-	7,993
552,489	-	1,110	67,043	620,642
8,294	4,325	-	1,055	13,674
<u>600,426</u>	<u>13,413</u>	<u>10,386</u>	<u>191,814</u>	<u>816,039</u>
223,992	(28,615)	85,529	164,850	445,756
1,470,171	1,554,143	1,075,656	2,188,008	6,287,978
<u>\$ 1,694,163</u>	<u>\$ 1,525,528</u>	<u>\$ 1,161,185</u>	<u>\$ 2,352,858</u>	<u>\$ 6,733,734</u>

(Intentionally left blank)

**STATE OF ALASKA
INDEX
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

	<i>Page</i>
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
A. THE FINANCIAL REPORTING ENTITY	36
B. BASIC FINANCIAL STATEMENTS	40
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	41
D. FINANCIAL STATEMENT PRESENTATION	41
E. FISCAL YEAR ENDS	42
F. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE	42
NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE	46
NOTE 3 – PRIOR PERIOD AND FUND BALANCE/NET ASSETS/NET POSITION ADJUSTMENTS.....	48
NOTE 4 – DEPOSIT AND INVESTMENT RISK	49
A. DEPOSITS AND INVESTMENTS UNDER THE FIDUCIARY RESPONSIBILITY OF THE COMMISSIONER OF REVENUE.....	49
B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA RETIREMENT MANAGEMENT BOARD	55
C. DEPOSITS AND INVESTMENTS MAINTAINED BY COMPONENT UNITS WHOSE ACCOUNTS ARE OUTSIDE OF THE STATE TREASURY	75
NOTE 5 – CAPITAL ASSETS	85
NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS.....	89
A. SUMMARY OF CHANGES	89
B. GENERAL OBLIGATION BONDS AND REVENUE BONDS	91
C. CAPITAL AND OPERATING LEASES	93
D. CERTIFICATES OF PARTICIPATION.....	93
E. DISCRETELY PRESENTED COMPONENT UNITS	94
F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES	94
NOTE 7 – DEFINED BENEFIT PENSION PLANS.....	98
A. STATE ADMINISTERED PLANS	98
B. NON-STATE ADMINISTERED PLANS.....	107
NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS.....	107
A. STATE ADMINISTERED PLANS	107
B. NON-STATE ADMINISTERED PLANS.....	110
NOTE 9 – DEFERRED COMPENSATION PLAN	110
NOTE 10 – INTERFUND TRANSACTIONS	111
NOTE 11 – RELATED PARTY ACTIVITY	112
NOTE 12 – COMMITMENTS AND CONTINGENCIES.....	112
A. SICK LEAVE	112
B. SCHOOL DEBT	112
C. RISK MANAGEMENT AND SELF-INSURANCE.....	112
D. LITIGATION	114
E. FEDERAL GRANTS	114
F. DISASTER RELIEF FUND.....	114
G. FUTURE LOAN COMMITMENTS	114
H. POTENTIAL DEVELOPMENT PROJECTS	115
I. INVESTMENT COMMITMENTS	115
J. POLLUTION REMEDIATION	115
K. ENCUMBRANCES	116
NOTE 13 – SUBSEQUENT EVENTS	117
A. ALASKA MUNICIPAL BOND BANK AUTHORITY	117
B. ALASKA CLEAN WATER FUND.....	117
C. ALASKA DRINKING WATER FUND.....	117
D. STATE OF ALASKA – GENERAL OBLIGATION BONDS	117
E. ALASKA HOUSING FINANCE CORPORATION (AHCC)	117

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 (State) 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. Fiduciary component units are reported in the fiduciary section of the fund financial statements and are not included in the government-wide financial statements. Individual component unit financial reports may also be obtained from these organizations as indicated.

BLENDED COMPONENT UNITS

The **Alaska Housing Capital Corporation (AHCC)** is a public corporation and government instrumentality of, but having a legal existence independent and separate from, the State. AHCC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation (AHFC). The commissioners of the departments of Revenue; Commerce, Community, and Economic Development; Health and Social Services; and four independent public members appointed by the Governor comprise the AHCC board of directors. The Legislature appropriates the budget for AHCC for the purpose of funding future capital projects for the State. The corporation has the power to borrow money and issue bonds on its own behalf. AHCC is reported within the governmental funds as a special revenue fund. AHCC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Alaska Permanent Fund Corporation (APFC)** is a public corporation and government instrumentality in the Department of Revenue, Alaska Statute (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 65 percent of the total cash and investments and 59 percent of total government-wide net position 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 Comprehensive Annual Financial Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 820 East 15th Avenue, Anchorage, AK 99501.

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. 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 Commerce, 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 Judgment (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's 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 position 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.

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Corporation** (AAC) is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs (AS 26.27.010). The Governor appoints the voting members of the AAC board of directors and the Legislature approves AAC's budget. AAC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AAC is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AAC 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, AAC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AAC financial statements may be obtained from the Alaska Aerospace Corporation, 4300 B Street, 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 Gasline Development Corporation** (AGDC) is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from, the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community, and Economic Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose to planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, 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, Suite 200, 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. The Alaska Legislature did not appropriate funds to ANGDA for FY 12 operations. As a result, the board members with expired terms were not reappointed to the board, there are no longer employees of ANGDA, the office was closed, and all records were transferred to the Department of Revenue. Effective May 22, 2013, Chapter 11 of Session Law 2013 repealed ANGDA's authorizing statute, terminating the authority. ANGDA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units. In addition, fund financial statements are included as other supplementary information, since there are no separately issued financial statements for ANGDA.

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 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 Alaska Commission on Postsecondary Education, P.O. Box 110505, Juneau, AK 99811-0505.

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 nonprofit 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. ASMI financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units. In addition, fund financial statements are included as other supplementary information, since there are no separately issued financial statements for ASMI.

FIDUCIARY COMPONENT UNITS

The **Public Employees' Retirement System** (PERS) was established by AS 39.35.095 (defined benefit) and AS 39.35.700 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of PERS. The administrator is responsible for the administration of PERS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) 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 ARMB is the fiduciary of PERS. The Governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) was established by AS 14.25.009 (defined benefit) and AS 14.25.310 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB 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. The ARMB is the fiduciary of TRS. The Governor appoints the majority of the ARMB.

The **Judicial Retirement System** (JRS) was established by AS 22.25.048. The Commissioner of the Department 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. The ARMB is the fiduciary of JRS. The Governor appoints the majority of the ARMB.

The **Alaska National Guard and Alaska Naval Militia Retirement System** (NGNMRS) was established by AS 26.05.222. The Commissioner of the Department 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. The ARMB is the fiduciary of NGNMRS. The Governor appoints the majority of the ARMB.

The **Supplemental Benefits System** (SBS) was established by AS 39.30.150. The Commissioner of the Department 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 Governor appoints the majority of the ARMB. The financial statements for SBS are for the fiscal year ended January 31, 2013.

The **Deferred Compensation Plan** (DCP) was established by AS 39.45.010. The Commissioner of the Department 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. The Governor appoints the majority of the ARMB. The financial statements for DCP are for the fiscal year ended December 31, 2012.

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

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 Position 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 Position presents the reporting entity's nonfiduciary assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other borrowing that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consists of net position that does not meet the definition of the two preceding categories. The unrestricted net position often is designated to indicate management does not consider them available for general operations (see note 1.F.). The unrestricted net position 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 is 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 focus 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 fund 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 measurement 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.

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 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 generally 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 Alaska 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. Internal service fund activities of the State include facilities management of State-owned buildings, self-insurance health care for State employees, vehicle and equipment maintenance and supplies, and computing and telecommunication services.

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. These funds account for the Alaska National Guard and Alaska Naval Militia Retirement System, Deferred Compensation, Judicial Retirement System, Public Employees' Retirement System, Retiree Health, Supplemental Benefits System, and Teachers' Retirement System.

Agency funds are used to report resources held by the State purely in a custodial capacity (assets equal liabilities). These funds include resources from unclaimed property, wage and hour, deposits/bonds held, offender trust accounts, advocacy/guardianship trusts, and damage recoveries arising out of the Exxon Valdez oil spill.

E. FISCAL YEAR ENDS

All funds and discretely presented component units of the State 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net position 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. 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 sale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

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 consist primarily of loans and preferred stock that are valued at fair value.

Real estate, farmland, farmland waterway, and timber investments are valued quarterly by investment managers and are appraised annually 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, the Short-term Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2013, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity 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 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 Position 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, 2013, 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 Position, is \$176.4 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 12 for disclosure of the amount of the sick leave contingency.

The cost of compensated absences (annual/personal leave and sick leave) for State employees is charged against agency appropriations when leave is used rather than when leave is earned, 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.

DEFERRED OUTFLOW/INFLOW OF RESOURCES

A deferred outflow of resources represents a consumption of net position applicable to a future reporting period and therefore is not recognized as a current year expense. A deferred inflow of resources is an acquisition of net position applicable to a future reporting period and therefore is not recognized as current year revenue.

NET POSITION / FUND BALANCE

Fund assets and deferred outflow less liabilities and deferred inflows is "net position" on the government-wide, proprietary, and fiduciary fund statements, and is "fund balance" on the governmental fund statements.

FUND BALANCE COMPONENTS

The fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balance have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed. The Alaska Legislature is the body authorized to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The appropriated balance in the General Fund (fund 11100) is committed, and the remaining balance is unassigned. All other governmental funds, including subfunds of the General Fund are presented as restricted or committed, with the exception of the three subfunds of the General Fund, which are unassigned. The spendable portion of the Alaska Permanent Fund is classified as assigned.

The State of Alaska Constitution, Article 9, Section 13, states that "No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void."

Appropriations formally approved by the Legislature are then forwarded to the Governor for action which either become law or vetoed.

Appropriations specify the funding source, and therefore the order in which restricted, committed, assigned, or unassigned fund balance gets spent.

Article 9, Section 17(d) of the Alaska Constitution, requires annual repayment from the General Fund and the subfunds of the General Fund for amounts borrowed from the Constitutional Budget Reserve Fund. To implement this provision, unassigned balances are used first, then committed balances. There are no assigned balances within the General Fund or subfunds.

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2013 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	\$ 16,527	\$ -	\$ -	\$ -	\$ -
Principal	-	41,299,265	-	-	-
Advances and Prepaid Items	91,997	-	-	-	-
Total Nonspendable	<u>108,524</u>	<u>41,299,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted:					
Debt Service	10	-	-	43,587	-
Education	12,673	-	9,297	-	144,920
Health & Human Services	486	-	16,302	-	-
Development	58,254	-	33,361	-	177,944
Other Purposes	5,619	-	162	-	-
Total Restricted	<u>77,042</u>	<u>-</u>	<u>59,122</u>	<u>43,587</u>	<u>322,864</u>
Committed					
Debt Service	8,440	-	-	-	-
Education	2,255,055	10,328	-	-	-
Health & Human Services	295,526	-	-	-	-
Public Protection	196,014	-	-	-	-
Permanent Fund	622,166	-	-	-	-
Development	2,418,969	-	588,112	-	-
Other Purposes	201,403	-	-	-	-
Total Committed	<u>5,997,573</u>	<u>10,328</u>	<u>588,112</u>	<u>-</u>	<u>-</u>
Assigned					
Permanent Fund	-	4,053,792	-	-	-
Unassigned					
	16,440,266	-	-	-	-
Total Fund Balance	<u>\$ 22,623,405</u>	<u>\$ 45,363,385</u>	<u>\$ 647,234</u>	<u>\$ 43,587</u>	<u>\$ 322,864</u>

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$42.6 billion of restricted net position for the primary government, of which \$26.0 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 within restricted, committed or assigned fund balance based upon the resources that eventually will fund those

grants or contracts, and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. 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 over expenditure 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 13, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental reduction to appropriations for the FY 13 operating budget was \$86.7 million, of which \$77.8 million was reduced from the General Fund, \$9.3 million was reduced from other funds, and \$0.4 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 13 capital budget of \$232.3 million were enacted, of which \$204.8 million was appropriated from the General Fund, \$26.5 million was appropriated from other funds, and \$1.0 million was appropriated from federal funds.

Governmental funds with annually approved budgets include the General Fund, Special Revenue Funds (with the exception of the Alaska Housing Capital Corporation, Northern Tobacco Securitization Corporation, and Reclamation Bonding Pool), and all Permanent Funds.

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 13, the Office of Management and Budget estimated the limit to be approximately \$9.8 billion. The FY 13 budget passed by the legislature after vetoes was \$8.0 billion (unrestricted General Fund revenues only), or \$1.8 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 CBRF (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).

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." All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11, FY 12 or FY 13.

STATUTORY BUDGET RESERVE FUND

The Statutory Budget Reserve Fund (SBRF) was created through Alaska Statute 37.05.540. Once the full debt of CBRF was repaid in FY 10, the legislature began to make appropriated transfers from the General Fund into the SBRF in addition to directing any year-end available fund balance of the General Fund to be transferred to the SBRF. As the balance of this fund continued to increase so did the political and public interest; therefore, the presentation of SBRF was added to the Combining Balance Sheet for the General Fund for Statements 3.01 and 3.02.

A legislative transfer from the General Fund to SBRF totaling \$250 million was made at the beginning of FY 13 in accordance with SLA 2012, Chapter 15, Section 32(b). Section 32(c) states that if the unrestricted amount available for appropriation in the fiscal year ending June 30, 2013, is insufficient to cover General Fund appropriations, the amount

necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the SBRF to the General Fund. For FY 13, this resulted in a year-end transfer from the SBRF to the General Fund for \$776 million, for a net impact to the SBRF of \$526 million.

NOTE 3 – PRIOR PERIOD AND FUND BALANCE/NET ASSETS/NET POSITION ADJUSTMENTS

PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

The Department of Administration, Division of Retirement and Benefits, identified in FY 13 the total amount of activity for those employees participating in the PERS Defined Contribution Retirement (DCR) Individual Plan that refunds prior to fully vesting in employer contributions. As a result, the employers should be given credit for those employer contributions made and forfeited once a refund has occurred. The amount of this liability for the PERS was previously booked as unrestricted revenue miscellaneous fines and forfeitures and was moved to a liability account in FY 13. This prior period adjustment of \$9,166 thousand is the forfeiture total associated with years prior to FY 13 for PERS DCR Individual Plan.

TEACHERS’ RETIREMENT SYSTEM (TRS)

The Department of Administration, Division of Retirement and Benefits, identified in FY 13 the total amount of activity for those employees participating in the TRS DCR Individual Plan that refunds prior to fully vesting in the employer contributions. As a result, the employers should be given credit for those employer contributions made and forfeited once a refund has occurred. The amount of this liability for the TRS plan was previously booked as unrestricted revenue miscellaneous fines and forfeitures and was moved to a liability account in FY 13. This prior period adjustment of \$3,247 thousand is the forfeiture total associated with years prior to FY 13 for TRS DCR Individual Plan.

RETIREMENT FUND STATEMENTS

Statements for PERS, TRS and the Judicial Retirement System were expanded to report postemployment healthcare benefits separate from the pension plan. Additionally, FY 13 Net Position for PERS and TRS Defined Contribution pension benefits, \$346,118 thousand and \$153,234 thousand respectfully, are reported as held in trust for individuals since these are individual retirement accounts. This activity was reported within Held in Trust for Pension Benefits in FY 12. For Defined Benefit plans the net position is held in trust for pension benefits for all plan members. This information will assist in the comparison to the prior year for these funds.

**Combining Statement of Fiduciary Net Position
 Statement 5.01**

(In Thousands)

Public Employees’ Retirement

NET POSITION

	<u>FY 2012</u>	<u>FY 2013</u>
Held in Trust for:		
Pension Benefits	\$ 6,372,867	\$ 6,706,103
Postemployment Healthcare Benefits	5,263,082	5,959,578
Individuals, Organizations, and Other Governments	-	346,118
Total Net Position	<u>\$ 11,635,949</u>	<u>\$ 13,011,799</u>

Teachers’ Retirement

NET POSITION

	<u>FY 2012</u>	<u>FY 2013</u>
Held in Trust for:		
Pension Benefits	\$ 3,119,347	\$ 3,281,725
Postemployment Healthcare Benefits	1,664,590	1,910,013
Individuals, Organizations, and Other Governments	-	153,234
Total Net Position	<u>\$ 4,783,937</u>	<u>\$ 5,344,972</u>

ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)

For the year ended June 30, 2012, AGDC was a blended component unit, and presented as a special revenue fund. AGDC was a wholly-owned subsidiary of Alaska Housing Finance Corporation (AHFC), a discretely presented component unit of the State of Alaska. Effective FY 13, legislation was passed to continue the existence of AGDC, but changed it to an independent public corporation of the State of Alaska having legal existence independent of and separate from AHFC and the State of Alaska. AGDC is reported in FY 13 as a discretely presented component unit of the State of Alaska.

As a component unit, AGDC is incorporated into the Government-wide statements using the full accrual basis of accounting. The effect of the change in reporting resulted in the FY 13 beginning fund balance of \$849 thousand, while the prior year ending balance reported as a special revenue fund for FY 12 was \$204 thousand. The difference is attributable to the change in the basis of accounting from modified to full accrual which resulted in reporting capital assets and long term liabilities.

GENERAL FUND BALANCE - NONSPENDABLE

For the year ended June 30, 2013, a detailed review was made on the amount reported as Nonspendable, Compensating Balances within the General Fund. It was determined that this activity did not meet the criteria of Nonspendable, and should be reclassified as Unassigned. In FY 2012, the General Fund Nonspendable Compensated Balances were reported as \$110,000 thousand, and in FY 13 this amount was \$137,500 thousand.

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 counterparty 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 an 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 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, and Investment Loss 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.

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. Specifically, the Tobacco Revenue Fixed Income, Domestic Equity, and the International Equity Pools are managed externally. Treasury manages the Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term Fixed Income Pool, and the Broad Market Fixed Income Pool, in addition to acting as oversight manager for all externally managed investments.

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, AK 99811-0405 or at <http://www.dor.alaska.gov/treasury>.

Deposits and investments at June 30, 2013, are as follows:

Investment Type	Fair Value (in thousands)						Total
	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	
Deposits	\$ 180,221	\$ -	\$ -	\$ (35)	\$ -	\$ 147,288	\$ 327,474
Money Market	-	-	-	-	22,410	-	22,410
Commercial Paper	351,700	-	-	-	-	-	351,700
Corporate Bonds	431,115	-	718,136	852,913	-	-	2,002,164
Mortgage-backed	18,089	-	189,159	1,364,957	-	-	1,572,205
Municipal Bonds	4,220	-	1,938	-	-	-	6,158
Other Asset-backed	3,598,791	-	237,838	142,211	-	-	3,978,840
U.S. Government Agency Discount Notes	600	-	-	-	-	-	600
U.S. Government Agency Treasury Bills	-	-	284,051	122,928	-	-	406,979
Treasury Bonds	3,552,079	1,159,880	599,439	-	-	-	5,311,398
Treasury Notes	-	-	-	88,016	-	-	88,016
Treasury Strips	-	-	6,353,467	1,235,575	-	-	7,589,042
Yankees:	-	-	52,256	18,393	-	-	70,649
Corporate	112,952	-	128,108	183,495	-	-	424,555
Government	-	-	34,290	40,831	-	-	75,121
Domestic Equity	-	-	-	-	-	3,279,675	3,279,675
International Equity	-	-	-	-	-	1,752,037	1,752,037
Total Invested Assets	8,249,767	1,159,880	8,598,682	4,049,284	22,410	5,179,000	27,259,023
Pool related net assets (liabilities)	(148,621)	-	(79,418)	(119,104)	-	693	(346,450)
Net Invested Assets before earnings distribution to participants	8,101,146	1,159,880	8,519,264	3,930,180	22,410	5,179,693	26,912,573
Earnings payable to participants	3,619	-	-	-	-	-	3,619
Other pool ownership	(719,308)	800	535,939	182,570	-	-	1
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(467,172)	-	-	-	-	-	(467,172)
Exxon Valdez Oil Spill Trustee Council	(3)	-	-	(55,766)	-	(44,399)	(100,168)
Alaska Student Loan Corporation	(5,887)	-	-	-	-	-	(5,887)
Alaska Mental Health Trust Authority	(3,636)	-	-	(10,349)	-	(118,227)	(132,212)
Total Commissioner's Fiduciary Responsibility	\$ 6,908,759	\$ 1,160,680	\$ 9,055,203	\$ 4,046,635	\$ 22,410	\$ 5,017,067	\$ 26,210,754

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 to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement dates applies. At June 30, 2013, the expected average life of individual fixed rate securities ranged from three days to 34 years and the expected average life of floating rate securities ranged from 14 days to 22 years.

Short-term Liquidity Fixed Income Pool

Treasury’s investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2013, the expected average life of fixed rate securities ranged from 46 to 67 days.

Intermediate, Broad Market and U.S. Treasury Fixed Income Pools

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.

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 - ± 20% of the Barclays 1-3 year Government Bond Index. The effective duration for the Barclays 1-3 year Government Bond Index at June 30, 2013 was 1.87 years.

Broad Market Fixed Income Pool - ± 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2013 was 5.49 years.

At June 30, 2013, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Corporate Bonds	2.42	7.31
Mortgage-backed	1.45	4.13
Municipal Bonds	4.41	-
Other Asset-backed	0.59	1.37
U.S. Government Agency	1.70	8.23
Treasury Bill	0.11	-
Treasury Bonds	-	19.69
Treasury Notes	2.04	5.10
Treasury Strip	4.43	4.89
Yankees:		
Corporate	1.85	3.99
Government	2.06	5.17
Portfolio Effective Duration	1.77	5.23

Other Fixed Income

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

Credit Risk

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

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 P-1 or equivalent. Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: 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.

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

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 P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: 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.

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2013, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2013, the State's internally managed 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):

Investment Type	Rating	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed
Deposits	Not Rated	2.22%	-	-	-
Commercial Paper	Not Rated	4.34%	-	-	-
Corporate Bonds	AAA	-	-	0.40%	0.61%
Corporate Bonds	AA	2.41%	-	1.73%	2.85%
Corporate Bonds	A	2.91%	-	4.80%	11.79%
Corporate Bonds	BBB	-	-	0.83%	4.95%
Corporate Bonds	BB	-	-	0.16%	0.41%
Corporate Bonds	Not Rated	-	-	-	0.12%
U.S. Government Agency	AA	-	-	2.75%	0.45%
U.S. Government Agency	BBB	-	-	-	0.09%
U.S. Government Agency	Not Rated	0.01%	-	0.38%	2.45%
Mortgage-backed	AAA	0.07%	-	0.80%	2.88%
Mortgage-backed	AA	0.08%	-	0.76%	27.88%
Mortgage-backed	A	0.07%	-	0.09%	0.27%
Mortgage-backed	BBB	-	-	-	0.05%
Mortgage-backed	Not Rated	-	-	0.43%	2.12%
Municipal Bonds	AA	0.05%	-	-	-
Municipal Bonds	A	-	-	0.02%	-
Other Asset-backed	AAA	39.98%	-	1.86%	2.33%
Other Asset-backed	AA	0.72%	-	-	0.56%
Other Asset-backed	Not Rated	3.71%	-	0.76%	0.56%
Other Pool Ownership	Not Rated	-	0.07%	5.92%	4.44%
Treasury Bill	AA	43.83%	99.93%	6.62%	-
Treasury Bond	AA	-	-	-	2.14%
Treasury Note	AA	-	-	70.18%	30.04%
Treasury Strip	AA	-	-	0.58%	0.45%
Yankees:					
Corporate	AAA	-	-	0.18%	0.79%
Corporate	AA	0.55%	-	0.69%	1.14%
Corporate	A	0.84%	-	0.42%	1.40%
Corporate	BBB	-	-	0.13%	1.13%
Government	AA	-	-	0.34%	0.53%
Government	BBB	-	-	-	0.18%
Government	Not Rated	-	-	0.04%	0.28%
No Credit Risk		(1.79%)	-	(0.87%)	(2.89%)
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

Treasury's investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, unlimited FDIC coverage for noninterest-bearing accounts was in effect through December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with interest-bearing deposits and the combined total is insured up to \$250 thousand. In accordance with Treasury's investment policy, all accounts are required to retain collateral equal to 110 percent of the uninsured deposits at all FDIC insured depository institutions, thereby limiting custodial credit risk.

The bond indentures governing the investment of tobacco revenue related bond proceeds, do not establish policy with regard to custodial credit risk. At June 30, 2013, the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 141</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 backed by any one company or affiliated group.

At June 30, 2013, The Commissioner did not have any exposure to any one issuer greater than five percent of invested assets.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 13 and invested assets included the following holdings at June 30, 2013, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	20% ± 7%	22.36%
Exxon Valdez Settlement Investments	23% ± 7%	22.77%
Higher Education Fund	20% ± 7%	19.40%
Mental Health Trust Reserve	21% ± 5%	19.26%
Power Cost Equalization Endowment Fund	26% ± 5%	25.24%
Retiree Health Insurance Fund, Long Term Care	11% ± 4%	11.61%

At June 30, 2013, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

Currency	Fair Value (in thousands)
Deposits:	
Japanese Yen	<u>\$ 141</u>
Investments - International Equity:	
Australian Dollar	5,260
Canadian Dollar	7,803
Danish Krone	2,159
Euro Currency	60,895
Japanese Yen	43,268
New Zealand Dollar	1,488
Norwegian Krone	2,442
Pound Sterling	54,688
Swedish Krona	12,346
Swiss Franc	<u>13,592</u>
	<u>203,941</u>
Total	<u>\$ 204,082</u>

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

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commissioner have a policy for contingencies. The International Equity Pool investment includes the following income from derivative investments at June 30, 2013 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	\$ 9	Long-term Instruments	\$ -	\$ -

Additionally the International Equity Pool had the following income from foreign exchange transactions at June 30, 2013 (in thousands):

Net Realized Gain on Foreign Currency	\$ 47
---------------------------------------	-------

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 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. At June 30, 2013, the International Equity Pool had no outstanding contracts.

Pursuant to Alaska Statute 37.10.089(d), the Commissioner of Revenue entered into a Standby Bond Purchase Agreement (SBPA), which supports a liquidity facility provided by State Street Bank on Alaska Student Loan Corporation (ASLC) Education Loan Revenue Refunding Bonds-Senior Series 2012. In the event that the bonds have been tendered and cannot be remarketed, the Commissioner has agreed to purchase Bank Bonds held by the Bank upon satisfaction of the conditions set forth in the SBPA. The annual facility fee is 15 basis points payable by the ASLC quarterly through the termination date of September 30, 2016. Bonds outstanding at June 30, 2013 were \$78,435 thousand.

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

The ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments (Pension Funds). Alaska Statute 37.10.071 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 by which it manages investments of the ARMB. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan under the ARMB's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond Domestic Equity Pool, International Equity Large Cap Pool, International Equity Small Cap Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Participant Directed Investment Funds, and Collective Investment Funds are managed by external management

companies. Treasury manages the Alaska Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool 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 State pool managed by Treasury that holds investments on behalf of the ARMB as well as other state funds.

Additional information related to the various pools and investments is disclosed in the financial schedules issued by the ARMB. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, AK 99811-0405 or at <http://dor.alaska.gov/treasury/>.

Deposits and investments at June 30, 2013 are as follows:

	Fair Value (in thousands)			
	Fixed Income Pools			
	Short-term	U.S. Treasury	High Yield	International
Commercial Paper	\$ 19,969	\$ -	\$ -	\$ -
Convertible Bonds	-	-	1,844	-
Corporate Bonds	24,478	55,792	437,605	-
Deposits	10,233	-	17,862	1,216
Foreign Corporate Bonds	-	-	-	27,386
Foreign Government Bonds	-	-	-	319,358
Mortgage-backed	1,027	74,822	-	-
Municipal Bonds	240	1,913	-	-
Other Asset-backed	204,337	42,365	1,774	-
Short-term Investment Fund	-	-	-	3,300
U.S. Government Agency	-	34,384	-	-
U.S. Government Agency Discount Notes	34	-	-	-
Treasury Bills	201,685	-	-	-
Treasury Bonds	-	-	-	-
Treasury Notes	-	1,080,704	-	-
Treasury Strips	-	1,994	-	-
Yankees: Corporate	6,413	7,689	47,685	-
Yankees: Government	-	28,505	-	-
Fixed Income Pools: Equity	-	-	-	-
Fixed Income Pools: Warrants	-	-	52	-
Emerging Markets Debt Pool	-	-	-	-
Broad Domestic Equity Pools: Deposits	-	-	-	-
Broad Domestic Equity Pools: Equity	-	-	-	-
Broad Domestic Equity Pools: Futures	-	-	-	-
Broad Domestic Equity Pools: Limited Partnership	-	-	-	-
Broad Domestic Equity Pools: Options	-	-	-	-
Broad Domestic Equity Pools: Treasury Bills	-	-	-	-
Broad Domestic Equity Pools: Warrants	-	-	-	-
Broad International Equity Pool: Deposits	-	-	-	-
Broad International Equity Pool: Equity	-	-	-	-
Broad International Equity Pool: Rights	-	-	-	-
Broad International Equity Pool: Mutual Fund	-	-	-	-
Broad International Equity Pool: Short-term Investment Fund	-	-	-	-
Broad International Equity Pool: Warrants	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-
Private Equity Pool: Limited Partnerships	-	-	-	-
Private Equity Pool: Equity	-	-	-	-
Absolute Return Pool: Limited Partnerships	-	-	-	-
Real Estate Pool: Commingled Funds	-	-	-	-
Real Estate Pool: Limited Partnerships	-	-	-	-
Real Estate Pool: Real Estate	-	-	-	-
Real Estate Investment Trust Pool: Equity	-	-	-	-
Master Limited Partnership Pool: Equity	-	-	-	-
Energy Pool: Limited Partnerships	-	-	-	-
Farmland Pool: Agricultural Holdings	-	-	-	-
Farmland Water Pool: Agricultural Holdings	-	-	-	-
Timber Pool: Timber Holdings	-	-	-	-
Participant Directed: Collective Investment Funds	-	-	-	-
Participant Directed: Pooled Investment Funds	-	-	-	-
Net Other Assets/(Liabilities)	(8,351)	5,720	3,644	5,706
Other Pool Ownership	(190,208)	44,774	-	-
Total Invested Assets	\$ 269,857	\$ 1,378,662	\$ 510,466	\$ 356,966

This table continued on the next page.

Deposits and investments at June 30, 2013 are as follows (continued):

	Fair Value (in thousands)			
	Fixed Income Pools			Total
	Convertible	TIPS	Other	
Commercial Paper	\$ -	\$ -	\$ -	\$ 19,969
Convertible Bonds	112,235	-	-	114,079
Corporate Bonds	-	-	-	517,875
Deposits	468	-	-	29,779
Foreign Corporate Bonds	-	-	-	27,386
Foreign Government Bonds	-	-	-	319,358
Mortgage-backed	-	-	-	75,849
Municipal Bonds	-	-	-	2,153
Other Asset-backed	-	-	-	248,476
Short-term Investment Fund	-	-	-	3,300
U.S. Government Agency	-	-	-	34,384
U.S. Government Agency Discount Notes	-	-	-	34
Treasury Bills	-	-	-	201,685
Treasury Bonds	-	3,444	-	3,444
Treasury Notes	-	4,709	-	1,085,413
Treasury Strips	-	-	-	1,994
Yankees: Corporate	-	-	-	61,787
Yankees: Government	-	-	-	28,505
Fixed Income Pools: Equity	13,997	-	-	13,997
Fixed Income Pools: Warrants	-	-	-	52
Emerging Markets Debt Pool	-	-	151,950	151,950
Broad Domestic Equity Pools: Deposits	-	-	34,113	34,113
Broad Domestic Equity Pools: Equity	-	-	5,315,938	5,315,938
Broad Domestic Equity Pools: Futures	-	-	(307)	(307)
Broad Domestic Equity Pools: Limited Partnership	-	-	269,526	269,526
Broad Domestic Equity Pools: Options	-	-	(18,513)	(18,513)
Broad Domestic Equity Pools: Treasury Bills	-	-	2,923	2,923
Broad Domestic Equity Pools: Warrants	-	-	1	1
Broad International Equity Pool: Deposits	-	-	62,018	62,018
Broad International Equity Pool: Equity	-	-	3,008,564	3,008,564
Broad International Equity Pool: Rights	-	-	22	22
Broad International Equity Pool: Mutual Fund	-	-	410,389	410,389
Broad International Equity Pool: Short-term Investment Fund	-	-	11,260	11,260
Broad International Equity Pool: Warrants	-	-	105	105
Emerging Markets Equity Pool	-	-	529,223	529,223
Private Equity Pool: Limited Partnerships	-	-	1,610,705	1,610,705
Private Equity Pool: Equity	-	-	1,046	1,046
Absolute Return Pool: Limited Partnerships	-	-	793,809	793,809
Real Estate Pool: Commingled Funds	-	-	294,488	294,488
Real Estate Pool: Limited Partnerships	-	-	339,833	339,833
Real Estate Pool: Real Estate	-	-	738,763	738,763
Real Estate Investment Trust Pool: Equity	-	-	269,756	269,756
Master Limited Partnership Pool: Equity	-	-	358,497	358,497
Energy Pool: Limited Partnerships	-	-	107,778	107,778
Farmland Pool: Agricultural Holdings	-	-	680,377	680,377
Farmland Water Pool: Agricultural Holdings	-	-	35,588	35,588
Timber Pool: Timber Holdings	-	-	261,186	261,186
Participant Directed: Collective Investment Funds	-	-	285,028	285,028
Participant Directed: Pooled Investment Funds	-	-	204,130	204,130
Net Other Assets/(Liabilities)	1,290	44	17,902	25,955
Other Pool Ownership	-	137	145,297	-
Total Invested Assets	\$ 127,990	\$ 8,334	\$ 15,921,395	\$ 18,573,670

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 to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2013, the expected average life of individual fixed rate securities ranged from three days to 34 years and the expected average life of floating rate securities ranged from 14 days to 22 years.

Other Defined Benefit Fixed Income Pools

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 to calculate effective duration.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20 percent of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2013 was 5.49 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Intermediate U.S. Treasury Fixed Income portfolio to ± 20 percent of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2013 was 3.68 years.

Through the 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 Fixed Income portfolio to ± 20 percent of the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2013 was 4.46 years.

Through the 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 blended benchmark of 70% Citigroup Non-USD World Government Bond Index and 30% JP Morgan Global Bond Emerging Markets Broad Diversification Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2013, was 7.25 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2013 was 4.89 years, for a blended duration of 6.54 years at June 30, 2013.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to ± 20 percent of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2013 was 9.32 years.

The ARMB does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolios.

At June 30, 2013, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)			
	U.S. Treasury	High Yield	International	TIPS
Corporate Bonds	2.83	4.29	-	-
Foreign Corporate Bonds	-	-	3.16	-
Foreign Government Bonds	-	-	5.74	-
Mortgage-backed	2.59	-	-	-
Municipal Bonds	11.85	-	-	-
Other Asset-backed	0.48	3.88	-	-
Treasury Bonds	-	-	-	10.90
Treasury Notes	3.64	-	-	3.40
Treasury Strips	5.12	-	-	-
U.S. Government Agency	8.31	-	-	-
Yankees:				
Corporate	3.77	4.31	-	-
Government	6.00	-	-	-
Portfolio Effective Duration	3.52	4.13	5.46	6.46

Defined Contribution Pooled Investment Funds

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

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital U.S. Aggregate Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event, at time of purchase shall effective duration exceed ± 0.4 years relative to the index.

At June 30, 2013, the duration of the government corporate debt, and mortgage-backed securities was 5.48 years and the duration of the Barclays Capital Aggregate Bond Index was 5.39 years.

Defined Contribution Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2013, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 46 days, SSgA World Government Bond Ex-U.S. Index: 7.35 years, SSgA Long U.S. Treasury Bond Index: 16.27 years, SSgA TIPS Index: 7.17 years, Barclays Government Credit Bond Fund: 5.38 years, and the Barclays Intermediate Bond Fund: 3.55 years.

Credit Risk

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

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 P1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if rated by only one of these agencies if they are rated AAA.

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

Retirement Fixed Income:

- Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.
- Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, 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.
- No more than 40 percent of the portfolio's assets may be invested in investment grade corporate debt.
- No more than 15 percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

U.S. Intermediate Treasury Fixed Income:

- No more than 30 percent of the portfolio's assets may be invested in securities that are not nominal, United States Treasury obligations or the internally managed short term or substantially similar portfolio at the time of purchase.
- Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, 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.

High Yield Fixed Income:

- No more than ten percent of the portfolio's assets may be invested in securities rated A3 or higher by any rating agency (including government instruments). Cash held in the portfolio will be included in this limitation.
- No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.
- No more than five percent of the portfolio's assets may be invested in unrated securities.

The lower of any Standard & Poor's, 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. Only one rating is necessary.

International Fixed Income:

- Asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
- Commercial paper and Euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality.

Convertible Bond:

- Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard & Poor's, Moody's or Fitch. Non-rated securities are limited to 35 percent of the total market value of the portfolio. Non-rated securities to which the manager assigns a non-investment grade rating are subject to the below investment grade limitations.
- The weighted-average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B. The manager shall not purchase any security with a credit rating at or below a CCC- by Standard & Poor's and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard & Poor's and C3 by Moody's if such an investment is considered appropriate given the ARMB's investment objective.

TIPS:

- Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.
- No more than five percent of the portfolio's assets may be invested in investment grade corporate debt.
- No more than five percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
- Non-U.S. Treasury-issued securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, 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.

Domestic Equity (Large Cap and Small Cap) and Broad International Equity:

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.

Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The ARMB does not have a policy to limit the concentration of credit risk for the Emerging Markets Debt Pool or the Collective Investment Funds.

At June 30, 2013, ARMB's 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	Fixed Income Pools					
		Short-term	U.S. Treasury	High Yield	International	Convertible	TIPS
Deposits	Not rated	2.22%	-	3.50%	0.34%	0.37%	-
Commercial Paper	BBB	-	-	-	-	-	-
Commercial Paper	Not Rated	4.34%	-	-	-	-	-
Corporate Bonds	AA	2.41%	0.65%	-	-	-	-
Corporate Bonds	A	2.91%	2.50%	0.11%	-	-	-
Corporate Bonds	BBB	-	0.82%	3.21%	-	-	-
Corporate Bonds	BB	-	0.09%	32.85%	-	-	-
Corporate Bonds	B	-	-	41.86%	-	-	-
Corporate Bonds	CCC	-	-	3.44%	-	-	-
Corporate Bonds	CC	-	-	0.28%	-	-	-
Corporate Bonds	D	-	-	0.47%	-	-	-
Corporate Bonds	Not Rated	-	-	3.55%	-	-	-
Convertible Bonds	A	-	-	-	-	5.08%	-
Convertible Bonds	BBB	-	-	0.33%	-	17.94%	-
Convertible Bonds	BB	-	-	-	-	15.86%	-
Convertible Bonds	B	-	-	-	-	14.47%	-
Convertible Bonds	CCC	-	-	-	-	2.73%	-
Convertible Bonds	Not Rated	-	-	0.03%	-	31.60%	-
Equity	BBB	-	-	-	-	2.88%	-
Equity	BB	-	-	-	-	3.97%	-
Equity	B	-	-	-	-	2.08%	-
Equity	Not Rated	-	-	-	-	2.01%	-
Foreign Corporate Bonds	A	-	-	-	1.27%	-	-
Foreign Corporate Bonds	BBB	-	-	-	0.56%	-	-
Foreign Corporate Bonds	Not Rated	-	-	-	5.84%	-	-
Foreign Government Bonds	AAA	-	-	-	6.77%	-	-
Foreign Government Bonds	AA	-	-	-	1.68%	-	-
Foreign Government Bonds	A	-	-	-	22.90%	-	-
Foreign Government Bonds	BBB	-	-	-	3.58%	-	-
Foreign Government Bonds	BB	-	-	-	1.41%	-	-
Foreign Government Bonds	Not Rated	-	-	-	53.11%	-	-
U.S. Government Agency	Not Rated	0.01%	2.48%	-	-	-	-

This table continued on the next page.

Continued from previous page:

	Rating	Fixed Income Pools					TIPS
		Short-term	U.S. Treasury	High Yield	International	Convertible	
Mortgage-backed	AAA	0.07%	1.35%	-	-	-	-
Mortgage-backed	AA	0.08%	1.82%	-	-	-	-
Mortgage-backed	A	0.07%	0.38%	-	-	-	-
Mortgage-backed	Not Rated	-	1.88%	-	-	-	-
Municipal Bonds	AA	0.05%	0.14%	-	-	-	-
Other Asset-backed	AAA	39.98%	1.71%	-	-	-	-
Other Asset-backed	AA	0.72%	-	-	-	-	-
Other Asset-backed	BB	-	-	0.10%	-	-	-
Other Asset-backed	B	-	-	0.25%	-	-	-
Other Asset-backed	Not Rated	3.71%	1.36%	-	-	-	-
Other Pool Ownership	Not Rated	-	3.25%	-	-	-	1.65%
Treasury Bills	AA	43.83%	-	-	-	-	-
Treasury Bonds	AA	-	-	-	-	-	41.32%
Treasury Notes	AA	-	78.40%	-	-	-	56.50%
Treasury Strips	AA	-	0.14%	-	-	-	-
Short-Term Investment Fund	Not Rated	-	-	-	0.92%	-	-
Warrants	Not Rated	-	-	0.01%	-	-	-
Yankees Corporate	AAA	-	0.06%	-	-	-	-
Yankees Corporate	AA	0.55%	0.28%	-	-	-	-
Yankees Corporate	A	0.84%	0.07%	-	-	-	-
Yankees Corporate	BBB	-	0.14%	-	-	-	-
Yankees Corporate	BB	-	-	3.37%	-	-	-
Yankees Corporate	B	-	-	4.80%	-	-	-
Yankees Corporate	CCC	-	-	0.55%	-	-	-
Yankees Corporate	Not Rated	-	-	0.58%	-	-	-
Yankees Government	AAA	-	0.33%	-	-	-	-
Yankees Government	AA	-	0.35%	-	-	-	-
Yankees Government	Not Rated	-	1.38%	-	-	-	-
No Credit Risk		(1.79%)	0.42%	0.71%	1.62%	1.01%	0.53%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits; however, Treasury investment policy requires the State’s depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides \$250,000 of coverage. In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

At June 30, 2013, the ARMB’s invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Equity Pool	\$ 62,020
International Fixed Income Pool	1,217
	<u>\$ 63,237</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk for the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the United States Government.

The ARMB’s policy with regard to concentration of credit risk for the Retirement Fixed Income, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income and Convertible Bond Pools is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group. The ARMB does not have a policy with regard to concentration of credit risk for the Emerging Markets Debt or TIPS Pools.

At June 30, 2013, the ARMB’s invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

Foreign Currency Risk

The 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 these countries: Argentina, Australia, Brazil, Canada, Chile, China, Columbia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Romania, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The ARMB has no specific policy regarding foreign currency risk relating to international or private equity. The ARMB has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. However, through its asset allocation policy, the ARMB limits total investments in international fixed income, global equity ex-U.S. and private equity to the following:

Pension Fund	Fixed - Income	Global Equity Ex- U.S.	Private Equity Pool
Public Employees' Retirement System	19%	27%	13%
Teachers' Retirement System	19%	27%	13%
Judicial Retirement System	19%	27%	13%
Alaska National Guard and Naval Militia System	61%	21%	-

At June 30, 2013, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

Currency	International Fixed Income Pool			International Equity				Private Equity
	Deposits	Foreign Government Bonds	Foreign Corporate Bonds	Deposits	Equity	Mutal Funds	Rights	Limited Partnerships
Australian Dollar	\$ 65	\$ 12,003	\$ -	\$ 698	\$ 67,513	\$ -	\$ 2	\$ 293
Brazilian Real	-	22,208	-	40	12,380	-	-	-
Canadian Dollar	-	-	-	185	84,812	-	-	-
Chilean Peso	-	3,983	-	-	-	-	-	-
Columbian Peso	126	4,895	-	-	-	-	-	-
Danish Krone	-	-	-	104	28,184	-	-	-
Euro Currency	-	48,537	24,945	52,625	775,972	-	20	120,933
Hong Kong Dollar	-	-	-	721	103,190	-	-	-
Hungarian Forint	-	5,037	-	-	-	-	-	-
Indian Rupee	-	-	-	-	1,569	-	-	-
Indonesian Rupiah	-	-	-	194	12,027	-	-	-
Israeli Shekel	-	-	-	67	1,203	-	-	-
Japanese Yen	225	100,468	-	4,335	602,433	-	-	-
Malaysian Ringgit	289	17,627	-	-	6,258	-	-	-
Mexican Peso	424	21,305	2,441	12	1,811	-	-	-
New Russian Ruble	-	8,177	-	-	-	-	-	-
New Taiwan Dollar	-	-	-	56	13,733	-	-	-
New Zealand Dollar	-	-	-	2	9,107	-	-	-
Norwegian Krone	-	-	-	92	16,842	-	-	-
Peruvian Nouveau Sol	-	5,028	-	-	-	-	-	-
Philippine Peso	-	-	-	-	2,147	-	-	-
Polish Zloty	-	29,946	-	-	-	-	-	-
Pound Sterling	-	-	-	2,024	549,477	448	-	31,499
Singapore Dollar	-	-	-	199	39,512	-	-	-
South African Rand	-	9,287	-	-	-	-	-	-
South Korean Won	50	-	-	-	41,746	-	-	-
Swedish Krona	-	24,179	-	296	73,593	-	-	-
Swiss Franc	-	-	-	317	191,561	-	-	-
Thailand Baht	38	-	-	53	16,160	-	-	-
Turkish Lira	-	6,679	-	-	-	-	-	-
UAE Dirham	-	-	-	-	1,666	-	-	-
	<u>\$ 1,217</u>	<u>\$ 319,359</u>	<u>\$ 27,386</u>	<u>\$ 62,020</u>	<u>\$ 2,652,896</u>	<u>\$ 448</u>	<u>\$ 22</u>	<u>\$ 152,725</u>

At June 30, 2013, the ARMB also had exposure to foreign currency risk in the Emerging Markets Equity Pool and the Emerging Markets Debt Pool. These pools consist of investments in commingled investment funds; therefore, no disclosure of specific currencies is made.

Foreign Exchange, Derivative, and Counterparty Credit Risk

The ARMB is exposed to credit risk on investment derivative instruments that are in asset positions. The ARMB has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the ARMB has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the ARMB have a policy for contingencies.

On June 30, 2013, the ARMB had the following derivative instruments outstanding (in thousands):

Type	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Revenue	\$ 275	Options	\$ (18,447)	\$ (2,889)
FX Forwards	Investment Revenue	3,411	Long Term Instruments	1,997	27,875
Index Futures Long	Investment Revenue	13,646	Futures	-	56
Index Options Written	Investment Revenue	733	Options	(66)	(4)
Rights	Investment Revenue	(155)	Common Stock	22	69
Warrants	Investment Revenue	62	Common Stock	158	337
		<u>\$ 17,972</u>		<u>\$ (16,336)</u>	<u>\$ 25,444</u>

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 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.

At June 30, 2013, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

Currency Name	Options	Net Receivables	Net Payables	Total Exposure
Australian Dollar	\$ 2	\$ (123)	\$ 1,879	\$ 1,758
Euro Currency	20	-	3	23
Japanese Yen	-	-	86	86
New Zeland Dollar	-	-	152	152
	<u>\$ 22</u>	<u>\$ (123)</u>	<u>\$ 2,120</u>	<u>\$ 2,019</u>

At June 30, 2013 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Net Exposure (in thousands)	S&P Rating	Fitch Rating	Moody's Rating
Bank of New York	\$ 86	A+	A+	A1
State Street Bank Location	2,031	A+	AA-	Aa3
USB AG	<u>3</u>	A	A	A2
Maximum Amount of Loss in Case of Default by All Counterparties	\$ 2,120			
Effect of Collateral Reducing Maximum Exposure	-			
Liabilities Subject to Netting Arrangements Reducing Exposure	-			
Resulting Net Exposure	<u>\$ 2,120</u>			

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, 2012, Deferred Compensation Plan investments totaled \$657.9 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, AK 99811-0203 or at <http://doa.alaska.gov/dr/b/>.

Interest Rate Risk

Collective Investment and Money Market Funds

The 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.

The 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, 2012, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Bond Fund	\$ 74	4.45 years
Government/Credit Bond Index Fund	33,946	7.79 years
State Street Money Market Fund	9,757	51 days
Intermediate Bond Fund	16,547	3.77 years
Long U.S. Treasury Bond Index Fund	5,491	17.01 years
U.S. TIPS Index Fund	12,178	5.52 years
World Government Bond Ex-U.S. Index Fund	2,263	7.28 years

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 the 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 Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.24 years at December 31, 2012. The duration of the Barclays Capital Intermediate Aggregate Index was 3.53 years at December 31, 2012.

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.

The 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 Institutional Treasury Money Market Fund, which has a weighted average maturity of 51 days at December 31, 2012.

Pooled Investment Funds

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.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the 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 ± 0.2 years of the Barclays Aggregate Bond Index. At December 31, 2012, the duration of the Barclays Aggregate Bond Index was 5.06 years, and the duration of the Aggregate Bond Trust was 5.10 years.

The weighted average maturity of the money market portfolio was 19.33 days at December 31, 2012.

The 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

The 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 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,
- 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.

The 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,
- Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation,
- Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At December 31, 2012, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value (in thousands)		
		Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	\$ -	\$ 319	\$ 319
Short-term Investment Fund	Not Rated	3,449	-	3,449
U.S. Government Agency	AA	10,505	-	10,505
Mortgage-backed	AAA	3,047	-	3,047
Mortgage-backed	AA	29	-	29
Mortgage-backed	A	1,558	-	1,558
Mortgage-backed	Not Rated	61,455	-	61,455
Other Asset-backed	AAA	1,539	-	1,539
Other Asset-backed	AA	200	-	200
Other Asset-backed	Not Rated	1,129	-	1,129
Corporate Bonds	AAA	55	-	55
Corporate Bonds	AA	3,717	-	3,717
Corporate Bonds	A	16,493	-	16,493
Corporate Bonds	BBB	12,568	-	12,568
Yankees:				
Corporate	AA	1,761	-	1,761
Corporate	A	2,838	-	2,838
Corporate	BBB	1,845	-	1,845
Government	AAA	3,574	-	3,574
Government	AA	1,214	-	1,214
Government	A	1,027	-	1,027
Government	BBB	27	-	27
Deposits and Investments with no credit exposure:				
Deposits		(2,780)	-	(2,780)
U.S. Treasury Notes	AAA	53,781	-	53,781
Collective Investment Funds		-	311,527	311,527
Pooled Investment Funds		-	70,329	70,329
Domestic Equity		-	84,228	84,228
Total Invested Assets		\$ 179,031	\$ 466,403	\$ 645,434

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At December 31, 2012, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

The 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.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	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 – Nongovernmental/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 five percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

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

Equity holdings will be limited to five percent per issuer 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 two percent of the total portfolio at the time of purchase,

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

At December 31, 2012, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

The 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.

The 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.

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

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, 2013, SBS investments totaled \$2.854 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, AK 99811-0203 or at <http://doa.alaska.gov/drb/>.

Interest Rate Risk

Collective Investment and Money Market Funds

The 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.

The ARMB does not have a policy to limit interest rate risk for these investments.

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 50,793	7.67 years
State Street Money Market Fund	37,638	56 days
Intermediate Bond Fund	15,538	3.74 years
Long U.S. Treasury Bond Index Fund	17,022	16.46 years
U.S. TIPS Index Fund	24,601	5.86 years
World Government Bond ex-U.S. Index Fund	6,358	7.48 years

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the 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 upon purchase. Floating rate securities are limited to three years in maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2013, the expected average life of individual fixed rate securities ranged from one day to 31.3 years and the expected average life of floating rate securities ranged from 41 days to 7.6 years.

Stable Value Fund

The 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 the 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 Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.47 years at January 31, 2013. The duration of the Barclays Capital Intermediate Aggregate Index was 3.75 years at January 31, 2013.

Duration is a measure of interest rate risk. In the case of the 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 the SBS’s structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The 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 Institutional Treasury Money Market Fund.

Pooled Investment Funds

Duration is a measure of 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.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the 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 ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2013, the duration of the Barclays Aggregate Bond Index was 5.20 years and the duration of the Aggregate Bond Trust was 5.17 years.

The weighted average maturity of the money market portfolio was 28.38 days at January 31, 2013.

The 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

The 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.

Treasury's investment policy limits credit risk in the Short-term Fixed Income Pool by limiting investments 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 P-1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

The 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, 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.

The 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,
Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation, and
Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At January 31, 2013, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value (in thousands)				Total
		Short-term Fixed Income Pool	Underlying	Investment Loss Trust	Investment Other	
			Synthetic Investment Contracts			
Investments with Credit Exposure:						
Money Market Fund	Not Rated	\$ -	\$ -	\$ -	\$ 1,309	\$ 1,309
Short-term Investment Fund	Not Rated	-	7,005	-	-	7,005
Commercial Paper	Not Rated	418	-	125	-	543
U.S. Government Agency	AA	67	12,000	20	-	12,087
U.S. Government Agency	Not Rated	639	-	192	-	831
U.S. Government Agency:						
Discount Notes	Not Rated	1	-	1	-	2
Municipal Government	AA	4	-	1	-	5
Mortgage-backed	AAA	9	5,733	3	-	5,745
Mortgage-backed	AA	5	63	2	-	70
Mortgage-backed	A	4	1,861	1	-	1,866
Mortgage-backed	Not Rated	4	101,109	1	-	101,114
Other Asset-backed	AAA	2,712	2,279	813	-	5,804
Other Asset-backed	AA	45	233	13	-	291
Other Asset-backed	Not Rated	359	2,245	107	-	2,711
Corporate Bonds	AAA	-	84	-	-	84
Corporate Bonds	AA	105	6,397	32	-	6,534
Corporate Bonds	A	151	26,966	45	-	27,162
Corporate Bonds	BBB	-	19,689	-	-	19,689
Corporate Bonds	Not Rated	-	392	-	-	392
Yankees:						
Corporate	AA	45	3,172	13	-	3,230
Corporate	A	46	5,621	14	-	5,681
Corporate	BBB	-	2,222	-	-	2,222
Government	AAA	-	6,481	-	-	6,481
Government	AA	-	2,021	-	-	2,021
Government	A	-	1,710	-	-	1,710
Government	BBB	-	55	-	-	55
Deposits and Investments with No Credit Exposure:						
Deposits		-	(6,239)	-	-	(6,239)
U.S. Treasury Bills	Not Rated	1,678	-	503	-	2,181
U.S. Treasury Notes	Not Rated	147	91,966	44	-	92,157
Participant-directed Funds						
Collective Investment Funds		-	-	-	605,770	605,770
Pooled Investment Funds		-	-	-	1,773,721	1,773,721
Wholly Owned Domestic Equity		-	-	-	129,934	129,934
Total Invested Assets		6,439	293,065	1,930	2,510,734	2,812,168
Pool Related Net (Liabilities)		(370)	-	(1)	-	(371)
Total		\$ 6,069	\$ 293,065	\$ 1,929	\$ 2,510,734	\$ 2,811,797

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At January 31, 2013, the SBS Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

The 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 five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group, unless explicitly backed by the U.S. Government.

The 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.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100%	100%
Agency Mortgage-backed Securities	50%	50%
Nonagency Mortgage-backed Securities	5%	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 – Nongovernmental 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 five percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

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

Equity holdings will be limited to five percent per issuer 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 are limited to two percent of the total portfolio at the time of purchase, 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 five 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, 2013, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

The 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.

The 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.

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

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

APFC is managed by a six member board of trustees (the "Trustees" or "Board") consisting of the Department of Revenue Commissioner, one other head of a principal State department, and four governor-appointed public members with recognized competence and experience in finance, investments, or other business management-related fields. The Alaska Permanent Fund (the "Fund") assets are diversified across a wide variety of investments, in accordance with statutes, regulations, and APFC investment policies.

Investments and Related Policies

Carrying value of investments

The Fund's investments are reported at fair value in the financial statements. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance. For marketable debt and equity securities, including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of investments that have no readily ascertainable fair value are determined by management using the fair value capital account balances nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Direct investments in real estate are subject to annual appraisals and audits. All alternative investments undergo annual independent financial statement audits.

State investment regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments for Fund assets. The 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.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various risk and asset classes.

At June 30, 2013, the APFC’s strategic asset allocation targets were as follows:

<u>Risk Class</u>	<u>Asset Class</u>	<u>Risk Class Target</u>	<u>Asset Class Target</u>
Cash		2%	2%
Interest Rates		6%	
	U.S. Government Bonds		4%
	International Developed Government Bonds (currency hedged)		2%
Company Exposure		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
Real Assets		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		18%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Debt Opportunities		1%
	Other (future opportunities)		2%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC’s chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the “green zone” in the investment policy), the APFC’s executive director can approve target deviations for up to 90 days within a broader range (the “yellow zone”), and the Board can approve operating for longer than 30 days within a third range (the “red zone”). For example, the target dollar allocation for the interest rate risk class is six percent, with the green zone range set at six to 12 percent, yellow zone ranges set at five to six percent and 12 to 20 percent, and red zone ranges set at allocations of less than five percent or greater than 20 percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio’s risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Interest Rate Risk

The APFC manages the Fund’s exposure to interest rate risk in part through tracking error guidelines set forth in the APFC’s investment policy. Duration is an indicator of a portfolio’s market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

At June 30, 2013, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$249,410 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 7.5 percent.

Credit Risk

The APFC requires that its investment grade fixed income managers, both internal and external, invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial Credit Risk

The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest bearing account at the custodian.

Concentration of Credit Risk

The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the financial statements.

Foreign Currency Risk

Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

Forward Exchange Contracts

Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and 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.

A portion of forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross fair value of futures does not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments.

Cash and Temporary Investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes two percent to cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2013 (in thousands):

Cash	\$ 62,405
Pooled Funds	1,543,820
U.S. Treasury Bills	681,898
Total Cash and Temporary Investments	<u>\$ 2,288,123</u>

Uninvested cash was held at the custodian, sub-custodian, or futures broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

Marketable Debt Securities

Marketable debt securities at June 30, 2013, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Treasury and Government Notes/Bonds	\$ 2,363,136	\$ 2,333,773	\$ (29,363)
Mortgage-backed Securities	833,794	830,363	(3,431)
Corporate Bonds	2,519,717	2,521,280	1,563
Commercial Mortgage/Asset-backed Securities	319,598	325,323	5,725
Non-U.S. Treasury and Government Bonds	1,022,837	987,832	(35,005)
Non-U.S. Corporate Bonds	519,215	516,762	(2,453)
Total Marketable Debt Securities	<u>\$ 7,578,297</u>	<u>\$ 7,515,333</u>	<u>\$ (62,964)</u>

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 88 percent of bond mandates at June 30, 2013), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 12 percent of bond mandates at June 30, 2013) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2013, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

NRSRO Quality Rating	Domestic	Non-domestic	Total Fair Value	Percent of Holdings
AAA	\$ 476,614	\$ 125,463	\$ 602,077	8.01%
AA	320,079	113,546	433,625	5.77%
A	1,059,986	145,493	1,205,479	16.04%
BBB	1,302,427	249,902	1,552,329	20.66%
BB	93,465	25,152	118,617	1.58%
B	89,820	-	89,820	1.19%
CCC	37,153	-	37,153	0.49%
CC	3,578	-	3,578	0.05%
D	2,003	-	2,003	0.03%
Total Fair Value of Rated Debt				
Securities	3,385,125	659,556	4,044,681	53.82%
Commingled Bond Funds	320,757	-	320,757	4.27%
Not Rated	15,384	49,669	65,053	0.86%
U.S. Government Explicitly Backed by the U.S. Government (AA)	2,467,189	-	2,467,189	32.83%
U.S. Government Implicitly Backed by the U.S. Government (AA)	617,653	-	617,653	8.22%
Total Fair Value Debt Securities	\$ 6,806,108	\$ 709,225	\$ 7,515,333	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2013, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasuries and Government Notes/Bonds	40.61%	5.53
Mortgage-backed Securities	14.67%	4.14
Corporate Bonds	38.93%	6.95
Commercial Mortgage and Asset-backed Securities	5.79%	3.80
Total Domestic Bonds	100.00%	5.78
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	60.83%	6.69
Non-U.S. Corporate Bonds	39.17%	6.23
Total Non-domestic Bonds	100.00%	6.51

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors.

Preferred and common stocks and commingled stock funds at June 30, 2013 are summarized as follows (based on currency of trade), and include the net fair value of equity index futures of \$781 thousand:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Direct Investments			
Domestic	\$ 6,263,232	\$ 8,121,463	\$ 1,858,231
Non-domestic	9,483,462	10,322,555	839,093
Commingled Funds	1,827,756	1,582,971	(244,785)
Total Preferred and Common Stock	<u>\$ 17,574,450</u>	<u>\$ 20,026,989</u>	<u>\$ 2,452,539</u>

Foreign Currency Exposure

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, 2013, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows, shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded (in thousands):

Foreign Currency	Cash and Equivalents	Foreign Exchange Forward Contracts	Public and Private Equity	Debt	Total Foreign Currency Exposure
Australian Dollar	\$ (7,053)	\$ (12,399)	\$ 430,896	\$ 13,132	\$ 424,576
Brazilian Real	3,238	(31,244)	198,731	60,232	230,957
British Pound Sterling	4,919	(133,113)	1,465,358	32,195	1,369,359
Canadian Dollar	7,519	(81,192)	604,958	25,857	557,142
Chilean Peso	(581)	(78)	18,461	14,991	32,793
Chinese Yuan Renminbi	-	(5,289)	-	386	(4,903)
Colombian Peso	-	(10,414)	9,039	23,497	22,122
Czech Koruna	56	(9,648)	3,248	9,275	2,931
Danish Krone	(102)	(1,242)	73,554	-	72,210
Egyptian Pound	58	-	990	-	1,048
Euro Currency	18,217	(200,424)	2,222,656	172,640	2,213,089
Hong Kong Dollar	4,265	18,046	611,813	-	634,124
Hungarian Forint	-	-	3,169	7,001	10,170
Indian Rupee	1,899	(6,139)	175,265	-	171,025
Indonesian Rupiah	(2,289)	3,220	127,796	1,361	130,088
Israeli Shekel	455	(7,232)	34,334	10,153	37,710
Japanese Yen	3,821	(90,681)	1,674,792	125,929	1,713,861
Malaysian Ringgit	(2,781)	(2,794)	76,177	3,361	73,963
Mexican Peso	2,463	(51,153)	100,698	87,838	139,846
Moroccan Dirham	13	-	818	-	831
New Zealand Dollar	117	(56,337)	12,211	8,350	(35,659)
Nigerian Naira	-	-	-	18,008	18,008
Norwegian Krone	563	23,482	70,915	6,969	101,929
Peruvian Nuevo Sol	3	(2,571)	-	5,071	2,503
Philippine Peso	136	(10,820)	32,410	23,087	44,813
Polish Zloty	154	(12,555)	21,278	34,339	43,216
Russian Ruble	-	(12,395)	-	35,095	22,700
Singapore Dollar	878	18,047	96,584	588	116,097
South African Rand	1,154	(11,090)	128,442	36,114	154,620
South Korean Won	(141)	(24,961)	346,716	19,388	341,002
Swedish Krona	1,246	20,752	227,794	2,469	252,261
Swiss Franc	6,165	14,522	513,268	-	533,955
Taiwan Dollar	1,194	(6,356)	226,174	-	221,012
Thai Baht	388	(915)	154,052	671	154,196
Turkish Lira	4,529	(25,858)	91,290	35,321	105,282
Uruguayan Peso	-	-	-	11,870	11,870
Total foreign currency exposure	<u>\$ 50,503</u>	<u>\$ (708,831)</u>	<u>\$ 9,753,887</u>	<u>\$ 825,188</u>	<u>\$ 9,920,747</u>

Cash amounts in the schedule above include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, real return mandates, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

Real Estate

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, a multi-family real estate operating company, and other entities in which the assets consist primarily of real property. The Fund invests in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that

hold title to the real estate. External institutional real estate management firms administer the Fund's directly owned real estate investments.

The APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY 13.

Real estate investments at June 30, 2013 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Real Estate Investment Trusts	\$ 852,648	\$ 1,041,141	\$ 188,493
Alaska Residential Mortgage	3	3	-
Directly Owned Real Estate:			
Retail	771,350	1,447,403	676,053
Office	1,371,761	1,572,324	200,563
Industrial	227,534	246,694	19,160
Multifamily	990,894	1,227,377	236,483
Total Real Estate	<u>\$ 4,214,190</u>	<u>\$ 5,534,942</u>	<u>\$ 1,320,752</u>

Alternative Investments

Alternative investments include the Fund's investments in or through real return mandates, absolute return strategies, private equity, infrastructure, distressed debt, and mezzanine debt. The APFC periodically reviews alternative investments for other than temporary impairment.

The objective for the real return mandate is to produce a five percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager's contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund's absolute return strategies are managed through three limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries with respect to the Fund. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. Each fund-of-one provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit. Many absolute return investments by their nature have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund holds private equity through investments in limited liability companies and limited partnerships that 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 external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. There was no impairment recognized in FY 13.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund invests in distressed debt through limited partnerships that invest either directly in distressed debt or in commingled limited liability funds with a distressed debt or credit opportunity focus. The Fund invests in mezzanine debt through limited partnerships that invest directly in mezzanine debt. These investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Distressed debt and mezzanine investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30, 2013 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains/(Losses)
Real return	\$ 2,715,569	\$ 3,061,731	\$ 346,162
Absolute return	2,297,612	2,640,327	342,715
Private equity	1,835,260	2,089,273	254,013
Infrastructure	814,351	852,643	38,292
Distressed and mezzanine debt	1,136,492	1,290,216	153,724
Total alternative investments	<u>\$ 8,799,284</u>	<u>\$ 9,934,190</u>	<u>\$ 1,134,906</u>

As of June 30, 2013, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$1.66 billion for private equity; \$800 million for infrastructure; and \$249.1 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Emerging Markets Total Opportunities

APFC's emerging market multi-asset class mandates represent portfolios that invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type.

Emerging market mandates at June 30, 2013 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains/(Losses)
Emerging Markets Total Opportunities	\$ 914,233	\$ 806,805	\$ (107,428)

Alaska Certificates of Deposit

State regulations and APFC investment policy authorize the APFC 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. The certificates of deposit are secured by collateral consisting of letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored enterprises.

In FY 13, APFC did not renew its certificates of deposit.

Securities Lending

State regulations at 15 AAC 137.510 and APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and non-domestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other non-domestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any non-cash collateral) to

purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2013, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, 2013 the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan	\$ 3,261,466
Cash Collateral	3,451,974

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2013, the Fund incurred no losses from securities lending transactions. The Fund received income of \$10,839 thousand from securities lending for the year ended June 30, 2013, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

Investment Income by Source

Investment income during the year ended June 30, 2013, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	\$ 258,504
Alaska Certificates of Deposit	1,227
Short-term Domestic and Other	9,674
Total Interest	<u>\$ 269,405</u>
Dividends	<u>\$ 531,486</u>
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	\$ 164,688
Real Estate Investment Trust Dividends	12,283
Real Return Interest and Dividends	27,075
Absolute Return Management Expenses, Net of Dividend and Interest Income	(17,277)
Distressed and Mezzanine Debt Interest Income, Net of Fees	35,553
Infrastructure Interest and Dividend Income, Net of Fees	29,180
Private Equity Dividend Income, Net of Management Expenses	15,532
Class Action Litigation Income	2,689
Loaned Securities, Commission Recapture and Other Income	11,283
Total Real Estate and Other Income	<u>\$ 281,006</u>

Foreign Exchange Contracts Futures and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2013 ranged between one and 101 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. The Fund's market risk as of June 30, 2013 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 FY 13 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	\$ 1,681,427
Net Unrealized Holding Gains on FX Forward Contracts	15,575
Fair Value of FX Forward Contracts	<u>\$ 1,697,002</u>
Change in Unrealized Holding Losses	\$ 25,084
Realized Gains	38,526
Net Increase in Fair Value of FX Forward Contracts	<u>\$ 63,610</u>

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 13, the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for FY 13 is summarized as follows (in thousands):

Face Value of Equity Index Futures	\$ 138,182
Net Unrealized Holding Gains on Futures	781
Fair Value of Equity Index Futures	<u>\$ 138,963</u>
Change in Unrealized Holding Losses	\$ (11,428)
Realized Gains	46,759
Net Increase in Fair Value of Futures	<u>\$ 35,331</u>

Activity and balances related to U.S. Treasury index futures for FY 13 is summarized as follows (in thousands):

Face Value of U.S. Treasury Index Futures	\$ 195,197
Net Unrealized Holding Losses on Futures	(1,355)
Fair Value of U.S. Treasury Index Futures	<u>\$ 193,842</u>
Change in Unrealized Holding Losses	\$ (425)
Realized Losses	(4,080)
Net Decrease in Fair Value of U.S. Treasury Futures	<u>\$ (4,505)</u>

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other balance and activity amounts shown above are included in the Fund's financial statements within the net increase/ (decrease) in fair value of investments on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Easements and right of way are grouped with land, and software is grouped with equipment.

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
Intangible Assets and Computer Software	500,000	3-7		
Building Improvements	100,000	1-50	All	5-40
Machinery/equipment	100,000	3-60	5,000	5-10
Construction in Progress				

When a proprietary or fiduciary fund has its own capitalization policy, capital assets will be capitalized under that policy rather than in accordance with the above table.

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, 2013, are as follows (in millions):

Governmental Activities	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 545	\$ 36	\$ (8)	\$ 573
Land	323	16	-	339
Construction in progress	1,367	515	(576)	1,306
Total capital assets not being depreciated	2,235	567	(584)	2,218
Capital assets being depreciated:				
Buildings	1,726	238	(25)	1,939
Intangible - Software	53	8	-	61
Equipment	899	55	(17)	937
Infrastructure	6,684	419	-	7,103
Total capital assets being depreciated	9,362	720	(42)	10,040
Less accumulated depreciation for:				
Buildings	(536)	(86)	17	(605)
Intangible - Software	(46)	(8)	-	(54)
Equipment	(456)	(45)	10	(491)
Infrastructure	(4,070)	(321)	-	(4,391)
Total accumulated depreciation	(5,108)	(460)	27	(5,541)
Total capital assets being depreciated, net	4,254	260	(15)	4,499
Capital assets, net	\$ 6,489	\$ 827	\$ (599)	\$ 6,717

Internal service funds predominantly serve the governmental funds. Accordingly, capital assets for internal funds are included as part of the above schedule for governmental activities.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31	\$ -	\$ -	\$ 31
Construction in progress	70	55	(43)	82
Total capital assets not being depreciated	<u>101</u>	<u>55</u>	<u>(43)</u>	<u>113</u>
Capital assets being depreciated:				
Buildings	1,035	53	-	1,088
Equipment	89	11	-	100
Infrastructure	771	30	-	801
Total capital assets being depreciated	<u>1,895</u>	<u>94</u>	<u>-</u>	<u>1,989</u>
Less accumulated depreciation for:				
Buildings	(285)	(32)	-	(317)
Equipment	(57)	(7)	-	(64)
Infrastructure	(359)	(27)	-	(386)
Total accumulated depreciation	<u>(701)</u>	<u>(66)</u>	<u>-</u>	<u>(767)</u>
Total capital assets being depreciated, net	<u>1,194</u>	<u>28</u>	<u>-</u>	<u>1,222</u>
Capital assets, net	<u>\$ 1,295</u>	<u>\$ 83</u>	<u>\$ (43)</u>	<u>\$ 1,335</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), 100.5 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	\$ 18
Education	9
Health and Human Services	5
Law and Justice	3
Natural Resources	5
Development	1
Public Protection	56
Transportation	334
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>29</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 460</u></u>
Business-type Activities	
Enterprise	<u><u>\$ 66</u></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, 2013 (in millions):

	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 101	\$ 6	\$ (1)	\$ 106
Library, media, and museum collections	60	2	-	62
Construction in progress	363	479	(227)	615
Infrastructure	-	-	-	-
Total capital assets not being depreciated	<u>524</u>	<u>487</u>	<u>(228)</u>	<u>783</u>
Capital assets being depreciated/depleted:				
Intangible - Software	1	-	-	1
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Buildings	1,630	165	(7)	1,788
Equipment	576	30	(13)	593
Infrastructure	1,407	48	-	1,455
Total capital assets being depreciated/depleted	<u>3,639</u>	<u>243</u>	<u>(20)</u>	<u>3,862</u>
Less accumulated depreciation/depletion for:				
Intangible - Software	(1)	-	-	(1)
Intangible - Right of Use	(4)	(1)	-	(5)
Buildings	(826)	(56)	3	(879)
Equipment	(322)	(34)	12	(344)
Infrastructure	(562)	(51)	-	(613)
Total accumulated depreciation/depletion	<u>(1,715)</u>	<u>(142)</u>	<u>15</u>	<u>(1,842)</u>
Total capital assets being depreciated/depletion, net	<u>1,924</u>	<u>101</u>	<u>(5)</u>	<u>2,020</u>
Capital assets, net	<u>\$ 2,448</u>	<u>\$ 588</u>	<u>\$ (233)</u>	<u>\$ 2,803</u>

University of Alaska art, library, and museum collections, which are capitalized but not depreciated, 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.

Beginning balances for the discretely presented component units have been restated. In FY 2013, the 28th Legislature eliminated the Alaska Natural Gas Development Authority and moved the Alaska Gasline Development Corporation from being a subsidiary of the Alaska Housing Finance Corporation to being an independent public corporation of the State.

NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

SHORT-TERM DEBT

Two enterprise funds, the Alaska Clean Water Fund and the Alaska Drinking Water Fund issued bond anticipation notes during FY 2013 totaling \$1,689 thousand and \$1,800 thousand respectively. The proceeds were used to fund the State share

of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

The State issued bond anticipation notes during FY 2013 totaling \$150,000 thousand that will mature in FY 2014.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2013 is as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Bond Anticipation Notes	\$ -	\$ 153,489	\$ 3,489	\$ 150,000

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2013 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 414,060	\$ 1,548	\$ 12,562	\$ 403,046	\$ 6,713
General obligation debt	609,957	348,462	64,453	893,966	191,828
Capital leases payable	359,516	5,279	23,030	341,765	23,717
Unearned revenue	379,654	29,594	12,067	397,181	29,488
Certificates of participation	11,375	-	6,465	4,910	1,565
Compensated absences	170,167	180,206	174,013	176,360	155,522
Claims and judgments	98,250	49,145	36,801	110,594	38,680
Pollution Remediation	108,099	11,032	19,846	99,285	10,713
Other noncurrent liabilities	938	63	10	991	523
Net pension obligation	2,861	-	2,861	-	-
Total	\$2,154,877	\$ 625,329	\$ 352,108	\$2,428,098	\$ 458,749

Beginning balances for revenue bonds payable and general obligation debt were restated (\$85 thousand and \$4 thousand respectively) due to the State's conversion to a debt management software system that resulted in more precise calculations of debt activity.

In FY 2013, the legislature made an additional contribution to the Judicial Retirement System that decreased the net pension obligation to zero. Please refer to Note 7 for information on the additional contribution.

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 and special revenue 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, except for the payments by Capital Project Funds for the rebate of arbitrage. 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.

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Arbitrage rebates payable are reported under claims and judgments.

Business-type Activities	Beginning			Ending		Amounts
	Balance	Increases	Decreases	Balance	Balance	Due Within One Year
Revenue bonds payable	\$ 579,579	\$ -	\$ 14,550	\$ 565,029	\$	14,350
Unearned revenue	783	1,462	783	1,462		1,462
Compensated absences	4,770	4,077	4,209	4,638		3,770
Pollution Remediation	1,313	-	60	1,253		81
Total	<u>\$ 586,445</u>	<u>\$ 5,539</u>	<u>\$ 19,602</u>	<u>\$ 572,382</u>		<u>\$ 19,663</u>

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

Under Article IX, Section 8 of the State Constitution and AS 37.15, the State Bonding Act, general obligation bonds must be authorized by law and ratified by voters and generally must be issued for capital improvements. There is no statutory limit on the amount of State general obligation bonds that may be authorized.

The full faith, credit, and resources of the State are pledged to secure payment of general obligation bonds. As of June 30, 2013, the following were the general obligation bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2014	\$ 189.7	\$ 34.0	\$ 223.7
2015	38.3	29.7	68.0
2016	39.5	28.3	67.8
2017	40.9	26.7	67.6
2018	42.7	24.8	67.5
2019-2023	173.2	98.3	271.5
2024-2028	146.4	62.7	209.1
2029-2033	139.1	25.2	164.3
2034-2038	23.0	2.8	25.8
Total debt service requirements	832.8	<u>\$ 332.5</u>	<u>\$ 1,165.3</u>
Unamortized bond premium	61.2		
Total principal outstanding	<u>\$ 894.0</u>		

The General Obligation Bonds Series 2003A were issued for the purpose of paying \$235,215,500 of the cost of design, construction and major maintenance of educational and museum facilities and for the purpose of paying \$123,914,500 of the costs of State transportation projects. The Series 2003B Bonds were issued for the purpose of paying \$102,805,000 of the costs of State transportation projects. The Series 2009A Bonds were issued for the purpose of paying \$165,000,000 of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164,570,000 of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191,410,000 on the 2003A Series Bonds. The Series 2013 A and B Bonds were issued for the purpose of paying \$162,480,000 of the costs of State education projects. The Series 2013C Bonds were issued for the purpose of paying \$149,645,000 of the costs of State transportation projects.

Federal subsidies related to the interest payments made during the year on the bonds were \$4.8 million.

The amount of General Obligation Bonds authorized but not issued at June 30, 2013 was \$336.6 million.

REVENUE BONDS

As of June 30, 2013, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 6.7	\$ 19.1	\$ 14.4	\$ 26.9
2015	13.6	18.9	20.6	26.1
2016	14.3	18.3	21.7	25.1
2017	12.0	17.6	21.4	24.0
2018	7.2	17.0	27.9	22.9
2019-2023	43.1	79.6	160.7	91.3
2024-2028	44.4	68.3	202.1	45.8
2029-2033	46.4	57.7	64.3	11.7
2034-2038	59.9	44.8	20.1	1.9
2039-2043	80.7	28.0	-	-
2044-2048	73.6	131.5	-	-
Total debt service requirements	401.9	<u>\$ 500.8</u>	553.2	<u>\$ 275.7</u>
Unamortized bond (discounts)/premiums	(5.1)		11.8	
Plus accreted value	6.3		-	
Total principal outstanding	<u>\$ 403.1</u>		<u>\$ 565.0</u>	

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 Position.

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2013 includes \$362.0 million in principal, \$486.3 million in interest, \$7.5 million in unamortized discount, and \$6.3 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing Revenue Bonds Series 2006 were 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 full faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes \$39.9 million in principal, \$14.5 million in interest, and \$2.4 million in unamortized premium.

International Airports Revenue Bonds

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. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. No International Airports Revenue Bonds were refunded during FY 13. At June 30, 2013 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$430 thousand.

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2014	\$ 37.5	\$ 23.7	\$ 18.0	\$ 41.7
2015	25.5	23.9	16.8	40.7
2016	19.9	21.1	15.7	36.8
2017	14.2	19.8	14.6	34.4
2018	10.0	17.1	13.7	30.8
2019-2023	15.7	85.1	54.9	140.0
2024-2028	3.7	72.5	34.5	107.0
2029-2033	1.7	77.0	12.5	89.5
2034-2038	0.5	-	0.4	0.4
2039-2043	0.2	-	0.3	0.3
2044-2048	0.2	-	0.3	0.3
2049-2053	0.2	-	0.3	0.3
2054-2058	0.1	-	0.3	0.3
2059-2063	1.7	1.6	1.9	3.5
Total	<u>\$ 131.1</u>	<u>\$ 341.8</u>	<u>\$ 184.2</u>	<u>\$ 526.0</u>

Leases at June 30, 2013 are reported by the State of Alaska within Governmental Activities and Business-Type Activities, as applicable.

The State leases office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the State Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Buildings and equipment under capital leases as of June 30, 2013 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 462,984	\$ -
Equipment	8,871	-
Less: Accumulated Depreciation	(76,309)	-
	<u>\$ 395,546</u>	<u>\$ -</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, 2013 (in millions):

Governmental Activities Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2014	\$ 1.6	\$ 0.2	\$ 1.8
2015	1.6	0.2	1.8
2016	1.7	0.1	1.8
Total	<u>\$ 4.9</u>	<u>\$ 0.5</u>	<u>\$ 5.4</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2014	\$ 201.8	\$ 151.0	\$ 352.8
2015	183.9	144.6	328.5
2016	186.9	137.6	324.5
2017	192.7	130.7	323.4
2018	191.1	123.4	314.5
2019-2023	880.0	507.9	1,387.9
2024-2028	693.4	345.1	1,038.5
2029-2033	636.0	196.5	832.5
2034-2038	433.9	85.5	519.4
2039-2043	324.3	18.4	342.7
2044-2048	11.6	1.5	13.1
Total debt service requirements	<u>3,935.6</u>	<u>\$ 1,842.2</u>	<u>\$ 5,777.8</u>
Unamortized (discounts)/premiums	40.0		
Unamortized swap termination penalty	(15.0)		
Deferred amount on refunding	(19.4)		
Total principal outstanding	<u>\$ 3,941.2</u>		

The preceding table does not include \$1,141 thousand of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

The Alaska Housing Finance Corporations (AHFC) entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. AHFC's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what AHFC would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Assets, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

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 asset or liabilities in the marketplace if a swap were to be terminated.

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps' fair value. As of June 30, 2013, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2013, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	A+/Aa3
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	AAA/Aa3
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AAA/Aa1
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	AAA/Aa3
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	A+/Aa1
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa1
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa1
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A/A1
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa1
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa1

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate 1 month

⁵ London Interbank Offered Rate 3 month

⁶ Securities Industry and Financial Markets Municipal Swap Index

⁷ Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2013, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2013	Fair Values June 30, 2012	Change in Fair Values
GP01A	\$ 55,705	\$ 58,793	\$ (3,088)	\$ (6,419)	\$ 3,331
GP01B	68,075	81,828	(13,753)	(19,306)	5,553
E021A1	43,255	47,361	(4,106)	(7,397)	3,291
E021A2	77,240	82,251	(5,011)	(8,764)	3,753
SC02C	55,610	62,712	(7,102)	(9,689)	2,587
E071AB	143,622	174,084	(30,462)	(48,522)	18,060
E071BD	95,748	115,704	(19,956)	(31,966)	12,010
E091A	72,789	88,750	(15,961)	(25,233)	9,272
E091B	72,789	88,682	(15,893)	(25,267)	9,374
E091ABD	97,052	117,790	(20,738)	(33,194)	12,456
Total	\$ 781,885	\$ 917,955	\$ (136,070)	\$ (215,757)	\$ 79,687

As of June 30, 2013, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments 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 Principal	Outstanding Variable-Rate Debt Interest	Swap Net Payment	Total Payment
	2014	\$ 12,645	\$ 788	\$ 27,073
2015	13,175	782	26,620	40,577
2016	13,745	775	26,148	40,668
2017	16,765	767	25,655	43,187
2018	20,040	752	25,011	45,803
2019-2023	137,120	3,447	112,306	252,873
2024-2028	150,400	2,806	87,243	240,449
2029-2033	161,830	2,040	59,850	223,720
2034-2038	158,930	1,171	32,518	192,619
2039-2043	97,235	257	6,252	103,744
	<u>\$ 781,885</u>	<u>\$ 13,585</u>	<u>\$ 428,676</u>	<u>\$ 1,224,146</u>

Interest Rate Risk

AHFC is exposed to interest rate risk on all of its interest rate swaps. As the London Interbank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association (SIFMA) index decreases, AHFC's net payment on the swaps increases.

Credit Risk

As of June 30, 2013, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. 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 to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 33 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 32 percent of the total notional amount of the swaps is held with one counterparty rated A+/Aa1. Of the remaining swaps, one counterparty is rated AAA/Aa3, another counterparty is rated A/A1, and the remaining counterparty is rated A+/Aa3, approximating 19 percent, 9 percent, and 7 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC's variable-rate bond interest payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2013, SIFMA was 0.06 percent and 1 month LIBOR was 0.19535 percent, resulting in a SIFMA/LIBOR ratio of 30.7 percent. The 3 month LIBOR was 0.2756 percent resulting in a SIFMA/LIBOR ratio of 21.8 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and AHFC would be exposed to interest rate risk on the bond. 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, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in AHFC making termination payments totaling \$22,181 thousand to the counterparties. AHFC replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps. An additional payment of \$150 thousand was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

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. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

INVESTMENT DERIVATIVES

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2013, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	A+/Aa1

The change in fair value of the investment derivatives as of June 30, 2013, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2013	Fair Values June 30, 2012	Change in Fair Values
SC02B	\$ 14,555	\$ 17,120	\$ (2,565)	\$ (3,723)	\$ 1,158

Credit Risk

As of June 30, 2013, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa1.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees’ Retirement System – Defined Benefit (PERS-DB)

PERS-DB 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 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-DB provides for normal pension benefits and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the PERS-DB to new members effective July 1, 2006 and created a Public Employees’ Retirement System Defined Contribution Retirement Plan (PERS-DCR). Information regarding PERS-DCR is disclosed in Note 8.

Prior to July 1, 2008, PERS was a defined benefit, agent, multiple-employer public employee retirement plan. The Alaska Legislature passed Senate Bill 125, which was signed by the Governor on April 2, 2008. This law converted the PERS to a cost-sharing plan under which the unfunded liability will be shared among all employers. This legislation also established a uniform contribution rate of 22 percent of participating employees’ covered payroll.

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 originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, the Teacher’s Retirement System – Defined Benefit (TRS-DB), the Judicial Retirement System (JRS) and the Elected Public Officers Retirement System (EPORS) Plans. Due to the establishment of the Alaska Retiree Healthcare Trust (ARHCT) effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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 PERS-DB Plan is a plan within the Public Employees’ Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. PERS includes the PERS-DB and ARHCT. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The PERS component unit is comprised of the PERS-DB, PERS-DCR Plans, and the ARHCT. 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. Participants should refer to the plan agreement for more complete information. 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, 2013 the number of PERS participating employers was:

State of Alaska	3
Municipalities	77
School Districts	53
Other	26
Total Employers	<u>159</u>

PERS-DB 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-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment

healthcare benefits when due. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2013 was capped at 22 percent of compensation.

The state’s contributions to PERS-DB for the fiscal years ended June 30, 2013, 2012 and 2011 were \$244.9, \$201.2, and \$237.7 million respectively for the year. For the FY 13 contributions, \$107.4 million was for pensions and \$137.5 million was for postemployment benefits. The contributions were equal to the required contributions in FY 13.

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the PERS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 15 SLA 2012 appropriated \$307.3 million from the General Fund to the PERS-DB as an additional state contribution for FY 13. The portion of this payment attributable to State of Alaska employers is \$181,818 thousand, of which \$97,084 thousand is for pensions and \$84,735 thousand is for postemployment benefits.

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 on or after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may 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 and all other employees with 30 years of membership service also receive benefits at no premium cost.

The Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
		Pension	Postemployment healthcare	Total		
2010	2007	\$ 217,080	\$ 790,793	\$ 1,007,873	86.0%	86.4%
2011	2008	220,419	525,075	745,494	92.7%	71.4%
2012	2009	351,674	498,433	850,107	89.2%	73.6%

The Teachers’ Retirement System – Defined Benefit (TRS-DB)

TRS-DB 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. Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS-DB provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers’ Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 8.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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 TRS-DB Plan is a plan within the Teachers’ Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. TRS includes the TRS-DB and the ARHCT Fund. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of TRS.

TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The TRS component unit is comprised of the TRS-DB, TRS-DCR Plans, and ARHCT. 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. Participants should refer to the plan agreement for more complete information. 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, 2013 the number of participating employers was:

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

TRS-DB 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 1.11 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 a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2013 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

The state's contributions to TRS-DB for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5.3, \$5.7, and \$6.0, million respectively, equal to the required contributions for each year. For the FY 13 contributions, \$2.7 million was for pensions and \$2.6 million was for postemployment benefits. The contributions were equal to the required contributions in FY 13.

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the TRS-DB past service liability at the contribution rate adopted by the ARMB for that fiscal year.

Chapter 15 SLA 2012 appropriated \$302.8 million from the General Fund to the TRS-DB as an additional state contribution for FY 13. The portion of this payment attributable to State of Alaska employers is \$18,549 thousand, of which \$12,066 thousand is for pensions and \$6,484 thousand is for postemployment benefits.

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.

The Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
		Pension	Postemployment healthcare	Total		
2010	2007	\$170,788	\$ 312,922	\$483,710	78.6%	52.4%
2011	2008	167,978	167,686	335,664	84.6%	77.3%
2012	2009	229,509	192,700	422,209	85.2%	65.4%

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.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, a pension trust fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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.

Senate Bill 123 was passed during the 2007 legislative session and which created the ARHCT beginning July 1, 2007. The ARHCT is self-funded and provides major medical coverage to retirees of the JRS. JRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

JRS is considered a component unit of the State of Alaska 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 seven 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 sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2012, was 69.48 percent of compensation. Total contributions for FY 13 were \$8 million for pensions, and \$1 million for postemployment benefits.

The Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
		Pension	Postemployment healthcare	Total		
2010	2010	\$ 5,236	\$ 1,433	\$ 6,669	69.8%	60.9%
2011	2012	3,896	723	4,619	98.5%	80.1%
2012	2012	5,052	713	5,765	107.3%	97.8%

Included in the total contributions amounts above is \$3.8 million appropriated in Chapter 15 SLA 2012 from the General Fund to JRS as an additional state contribution for FY 13 for the purpose of funding the retirement system.

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
2008	\$ 122,883	\$ 130,596	\$ (7,713)	94.1%	\$ 10,462	(73.7%)
2010	115,000	164,524	(49,524)	69.9%	11,846	(418.1%)
2012	112,870	182,267	(69,397)	61.9%	11,803	(588.0%)

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
2008	\$ 18,353	\$ 19,941	\$ (1,588)	92.0%	\$ 10,462	(15.2%)
2010	19,694	22,346	(2,652)	88.1%	11,846	(22.4%)
2012	20,836	18,236	2,600	114.3%	11,803	22.0%

The actuarial valuation as of June 30, 2012 set the contribution rates for the year ended June 30, 2013. The State of Alaska's net pension and other postemployment benefit (OPEB) obligations for FY 13 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	\$ 5,052	\$ 713
Interest on net pension asset	17	(26)
Adjustment to annual required contribution	(15)	23
Annual Pension Cost (APC)/OPEB Cost (AOC)	5,054	710
Contributions Made	(7,760)	(1,169)
Increase in Obligation	(2,706)	(459)
Net Pension Obligation/(Asset) Beginning of Year	212	(326)
Net Pension Obligation/(Asset) End of the Year	\$ (2,494)	\$ (785)

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
	2011	\$ 5,246	85.0%	\$ 1,541
	2012	5,255	96.0%	1,751
	2013	5,054	153.5%	(5,494)

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	Net OPEB Obligation /(Asset)
	2011	\$ 1,432	49.4%	\$ 642
	2012	1,441	67.5%	1,110
	2013	710	164.7%	(785)

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 of Alaska 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 sufficient to accumulate assets to pay benefits when due. State contributions are determined using the entry age normal 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)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio
2008	\$ 28,371	\$ 28,905	\$ (534)	98.2%
2010	32,001	30,034	1,966	106.5%
2012	33,682	32,771	911	102.8%

The actuarial valuation as of June 30, 2012 set the contribution rates for the year ended June 30, 2015. The State of Alaska’s net pension obligation for FY 13 follows:

Annual Required Contribution	\$ 431,367
Interest on net pension asset	(11,126)
Adjustment to annual required contribution	24,877
Annual Pension Cost (APC)	445,118
Contributions Made	(739,100)
Decrease in Net Pension Asset	(293,982)
Net Pension Obligation/(Asset) Beginning of Year	(158,948)
Net Pension Obligation/(Asset) End of the Year	\$ (452,930)

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2011	\$ 965	100.0%	\$ (174)
2012	896	100.0%	(159)
2013	431	171.3%	(453)

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 five percent for each year of service as governor, lieutenant governor, or a legislator, plus two 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 seven 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, 2013, 2012, and 2011 was \$2.0 million per year. In FY13 there was no covered payroll. 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, 2012.

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

Actuarial Valuation Year ` June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio
2008	\$0	\$22,194	\$(22,194)	0.0%
2010	0	19,551	(19,551)	0.0%
2012	0	18,221	(18,221)	0.0%

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
2008	\$0	\$5,168	\$(5,168)	0.0%
2010	0	4,707	(4,707)	0.0%
2012	0	4,353	(4,353)	0.0%

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.

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage	Net
			of APC Contributed	Pension Obligation /(Asset)
	2011	\$ 1,510	100.0%	\$ -
	2012	1,501	100.0%	-
	2013	1,505	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage	OPEB
			of AOC Contributed	Obligation /(Asset)
	2011	\$ 483	100.0%	\$ -
	2012	505	100.0%	-
	2013	522	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.

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$12,551,625
Teachers' Retirement System	5,163,183
Judicial Retirement System	141,264
Alaska National Guard and Alaska Naval Militia Retirement System	34,141

PLAN MEMBERSHIPS

The table below includes the plan membership counts. For PERS, TRS and JRS, the counts are from the notes to the separately issued financial statements for the various plans. NGNMRS and EPORS are as of the most recent valuation report date.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	6/30/12	6/30/12	6/30/12	6/30/12	6/30/12
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	34,834	12,169	113	1,916	37
Current active employees:					
Vested	20,842	5,918	43	*	-
Nonvested	1,888	927	26	4,397	-
Total	<u>57,564</u>	<u>19,014</u>	<u>182</u>	<u>6,313</u>	<u>37</u>

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

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

The objective under the entry age normal actuarial funding method is to fund each participant's benefits under the Plan as a level percentage of covered compensation, starting at original participation date, and continuing until the assumed retirement, disability, termination, or death. On introduction, this method produces a liability which represents the contributions which would have been accumulated had this method always been in effect. This liability is generally funded over a period of years as a level percentage of compensation. This component is known as the Amortization Cost Percentage. The total employer appropriation cost of the system is the total of the Normal Cost Percentage and the Amortization Cost Percentage.

The following main assumptions were used in the actuarial valuation.

System	Investment Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amorization Period	Salary Scale Increase	Valuation Date
PERS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	18 years	Peace Officer/Firefighter: Merit –2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of services, 1.50% grading down to 0% Productivity – 0.5% per year.	6/30/2012
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	18 years	6.11% for first 5 years of service grading down to 3.62% after 20 years	6/30/2012
JRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	20 years	4.12%	6/30/2012
NGNMR	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2012
EPORS	4.75% Includes Inflation at 3.12%	Entry age	Level dollar basis	25 years	None	6/30/2012
<u>Health Care Inflation</u>						
			<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Rx</u>	
For all systems above:		FY13	9.00%	6.50%	6.40%	
		FY14	8.70%	6.40%	6.30%	

For PERS assets are at fair value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. For TRS, and JRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets. NGNMRS and JRS assets valuation was changed from using the market value of assets without smoothing of gains and losses to a five year smoothing asset valuation method. This method is being phased in over five years with the first phase-in recognized during FY 07.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial report purposes are based on the substantive plan and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 \$2,335.2 thousand in FY 13.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees' Retirement System – Defined Contribution Retirement Plan (PERS-DCR)

PERS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created PERS-DCR effective July 1, 2006. The PERS-DCR Plan savings are accumulated in an individual retirement account for exclusive benefit of the members or beneficiaries.

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7), PERS-DCR Plans, and the PERS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupational Death and Disability. PERS is reported as a pension (and other employee benefit) trust fund by the State. PERS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2013, there were 159 employers participating in PERS-DCR. There were four retirees or beneficiaries currently receiving benefits, 1,132 terminated plan members entitled to future benefits, and 14,637 active members, of which 13,516 are general employees and 1,121 are peace officers and firefighters.

PERS-DCR pension contribution rates are eight percent for PERS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to five percent of the member's compensation. Participant accounts under the PERS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 13 for each member's compensation was 0.48 percent for medical coverage and 0.20 percent for death and disability (1.14 percent for peace officers and firefighters). HRA is \$158.06 per month for full time employees and \$1.22 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2013 by the employees were \$29,809 thousand and the State of Alaska employers were \$18,631 thousand. The PERS other postemployment contributions for the year ended June 30, 2013 were \$14,471 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2013 is \$492,416 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

The Teachers' Retirement System – Defined Contribution Retirement Plan (TRS-DCR)

TRS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created TRS-DCR effective July 1, 2006. TRS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see Note 7), TRS-DCR Plans, TRS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupation Death and Disability. TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2013, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 829 terminated plan members entitled to future benefits, and 3,376 active members.

TRS-DCR pension contribution rates are eight percent for TRS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to seven percent of the member's compensation. Participant accounts under the TRS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, two pension trust sub-funds were created in TRS, the RMP and HRA. The TRS OD&D trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP

contribution rate for FY 13 for each member's compensation was 0.47 percent for medical coverage, zero percent for death and disability. HRA is \$158.06 per month for full-time employees and \$1.22 per hour for part-time employees.

The TRS pension contributions for the year ended June 30, 2013 by the employees were \$522 thousand and the State of Alaska employers were \$456 thousand. The TRS other postemployment contributions for the year ended June 30, 2013 were \$233 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2013 is \$201,753 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

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 which 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, 2013, there were twenty-one other employers participating in SBS. There were 41,494 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. Through September 30, 2005, the Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in SBS. Effective 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, 2013, were \$142,862 thousand. The State's covered payroll was approximately \$1,165,271 thousand.

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, 2013, were \$3,426 thousand.

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The State administers the Dependent Care Assistance Program.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2013. 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, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

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 \$1,229 thousand in FY 13.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation 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, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a 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, 2012 the Deferred Compensation Plan had approximately 10,100 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 law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This 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 Deferred Compensation Plan.

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and record-keeping. The Alaska Retirement Management Board is responsible for the specific investment of monies in the Deferred Compensation Plan.

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

Deferred Compensation Plan net assets as of December 31, 2012 were \$660,729 thousand. The Deferred Compensation Plan 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, 2013, 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	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ 5,858	\$ 90	\$ 934	\$ 9,204	\$ 25,440	\$ 41,526
Alaska Permanent Fund	633,735	-	-	-	-	-	633,735
Nonmajor							
Governmental Funds	33,116	-	-	-	-	-	33,116
International Airports	62,564	186	-	-	-	-	62,750
Nonmajor							
Enterprise Funds	1,663	-	-	-	-	-	1,663
Internal Service Funds	1,002	-	-	-	-	-	1,002
Fiduciary Funds	15,591	-	-	-	-	4	15,595
Other	201	-	-	-	-	-	201
Total	<u>\$ 747,872</u>	<u>\$ 6,044</u>	<u>\$ 90</u>	<u>\$ 934</u>	<u>\$ 9,204</u>	<u>\$ 25,444</u>	<u>\$ 789,588</u>

The \$633 million balance due from the Alaska Permanent Fund to the General Fund includes \$568.3 million for payment of 2013 Permanent Fund dividends to qualified residents of the State and \$29.6 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2013 Permanent Fund Dividend Program.

The amounts reported as “Other” are for the SBS and DCP Funds. As explained in Note 1, the annual financial statements for SBS and DCP Funds are for fiscal years ended January 31, 2013 and December 31, 2012, respectively. Therefore, because of the different fiscal year-end of the SBS and DCP Funds, the total amount reported as due from other funds exceeds the total amount reported as due to other funds by \$201 thousand.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ 69,274	\$ 4,252	\$ 22,537	\$ 15,689	\$ -	\$ 111,752
Alaska Permanent Fund	633,735	-	-	-	-	-	633,735
Nonmajor Governmental Funds	-	9,356	-	-	-	64	9,420
Nonmajor Enterprise Funds	3,662	-	-	-	-	-	3,662
Total	<u>\$ 637,397</u>	<u>\$ 78,630</u>	<u>\$ 4,252</u>	<u>\$ 22,537</u>	<u>\$ 15,689</u>	<u>\$ 64</u>	<u>\$ 758,569</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 \$568.3 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$29.6 million transfer to the Alaska Capital Income Fund.

NOTE 11 – RELATED PARTY ACTIVITY

Pursuant to understanding and agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, personnel, data processing, communications and other services to AEA. AIDEA recognized revenue totaling \$7,993 thousand for providing these services during the year ending June 30, 2013. At June 30, 2013 AIDEA had \$3,538 thousand receivable from AEA for services and borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default. The current loan outstanding balance at June 30, 2013 is \$19,463 thousand.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that are required by NTSC to prepare, execute, file or deliver pursuant to the bond indentures and the related agreements for a monthly fee. NTSC also entered into a sub-lease agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2013 was approximately \$9 thousand.

Alaska Gasline Development Corporation (AGDC) utilizes certain AHFC administrative and support services and products such as general commercial liability insurance and risk management, employee medical plans, accounting and financial systems and treasury, IS equipment and software, contract support and other administrative services. The total due to AHFC at June 30, 2013 was \$707 thousand.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

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

The estimated amount of unused accumulated sick leave as of June 30, 2013, is \$20,728 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2013. 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 13 expended for school debt was \$112,613 thousand, 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 \$1,124,496 thousand. 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).

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 (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 13, 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, \$750,000 for marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$500 million per occurrence for marine, \$200 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) which calculates unfunded claims and allocated loss adjustment expenses (ALAE).

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, 2012 and June 30, 2013. The State records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.0 percent discount interest rate for FY 12 and a 3.0 percent discount interest rate for FY 13. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2012	\$ 72,467,020	\$ 54,545,742	\$ (34,565,411)	\$ 92,447,351
2013	92,447,351	47,239,404	(36,801,179)	102,885,576

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 \$7,423 thousand, with an additional possible liability of \$13,663 thousand. 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, 2013, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2013, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling \$104,359 thousand and \$38,302 thousand respectively.

As of June 30, 2013, the Department of Commerce, Community and Economic Development, Division of Investment, identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$1,820 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$535 thousand, and the Alaska Bulk Fuel Loan Program for \$783 thousand.

At June 30, 2013, the Alaska Energy Authority had open loan commitments of \$1,374 thousand.

At June 30, 2013, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments of \$7,496 thousand and loan guarantees of \$1,265 thousand.

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 any time of \$30 million. No loans have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

During 2013 AIDEA became the project sponsor for two potential infrastructure projects, the Interior Energy Project (IEP) and the Ambler road. Later in 2013 the State Legislature re-appropriated \$57.5 million from the initial Sustainable Energy Transmission and Supply Development Fund to the IEP. During the 2013 legislative session, AIDEA was given authorization to provide financing up to a principal amount of \$275 million for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. The authority is currently evaluating the feasibility of both projects.

The Alaska Gasline Development Corporation entered into an agreement where \$4,658 thousand would become due and payable when (a) the State awards permits, work product, and other results of the North Slope to Tidewater Preliminary Development Project to a Qualified Builder (other than a public corporation owned by the State); or (b) the State determined it will construct the North Slope to Tidewater pipeline itself, either through a public corporation owned by the State or otherwise, and (i) the Legislature of the State of Alaska appropriates some or all of the funding for the North Slope to Tidewater Development and Construction Expenses, or (ii) bonds are issued by the State or a public corporation owned by the State intended to finance some or all of the North Slope to Tidewater Development and Construction Expenses.

I. 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	Amounts in thousands			
	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships				
Withdrawn annually in December with 90-days notice.	\$ 5,988	\$ 2,457	\$ 67	\$ 13
Private Equity				
To be paid through 2023.	550,291	225,778	6,133	-
To be paid through 2019.	-	-	-	-
Energy				
To be paid through 2022.	80,140	32,881	893	-
Real Estate				
To be paid through 2015.	61,273	24,387	621	-
	<u>\$697,692</u>	<u>\$285,503</u>	<u>\$ 7,714</u>	<u>\$ 13</u>

J. POLLUTION REMEDIATION

Governmental Accounting Standards Board Statement (GASBS) 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the state to search for pollution, it does require the state to reasonably estimate and report a remediation liability when an obligating event occurs.

The State has the knowledge and expertise to estimate the remediation obligations presented in the statements based on prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. This has occurred within two funds.

The Alaska Mental Health Trust Authority (AMHTA) has been notified by State agencies of possible obligations for pollution remediation activities on specifically identified parcels of AMHTA lands. There are several sites used by previous parties that require environmental review, subsequent remedial investigations and feasibility study and remediation and restoration of the sites. AMHTA intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the AMHTA. While an obligating event, as defined by GASBS 49 has occurred, no liability has been recognized by AMHTA because the amounts are not material to the financial statements.

The University of Alaska received a potentially responsible party letter from the Alaska Department of Environmental Conservation in August of 2006. The letter identified the University of Alaska as one of the potential parties that may be responsible for cleanup of costs of soil contamination found during a water line improvement project next to the Northwest Campus property. The extent of the contamination source, the number of potentially responsible parties, and remediation costs are being assessed but the outcome is unknown.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations or other factors. Prospective recoveries from responsible parties may reduce the State's obligation.

At July 1, 2012, the General Fund had pollution remediation obligations of \$108,099 thousand. As of June 30, 2013, the State had an increase to the obligation of \$11,032 thousand and recognized a decrease of \$19,846 thousand, for an ending balance of \$99,285 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$21,582 thousand from other responsible parties.

At July 1, 2012, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,313 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2013 IAF had recognized a decrease of \$60 thousand, and no increase for an ending balance of \$1,253 thousand. IAF has an identified \$30 thousand expected to be collected from third parties. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for five sites. IAF has also identified 17 other sites for which it is in whole or in part a responsible party, but for which no obligating event has occurred.

At December 31, 2011, the Alaska Railroad Corporation had pollution remediation obligations of \$2,019 thousand. As of December 31, 2012, the Alaska Railroad Corporation had additional obligations of \$1,390 thousand and reductions in obligations of \$1,571 thousand, for an ending liability of \$1,838 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

K. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations. The following shows encumbrances within the governmental funds for the fiscal year ended June 30, 2013 (in thousands):

	Amount (in thousands)
General Fund	\$ 1,682,041
Special Revenue Funds	34,024
Capital Project Funds	238,150
Permanent Funds	42
Total Encumbrances	<u>\$ 1,954,257</u>

A review of the appropriations with encumbrance balances over \$5 million were identified and analyzed below:

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$522.6 million of which \$402.1 million is in the General Fund, and \$120.5 million is within Capital

Project Funds. These projects are funded by the general funds, investment income from a settlement, gambling tax revenues, and bond proceeds.

The Department of Education and Early Development, Department of Health and Social Services, Department of Labor and Workforce Development and the Department of Transportation and Public Facilities have several construction/maintenance projects underway totaling \$288.2 million of which \$196.6 million is in the General Fund and \$91.6 million are Capital Project Funds. These projects are funded by a mixture of general funds and bond proceeds.

The Department of Administration and the Department of Revenue have information technology projects underway within the General Fund totaling \$58.9 million funded by general fund resources.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

In July 2013, the Alaska Municipal Bond Bank Authority released the 2002A Revenue Bond Resolution reserve to the custodian account due to the defeasance on the 2002A Revenue Bond Resolution bonds. The amount released was approximately \$627 thousand.

On November 14, 2013 the AMBBA closed on the \$72,045 thousand General Obligation Bonds, 2013 Series Three bond issue. The bonds were sold with an original issue premium that generated \$5,821 thousand in addition to the stated par value. Proceeds of the 2013 Series Three bonds were used to make loans to the City and Borough of Juneau for \$8,143 thousand, the Kenai Peninsula Borough for \$22,985 thousand, the Lake & Peninsula Borough for \$20,081 thousand, and to the City and Borough of Sitka for \$26,657 thousand.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2013 session of the Alaska Legislature, the State issued the \$1,289 thousand Alaska Clean Water Revenue Bond Anticipation Note, 2013, Series A for fiscal year 2014. This transaction was closed on October 22, 2013 and the notes were repaid on October 23, 2013. The borrowing was secured, and paid for by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2013 session of the Alaska Legislature, the State issued the \$1,687 thousand Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2013, Series B for fiscal year 2014. This transaction was closed on October 22, 2013 and the notes were repaid on October 23, 2013. The borrowing was secured, and paid for by interest earnings of the Alaska Drinking Water Fund.

D. STATE OF ALASKA – GENERAL OBLIGATION BONDS

The State of Alaska received \$815 thousand back into the General Fund during FY 14. The Department of Revenue received notification from the Internal Revenue Service on September 30, 2013 that funds will be returned from the 2008 arbitrage rebate payments associated with the General Obligation Bonds 2003A and 2003B construction funds in the amount of \$756 thousand and \$33 thousand respectively. This refund is due to investment performance on the funds in the construction accounts following the 2008 analysis through fund close-out in 2013. In addition, the third party paying agent for these bonds returned the earned interest on the bond issues' debt service funds in the amount of \$25 thousand that will also be returned to the General Fund. The checks were received and funds were deposited in mid-November 2013.

E. ALASKA HOUSING FINANCE CORPORATION (AHCC)

In FY 14 monies totaling \$355 million were transferred out of AHCC to the Alaska Gasline Development Corporation pursuant to appropriations by the Alaska Legislature.

(Intentionally left blank)

REQUIRED

SUPPLEMENTARY INFORMATION

STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2013
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 6,181,644	\$ 6,181,644	\$ 4,934,267	\$ 1,247,377
Licenses and Permits	127,761	129,740	119,401	10,339
Charges for Services	231,290	237,642	193,421	44,221
Fines and Forfeitures	15,677	15,677	30,113	(14,436)
Rents and Royalties	2,083,421	2,083,665	1,941,857	141,808
Premiums and Contributions	1,803	1,946	19,858	(17,912)
Interest and Investment Income	743,703	743,703	766,717	(23,014)
Payments In from Component Units	209	209	209	-
Other Revenues	56,706	56,706	74,351	(17,645)
Restricted:				
Federal Grants in Aid	7,047,295	7,191,838	2,243,433	4,948,405
Interagency	642,459	1,009,058	642,912	366,146
Payments In from Component Units	54,043	53,989	31,127	22,862
Other Revenues	23,652	23,652	2,508	21,144
Total Revenues	<u>17,209,663</u>	<u>17,729,469</u>	<u>11,000,174</u>	<u>6,729,295</u>
EXPENDITURES				
Current:				
General Government	907,957	921,429	714,291	207,138
Alaska Permanent Fund Dividend	568,881	568,881	562,621	6,260
Education	1,261,530	2,492,439	2,358,156	134,283
University	660,834	696,942	468,337	228,605
Health and Human Services	3,547,961	3,634,152	2,882,129	752,023
Law and Justice	323,438	338,328	309,628	28,700
Public Protection	973,718	1,142,238	922,079	220,159
Natural Resources	670,704	693,758	461,769	231,989
Development	1,556,922	1,685,042	1,057,985	627,057
Transportation	6,682,303	6,994,613	2,711,453	4,283,160
Intergovernmental Revenue Sharing	218,290	292,569	291,290	1,279
Debt Service:				
Principal	46,968	46,968	51,152	(4,184)
Interest and Other Charges	507	507	4,092	(3,585)
Total Expenditures	<u>17,420,013</u>	<u>19,507,866</u>	<u>12,794,982</u>	<u>6,712,884</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(210,350)</u>	<u>(1,778,397)</u>	<u>(1,794,808)</u>	<u>16,411</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	3,456,386	3,459,786	3,459,191	595
Transfers (Out to) Other Funds	(2,868,191)	(2,868,191)	(2,933,349)	65,158
Total Other Financing Sources and Uses	<u>588,195</u>	<u>591,595</u>	<u>525,842</u>	<u>65,753</u>
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	<u>\$ 377,845</u>	<u>\$ (1,186,802)</u>	<u>(1,268,966)</u>	<u>\$ 82,164</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			2,487,854	
Basis Difference			(161,235)	
Perspective Difference			1,570	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			1,059,223	
Fund Balances - Beginning of Year			21,564,182	
Fund Balances - End of Year			<u>\$ 22,623,405</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2013**

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 99811-0204, or may be viewed online at <http://doa.alaska.gov/dof/reports/cafr.html>.

The legislature's legal authorization (appropriations) to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (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 financial activity related to reimbursable services agreements (RSA) and interfund transactions that were recorded 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	\$ (159,816)
Medical Assistance Program	(395)
Working Reserve	(7)
Tobacco Tax	290
Alcohol Tax	(1,619)
Tire Tax	3
Vehicle Rental Tax	(17)
Commercial Passenger Vessel Excise Tax	326
Total General Fund Basis Difference	\$ (161,235)

(Intentionally left blank)

SECTION II – RECOMMENDATIONS AND QUESTIONED COSTS

INTRODUCTION

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

Generally, the status of prior year recommendations falls into one of four 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.
- State compliance recommendations not resolved yet not reiterated.

Other audit reports issued separately that have report conclusions and recommendations which are relevant to the FY 13 statewide single audit objectives are:

1. *A Report on the Department of Administration, Application Controls Over the Alaska State Payroll System From Implementation (May 29, 1990) through June 30, 1991.* Audit Control Number 02-1389-92.
2. *A Report on the Department of Administration, Application Controls Over the Alaska Statewide Accounting System, August 10, 2001.* Audit Control Number 02-10002-01.
3. *A Report on the Department of Administration, Information System Controls Over Alaska Data Enterprise Reporting (ALDER), January 4, 2008.* Audit Control Number 02-10005-08.
4. *A Report on the Department of Administration, Governance Framework for Selected Information System Security Controls, July 15, 2008.* Audit Control Number 02-30046A-08.
5. *A Report on the Department of Administration, Follow-up of Information System Controls over Alaska Data Enterprise Reporting (ALDER), November 6, 2009.* Audit Control Number 02-10006-09.

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

(Intentionally left blank)

SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2013

-----Control Deficiencies-----

<i>State Department</i>	<i>Basic Financial Statements</i>		<i>Federal Programs</i>		<i>Federal Compliance</i>	<i>Other State Issues</i>
	<i>Material Weakness</i>	<i>Significant Deficiency</i>	<i>Material Weakness</i>	<i>Significant Deficiency</i>		
GOV						
DOA		3				1, 2, 4
DOL						
DOR				5	5	
DEED				6, 7	6, 7	
DHSS			9	8, 9, 10, 11, 12, 13, 15, 16, 17, 22, 23, 24	9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24	25
DLWD		30			26, 27, 28, 29	31
DCCED						32
DMVA				33, 35, 36	33, 34, 35	
DNR		38		37	37	
DFG						
DPS						39
DEC				41, 42, 43	40, 41, 42, 43	
DOC						44
DOTPF				45, 46, 49	45, 46, 47, 48, 49, 50, 51	52
Court System						
Component Units				53	53	

(Intentionally left blank)

Findings and Recommendations

Table of Contents

Office of the Governor.....	II – 7
Department of Administration.....	II – 9
Department of Law	II – 17
Department of Revenue	II – 19
Department of Education and Early Development.....	II – 25
Department of Health and Social Services	II – 31
Department of Labor and Workforce Development.....	II – 61
Department of Commerce, Community, and Economic Development.....	II – 71
Department of Military and Veterans’ Affairs	II – 75
Department of Natural Resources.....	II – 83
Department of Fish and Game.....	II – 87
Department of Public Safety.....	II – 89
Department of Environmental Conservation	II – 93
Department of Corrections.....	II – 101
Department of Transportation and Public Facilities.....	II – 105
Alaska Court System	II – 117
Component Units	II – 119

(Intentionally left blank)

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, 2012*.

One recommendation related to this department, which requires the cooperation of the Department of Administration and the Department of Commerce, Community, and Economic Development, has been made during the FY 13 statewide single audit and is included as Recommendation No. 3.

(Intentionally left blank)

DEPARTMENT OF ADMINISTRATION (DOA)

Four recommendations were made to DOA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation No. 4 is resolved. Prior year Recommendation Nos. 2 and 3 were state compliance recommendations not resolved yet not reiterated. Prior year Recommendation No. 1 is not resolved and is reiterated in this report as Recommendation No. 1.

Three new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 2 through 4.

(Intentionally left blank)

Recommendation No. 1

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

Prior Finding

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

- Consistently capitalize the cost of capital improvements;
- Employ a consistent methodology for tracking capital asset disposal; and
- Provide a formal inventory reconciliation process.

This finding was first reported in the FY 06 statewide single audit and was attributed to inadequate procedures including manual processes and lack of communication between staff. From FY 07 through FY 10, little progress was made to address the problem. In FY 11, ETS implemented an asset tracking system which appeared adequate to meet basic asset tracking needs. Although the system improved the tracking of assets, data input into the new system continued to be unreliable. Furthermore, no physical inventory was completed for ISF capital assets.

Generally accepted accounting principles require capital assets be reported at historical cost. They also require the ISF to operate on a cost reimbursement basis, including recovering the cost of capital assets. Not maintaining accurate and complete records of ISF assets limits the State's ability to accurately report capital assets in financial statements.

Legislative Audit's Current Position

During FY 13, ETS did not address the accuracy of historical data input into its asset tracking system and no comprehensive inventory was completed. Testing of FY 13 ISF-related transactions found inconsistent treatment of ISF construction projects between fiscal periods and a general inability to track construction in progress. ETS management attributed the lack of progress to staff turnover and limited staff resources.

We again recommend ETS' director implement procedures to properly account for ISF capital assets.

Agency Response – Department of Administration

We concur with this recommendation. The newly appointed director for ETS has set a priority for gathering accurate information on assets, and has made it a requirement for ETS

operational managers to engage in this effort. To help facilitate that goal, the new deputy director for ETS has established an annual review of fixed assets in order to confirm assets in production, and those removed from service.

These two efforts represent the initial steps that ETS is taking to acquire accurate asset information for consistent tracking in the future.

ETS division management is committed to developing consistent, effective business processes that align with industry “best practices”. The asset-specific processes will be designed toward managing an accurate asset inventory. We anticipate having those processes fully operational prior to the end of FY2015.

*Contact Person: Cheryl Lowenstein, Director
Division of Administrative Services
(907) 465-5655*

Recommendation No. 2

The Division of General Services (DGS) division operations manager should, in consultation with Division of Finance (DOF) accounting staff, develop asset capitalization procedures for the public building fund that comply with generally accepted accounting principles.

Four maintenance projects for state owned buildings were inappropriately capitalized as public building fund assets in the FY 13 *Comprehensive Annual Financial Report* (CAFR).

Guidance published by the Governmental Accounting Standards Board¹ (GASB) states that maintenance costs (expenditures that allow assets to continue to be used during their originally established useful life) must be expensed in the period incurred. Furthermore, per the State’s *Alaska Administrative Manual* (AAM) Chapter 55, Section 40:

Extraordinary repairs, improvements, betterments, or additions are capitalized if they exceed the thresholds in AAM 55.025 and they increase future benefits from an existing capital asset. Expenditures of this nature extend the useful life of a capital asset, or significantly increase its productivity, or both. Expenditures for work performed on capital assets should be analyzed to determine what part of the expenditure has resulted in bettering the asset and what part has merely restored the asset to its former condition (a renewal or overhaul).

DGS has no written capitalization procedures for its state owned public buildings. DGS accounting staff rely on division contracting officers for information about whether or not various large-scale repairs or improvements should be capitalized. Final determinations are

¹GASB Comprehensive Implementation Guide 7.17.1 and 7.17.2.

made by the state facilities manager. Inappropriately capitalizing the projects resulted in a \$359,835 overstatement of building assets and an understatement of expenditures for the public building fund in the FY 13 CAFR. The error was identified during the FY 13 CAFR audit but did not meet the threshold for adjustment and was not corrected.

We recommend DGS' division operations manager develop asset capitalization procedures for the public building fund that comply with generally accepted governmental accounting principles. Procedures should be developed in consultation with DOF accounting staff responsible for preparing the CAFR.

Agency Response – Department of Administration

We concur with this recommendation. To ensure compliance with generally accepted accounting principles for asset capitalization, DGS and DOF have cooperatively developed the following plan that will result in DGS adoption of a formal capitalization procedure that complies with generally accepted accounting principles.

- 1) A draft formal asset capitalization policy has been developed;*
- 2) A DGS Accountant III will attend capital asset training offered by the GFOA on 3/18/14;*
- 3) Revisions to the draft DGS policy based on the capital asset training are due by 3/28/14;*
- 4) The draft policy will be submitted to DGS Division Operations Manager for review and revisions on 4/1/14;*
- 5) The draft policy will be submitted to DGS Statewide Leasing & Facilities Manager for review and revisions on 4/7/14;*
- 6) The draft policy will be submitted to DOF for final review and revisions by 4/16/14; and,*
- 7) The policy will be finalized and fully implemented by 7/1/14.*

With the successful completion of the above plan, DGS anticipates the recommended capitalization procedures will be fully developed and implemented by July 1, 2014.

*Contact Person: Cheryl Lowenstein, Director
Division of Administrative Services
(907) 465-5655*

Recommendation No. 3

DOA's Division of Finance director, the Department of Commerce, Community, and Economic Development's (DCCED) Division of Administrative Services director, and the Office of Management and Budget (OMB) director should improve procedures to ensure appropriations are correctly established in the Alaska state accounting system (AKSAS).

DOA, DCCED, and OMB procedures were insufficient to prevent or detect an incorrectly established authorization in AKSAS. Session Laws of Alaska (SLA) 2013, Chapter 16, Sections 4 and 5 authorized a \$95.2 million appropriation to the Alaska Energy Authority (AEA) to be funded by Alaska Housing Capital Corporation (AHCC) receipts. This appropriation was erroneously recorded in AKSAS as funded by the general fund.

The erroneous authorization resulted in the transfer of \$15 million from the general fund to the AEA when the funds should have been transferred from the AHCC. An audit adjustment was processed to correctly report the authorization and related expenditure activity in the correct fund in the State's *Comprehensive Annual Financial Report*. Additionally, the AHCC reissued their audited financial statements to correctly reflect the \$95.2 million authorization and \$15 million transfer.

Unclear language in SLA 2013, Chapter 16, Sections 4 and 5 contributed to the error. Section 4 categorized the funding source as general funds, but Section 5 specifically identified AHCC receipts as the funding source. Furthermore, AHCC management was unaware of the \$95.2 million authorization. These factors contributed to the incorrect funding source being used when establishing the appropriation in AKSAS.

We recommend DOA's Division of Finance director, DCCED's Division of Administrative Services director, and OMB's director improve procedures to ensure appropriations are correctly established in AKSAS.

Agency Response – Department of Administration

We concur with this recommendation. The Department of Administration Division of Finance (DOA/DOF) is working closely with the Department of Commerce, Community, and Economic Development (DCCED) to update and clarify procedures to improve the accuracy of recording appropriations in the state accounting system. Entry of the appropriations are generated and certified by DCCED staff, with review and approval performed by DOA/DOF. Updated procedures, training for agency personnel, and careful review of documents when the annual appropriations bills are recorded should prevent errors of this nature in the future.

Additionally, DOA/DOF is working with the Department of Revenue (DOR) and the Alaska Housing Capital Corporation, a subsidiary of the Alaska Housing Finance Corporation reporting to the DOR, to ensure legislative tracking and activity in their fund is known.

*Contact Person: Cheryl Lowenstein, Director
Division of Administrative Services
(907) 465-5655*

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

The department concurs with this recommendation. The Division of Administrative Services (ASD) director is working closely with OMB and DOA to improve the accuracy of recording appropriations in the state accounting system.

*Contact Person: Jeanne Mungle, Director
Division of Administrative Services
(907) 465-2506*

Agency Response – Office of the Governor, Office of Management and Budget

The Office of Management and Budget works closely with the Division of Finance to update and clarify procedures to improve the accuracy of recording appropriations in the State accounting system. OMB also works closely with agency staff to review legislation and correctly interpret the funding source for specific appropriations to ensure accuracy. Updated procedures, training for agency personnel, and careful review of documents when the annual appropriations bills are recorded should prevent errors of this nature in the future.

*Contact Person: Karen Rehfeld, Director
Office of Management and Budget
(907) 465-4660*

Recommendation No. 4

DOA's commissioner and ETS and DGS' directors should improve procedures over maintenance of the State's critical information systems to limit disruptions.

During FY 13, the State's mainframe was offline for five continuous days. This disruption of service was due to aging equipment and insufficient maintenance. While the mainframe was unavailable, agencies were asked to develop and use manual systems. In one instance, electronic processing of retiree benefit payments totaling \$836,170 was delayed by two business days. The use of manual systems increases the risk of processing errors and disrupts the continuity of state business.

According to the State's Information Security Policies (ISP),² business managers must take measures to minimize power and communication equipment disruptions to maximize protection of all communication equipment.

We recommend DOA's commissioner work with ETS and DGS' directors to improve procedures over maintaining the State's critical information systems to limit disruption of daily operations. We further recommend DOA's commissioner ensure agency personnel responsible for maintaining the State's systems are adequately trained in proper incident response procedures and responsibilities.

Auditor's Note

The details of this control weakness are being withheld from this report to prevent the weakness from being exploited. Pertinent sensitive details have been communicated to agency management in a separate, confidential document.

Agency Response – Department of Administration

In general, we concur with this recommendation. The DOA Commissioner's Office, in conjunction with the directors of DGS and ETS, has reviewed the recommendation relating to the incident in which the State's mainframe was offline for five continuous days.

ETS and DGS staff are working together with the goal of updating procedures over maintaining the State's critical information systems to limit disruption of daily operations.

Enhanced procedures that have been implemented include increased frequency of scheduled generator maintenance and live generator testing, and implementation of an electronic monitoring system.

*Contact Person: Cheryl Lowenstein, Director
Division of Administrative Services
(907) 465-5655*

²ISP 165.5.1.5

DEPARTMENT OF LAW (LAW)

No recommendations were made to LAW in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

No new recommendations have been made during the FY 13 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF REVENUE (DOR)

Two recommendations were made to DOR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation Nos. 5 and 6 are resolved.

One new recommendation has been made during the FY 13 statewide single audit and is included as Recommendation No. 5.

(Intentionally left blank)

Recommendation No. 5

The Treasury Division cash manager should improve preparation and review procedures over the Treasury-State Agreement (TSA).

TSA development requires the establishment of a threshold to determine which federal programs will be included in the TSA. Treasury Division staff did not comply with federal regulatory guidance when calculating the threshold for programs to be included in the FY 13 TSA.

More specifically, errors made when preparing the TSA included: (1) inclusion of one federal program that is not listed in the *Catalog of Federal Domestic Assistance* (CFDA), (2) inclusion of three *American Recovery and Reinvestment Act* funded programs that ended in FY 12, and (3) exclusion of reimbursable service agreement activity that was part of a major federal program.

Consequently, seven programs at six departments were erroneously included in the FY 13 TSA. Programs included in the TSA are subject to more stringent cash management requirements between the federal government and the State; thus, inclusion of these additional programs created undue burden on the departments affected. Lack of employee training and lack of understanding regarding governing federal regulations caused the errors. Furthermore, employee review was insufficient to detect and correct the errors.

According to 31 CFR 205.3(a)(1) and (2), the TSA applies to federal assistance programs which are listed in the CFDA and meet the threshold for a major federal assistance program. Additionally, 31 CFR 205.4(c) allows for exclusion of programs from the TSA if the federal assistance program has been discontinued since the most recent single audit and the remaining funding is below the threshold.

We recommend the Treasury Division cash manager improve procedures over the TSA's preparation and review to ensure it is prepared in accordance with federal regulations. More specifically, employees responsible for the TSA's preparation and review should be provided adequate training.

CFDA: 12.401, 15.605, 66.458,
66.468, 84.367, 93.563, 93.767
Questioned Costs: None

Federal Agency: USTREAS
Significant Deficiency, Noncompliance
Cash Management

Agency Response – Department of Revenue

Thank you for your recommendation. To address the errors noted in your letter specifically:

1) Catalog of Federal Domestic Assistance (CFDA) numbers ending in 999 were on the Federal Schedule, but not in the CFDA.

We were unaware that programs not in the CFDA could be included on the Federal Schedule, so we took the conservative approach of including them. We have added a review step to our procedure for new items added to the Federal Schedule to ensure that they are not included in the TSA calculations if they are not also in the CFDA.

2) ARRA created a lot of unique situations that had never been encountered in TSA preparation.

These programs no longer exist and because of their short duration, they should not have been included in the threshold calculations. Due to their unique nature, we were unclear about their appropriate treatment, again, we took the conservative approach of including them.

3) For the reimbursable service agreement activity (CFDA 97.036), we did not include DOTPF's pass through amount on the TSA because they were not performing the draw.

We understand that we should have included the amount under DMVA.

We also agree that additional training should be provided for the individuals responsible for preparation of the TSA agreement. For the past several years, the TSA agreement has been drafted by our most experienced individual within Treasury, therefore, internal training is not a viable option for improvement. Although we are seeking additional training resources, the availability for outside training in this area appears to be extremely limited. We have, however, recently been assigned a new Federal representative whom we hope will be able to provide assistance as well.

With regard to the effect of these errors, we do not believe that inclusion of the additional programs represents an undue burden on the departments affected. To have an effect, a department would have to either draw early on these programs or be paid late by the Federal grantee agencies. This happens with very few programs each year, as such, is unlikely to occur with the added programs specifically. We believe that the effect to the agencies in question will be negligible.

As you are aware, the preparation of the Treasury-State Agreement for the Cash Management Improvement Act (TSA) is a very complicated process. This is exacerbated by the fact that it occurs infrequently and that there are painfully few resources for assistance in interpretation of the application of the CFR governing the process. In the past, Treasury worked closely with Legislative Audit to reach a mutual understanding of appropriate

treatment of unusual CMIA issues prior to issuance of the TSA. This practice has fallen by the wayside in the past several years, and we have found with increasing frequency that our interpretation of the CFR differs with your organization's. To mitigate the extent to which this occurs in the future, we would like to work closer with your agency to eliminate the effect of this difference of interpretation.

*Contact Person: Jerry Burnett, Director
Administrative Services Division
(907) 465-2312*

(Intentionally left blank)

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (DEED)

Two recommendations were made to DEED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation No. 8 is resolved. Prior year Recommendation No. 7 is not resolved and is included in this report as part of Recommendation No. 6.

One new recommendation has been made during the FY 13 statewide single audit and is included as Recommendation No. 7.

(Intentionally left blank)

Recommendation No. 6

The Division of Teaching and Learning Support (TLS) director should develop and implement procedures to ensure that subaward reports comply with *Federal Funding Accountability and Transparency Act (FFATA)* reporting requirements.

Prior Finding

DEED staff did not file any FY 12, Child and Adult Care Food Program (CACFP), FFATA reports. A total of 255 FFATA reports for the CACFP were required to be submitted in FY 12. Additionally, multiple FFATA reporting errors were identified for the following three programs: Improving Teacher Quality (ITQ), Special Education (SPED) – Grants to States, and SPED – Preschool Grants. Errors included failure to submit required FFATA reports, incorrect award amounts, and untimely filing. Errors by program were as follows.

<u>Program</u>	<u>Total FFATA Reports Tested</u>	<u>No. of Reports Not Filed</u>	<u>Incorrect Amount Reported</u>	<u>Filed Late</u>
SPED (84.027)	15	4	3	4
SPED (84.173)	1	0	0	1
ITQ (84.367)	8	4	1	1
Total	24	8	4	6

Per 2 CFR 170, federal award recipients are required to report each subaward that obligates \$25,000 or more in federal funds. This information must be reported no later than the end of the month following the month in which the obligation was made.

DEED personnel mistakenly believed that the United States Department of Agriculture (USDA) waived the FFATA reporting requirement for the FFY 12 CACFP award. Additionally, DEED lacked formal procedures to ensure that FFATA reports were completed accurately and submitted timely. Failing to comply with FFATA requirements reduced transparency and may jeopardize future federal funding.

Legislative Audit’s Current Position

In FY 13, DEED staff did not file 47 FFATA reports for four federal programs: CACFP, Child Nutrition Cluster (CNC), SPED Cluster, and ITQ. Specifically, DEED did not file 18 of 19 reports (795 of 824 subawards) for the CACFP and CNC programs,³ all 16 reports (comprised of 122 subawards) for the SPED Cluster,⁴ and all 13 reports (62 subawards) for the ITQ⁵ program. Additionally, one report for the CACFP and CNC programs and two required reports for the Emergency Food Assistance Program (EFAP)⁶ were submitted late.

³Federal Award Identification Numbers (FAIN): 12127AKAK3N1099 and 13137AKAK3N1099.

⁴FAINs: H027A110016, H027A120016, H173A110019, and H173A120019.

⁵FAINs: S367A100003, S367A110003, and S367A120003.

⁶FAINs: 12127AKAK2S2202, 12127AKAK8Y8105, 13137AKAK2S2202, and 13137AKAK8T8105.

Furthermore, amounts reported for the EFAP were based on expenditures rather than subaward obligations.

We recommend TLS' director develop and implement procedures to ensure compliance with FFATA subaward reporting requirements.

CFDA: 10.553, 10.555, 10.556, 10.558, 10.559,
10.568, 84.027, 84.173, 84.367
Questioned Costs: None

Federal Agency: USDA, USED
Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 6 and has developed and implemented procedures to ensure compliance with the FFATA sub-award reporting requirements. In addition, the department has transferred the FFATA reporting responsibility from the grants section to the administrative services section; this change is consistent with other fiscal reports the department files.

Contact Person: Heidi Teshner, Director
Administrative Services
(907) 465-2875

Recommendation No. 7

TLS' director should develop and implement procedures to ensure compliance with federal suspension and debarment requirements.

DEED staff did not verify that 16 of 17 subgrantees of the Food Distribution Cluster program⁷ were not suspended or debarred prior to issuing subawards. DEED personnel collect certifications from subgrantees when entering into formula grant agreements; however, staff was not aware that the suspension and debarment requirement is also applicable to nonmonetary grants such as commodities.

Per 2 CFR 180.300, participants in covered transactions⁸ must verify that the entity with whom they intend to do business is not suspended or debarred. This may be accomplished by:

- Checking the Excluded Parties List System;
- Collecting a certification from the entity; or

⁷CFDA 10.569, *Emergency Food Assistance Program (Food Commodities)*.

⁸All contracts expected to be equal to or to exceed \$25,000 and all subawards to subrecipients, irrespective of award amount, are considered to be covered transactions.

- Adding a clause or condition to the covered transaction with the entity.

By not performing verification procedures, DEED increases its risk of awarding grants to entities that have been suspended or debarred.

We recommend TLS' director develop and implement procedures to comply with federal suspension and debarment requirements.

CFDA: 10.569

Questioned Costs: None

Federal Agency: USDA
Significant Deficiency, Noncompliance
Procurement and Suspension and Debarment

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 7 and has developed and implemented procedures to ensure compliance with the federal suspension and debarment requirements. The department now requires sub grantees to sign and certify compliance with suspension and debarment requirements prior to any Emergency Food Assistance Program (TEFAP) award being released.

*Contact Person: Heidi Teshner, Director
Administrative Services
(907) 465-2875*

(Intentionally left blank)

DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)

Seventeen recommendations were made to DHSS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation Nos. 15, 16, 17, 20, 22, and 24 have been resolved. Prior year Recommendation Nos. 10 and 23 were not a significant issue in the current year and is not reiterated in this report. Prior year Recommendation Nos. 9, 11, 12, 14, 18, 19, and 25 are not resolved and are included in this report as part of Recommendation Nos. 8, 9, 10, 11, 12, 13, and 25, respectively. Some of the issues associated with prior year Recommendation Nos. 13 and 21 have been resolved. The unresolved portion of prior year Recommendation Nos. 13 and 21 are included in this report as part of the new Recommendation Nos. 14 and 15.

In addition to the two new current year recommendations mentioned above (Recommendation Nos. 14 and 15), nine additional new recommendations have been made and are included in this report as Recommendation Nos. 16 through 24.

(Intentionally left blank)

Recommendation No. 8

The Finance and Management Services (FMS) assistant commissioner should ensure quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

Prior Finding

Expenditures eligible for federal reimbursement are reconciled to federal revenues quarterly by DHSS staff to ensure federal revenues are drawn and received timely. During FY 11 and FY 12, this important control did not function effectively for the following five major federal programs:

- Medical Assistance Program (Medicaid);
- Children's Health Insurance Program (CHIP);
- Temporary Assistance for Needy Families (TANF);
- Child Care and Development Fund (CCDF); and
- Adoption Assistance.

Eleven of 14 FY 11 quarterly reconciliations covering the five major federal programs above contained errors. The errors were in four main areas: (1) reconciliations were not performed or not performed in sufficient time to be an effective control; (2) necessary reconciliation adjustments were not processed; (3) the reconciliation did not contain all eligible expenditures; and/or (4) information in the reconciliations could not be traced to the Alaska state accounting system (AKSAS) because of accounting structure changes processed after the reconciliations were performed. Lack of written policies or procedures for performing reconciliations contributed to the errors.

In FY 12, 15 of 18 reconciliations tested were not performed timely (less than two months after the quarter's end). For three of the reconciliations, there was no evidence that necessary reconciliation adjustments were processed or processed fully. Errors impacted Medicaid, CCDF, CHIP, and TANF. During FY 12, there continued to be a lack of written policies or procedures for performing reconciliations. Additionally, competing priorities combined with staff turnover within DHSS' revenue unit contributed to the untimely reconciliations.

United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1.a states that for costs to be allowable for federal reimbursement, they must be reasonable and necessary for the proper and efficient performance and administration of federal awards. Not performing reconciliations accurately and/or timely increases the risk that DHSS staff could over-draw federal revenues resulting in an interest liability. It may also lead to under-drawing revenues which results in a loss of interest revenue to the State.

Legislative Audit's Current Position

During FY 13, six of 12 reconciliations tested were not performed timely (less than two months after the quarter's end). Specific errors by federal program include the following.

- Medicaid Administration – The reconciliation for the quarter ended March 31, 2013, was performed more than three months after the quarter's close.
- CHIP – The reconciliation for the quarter ended March 31, 2013, was performed over two months after the quarter's close.
- Supplemental Nutrition Assistance Program (SNAP) – The reconciliation for the quarter ended December 31, 2012, was performed more than five months after the quarter's close. The reconciliation for the quarter ended March 31, 2013, was performed more than two months after the quarter's close.
- Foster Care Title IV-E Program – The reconciliation for the quarter ended March 31, 2013, was performed more than three months after the quarter's close.
- The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Administration – The reconciliation for the quarter ended December 31, 2012, was performed over two months after the quarter's close.

Competing priorities and staff turnover contributed to untimely reconciliations. Furthermore, there continued to be a lack of written policies or procedures for performing reconciliations. An additional factor for FY 13 was the implementation of DHSS' new cost allocation system which consumed staff resources.

We recommend FMS' assistant commissioner ensure quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

CFDA: 10.551, 10.557, 93.658, 93.767, 93.778
Questioned Costs: None

Federal Agency: USDA, USDHHS
Significant Deficiency
Cash Management

Agency Response – Department of Health and Social Services

DHSS partially concurs with the recommendation. The DHSS reconciliation that should be performed is the completed quarterly federal report compared to the sum total of the weekly revenue drawn. Any required revenue adjustments due to using the prior quarter statistics or quarterly reporting adjustments, are either drawn with the next weekly revenue draw for increases or the next weekly revenue draw is reduced for over collections. The required adjustments are usually immaterial to the overall revenue collected for the reporting quarter.

It is notable that the quarter selected by DLA, March 31, 2013, is the quarter in which DHSS implemented a new cost allocation system. Since this was the initial implementation quarter, the revenue and the federal allocation units performed additional testing on the cost allocation results, compared direct expenditures from AKSAS to Cap Plus, the new system, along with many other processes to ensure the system worked as designed and was accurately providing information. As a result of these enhanced internal controls for this quarter, the closing of the cost allocation plan was delayed. However, DLA applied an arbitrary due date of 60 days from the end of the quarter which the reconciliations should have been performed resulting in four out of the six reconciliations being reported as delayed despite the implementation of the new system during the quarter. As with any new computerized system, additional time and effort is required to verify it is working as intended. The DLA auditors did not consider the additional internal controls that DHSS applied during this time to make sure that data was accurate for the revenue accountants to use.

DHSS also opposes the 60 day time frame applied by DLA auditors. During this timeline, DHSS is required to accurately close the cost allocation plan, prepare federal expenditure reports, prepare cash transaction reports, and collaborate with division and program staff on the federal expenditure reports. In addition, their weekly revenue draws and routine work must still be performed. These responsibilities must be performed in order for DHSS to financially manage its federal collections. Without appropriate financial management, DHSS would be unable to receive federal reimbursement which could adversely affect the program's ability to pay benefits and other operating costs.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Legislative Auditor's Additional Comments

We have reviewed DHSS' response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. Reconciliations are DHSS' main internal control to ensure expenditures eligible for federal reimbursement are drawn and received timely. Alternative internal controls were not brought to our attention during the audit despite multiple meetings to discuss this finding. We reaffirm the recommendation and reiterate that 50 percent of the reconciliations tested were performed over 60 days after the end of the quarter.

Recommendation No. 9

FMS' assistant commissioner should develop procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.

Prior Finding

During FY 11 and FY 12, DHSS staff did not file reports to comply with FFATA subaward reporting requirements. During FY 11, staff did not file FFATA reports for 14 of 16 WIC subrecipients. During FY 12, staff did not file the required reports for nine Social Services Block Grant (SSBG) subrecipients, two CCDF subrecipients, and 15 WIC subrecipients.

DHSS staff was aware of the reporting requirement but chose not to complete them due to competing priorities.

Per 2 CFR 170, federal award recipients are required to report each subaward that obligates \$25,000 or more in federal funds. This information must be reported no later than the end of the month following the month in which the obligation was made.

Legislative Audit's Current Position

FFATA subaward reporting requirements were applicable for 17 Block Grants Prevention and Treatment of Substance Abuse Program (SABG) subrecipients, 15 WIC subrecipients and seven SSBG subrecipients during FY 13. DHSS staff made some progress by beginning to develop policies and procedures for implementing FFATA reporting starting in FY 14. However, no reports were completed for FY 13.

We again recommend FMS' assistant commissioner develop procedures to comply with FFATA reporting requirements.

CFDA: 10.557, 93.959
CFDA: 93.667
Questioned Costs: None

Federal Agency: USDA, USDHHS
Significant Deficiency, Noncompliance
Material Weakness, Material Noncompliance
Reporting

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation and it has implemented FFATA reporting with the SFY14 grant awards issued starting on 07/01/13. DHSS has invested substantial effort into corrective action to satisfy the federally mandated requirements of FFATA. The FFATA reporting process relies on completed forms and procedures occurring in the previous state fiscal year. The majority of the FFATA reporting (approximately 95%) becomes due before September 30th of each state fiscal year based on the executed awards obligated starting on July 1st.

Throughout the entire year of SFY 2013 DHSS dedicated resources to:

- *The development and implementation of new grant and contract forms*
- *The continued development of policy*
- *Creation of associated reporting tools (i.e. cheat sheets; flow charts)*
- *Testing within the divisions*

The modified opinion issued initially for the Social Service Block Grant (SSBG) program for SFY12 and again for SFY13 appears excessive since the United States Office of Management and Budget (US OMB) compliance supplement A-133 states the auditor is not required to consider audit findings or modification of audit opinions based solely on Part 3L, steps 10 and 11 when performing the risk-based approach.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 10

DPA's director should develop and implement procedures to ensure reports are monitored and follow up is performed as required for the WIC program.

Prior Finding

During FY 11 and FY 12, report monitoring and follow up by program staff was not adequately performed in accordance with federal requirements for two required reports: (1) the monthly food instrument and cash value voucher (FI) disposition report, and (2) the FI price enforcement and error report. Report monitoring includes review and appropriate follow up within 120 days of detecting questionable items or suspected errors.

Four types of disposition reports require monthly review: expired, lost/stolen, duplicate, and unmatched. Nine of 12 and six of 12 FI disposition reports were not sufficiently monitored in FY 11 and FY 12, respectively, as required by 7 CFR 246.12(q). Additionally, seven of seven and three of five FI price enforcement and error reports lacked sufficient documentation to determine compliance with 7 CFR 246.12(k)(1) in FY 11 and FY 12, respectively.

Insufficient report monitoring was due, in part, to a lack of adequate procedures for report review and further investigation, and inadequate oversight by program managers to ensure review activities were completed as required. Report monitoring primarily ensures costs of food items are contained and only eligible participants receive benefits. By not performing adequate monitoring functions sufficiently and routinely, food costs could unreasonably increase and ineligible participants could receive benefits, both of which result in reducing

benefits available for eligible participants. Per 7 CFR 246.23(a)(4), *Claims and Penalties*, the federal oversight agency could establish a claim against the State for not taking appropriate follow-up action on redeemed FIs that cannot be matched against valid enrollment and issuance records.

Legislative Audit's Current Position

During FY 13, WIC staff attempted to automate a void process for expired FIs. It was halted when it did not function as intended. WIC staff also developed policies for reviewing price variances. Despite agency efforts to improve report monitoring procedures, deficiencies continued which resulted in inadequate report review and follow up.⁹ Specific deficiencies noted include the following.

- ***FI Disposition Reports:*** Current year testing of three months of reports found only the unmatched report met review requirements; the other three reports were not reviewed. Procedures were updated for reviewing the expired report only. A previous procedure, coordinating with KeyBank account services over duplicate FIs, was discontinued in the fall of 2012, and there was insufficient evidence to show that alternative procedures were developed. No procedures were drafted for lost/stolen FIs.
- ***FI Price Enforcement and Error Reports:*** Of the five weekly reports tested, four lacked sufficient evidence that questionable items or suspected errors were reviewed or further investigated within 120 days. Additionally, one report identified a participant food reimbursement claim, but there was insufficient documentation to determine if the claim was pursued by WIC staff.

We recommend DPA's director develop and implement procedures to ensure reports are monitored and follow up is performed as required for the WIC program. Furthermore, the director should ensure program managers perform adequate oversight of the program report monitoring.

CFDA: 10.557

Questioned Costs: None

Federal Agency: USDA
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS partially concurs with this recommendation. DPA developed policies for three of the four types of disposition reports. In SFY 2014 DPA implemented a new WIC banking service

⁹Federal Grant Award Ref. No.: 7AK700AK7 for program years 2012 and 2013.

contract with Solutran and a new client data base/benefit issuance system, SPIRIT, with improved reporting capabilities.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Legislative Auditor's Additional Comments

We have reviewed DHSS' response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. The department does not fully concur with the recommendation but does not identify a basis for disagreement.

Recommendation No. 11

The Division of Senior and Disabilities Services (DSDS) director should improve documentation procedures and provide oversight to ensure provider certification files are complete.

Prior Finding

DSDS staff lacked adequate procedures to ensure provider certification files were accurate and complete for 15 of 39 and seven of 20 files tested in FY 11 and FY 12, respectively. Provider certification files did not consistently contain supporting provider certification documentation, and multiple files were missing records. DSDS management reported that the findings were caused by a lack of staff resources leading to problems in areas such as document filing.

Federal regulations require DSDS management to provide satisfactory assurances that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of services to be eligible to provide home and community based waiver services.¹⁰ Furthermore, federal regulations require the State to maintain sufficient information to support compliance with the required assurances.¹¹ State regulations require home and community based waiver service providers to meet applicable certification criteria, including the qualifications and program standards set out in DHSS' home and community based waiver service certification application packet.¹² As an additional protection and safeguard requirement, state regulations

¹⁰Title 42, Code of Federal Regulations 441.302(a).

¹¹Title 42, Code of Federal Regulations 441. 303.

¹²Title 7 of the Alaska Administrative Code (AAC), Section 130, Subsection 220 and 7 AAC 125.060.

require all certified providers to furnish proof of a valid fingerprint-based criminal history check.¹³

The health and welfare of service recipients are at risk when DSDS certification files cannot provide assurance that providers and their employees were properly screened and adequately trained prior to certification.

Legislative Audit's Current Position

In FY 13, some improvements were noted. Specifically, DSDS management developed procedures and modified a checklist of information to be included in the provider certification files. However, the checklists were incomplete for six of the ten files reviewed. Also, six files lacked support showing evidence of a complete criminal history background check. (See Recommendation No. 23.)

We again recommend DSDS' director improve documentation procedures and provide oversight to ensure provider certification files include all required documentation.

CFDA: 93.778

Questioned Costs: None

Federal Agency: USDHHS

Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. DSDS has made improvements in its documentation procedures and oversight of provider certification files since FY 11 and FY 12. However, DSDS acknowledges that in FY 13, there was still inconsistent use of the provider certification checklist. As a result of key personnel retirements, there has been complete turnover in provider certification staff since the middle of FY 13, and DSDS has trained all new staff on proper use of the checklist and provider certification documentation procedures. Beginning in January of 2014, the supervisor of certification staff will perform ongoing quality assurance reviews of a sample of the provider certification files for each worker to ensure consistent and sufficient documentation that providers meet certification standards.

Please see DHSS response to Recommendation #23 for discussion of background checks.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

¹³Title 7 of the Alaska Administrative Code, Section 10, Subsection 910.

Recommendation No. 12

The Division of Behavioral Health (DBH) director should ensure out-of-state residential psychiatric treatment center (RPTC) providers are paid in accordance with federal and state requirements and that rates are properly documented.

Prior Finding

All 23 out-of-state residential psychiatric treatment provider files lacked documentation supporting the rate utilized during FY 12. *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, requires that costs be adequately documented to be allowable under federal awards.

Furthermore, DBH staff did not have written procedures for renegotiating the out-of-state RPTC rate every two years. DBH management chose not to renegotiate the out-of-state rates unless requested by the provider.

Regulations require the payment agreement not to exceed two years. Additionally, negotiated rates for out-of-state services may not exceed the provider's usual and customary charges for the same service to the general public.

DBH personnel are responsible for negotiating and documenting rates for out-of-state residential psychiatric treatment providers; yet, they did not have written policies and procedures that sufficiently described how to implement the regulation. DBH personnel were unaware of requirements for documenting the rate determination methodology. During FY 12, out-of-state residential psychiatric treatment providers were paid a total of \$6,281,688 in Medicaid funds and \$246,486 in CHIP funds for the services provided. Funds paid in excess of the State's rate for residential psychiatric treatment providers were \$195,662 for Medicaid and \$4,255 for CHIP.

Legislative Audit's Current Position

The RPTC provider files were not made available to the Division of Legislative Audit when requested for the FY 13 federal compliance review. In FY 13, DBH management reported no substantial changes to RPTC provider files. In FY 14, DHSS' Office of Rate Review (ORR) management developed policies and procedures for documenting rate setting for RPTC providers.

We again recommend DBH's director ensure out-of-state RPTC providers are paid in accordance with federal and state requirements and that rates are properly documented.

CFDA: 93.767, 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. In SFY 2014 the Office of Rate Review (ORR) and Division of Behavioral Health (DBH) established new policy and procedures for rate setting for out-of-state residential psychiatric treatment centers (RPTC) followed by entering into a memorandum of agreement to strengthen internal controls and ensure completeness of file documentation.

Additional analysis conducted by ORR in SFY2014 identified that while 20 of the 23 OS RPTC facility files had inadequate documentation to support the rate under 7 AAC 145.025, the payment rates associated with the questioned costs previously reported in SFY 2012 were within the scope of 42 CFR 431.52 and the state plan.

DBH is also reviewing its internal processes including the protocol for RPTC file requests and modifying the roles and responsibility of key administrative support staff to assist in ongoing file maintenance.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 13

DPA’s director should ensure all food instruments are accounted for within 120 days of the first valid date for use by program participants.

Prior Finding

In FY 12, FIs were not reviewed and reconciled within 120 days of the valid issuance date.¹⁴ The reconciliation of FIs facilitates the accountability of all FIs issued and the cost containment of food items. Additionally, the reconciliation process provides data necessary to calculate the federally required unreconciled FI rate.¹⁵

Agency personnel were not aware of the federal reconciliation requirement of FI disposition reports. Consequently, reconciliation procedures were limited to a monthly reconciliation of WIC subsystem FIs redeemed compared to AKSAS expenditures. Differences in aggregate benefits issued that were greater than one half of one percent were further investigated; however, there were no procedures to calculate the unreconciled FI rate.

¹⁴Title 7, Code of Federal Regulations 246.12(q), Food Instrument and Cash-Value Voucher Disposition.

¹⁵The unreconciled rate is the percentage of FIs identified as redeemed, but for which there is no record of issuance on WIC exception reports. The calculation of the unreconciled rate is a component of the reconciliation process and is used, in part, to identify potential fraud or inappropriate use of FIs.

Absent a routine one-to-one reconciliation of FIs, there is an increased risk that fraud, abuse, or errors could go undetected.

Legislative Audit's Current Position

In FY 13, DHSS staff examined existing processes over the review and reconciliation of all FIs within 120 days of the valid issuance date, but procedures were not developed. Consequently, agency personnel were unable to calculate the federally required unreconciled rate.

We recommend DPA's director improve reconciliation procedures to account for all FIs issued within 120 days of the first valid issuance date.

CFDA: 10.557

Questioned Costs: None

Federal Agency: USDA
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. In SFY 2013 DPA provided training to statewide WIC agencies on voiding food instruments (FI). In SFY 2014 with the implementation of SPIRIT, the voiding process has been automated for aged out FIs and procedures have been developed to complete reconciliations of all FIs.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 14

DPA's director should ensure vendors participating in the WIC program are adequately monitored according to federal requirements.

Prior Finding

Compliance investigations¹⁶ of high-risk vendors¹⁷ were not performed in accordance with 7 CFR 246.12(j)(4)(i). Specifically, noncompliance was identified for two of nine, one of ten,

¹⁶Compliance investigations can be either an inventory audit of specific food items or a covert purchase of WIC food by an authorized WIC representative.

¹⁷High risk vendors are vendors identified as having a high probability of committing a vendor violation of federal program requirements.

and six of nine compliance investigations from FY 10 through FY 12, respectively.

Insufficient vendor monitoring was due to inadequate oversight by program managers. Vendor monitoring primarily ensures costs of food items are contained and only eligible participants receive benefits. By not performing adequate vendor monitoring, food costs could unreasonably increase and ineligible participants could receive benefits, both of which result in reduced benefits available for eligible participants.

Some improvements occurred in FY 12 when inventory audit procedures were developed; however, the procedures were insufficient to meet 7 CFR 246.2 requirements. Those regulations define inventory audits, a type of compliance investigation, as an analytical review of WIC food sales compared to a vendor's purchased food invoices and receipts for a specific time frame.

Legislative Audit's Current Position

During FY 13, inventory audit procedures were improved; however, weaknesses continue to exist. Current year testing found that eight of ten compliance investigations lacked sufficient and appropriate documentation to meet federal requirements. The following deficiencies were identified.

- One vendor left the program, and no alternate vendor was selected.
- One inventory audit conclusion was not accurately supported.
- Six inventory audits lacked sufficient or timely documentation, and adequate follow up was not performed.

We recommend DPA's director ensure vendors participating in the WIC program are adequately monitored according to federal requirements. Additionally, WIC program managers should improve management and oversight of staff performing high risk vendor compliance investigations.

CFDA: 10.557

Questioned Costs: None

Federal Agency: USDA
Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs the federal guidance on monitoring WIC vendors should be followed. DPA has explored and attempted alternative approaches since the first finding. In SFY 2013 the WIC vendor staff explored and adopted a model used by the State of Oregon.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 15

The Grants and Contracts Unit manager should implement procedures to ensure subrecipients provide a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of each application for federal funding.

Prior Finding

A review of 26 FY 12 subrecipient grant files that included awards from the CCDF program; WIC; and the SSBG program showed no evidence that a DUNS number was obtained prior to awarding funds. Grants and Contracts Unit staff did not have procedures for obtaining subrecipients' DUNS numbers prior to awarding federal funding.

Per 2 CFR 25.110, a lower tier recipient must provide the awarding agency with its DUNS number prior to receiving a subaward. Not requiring DUNS numbers increases the risk of providing subawards to unregistered recipients.

Legislative Audit's Current Position

In FY 13, testing of subgrants found that DHSS staff did not obtain DUNS numbers for all nine subgrants reviewed (three for SSBG, four for WIC, and three for SABG). Grants and Contracts Unit staff implemented new procedures to obtain DUNS numbers prior to the grant award, but the new procedures were not effective until FY 14.

We recommend DHSS' Grants and Contracts Unit manager continue implementing procedures to ensure subrecipients provide a DUNS number as part of each application for federal funding.

CFDA: 10.557, 93.667, 93.959
Questioned Costs: None

Federal Agency: USDA, USDHHS
Significant Deficiency, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. DHSS implemented both a short term solution and a long term solution to this issue during SFY13. The short term solution required the DHSS grants and contract unit to manually modify the request for proposal and special conditions to include the DUNS number in the competitive solicitation process. A similar modification for awards issued through the grant continuation process was also implemented.

A long term solution was initiated through the development process of the new Grants Electronic Management System (GEMS) with the DUNS number field included on the online application. Implementation of GEMS is occurring in SFY14 for the SFY15 DHSS awards.

Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630

Recommendation No. 16

FMS' assistant commissioner should work with DPA's director to implement controls to ensure WIC federal revenue draws are supported by program expenditures.

A portion of the WIC FFY 12 final revenue draw was not supported by expenditures in AKSAS. A WIC FFY 12 close-out report identified \$913,245 of WIC expenditures that were not supported by AKSAS.¹⁸ FMS staff drew the funds based on the final close-out report even though the amounts were not supported by AKSAS. According to DHSS management, DPA and FMS staff developed a process to regularly reconcile WIC expenditures to revenues; however, this process was not in place for the FFY 12 grant award.

According to agency staff, WIC federal reported expenditures do not tie to AKSAS due to timing differences. For example, there is a time lag for rebates on infant formula. Therefore, the federal close-out report for a grant award may not reflect all pending adjustments and/or rebates. Agency personnel relied on the final close-out report provided by the United States Department of Agriculture (USDA) rather than AKSAS. The same deficiency was identified when conducting the statewide single audit for FY 10 and was discussed with FMS staff at that time.

OMB Circular A-87, Section C.1, Item J, states that for costs to be allowable under federal awards, they must be adequately documented. Drawing WIC revenues without adequate supporting expenditure documentation may result in the reimbursement of unallowable costs.

We recommend FMS' assistant commissioner work with DPA's director to implement controls to ensure WIC federal revenue draws are supported by program expenditures.

CFDA: 10.557

Questioned Costs: \$913,245

Federal Agency: USDA

Significant Deficiency

Cash Management

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation that revenue draws should be supported by program expenditures in AKSAS. However, federal entity directives oftentimes override this internal control. The United States Department of Agriculture (USDA) has directed state agencies to draw the balance of grant funds prior to the states incurring the expenditures,

¹⁸Questioned costs are related to WIC grant awards 2012IW100347 for \$357,332 and 2012IW100647 for \$555,913.

especially with federal grants that are due to expire. The regional USDA offices requested this to occur in order to ensure the states have their grant funds for unliquidated obligations. For example, the USDA requires an initial grant closeout report to be submitted by January of the following calendar year. The states are allowed to include the encumbrances within this initial final report. At this time, if grant funds have not been drawn, the USDA central office will close the grant account for future draws. If this occurs, the states are at risk for the future expenditures of the reported encumbrances. When the final report is submitted, approximately five months later, the reconciliation should be performed between the amounts expended versus the excess grant funds received. Any excess revenue should be returned at that time. It appears that this final reconciliation has not yet been performed.

Currently, DPA administrative staff and the revenue unit are working together to create policy and procedures regarding the WIC federal grant. Ongoing training by the revenue manager and the DPA administrative manager will occur in SFY 14 for all staff involved in the WIC grant.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 17

The Low-Income Home Energy Assistance Program (LIHEAP) manager should improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEAP State Plan.

Sixty-two FY 13 LIHEAP benefit recipients were tested for compliance with federal eligibility and allowable costs requirements. One of 62 recipients was found to be ineligible because the applicant's income exceeded the allowable level; six recipients were found to have been paid an incorrect benefit amount.

The one individual found to be ineligible received federal benefits because LIHEAP eligibility technicians incorrectly used the state funded Alaska Heating Assistance Programs' 225 percent of the federal poverty level when determining eligibility. Technicians should have used the federal LIHEAP eligibility income level of 150 percent of the federal poverty level. Based on inquiry with LIHEAP staff, the error was systematic and all seasonally employed applicants were incorrectly evaluated for eligibility using the 225 percent of poverty level criteria. The error resulted in an overpayment of \$4,950; however, additional questioned costs are likely.

Lack of training and monitoring of eligibility technicians contributed to the six errors in calculating benefit amounts. Calculation errors occurred despite eligibility technicians' access to comprehensive procedures manuals that guide the calculation of LIHEAP benefits. The errors resulted in overpayments totaling \$450.

Title 42 of the United States (U.S.) Code, Section 8624(c) requires a state plan be submitted annually describing the eligibility requirements to be used by the State and how the State will determine the benefit level for LIHEAP recipients. Per 42 USC 8624(b)(2)(B), the income level eligibility limit is 150 percent of federal poverty level. Errors in determining eligibility and calculating benefit amounts reduce the amount of benefits available for eligible participants.

We recommend LIHEAP's manager improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEAP State Plan

CFDA: 93.568

Questioned Costs: \$5,400

Federal Agency: USDHHS

Significant Deficiency, Noncompliance
Allowable Costs, Eligibility

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The Heating Assistance Procedures Manual has been corrected to reflect the LIHEAP eligibility income level of 150% when establishing the Threshold Test. All eligibility staff were provided training by the Eligibility Office Manager on this issue upon their return from seasonal leave without pay on September 3, prior to the start of the program season.

Training of staff is a continuous process designed to improve program requirements each season. The Eligibility Office Manager is currently scheduled to meet with staff from the Division Staff Development and Training unit to design a formal web-based training in SFY 14.

The Eligibility Office Manager and the Eligibility Technician III provide continuous case reviews of all staff and 100% review on all probationary staff cases. Staff training is provided as soon as issues are identified from case review errors.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 18

LIHEAP's manager should ensure the LIHEAP State Plan complies with federal requirements.

The FFY 13 LIHEAP State Plan did not include all benefit determination criteria used by LIHEAP staff. Of the 62 FY 13 LIHEAP benefit recipients tested for compliance, ten lived

in a dwelling type not included in the state plan, and three lived in a dwelling size that was omitted from the plan. The dwelling type and dwelling size categories are used by LIHEAP staff to calculate the allowable benefit payment.

According to LIHEAP staff, the information was left out of the state plan due to oversight. Per 42 USC 8624(c)(1)(B), the State must include benefit level determinations in the annual state plan. Benefit levels are used to determine the LIHEAP benefit amount received by eligible households. By failing to include all required benefit determination criteria, the determinations were not subjected to the appropriate federal oversight.

We recommend LIHEAP's manager ensure the LIHEAP State Plan complies with federal requirements. The plan should include all dwelling types and sizes that DHSS uses to calculate benefit payments.

CFDA: 93.568

Questioned Costs: None

Federal Agency: USDHHS

Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. The program manuals have been revised to include all dwelling factor categories, and corrections to the FY 2014 state plan have been completed.

Additionally, the state regulations relating to dwelling factors are pending review to ascertain what changes may need to be made to address concerns raised by this recommendation.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 19

LIHEAP's manager should ensure state cost principles are followed when paying LIHEAP benefits.

Testing of 62 FY 13 LIHEAP benefit recipients found five recipients had submitted utility bills with a credit balance as part of their application. Credit balances indicate the applicants had prepaid utility costs. LIHEAP benefit payments were made regardless of credit balances. According to LIHEAP staff, when a billing is received that indicates a credit balance, utility vendors are contacted by eligibility technicians to ensure that the annual heating cost for an

applicant exceeds the credit balance. However, no documentation of such contact was maintained as support for the payment determinations.

Additionally, three of 62 case recipients tested did not provide copies of utility bills to prove that the applicants had an unsubsidized heating cost of at least \$200 as required by DPA's heating assistance application. The three applicants were determined eligible despite the lack of evidence supporting compliance with program requirements.

To be an allowable LIHEAP cost, the cost must comply with the State's cost principles.¹⁹ Alaska Statute 37.05.285(a)(2) requires payments made by the State to be supported by a proper billing. A *proper billing* is defined by 2 AAC 15.115(f) as an original invoice or certified copy of an original invoice that includes, in part, the price of each item or increment of service. The risk of improper payments is increased by not requiring documentation to establish an applicant's annual heating costs.

We recommend the LIHEAP manager ensure state cost principles are followed when paying LIHEAP benefits.

CFDA: 93.568
Questioned Costs: None

Federal Agency: USDHHS
Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. The Heating Assistance Procedures Manual was revised to instruct staff to pend applications that did not include the utility bill receipts for clients. All eligibility staff were trained by the Eligibility Office Manager on this issue upon their return from seasonal leave without pay on September 3, prior to the start of the Program season.

In prior years, it was determined that the greater good was served for the elderly and disabled, or most vulnerable population, to issue a benefit to prevent shut-off notices or people going without fuel, while their applications were pending, against the lesser chance of a credit balance. Further, the eligibility staff determines whether the credit balance is low enough to justify the benefit against a denial that will almost certainly result in a rework a few months in the future.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

¹⁹States are to use the fiscal policies that apply to their own funds in administering LIHEAP. Procedures must be adequate to assure the proper disbursement of and accounting for federal funds paid, including procedures for monitoring the assistance provided (42 USC 8624(b)(10); 45 CFR 96.30).

Recommendation No. 20

LIHEAP's manager should ensure LIHEAP administrative costs do not exceed earmarking limitations.

LIHEAP administrative costs exceeded ten percent of FFY 12 grant awards. The maximum administrative costs allowed under the FFY 12 LIHEAP were \$1,130,589. DHSS claimed \$1,142,284 which exceeded the maximum by \$11,695.

Per 42 USC 8624 (b)(9) and 45 CFR section 96.88(a), no more than ten percent of LIHEAP funds payable to the State for a federal fiscal year may be used for planning and administrative costs, including both direct and indirect costs. Although DHSS' LIHEAP manager monitored compliance with earmarking requirements by tracking direct expenditures, the manager was unaware that LIHEAP indirect costs were being claimed for reimbursement by FMS. A lack of communication between FMS staff and LIHEAP's manager contributed to the error. Exceeding earmarking limitations may lead to repayment of unallowable expenditures by DHSS.

We recommend LIHEAP's manager ensure LIHEAP administrative costs do not exceed earmarking limitations.

CFDA: 93.568

Questioned Costs: \$11,695

Federal Agency: USDHHS

Noncompliance

Earmarking

Agency Response- Department of Health and Social Services

DHSS concurs with the recommendation. During SFY 14, the revenue unit and the DPA administrative section will collaborate on defining roles and responsibilities to ensure that earmarked costs stay within the federal directives.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 21

FMS' assistant commissioner should strengthen procedures over reporting cash receipts and disbursements to ensure federal financial reports are accurate.

FMS staff overstated indirect costs reported on the FFY 11 LIHEAP September 30, 2012, Federal Financial Report (FFR) 425 report by \$53,078. Additionally, FMS staff overstated

cash receipts by \$2,893,081 and overstated cash disbursements by \$135,506 on the FFY 12 FFR 425 report for the period ended September 30, 2012.

The \$2,893,081 overstatement in the cash receipt balance for the FFY 12 report was caused by the FMS Revenue Unit reporting the grant award amount rather than actual cash receipts on line 10a of the report. The errors in the indirect cost for FFY 11 and cash disbursements for FFY 12 were a result of expenditure input sheets not being tied to AKSAS prior to report submission.

Cash on hand (line 10c of the report) is calculated as cash receipts minus cash disbursements. Unobligated balances (line 10h of the report) are calculated as the total grant award amount minus the sum of unliquidated obligations and cash disbursements. The inaccuracies in the cash receipts and cash disbursements lines caused cash on hand to be overstated by \$606,380 and the unobligated balance to be understated by \$135,506 on the FFY12 report. Furthermore, indirect costs were overstated by \$53,078 for the FFY 11 report.

Per 45 CFR 96.30(b), each state shall report total funds obligated and total funds expended by the grantee. Furthermore, FFR 425 report instructions require the cumulative amount of actual cash received from the federal agency as of the report period end date be reported on line 10a of the FFR 425 report.

We recommend FMS' assistant commissioner strengthen procedures over reporting cash receipts and disbursements to ensure federal financial reports are accurate.

CFDA: 93.568

Questioned Costs: None

Federal Agency: USDHHS
Noncompliance
Reporting

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The reporting of the grant award amounts on the federal financial report (FFR) 425 resulted from a directive by the program manager. The revenue manager will provide training to the revenue unit staff, divisions' administrative operations managers, and program managers on the preparation of FFRs. This training will provide a better understanding of the required financial information on the federal reporting form.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

Recommendation No. 22

ORR's executive director should improve the agency's review process over inpatient hospital rates.

Review of ten inpatient hospital rate setting files noted multiple rate calculation errors including the following:

- Six files had inflation factors that were not in accordance with state regulation 7 AAC 150.150;
- Six files contained inconsistent categorization of cost center days which were not in accordance with 7 AAC 150.160 or with the agency's reconciliation process of provider information;
- One file contained an expense that was deducted; and
- One file had a formula error.

Per *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, costs must be adequately documented to be allowable under federal awards. The incorrect calculation of inpatient hospital daily Medicaid rates causes over or under calculation of rates paid to providers and increases the potential for dispute.

ORR management reported that the findings noted above may have been due to a high volume of work and limited staff resources at the time the rates were calculated.

We recommend ORR's executive director improve the agency's review process over inpatient hospital rates.

CFDA: 93.778
Questioned Costs: Indeterminate

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Allowable Costs, Special Tests and Provisions

CFDA: 93.767
Questioned Costs: Indeterminate

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. The executive director agrees that improvement of the agency's review process over inpatient hospital rates will benefit both the agency and hospital providers. Although this recommendation is specific to audit work that occurred prior to his tenure, the executive director has been working to improve the agency's processes since he assumed the position last January and believes that his efforts are proving successful.

The executive director agrees that legislative audit’s review of ten inpatient hospital rate setting files noted multiple rate calculation errors. Before responding to each notation, it is necessary to explain the corrective action that has been instituted to address legislative audit’s recommendation that the executive director improve the agency’s review process over inpatient hospital rates. In addition to the individual corrective actions below, the executive director has ordered that a peer review process be refined, defined, and formally implemented for inpatient hospital rate setting. The executive director recognizes the complexity of the information being reviewed by audit staff and believes that it is necessary to have a formal peer review process that adds a substantive level of review prior to final review by the audit supervisor. Policy and procedures for this process will be refined and defined so that peer review can be formally implemented before the next desk review.

Notation 1: six files had inflation factors that were not in accordance with state regulation 7 AAC 150.150.

The executive director reviewed the inflation errors and has instituted corrective action. The corrective action consists of requiring two levels of documentation that demonstrates that the inflation factors received two levels of formal review—the first level from an accounting technician; the second level from the audit supervisor.

Notation 2: six files contained inconsistent categorization of cost center days which were not in accordance with 7 AAC 150.160 or with the agency’s reconciliation process of provider information.

The executive director agrees that there was inconsistency in the way that the hospital providers reported their financial information and revenue codes as they relate to cost centers. However, the executive director believes that the 5-part audit check that is currently in place treated the inconsistency appropriately and generated proper rates. This explanation is reflected in an email sent from the executive director to the legislative audit team on 12/5/13.

The executive director agrees that this process can be improved. After considering valuable input from legislative audit, the executive director has instituted action for these situations that adds a formal “due diligence” audit step that requires audit staff to formerly contact the hospital provider, inquire about the reporting inconsistency, and document the inquiry.

Notation 3: One file contained an expense that was deducted.

The executive director agrees that one file contained an expense that was deducted.

Notation 4: One file had a formula error.

The executive director agrees that one file had a formula error. This error is a result of a faulty formula in an excel spreadsheet. The formula has been corrected.

Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630

Recommendation No. 23

DSDS' director should ensure provider employees have timely, complete, and approved background clearances, and that the information supporting the clearance is properly documented.

As part of the provider certification process, DSDS requires a criminal history background check for provider employees. DSDS staff works with DHSS' central Background Check Unit to conduct an initial review of criminal history. Provider employees are given provisional status and allowed to work with clients if they pass an initial review. If they do not pass the initial review, provider employees are barred from working with clients. Those employees receiving a provisional status are also subject to a fingerprint-based criminal history background check. Again, DSDS staff works through DHSS' central Background Check Unit to conduct the more thorough criminal history check. Once a provider employee successfully passes the fingerprint-based criminal history check, they move to *approved* status. DHSS management considers three months to be a reasonable time period for completing the background checks.

In six of ten provider files reviewed, DSDS staff did not follow-up on incomplete background checks. Also, DSDS staff did not follow-up with any providers with barred employees. For one provider, testing identified four employees currently in provisional status ranging for a period of six months to three years. This same provider had two other employees in provisional status for almost three years before a barred determination was issued.

DSDS staff does not follow-up on noted discrepancies until the provider's next site review – if one is required to be performed. Furthermore, a site review may not happen for a year or two following identification of a discrepancy, and some providers, such as transportation providers, do not have site reviews.

According to DSDS management, due to the volume of providers and lack of staff resources, DSDS staff must rely on DHSS' Background Check Unit to ensure provider employees in provisional status are ultimately approved. By not following-up on the status of the background checks, DSDS staff does not know if provider employees are ultimately approved to work with clients. Additionally, DSDS staff does not have procedures to ensure barred employees do not continue to work for providers. Failure to adequately screen providers and their employees puts the health and welfare of service recipients at risk.

Per 42 CFR 441.302, the State is to provide satisfactory assurances that necessary safeguards have been taken to protect the health and welfare of the beneficiaries of services. State

regulation 7 AAC 10.910 requires all certified providers to furnish proof of a valid fingerprint-based criminal history check for all individuals associated with the provider.²⁰

We recommend DSDS' director ensure provider employees receive timely, complete, approved background clearances and that the information supporting the clearance is properly documented.

CFDA: 93.778
Questioned Costs: None

Federal Agency: USDHHS
Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. Ensuring compliance with state background check statute and regulation is a key component of DSDS provider oversight function. As noted in the December 17, 2013, Management Letter No. 2, DSDS had determined it did not have the staff resources to prioritize routine follow-up on provider employees under provisional status with the systems in place in FY 13.

DSDS provider staff have recently received initial training on the DHSS's Background Check Unit's new automated system, expected to become operational in SFY 14, and learned that provisional status will only be granted for 90 days under the new system. As DSDS becomes more familiar with the new system over the next few months, it will implement procedures to ensure that provider employees in provisional status at the time of provider certification have either successfully completed their background check or have been removed from contact with recipients and denied access to protected health information. DSDS will implement procedures to follow up on revocation notices sent by the Background Check Unit to employees of DSDS certified agencies to confirm that those employees have been removed from contact with recipients and denied access to protected health information.

In addition, DSDS has recently awarded a contract to develop an automated system for several key functions of DSDS operations. DSDS intends to explore the extent to which its new system (expected to be fully operational near the end of FY 15) can link with the new Background Check Unit system and the extent to which DSDS can automate and further enhance its monitoring of provider compliance with background check provisions.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

²⁰Title 7 of the Alaska Administrative Code, Section 10, Subsection 910.

Recommendation No. 24

The DHSS Medicaid and Health Care Policy (HCP) deputy commissioner and FMS' assistant commissioner should improve procedures to ensure overpayments to providers of Medicaid services are refunded to the federal agency within specified time frame.

In FY 13, an overpayment recovered from a Medicaid services provider was not refunded to the federal agency within one year. As a result, the federal agency overpaid the State \$73,181.

Federal regulation²¹ requires the State to refund the federal share of overpayments subject to recovery to the federal agency through a credit on the quarterly statement of expenditures, the Centers for Medicare and Medicaid Services (CMS) 64 report, within one year of discovery.

The overpayment was not refunded because program integrity personnel did not provide the FMS accountant responsible for CMS 64 reporting a complete list of overpayments as required by program integrity policies and procedures. Additionally, FMS' CMS 64 policies and procedures were not sufficient to detect all overpayments for reporting purposes.

We recommend DHSS' Medicaid and HCP deputy commissioner improve procedures to ensure overpayments to providers of Medicaid services are refunded to the federal agency within specified time frame.

CFDA: 93.778

Questioned Costs: \$73,181

Federal Agency: USDHHS

Significant Deficiency, Noncompliance

Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with this recommendation. Program Integrity will work with FMS staff to ensure all overpayments are reported timely on the CMS 64 quarterly reports. Program Integrity and FMS are each updating internal policies and procedures. Program Integrity will be sending FMS staff the Meyers and Stauffer overpayment reports and all deposit memos on a quarterly basis. FMS is updating reporting processes by including an additional Alder report that includes account codes impacted by the Meyers and Stauffer recoveries.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

²¹Title 42, Code of Federal Regulations 433.320(a) and 6506 of the Affordable Care Act.

Recommendation No. 25

FMS' assistant commissioner 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.

Seven potential shortfalls previously identified in FY 09, FY 10, FY 11, and FY 12 were still outstanding in FY 13 in the following amounts.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
22812-10	WIA Youth Juvenile Justice – Reimbursable Services Agreement (RSA)	\$ 8,310
22820-10	Bring the Kids Home – RSA	\$ 4,123
23847-10	Safety and Support Equipment	\$ 30,663
26116-12	Deferred Maintenance, Renovation, Repair, and Equipment	\$ 11,004
26122-12	Replacement of Telephone Systems	\$ 15,224
26123-12	Safety and Support Equipment for Public Health Nurses, Probation Offices, and Social Workers	\$ 11,225
26212-12	Mental Health Special Needs Housing	\$ 15,000

Two new potential shortfalls have also been identified.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
22980-08	Department Support Services	\$3,183,170
26318-13	Mental Health Treatment and Recovery Based Special Needs Housing	\$ 15,000

These revenue shortfalls were due to weaknesses in internal controls over monitoring revenue collections, untimely revenue billings, and ineffective year-end financial processes.

We recommend FMS' assistant commissioner work with division directors to collect earned revenues where possible. Additionally, FMS' assistant commissioner should work with the Office of Management and Budget to correct revenue shortfalls and request supplemental appropriations if necessary. We further recommend FMS' assistant commissioner improve procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. During SFY 14, DHSS submitted seven ratification requests on the previously identified revenue shortfalls.

Also, FMS would like to note the two new potential shortfalls that have been identified did not result from weaknesses in internal controls over monitoring revenue collections or ineffective yearend financial processes. Appropriation number 22980-08 is identified as new, which resulted from a settlement made with the Centers for Medicare and Medicaid Services

requiring a liquidation of an accounts receivable. Appropriation number 26318-13 will be resolved by future billings.

*Contact Person: Sana Efird, Assistant Commissioner
Finance and Management Services
(907) 465-1630*

(Intentionally left blank)

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD)

Four recommendations were made to DLWD in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation No. 27 is resolved. Prior year Recommendation Nos. 26 and 28 are reiterated in this report as Recommendation Nos. 26 and 27. Furthermore, prior year Recommendation No. 29, which is related to revenue shortfall issues, is not resolved and is included as Recommendation No. 31.

Three new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 28 through 30.

(Intentionally left blank)

Recommendation No. 26

The Employment Security Division (ESD) director should ensure that personal services expenditures charged to federal programs comply with federal cost principles.

Prior Finding

The *Workforce Investment Act* (WIA) program is funded by three federal grants. DLWD employees engage in activities that may be charged to multiple WIA grants or to both WIA and non-WIA programs. For 17 of 33 FY 11 timesheets tested (51 percent), time allocation methodologies were used to allocate personal service costs to multiple federal programs. The methodologies were not federally approved. FY 12 timesheet testing found DLWD management had developed and implemented procedures in April 2012 to address charging personal services expenditures to federal programs. However, the procedures did not include a federally approved time-allocation methodology for activities charged to multiple programs. A non-federally approved time allocation methodology was used in 7 of 29 FY 12 timesheets tested (24 percent).

The *United States Office of Management and Budget Circular (OMB) A-87*²² requires that, when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be documented and reflect an after-the-fact distribution of actual employee activity (commonly referred to as “*positive timekeeping*”). Alternative methods of time and wage allocation using a substitute system are permitted if approved by the cognizant federal agency.

Not using either positive timekeeping or a federally approved time-allocation methodology could result in over- or under-charging allowable expenditures to federal programs, and the State may be asked to repay unallowable personal service costs.

Legislative Audit’s Current Position

DLWD management made no additional progress in addressing this finding during FY 13. A non-federally approved time allocation methodology was used in five of 30 FY 13 timesheets tested. The federal programs charged were WIA Adult (CFDA 17.258) and WIA Dislocated Worker (CFDA 17.278). The amount of questioned costs assigned to each federal assistance identification number was not readily determinable.

Additionally, during our review of FY 13 personal services expenditures charged to the Unemployment Insurance (UI) Program,²³ it was determined that one employee’s charges were evenly split between the UI Program and a state program. DLWD management has procedures for positive timekeeping; however, the employee was not aware of the procedures

²²Attachment B, Section 8.h.4.

²³Federal Award Number Identification Number (FAIN) UI222591255A2 was charged \$18,489 and FAIN UI238781355A2 was charged \$28,259.

and did not track time worked for each program.

We again recommend the ESD director ensure that personal service expenditures charged to federal programs comply with federal requirements. If alternative methods of time distribution are preferred, DLWD management should obtain federal approval.

CFDA 17.258

Questioned Costs: \$5,956

CFDA 17.278

Questioned Costs: \$7,153

CFDA: 17.225

Questioned Costs: \$46,748

Federal Agency: USDOL

Noncompliance

Allowable Costs

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation. As the auditor noted, the Department has procedures for positive timekeeping. Employees working on more than one program have received training, guidance and reminders from management on the importance of following those procedures. Also, the ESD director started directly reviewing timesheets in FY 14 and has found no recurrence of staff using an allocation rather than direct activity based time charging.

The auditor noted that one employee working on the Unemployment Insurance (UI) Program was not practicing positive time charging and was not aware of the positive timekeeping procedures. Guidance has been provided to this employee in the past regarding positive timekeeping and was provided again upon notification to Department management of the finding. Department management has reviewed the employee's UI Program work effort based on an internal ticketing system and emails requesting tasks and has identified 718 direct work hours on UI Program activities. The Department contests the questioned costs based on this evidence.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Legislative Auditor's Additional Comments

We have reviewed DLWD's response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. The resolution of the questioned costs will be determined by the United States Department of Labor.

Recommendation No. 27

The Division of Business Partnerships (DBP) director should develop and implement procedures to ensure compliance with the *Federal Funding Accountability and Transparency Act (FFATA)* subaward reporting requirements.

Prior Finding

DLWD staff did not file FY 12 FFATA subaward reports for the WIA program. Per 2 CFR 170, federal award recipients are required to report each subaward that obligates \$25,000 or more in federal funds. This information must be reported no later than the end of the month following the month in which the obligation was made.

DLWD management was not aware of the applicability of FFATA reporting requirements. Furthermore, procedures to ensure that FFATA subawards were completed and submitted timely did not exist.

Legislative Audit's Current Position

During FY 13, DLWD staff did not file WIA FFATA reports within the required timeframes. Additionally, of the 11 subawards reported for FY 13, four were not subawards subject to FFATA reporting requirements. Rather, the activity represented intra- and inter-departmental reimbursable service agreements²⁴ (RSA).

Delayed reporting was caused by staff's limited knowledge of FFATA reporting requirements. Furthermore, DLWD staff misinterpreted federal regulation and incorrectly reported RSA activity. DLWD management drafted policies and procedures for FFATA reporting during FY 13; however, the procedures were not finalized during the year. Failing to comply with FFATA requirements reduces transparency and may jeopardize future federal funding.

We recommend DBP's director improve procedures to ensure compliance with FFATA subaward reporting requirements.

CFDA: 17.258, 17.259, 17.278
Questioned Costs: None

Federal Agency: USDOL
Noncompliance
Reporting

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation.

²⁴RSAs reported as subawards totaled \$3,880,737.

As of April 2013, DBP established and implemented a procedure to ensure compliance with FFATA subaward reporting requirements. At that time, DBP completed FFATA subaward reporting requirements for both current and previous federal grant awards.

The Department provided DBP's FFATA reporting procedure and evidence of its implementation to the U.S. Department of Labor (US DOL), Employment and Training Administration (ETA). ETA reviewed and found the policy and procedures and implementation sufficient to resolve the finding.

As noted above by the auditor, DBP completed FFATA subaward reports for intra- and inter- departmental reimbursable services agreements (RSAs). The Department will receive technical assistance from US DOL ETA on FFATA reporting and amend the DBP FFATA reporting procedure to ensure accurate reporting.

Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984

Recommendation No. 28

The ESD director should ensure that Employment and Training Administration (ETA) 227 quarterly reports are fully supported by the financial accounting system.

DLWD staff was unable to provide detailed support for one of two ETA 227 quarterly reports (Overpayments Detection and Recovery) tested. When the ETA 227 for the quarter ended September 30, 2012, was submitted, no hard copy or electronic support was retained.

The *UI Reports Handbook*²⁵ instructs that all applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system. The lack of supporting data for reports severely limits traceability and impairs the federal agency's ability to oversee the program.

Due to the lack of supporting data, the accuracy of the ETA 227 report for the quarter ended September 30, 2012, could not be verified.

We recommend the ESD director ensure ETA 227 quarterly reports are supported by the state accounting system.

CFDA: 17.225
Questioned Costs: None

Federal Agency: USDOL
Noncompliance
Reporting

²⁵Handbook No. 401, Section IV-3-6 Subsection D, General Reporting Requirements, (3) Audits.

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation. ESD identified that the retention schedule for the ETA 277 source data was insufficient. In reviewing the UI Reports Handbook No. 401, specifically the ETA Overpayment Detection and Recovery Activities section, the Department found the section silent on records retention. Therefore, the Department will utilize the three year retention for source data supporting counts as defined in the UI Reports Handbook No. 401, Introduction and General Reporting Instructions. System programming changes to ensure retention of source data supporting documents for at least three years was implemented in February 2014.

The Department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 29

The ESD director should ensure that Federal Unemployment Tax Act (FUTA) certifications comply with federal requirements.

The federal government levies a federal tax on employers covered by states' UI programs. The tax is six percent of a set amount of wages. Employers are allowed to take up to a 5.4 percent credit against the federal tax for contributions paid into the State's unemployment compensation fund. Employer contributions into the State's fund must be certified by the State.

DLWD management improperly certified information for FUTA tax credits against employer payroll taxes. Internal Revenue Service (IRS) guidance, 31.CFR 3302(a)-1(3), provides directions for the application of the credit.

Contributions paid into a State unemployment fund after the last day upon which the federal return for the taxable year is required to be filed (January 31) may be credited against the tax in an amount not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid into a State unemployment fund on or before such last day.

ESD FUTA certification procedures allow a ten day grace period for payment of unemployment insurance taxes. The application of the grace period resulted in taxpayers that paid between January 31 and February 10 being reported as on time payers who inappropriately qualified for the full credit. IRS instructions do not allow a grace period for

late tax payments. DLWD management believes that federal approval of the grace period was obtained; however, they were unable to locate documentation of such approval.

We recommend the ESD director ensure FUTA tax payments are certified in compliance with federal requirements.

CFDA: 17.225

Questioned Costs: None

Federal Agency: USDOL
Noncompliance
Special Tests and Provisions

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation. The Department has instituted procedural changes to have the FUTA certification report reflect the actual date of payment received.

The Department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 30

The Administrative Services Director (ASD) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally acceptable governmental accounting principles.

DLWD staff did not record uncollectible contribution accounts receivable from FY 09 through FY 13. Total contribution accounts receivable reported as of June 30, 2013, was \$10.9 million.

DLWD management is responsible for ensuring internal controls over financial accounting for the UCF are adequate for proper reporting. Generally accepted accounting principles require that losses (accounts receivable that will not be recovered) be recognized and reported.²⁶ Although there is a year-end procedure to estimate uncollectible accounts, DLWD revenue accountants mistakenly estimated that no contribution accounts receivable were uncollectible. A lack of understanding of accounting principles contributed to the error.

²⁶Codification of Governmental Accounting and Financial Reporting Standards 1600.131.

We recommend that the ASD director ensure uncollectible accounts receivable in the UCF are reported in accordance with generally acceptable governmental accounting principles.

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation. The ASD director will ensure uncollectible accounts receivable in the UCF are reported in accordance with generally acceptable governmental accounting principles.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

Recommendation No. 31

DLWD’s 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.

One potential shortfall previously identified in FY 12 was still outstanding in FY 13 in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
27766-12	AVTEC Maritime Safety Training Facility	\$ 31,128

This revenue shortfall is due to inadequate documentation to support the associated accounts receivable.

We recommend DLWD’s finance officer collect any remaining revenues and work with the Office of Management and Budget to request a supplemental appropriation if necessary. Additionally, we recommend the finance officer improve procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation. The DLWD finance officer has taken measures to resolve the revenue shortfall issue with submission of a ratification request to the Office of Management and Budget for supplemental appropriation.

The DLWD finance officer has implemented updated procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

The Department considers this finding corrected.

*Contact Person: Paloma Harbour, Director
Division of Administrative Services
(907) 465-5984*

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
(DCCED)

One recommendation was made to DCCED in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation No. 30 is not resolved and is reiterated in this report as Recommendation No. 32.

One recommendation related to this department, which requires the cooperation of the Department of Administration and the Office of Management and Budget, has been made during the FY 13 statewide single audit and is included as Recommendation No. 3.

(Intentionally left blank)

Recommendation No. 32

DCCED's 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.

One potential shortfall previously identified in FY 12 is still outstanding in FY 13 in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
29506-12	Economic Development	\$ 63,896

This shortfall was due to DCCED management expending funds that did not qualify for reimbursement from the federal government.

We recommend that DCCED's finance officer work with the Office of Management and Budget (OMB) director to correct the revenue shortfall if possible and seek a ratification if necessary. Additionally, we recommend that DCCED's finance officer strengthen internal controls over the establishment of receivables and the recognition of revenue to ensure revenue is recognized only when earned.

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

The department concurs with this recommendation and is taking measures to resolve revenue shortfall issues.

*Contact Person: Jeanne Mungle, Director
 Division of Administrative Services
 (907) 465 - 2506*

(Intentionally left blank)

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS (DMVA)

Five recommendations were made to DMVA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation Nos. 31, 33, and 35 are resolved. Prior year Recommendation Nos. 32 and 34 are not resolved and are reiterated in this report as Recommendation Nos. 33 and 34.

Two new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 35 and 36.

(Intentionally left blank)

Recommendation No. 33

The Division of Administrative Services (DAS) director should develop and implement procedures to ensure *Federal Funding Accountability and Transparency Act of 2006* (FFATA) reports are accurately submitted.

Prior Finding

In FY 11, DMVA staff did not file the required FFATA reports to comply with the subaward reporting requirement for three of three subawards tested for the Disaster Grants – Public Assistance (PA) program.²⁷ DMVA management did not have procedures to ensure FFATA reports for subawards were completed and submitted timely.

In FY 12, DMVA staff did not report on 14 of 14 qualifying subawards, for the same program. The Federal Emergency Management Agency (FEMA) is responsible for updating award information in the FFATA Subaward Reporting System (FSRS). Due to technical problems between FSRS and the USAspending.gov website, DMVA staff was unable to report subaward information. It was not until September 2012, upon auditor inquiry, that DMVA staff worked with FEMA to resolve the problem.

Additionally in FY 12, DMVA management did not report one of 12 subawards tested for the Homeland Security Grant Program²⁸ (HSGP). Furthermore, four of 12 subawards tested were not accurately reported or filed timely. The errors included incorrectly reporting the subaward obligation and the report submission dates. Lack of supervisory review of reporting data resulted in noncompliance with FFATA requirements.

Federal regulation 2 CFR 170, Appendix A, Section I.a.1 requires all prime recipients of individual federal grants greater than or equal to \$25,000 awarded on or after October 1, 2010, to report subaward data by the end of the month following the obligation month. Failing to comply with FFATA requirements may jeopardize future federal funding.

Legislative Audit's Current Position

FFATA report findings continued in FY 13 for the PA program and the HSGP. Five of six PA program subawards²⁹ tested and all four HSGP subawards³⁰ tested were not reported accurately or filed timely. Errors included incorrect reporting of the subaward obligation date, the report month and year, and the report submission date. For the PA program, one

²⁷Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, Federal Award Identification Number (FAIN): 1992DRAKP0000000.

²⁸The HSGP allocates funding to the State Homeland Security Program (SHSP). FFATA report testing was performed for the SHSP. The FAIN requiring FFATA reporting was EMW2011SS00053.

²⁹The subawards were under FAIN: 4050DRAKP0000000, 4054DRAKP0000000, and 4094DRAKP0000000.

³⁰The subawards were under FAIN: EMW2012SS000127.

reported subaward amount was inaccurate. Additionally, DMVA staff did not report two of 24 PA program qualifying subawards³¹ totaling \$275,717.

Noncompliance with FFATA reporting requirements was caused by a lack of written internal procedures and a lack of supervisory review.

We again recommend DAS' director develop and implement procedures to ensure FFATA reports are accurately submitted.

CFDA: 97.036, 97.067
Questioned Costs: None

Federal Agency: USDHS
Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with the recommendation. Division of Administrative Services staff will work with the appropriate department personnel to develop and implement procedures to ensure that Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports are accurately submitted. Effective March 1, 2014, DMVA will improve the policy implemented February 1, 2013 to ensure timely and accurate processing of FFATA reports. Division of Administrative Services staff will develop internal written procedures that will include a monthly review of all items that were reported on during the preceding month and a review of any potential subawards that meet the \$25,000 reporting requirement per Federal Regulation 2 CFR 170, Appendix A, Section I.a.1.

*Contact Person: Susan Colligan, Director
Administrative Services Division
(907) 428-6881*

Recommendation No. 34

DAS' director should continue to improve procedures and provide training to employees working on multiple federal programs to ensure personal service costs comply with federal requirements.

Prior Finding

During FY 12, DMVA staff did not use positive, after-the-fact timekeeping when charging time to the HSGP. Based on our review of 80 timesheets, 49 (61 percent) showed evidence

³¹The subawards were under FAIN: 4094DRAKP0000000.

that time was allocated inappropriately between multiple programs. Evidence suggests employee time was allocated to multiple programs on a predetermined basis.

United States Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 8.h.4 requires, in part, that when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be documented and reflect an after-the-fact distribution of actual activity of each employee. Alternative methods of time and wage allocation using a substitute system are permitted if approved by the cognizant federal agency.

According to DMVA management, employees were instructed to use positive timekeeping when working on multiple programs, but there was no written guidance that defined *positive timekeeping*. Consequently, employees may not have clearly understood federal requirements.

Not using positive timekeeping or a federally approved time allocation methodology may result in over-charging allowable expenditures to the federal program. DMVA management may be required to repay unallowable personal service costs.

Legislative Audit's Current Position

In FY 13, seven of the 22 HSGP timesheets tested did not reflect positive, after-the-fact timekeeping. In March 2013, DMVA management developed and implemented positive timekeeping procedures. Of the seven errors identified, six occurred prior to March 2013; one occurred after implementation of the new procedures indicating significant improvement to the timekeeping process.

We recommend DAS' director continue to improve procedures and provide necessary training to employees working on multiple federal programs to ensure personal service costs comply with federal requirements.

CFDA: 97.067

Questioned Costs: \$16,922

Federal Agency: USDHS

Noncompliance

Allowable Costs

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with the recommendation. Division of Administrative Services staff will work with the appropriate department personnel to develop and implement procedures to ensure either positive timekeeping or federally approved time allocation method is used when employees work on multiple activities or cost objectives. DMVA will improve the policy implemented March 1, 2013. Effective January 15, 2014, additional training was provided to all new employees regarding positive timekeeping, since the error occurred on a new employee's timesheet. An update was also made to "New Employee Training" to ensure

positive timekeeping is covered. Additional review procedures were also implemented for all timesheets to identify errors in positive timekeeping prior to submission of timesheets to payroll. Future corrective actions will include an adjustment to the automated timesheets to provide instructions on positive timekeeping and the development of an in-depth training in timekeeping for all employees. DMVA does not agree the costs in question are ineligible under the grant. The costs are for eligible activities within each grant and can be supported based on the guidelines of the grants.

Contact Person: Susan Colligan, Director
Administrative Services Division
(907) 428-6881

Legislative Auditor's Additional Comments

We have reviewed DMVA's response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. The resolution of the questioned costs will be determined by the United States Department of Homeland Security.

Recommendation No. 35

The Division of Homeland Security and Emergency Management (DHS&EM) director should improve procedures over subrecipient monitoring requirements.

Subaward agreements tested did not include federally required award information. Two of eight FY 13 subaward agreements for the PA program lacked the *Catalog of Federal and Domestic Assistance* (CFDA) number. DMVA program staff overseeing the grant subawards was unaware of the federal requirement to communicate the CFDA number and, therefore, deleted it from the subaward documents. DMVA management lacks a review process to ensure required information is included in subawards.

OMB Circular A-133, Section 400(d)(1) requires the subrecipient be informed of the federal award information (i.e., CFDA title and number, federal awarding agency, award name and number, and award year) and applicable compliance requirements. Not informing subrecipients of the required information increases the risk of noncompliance.

We recommend DHS&EM's director improve subrecipient monitoring procedures to ensure compliance with federal regulations.

CFDA: 97.036
Questioned Costs: None

Federal Agency: USDHS
Significant Deficiency, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Military and Veterans’ Affairs

DMVA concurs with the recommendation. Division of Homeland Security and Emergency Management staff will work with the appropriate division personnel to improve procedures for subrecipient monitoring requirements. Effective April 1, 2014, a new procedure will be implemented to ensure that the review of award documents for all required information is included and documented.

*Contact Person: Susan Colligan, Director
Administrative Services Division
(907) 428-6881*

Recommendation No. 36

DHS&EM’s director should improve procedures to account for each approved large project³² as required by federal regulations.

Program management could not provide a comprehensive list of approved large projects for the PA program. DMVA management reports eligible costs for each approved large project in a quarterly report to FEMA. Based on our review, the quarterly reports were not accurate or complete as they did not track details of state project completion³³ dates, include accurate subgrantee project completion dates, or identify improved or alternate large projects.

The quarterly reports are prefilled Excel spreadsheets provided by FEMA. Project detail information, such as completion dates and eligible costs, are input by multiple DMVA staff from various disaster tracking spreadsheets and are not reviewed by management for accuracy or completeness. Additionally, there is no internal written guidance for data input in the spreadsheets. Not adequately tracking projects may result in false or incomplete information in the preparation of reports provided to the federal oversight agency.

Per 44 CFR 206.205(b)(1), a grantee shall account for the eligible costs for each approved large project and:

Certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project have been made in accordance with 44 CFR 13.21.

³²Projects are classified as *large* or *small* according to the cost of the eligible work for the individual project. Section 422 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, 42 USC 5189, prescribes that Small Project Grants under the PA program be adjusted annually to reflect changes in the Consumer Price Index (CPI). The threshold is adjusted each October to reflect changes in the CPI. Additionally, the date the disaster is declared by the President determines the threshold in use for that project.

³³Project worksheets with a signed P.4 Project Completion and Certification Report.

According to FEMA, the certification is performed on the P.4 Project Completion and Certification Report and represents the completion of a large project.

We recommend DHS&EM's director improve procedures to account for large projects as federally required.

CFDA: 97.036

Questioned Costs: None

Federal Agency: USDHS
Significant Deficiency
Special Tests and Provisions

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with the recommendation. Effective January 15, 2014, Division of Homeland Security and Emergency Management Staff adjusted the quarterly report to capture required information and written procedures for the management of this report. The quarterly report now captures all large projects, identifies improved and alternate projects, captures work completed per the P.4 Project Completion and Certification Report, and captures the actual project closeout date from the State closeout letters sent to Federal Emergency Management Agency. Procedures have been included in the State Public Assistance Administrative Plan and an explanation of the columns has been included on the quarterly report spreadsheet.

*Contact Person: Susan Colligan, Director
Administrative Services Division
(907) 428-6881*

DEPARTMENT OF NATURAL RESOURCES (DNR)

No recommendations were made to DNR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

Two new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 37 and 38.

(Intentionally left blank)

Recommendation No. 37

The Division of Forestry (DOF) director should develop and implement policies and procedures to ensure employees certify their time when they are unavailable for signature.

Eight of 31 timesheets tested were not signed by employees, and there was no other support to show that employees certified the reported time. DOF management does not have policies and procedures to address occurrences when employees are unavailable to sign their timesheets, and due to the nature of the program, these occurrences are frequent. In those instances, time collectors obtain and report hours worked; however, the employees do not certify their hours.

United States Office of Management and Budget Circular A-87, Attachment B, Section 8.h.(5)(d) requires personnel activity reports or equivalent documentation to be signed by the employee. Additionally, the Master Cooperative Wildland Fire Management Agreement, Exhibit C, Alaska Statewide Annual Operating Plan requires timesheets to be completed and signed before tactical and support resources are released. If this is not possible, teletype or email approval of hours worked is considered acceptable.

Lack of employee signatures results in unallowable personal services expenditures charged to the federal program.

We recommend DOF's director develop and implement policies and procedures to ensure employees certify their time when they are unavailable for signature.

CFDA: 10.UNK - 10FI11100100040
Questioned Costs: \$45,769

Federal Agency: USDA
Significant Deficiency, Noncompliance
Allowable Costs

Agency Response – Department of Natural Resources

The DNR is in agreement with this finding, and recognize the need to implement policies and procedures within the organization to ensure positive time reporting on employee timesheets and are in the process of drafting the language to address this need. We will have policies and procedures in place and training for employees prior to the 2014 fire season beginning April 1, 2014, and will coordinate our efforts with the Division of Personnel, Payroll Section to ensure the timesheets of record are accurate and complete.

Contact Person: Jean Davis
Division of Support Services
(907) 465-2422

Recommendation No. 38

The Oil and Gas Division director should develop and implement procedures to accurately report trust accounts.

Trust accounts not maintained on the Alaska state accounting system (AKSAS) as of June 30, 2013, were inaccurately reported to the Department of Administration's Division of Finance by staff within the Oil and Gas Division.

Generally accepted accounting principles require assets held in a trustee or agency capacity be reported in the *Comprehensive Annual Financial Report* (CAFR) as assets and liabilities of an agency fund. When preparing the CAFR, Division of Finance staff requests all departments report trust accounts maintained by non-state financial institutions for inclusion in the CAFR. A lack of adequate procedures resulted in DNR staff reporting (1) amounts that were not assets held by the State; (2) duplicate amounts; and (3) amounts that were already recorded in AKSAS. As a result, the draft FY 13 CAFR overstated agency funds trust accounts by \$144.6 million. This error represented a material misstatement to the agency funds statement; however, the error was identified and adjusted during the audit.

We recommend the Oil and Gas Division director develop and implement procedures to accurately report trust accounts not maintained in AKSAS for inclusion in the CAFR.

Agency Response – Department of Natural Resources

The DNR is in agreement with this finding. Both the Division of Oil and Gas, and the Support Services Division, Financial Services Section have procedures in place to track all performance bonds and financial instruments held in trust accounts. In addition, procedures are in place to track all performance bonds and financial instruments that are held outside of the State Accounting System (e.g., land use surety bonds, Certificates of Deposits, savings account assignments) and report these for the CAFR. However, we recognize the need to integrate the procedures between the divisions in order to ensure accurate and timely reporting and have already undergone efforts to do so. We will have these procedures finalized and documented by March 31, 2014.

Contact Person: Jean Davis
 Division of Support Services
 (907) 465-2422

DEPARTMENT OF FISH AND GAME (DFG)

No recommendations were made to DFG in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

No new recommendations have been made during the FY 13 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF PUBLIC SAFETY (DPS)

No recommendations were made to DPS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

One new recommendation has been made during the FY 13 statewide single audit and is included in this report as Recommendation No. 39.

(Intentionally left blank)

Recommendation No. 39

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.

In FY13, two potential shortfalls were identified.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
47863-13	Bureau of Highway Patrol - Special Project – RSA	\$4,304,930
47872-13	Bureau of Highway Patrol – Special Project – RSA	\$ 148,568

The revenue shortfall for Appropriation (AR) 47863-13 is due to payment under the reimbursable service agreement (RSA) being withheld while the billing support is reviewed. The revenue shortfall for AR 47872-13 is due to expenditures which were not reimbursable under the RSA being recorded under the appropriation.

We recommend that DPS's finance officer collect any remaining revenue if possible and request a supplemental appropriation if necessary. Additionally, we recommend the finance officer improve procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response – Department of Public Safety

DPS agrees with this recommendation.

As recommend in your letter, DPS is consulting with the Office of Management and Budget on a ratification supplemental appropriation or other appropriate means of clearing AR 47872-13.

We will take similar action if the final federal review of AR 47863-13 results in under collection of revenue.

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

(Intentionally left blank)

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

No recommendations were made to DEC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

Four new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 40 through 43.

(Intentionally left blank)

Recommendation No. 40

DEC's finance officer should improve cash management procedures to ensure federal expenditure reimbursement requests are accurate.

One of three federal expenditure reimbursement requests tested exceeded expenditures by \$1.9 million, which resulted in an overpayment by the federal oversight agency for the Congressionally Mandated Projects program. The overdraw was the result of a spreadsheet error that was corrected in a subsequent draw approximately two weeks after the initial overdraw.

In general, 31 CFR 205 requires states to minimize the time elapsing between the transfer of funds from the United States (U.S.) Treasury and the time states incur expenditures for a federal program. Furthermore, *U.S. Office of Management and Budget (OMB) Circular A-133*, Section 300(b) requires non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Although DEC management has written procedures for the federal expenditure reimbursement request process, those procedures do not require an individual, other than the preparer of the draw request, to review and approve the expenditure reimbursement request. Lack of review increases the risk of overdrawing federal funds which may result in an interest liability.

We recommend DEC's finance officer improve cash management procedures to ensure federal expenditure reimbursement requests are accurate.

CFDA: 66.202
Questioned Costs: None

Federal Agency: USEPA
Noncompliance
Cash Management

Agency Response – Department of Environmental Conservation

DEC concurs that cost-beneficial improvements in error prevention are always desirable. The error referenced in this recommendation was the result of a draw being requested in the wrong amount due to an undetected typographical mistake in the draw calculation spreadsheet.

To give perspective on the cost of this error, “overdraw” errors like this must be reported in annual Cash Management Improvement Act reporting, which calculates and charges interest to the state for the period “overdrawn” funds were held. The cost of this error to the state was \$66.00, as documented on the fiscal year 2013 report (submitted December 9, 2013). To give some perspective of the frequency and magnitude of all such errors committed by DEC, for the previous four years (FY2009 – FY 2012), DEC incurred a total of \$11.00 in

“overdraw” costs. This brings the total cost of all overdraw errors committed by DEC to \$77.00 over a five year period. The cost, under \$100 over five years, and the rarity with which DEC commits these errors must be considered in determining appropriately cost-beneficial error prevention.

Detailed supervisor review of draws at DEC already occurs in conjunction with accounting transactions for draws received. This and other existing DEC internal controls designed for the purpose detected this error and corrected it within two weeks of the error occurring.

Recommendation 1 suggests adding an additional review as part of the initial draw request process to prevent draw request errors. This is not cost beneficial, and would likely not prevent all draw request errors in any case. Rather than adding manual review to all initial draw requests, DEC is pursuing further automation of its initial draw request process to reduce the manual inputs that can result in typographical errors, which has the added benefit of reducing staff time required to calculate draws.

*Contact Person: Tom Cherian, Director
Division of Administrative Services
(907) 465-5256*

Legislative Auditor’s Additional Comments

We have reviewed DEC’s response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation.

Recommendation No. 41

DEC’s finance officer should develop and implement procedures to ensure federal suspension and debarment requirements are met.

Sixteen of 21 files tested³⁴ for the Congressionally Mandated Projects program lacked evidence that DEC staff verified the vendors or subgrantees were not suspended or debarred.

Five of ten procurement files tested (50 percent) did not contain evidence that DEC staff verified the vendors were not suspended or debarred prior to finalizing the procurement. According to DEC management, this oversight occurred because electronic procurement information did not consistently include the suspension and debarment certification form for the vendor to sign and return to DEC.

³⁴The 21 files were comprised of ten procurement files and 11 subrecipient awards.

All 11 subrecipient grant files tested did not include evidence of suspension and debarment verification because DEC management was unaware that suspension and debarment verification applies to subgrantees.

Per 2 CFR 180.300, participants in covered transactions³⁵ must verify that the entity with whom they intend to do business is not suspended or debarred. This may be accomplished by:

- Checking that the entity is not excluded or debarred on the System of Award Management website (www.sam.gov);
- Collecting a certification from the entity; or
- Adding a clause or condition to the covered transaction with the entity.

By not verifying suspension and debarment of its vendors and subrecipients, DEC increases the risk of entering into contracts and grants with ineligible entities and incurring unallowable costs.

We recommend DEC's finance officer develop and implement procedures to ensure federal suspension and debarment requirements are met.

CFDA: 66.202

Questioned Costs: None

Federal Agency: USEPA
Significant Deficiency, Noncompliance
Procurement and Suspension and Debarment

Agency Response – Department of Environmental Conservation

DEC concurs with this recommendation. A federal grant administrative requirements checklist has been created and is currently being implemented for all federal grants. This checklist includes procedures for suspension and debarment verification and documentation.

*Contact Person: Tom Cherian, Director
Division of Administrative Services
(907) 465-5256*

Recommendation No. 42

DEC's finance officer should improve procedures over subrecipient monitoring.

In general, DEC management lacks adequate subrecipient monitoring procedures for the Congressionally Mandated Projects program. Specific errors include the following.

³⁵All contracts expected to equal or exceed \$25,000 and all awards to subrecipients, irrespective of award amount, are considered to be covered transactions.

- DEC staff did not obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number for all seven qualifying subawards. According to 2 CFR 25, Appendix A, Section I.B.2, an agency may not make an award to an entity until the entity has provided a valid DUNS number. DEC staff was unaware of the DUNS number requirement and had no procedures in place to ensure compliance. The lack of procedures increases the risk of awarding funds to unregistered subrecipients.
- Two of 11 subaward agreements tested did not include the name of the federal awarding agency, the CFDA title, and the CFDA number. *OMB Circular A-133*, Section 400(d)(1) requires subrecipients be informed of federal award information. According to DEC management, the information was not communicated because the standard subrecipient agreement forms lacked appropriate fields. Not informing subrecipients of the information increases the likelihood of subrecipient noncompliance.
- DEC staff did not issue a management decision regarding a subrecipient's *OMB Circular A-133* audit finding within the federally required six-month period. *OMB Circular A-133*, Section 400(d)(5) requires pass-through entities to:

Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

DEC management does not have procedures to ensure follow-up on subrecipient *OMB Circular A-133* audit findings occurs timely. Failing to follow-up on audit findings could lead to continual funding of noncompliant subrecipients.

We recommend DEC's finance officer improve procedures over subrecipient monitoring.

CFDA: 66.202

Questioned Costs: None

Federal Agency: USEPA

Significant Deficiency, Noncompliance

Subrecipient Monitoring

Agency Response – Department of Environmental Conservation

DEC concurs with this recommendation. A federal grant administrative checklist has been created and is currently being implemented for all federal grants. This checklist includes procedures for subrecipient monitoring verification and documentation including ensuring that DUNS numbers are received prior to award, CFDA numbers are communicated, and management decisions regarding subrecipient audit findings are issued timely.

Contact Person: Tom Cherian, Director
Division of Administrative Services
(907) 465-5256

Recommendation No. 43

DEC's finance officer should develop and implement procedures to comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) subaward reporting requirements.

DEC staff did not file required FFATA reports for all seven qualifying subawards³⁶ totaling \$996,254 in federal funds for the Congressionally Mandated Projects program. Per 2 CFR 170, Appendix A, Section I.a.1, all federal award recipients must report each subaward that obligates \$25,000 or more in federal funds. The reports must be filed no later than the end of the month following the month in which the obligation was made.

FFATA reports for the seven subawards were due in August 2012 or September 2012. DEC staff did not attempt to submit information on the federal website until March 2013 as they were not aware of FFATA reporting requirements due to staff turnover. Failing to comply with FFATA requirements reduces government transparency and may jeopardize future federal funding.

We recommend DEC's finance officer develop and implement procedures to comply with FFATA subaward reporting requirements.

CFDA: 66.202

Questioned Costs: None

Federal Agency: USEPA
Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Environmental Conservation

DEC concurs with this recommendation. A federal grant administrative requirements checklist has been created and is currently being implemented for all federal grants. This checklist includes a description of the FFATA reporting requirements, and is reviewed by division of Water administrative management.

Contact Person: Tom Cherian, Director
Division of Administrative Services
(907) 465-5256

³⁶These seven subawards were funded under Federal Assistance Identification Number XP00J64901.

(Intentionally left blank)

DEPARTMENT OF CORRECTIONS (DOC)

No recommendations were made to DOC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

One new recommendation has been made during the FY 13 statewide single audit and is included in this report as Recommendation No. 44.

(Intentionally left blank)

Recommendation No. 44

DOC's 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.

In FY 13, one potential shortfall was identified in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
51303-09	Deferred Maintenance, Repair, and Renovation	\$1,154,141

This revenue shortfall is due to a long standing accounts receivable which has not been collected.

We recommend that DOC's finance officer collect any remaining revenue if possible and request a supplemental appropriation if necessary. Additionally, we recommend the finance officer improve procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

Agency Response – Department of Corrections

In FY 13, one potential shortfall was identified in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
51303-09	Deferred Maintenance, Repair and Renovation	\$ 1,154,151

In response to the shortfall identified:

- *As of March 18, 2014 the DOC's has billed the Alaska Student Loan Corporation \$1,094,876.01 as identified below:*

<i>Requisition # 5</i>	<i>\$ 200,761.79</i>
<i>Requisition # 6</i>	<i>258,842.36</i>
<i>Requisition # 7</i>	<i>613,080.79</i>
<i>Requisition # 8</i>	<i>22,191.07</i>
<i>Total</i>	<i>\$ 1,094,876.01</i>

A summary of the project total and billings submitted (both paid and pending) is attached.

- *Of the remaining balance \$59,264.51 DOC staff has prepared an additional \$57,038.28 for billing and is currently working on pulling the documentation to fulfill the billing. We anticipate the full amount to be billed and paid by June 30, 2014.*

*Contact Person: April Wilkerson, Director
Division of Administrative Services
(907) 465-3460*

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOTPF)

Five recommendations were made to DOTPF in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*. Prior year Recommendation Nos. 36 and 37 are resolved. Prior year Recommendation Nos. 38, 39 and 40 are not resolved and are reiterated in this report as Recommendation Nos. 45, 46, and 52, respectively.

Five new recommendations have been made during the FY 13 statewide single audit and are included as Recommendation Nos. 47 through 51.

(Intentionally left blank)

Recommendation No. 45

DOTPF's director of program development should develop and implement procedures to ensure compliance with the *Federal Funding Accountability and Transparency Act (FFATA)* subaward reporting requirements.

Prior finding

DOTPF staff did not file required FFATA subaward reports for federal Highway Safety Cluster (HSC) programs. Per 2 CFR 170, Appendix A, Section I.a.1, federal award recipients are required to report each subaward that obligates \$25,000 or more in federal funds. This information must be reported no later than the end of the month following the month in which the obligation was made.

DOTPF management was not aware of FFATA reporting requirements' applicability. Furthermore, DOTPF did not have procedures to ensure FFATA reports for subawards are completed and submitted timely.

Thirteen HSC subawards totaling \$800,935 were subject to FFATA reporting requirements in FY 12. Failure to comply with FFATA requirements reduces government transparency and may jeopardize future federal funding.

Legislative Audit's Current Position

DOTPF staff did not file FFATA subaward reports in FY 13 for HSC programs or the Formula Grants for Other than Urbanized Areas program (FGOTUA). Furthermore, due to competing priorities, DOTPF management has not developed or implemented FFATA reporting procedures. Thirteen HSC subawards³⁷ totaling \$919,481 and 12 FGOTUA subawards³⁸ totaling \$5,260,543 were subject to FFATA reporting requirements in FY 13.

We recommend DOTPF's director of program development develop and implement procedures to ensure compliance with FFATA subaward reporting requirements.

CFDA: 20.600, 20.613, 20.509

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. The DOT&PF Program Development

³⁷Federal Award Identification Numbers (FAIN): 18X9204020AK12, 18X9204020AK13, 18X9204050AK12, and 18X9202110AK12.

³⁸FAINs: AK-18-X065-00, AK-18-X039-00, AK-18-X042-00 and AK-18-X053-00.

staff is coordinating efforts with the DOT&PF Federal Grants Accountant to file delinquent FFATA reports and will transfer the FFATA reporting responsibilities to DOT&PF Admin-Finance Section as a component of the encumbrance process. Procedures will be developed accordingly.

Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974

Recommendation No. 46

DOTPF's highway safety administrator should develop and implement procedures to obtain subrecipients' Dun and Bradstreet Data Universal Numbering System (DUNS) number and ensure subrecipients are informed of the federal award information.

Prior finding

Alaska Highway Safety Office (HSO) management lacked procedures to obtain the subrecipients' DUNS numbers before granting awards. Furthermore, seven of 12 subaward agreements tested did not identify the *Catalog of Federal Domestic Assistance* (CFDA) number of the federal program funding for the subaward.

Per 2 CFR 25.110, a lower-tier recipient must provide the awarding agency with its DUNS number before a subaward may be made. Per the *United States Office of Management and Budget (OMB) Circular A-133*, Section 400(d)(1), at the time of the subaward, the subrecipient must be informed of applicable compliance requirements and federal award information such as the "CFDA title and number, award name and number, award year, if the award is R&D [research and development]; and name of federal agency."

DUNS numbers were not obtained because HSO staff was unaware of the requirement to obtain subawardees' DUNS numbers before granting subawards. The CFDA number was not identified because standard subrecipient agreement forms lacked a field for the FAIN and CFDA. These weaknesses increased the risk that HSO management provided subawards to unregistered recipients and reduced the subrecipients' ability to accurately track the source of federal funding.

Legislative Audit's Current Position

HSO management partially corrected the FY 12 recommendation in March 2013, but the corrections did not extend to the FFY 12 subawards. Consequently, FFY 12 funded subawards remained in error during FY 13 as identified in the prior year finding. For all FFY 13 subawards, HSO staff obtained DUNS numbers from subrecipients prior to issuing the subaward and informed subrecipients of the applicable CFDA number(s), thereby resolving a portion of the prior year recommendation. However, FAINs were not provided to

FFY 13 funded subrecipients.³⁹ Current year testing included three subawards; one funded by the FFY 12 award and two by the FFY 13 award.

We recommend DOTPF's highway safety administrator inform subrecipients of federal award information as required by *OMB Circular A-133*.

CFDA: 20.600, 20.602, 20.613
Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Subrecipient Monitoring

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. The Alaska Highway Safety Office (AHSO) has obtained DUNS numbers from current grantees. For the FY14 grant year, a new field has been added to the grant application requesting the applicants' DUNS number. DUNS' numbers have been added to the subrecipient grant agreements. In addition, a field has been included on the subrecipient grant award to inform the sub grantee of the federal grant award information.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 47

DOTPF's highway safety administrator should ensure personal service expenditures billed to federal programs comply with federal requirements.

Personal service expenditure testing of six employees that worked on multiple programs found two that did not use positive timekeeping to document actual hours worked on the HSC grant program.

Per *OMB Circular A-87*, Attachment B, Section 8.h.4:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency.

³⁹FAINs: 18X9204020AK12, 18X9204020AK13, 18X9204050AK12, and 18X9202110AK12.

Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee.

The employees were instructed by HSO management to split time evenly among multiple programs rather than recording the actual time spent working on each program. According to HSO management, the National Highway Transportation Safety Administration approved the allocation methodology. However, HSO staff could not provide documentation to verify federal approval. Unallowable costs were charged to the program resulting in questioned costs totaling \$3,936,⁴⁰ and likely questioned costs totaling \$28,742.

We recommend DOTPF's highway safety administrator ensure personal service expenditures billed to federal programs comply with *OMB Circular A-87* requirements.

CFDA: 20.600

Questioned Costs: \$1,605

CFDA: 20.601

Questioned Costs: \$2,331

Federal Agency: USDOT

Noncompliance

Allowable Costs

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. The AHSO has implemented the requirement that all grantees who request reimbursement for personal services submit certified personnel activity reports or equivalent documentation. In addition all AHSO employees billing federal programs for personal services expenditures will document actual hours worked and certify their timesheet.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 48

DOTPF's highway safety administrator should strengthen procedures to ensure expenditures claimed as an HSC program match meet federal requirements.

DOTPF management did not meet the state match requirement for the FFY 12 State Traffic Safety Information System Improvements Grant⁴¹ as a portion of the costs claimed as match were ineligible.

⁴⁰FAINs: 18X924020AK12, 18X924020AK13, 18X9204100AK12, and 18X5201540AK12.

⁴¹Per 23 USC 408(e)(4), a 20 percent match is required.

HSO staff claimed \$96,005 in state match for personal service costs of a Department of Health and Social Services (DHSS) employee working on an HSC project⁴² through a reimbursable services agreement. Approximately 20 percent of these costs were also charged to the Medicaid program through DHSS' federally approved public assistance cost allocation plan. Based on information provided by DHSS, HSO staff mistakenly believed the \$96,005 was entirely state funded. Per 49 CFR 18.24(b), costs borne by another federal program, or that are counted towards the cost sharing requirements of another federal program, cannot be used as match.

Removing the ineligible costs of approximately \$19,200 will result in the State being noncompliant with match requirements. Per 23 CFR 1200.50, a state found to be noncompliant with HSC requirements may be subject to reduced funding.

The highway safety administrator should strengthen procedures to ensure expenditures claimed as match meet federal requirements. Additionally, the HSO should take any necessary steps to comply with match requirements of the FFY 12 award.

CFDA: 20.610

Questioned Costs: None

Federal Agency: USDOT

Noncompliance

Matching, Level of Effort, Earmarking

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. Each year AHSO completes a grant application for each funding section. This application certifies the federal level of effort requirement has been met.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 49

DOTPF's transit program manager should strengthen procedures to ensure federal report accuracy.

DOTPF staff filed reports containing inaccurate data for the FGOTUA in FY 13. Two⁴³ of four tested RU-20 special reports did not accurately report total annual operating expenses.

⁴²Catalog of Federal Domestic Assistance 20.610, and FAIN 18X9204080AK12.

⁴³The FAIN was AK-18-X053-00. The two RU-20 reports were for the fiscal year ended June 30, 2013.

In two⁴⁴ of four tested SF-425 financial reports, the federal share of cumulative expenditures was not supported by the accounting records. The inaccurate reporting resulted from a lack of procedures requiring review by transit office staff prior to submitting the federally required reports.

Per 49 USC 5311(b)(4), annually filing special reports, including the RU-20, is mandatory. Additionally, 49 CFR 18.41(b) requires periodic filing of financial status reports.

Funding calculations may be effected by incorrect special reports. Furthermore, submitting inaccurate financial reports may impair the federal agency's ability to oversee the program.

We recommend DOTPF's transit program manager strengthen procedures to ensure federal report accuracy.

CFDA: 20.509

Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. The DOT&PF transit program manager is working with the DOT&PF Federal Grants Accountant to complete delinquent and correct inaccurate reports. The DOT&PF Transit program has transferred the preparation of financial reports to the DOT&PF Admin-Finance Section. Procedures are being developed which will require the Transit Coordinator to review finance reports prior to submission to the federal funding partner. DOT&PF Admin-Finance section will provide oversight to ensure accurate and timely submission of program reports to the federal funding partner.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 50

DOTPF's transit program manager should strengthen procedures to ensure subrecipients are informed of required federal award information.

DOTPF staff did not inform subrecipients of the FAIN and award name for all 12 FGOTUA subawards issued during FY 13.

⁴⁴The FAIN for the annual SF-425 report for the period ended September 30, 2012, was AK-18-X053-00. The FAIN for the fourth quarter SF-425 report for the fiscal year ended June 30, 2013, was AK-86-X001-00.

Per *OMB Circular A-133*, Section 400(d)(1), a pass through entity must inform each subrecipient of the federal award information (i.e. CFDA title and number, and award name and number) and applicable compliance requirements.

The standard grant agreement form did not include all required preaward information. Failure to provide required federal award information may reduce subrecipients' ability to accurately track and report activity by federal funding source.

We recommend DOTPF's transit program manager strengthen procedures to ensure subrecipients are informed of required federal award information.

CFDA: 20.509

Questioned Costs: None

Federal Agency: USDOT
Noncompliance
Subrecipient Monitoring

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. Procedures have been implemented for SFY2014 to ensure that recipients are informed of federal award information. The required federal award information was included in template agreements through the electronic grants management system effective with SFY2014. The DOT&PF transit program manager will continue to ensure grant agreements and other form templates include required federal award information.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 51

DOTPF's transit program manager should notify applicable subrecipients of *American Recovery and Reinvestment Act (ARRA)* requirements concerning registering on the Central Contractor Registration system (CCR) and the presentation of ARRA awards in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC data collection form.

DOTPF staff did not inform four of four FGOTUA subrecipients that received ARRA funds in FY 13 of the requirement to register on the CCR and to present ARRA funds separately on SEFA and the SF-SAC. This resulted from inadequate oversight by program management and communication lapses within the agency concerning ARRA specific subaward notification requirements.

Per 2 CFR 176.50(c), recipients and subrecipients must maintain current registrations in the CCR while they have active ARRA-funded awards. Additionally, per 2 CFR 176.210(d), recipients must agree to separately identify expenditures for the federal awards under ARRA on SEFA and the SF-SAC. Recipients must also require their subrecipients to specifically identify ARRA funding on their SEFA.

Failing to provide subrecipients with required information may result in commingled ARRA and non-ARRA expenditures on subrecipients' SEFAs and SF-SACs and, thereby, reduce transparency and the ability to monitor ARRA fund expenditures. Additionally, ARRA subrecipients' may not comply with CCR requirements.

We recommend DOTPF's transit program manager notify subrecipients of ARRA requirements concerning the CCR and presentation of ARRA awards in SEFA and the SF-SAC.

CFDA: 20.509
Questioned Costs: None

Federal Agency: USDOT
Noncompliance
Subrecipient Monitoring

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation. All ARRA sub-recipients were notified to register on the CCR and had their registry identification numbers in October 2009. The ARRA grants to sub-recipients have been fully expended and DOT&PF has closed the ARRA grant with Federal Transit Administration. In addition, the January 17th enactment of the Federal Government's Fiscal Year 2014 Omnibus Spending Bill repealed Section 1512, quarterly ARRA reporting as of February 1, 2014. This made January 2014 reporting cycle the last time recipients need to report on the status of their awards.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-8974*

Recommendation No. 52

DOTPF's 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.

One potential shortfall previously identified in FY 12 was still outstanding in FY 13 in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
68801-12	06 South Central Flood Admin Allowance Culvert	\$ 3,650

This revenue shortfall is due to not receiving billed revenue under a reimbursable service agreement with the Department of Military and Veterans' Affairs.

We recommend that DOTPF's finance officer collect any remaining revenues if possible and request a supplemental appropriation if necessary.

Agency Response – Department of Transportation and Public Facilities

The department concurs with this recommendation and is working closely with DMVA to resolve the revenue shortfall when the OIG Audit has been completed.

*Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911*

(Intentionally left blank)

ALASKA COURT SYSTEM (ACS)

No recommendations were made to ACS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2012*.

No new recommendations have been made during the FY 13 statewide single audit.

(Intentionally left blank)

COMPONENT UNITS

This section includes one federal compliance recommendation to Alaska Energy Authority (AEA). A complete copy of AEA's report may be obtained directly from AEA.

(Intentionally left blank)

Recommendation No. 53

Suspension and Debarment – Finding and Significant Deficiency

Program: Energy Efficiency and Conservation Block Grant Program (CFDA 81.128)

Criteria: Regulations contained in 2 CFR section 180 prohibit nonfederal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all subawards to subrecipients, irrespective of award amount.

When a nonfederal entity enters into a covered transaction the nonfederal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition Found: During our testing we indentified 3 contracts, entered into in June and July 2012, where AEA was unable to provide evidence they verified the entity and its principals were not included on the EPLS, nor was there a clause or condition to the covered transaction in the related agreements.

Questioned Costs: None

Context: We tested 7 covered transactions totaling \$366,724, representing 37% of the program expenditures for the major program. The 3 contracts represented 27% of spending on covered transactions, or 10% of the program expenditures for the major program, and were entered into in June and July 2012, prior to AEA modifying its procedures in response to a 2012 finding. We compared these vendors and subrecipients to the EPLS and found none of them were listed.

Cause: Prior to last year’s KPMG October 2012 audit finding, the Authority’s procedures did not always ensure that documentation evidencing review of the EPLS was retained nor was there a clause or condition included in the agreement.

Recommendation: KPMG recommends that AEA add a clause to all of its contracts, memorandums of agreement, and purchase orders to state that the vendor/contract asserts that it or its principals are not suspended or debarred otherwise implement controls to achieve this objective. We encourage AEA to pay particular attention to the definition of a “principal” under 2 CFR section 180.995 when developing their procedures.

CFDA: 81.128
Questioned Costs: None

Federal Agency: USDOE
Significant Deficiency, Noncompliance
Procurement and Suspension and Debarment

Agency Response – Alaska Energy Authority

The Authority does not agree with this finding and considers it to be a form of double-jeopardy. These findings were from the same time period that was addressed in the prior year's audit report and the Authority took corrective action subsequent to the KPMG October 2012 report. The three items tested in this year's audit were contracts entered into prior to KPMG's October 2012 report and the Authority's corrective action. Although KPMG did not find evidence of the Authority verifying the EPLS list, these vendors were not and had not been suspended debarred. As stated in last year's response, the Authority agreed to (1) provide documentation of verification of EPLS and (2) include in federally funded proposals a vendor verification clause whereby the vendors self certifies eligibility to participate in receiving federal funds, all of which was done. As a result, there were no findings of this problem in subsequent transactions.

*Contact Person: Amy Adler, Controller
Alaska Energy Authority
(907) 771-3013*

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2013

Part I – Summary of Auditor’s Results

- a) An unmodified opinion was issued on the basic financial statements of the State of Alaska.
- b) Significant deficiencies, 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) A material weakness in internal controls over the Social Service Block Grant program and significant deficiencies in internal controls over other major federal programs were disclosed by the audit.
- e) The independent auditor’s report on compliance with requirements applicable to each major federal program expressed a qualified opinion for reporting on the Social Services Block Grant program and an unmodified opinion for all other programs.
- f) There were several audit findings that were required to be reported under Section 510(a) of *United States 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 40 major federal programs for the fiscal year ended June 30, 2013 as follows:

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
10.410	Very Low to Moderate Income Housing Loans (FmHA)
10.551, 10.561	SNAP Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
10.558	Child and Adult Care Food Program (CACFP)
10.565, 10.568, 10.569	Food Distribution Cluster
10.665	School and Roads - Grants to States
10.UNK	USFS Fire Suppression

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2013

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

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
11.438	Pacific Coast Salmon Recover – Pacific Salmon Treaty Program
11.557	ARRA - Broadband Technology Opportunities Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.865	Public and Indian Housing – Indian Loan Guarantee Program
15.226	Payments in Lieu of Taxes
15.605, 15.611	Fish and Wildlife Cluster
17.225	Unemployment Insurance (UI)
17.258, 17.259, 17.278	ARRA - WIA Cluster
20.314	Railroad Development
20.500	Federal Transit – Capital Investment Grants
20.509	ARRA - Formula Grants for Other than Urbanized Areas (Nonurbanized Area Formula Program)
20.600 et al	Highway Safety Cluster
66.202	Congressionally Mandated Projects
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds
81.041	ARRA - State Energy Program
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
84.032L	Federal Family Education Loans (Guaranty Agencies)
84.041, 84.401, 84.404	Impact Aid Cluster
84.410	Education Jobs Fund
93.210	Tribal Self-Governance Program: IHS Compacts/Funding Agreements
93.268	Immunization Cooperative Agreements
93.568	Low-Income Home Energy Assistance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2013

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

<u>CFDA or Other Identifying Number</u>	<u>Federal Program Title</u>
93.658	Foster Care – Title IV-E
93.667	Social Service Block Grant
93.720, 93.775, 93.777, 93.778	Medicaid Cluster
93.767	Children’s Health Insurance Program (CHIP)
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program
Various	Research and Development Cluster

- h) A threshold of \$9,777,084 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 qualifies as a low-risk auditee under Section 530 of *OMB Circular A-133*.

Part II – Findings related to the Basic Financial Statements

Significant Deficiencies

<u>State Department</u>	<u>Recommendation Number</u>
Administration	Recommendation No. 3
Labor and Workforce Development	Recommendation No. 30
Natural Resources	Recommendation No. 38

Irregularities and Illegal Acts

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

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USDA Recommendation No. 6	None	Significant Deficiency, Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2013

Part III – Federal Findings and Questioned Costs

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
<i>USDA (continued)</i>		
Recommendation No. 7	None	Significant Deficiency, Noncompliance
Recommendation No. 8	None	Significant Deficiency
Recommendation No. 9	None	Significant Deficiency, Noncompliance
Recommendation No. 10	None	Significant Deficiency, Noncompliance
Recommendation No. 13	None	Significant Deficiency, Noncompliance
Recommendation No. 14	None	Noncompliance
Recommendation No. 15	None	Significant Deficiency, Noncompliance
Recommendation No. 16	\$ 913,245	Significant Deficiency
Recommendation No. 37	\$ 45,769	Significant Deficiency, Noncompliance
 <i>USDOL</i>		
Recommendation No. 26	\$ 59,857	Noncompliance
Recommendation No. 27	None	Noncompliance
Recommendation No. 28	None	Noncompliance
Recommendation No. 29	None	Noncompliance
 <i>USDOT</i>		
Recommendation No. 45	None	Significant Deficiency, Noncompliance
Recommendation No. 46	None	Significant Deficiency, Noncompliance
Recommendation No. 47	\$ 3,936	Noncompliance
Recommendation No. 48	None	Noncompliance
Recommendation No. 49	None	Significant Deficiency, Noncompliance
Recommendation No. 50	None	Noncompliance
Recommendation No. 51	None	Noncompliance
 <i>USTREAS</i>		
Recommendation No. 5	None	Significant Deficiency, Noncompliance
 <i>USEPA</i>		
Recommendation No. 40	None	Noncompliance
Recommendation No. 41	None	Significant Deficiency, Noncompliance
Recommendation No. 42	None	Significant Deficiency, Noncompliance
Recommendation No. 43	None	Significant Deficiency, Noncompliance
 <i>USDOE</i>		
Recommendation No. 53	None	Significant Deficiency, Noncompliance

State of Alaska Division of Legislative Audit
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2013

Part III – Federal Findings and Questioned Costs (continued)

<u>Federal Agency/ Recommendation Number</u>	<u>Questioned Costs</u>	<u>Comments</u>
USED		
Recommendation No. 6	None	Significant Deficiency, Noncompliance
USDHHS		
Recommendation No. 8	None	Significant Deficiency
Recommendation No. 9	None	Material Weakness, Material Noncompliance, Significant Deficiency, Noncompliance
Recommendation No. 11	None	Significant Deficiency, Noncompliance
Recommendation No. 12	Indeterminate	Significant Deficiency, Noncompliance
Recommendation No. 15	None	Significant Deficiency, Noncompliance
Recommendation No. 17	\$ 5,400	Significant Deficiency, Noncompliance
Recommendation No. 18	None	Noncompliance
Recommendation No. 19	None	Noncompliance
Recommendation No. 20	\$11,695	Noncompliance
Recommendation No. 21	None	Noncompliance
Recommendation No. 22	Indeterminate	Significant Deficiency, Noncompliance
Recommendation No. 23	None	Significant Deficiency, Noncompliance
Recommendation No. 24	\$ 73,181	Significant Deficiency, Noncompliance
USDHS		
Recommendation No. 33	None	Significant Deficiency, Noncompliance
Recommendation No. 34	\$ 16,922	Noncompliance
Recommendation No. 35	None	Significant Deficiency, Noncompliance
Recommendation No. 36	None	Significant Deficiency

(Intentionally left blank)

SECTION III – INTERNAL CONTROL AND COMPLIANCE REPORTS
AND SUPPELEMENTARY INFORMATION

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the State of Alaska as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the State of Alaska's basic financial statements and have issued our report thereon dated December 11, 2013.

Our report includes a reference to other auditors who audited the financial statements of the Alaska Permanent Fund, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Housing Capital Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of Revenue as described in our report on the State of Alaska's financial statements in Section I. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Certain entities of the State of Alaska were not audited in accordance with *Government Auditing Standards*. These entities include: the Alaska Municipal Bond Bank Authority (a discretely presented component unit), the Alaska Housing Capital Corporation (a blended component unit), the Pension and Other Employee Benefit Trust Funds (fiduciary funds) and Invested Assets Under the Investment Authority of the Commissioner of Revenue (certain cash and investment accounts).

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the preceding section of Recommendations and Questions Costs, that we consider to be significant deficiencies. Our recommendations for these instances are identified in the Summary of Recommendations under *Basic Financial Statements – Significant Deficiency*.

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 other matters which are described in the preceding section of Recommendations and Questioned Costs. Our recommendations for these instances are identified in the Summary of Recommendations under *Other State Issues*.

State of Alaska's Response to Findings

The state agencies' responses to the findings identified in our audit are included in the proceeding Section II – Recommendations and Questioned Costs as well as in the succeeding Section IV – Appendices. The state agencies' responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
December 11, 2013

(Intentionally left blank)

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE



Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

Members of the Legislative Budget
and Audit Committee:

Report on Compliance for Each Major Federal Program

We have audited the State of Alaska's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the federal programs of the University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Clean Water Fund, Alaska Drinking Water Fund, and Alaska Student Loan Corporation. The audits of those entities and funds reflect the following percent of major federal program expenditures.

CFDA	Federal Program Title	Percent of Major Federal Program Expenditures
11.557	<i>American Recovery Reinvestment Act (ARRA) - Broadband Technology Opportunities Program</i>	43%
14.865	Public and Indian Housing - Indian Loan Guarantee Program	100%
20.314	Railroad Development	100%
20.500	Federal Transit - Capital Investment Grants	10%
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	100%
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	100%
81.041	ARRA - State Energy Program	13%
81.042	ARRA - Weatherization Assistance for Low-Income Persons	100%
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program	97%
84.032L	Federal Family Education Loans (Guaranty Agencies)	100%
Various	Research and Development Cluster	100%

The above federal programs were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the compliance requirements applicable to those programs, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*,¹ 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 a 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.

¹The standards applicable to financial audits are in chapters 1-4 of *Government Auditing Standards*.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Alaska's compliance.

Basis for Qualified Opinion on Social Services Block Grant (CFDA 93.667)

As described in Recommendation No. 9 in the preceding Schedule of Findings and Questioned Costs section, the State of Alaska did not comply with the ARRA reporting requirement applicable to the Social Services Block Grant program (CFDA 93.667) administered by the Department of Health and Social Services. Compliance with such requirements is necessary, in our opinion, for the State of Alaska to comply with the requirements applicable to that program.

Qualified Opinion on Social Services Block Grant (CFDA 93.667)

In our opinion, except for the noncompliance described in the "*Basis for a Qualified Opinion*" paragraph, the State of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Social Services Block Grant program (CFDA 93.667) for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with *OMB Circular A-133*. These instances are listed in the accompanying Summary of Recommendations and Schedule of Findings and Questioned Costs and described in detail in Section II - Recommendations and Questioned Costs. Our opinion on each major federal program is not modified with respect to these matters.

State agencies' responses to the noncompliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as in Section IV – Appendices. State agencies' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State of Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Alaska's internal control over compliance with the types of requirements that could have a direct and

material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Alaska's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs in Recommendation No. 9 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal controls over compliance described in the accompanying Schedule of Findings and Questioned Costs and described in detail in Section II – Recommendations and Questioned Costs to be significant deficiencies.

State agencies' responses to the internal control over compliance findings identified in our audit are included in Section II – Recommendations and Questioned Costs as well as Section IV – Appendices. State agencies' responses were not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133*

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, 2013, and have issued our report thereon dated December 11, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.



Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
February 25, 2014, except for the
Schedule of Expenditures of
Federal Awards, which is dated
December 11, 2013

(Intentionally left blank)

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF AGRICULTURE						
Community Facilities Loans and Grants Cluster						
Community Facilities Loans and Grants	DCCED		10.766	Rural Broadband Internet Access Grant	4,498,586	4,483,228
Total for Community Facilities Loans and Grants Cluster					4,498,586	4,483,228
Child Nutrition Cluster						
School Breakfast Program	DEED		10.553	17131	8,622,592	8,295,083
School Breakfast Program	DMVA		10.553	RSA 0520089	(135,652)	
School Breakfast Program	DHSS		10.553		191,858	
National School Lunch Program - Food Commodities	DEED		10.555	17132	2,278,115	2,278,115
National School Lunch Program	DEED		10.555	17132	30,831,102	30,331,886
National School Lunch Program	DMVA		10.555	RSA 0520089	(211,429)	
National School Lunch Program	DHSS		10.555		287,787	
Special Milk Program for Children	DEED		10.556	17133	3,389	3,389
Summer Food Service Program for Children	DEED		10.559	17137	1,395,239	1,327,673
Total for Child Nutrition Cluster					43,263,001	42,236,146
Food Distribution Cluster						
Commodity Supplemental Food Program	DHSS		10.565		182,182	128,409
Emergency Food Assistance Program (Administrative Costs)	DEED		10.568	17138	115,468	108,824
Emergency Food Assistance Program (Food Commodities)	DEED		10.569		1,233,517	1,233,517
Total for Food Distribution Cluster					1,531,167	1,470,750
Forest Service Schools and Roads Cluster						
Schools and Roads - Grants to States	DCCED		10.665	National Forest Receipts	13,878,341	13,878,341
Schools and Roads - Grants to States	DNR		10.665		38	
Total for Forest Service Schools and Roads Cluster					13,878,379	13,878,341
Supplemental Nutrition Assistance Program Cluster						
Supplemental Nutrition Assistance Program	DHSS		10.551		189,700,771	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	DHSS		10.561		12,627,960	34,606
Total for Supplemental Nutrition Assistance Program Cluster					202,328,731	34,606
Water and Waste Program Cluster						
Water and Waste Disposal Systems for Rural Communities	DEC		10.760		2,784,818	460,729
Total for Water and Waste Program Cluster					2,784,818	460,729
Plant and Animal Disease, Pest Control, and Animal Care	DFG		10.025		17,959	
Plant and Animal Disease, Pest Control, and Animal Care	DEC		10.025		174,605	
Plant and Animal Disease, Pest Control, and Animal Care	DNR		10.025		192,424	
Inspection Grading and Standardization	DNR		10.162		8,943	
Market Protection and Promotion	DNR		10.163		127,885	
Specialty Crop Block Grant Program - Farm Bill	DNR		10.170		155,866	6,829
Organic Certification Cost Share Programs	DNR		10.171		11,250	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	UofA		10.226		41,183	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	UofA		10.228		1,051,791	
Integrated Programs (Pass-through University of Idaho)	UofA		10.303	BJKH15 SB005	28,887	
Homeland Security - Agricultural (Pass-through University of California)	UofA		10.304	201223902-05	8,727	
Beginning Farmer and Rancher Development Program	UofA		10.311		117,046	7,931
ARRA-Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF) (Pass-through University of Minnesota)	UofA	ARRA	10.315	H001344228 ARRA	2,056	
Cooperative Extension Service (Pass-through University of Wyoming)	UofA		10.500	1000782	5,385	
Cooperative Extension Service (Pass-through Utah State University)	UofA		10.500	100906004	461	
Cooperative Extension Service (Pass-through Purdue University)	UofA		10.500	8000047643	17,550	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Cooperative Extension Service (Pass-through Auburn University)	UofA		10.500	13-HHP-379816-UAF	3,103	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	2010-48661-21868 / S12037.01	79,392	
Cooperative Extension Service (Pass-through University of Nebraska-Lincoln)	UofA		10.500	25-6329-0059-801	28,979	
Cooperative Extension Service (Pass-through National 4H Council)	UofA		10.500	Agreement dated 05/21/13	24,452	
Cooperative Extension Service (Pass-through University of Idaho)	UofA		10.500	BSK701-SB-001 / PO 0028400	2,217	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S12068	14,780	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S12139	13,654	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S12200	25,276	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S13087	1,101	
Cooperative Extension Service	UofA		10.500		2,254,322	
Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through State of Oklahoma)	UofA		10.557	PO 3409015400 (Orig 3409014142)	14,878	
Special Supplemental Nutrition Program for Women, Infants, and Children	DHSS		10.557		13,778,546	5,365,572
Child and Adult Care Food Program - Food Commodities	DEED		10.558	17134	15,093	15,093
Child and Adult Care Food Program	DEED		10.558	17134	9,595,766	9,507,523
State Administrative Expenses for Child Nutrition	DEED		10.560	17135	800,512	
WIC Farmers Market Nutrition Program (FMNP)	DHSS		10.572		190,070	
Team Nutrition Grants	DEED		10.574	17400	109,046	13,613
Senior Farmers Market Nutrition Program	DHSS		10.576		67,912	64,949
ARRA-WIC Grants to States (WGC)	DHSS	ARRA	10.578	WISA-09-AK-01	979,517	
Child Nutrition Discretionary Grants Limited Availability	DEED		10.579	17169	52,531	4,614
Fresh Fruit and Vegetable Program	DEED		10.582	17166	1,730,001	1,687,285
Market Access Program	ASMI		10.601		4,037,066	
Cooperative Forestry Assistance	UofA		10.664		43,904	
Cooperative Forestry Assistance	DNR		10.664		2,836,720	240,426
Rural Development, Forestry and Communities	AEA		10.672	DG 11100165	116,135	
Forest Legacy Program	DNR		10.676		31,488	
Forest Health Protection	DNR		10.680		137,099	
Forest Health Protection	UofA		10.680		252,684	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	DFG		10.683	0801.12.032829	18,261	
National Fish and Wildlife Foundation (Pass-through National Fish & Wildlife Foundation)	UofA		10.683	2100.12.030840	50,000	
ARRA-Recovery Act of 2009: Wildland Fire Management	DNR	ARRA	10.688		289,353	573,623
Rural Business Enterprise Grants	UofA		10.769		197,237	
Rural Cooperative Development Grants	UofA		10.771		274,069	28,685
Plant Materials for Conservation	DNR		10.905		173,689	
Kenai Dispatch Center	DNR		10.999	12F11100400036	14,671	
Hotshot Crew	DNR		10.999	12PA11100100009	145,478	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0109-C-10-0011	136,912	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0109-C-10-0016	6,054	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0109-P-12-0032	5,708	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0116-C-09-0054	4,268	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0116-C-09-0055	762	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0116-C-09-0056	15,089	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0116-P-05-0004	54,219	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.999	AG-0120-P-09-0013	31,451	
Distinctive Landscape Roles & Contributions Assessment of the Chugach Region	UofA		10.999	G00007416	43,316	
University of Alaska-Southeast GIS Library & the Southeast Alaska Hydrography Database	UofA		10.999	G00007725	15,418	
Alaska Coastal Rainforest Center Director Support	UofA		10.999	G00008142	16,881	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	DOTPF		10.999	USFS 07-RO-11100100-076	31,525	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
USFS Fire Suppression (AKDF070002)	DNR		10.UNK	10FI11100100040	14,612,251	
Total for U.S. DEPARTMENT OF AGRICULTURE					323,619,556	80,079,943
U.S. DEPARTMENT OF COMMERCE						
Economic Development Cluster						
Economic Adjustment Assistance	DCCED		11.307	07-79-05719	32,961	
Economic Adjustment Assistance	DCCED		11.307	SBED	1,181,327	
Total for Economic Development Cluster					1,214,288	-
NOAA Mission-Related Education Awards (Pass-through Consortium for Ocean Leadership)	UofA		11.008	SA13-22	10,659	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska SeaLife Center)	UofA		11.012	Sub-Award H2300.56	107,557	
Economic Development-Technical Assistance	UofA		11.303		123,957	
Sea Grant Support	UofA		11.417		1,466,683	98,481
Coastal Zone Management Administration Awards (Pass-through from University of New Hampshire)	DFG		11.419	11-036	233,444	
Coastal Zone Management Estuarine Research Reserves	DFG		11.420		561,288	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission-AKFIN)	DFG		11.437	13-04	2,017,630	
Pacific Fisheries Data Program	DFG		11.437		2,749,172	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DCCED		11.438		1,487,378	1,396,254
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DFG		11.438		13,356,096	1,419,492
Marine Mammal Data Program	DFG		11.439		2,581,848	
Regional Fishery Management Councils	DFG		11.441		16,246	
Unallied Industry Projects	UofA		11.452		94,617	6,065
Habitat Conservation	DEC		11.463		50,000	
Meteorologic and Hydrologic Modernization Development	DMVA		11.467	35457	476,899	59,970
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1018	15,869	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1107	22,932	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1108	42,986	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1111	13,320	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	1116	22,978	
Unallied Science Program (Pass-through from North Pacific Research Board)	DFG		11.472	B69	5,714	
Unallied Science Program	UofA		11.472		52,572	
ARRA-Broadband Technology Opportunities Program (BTOP)	DEED	ARRA	11.557	17353	1,962,167	205,024
ARRA-Broadband Technology Opportunities Program (BTOP)-Match	DEED	ARRA	11.557	17354	-	7,150
ARRA-Broadband Technology Opportunities Program (BTOP)	UofA	ARRA	11.557	ADN 52008 EN 520000	1,270	
ARRA-Broadband Technology Opportunities Program (BTOP)	UofA	ARRA	11.557	ADN 530003 EN 530002	135,796	
ARRA-Broadband Technology Opportunities Program (BTOP)	UofA	ARRA	11.557		1,333,859	214,712
National Marine Fisheries Joint Enforcement Agreement	DPS		11.999	11.04 and 06/07/08-NMFS-JEA	1,439,042	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	HA133F-07-SE-3734	15,809	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	HA133F09SE4456	143	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	HA133F10SE3691	34,995	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	HA-133F-12-SE-2199	5,489	
NOAA Pribilof Island Restoration	DEC		11.999	NAAJ72001202082	793	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	RA133F-11-SE-2006	33,322	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	WE-1330-12-SE-04338	66,360	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	WE133F11SE1289	12,825	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.999	WE133R13SE0274	179	
Total for U.S. DEPARTMENT OF COMMERCE					31,766,182	3,407,148

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. DEPARTMENT OF DEFENSE						
Procurement Technical Assistance For Business Firms	UofA		12.002		359,370	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	DEC		12.113		2,853,215	
Military Construction, National Guard	DMVA		12.400	35400	137,578	
Military Construction, National Guard	AADC		12.400	W91ZRU-06-2-3038	11,827	
National Guard Military Operations and Maintenance (O&M) Projects	DMVA		12.401	35401	12,134,091	
National Guard Military Operations and Maintenance (O&M) Projects	DOTPF		12.401	GR35401	994,328	
National Guard ChalleNGe Program	DMVA		12.404	35404	3,839,193	
Information Security Grant Program	UofA		12.902		85,641	
King Salmon Airport Contract to Maintain USAF Safety	DOTPF		12.999	12.F65501-96C0006	533,284	
Access to Joint Tanana Training Complex-2008 (Pass-through from the Federal Railroad Administration)	ARRC		12.999	DTRFR53-08-G-00008	14,635,549	
Connecting Mongolia Health Practitioners (USPACOM Capacity Building through Technology Pilot)	UofA		12.999	G00006858	18,498	
Adak Airport Operations Agreement	DOTPF		12.999	N6871104MDC4010	817,657	
Miscellaneous Army-Wildlife Research	DFG		12.999	W911KB-11-P-0037	293,920	
Miscellaneous Army-Wildlife Research	DFG		12.999	W9DO-11-D-003	57,197	
Total for U.S. DEPARTMENT OF DEFENSE					36,771,348	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
CDBG - Entitlement Grants Cluster						
Community Development Block Grants/Entitlement Grants	AHFC		14.218		4,410,071	3,966,552
Total for CDBG - Entitlement Grants Cluster					4,410,071	3,966,552
CDBG - State-Administered CDBG Cluster						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	DCCED		14.228	B-07-DC-02-0001, B-08-DC-02-0001, B-09-DC-02-0001, B-10-DC-02-0001, B-11-DC-02-0001	3,383,243	3,268,315
Total for CDBG - State-Administered CDBG Cluster					3,383,243	3,268,315
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	AHFC		14.871		574,311	
Total for Housing Voucher Cluster					574,311	-
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program	AHFC		14.195		2,203,120	
Section 8 Moderate Rehabilitation Single Room Occupancy	AHFC		14.249		468,303	397,115
Total for Section 8 Project-Based Cluster					2,671,423	397,115
Mortgage Insurance - Homes	AHFC		14.117		4,658,759	
Community Development Block Grants/Technical Assistance Program	AHFC		14.227		59,715	59,715
Emergency Shelter Grants Program	AHFC		14.231		62,983	62,983
Supportive Housing Program	AHFC		14.235		77,201	77,175
Shelter Plus Care	AHFC		14.238		774,254	774,254
HOME Investment Partnerships Program	AHFC		14.239		3,263,885	3,263,885
Housing Opportunities for Persons with AIDS	AHFC		14.241		482,918	482,918
ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	AHFC	ARRA	14.257		11,116	
Alaska Native/Native Hawaiian Institutions Assisting Communities	UofA		14.515		769,444	376,653
Public and Indian Housing-Indian Loan Guarantee Program	AHFC		14.865		737,836	
Resident Opportunity and Supportive Services - Service Coordinators	AHFC		14.870		96,797	2,676
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	AHFC		14.877		64,266	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Moving to Work Demonstration Program	AHFC		14.881		46,198,856	
Partners in Growth	UofA		14.999	G00008210	133,380	
Total for U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					68,430,458	12,732,241
U.S. DEPARTMENT OF THE INTERIOR						
Fish and Wildlife Cluster						
Sport Fish Restoration Program	DFG		15.605		16,387,324	965,278
Wildlife Restoration and Basic Hunter Education	DFG		15.611		17,030,718	
Total for Fish and Wildlife Cluster					33,418,042	965,278
Indian Adult Education	UofA		15.026		17,177	
Cultural Resource Management	DFG		15.224		32,333	
Cultural Resource Management	DNR		15.224		156,307	
Cultural Resource Management	UofA		15.224		1,142,934	
Recreation Resource Management	DFG		15.225		1,311	
Payments in Lieu of Taxes	DCCED		15.226	Payments in Lieu of Taxes	10,477,793	10,477,793
Distribution of Receipts to State and Local Governments	DCCED		15.227	National Petroleum Reserve Alaska Impact Mitigation	7,796,612	7,731,199
National Fire Plan - Wildland Urban Interface Community Fire Assistance	DNR		15.228		122,099	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		52,999	
Fish, Wildlife and Plant Conservation Resource Management	DNR		15.231		59,337	
Fish, Wildlife and Plant Conservation Resource Management	DFG		15.231		233,882	
Environmental Quality and Protection Resource Management	DNR		15.236		10,844	
Challenge Cost Share	DFG		15.238		13,959	
Management Initiatives	DNR		15.239		32,392	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	DNR		15.250		322,401	
Abandoned Mine Land Reclamation (AMLR) Program	DNR		15.252		4,435,988	
Alaska Coastal Marine Institute	UofA		15.421		10,227	
Federal Oil and Gas Royalty Management State and Tribal Coordination	DNR		15.427		40,213	
Fish and Wildlife Management Assistance (Pass-through from National Fish and Wildlife Foundation)	DFG		15.608	2011-032-006	10,679	
Fish and Wildlife Management Assistance	DNR		15.608		8,941	
Fish and Wildlife Management Assistance	DFG		15.608		933,669	
Cooperative Endangered Species Conservation Fund	DFG		15.615		73,463	
Clean Vessel Act	DFG		15.616		1,532	1,532
Enhanced Hunter Education and Safety Program	DFG		15.626		85,732	
Coastal Program	UofA		15.630		46,900	
Coastal Program	DFG		15.630		65,815	
Partners for Fish and Wildlife	DNR		15.631		8,454	
State Wildlife Grants	DFG		15.634		2,653,201	
Alaska Subsistence Management (Pass-through from Ecotrust)	DFG		15.636	1-2343-209-0	47,916	
Alaska Subsistence Management	DFG		15.636		2,354,193	
Alaska Migratory Bird Co-Management Council	DFG		15.643		127,389	
Service Training and Technical Assistance (Generic Training)	UofA		15.649		43,094	
Migratory Bird Monitoring, Assessment and Conservation	DFG		15.655		14,921	
Endangered Species Conservation Recovery Implementation Funds	DFG		15.657		70,525	
Coastal Impact Assistance Program	UofA		15.668	1021200	200,647	
Coastal Impact Assistance Program	UofA		15.668	10-CIAP-021	77,852	
Coastal Impact Assistance Program (Pass-through from Northwest Arctic Borough)	DFG		15.668	11-053	38,052	
Coastal Impact Assistance Program	DEC		15.668		1,370,719	
Coastal Impact Assistance Program	DNR		15.668		1,518,193	
Coastal Impact Assistance Program	DFG		15.668		1,653,035	
Coastal Impact Assistance Program	DCCED		15.668		3,286,678	1,800,950
Cooperative Landscape Conservation	DNR		15.669		10,268	
Yukon River Salmon Research and Management Assistance	DFG		15.671		25,793	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. Geological Survey-Research and Data Collection	DNR		15.808		343,968	
National Cooperative Geologic Mapping Program	DNR		15.810		200,365	
ARRA -Volcano Hazards Program Research and Monitoring	DNR	ARRA	15.818		667,028	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	DNR		15.819		20,526	
National Climate Change and Wildlife Science Center	UofA		15.820		35,913	
Historic Preservation Fund Grants-In-Aid	UofA		15.904		13,497	
Historic Preservation Fund Grants-In-Aid	DNR		15.904		1,130,295	169,308
Outdoor Recreation-Acquisition, Development and Planning	DNR		15.916		299,210	229,075
Rivers, Trails and Conservation Assistance	DNR		15.921		10,239	
Natural Resource Stewardship	DFG		15.944		27,531	
Natural Resource Stewardship	UofA		15.944		71,205	
Cooperative Research and Training Programs-Resources of the National Park System	DFG		15.945		200,091	
Cultural Resources Management	UofA		15.946		24,183	
Palmer Hay Flats State Game Refuge	DNR		15.999	C-17-L-1	2,266	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	DFG		15.999	F09PX75731	2,666	
Miscellaneous US Fish & Wildlife Service - Salmon Harvest Assessment-Copper River	DFG		15.999	F10PX79112	9,059	
Miscellaneous US Fish & Wildlife Service - Lake Herring Harvest	DFG		15.999	F10PX79114	4,382	
Miscellaneous US Fish & Wildlife Service - Climate Change/Impact	DFG		15.999	F10PX79129	33,325	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	DFG		15.999	F11PX03657	22,910	
Turner Acquisition Project	DNR		15.999	F12AP00078	804,000	
Goose Bay Estuary	DNR		15.999	F12AP00112	915	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	DFG		15.999	FPNJ10009	1,986	
Sand Point School Loop Road-BIA	DOTPF		15.999	FRH53637	1,745	
Technical Assistance with Development of Monitoring Protocols and Analysis of Monitoring Data - Oceanography	UofA		15.999	G00005135	4,580	
Herbarium Study of Plant Samples from the Arctic Network of National	UofA		15.999	G00006445	6,027	
Vascular & Non-Vascular Plant Specimen Identification, Curation, & Technical Support for Vegetation Monitoring in the Southwest Alaska Network	UofA		15.999	G00006584	113	
Miscellaneous US Geological Survey - Herring Sample Analysis	DFG		15.999	G12PX00471	14,393	
Miscellaneous National Park Service - Harvest Assessments	DFG		15.999	H8W07060001	88,504	
Miscellaneous National Park Service - Walrus Studies	DFG		15.999	H9923070013	2,818	
Miscellaneous BLM - Wildlife Research-Mountain Goats	DFG		15.999	L10AC20287	27,729	
Bureau of Land Management Oversight	DEC		15.999	L11PA00032	48,298	
BLM Fire Suppression	DNR		15.999	LAA040005	5,112,324	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	DFG		15.999	M09PC00027	274,264	
Miscellaneous Minerals Management Service - Marine Mammal Research-Bowhead Whales	DFG		15.999	M10PC00085	244,222	
Miscellaneous Bureau of Safety and Environmental Enforcement	DFG		15.999	M12PC00005	304,305	
Miscellaneous National Park Service	DFG		15.999	P11AC90426	16,945	
National Park Service Oversight	DEC		15.999	P12PA90901	19,166	
National Park Service Oversight	DEC		15.999	P12PX100568	8,094	
National Park Service Fish Testing	DEC		15.999	PT11AT90098	3,078	
Total for U.S. DEPARTMENT OF THE INTERIOR					83,206,676	21,375,135
U.S. DEPARTMENT OF JUSTICE						
JAG Program Cluster						
Edward Byrne Memorial Justice Assistance Grant Program	DPS		16.738		993,360	234,185
ARRA -Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	DPS	ARRA	16.803		2,380,095	505,003
Total for JAG Program Cluster					3,373,455	739,188

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Sexual Assault Services Formula Program	DPS		16.017		165,063	157,714
Juvenile Accountability Block Grants	DHSS		16.523		260,545	
Supervised Visitation, Safe Havens for Children	DPS		16.527		138,227	122,034
Juvenile Justice and Delinquency Prevention - Allocation to States	DHSS		16.540		676,855	307,956
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	DPS		16.543		14,828	
Title V - Delinquency Prevention Program	DHSS		16.548		3,750	
National Criminal History Improvement Program (NCHIP)	DPS		16.554		151,801	
Crime Victim Assistance	DPS		16.575		891,940	868,809
Crime Victim Compensation	DOA		16.576	2010VCGX0004, 2011VCGX0011, 2012VCGX0065	1,064,463	
Edward Byrne Memorial State and Local Law Enforcement Assistance	DPS		16.580		61,199	
Discretionary Grants Program						
Drug Court Discretionary Grant Program	DOTPF		16.585		16,611	
Drug Court Discretionary Grant Program	DOTPF		16.585		55,114	
Violence Against Women Formula Grants	DPS		16.588		829,709	215,141
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	DPS		16.589		244,035	223,788
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	DPS		16.590		254,351	232,545
Residential Substance Abuse Treatment for State Prisoners	DPS		16.593		52,069	
State Criminal Alien Assistance Program	DOC		16.606	2010-AP-BX-0845	43,691	
Project Safe Neighborhoods	DPS		16.609		47,639	
Public Safety Partnership and Community Policing Grants	DPS		16.710		677,720	
Juvenile Mentoring Program (Pass-through National 4H Council)	UofA		16.726	2011-TY-FX-0031	23,489	
Juvenile Mentoring Program (Pass-through National 4H Council)	UofA		16.726	Agreement dated 03/08/12	57,171	
Enforcing Underage Drinking Laws Program	DHSS		16.727		370,946	191,617
DNA Backlog Reduction Program	DPS		16.741		198,991	
Paul Coverdell Forensic Sciences Improvement Grant Program	DPS		16.742		93,361	
Congressionally Recommended Awards	DPS		16.753	CY09	36,402	
Harold Rogers Prescription Drug Monitoring Program	DCCED		16.754	2009-PM-BX-0010	98,214	
Court Appointed Special Advocates	DOA		16.756	AK10900-12-1012-S	31,887	
Northern Border Prosecution Initiative Program	LAW		16.814		6,336	
John R. Justice Prosecutors and Defenders Incentive Act	DOA		16.816	2012-RJ-BX-0061	45,686	
Equitable Sharing Program	DPS		16.922		543,316	
Marijuana Eradication	DPS		16.999	16.05-2 & CY08/CY09	83,871	
Counterdrug Support Program-Asset Forfeiture	DMVA		16.999	35160/AKQNGCDO	72,914	
Federal Equitable Sharing UAFPD	UofA		16.999	G00006407	22,365	
Total for U.S. DEPARTMENT OF JUSTICE					10,708,014	3,058,792
U.S. DEPARTMENT OF LABOR						
Employment Service Cluster						
Employment Service/Wagner-Peyser Funded Activities	DLWD		17.207	858	8,636,078	
Disabled Veterans' Outreach Program (DVOP)	DLWD		17.801	893	403,150	
Local Veterans' Employment Representative Program	DLWD		17.804	895	121,174	
Total for Employment Service Cluster					9,160,402	-
Workforce Investment Act Cluster						
WIA Adult Program	DLWD		17.258	881/922/923	2,050,997	
WIA Youth Activities	DLWD		17.259	882/952	2,285,780	1,047,470
WIA Youth Activities	UofA		17.259	EN 736108	91,544	
WIA Dislocated Workers Formula Grants	DLWD		17.278	886/932/933/937/998/938/939	1,901,944	27,706
Total for Workforce Investment Act Cluster					6,330,265	1,075,176
Labor Force Statistics	DLWD		17.002	850	682,880	
Compensation and Working Conditions	DLWD		17.005	853	110,449	
Unemployment Insurance	DLWD		17.225	864	288,528,088	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Senior Community Service Employment Program	DLWD		17.235	867	1,897,396	947,702
Trade Adjustment Assistance	DLWD		17.245	871	190,432	
Work Opportunity Tax Credit Program (WOTC)	DLWD		17.271	898	64,743	
Temporary Labor Certification for Foreign Workers	DLWD		17.273	856	59,542	
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	DLWD	ARRA	17.275	899	1,202,924	676,237
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	AEA	ARRA	17.275	GJ-19959-10-55-A-2	49,261	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	UofA		17.282	MOU dated 04/17/13	74,178	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	UofA		17.282		947,897	
Occupational Safety and Health - State Program	DLWD		17.503	887	1,473,625	
Consultation Agreements	DLWD		17.504	888	656,472	
Mine Health and Safety Grants	UofA		17.600		16,572	
Total for U.S. DEPARTMENT OF LABOR					311,445,126	2,699,115

U.S. DEPARTMENT OF TRANSPORTATION

Federal Transit Cluster

Federal Transit - Capital Investment Grants	AIDEA		20.500	AK-04-0009-00	477,195	
Federal Transit - Capital Investment Grants	AIDEA		20.500	AK-04-0012-01	927,486	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0016	300,973	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0017	57,770	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0018	179,741	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0019	7,922,184	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0020	5,000,000	
Federal Transit - Capital Investment Grants	ARRC		20.500	AK-05-0021	9,508,685	
Federal Transit - Capital Investment Grants	AIDEA		20.500	AK-55-0001-02	3,710,721	
Federal Transit - Capital Investment Grants (Pass-through from the Federal Transit Administration)	ARRC		20.500	AK-55-0003	234,089	
Federal Transit - Capital Investment Grants	DOTPF		20.500		3,302,402	151,312
Federal Transit - Formula Grants	ARRC		20.507	AK-90-X062-00	784,968	
Federal Transit - Formula Grants	ARRC		20.507	AK-90-X065-00	10,182,420	
Federal Transit - Formula Grants	ARRC		20.507	AK-90-X068-00	6,433,206	
Total for Federal Transit Cluster					49,021,840	151,312

Highway Planning and Construction Cluster

ARRA-Highway Planning and Construction	DOTPF	ARRA	20.205		30,076	
Highway Planning and Construction	KABATA		20.205	PJ E 56047	5,977,492	
Highway Planning and Construction	DOTPF		20.205	WFL-DTFH70-09-E-00002	4,694,727	
Highway Planning and Construction	DPS		20.205		19,041	
Highway Planning and Construction	DEC		20.205		2,036,732	
Highway Planning and Construction	DOTPF		20.205		425,350,780	1,557,575
Recreational Trails Program	DNR		20.219		1,308,120	481,818
Total for Highway Planning and Construction Cluster					439,416,968	2,039,393

Highway Safety Cluster

State and Community Highway Safety	DHSS		20.600		15,326	
State and Community Highway Safety	DPS		20.600		217,725	
State and Community Highway Safety	DOTPF		20.600		974,980	602,792
Alcohol Impaired Driving Countermeasures Incentive Grants I	DOTPF		20.601		148,467	110,474
Alcohol Impaired Driving Countermeasures Incentive Grants I	DPS		20.601		195,095	
Occupant Protection Incentive Grants	DOTPF		20.602		138,174	134,838
Safety Belt Performance Grants	DOTPF		20.609		(96)	
State Traffic Safety Information System Improvement Grants	DHSS		20.610		6,122	
State Traffic Safety Information System Improvement Grants	DPS		20.610		93,462	
State Traffic Safety Information System Improvement Grants	DOTPF		20.610		324,289	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Child Safety and Child Booster Seats Incentive Grants	DOTPF		20.613		68,245	68,245
Total for Highway Safety Cluster					2,181,789	916,349
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	DOTPF		20.513		505,039	330,591
Job Access and Reverse Commute Program	DOTPF		20.516		129,921	228,490
New Freedom Program	DOTPF		20.521		105,606	111,265
Total for Transit Services Programs Cluster					740,566	670,346
ARRA-Airport Improvement Program						
Airport Improvement Program	DOTPF	ARRA	20.106		895,779	
Airport Improvement Program	DOTPF		20.106		152,670,587	
Highway Training and Education	UofA		20.215		73,040	
National Motor Carrier Safety	DOTPF		20.218		906,211	
Performance and Registration Information Systems Management	DOTPF		20.231		36,798	
Commercial Driver's License Program Improvement Grant	DOA		20.232	FM-CDL-033-11-01-00, FM-CDL-0106-12-01-00	1,146,676	
Commercial Driver's License Program Improvement Grant	DPS		20.232		534,378	
Border Enforcement Grants	DOTPF		20.233		180,440	
Safety Data Improvement Program	DOTPF		20.234		66,582	
Commercial Vehicle Information Systems and Networks	DOTPF		20.237		59,949	
Railroad Development	DNR		20.314	DTFRDV-5-0006	12,000	
Railroad Development	ARRC		20.314	FR-RLD-0002-09-01-00	43,260,722	
Railroad Development	ARRC		20.314	FR-RLD-0005-10-01-00	160,465	
Railroad Development	ARRC		20.314	FR-RRR-0010-08-01-01	18,345	
Railroad Development	ARRC		20.314	FR-RRR-0018-11-01-00	293,665	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0038-12-01-00	125,349	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0039-12-01-00	15,119	
Metropolitan Transportation Planning	DOTPF		20.505		383,448	522,556
ARRA-Formula Grants for Other than Urbanized Areas	DOTPF	ARRA	20.509		528,786	484,641
Formula Grants for Other than Urbanized Areas	DOTPF		20.509		5,160,882	4,398,716
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	ARRC		20.523	AK-88-0001	91,549	
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	DOTPF		20.605		923	
Alcohol Open Container Requirements	COURT		20.607	154 AL 2012 12-01-01	(12,195)	
Alcohol Open Container Requirements	DPS		20.607		737,246	
Alcohol Open Container Requirements	DOTPF		20.607		1,400,927	523,232
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	DPS		20.608		547,278	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	DOTPF		20.608		616,234	
Interagency Hazardous Materials Public Sector Training and Planning Grants	DMVA		20.703	35703	45,432	
Forest Highway Project Agreement	DOTPF		20.999	AK PFH 40-1(1) & AK PFH 43(8)	4,219	
Marine Link to Akutan A/P Denali Commission	DOTPF		20.999	DC-01166	14,506	
Sand Point School Loop Road Rehabilitation	DOTPF		20.999	DC01324-00	91,502	
Kotzebue Airport ARFF/FSS	DOTPF		20.999	DTFA04-02-X44090	(42,713)	
Takotna A/P Electrical Line Extension FAA FRH52265	DOTPF		20.999	DTFAA 05-A-00009	5,305	
FAA PO-Goodnews Bay Airport Runway Edge Lighting	DOTPF		20.999	DTFAA 05-A-00009	12,119	
FAA PO-Atka Airport Lighting	DOTPF		20.999	DTFAA 06-X-00009	22,113	
FAA PO-Goodnews Bay Airport Install Papi & REILS	DOTPF		20.999	DTFAAL 05-X-00011	(323)	
Clean-up Contaminated Sites in Alaska	DEC		20.999	DTFAAL-04X-80006	26,745	
Clean-up Contaminated Sites in Alaska	DEC		20.999	DTFAAL-04X-80007	82,621	
FAA PO-Kongiganak Airport Lighting	DOTPF		20.999	DTFAWA-06-A00009	5,390	
Akiachak A/P Lighting	DOTPF		20.999	DTFAWA-06-A-00009	28,672	
Ouzinkie A/P Lighting	DOTPF		20.999	DTFAWA-06-A-00009	60,219	
Unstable Slope Management	DOTPF		20.999	DTFH70-11-E-00067	64	
Alaska Trails Initiative	DNR		20.999	DTHF70-05-E-00028	716,659	534,604
Kodiak A/P Contract for Shared Electricity Bill	DOTPF		20.999	FAA DTFA 04-81-F-81018	28,857	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.999	FAA/DOT DTFA-04-98-L-16606	58,014	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.999	FAA/DOT DTFA-04-98-L-16606	102,847	
Cue Based Pilot Training FAA FRH52510	DOTPF		20.999	FAA-DTFAAL-09-C-00020	801	
FAA PO-Tuntutuliak Airport runway edge lighting	DOTPF		20.999	FAA-FAWA-26--A00009	50	
Alaska Railroad Emergency MP407-409	DOTPF		20.999	FF-RRR-0018-11-01-00	315,065	
Alaska Railroad Emergency Repairs MP352.9 FRA	DOTPF		20.999	FR-RRR-0010-08-01-01	45,808	
Klawock Causeway Culvert Const FHWA	DOTPF		20.999	FWS-70181AB0001	743	
Klawock Causeway Fish Passage FHWA	DOTPF		20.999	NA09NMF4630301	14,252	
Total for U.S. DEPARTMENT OF TRANSPORTATION					702,911,313	10,241,149
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	OG		30.002		197,500	
Total for U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					197,500	-
U.S. GENERAL SERVICES ADMINISTRATION						
Donation of Federal Surplus Personal Property	DOA		39.003		1,686,767	
Total for U.S. GENERAL SERVICES ADMINISTRATION					1,686,767	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science	UofA		43.001		112,770	
Space Operations	UofA		43.007		24,233	
Ground Station Outreach	UofA		43.999	G00006117	17,828	
Climate Change: NASA's Eyes on the Arctic (Pass-through Alaska Challenger Center for Space Science Technology Inc.)	UofA		43.999	G00006218 / S12985	44,813	
NASA Earth and Space Science Fellowship Program 2010 Atmospheric Corrections in SAR Interferometry	UofA		43.999	G00006759	27,446	
North American Carbon Project (Pass-through University of Tennessee Knoxville)	UofA		43.999	G00007213 / A11-0338-S001	1,730	
Total for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					228,820	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Museums for America	UofA		45.301	ILC-13-157-100	4,475	
Grants to States	DEED		45.310	17336	932,969	747,095
Grants to States	UofA		45.310	Agreement dated 05/25/12	80,640	
Grants to States	UofA		45.310	ASL dated 08/19/12	14,721	
Grants to States	UofA		45.310	LS-00-12-0002-12	14,088	
Laura Bush 21st Century Librarian Program	DEED		45.313	17258	29,044	
Total for INSTITUTE OF MUSEUM AND LIBRARY SERVICES					1,075,937	747,095
NATIONAL ENDOWMENT FOR THE ARTS						
Promotion of the Arts-Partnership Agreements	DEED		45.025	17335	624,673	298,100
Promotion of the Arts-Partnership Agreements	UofA		45.025	FY13CAD0038	1,000	
Promotion of the Humanities-Division of Preservation and Access	UofA		45.149		5,870	
Total for NATIONAL ENDOWMENT FOR THE ARTS					631,543	298,100
U.S. SMALL BUSINESS ADMINISTRATION						
8(a) Business Development Program	UofA		59.006		80,439	
Small Business Development Centers	UofA		59.037		593,203	
Federal and State Technology Partnership Program	UofA		59.058		37,280	
State Trade and Export Promotion Pilot Grant Program	DCCED		59.061	SBAHQ-11-IT-0052.	7,951	
Total for U.S. SMALL BUSINESS ADMINISTRATION					718,873	-
U.S. DEPARTMENT OF VETERANS AFFAIRS						
Veterans Housing - Guaranteed and Insured Loans	AHFC		64.114		3,982,188	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Traffic Mitigation into new VA clinic	DOTPF		64.999	USDVA FRH 51790	15,699	
Total for U.S. DEPARTMENT OF VETERANS AFFAIRS					3,997,887	-
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	DEC		66.034		297,186	
State Clean Diesel Grant Program	DEC		66.040		616,511	
Congressionally Mandated Projects	DCCED		66.202	XP00J26701	1,861,801	222,147
Congressionally Mandated Projects	DEC		66.202		20,971,966	3,449,320
State Environmental Justice Cooperative Agreement Program	DEC		66.312		25,219	
Water Pollution Control State, Interstate, and Tribal Program Support	DEC		66.419		221,403	
State Public Water System Supervision	DEC		66.432		2,316,990	
State Underground Water Source Protection	DOA		66.433	G-00J59001-0	130,000	
Water Quality Management Planning	DEC		66.454		100,000	
ARRA-Capitalization Grants for Clean Water State Revolving Funds	DEC	ARRA	66.458	2W-96091601	554,040	554,040
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000110	3,892,517	3,701,956
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000111	8,131,480	7,631,480
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000112	1,213,193	1,106,005
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	DEC	ARRA	66.468	2F-96091501	134,444	134,444
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005810	660,091	559,406
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005811	1,642,917	14,115
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005812	3,875,073	2,144,941
Beach Monitoring and Notification Program Implementation Grants	DEC		66.472		204,508	133,340
Performance Partnership Grants	DEC		66.605		4,976,680	232,685
Environmental Information Exchange Network Grant Program and Related Assistance	DEC		66.608		132,055	
Consolidated Pesticide Enforcement Cooperative Agreements	DEC		66.700		311,179	
Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	DEC		66.802		19,442	
Underground Storage Tank Prevention, Detection and Compliance	DEC		66.804		278,000	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	DEC		66.805		480,524	
Superfund State and Indian Tribe Core Program Cooperative Agreements	DEC		66.809		130,021	
State and Tribal Response Program Grants	DEC		66.817		779,463	
EPA-IPA for Kristin Ryan	DEC		66.999	IPA101651213N	175,873	
LUST Trust Cost Recovery	DEC		66.999	LUST Trust Cost Recovery	596,518	
Total for U.S. ENVIRONMENTAL PROTECTION AGENCY					54,729,094	19,883,879
U.S. DEPARTMENT OF ENERGY						
ARRA-State Energy Program	AEA	ARRA	81.041	DE-EE0000217	128,668	119,161
ARRA-State Energy Program	DOTPF	ARRA	81.041	EE0000217	546,268	
ARRA-State Energy Program	AHFC	ARRA	81.041		2,507,178	2,195,147
State Energy Program	AEA		81.041	DE-EE0004501	379,770	297,264
State Energy Program	AHFC		81.041		360,780	238,692
ARRA-Weatherization Assistance for Low-Income Persons	AHFC	ARRA	81.042		3,021,550	2,136,350
Weatherization Assistance for Low-Income Persons	AHFC		81.042		360,481	360,481
Renewable Energy Research and Development (Pass-through from University of Washington)	AEA		81.087	DE-EE0001110	92,283	
Renewable Energy Research and Development	AEA		81.087	DE-FG36-05GO85038	306,308	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	DFG	ARRA	81.112	30-232-AK	46,607	
State Energy Program Special Projects	AHFC		81.119		6,074	
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	DCCED	ARRA	81.122	DE-OE0000170	128,990	
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	UofA	ARRA	81.128	02/10-01 ARRA	186,079	52,750
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	AEA	ARRA	81.128	DE-EE0000827	2,586,712	2,147,800
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	AHFC	ARRA	81.128		3,954,057	3,898,746

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Amchitka Oversight Monitoring	DEC		81.999	DE-FG01-06LM00075	56,637	
Total for U.S. DEPARTMENT OF ENERGY					14,668,442	11,446,391
U.S. DEPARTMENT OF EDUCATION						
Educational Technology State Grants Cluster						
Education Technology State Grants	DEED		84.318	17241	13,190	12,666
Total for Educational Technology State Grants Cluster					13,190	12,666
Impact Aid Cluster						
Impact Aid	DEED		84.041	17238	40,676,158	
Total for Impact Aid Cluster					40,676,158	-
Statewide Data Systems Cluster						
Statewide Data Systems	DEED		84.372	17274	521,672	74,990
Statewide Data Systems	UofA		84.372		78,503	
Total for Statewide Data Systems Cluster					600,175	74,990
Special Education Cluster (IDEA)						
Special Education - Grants to States	DEED		84.027	17232	35,513,429	32,825,765
Special Education - Preschool Grants	DEED		84.173	17242	1,313,607	1,252,639
Special Education - Grants to States	DHSS		84.027A		169,737	
Total for Special Education Cluster (IDEA)					36,996,773	34,078,404
Student Financial Assistance Programs Cluster						
Federal Supplemental Educational Opportunity Grants	UofA		84.007		613,265	
ARRA-Federal Work-Study Program	UofA	ARRA	84.033		599,221	
Federal Pell Grant Program	DLWD		84.063	815	337,614	
Federal Pell Grant Program	UofA		84.063		25,441,950	
Federal Direct Student Loans	DLWD		84.268	837	379,064	
Federal Direct Student Loans	UofA		84.268		75,636,804	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	UofA		84.379		45,933	
Postsecondary Education Scholarships for Veteran's Dependents	UofA		84.408		6,113	
Total for Student Financial Assistance Programs Cluster					103,059,964	-
School Improvement Grants Cluster						
School Improvement Grants	DEED		84.377	17165	1,870,031	1,870,031
ARRA-State Improvement Grants, Recovery Act	DEED	ARRA	84.388	17198	3,609,997	3,350,500
Total for School Improvement Grants Cluster					5,480,028	5,220,531
Title I, Part A Cluster						
Title I Grants to Local Educational Agencies	DEED		84.010	17126	36,898,227	36,492,262
Total for Title I, Part A Cluster					36,898,227	36,492,262
TRIO Cluster						
TRIO - Student Support Services	UofA		84.042		451,879	
TRIO - Talent Search	UofA		84.044		378,659	
TRIO - Upward Bound	UofA		84.047		806,292	103,173
TRIO - Educational Opportunity Centers	UofA		84.066		298,204	
Total for TRIO Cluster					1,935,034	103,173
Adult Education - Basic Grants to States	UofA		84.002	720336	36,448	
Adult Education - Basic Grants to States	DLWD		84.002	813/87346	1,101,063	656,106
Adult Education - Basic Grants to States	UofA		84.002	EN 735601	201,959	
Adult Education - Basic Grants to States	UofA		84.002	EN 735602	102,756	
Adult Education - Basic Grants to States	UofA		84.002	EN 735604	85,176	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Adult Education - Basic Grants to States	UofA		84.002	EN 735605	73,467	
Migrant Education - State Grant Program	DEED		84.011	17127	7,997,871	7,283,560
Title I State Agency Program for Neglected and Delinquent Children and Youth	DEED		84.013	17129	250,943	248,695
Title I State Agency Program for Neglected and Delinquent Children and Youth	UofA		84.013		125,281	
Higher Education - Institutional Aid	UofA		84.031		12,388,995	38,465
Career and Technical Education - Basic Grants to States	DEED		84.048	17244	4,660,227	3,760,542
Career and Technical Education - Basic Grants to States	UofA		84.048	ADN 45-13-0759 / EL 13.157.02	148,084	44,631
Career and Technical Education - Basic Grants to States	UofA		84.048	ADN 520052	34,168	33,668
Career and Technical Education - Basic Grants to States	UofA		84.048	ADN 530095/EL13.157.04	108,479	
Rehabilitation Services - Vocational Rehabilitation Grants to States	DLWD		84.126	819	9,608,548	183,498
Rehabilitation Services - Client Assistance Program	DEED		84.161	17152	117,623	
Independent Living - State Grants	DLWD		84.169	823	306,639	1,320,360
Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	DLWD		84.177	827	238,546	247,550
Special Education - Grants for Infants and Families	DHSS		84.181		3,348,588	1,749,987
Supported Employment Services for Individuals with the Most Significant Disabilities	DLWD		84.187	830	288,423	
Education for Homeless Children and Youth	DEED		84.196	17257	223,458	194,843
Assistive Technology	DLWD		84.224	834	406,330	400,000
Tech-Prep Education	DEED		84.243	17246	67,297	
Tech-Prep Education	UofA		84.243	EN 0530087	67,297	
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service	DLWD		84.265	836	19,156	
Twenty-First Century Community Learning Centers	DEED		84.287	17271	6,063,736	5,910,236
Indian Education - Special Programs for Indian Children	UofA		84.299		323,656	
Special Education - State Personnel Development	DEED		84.323	17159	614,312	408,685
Special Education - State Personnel Development	UofA		84.323	ADN 510312	853	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	DEED		84.330	17122	1,235	
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	DOC		84.331	Q331A100002	7,101	
Transition to Teaching	DEED		84.350	17164	325,554	
Alaska Native Educational Programs	UofA		84.356	05/04/2012	78,290	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 10/08/12	6,842	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 10/25/12	6,195	
Alaska Native Educational Programs	UofA		84.356		2,085,568	290,380
Rural Education	DEED		84.358	17373	142,184	137,806
Native Hawaiian Education (Pass-through Pacific Tsunami Museum)	UofA		84.362	MOA dated 09/01/10	191,196	
School Leadership	DEED		84.363	17189	104,000	
English Language Acquisition State Grants	DEED		84.365	17175	1,191,325	1,055,710
English Language Acquisition State Grants	UofA		84.365		179,527	6,500
Mathematics and Science Partnerships	DEED		84.366	17252	1,547,784	1,489,379
Improving Teacher Quality State Grants	DEED		84.367	17172	11,918,033	11,444,134
Grants for State Assessments and Related Activities	DEED		84.369	17171	3,476,172	
Striving Readers	DEED		84.371	17211	2,499	
Strengthening Minority-Serving Institutions	UofA		84.382		382,664	
Transition Programs for Students with Intellectual Disabilities into Higher Education	UofA		84.407		401,995	
Education Jobs Fund	DEED		84.410	17239	3,068,632	2,909,210
Investing in Innovation (i3) Fund	UofA		84.411		2,107,559	737,386
ARRA-Bridge E-Skills Gap in Alaska	DLWD	ARRA	84.999	87333/02-43-B10566 UAF Grant 6892	113,150	
Consolidated Programs IASA Admin	DEED		84.999	17300	559,068	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Alaska State Writing Consortium (Pass-through National Writing Project Corporation)	UofA		84.999	G00007639 / Contract 11-AK03	42,386	
Federal Family Education Loans	ASLC		84.032L		(4,453,887)	
College Access Challenge Grant Program	ACPE		84.378A		1,878,623	
ARRA-Special Education - Grants for Infants and Families, Recovery Act	DHSS	ARRA	84.393A		112,817	
Thurgood Marshall Legal Educational Opportunity Program (Pass-through Council on Legal Education Opportunity)	COURT		84.936A	P936A100001	942	
Total for U.S. DEPARTMENT OF EDUCATION					300,146,382	116,533,357
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION						
National Historical Publications and Records Grants	DEED		89.003	17141	63,894	
Total for NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					63,894	-
DENALI COMMISSION						
Denali Commission Program	AEA		90.100	366	5,562,066	4,888,070
Denali Commission Program	DLWD		90.100	842	336,560	246,126
Denali Commission Program	UofA		90.100		370,259	
Denali Commission Program	DEC		90.100		623,216	
Denali Commission Program	DOTPF		90.100		1,856,918	
Denali Commission Program	DHSS		90.100		4,993,740	4,753,574
Total for DENALI COMMISSION					13,742,759	9,887,770
ELECTION ASSISTANCE COMMISSION						
Help America Vote Act Requirements Payments	UofA		90.401	RSA 0112001	2,415	
Help America Vote Act Requirements Payments	OG		90.401		865,480	
Total for ELECTION ASSISTANCE COMMISSION					867,895	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Aging Cluster						
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	DHSS		93.044		1,649,549	1,573,654
Special Programs for the Aging - Title III, Part C - Nutrition Services	DHSS		93.045		2,912,330	2,691,467
Nutrition Services Incentive Program	DHSS		93.053		350,287	
Total for Aging Cluster					4,912,166	4,265,121
Child Care and Development Fund Cluster						
Child Care and Development Block Grant	DHSS		93.575		13,030,802	7,471,977
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DHSS		93.596		7,561,294	
Total for Child Care and Development Fund Cluster					20,592,096	7,471,977
Medicaid Cluster						
State Medicaid Fraud Control Units	LAW		93.775		836,801	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	DHSS		93.777		484,536	
Medical Assistance Program	DHSS		93.778		885,323,919	
Total for Medicaid Cluster					886,645,256	-
TANF Cluster						
Temporary Assistance for Needy Families	DHSS		93.558		46,110,413	201,700
Total for TANF Cluster					46,110,413	201,700
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DHSS		93.041		24,960	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	DHSS		93.042		149,030	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	DHSS		93.043		94,378	74,378
Special Programs for the Aging - Title IV and Title II - Discretionary	DHSS		93.048		50,000	110,040
Special Programs for the Aging - Title IV and Title II - Discretionary	DHSS		93.048		161,098	
Special Programs for the Aging - Title IV and Title II - Discretionary	DHSS		93.048		252,730	
National Family Caregiver Support, Title III, Part E	DHSS		93.052		676,118	676,118
Birth Defects and Developmental Disabilities - Prevention and Surveillance	UofA		93.073		343,144	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	DHSS		93.074		6,181,489	809,866
Emergency System for Advance Registration of Volunteer Health Guardianship Assistance	DHSS		93.089		286,685	
Guardianship Assistance	DHSS		93.090		77,639	
Affordable Care Act (ACA) Personal Responsibility Education Program	DHSS		93.092		242,165	
Food & Drug Administration - Research	DEC		93.103		619,780	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	UofA		93.107		211,068	169,402
Maternal and Child Health Federal Consolidated Programs	UofA		93.110		550,008	20,744
Maternal and Child Health Federal Consolidated Programs	DHSS		93.110		906,665	5,940
Environmental Health	UofA		93.113		431,158	138,025
Project Grants and Cooperative Agreements for Tuberculosis Control	DHSS		93.116		518,978	73,182
Emergency Medical Services for Children	DHSS		93.127		196,669	14,100
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	DHSS		93.130		445,462	
Injury Prevention and Control Research and State and Community Based Programs	DHSS		93.136		185,781	21,775
Projects for Assistance in Transition from Homelessness (PATH)	DHSS		93.150		269,513	268,012
Rural Health Research Centers	DHSS		93.155		28,767	
Grants to States for Loan Repayment Program	DHSS		93.165		170,987	
Disabilities Prevention	DHSS		93.184		162,725	
Urban Indian Health Services	DHSS		93.193		70,920	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	DEC		93.210		10,819,247	
Family Planning - Services	DHSS		93.217		401,545	100,000
Grants to States to Support Oral Health Workforce Activities	DHSS		93.236		108,642	
State Capacity Building	DHSS		93.240		275,822	
State Rural Hospital Flexibility Program	DHSS		93.241		736,477	352,916
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	UofA		93.243		101,136	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	DHSS		93.243		2,730,667	1,628,192
Universal Newborn Hearing Screening	DHSS		93.251		266,353	38,200
Immunization Cooperative Agreements	DHSS		93.268		13,031,436	
Adult Viral Hepatitis Prevention and Control	DHSS		93.270		59,820	
ARRA-Centers for Disease Control and Prevention - Investigations and Technical Assistance	DHSS	ARRA	93.283		439,636	20,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	UofA		93.283		48,634	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	DHSS		93.283		6,398,279	
Teenage Pregnancy Prevention Program	DHSS		93.297		767,626	360,000
Small Rural Hospital Improvement Grant Program	DHSS		93.301		165,734	118,156
Advanced Nursing Education Traineeships	UofA		93.358		255,813	
ARRA-State Primary Care Offices	DHSS	ARRA	93.414		137,871	
ARRA-Nursing Workforce Diversity	UofA	ARRA	93.417		158,028	
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	DHSS		93.505		695,544	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Facilities and Providers	DHSS		93.506		446,847	
PPHF 2012 National Public Health Improvement Initiative	DHSS		93.507		225,315	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC)and Emerging Infections Program (EIP) Cooperative Agreement; PPHF	DHSS		93.521		1,193,505	20,000
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	DHSS		93.544		130,598	
Promoting Safe and Stable Families	DHSS		93.556		506,539	459,079
Child Support Enforcement	DOR		93.563		19,728,759	
Low-Income Home Energy Assistance	AHFC		93.568	AR 23490	650,000	650,000
Low-Income Home Energy Assistance	DHSS		93.568		13,164,146	
Community Services Block Grant	DCCED		93.569	G09B1AKCOSR	2,679,695	2,097,207
State Court Improvement Program	COURT		93.586	1101AKSCID	16,738	
State Court Improvement Program	COURT		93.586	1101AKSCIP	12,886	
State Court Improvement Program	COURT		93.586	1101AKSCIT	76,453	
State Court Improvement Program	COURT		93.586	1201AKSCID	88,990	
State Court Improvement Program	COURT		93.586	1201AKSCIP	98,823	
State Court Improvement Program	COURT		93.586	1201AKSCIT	93,124	
Community-Based Child Abuse Prevention Grants	DHSS		93.590		392,944	400,582
Grants to States for Access and Visitation Programs	COURT		93.597	1102AKSAVP	31,314	
Grants to States for Access and Visitation Programs	COURT		93.597	1202AKSAVP	100,000	
Chafee Education and Training Vouchers Program (ETV)	DHSS		93.599		172,840	
Head Start	DEED		93.600	17330	79,583	
Adoption Incentive Payments	DHSS		93.603		311,169	12,725
Voting Access for Individuals with Disabilities - Grants to States	OG		93.617		84,225	
Developmental Disabilities Basic Support and Advocacy Grants	DHSS		93.630		324,573	
Developmental Disabilities Projects of National Significance	DHSS		93.631		122,043	
Children's Justice Grants to States	DHSS		93.643		72,219	
Stephanie Tubbs Jones Child Welfare Services Program	DHSS		93.645		287,480	318,712
Foster Care, Title IV-E	DHSS		93.658		15,612,463	
Adoption Assistance	DHSS		93.659		11,213,829	
Social Services Block Grant	DHSS		93.667		8,304,155	693,595
Child Abuse and Neglect State Grants	UofA		93.669	EN 0629008	31,433	
Child Abuse and Neglect State Grants	UofA		93.669	RSA 630002	855,480	
Child Abuse and Neglect State Grants	DHSS		93.669		13,828	
Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	DPS		93.671		718,363	701,321
Chafee Foster Care Independence Program	DHSS		93.674		488,450	136,690
ARRA-State Grants to Promote Health Information Technology	DHSS	ARRA	93.719		1,029,063	
ARRA-IHS Tribal Agreements (Pass-through from ANTHC)	DEC	ARRA	93.722		86,737	
ARRA-Prevention and Wellness-State, Territories and Pacific Islands	DHSS	ARRA	93.723		33,857	
ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	DHSS	ARRA	93.725		2,031	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance -financed in part by the Prevention and Public Health Fund (PPHF-2012)	DHSS		93.733		342,832	
Elder Abuse Prevention Interventions Program	DHSS		93.747		4,900	
Children's Health Insurance Program	DHSS		93.767		21,872,613	
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	DHSS		93.768		130,919	
Medicare - Hospital Insurance	DHSS		93.773		1,191,827	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DHSS		93.779		15,493	236,080

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DHSS		93.779		180,664	
Alternatives to Psychiatric Residential Treatment Facilities for Children	DHSS		93.789		1,145,761	
Area Health Education Centers Infrastructure Development Awards	UofA		93.824		731,050	566,998
National Bioterrorism Hospital Preparedness Program	DHSS		93.889		167,213	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	DHSS		93.912		403,258	
Grants to States for Operation of Offices of Rural Health	DHSS		93.913		183,896	
HIV Care Formula Grants	DHSS		93.917		33,821	
HIV Care Formula Grants	DHSS		93.917		1,047,159	415,440
Healthy Start Initiative	DHSS		93.926		336,562	120,716
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health)	UofA		93.933	ANTHC-11-U-34569 Mod 003	244,908	25,164
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health	DEED		93.938	17308	226,981	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health	DHSS		93.938		54,939	
HIV Prevention Activities - Health Department Based	DHSS		93.940		1,318,085	314,347
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	DHSS		93.944		121,161	21,000
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	DHSS		93.946		134,339	
Block Grants for Community Mental Health Services	DHSS		93.958		634,132	587,407
Block Grants for Prevention and Treatment of Substance Abuse	DHSS		93.959		4,331,981	4,117,857
Preventive Health Services - Sexually Transmitted Diseases Control	DHSS		93.977		361,246	
Preventive Health and Health Services Block Grant	DHSS		93.991		238,121	
Maternal and Child Health Services Bock Grant to States	DHSS		93.994		909,081	
Adult Lead Surveillance Data	DHSS		93.999	030178D4D-CDC	125,366	
NCHS Contract	DHSS		93.999	200-2000-07201	120,228	
NIOSH Center for Disease Control & Prevention	DHSS		93.999	214-2008-M-26751	16,250	
Mammography Inspection	DHSS		93.999	223-03-4401	26,572	
NIOSH Trauma Registry	DHSS		93.999	243-03-1045	25,000	
AK GIS Strategic / Business Plan DHHS FRH52540	DOTPF		93.999	GIOAC00178	5,087	
FDA Food Inspections	DEC		93.999	HHSF22320111066C	307,255	
FDA Food Inspections	DEC		93.999	HHSF223201210206C	508,430	
Total for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					1,126,143,785	28,832,764
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
State Commissions	DCCED		94.003	10CAHAK001	167,429	
Learn and Serve America-School and Community Based Programs	DCCED		94.004	09KSPAK001	1,954	
AmeriCorps	DCCED		94.006	09RCHAK001	1,709,066	1,709,066
Program Development and Innovation Grants	DCCED		94.007	09CDHAK001	37,329	1,100
Program Development and Innovation Grants (Pass-through Oregon Campus Compact)	UofA		94.007	MOU dated 01/11/13	1,000	
Training and Technical Assistance	DCCED		94.009	08PTHAK001/11PTHAK001	22,750	
Volunteers in Service to America	UofA		94.013		5,678	
Total for U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					1,945,206	1,710,166
SOCIAL SECURITY ADMINISTRATION						
Disability Insurance/SSI Cluster						
Social Security - Disability Insurance	DLWD		96.001	844	4,594,360	
Supplemental Security Income	DLWD		96.006	845	853,342	
Total for Disability Insurance/SSI Cluster					5,447,702	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Social Security - Work Incentives Planning and Assistance Program	DLWD		96.008	846	9,400	
Social Security - Work Incentives Planning and Assistance Program	UofA		96.008		7,103	
Incentive Payment Agreement (IPMOU) between SSA and DOC	DOC		96.999	IPMOU	88,200	
Total for SOCIAL SECURITY ADMINISTRATION					5,552,405	-
U.S. DEPARTMENT OF HOMELAND SECURITY						
Boating Safety Financial Assistance	DNR		97.012		955,885	
State Access to the Oil Spill Liability Trust Fund	DNR		97.013		1,451	
Community Assistance Program State Support Services Element (CAP- Emergency Management Institute - Training Assistance	DCCED		97.023	EMS-2010-GR-0004, EMS-2011-GR-0004, EMS-2012-GR-	85,078	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DMVA		97.026	34052	6,168	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DMVA		97.036	35036	2,717,124	2,144,641
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	ARRC		97.036	1663-DR-AK	67,589	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	ARRC		97.036	4094-DR-AK	843,245	
Hazard Mitigation Grant	DMVA		97.039	35039	590,517	486,201
Hazard Mitigation Grant	ARRC		97.039	HMGP-1796.0008	10,885	
Hazard Mitigation Grant	ARRC		97.039	HMGP-1843.0003	69,957	
National Dam Safety Program	DNR		97.041		13,866	
Emergency Management Performance Grants	DMVA		97.042	35915	3,195,358	314,046
State Fire Training Systems Grants	DPS		97.043		11,023	
Cooperating Technical Partners	DCCED		97.045	EMS-2009-GR-0014	23,671	
Fire Management Assistance Grant	DNR		97.046		2,500	
Pre-Disaster Mitigation	DMVA		97.047	34064	188,717	
Pre-Disaster Mitigation	ARRC		97.047	10PDM-GR34070	319,582	
Pre-Disaster Mitigation	ARRC		97.047	10PDM-GR34071	106,368	
Pre-Disaster Mitigation	ARRC		97.047	11PDM-GR34081-MP238.6	369,338	
Pre-Disaster Mitigation	ARRC		97.047	11PDM-GR34081-MP243.9	14,742	
Pre-Disaster Mitigation	ARRC		97.047	11PDM-GR34081-MP244.7	215,597	
Pre-Disaster Mitigation	ARRC		97.047	12PDM-GR34055	50	
Emergency Operations Center	DMVA		97.052	35925	578,565	433,924
Interoperable Emergency Communications	DMVA		97.055	35919	17,325	
ARRA-Port Security Grant Program	ARRC	ARRA	97.056	2009-PU-RI-0180	61,709	
Port Security Grant Program	ARRC		97.056	2008-GB-T8-0027	15,245	
Port Security Grant Program	ARRC		97.056	2010-PU-T0-0053	164,420	
Port Security Grant Program	ARRC		97.056	EMW-2011-PU-00291-S01	4,871	
Port Security Grant Program	ARRC		97.056	EMW-2012-PU-00312-S01	240	
Homeland Security Grant Program	DMVA		97.067	34050	6,225,780	4,872,775
Homeland Security Grant Program	DPS		97.067		46,530	
Homeland Security Grant Program	DOTPF		97.067		422,778	
National Explosives Detection Canine Team Program	DOTPF		97.072		302,000	
Buffer Zone Protection Program (BZPP)	DMVA		97.078	35554	541,170	
Buffer Zone Protection Program (BZPP)	ARRC		97.078	2009-BF-T90016	167,156	
Earthquake Consortium	DMVA		97.082	35920	12,125	12,125
Drivers License Security Grant Program	DOA		97.089	EMW-2011-DL-0036-S01	43,642	
ARRA-Port Security Grant Program (ARRA)	DOTPF	ARRA	97.116	HS 2009-PU-R1-0210	38,224	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	DFG		97.999	FPNJ05003	679	
Kodiak A/P USCG Soil Remediation USCG	DOTPF		97.999	FRH53594	(45,910)	
U.S. Coast Guard Oversight - Kodiak	DEC		97.999	HSCG5012PP43K09	2,871	
U.S. Coast Guard Oversight - Kodiak	DEC		97.999	HSCG5013NPVCM21	7,731	
U.S. Coast Guard Oversight - Juneau	DEC		97.999	HSCG8712PPXA001	3,317	
U.S. Coast Guard Oversight - Juneau	DEC		97.999	HSCG8713NPXA503	10,075	
Total for U.S. DEPARTMENT OF HOMELAND SECURITY					18,429,254	8,263,712
R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE						
Agricultural Research-Basic and Applied Research	UofA		10.001		849,602	134,319

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Plant and Animal Disease, Pest Control, and Animal Care (Pass-through The Nature Conservancy-Alaska)	UofA		10.025	AKFO-080311-CS	117,491	
Plant and Animal Disease, Pest Control, and Animal Care	UofA		10.025		27,275	
Grants for Agricultural Research, Special Research Grants (Pass-through Mount Sinai School of Medicine)	UofA		10.200	0258-3562/HHSN266200700010C	25,667	
Grants for Agricultural Research, Special Research Grants (Pass-through University of Hawaii)	UofA		10.200	Z936926	5,240	
Grants for Agricultural Research, Special Research Grants	UofA		10.200		257,091	
Cooperative Forestry Research	UofA		10.202		548,435	
Payments to Agricultural Experiment Stations Under the Hatch Act	UofA		10.203		979,689	
Grants for Agricultural Research - Competitive Research Grants	UofA		10.206		24,058	
Community Food Projects (Pass-through Mississippi State University)	UofA		10.225	018000-321470-14	27,194	13,500
Alaska Native Serving and Native Hawaiian Serving Institutions Education	UofA		10.228		280,361	3,717
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	UofA		10.310	MA110010 / Z986079-01	506,208	
Agriculture and Food Research Initiative (AFRI)	UofA		10.310		444,480	103,226
Technical Assistance for Specialty Crops Program	UofA		10.604		64,961	
Forestry Research	UofA		10.652		99,932	
Forest Health Protection	UofA		10.680		7,387	
Resource Conservation and Development	UofA		10.901		3,605	
Soil Survey	UofA		10.903		59,850	
National Atmospheric Deposition Program Precipitation Analysis and Monitoring	UofA		10.999	G00005850	2,705	
Soil Contributions Watershed Functions: Soil Hydrology and Biogeochemistry	UofA		10.999	G00005873	16,819	
Biophysical Limitations, Migration Potential, and Climatic Ranges of Tree Species in the Interface between the Boreal Forest and the Temperate Rainforest in Alaska: An Information Synthesis	UofA		10.999	G00007358	318	
Total R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE					4,348,368	254,762
R&D Cluster for U.S. DEPARTMENT OF COMMERCE						
Ocean Exploration	UofA		11.011		30,033	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-50	95,276	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-51	107,676	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-52	122,475	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-58	25,749	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-59	144,013	
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	UofA		11.400		86,113	71,582
Coastal Zone Management Administration Awards	UofA		11.419	RSA ADN 1135184	22,673	
Coastal Zone Management Estuarine Research Reserves	UofA		11.420		3,107	
Undersea Research	UofA		11.430		529,152	174,038
Climate and Atmospheric Research	UofA		11.431		1,282,023	55,691
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	UofA		11.432		2,250,575	163,888
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1125952	63,589	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	ADN 1115958	10,376	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	ADN112595	48,622	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	RSA 1115959	41,974	
ARRA-Marine Mammal Data Program (Pass-through National Fish and Wildlife Foundation)	UofA	ARRA	11.439	0312.12.031930	10,852	
Marine Mammal Data Program	UofA		11.439		409,374	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Special Oceanic and Atmospheric Projects	UofA		11.460		528,349	31,776
Applied Meteorological Research (Pass-through University of Mississippi)	UofA		11.468	UM 09-09-024	78,782	
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-03	14,212	
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-06	18,575	
Unallied Science Program (Pass-through Prince William Sound Science Center)	UofA		11.472	12-81-07	60,492	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1004	4,253	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1005	13,937	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1008	140,662	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1012	43,231	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1023	41,256	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1110	70,280	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1120	4,530	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1201	69,874	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1214	12,753	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1215	52,454	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1219	40,282	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1221	31,697	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1227	75,194	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 828	1,658	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 908-B	11,107	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 909-B	70,989	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 920	409	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project B3877	154	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project B53	90,260	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project F4116	60,315	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project F4977	280	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G81	224,283	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G83	274,885	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G84	107,880	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G85	136,013	
Unallied Science Program	UofA		11.472		70,451	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	UofA		11.473	H2301-51	32,187	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	UofA		11.473	H2301-52	122,404	8,800
Educational Partnership Program (Pass-through North Carolina A&T State University)	UofA		11.481	Sub agreement 270040E	20,109	
Educational Partnership Program	UofA		11.481		114	
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	UofA	ARRA	11.558	02-50-M09071	103,127	
Manufacturing Extension Partnership (Pass-through Alaska Manufacturing Extension Partnership)	UofA		11.611	082945/AMEP-001	55,078	
ID of Larval & Juvenile POP Samples	UofA		11.999	G00007858	23,829	
Economic and Spatial Impacts of US Salmon Farming	UofA		11.999	G00008241	10,106	
Total R&D Cluster for U.S. DEPARTMENT OF COMMERCE					8,000,103	505,775
R&D Cluster for U.S. DEPARTMENT OF DEFENSE						
Collaborative Research and Development (Pass-through University of Mississippi)	UofA		12.114	UM 07-11-041	76,706	
Basic and Applied Scientific Research (Pass-through University of Texas-San Antonio)	UofA		12.300	26-0201-15UAF	12,459	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	UofA		12.300	A100694	28,832	
Basic and Applied Scientific Research	UofA		12.300		827,807	141,354
Military Medical Research and Development	UofA		12.420		650,874	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Basic Scientific Research (Pass-through Mississippi State University)	UofA		12.431	060803-360295-01	66,833	
Basic Scientific Research	UofA		12.431		160,186	
Invitational Grants for Military-Connected Schools (Pass-through Anchorage School District)	UofA		12.557	11-1401	39,011	
Basic, Applied, and Advanced Research in Science and Engineering (Pass-through University of Florida)	UofA		12.630	5520	8,496	
Basic, Applied, and Advanced Research in Science and Engineering	UofA		12.630		140,437	
Air Force Defense Research Sciences Program	UofA		12.800		1,228,355	123,407
Research and Technology Development (Pass-through Michigan Technological University)	UofA		12.910	SUBC 1205001Z1 / PO 0090464	21,550	
Research and Technology Development (Pass-through University of Florida)	UofA		12.910	UF-EIES_1205022_UAF	9,645	
Operational Support of Infrasound and Primary and Auxiliary Seismic Stations for the International Monitoring System (IMS)	UofA		12.999	G00004909	3,599,012	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	UofA		12.999	G00006854	158,673	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	UofA		12.999	G00007315 / UF11138	313,615	
Total R&D Cluster for U.S. DEPARTMENT OF DEFENSE					7,342,491	264,761
R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR						
Cultural Resource Management	UofA		15.224		12,384	
Recreation Resource Management	UofA		15.225		168,148	
Invasive and Noxious Plant Management	UofA		15.230		227,601	
ARRA-Fish, Wildlife and Plant Conservation Resource Management (Pass-through NatureServe)	UofA	ARRA	15.231	BLM0F021-BLM0F025 To 1	3,798	
ARRA-Fish, Wildlife and Plant Conservation Resource Management (Pass-through NatureServe)	UofA	ARRA	15.231	BLM0F029	37,901	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		759,951	
Wildland Fire Research and Studies Program	UofA		15.232		175,182	
ARRA-Environmental Quality and Protection Resource Management (Pass-through Michigan Technological)	UofA	ARRA	15.236	100259Z1 MOD 2	38,362	
Environmental Quality and Protection Resource Management	UofA		15.236		100,442	
Rangeland Resource Management	UofA		15.237		58,665	
Alaska Coastal Marine Institute (Pass-through University of Texas at Austin)	UofA		15.421	UTA12-000603	291	
Alaska Coastal Marine Institute	UofA		15.421		1,709,805	541
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA09-000282	37,101	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000873	39,538	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000973	81,756	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	UofA		15.423		2,118,026	143,362
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	UofA		15.608	2100.12.030840	85,290	
Fish and Wildlife Management Assistance	UofA		15.608		105,755	
Alaska Subsistence Management	UofA		15.636		53,564	
Research Grants (Generic)	UofA		15.650		140,833	
National Fish and Wildlife Foundation	UofA		15.663		135,564	
Coastal Impact Assistance Program	UofA		15.668	821192	53,537	
Coastal Impact Assistance Program	UofA		15.668	830032	11,325	
Coastal Impact Assistance Program	UofA		15.668	1135209	123,331	
Coastal Impact Assistance Program	UofA		15.668	ADN 830052	225,659	
Cooperative Landscape Conservation (Pass-through Colorado State)	UofA		15.669	G-2582-1	9,765	
Cooperative Landscape Conservation	UofA		15.669		434,819	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Assistance to State Water Resources Research Institutes	UofA		15.805		47,970	
Earthquake Hazards Reduction Program	UofA		15.807		691,997	
U.S. Geological Survey-Research and Data Collection (Pass-through America View Inc.)	UofA		15.808	AVO8-AK01	21,494	
U.S. Geological Survey-Research and Data Collection	UofA		15.808		3,678,053	49,200
Gap Analysis Program	UofA		15.811		70,388	
Cooperative Research Units Training Program	UofA		15.812		1,859,707	6,287
Volcano Hazards Program Research and Monitoring	UofA		15.818		19,032	
National Climate Change and Wildlife Science Center	UofA		15.820		43,470	
Outdoor Recreation-Acquisition, Development and Planning	UofA		15.916		27,532	
National Center for Preservation Technology and Training	UofA		15.923		7,334	
Cooperative Research and Training Programs-Resources of the National Park System	UofA		15.945		1,794,573	
BSMMS: Beaufort Sea Mesoscale Mete	UofA		15.999	G00003585	408,535	250,972
Exotic Plants in Alaskan NPS Units	UofA		15.999	G00005011	6,041	
CESU Underst lake disappearance	UofA		15.999	G00005400	8,582	
Harding Icefield	UofA		15.999	G00006251	34,146	
Wolf Diets and Derived Salmon	UofA		15.999	G00006432	28,438	
Conduct Landcover Inventory Alagnak	UofA		15.999	G00006479	48,335	
Vanished Villages: Late Prehistoric	UofA		15.999	G00006756	49,431	
Adaptation Arctic Circulation Model (Pass-through Rutgers)	UofA		15.999	G00007038 / PO 1449197 / SA 4199	113,493	
Continuation of LTER Bonanza Creek	UofA		15.999	G00007288	104,198	
Dinosaur Fossils-AK Peninsula NWR	UofA		15.999	G00007630	3,882	
Total R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR					16,015,024	450,362
R&D Cluster for U.S. DEPARTMENT OF JUSTICE						
State Justice Statistics Program for Statistical Analysis Centers	UofA		16.550		3,970	
National Institute of Justice Research, Evaluation, and Development Project Grants	UofA		16.560		228,002	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	UofA		16.582	2012-VF-GX-K023	2,499	
Total R&D Cluster for U.S. DEPARTMENT OF JUSTICE					234,471	-
R&D Cluster for U.S. DEPARTMENT OF LABOR						
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	UofA	ARRA	17.275	ASESP-12-007	19,206	
Total R&D Cluster for U.S. DEPARTMENT OF LABOR					19,206	-
R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION						
Air Transportation Centers of Excellence	UofA		20.109		21,617	
Highway Research and Development Program (Pass-through University of Idaho, NIATT)	UofA		20.200	KLK262 SB 002	18,985	
Highway Research and Development Program	UofA		20.200		179,403	
University Transportation Centers Program (Pass-through University of Washington)	UofA		20.701	739439	272,085	
University Transportation Centers Program	UofA		20.701		3,075,693	891,209
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	UofA		20.931	S58100000021356	29,939	
Total R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION					3,597,722	891,209
R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1241499	14,744	
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1459730	37,802	
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1485171	42,442	
Science (Pass-through Prince William Sound Science Center)	UofA		43.001	10-65-10	137,855	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Science (Pass-through University of Pittsburgh)	UofA		43.001	Sub 0020157 (407134-2)	89,080	
Science (Pass-through Louisiana State University)	UofA		43.001	Sub 65687 / CFMS 712215	28,540	
Science (Pass-through University of Maryland)	UofA		43.001	Sub Z631501	655	
Science (Pass-through University of California)	UofA		43.001	Subagreement 00007605	31,019	
Science (Pass-through University of Texas Austin)	UofA		43.001	UTA12-000234	28,583	
Science	UofA		43.001		12,641,030	233,594
Aeronautics (Pass-through University of Colorado)	UofA		43.002	1545830REF / PO 1000027866	37,050	
Aeronautics (Pass-through University of Colorado)	UofA		43.002	1548571 PO 1000017674	243,884	
Education	UofA		43.008		461	
Investigation of the Controls and Feedback on the Biogeochemical Cycling of Inorganic Carbon, Air-Sea CO2 Fluxes and Ocean Acidification Effects on the Arctic Pacific Shelves (Pass-through Bermuda Institute of Ocean Sciences)	UofA		43.999	803809/G00006308	33,618	
Alaska's NASA EPSCoR Program	UofA		43.999	G00004248	120,712	
Application of a New Generation	UofA		43.999	G00004532	46,213	
Assessing the spatial and temporal dynamics of thermokarst and related carbon cycling in Siberia and Alaska	UofA		43.999	G00004670	605	
Quantifying the Role of Ocean-Ice	UofA		43.999	G00004997	80,633	
Heating and Acceleration of the Solar Wind and Corona by Anisotropic MHD and Hall MHD Turbulence	UofA		43.999	G00005062	68,342	
Physical and Geologic Investigations of the Surface Materials along the MER Traverses	UofA		43.999	G00005454	29,375	
Exploration Potential of Lunar Pole (Pass-through John Hopkins University)	UofA		43.999	G00005724 / 957706	208,307	
Adaptation to Rapid Land Use and Cl	UofA		43.999	G00005972	102,903	5,577
Optimizing Next-Generation Image Compression Transforms via Evolutionary Computation	UofA		43.999	G00006556	77,471	
Estimating Spatio-Temporal Variability in Evapotranspiration in Interior Alaska Using Field Measurements, Modeling, and Remote Sensing	UofA		43.999	G00006590	192,612	
RETINA (Robotic Exploration Technologies in Astrobiology)	UofA		43.999	G00006617	6,038	6,293
Implication of Arctic Sea Ice Reduction on Bromine, Ozone, and Mercury Chemical Process, Transport, and Distribution (Pass-through Jet Propulsion Laboratory)	UofA		43.999	G00006902 / Sub 1418562	174,830	
North American Carbon Project (Pass-through University of South Florida)	UofA		43.999	G00007039 / PO 7000025845	11,052	
An Investigation of Wave Dynamics in the Arctic Mesosphere and Coupling Between the Lower and Upper Polar Atmosphere (Pass-through Utah Valley University)	UofA		43.999	G00008540	37,566	
Total R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					14,523,422	245,464
R&D Cluster for INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Grants to States	UofA		45.310		8,496	
Total R&D Cluster for INSTITUTE OF MUSEUM AND LIBRARY SERVICES					8,496	-
R&D Cluster for NATIONAL SCIENCE FOUNDATION						
Engineering Grants (Pass-through Georgia Institute of Technology)	UofA		47.041	RA0693-G1 / PO 2720014478	113,752	
Engineering Grants (Pass-through University of Kansas)	UofA		47.041	Sub-Award FY2013-029	40,078	
Engineering Grants	UofA		47.041		340,582	81,743
Mathematical and Physical Sciences	UofA		47.049		245,863	
Geosciences (Pass-through University of Southern California)	UofA		47.050	149701	220,518	
Geosciences (Pass-through University of Washington)	UofA		47.050	740876	1,533	
Geosciences (Pass-through University of Southern California)	UofA		47.050	158854 / PO 10011580	43,001	
Geosciences (Pass-through Cornell University)	UofA		47.050	62144-9481	24,802	
Geosciences (Pass-through Rutgers University)	UofA		47.050	PO 4150 / S1409651	16,963	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Geosciences (Pass-through University of Southern California)	UofA		47.050	Sub-Award 33760539	19,804	
Geosciences (Pass-through University of Southern California)	UofA		47.050	Sub-Award 34277218	19,969	
Geosciences (Pass-through University of Southern California)	UofA		47.050	Sub-Award A100638	71	
Geosciences (Pass-through SRI International)	UofA		47.050	Subcontract 119-000221	519,171	
Geosciences	UofA		47.050		13,702,070	200,315
Computer and Information Science and Engineering	UofA		47.070		6,342	
Biological Sciences (Pass-through University of Washington)	UofA		47.074	592485	7,784	
Biological Sciences (Pass-through Texas Tech University)	UofA		47.074	21P225-02	27,249	
Biological Sciences (Pass-through University of New Mexico)	UofA		47.074	Sub-Award 04803T-873U	17,572	
Biological Sciences (Pass-through University of Notre Dame)	UofA		47.074	Sub-Award 201717	6,251	
Biological Sciences	UofA		47.074		3,294,527	181,784
Social, Behavioral, and Economic Sciences (Pass-through University of New Hampshire)	UofA		47.075	Sub-Award 12-037	19,195	
Social, Behavioral, and Economic Sciences	UofA		47.075		282,587	33,705
Education and Human Resources (Pass-through Columbia University)	UofA		47.076	4(GG009026) / G03550	18,814	
Education and Human Resources	UofA		47.076		3,632,084	
ARRA-Polar Programs (Pass-through Oklahoma State University)	UofA	ARRA	47.078	AA531200-S1/090987	14,760	
Polar Programs (Pass-through Columbia University)	UofA		47.078	3 (Acct 5-24906)	7,656	
Polar Programs (Pass-through Purdue University)	UofA		47.078	4101-44885	1,796	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	UofA		47.078	A100869	29,749	
Polar Programs (Pass-through University of Maryland, UMCES)	UofA		47.078	CA 12-12 07-5-25679	21,036	
Polar Programs	UofA		47.078		12,299,303	308,872
Office of International and Integrative Activities	UofA		47.079		10,332	
Office of Cyberinfrastructure	UofA		47.080		2,528,316	
Office of Experimental Program to Stimulate Competitive Research	UofA		47.081		392,972	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of Colorado)	UofA	ARRA	47.082	ARRA SPO 1000115770	73,031	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	UofA	ARRA	47.082	Sub-Award 13-025	23,687	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	UofA	ARRA	47.082	Sub-Award 13-026	59,462	
ARRA-Trans-NSF Recovery Act Research Support	UofA	ARRA	47.082		35,481,553	42,937
Intergovernmental Personnel Act (IPA) Assignment for Richard Boone	UofA		47.999	G00007461	146,489	
Total R&D Cluster for NATIONAL SCIENCE FOUNDATION					73,710,724	849,356
R&D Cluster for U.S. SMALL BUSINESS ADMINISTRATION						
Prime Technical Assistance	UofA		59.050		99,578	
Total R&D Cluster for U.S. SMALL BUSINESS ADMINISTRATION					99,578	-
R&D Cluster for U.S. ENVIRONMENTAL PROTECTION						
Water Pollution Control State, Interstate, and Tribal Program Support	UofA		66.419	1830182	11,516	
Regional Wetland Program Development Grants (Pass-through State of Nevada)	UofA		66.461		24,840	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State University)	UofA		66.509	Sub-Award 12-866	58,805	
P3 Award: National Student Design Competition for Sustainability	UofA		66.516		222	
Bristol Bay Watershed Analysis (Pass-through NatureServe)	UofA		66.999	EP-W-07-080 (WA 3-22) / G00007277	4,772	
Total R&D Cluster for U.S. ENVIRONMENTAL PROTECTION AGENCY					100,155	-
R&D Cluster for U.S. DEPARTMENT OF ENERGY						
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	9064	2,302	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	17560	72,492	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	4000116073	795,435	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	4000118242	18,345	
Office of Science Financial Assistance Program (Pass-through University of Illinois)	UofA		81.049	Doc 0411/DE-SC0006607	70,086	
Office of Science Financial Assistance Program (Pass-through Alliance for Sustainable Energy)	UofA		81.049	ZAM-0-40876-01	32,593	
Office of Science Financial Assistance Program	UofA		81.049		1,613,022	16,969
Office of Scientific and Technical Information	UofA		81.064		68,730	
ARRA-Renewable Energy Research and Development	UofA	ARRA	81.087		1,861,691	
Renewable Energy Research and Development (Pass-through Aleutian Pribilof Islands Association)	UofA		81.087	Agreement dated 09/10/12	46,251	
Fossil Energy Research and Development	UofA		81.089		619,524	37,882
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis (Pass-through University of Minnesota)	UofA	ARRA	81.122	A000211596	2,231	
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	UofA	ARRA	81.128	400114 /EEC-10-ISR-1-AMD3	4,112	
ARRA-Geologic Sequestration Training and Research Grant Program	UofA	ARRA	81.133		85,353	
Total R&D Cluster for U.S. DEPARTMENT OF ENERGY					5,292,167	54,851
R&D Cluster for U.S. DEPARTMENT OF EDUCATION						
Arts in Education (Pass-through Juneau Economic Development Council)	UofA		84.351	Agreement dated 04/24/12	12,790	
Total R&D Cluster for U.S. DEPARTMENT OF EDUCATION					12,790	-
R&D Cluster for DENALI COMMISSION						
Denali Commission Program	UofA		90.100		862,636	
Total R&D Cluster for DENALI COMMISSION					862,636	-
R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
ARRA-Special Programs for the Aging - Title IV and Title II - Discretionary	UofA	ARRA	93.048		256,524	
Environmental Health (Pass-through Alaska Community Action on Toxics)	UofA		93.113	NIEHS R01 UAA	66,728	
Human Genome Research	UofA		93.172		541,131	227,697
Research on Healthcare Costs, Quality and Outcomes	UofA		93.226		135,407	133,779
Mental Health Research Grants	UofA		93.242		632,509	78,518
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	UofA		93.243	11TI23541A	5,774	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	UofA		93.243	1UD1TI023541	36,187	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	UofA		93.243		14,424	
Occupational Safety and Health Program	UofA		93.262		114,574	
Alcohol Research Programs	UofA		93.273		165,990	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian College)	UofA		93.279	24216	98,675	
Drug Abuse and Addiction Research Programs (Pass-through Pacific Institute for Research and Evaluation Louisville Center)	UofA		93.279	0049.02.01 Mod 3 dated 07/09/11	28,985	
Drug Abuse and Addiction Research Programs	UofA		93.279		265,635	63,247
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Pass-through American Public Health Association)	UofA		93.283	Agreement dated 07/19/12	79,138	3,424
Minority Health and Health Disparities Research	UofA		93.307		368,529	
National Center for Research Resources (Pass-through Institute of Translational Health Sciences)	UofA		93.389	UW Sub NO.738223 DTD 5/8/12	12,206	
National Center for Research Resources	UofA		93.389		656,229	7,249
Family Connection Grants (Pass-through OnTrack, Inc.)	UofA		93.605	Agreement dated 01/19/10	21,549	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By Federal Agency**

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UofA		93.632		611,325	
ARRA-Trans-NIH Recovery Act Research Support (Pass-through Harvard	UofA	ARRA	93.701	149728.386555.0207	2,284	
ARRA-Trans-NIH Recovery Act Research Support	UofA	ARRA	93.701		437,737	135,682
ARRA-National Center for Research Resources, Recovery Act Construction Support	UofA	ARRA	93.702		341,873	
Diabetes, Digestive, and Kidney Diseases Extramural Research	UofA		93.847		649,339	376,136
Extramural Research Programs in the Neurosciences and Neurological	UofA		93.853		207,519	6,907
Allergy, Immunology and Transplantation Research (Pass-through Blood Center of Wisconsin, Inc.)	UofA		93.855	0176-81148	54,336	
Biomedical Research and Research Training (Pass-through University of Washington)	UofA		93.859	743856	289,193	
Biomedical Research and Research Training	UofA		93.859		4,387,823	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program (Pass-through Southeast Alaska Regional Health Consortium)	UofA		93.912	31199	10,179	
Demonstration Projects for Indian Health (Pass-through Alaska Native	UofA		93.933	ANTHC-11-U-33434 dated 07/28/11	13,438	
Total R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					10,505,240	1,032,639
R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY						
Centers for Homeland Security (Pass-through University of Hawaii)	UofA		97.061	Z884255	390,996	9,868
Centers for Homeland Security (Pass-through University of Hawaii)	UofA		97.061	Z884255 Amend 5	279,458	96,464
Total R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY					670,454	106,332
TOTAL FEDERAL FINANCIAL ASSISTANCE					3,259,028,163	335,852,268

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2013

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, 2013.
- B. Fiscal Year Ends – The State of Alaska and component units of the State are reported using fiscal years, which end on June 30, except the Alaska Railroad Corporation whose fiscal year ends December 31.
- C. Basis of Accounting – The schedules were prepared using the modified accrual method of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- D. 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.

Expenditures of Federal Awards – 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.

Program Clusters – 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.

Note 3: Non Cash Assistance

- A. **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 FY13 the State processed federal property valued at \$7,123,173 donors acquisition cost. For OMB Circular A-133 purposes, the donated property is valued at 23.68% of donors cost. This is the expenditure amount shown on the schedule \$1,686,767. The ending inventory at June 30, 2013, carried at the donors' acquisition cost was \$1,951,888. (CFDA 39.003)
- B. **Commodities** – The Department of Education and Early Development administers federal commodities distribution through other governmental and nonprofit agencies. In FY13, commodities distributed totaled \$3,526,725 (\$2,278,115 CFDA 10.555; \$15,093 CFDA 10.558, \$1,233,517 CFDA 10.569). Commodities are valued at cost. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2013.

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

- C. **Immunization Grants** – Federal expenditures include vaccines received during FY13 valued at \$10,270,400. (CFDA 93.268)
- D. **Supplemental Nutrition Assistance Program (SNAP)** – At fiscal yearend, June 30, 2013, \$189,698,754 of SNAP benefits were redeemed. (CFDA 10.551)

Note 4: WIC Rebates

During SFY13 the Alaska Department of Health and Social Services (DHSS) earned cash rebates of \$2,570,685 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 3,246 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 annual case load to determine average individual benefits. Total rebate dollars were then divided by the average benefit, determining the increased food instruments issued. This result is divided by 12 months. (CFDA 10.557)

USDA requires a cash basis approach for reporting WIC rebates on the 798 report, however, food benefits continue to be reported on the accrual basis. Based on the FFY13 WIC 798 report the infant formula rebates were \$3,562,019 resulting in additional clients served totaling 4,497. All other reporting requirements for the WIC 798 are the same.

Note 5: Loans

- A. **AHFC Loan Guarantee Programs** – During FY13, AHFC owned mortgage loans with various federal insurance and guarantee agreements covering future losses. Coverage under the Veterans Affairs Mortgage Guarantee and Farmers Home Administration Mortgage Insurance is subject to a loss limit. Those programs, and the related principal balance of the loans covered at June 30, 2013, are:

CFDA 14.117	HUD FHA Mortgage Insurance	\$ 463,320,594
CFDA 14.865	HUD Loan Guarantees for Indian Housing	131,254,921
CFDA 64.114	Department of Veterans' Affairs Mortgage Guarantees	272,966,951
CFDA 10.410	Farmers Home Administration Mortgage Insurance	172,306,715
	Total Loan Guarantees and Insurance Programs	\$ 1,039,849,181

- B. **Last Resort Housing Loans** – The Department of Transportation and Public Facilities (DOT/PF) made last resort housing loans in compliance with Uniform Relocation Assistance and Real Property Acquisition Act. FY13 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, 2013, totaled \$33,725. Federal share of principal is \$31,826.
- C. **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 loans (Stafford and Consolidation), and (c) special allowance payments (net of excess interest) paid by the Secretary of the U.S. Department of Education to holders of eligible loans. FFELP loans outstanding at year end were \$140,554,681. (CFDA 84.032L)
- D. **Economic Adjustment Assistance Revolving Loan Fund** – The U.S. Department of Commerce funds the Economic Adjustment Assistance Revolving Loan Fund (RLF) for the Department of Commerce, Community, and Economic Development. The RLF is used for business lending in Alaska. The federal share of the RLF as of June 30, 2013, totals \$6,786,548 and is comprised of the following balances: \$5,491,519 in

STATE OF ALASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2013

loans outstanding, \$1,261,921 in cash and investments, and \$33,108 in administrative expenses. There were no loans written off during the FY13. (CFDA 11.307)

- E. **Federal Direct Student Loans** – The University of Alaska is responsible for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. Amounts relating to this program are not included in the University’s basic financial statements. Loans distributed to students of the University under this program (CFDA 84.268) during the year ended June 30, 2013 are summarized as follows:

	<u>Amount Disbursed</u>
Direct Subsidized Loan	\$ 26,715,907
Direct Unsubsidized Loan	43,945,899
Direct PLUS Loan	<u>4,974,998</u>
Total:	<u><u>\$ 75,636,804</u></u>

Note 6: Unemployment Insurance

Federal participation in FY13 Unemployment Insurance benefits was \$86,290,080. Federal participation for program administration was \$29,824,490 (this includes \$3,823,887 under the Extended Unemployment Compensation Program). UI benefits paid by the State during FY13 were \$172,413,738. Unemployment Compensation Modernization distribution was \$3,645,300. (CFDA 17.225)

Note 7: 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 Expenditures of Federal Awards. PVE funds represent the State of Alaska's share of settlement proceeds in various lawsuits between the federal government and oil producers. During FY13, Alaska Housing Finance Corporation expended \$18,346 from the trust fund in support of ENERGY programs. (CFDA 81.041)

(Intentionally left blank)

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40004-04**
Finding Number: **25**
Fiscal Year: **2003**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$6,480,333**

Prior Audit Finding:

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

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40005-05**
Finding Number: **18**
Fiscal Year: **2004**
Initial Finding Year: **2003**

Federal Agency: **USDHHS**
State Agency: **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:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40009-09**
Finding Number: **04**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**
State Agency: **DHSS**
CFDA: **10.551**
CFDA: **10.557**
CFDA: **10.561**
CFDA: **93.558**
CFDA: **93.568**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.777**
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS' assistant commissioner of Finance Management Services should implement controls over federal revenue collections.

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

DHSS has partially resolved the finding. In SFY2013, DHSS transitioned to a new cost allocation system, CapPLUS. In SFY2014, CapPLUS system and report development will be completed, including documented processes and procedures associated with the new technology.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40009-09**
Finding Number: **06**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS
and USDA**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs: **\$418,573**

CFDA: **10.551**
CFDA: **10.557**
CFDA: **10.561**
CFDA: **93.568**
CFDA: **93.569**
CFDA: **93.767**
CFDA: **93.777**
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS Finance Officer should ensure that expenditures are supported by sufficient documentation.

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

This audit finding is resolved in accordance with OMB Circular A-133 §.315(b)(4).

Report: **02-40009-09**
Finding Number: **11**
Fiscal Year: **2008**
Initial Finding Year: **2008**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
Questioned Costs: **\$16,952**
CFDA: **93.778**
Questioned Costs: **\$211,835**

Prior Audit Finding:

We recommend the director of DHSS' Division of Behavioral Health take steps to ensure out-of-state providers of residential psychiatric treatment centers (RPTC) are paid in accordance with federal and state requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40010-10**
Finding Number: **05**
Fiscal Year: **2009**
Initial Finding Year: **2008**

Federal Agency: **USDA and
USDHHS**
State Agency: **DHSS**
CFDA: **10.561**
CFDA: **93.558**
CFDA: **93.767**
CFDA: **93.778**
Questioned Costs: **None**

Prior Audit Finding:

The DHSS assistant commissioner of Finance and Management Services (FMS) should design and implement internal controls over federal revenue collections.

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

Please refer to the response on finding #04, report 02-40009-09.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40010-10**
Finding Number: **06**
Fiscal Year: **2009**
Initial Finding Year: **2008**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.561**
Questioned Costs: **\$16,697**
CFDA: **93.268**
Questioned Costs: **\$41,242**
CFDA: **93.558**
Questioned Costs: **\$4,101**
CFDA: **93.767**
Questioned Costs: **\$18,527**
CFDA: **93.778**
Questioned Costs: **\$104,901**

Prior Audit Finding:

The DHSS assistant commissioner should ensure that expenditures are supported by sufficient documentation.

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

DHSS has partially resolved the finding. In SFY2014, DHSS is completing research on the questioned costs associated with CFDA 93.558 and CFDA 10.561.

Report: **02-40010-10**
Finding Number: **16**
Fiscal Year: **2009**
Initial Finding Year: **2009**

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

Prior Audit Finding:

The Division of Health Care Services' (DHCS) director should improve internal controls over the processing and payment of durable medical equipment (DME) claims.

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

DHSS has partially resolved the finding. The department has been working on draft DME regulations and anticipates issuing draft regulations for public comment in SFY 2014.

Report: **02-40011-11**
Finding Number: **07**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$153,205**
CFDA: **10.557**
Questioned Costs: **\$48,486**
CFDA: **93.658**
Questioned Costs: **\$52,472**

Prior Audit Finding:

The Finance and Management Services (FMS) assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal costs principles.

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

This audit finding is partially resolved. In SFY2013, DHSS worked with USDA on the questioned costs associated with CFDA 10.557 and expects resolution in SFY2014.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40011-11**
Finding Number: **09**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **None**

Prior Audit Finding:

The Division of Public Assistance's (DPA) director should ensure vendors participating in WIC program are adequately monitored according to federal requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40011-11**
Finding Number: **10**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**
Questioned Costs:
Indeterminate

Prior Audit Finding:

DHSS' DPA director should implement policies and procedures to ensure the accurate and timely documentation of client participation status.

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

DHSS has partially resolved the finding. Prior year corrective action regarding the reprogramming of the Eligibility Information System (EIS) was a temporary solution to address the finding. DHSS is in the process of replacing the EIS system with ARIES. The new system is being developed and will be implemented in SFY2014 and 2015. It will have the required data elements incorporated to resolve the finding.

Report: **02-40011-11**
Finding Number: **12**
Fiscal Year: **2010**
Initial Finding Year: **2010**

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

Prior Audit Finding:

DPA's administrative manager should improve procedures over the federal Child Care and Development Fund's (CCDF) program reporting requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40011-11**
Finding Number: **14**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$223,538**

Prior Audit Finding:

DHSS' deputy commissioner for Medicaid and Health Care Policy should ensure necessary changes occur to prevent over billing Medicaid for third party liability administrative costs.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40011-11**
Finding Number: **16**
Fiscal Year: **2010**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.775**
Questioned Costs: **None**
CFDA: **93.767 and 93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The HCS director should ensure the Medicaid fiscal agent complies with the contract requirements relating to surveillance and utilization reviews.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40011-11**
Finding Number: **17**
Fiscal Year: **2010**
Initial Finding Year: **2010**

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

Prior Audit Finding:

The HCS director should develop written policies and procedures for the alternative reimbursement methodology over durable medical equipment and supplies (DME).

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

DHSS has partially resolved the finding. The department has been working on draft DME regulations and anticipates issuing draft regulations for public comment in SFY 2014.

Report: **02-40012-12**
Finding Number: **09**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **\$67,559**
CFDA: **93.778**
Questioned Costs: **\$32,098**

Prior Audit Finding:

The DHSS Finance and Management Services (FMS) assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal cost principles.

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

This audit finding is partially resolved. In SFY2013, DHSS worked with USDA on the questioned costs associated with CFDA 10.557 and expects resolution in SFY2014.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40012-12**
Finding Number: **10**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.777**
CFDA: **93.778**
CFDA: **93.558**
CFDA: **93.659**
CFDA: **93.767**
CFDA: **93.575**
CFDA: **93.596**

Questioned Costs: **None Identified**

Prior Audit Finding:

The FMS assistance commissioner should ensure that quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

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

DHSS has partially resolved the finding. In SFY2013, DHSS transitioned to a new cost allocation system, CapPLUS. In SFY2014, CapPLUS system and report development will be completed including documented processes and procedures associated with the new technology.

Report: **02-40012-12**
Finding Number: **12**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **\$119,819**

Prior Audit Finding:

The DPA director should ensure only valid expenditures are charged for the WIC program.

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

DHSS has partially resolved the finding. In SFY2013, DHSS conducted a coordinated review of processes and accounting practices between FMS Revenue staff and the Division of Public Assistance (DPA), resulting in draft procedures. It was determined through collaboration with the federal oversight agency that the necessary adjustment would require a revision to the close-out report in the affected federal fiscal year. In SFY2014, DHSS is coordinating with the federal oversight agency to make the necessary adjustment and return the questioned costs.

Report: **02-40012-12**
Finding Number: **13**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **None Identified**

Prior Audit Finding:

The FMS assistant commissioner should develop procedures to comply with sub-award reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA).

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

DHSS has partially resolved the finding. In SFY2013 DHSS provided training; updated grant and contract awardees forms and processes; and formalized written policy. In SFY2014, DHSS initiated reporting and is finalizing written procedures pertaining to roles and responsibilities of FFATA reporting.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40012-12**
Finding Number: **14**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**
Questioned Costs: **None Identified**

Prior Audit Finding:

The DPA director should ensure reports are monitored and there is follow-up as required for the WIC program.

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

DHSS has partially resolved the finding. In SFY2013, DPA attempted an interim corrective action for one of the required reports by having Key Bank void all food instruments at 93 days after the first date to use. However, this adversely impacted another federal program and the corrective action was halted. In SFY2014, DPA developed new procedures to support the conversion to SPIRIT from AKWIC and a new banking contract with Solutran. Additionally, the department is developing and finalizing procedures for the required reports and expects full resolution in SFY14.

Report: **02-40012-12**
Finding Number: **15**
Fiscal Year: **2011**
Initial Finding Year: **2010**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None Identified**

Prior Audit Finding:

The DPA director should ensure vendors participating in the WIC program are adequately monitored according to federal requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40012-12**
Finding Number: **17**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575**
CFDA: **93.596**
Questioned Costs: **None Identified**

Prior Audit Finding:

The DPA administrative manager should ensure federal CCDF financial reports are supported in detail by the accounting records.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40012-12**
Finding Number: **18**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.575**
CFDA: **93.596**
CFDA: **93.713**
Questioned Costs: **Indeterminate**

Prior Audit Finding:

The DPA director should identify and recover unallowable child care payments for the CCDF program.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40012-12**
Finding Number: **20**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The DHSS Division of Senior and Disabilities Services (DSDS) director should establish written procedures and provide oversight to ensure that provider files include complete requirements for certification.

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

DHSS has partially resolved the finding. Checklists are being used and in SFY2014 quality assurance reviews of provider files will be conducted on sample basis to ensure compliance.

Report: **02-40012-12**
Finding Number: **21**
Fiscal Year: **2011**
Initial Finding Year: **2010**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.775**
Questioned Costs: **None**
CFDA: **93.767**
Questioned Costs:
Indeterminate
CFDA: **93.778**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The DHSS Division of Health Care Services (DHCS) director should ensure the Medicaid fiscal agent complies with the contract requirements relating to surveillance and utilization reviews.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40012-12**
Finding Number: **25**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258**
CFDA: **17.260**
Questioned Costs:
Indeterminate

Prior Audit Finding:

The DLWD Employment Security Division (ESD) director should ensure personal service expenditures charged to federal programs comply with federal cost principals.

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

DLWD affirms that personal service expenditures do comply with federal requirements. DLWD management has adopted a Policy and Procedure for positive time keeping and has provided staff training on multiple occasions. The policy was adopted in April 2012, and was amended in January 2013.

DLWD management consulted with the USDOL federal cognizant, and other Labor agencies from other states to review time charging options such as the viability of a "funding allocations" referenced by the USDOL federal cognizant. As a result of this review, DLWD management has concluded that direct charging time based on activities is still the best method. ESD continues training efforts to ensure staff correctly and effectively employ activity based charging of personal services to allowable funding sources in, which is in compliance with federal cost principles.

DLWD considers this finding corrected.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40012-12**
Finding Number: **26**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258**
CFDA: **17.259**
CFDA: **17.260**

Questioned Costs: **None Identified**

Prior Audit Finding:

The DLWD Division of Business Partnerships (DBP) director should ensure annual performance progress reports for the WIA program are accurate.

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

The department has complied with 20 CFR 667.300(a) submitting reports as required (in this case quarterly) and in accordance with state laws and procedures 20 CFR 97.20(a)(1)(2).

Shortly after this finding was reported, DLWD examined its systems and determined the cause of the reporting errors was due to the use of a custom report in DLWD's Management Information System. The discovery prompted DLWD to adopt the use of the Data Reporting and Validation System (DRVS) provided by U.S. DOL ETA. This adoption was made by a modification on March 2, 2012 to the procedures that DLWD uses when developing the 9091. This adjustment should result in a near zero variance as U.S. DOL ETA and its contractors control all the related calculation systems used for determination of performance numbers.

DLWD considers this finding corrected.

Report: **02-40012-12**
Finding Number: **29**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHS and USDOD**
State Agency: **DMVA**
CFDA: **97.036**
CFDA: **12.401**

Questioned Costs: **None Identified**

Prior Audit Finding:

The DMVA Division of Administrative Services (DAS) director should develop and implement procedures to ensure federal suspension and debarment requirements are met.

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

Corrective action was implemented. This finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40012-12**
Finding Number: **31**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**

Questioned Costs: **None Identified**

Prior Audit Finding:

The DMVA DAS director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports are submitted.

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

This audit finding was not resolved in accordance with OMB Circular A-133 §_.315.

The division developed and implemented procedures, effective May 1, 2012, to ensure all qualifying grants required under 2 CFR 170 are reported in the FFATA system. The agency is continuing to improve reporting procedures in FY14.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40012-12**
Finding Number: **32**
Fiscal Year: **2011**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**

Questioned Costs: **None Identified**

Prior Audit Finding:

The DMVA DAS director should develop and implement procedures to ensure that management decisions on audit findings are issued timely.

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

Corrective action was implemented. This finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40013-13**
Finding Number: **07**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDA and USDOE**
State Agency: **DEED**
CFDA: **10.558**
CFDA: **84.027**
CFDA: **84.173**
CFDA: **84.367**

Questioned Costs: **None Identified**

Prior Audit Finding:

The Division of Teaching and Learning Support (TLS) director should develop and implement procedures to ensure that subaward reports comply with *Federal Funding Accountability and Transparency Act* (FFATA) reporting requirements.

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

This audit finding was not resolved in accordance with OMB Circular A-133 §_.315.

Effective October 2013, the department has developed and implemented policies and procedures for ensuring compliance with the FFATA sub-award reporting requirements that went into effect March 1, 2011. The department will continue to improve the policies and procedures during FY2014.

Report: **02-40013-13**
Finding Number: **08**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDA**
State Agency: **DEED**
CFDA: **10.558**

Questioned Costs: **None Identified**

Prior Audit Finding:

TLS' director should develop and implement procedures to comply with federal universal identifier registration requirements.

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

This finding is resolved in accordance with OMB Circular A-133 §_.315(b)(1).

Report: **02-40013-13**
Finding Number: **09**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.778**
CFDA: **93.558**
CFDA: **93.575**

Questioned Costs: **None Identified**

Prior Audit Finding:

The Finance and Management Services (FMS) assistant commissioner should ensure that quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

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

Please refer to updated response on finding #10, report 02-40012-12.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **10**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **\$119,819**

Prior Audit Finding:

The Division of Public Assistance (DPA) director should ensure only valid expenditures are charged to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

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

Please refer to updated response on finding #12, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **11**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDA and
USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
CFDA: **93.575**
CFDA: **93.667**

Questioned Costs: **None
Identified**

Prior Audit Finding:

The FMS assistant commissioner should develop procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) sub-award reporting requirements.

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

Please refer to updated response on finding #13, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **12**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None
Identified**

Prior Audit Finding:

DPA's director should ensure reports are monitored and follow-up is performed as required for the WIC program.

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

Please refer to updated response on finding #14, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **13**
Fiscal Year: **2012**
Initial Finding Year: **2010**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None
Identified**

Prior Audit Finding:

DPA's director should ensure vendors participating in the WIC program are adequately monitored according to federal requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **14**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The Division of Senior and Disabilities Services (DSDS) director should establish written procedures and provide oversight to ensure provider files include completed certification requirements.

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

Please refer to updated response on finding #20, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **15**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$41,107**

CFDA: **93.558**
CFDA: **93.575**
Questioned Costs: **None**
Identified

Prior Audit Finding:

The FMS assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal cost principles.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40013-13**
Finding Number: **16**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The FMS assistant commissioner should comply with Medicaid expenditure reporting requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40013-13**
Finding Number: **17**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.767**
CFDA: **93.775**
CFDA: **93.778**

Questioned Costs: **None**
Identified

Prior Audit Finding:

DHSS' commissioner should establish an effective Medicaid surveillance and utilization control program.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **18**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**
Questioned Costs: **\$195,662**

CFDA: **93.767**
Questioned Costs: **None**
Identified

Prior Audit Finding:

The Division of Behavioral Health (DBH) director should ensure out-of-state residential psychiatric treatment center (RPTC) providers are paid in accordance with federal and state requirements.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40013-13**
Finding Number: **19**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None**
Identified

Prior Audit Finding:

DPA's director should ensure all FIs are accounted for within 120 days of the first valid date for use by program participants.

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

DHSS has not resolved the finding. In SFY2013, DHSS formed a workgroup to establish reporting tools and processes. In SFY2014, the workgroup will continue to work through this with the implementation of the SPIRIT system and with a new banking contract.

Report: **02-40013-13**
Finding Number: **20**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.778**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The FMS assistant commissioner should design and implement the required system security measures for the Eligibility Information System (EIS).

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40013-13**
Finding Number: **21**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
CFDA: **93.667**
CFDA: **93.575**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The Grants and Contracts Unit manager should develop procedures to ensure subrecipients provide a Dun and Bradstreet Data Universal Numbering System (DUNS) number in each application for federal funding.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **22**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None**
Identified

Prior Audit Finding:

DPA's director should ensure an annual review is done over vendors potentially receiving above 50 percent of their annual food sales revenue from the WIC program.

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

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §.315.

Report: **02-40013-13**
Finding Number: **23**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHHS**
State Agency: **DHSS**
CFDA: **93.558**

Questioned Costs: **\$319,600**

Prior Audit Finding:

DPA's administrative manager should strengthen procedures over reporting expenditures to ensure federal financial reports are accurate.

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

DHSS has partially resolved the finding. DHSS is completing research on questioned costs.

Report: **02-40013-13**
Finding Number: **26**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258**
CFDA: **17.278**

Questioned Costs: **\$14,749**

Prior Audit Finding:

The Employment Security Division (ESD) director should ensure that personal service expenditures charged to federal programs comply with federal cost principles.

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

Please refer to updated response on finding #25, report 02-40012-12. Additionally, DLWD maintains that the questioned costs are in fact allowable direct charges to benefiting programs based on employee activity based positive timekeeping practices. DLWD management continues to provide guidance to employees working on multiple programs to ensure compliance with federal requirements and cost principles.

DLWD has respectfully requested that the questioned costs be allowed as direct charges to benefiting programs and is pending final determination from U.S. DOL ETA.

Report: **02-40013-13**
Finding Number: **27**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.258**
CFDA: **17.259**
CFDA: **17.278**

Questioned Costs: **None**
Identified

Prior Audit Finding:

The Division of Business Partnerships (DBP) director should ensure the ETA-9091 annual performance progress report for the WIA program is accurate.

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

Please refer to updated response on finding #26, report 02-40012-12.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **28**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOL**
State Agency: **DLWD**
CFDA: **17.259**

Questioned Costs: **None Identified**

Prior Audit Finding:

DBP's director should develop and implement procedures to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) sub-award reporting requirements.

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

As of April 16, 2013, DLWD established and implemented a Federal Funding Accountability and Transparency Act (FFATA) procedure to ensure staff has guidance in complying with federal regulation 2 CFR 170. To comply with the FFATA requirements, sub-award data has been submitted into the FFATA reporting database for both current and previous WIA sub-awards.

The Department considers this finding corrected; U.S. DOL has agreed the finding is corrected and resolved.

Report: **02-40013-13**
Finding Number: **31**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHS and USDOD**
State Agency: **DMVA**
CFDA: **12.401**
CFDA: **97.036**

Questioned Costs: **None Identified**

Prior Audit Finding:

The Division of Administrative Services (DAS) director should develop and implement procedures to comply with federal suspension and debarment requirements.

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

Please refer to updated response on finding #29, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **32**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**
CFDA: **97.067**

Questioned Costs: **None Identified**

Prior Audit Finding:

DAS' director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are submitted timely and accurately.

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

Please refer to updated response on finding #31, report 02-40012-12.

Report: **02-40013-13**
Finding Number: **33**
Fiscal Year: **2012**
Initial Finding Year: **2011**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.036**

Questioned Costs: **None Identified**

Prior Audit Finding:

DAS' director should develop and implement procedures to ensure management decisions on audit finding are issued timely.

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

Please refer to updated response on finding #32, report 02-40012-12.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **34**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDHS**
State Agency: **DMVA**
CFDA: **97.067**

Questioned Costs: **\$69,186**

Prior Audit Finding:

DAS' director should develop procedures and provide training to employees working on multiple federal programs to ensure personal service costs comply with federal requirements.

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

This audit finding was partially resolved in accordance with OMB Circular A-133 §_.315.

The division developed and implemented procedures, effective March 1, 2013, to ensure that personal service costs comply with federal requirements. The agency is continuing to strengthen procedures in FY 14.

Report: **02-40013-13**
Finding Number: **35**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOD**
State Agency: **DMVA**
CFDA: **12.401**

Questioned Costs: **\$16,433**

Prior Audit Finding:

DAS' director should ensure time certifications are obtained for employees working solely on a single federal award or cost objective.

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

Corrective action was implemented. This finding is resolved in accordance with OMB Circular A-133 §_.315.

Report: **02-40013-13**
Finding Number: **36**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.601**

Questioned Costs: **\$85,528**

Prior Audit Finding:

DOTPF's highway safety administrator should develop and implement procedures to ensure that personal service expenditures billed to federal programs comply with the United States Office of Management and Budget (OMB) Circular A-87 requirements.

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

The Alaska Highway Safety Office (AHSO) is requiring all sub-grantees to complete a certification for all personal services reimbursements. This requirement to be discussed at the FFY14 sub grantee meeting being held 10/24/2013. Form to be posted on AHSO website for FFY14. AHSO is having all staff complete certifications.

This audit finding is resolved in accordance with OMB Circular A-133§_.315.

Report: **02-40013-13**
Finding Number: **37**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.601**
CFDA: **20.602**
CFDA: **20.610**
CFDA: **20.612**
CFDA: **20.613**

Questioned Costs: **None Identified**

Prior Audit Finding:

DOTPF's highway safety administrator should develop and implement procedures to ensure compliance with federal level-of-effort requirements.

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

AHSO has pulled the NHTSA reports and feels they have met the requirement.

This audit finding is resolved in accordance with OMB Circular A-133 §_.315.

STATE OF ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FY 13 Audit

Report: **02-40013-13**
Finding Number: **38**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.600**
CFDA: **20.601**
CFDA: **20.612**
CFDA: **20.613**

Questioned Costs: **None**
Identified

Prior Audit Finding:

DOTPF's highway safety administrator should develop and implement procedures to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) sub-award reporting requirements.

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

This finding is not resolved and has been reiterated in the current year. AHSO is still working on this requirement. Due to staff shortage this task has not been completed yet.

Report: **02-40013-13**
Finding Number: **39**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **USDOT**
State Agency: **DOTPF**
CFDA: **20.600**
CFDA: **20.601**
CFDA: **20.612**
CFDA: **20.613**

Questioned Costs: **None**
Identified

Prior Audit Finding:

DOTPF's highway safety administrator should develop and implement procedures to ensure subrecipients of federal funding obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and subrecipients are informed of the federal award information for the program providing the funding.

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

AHSO has partially resolved the finding. AHSO has obtained DUNS numbers from all grantees and DUNS numbers were required on all FFY14 grant applications, however subrecipients were not provided with the federal award information number.

Report: **02-40013-13**
Finding Number: **41**
Fiscal Year: **2012**
Initial Finding Year: **2012**

Federal Agency: **ENERGY**
State Agency: **AEA**
CFDA: **81.041**
CFDA: **81.128**

Questioned Costs: **None**
Identified

Prior Audit Finding:

Suspension and Debarment: When a grant recipient enters into a covered transaction, it must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. The Authority's procedures do not always ensure that documentation evidencing review of the EPLS is retained nor was there a clause or condition included in the agreement.

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

Alaska Energy Authority implemented its corrective action plan in November 2012. Although this finding was repeated in our 2013 A-133 audit report, the 2013 finding related to transactions which occurred prior to implementation of the corrective action plan. We consider our corrective action on this finding to be complete.

(Intentionally left blank)

STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2013

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, 2013*. 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.

(Intentionally left blank)

SECTION IV – APPENDICES

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
<u>ALASKA AEROSPACE CORPORATION</u>							
Military Construction, National Guard	USDOD		12.400	W91ZR0-06-2-3038		11,827	
Total for ALASKA AEROSPACE CORPORATION						11,827	-
<u>ALASKA COMMISSION ON POSTSECONDARY EDUCATION</u>							
College Access Challenge Grant Program	USDOE		84.378A			1,878,623	
Total for ALASKA COMMISSION ON POSTSECONDARY EDUCATION						1,878,623	-
<u>ALASKA ENERGY AUTHORITY</u>							
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	USDOL	ARRA	17.275	GJ-19959-10-55-A-2		49,261	
ARRA-State Energy Program	ENERGY	ARRA	81.041	DE-EE0000217		128,668	119,161
State Energy Program	ENERGY		81.041	DE-EE0004501		379,770	297,264
Renewable Energy Research and Development (Pass-through from University of Washington)	ENERGY		81.087	DE-EE0001110		92,283	
Renewable Energy Research and Development	ENERGY		81.087	DE-FG36-05GO85038		306,308	
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	ENERGY	ARRA	81.128	DE-EE0000827		2,586,712	2,147,800
Denali Commission Program	DC		90.100	366		5,562,066	4,888,070
Rural Development, Forestry and Communities	USDA		10.672	DG 11100165		116,135	
Total for ALASKA ENERGY AUTHORITY						9,221,203	7,452,295
<u>ALASKA HOUSING FINANCE CORPORATION</u>							
Mortgage Insurance - Homes	HUD		14.117			4,658,759	
Section 8 Housing Assistance Payments Program	HUD		14.195		S8PBC	2,203,120	
Community Development Block Grants/Entitlement Grants	HUD		14.218		CEGC	4,410,071	3,966,552
Community Development Block Grants/Technical Assistance Program	HUD		14.227			59,715	59,715
Emergency Shelter Grants Program	HUD		14.231			62,983	62,983
Supportive Housing Program	HUD		14.235			77,201	77,175
Shelter Plus Care	HUD		14.238			774,254	774,254
HOME Investment Partnerships Program	HUD		14.239			3,263,885	3,263,885
Housing Opportunities for Persons with AIDS	HUD		14.241			482,918	482,918
Section 8 Moderate Rehabilitation Single Room Occupancy	HUD		14.249		S8PBC	468,303	397,115
ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	HUD	ARRA	14.257			11,116	
Public and Indian Housing-Indian Loan Guarantee Program	HUD		14.865			737,836	
Resident Opportunity and Supportive Services - Service Coordinators	HUD		14.870			96,797	2,676
Section 8 Housing Choice Vouchers	HUD		14.871		HVC	574,311	
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	HUD		14.877			64,266	
Moving to Work Demonstration Program	HUD		14.881			46,198,856	
Veterans Housing - Guaranteed and Insured Loans	USDVA		64.114			3,982,188	
ARRA-State Energy Program	ENERGY	ARRA	81.041			2,507,178	2,195,147
State Energy Program	ENERGY		81.041			360,780	238,692
ARRA-Weatherization Assistance for Low-Income Persons	ENERGY	ARRA	81.042			3,021,550	2,136,350
Weatherization Assistance for Low-Income Persons	ENERGY		81.042			360,481	360,481
State Energy Program Special Projects	ENERGY		81.119			6,074	
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	ENERGY	ARRA	81.128			3,954,057	3,898,746
Low-Income Home Energy Assistance	USDHHS		93.568	AR 23490		650,000	650,000
Total for ALASKA HOUSING FINANCE CORPORATION						78,986,699	18,566,689

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY							
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-04-0009-00	FTC	477,195	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-04-0012-01	FTC	927,486	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-55-0001-02	FTC	3,710,721	
Total for ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY						5,115,402	-
ALASKA RAILROAD CORPORATION							
Access to Joint Tanana Training Complex-2008 (Pass-through from the Federal Railroad Administration)	USDOD		12.999	DTRF53-08-G-00008		14,635,549	
Railroad Development	USDOT		20.314	FR-RLD-0002-09-01-00		43,260,722	
Railroad Development	USDOT		20.314	FR-RLD-0005-10-01-00		160,465	
Railroad Development	USDOT		20.314	FR-RRR-0010-08-01-01		18,345	
Railroad Development	USDOT		20.314	FR-RRR-0018-11-01-00		293,665	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0038-12-01-00		125,349	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0039-12-01-00		15,119	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0016	FTC	300,973	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0017	FTC	57,770	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0018	FTC	179,741	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0019	FTC	7,922,184	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0020	FTC	5,000,000	
Federal Transit - Capital Investment Grants	USDOT		20.500	AK-05-0021	FTC	9,508,685	
Federal Transit - Capital Investment Grants (Pass-through from the Federal Transit Administration)	USDOT		20.500	AK-55-0003	FTC	234,089	
Federal Transit - Formula Grants	USDOT		20.507	AK-90-X062-00	FTC	784,968	
Federal Transit - Formula Grants	USDOT		20.507	AK-90-X065-00	FTC	10,182,420	
Federal Transit - Formula Grants	USDOT		20.507	AK-90-X068-00	FTC	6,433,206	
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	USDOT		20.523	AK-88-0001		91,549	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	1663-DR-AK		67,589	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	4094-DR-AK		843,245	
Hazard Mitigation Grant	USDHS		97.039	HMGP-1796.0008		10,885	
Hazard Mitigation Grant	USDHS		97.039	HMGP-1843.0003		69,957	
Pre-Disaster Mitigation	USDHS		97.047	10PDM-GR34070		319,582	
Pre-Disaster Mitigation	USDHS		97.047	10PDM-GR34071		106,368	
Pre-Disaster Mitigation	USDHS		97.047	11PDM-GR34081-MP238.6		369,338	
Pre-Disaster Mitigation	USDHS		97.047	11PDM-GR34081-MP243.9		14,742	
Pre-Disaster Mitigation	USDHS		97.047	11PDM-GR34081-MP244.7		215,597	
Pre-Disaster Mitigation	USDHS		97.047	12PDM-GR34055		50	
ARRA-Port Security Grant Program	USDHS	ARRA	97.056	2009-PU-RI-0180		61,709	
Port Security Grant Program	USDHS		97.056	2008-GB-T8-0027		15,245	
Port Security Grant Program	USDHS		97.056	2010-PU-T0-0053		164,420	
Port Security Grant Program	USDHS		97.056	EMW-2011-PU-00291-S01		4,871	
Port Security Grant Program	USDHS		97.056	EMW-2012-PU-00312-S01		240	
Buffer Zone Protection Program (BZPP)	USDHS		97.078	2009-BF-T90016		167,156	
Total for ALASKA RAILROAD CORPORATION						101,635,793	-
ALASKA STUDENT LOAN CORPORATION							
Federal Family Education Loans	USDOE		84.032L			(4,453,887)	
Total for ALASKA STUDENT LOAN CORPORATION						(4,453,887)	-
ALASKA SEAFOOD MARKETING INSTITUTE							
Market Access Program	USDA		10.601			4,037,066	
Total for ALASKA SEAFOOD MARKETING INSTITUTE						4,037,066	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
<u>ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL</u>							
Alcohol Open Container Requirements	USDOT		20.607	154 AL 2012 12-01-01		(12,195)	
State Court Improvement Program	USDHHS		93.586	1101AKSCID		16,738	
State Court Improvement Program	USDHHS		93.586	1101AKSCIP		12,886	
State Court Improvement Program	USDHHS		93.586	1101AKSCIT		76,453	
State Court Improvement Program	USDHHS		93.586	1201AKSCID		88,990	
State Court Improvement Program	USDHHS		93.586	1201AKSCIP		98,823	
State Court Improvement Program	USDHHS		93.586	1201AKSCIT		93,124	
Grants to States for Access and Visitation Programs	USDHHS		93.597	1102AKSAVP		31,314	
Grants to States for Access and Visitation Programs	USDHHS		93.597	1202AKSAVP		100,000	
Thurgood Marshall Legal Educational Opportunity Program (Pass-through Council on Legal Education Opportunity)	USDOE		84.936A	P936A100001		942	
Total for ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL						507,075	-
<u>DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT</u>							
Schools and Roads - Grants to States	USDA		10.665	National Forest Receipts	FSRC	13,878,341	13,878,341
Community Facilities Loans and Grants	USDA		10.766	Rural Broadband Internet Access Grant	CFLGC	4,498,586	4,483,228
Economic Adjustment Assistance	USDOC		11.307	07-79-05719	EDC	32,961	
Economic Adjustment Assistance	USDOC		11.307	SBED	EDC	1,181,327	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438			1,487,378	1,396,254
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HUD		14.228	B-07-DC-02-0001, B-08-DC-02-0001, B-09-DC-02-0001, B-10-DC-02-0001, B-11-DC-02-0001	CSACC	3,383,243	3,268,315
Payments in Lieu of Taxes	USDOJ		15.226	Payments in Lieu of Taxes		10,477,793	10,477,793
Distribution of Receipts to State and Local Governments	USDOJ		15.227	National Petroleum Reserve Alaska Impact Mitigation		7,796,612	7,731,199
Coastal Impact Assistance Program	USDOJ		15.668			3,286,678	1,800,950
Harold Rogers Prescription Drug Monitoring Program	USDOJ		16.754	2009-PM-BX-0010		98,214	
State Trade and Export Promotion Pilot Grant Program	USSBA		59.061	SBAHQ-11-IT-0052.		7,951	
Congressionally Mandated Projects	EPA		66.202	XP00J26701		1,861,801	222,147
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	ENERGY	ARRA	81.122	DE-OE0000170		128,990	
Community Services Block Grant	USDHHS		93.569	G09B1AKCOSR		2,679,695	2,097,207
State Commissions	USCNCS		94.003	10CAHAK001		167,429	
Learn and Serve America-School and Community Based Programs	USCNCS		94.004	09KSPAK001		1,954	
AmeriCorps	USCNCS		94.006	09RCHAK001		1,709,066	1,709,066
Program Development and Innovation Grants	USCNCS		94.007	09CDHAK001		37,329	1,100
Training and Technical Assistance	USCNCS		94.009	08PTHAK001/11PTHAK001		22,750	
Community Assistance Program State Support Services Element (CAP-SSSE)	USDHS		97.023	EMS-2010-GR-0004, EMS-2011-GR-0004, EMS-2012-GR-0004		85,078	
Cooperating Technical Partners	USDHS		97.045	EMS-2009-GR-0014		23,671	
Total for DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT						52,846,847	47,065,600
<u>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</u>							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			174,605	
Water and Waste Disposal Systems for Rural Communities	USDA		10.760		WWPC	2,784,818	460,729
Habitat Conservation	USDOC		11.463			50,000	
NOAA Pribilof Island Restoration	USDOC		11.999	NAAJ72001202082		793	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	USDOD		12.113			2,853,215	
Coastal Impact Assistance Program	USDOJ		15.668			1,370,719	
Bureau of Land Management Oversight	USDOJ		15.999	L11PA00032		48,298	
National Park Service Oversight	USDOJ		15.999	P12PA90901		19,166	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
National Park Service Oversight	USDOJ		15.999	P12PX100568		8,094	
National Park Service Fish Testing	USDOJ		15.999	PT11AT90098		3,078	
Highway Planning and Construction	USDOT		20.205		HPCC	2,036,732	
Clean-up Contaminated Sites in Alaska	USDOT		20.999	DTFAAL-04X-80006		26,745	
Clean-up Contaminated Sites in Alaska	USDOT		20.999	DTFAAL-04X-80007		82,621	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EPA		66.034			297,186	
State Clean Diesel Grant Program	EPA		66.040			616,511	
Congressionally Mandated Projects	EPA		66.202			20,971,966	3,449,320
State Environmental Justice Cooperative Agreement Program	EPA		66.312			25,219	
Water Pollution Control State, Interstate, and Tribal Program Support	EPA		66.419			221,403	
State Public Water System Supervision	EPA		66.432			2,316,990	
Water Quality Management Planning	EPA		66.454			100,000	
ARRA-Capitalization Grants for Clean Water State Revolving Funds	EPA	ARRA	66.458	2W-96091601		554,040	554,040
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000110		3,892,517	3,701,956
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000111		8,131,480	7,631,480
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000112		1,213,193	1,106,005
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	EPA	ARRA	66.468	2F-96091501		134,444	134,444
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005810		660,091	559,406
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005811		1,642,917	14,115
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005812		3,875,073	2,144,941
Beach Monitoring and Notification Program Implementation Grants	EPA		66.472			204,508	133,340
Performance Partnership Grants	EPA		66.605			4,976,680	232,685
Environmental Information Exchange Network Grant Program and Related Assistance	EPA		66.608			132,055	
Consolidated Pesticide Enforcement Cooperative Agreements	EPA		66.700			311,179	
Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	EPA		66.802			19,442	
Underground Storage Tank Prevention, Detection and Compliance Program	EPA		66.804			278,000	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	EPA		66.805			480,524	
Superfund State and Indian Tribe Core Program Cooperative Agreements	EPA		66.809			130,021	
State and Tribal Response Program Grants	EPA		66.817			779,463	
EPA-IPA for Kristin Ryan	EPA		66.999	IPA101651213N		175,873	
LUST Trust Cost Recovery	EPA		66.999	LUST Trust Cost Recovery		596,518	
Amchitka Oversight Monitoring	ENERGY		81.999	DE-FG01-06LM00075		56,637	
Denali Commission Program	DC		90.100			623,216	
Food & Drug Administration - Research	USDHHS		93.103			619,780	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	USDHHS		93.210			10,819,247	
ARRA-IHS Tribal Agreements (Pass-through from ANTHC)	USDHHS	ARRA	93.722			86,737	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
FDA Food Inspections	USDHHS		93.999	HHSF22320111066C		307,255	
FDA Food Inspections	USDHHS		93.999	HHSF223201210206C		508,430	
U.S. Coast Guard Oversight - Kodiak	USDHS		97.999	HSCG5012PP43K09		2,871	
U.S. Coast Guard Oversight - Kodiak	USDHS		97.999	HSCG5013NPVCM21		7,731	
U.S. Coast Guard Oversight - Juneau	USDHS		97.999	HSCG8712PPXA001		3,317	
U.S. Coast Guard Oversight - Juneau	USDHS		97.999	HSCG8713NPXA503		10,075	
Total for DEPARTMENT OF ENVIRONMENTAL CONSERVATION						75,241,473	20,122,461
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT							
School Breakfast Program	USDA		10.553	17131	CNC	8,622,592	8,295,083
National School Lunch Program	USDA		10.555	17132	CNC	30,831,102	30,331,886
National School Lunch Program - Food Commodities	USDA		10.555	17132	CNC	2,278,115	2,278,115
Special Milk Program for Children	USDA		10.556	17133	CNC	3,389	3,389
Child and Adult Care Food Program	USDA		10.558	17134		9,595,766	9,507,523
Child and Adult Care Food Program - Food Commodities	USDA		10.558	17134		15,093	15,093
Summer Food Service Program for Children	USDA		10.559	17137	CNC	1,395,239	1,327,673
State Administrative Expenses for Child Nutrition	USDA		10.560	17135		800,512	
Emergency Food Assistance Program (Administrative Costs)	USDA		10.568	17138	FDC	115,468	108,824
Emergency Food Assistance Program (Food Commodities)	USDA		10.569		FDC	1,233,517	1,233,517
Team Nutrition Grants	USDA		10.574	17400		109,046	13,613
Child Nutrition Discretionary Grants Limited Availability	USDA		10.579	17169		52,531	4,614
Fresh Fruit and Vegetable Program	USDA		10.582	17166		1,730,001	1,687,285
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557	17353		1,962,167	205,024
ARRA-Broadband Technology Opportunities Program (BTOP)-USDOC Match	USDOC	ARRA	11.557	17354		-	7,150
Promotion of the Arts-Partnership Agreements	NEA		45.025	17335		624,673	298,100
Grants to States	IMLS		45.310	17336		932,969	747,095
Laura Bush 21st Century Librarian Program	IMLS		45.313	17258		29,044	
Title I Grants to Local Educational Agencies	USDOE		84.010	17126	TIAC	36,898,227	36,492,262
Migrant Education - State Grant Program	USDOE		84.011	17127		7,997,871	7,283,560
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013	17129		250,943	248,695
Special Education - Grants to States	USDOE		84.027	17232	SEC	35,513,429	32,825,765
Impact Aid	USDOE		84.041	17238	IAC	40,676,158	
Career and Technical Education - Basic Grants to States	USDOE		84.048	17244		4,660,227	3,760,542
Rehabilitation Services - Client Assistance Program	USDOE		84.161	17152		117,623	
Special Education - Preschool Grants	USDOE		84.173	17242	SEC	1,313,607	1,252,639
Education for Homeless Children and Youth	USDOE		84.196	17257		223,458	194,843
Tech-Prep Education	USDOE		84.243	17246		67,297	
Twenty-First Century Community Learning Centers	USDOE		84.287	17271		6,063,736	5,910,236
Education Technology State Grants	USDOE		84.318	17241	ETSGC	13,190	12,666
Special Education - State Personnel Development	USDOE		84.323	17159		614,312	408,685
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	USDOE		84.330	17122		1,235	
Transition to Teaching	USDOE		84.350	17164		325,554	
Rural Education	USDOE		84.358	17373		142,184	137,806
School Leadership	USDOE		84.363	17189		104,000	
English Language Acquisition State Grants	USDOE		84.365	17175		1,191,325	1,055,710
Mathematics and Science Partnerships	USDOE		84.366	17252		1,547,784	1,489,379
Improving Teacher Quality State Grants	USDOE		84.367	17172		11,918,033	11,444,134
Grants for State Assessments and Related Activities	USDOE		84.369	17171		3,476,172	
Striving Readers	USDOE		84.371	17211		2,499	
Statewide Data Systems	USDOE		84.372	17274	SDSC	521,672	74,990
School Improvement Grants	USDOE		84.377	17165	SIGC	1,870,031	1,870,031
ARRA-State Improvement Grants, Recovery Act	USDOE	ARRA	84.388	17198	SIGC	3,609,997	3,350,500

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Education Jobs Fund	USDOE		84.410	17239		3,068,632	2,909,210
Consolidated Programs IASA Admin	USDOE		84.999	17300		559,068	
National Historical Publications and Records Grants	NARA		89.003	17141		63,894	
Head Start	USDHHS		93.600	17330		79,583	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	USDHHS		93.938	17308		226,981	
Total for DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						223,449,946	166,785,637

DEPARTMENT OF FISH AND GAME

Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			17,959	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	USDA		10.683	0801.12.032829		18,261	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0109-C-10-0011		136,912	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0109-C-10-0016		6,054	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0109-P-12-0032		5,708	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0116-C-09-0054		4,268	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0116-C-09-0055		762	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0116-C-09-0056		15,089	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0116-P-05-0004		54,219	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.999	AG-0120-P-09-0013		31,451	
Coastal Zone Management Administration Awards (Pass-through from University of New Hampshire)	USDOC		11.419	11-036		233,444	
Coastal Zone Management Estuarine Research Reserves	USDOC		11.420			561,288	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission-AKFIN)	USDOC		11.437	13-04		2,017,630	
Pacific Fisheries Data Program	USDOC		11.437			2,749,172	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438			13,356,096	1,419,492
Marine Mammal Data Program	USDOC		11.439			2,581,848	
Regional Fishery Management Councils	USDOC		11.441			16,246	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1018		15,869	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1107		22,932	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1108		42,986	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1111		13,320	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	1116		22,978	
Unallied Science Program (Pass-through from North Pacific Research Board)	USDOC		11.472	B69		5,714	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	HA133F-07-SE-3734		15,809	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	HA133F09SE4456		143	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	HA133F10SE3691		34,995	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	HA-133F-12-SE-2199		5,489	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	RA133F-11-SE-2006		33,322	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	WE-1330-12-SE-04338		66,360	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	WE133F11SE1289		12,825	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.999	WE133R13SE0274		179	
Miscellaneous Army-Wildlife Research	USDOD		12.999	W911KB-11-P-0037		293,920	
Miscellaneous Army-Wildlife Research	USDOD		12.999	W9DO-11-D-003		57,197	
Cultural Resource Management	USDOI		15.224			32,333	
Recreation Resource Management	USDOI		15.225			1,311	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			233,882	
Challenge Cost Share	USDOI		15.238			13,959	
Sport Fish Restoration Program	USDOI		15.605		F&WC	16,387,324	965,278
Fish and Wildlife Management Assistance (Pass-through from National Fish and Wildlife Foundation)	USDOI		15.608	2011-032-006		10,679	
Fish and Wildlife Management Assistance	USDOI		15.608			933,669	
Wildlife Restoration and Basic Hunter Education	USDOI		15.611		F&WC	17,030,718	
Cooperative Endangered Species Conservation Fund	USDOI		15.615			73,463	
Clean Vessel Act	USDOI		15.616			1,532	1,532
Enhanced Hunter Education and Safety Program	USDOI		15.626			85,732	
Coastal Program	USDOI		15.630			65,815	
State Wildlife Grants	USDOI		15.634			2,653,201	
Alaska Subsistence Management (Pass-through from Ecotrust)	USDOI		15.636	1-2343-209-0		47,916	
Alaska Subsistence Management	USDOI		15.636			2,354,193	
Alaska Migratory Bird Co-Management Council	USDOI		15.643			127,389	
Migratory Bird Monitoring, Assessment and Conservation	USDOI		15.655			14,921	
Endangered Species Conservation Recovery Implementation Funds	USDOI		15.657			70,525	
Coastal Impact Assistance Program (Pass-through from Northwest Arctic Borough)	USDOI		15.668	11-053		38,052	
Coastal Impact Assistance Program	USDOI		15.668			1,653,035	
Yukon River Salmon Research and Management Assistance	USDOI		15.671			25,793	
Natural Resource Stewardship	USDOI		15.944			27,531	
Cooperative Research and Training Programs-Resources of the National Park System	USDOI		15.945			200,091	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	USDOI		15.999	F09PX75731		2,666	
Miscellaneous US Fish & Wildlife Service - Salmon Harvest Assessment-Copper River	USDOI		15.999	F10PX79112		9,059	
Miscellaneous US Fish & Wildlife Service - Lake Herring Harvest Assessment	USDOI		15.999	F10PX79114		4,382	
Miscellaneous US Fish & Wildlife Service - Climate Change/Impact Studies	USDOI		15.999	F10PX79129		33,325	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	USDOI		15.999	F11PX03657		22,910	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	USDOI		15.999	FPNJ10009		1,986	
Miscellaneous US Geological Survey - Herring Sample Analysis	USDOI		15.999	G12PX00471		14,393	
Miscellaneous National Park Service - Harvest Assessments	USDOI		15.999	H8W07060001		88,504	
Miscellaneous National Park Service - Walrus Studies	USDOI		15.999	H9923070013		2,818	
Miscellaneous BLM - Wildlife Research-Mountain Goats	USDOI		15.999	L10AC20287		27,729	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	USDOI		15.999	M09PC00027		274,264	
Miscellaneous Minerals Management Service - Marine Mammal Research-Bowhead Whales	USDOI		15.999	M10PC00085		244,222	
Miscellaneous Bureau of Safety and Environmental Enforcement	USDOI		15.999	M12PC00005		304,305	
Miscellaneous National Park Service	USDOI		15.999	P11AC90426		16,945	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	ENERGY	ARRA	81.112	30-232-AK		46,607	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	USDHS		97.999	FPNJ05003		679	
Total for DEPARTMENT OF FISH AND GAME						65,628,303	2,386,302

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF HEALTH AND SOCIAL SERVICES							
Supplemental Nutrition Assistance Program	USDA		10.551		SNAP	189,700,771	
School Breakfast Program	USDA		10.553		CNC	191,858	
National School Lunch Program	USDA		10.555		CNC	287,787	
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA		10.557			13,778,546	5,365,572
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA		10.561		SNAP	12,627,960	34,606
Commodity Supplemental Food Program	USDA		10.565		FDC	182,182	128,409
WIC Farmers Market Nutrition Program (FMNP)	USDA		10.572			190,070	
Senior Farmers Market Nutrition Program	USDA		10.576			67,912	64,949
ARRA-WIC Grants to States (WGC)	USDA	ARRA	10.578	WISA-09-AK-01		979,517	
Juvenile Accountability Block Grants	USDOJ		16.523			260,545	
Juvenile Justice and Delinquency Prevention - Allocation to States	USDOJ		16.540			676,855	307,956
Title V - Delinquency Prevention Program	USDOJ		16.548			3,750	
Enforcing Underage Drinking Laws Program	USDOJ		16.727			370,946	191,617
State and Community Highway Safety	USDOT		20.600		HSC	15,326	
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	6,122	
Special Education - Grants for Infants and Families	USDOE		84.181			3,348,588	1,749,987
Denali Commission Program	DC		90.100			4,993,740	4,753,574
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and	USDHHS		93.041			24,960	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	USDHHS		93.042			149,030	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	USDHHS		93.043			94,378	74,378
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	USDHHS		93.044		AC	1,649,549	1,573,654
Special Programs for the Aging - Title III, Part C - Nutrition Services	USDHHS		93.045		AC	2,912,330	2,691,467
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			50,000	110,040
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			161,098	
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			252,730	
National Family Caregiver Support, Title III, Part E	USDHHS		93.052			676,118	676,118
Nutrition Services Incentive Program	USDHHS		93.053		AC	350,287	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	USDHHS		93.074			6,181,489	809,866
Emergency System for Advance Registration of Volunteer Health Professionals	USDHHS		93.089			286,685	
Guardianship Assistance	USDHHS		93.090			77,639	
Affordable Care Act (ACA) Personal Responsibility Education Program	USDHHS		93.092			242,165	
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			906,665	5,940
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	USDHHS		93.116			518,978	73,182
Emergency Medical Services for Children	USDHHS		93.127			196,669	14,100
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	USDHHS		93.130			445,462	
Injury Prevention and Control Research and State and Community Based Programs	USDHHS		93.136			185,781	21,775

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Projects for Assistance in Transition from Homelessness (PATH)	USDHHS		93.150			269,513	268,012
Rural Health Research Centers	USDHHS		93.155			28,767	
Grants to States for Loan Repayment Program	USDHHS		93.165			170,987	
Disabilities Prevention	USDHHS		93.184			162,725	
Urban Indian Health Services	USDHHS		93.193			70,920	
Family Planning - Services	USDHHS		93.217			401,545	100,000
Grants to States to Support Oral Health Workforce Activities	USDHHS		93.236			108,642	
State Capacity Building	USDHHS		93.240			275,822	
State Rural Hospital Flexibility Program	USDHHS		93.241			736,477	352,916
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	USDHHS		93.243			2,730,667	1,628,192
Universal Newborn Hearing Screening	USDHHS		93.251			266,353	38,200
Immunization Cooperative Agreements	USDHHS		93.268			13,031,436	
Adult Viral Hepatitis Prevention and Control	USDHHS		93.270			59,820	
ARRA-Centers for Disease Control and Prevention - Investigations and Technical Assistance	USDHHS	ARRA	93.283			439,636	20,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	USDHHS		93.283			6,398,279	
Teenage Pregnancy Prevention Program	USDHHS		93.297			767,626	360,000
Small Rural Hospital Improvement Grant Program	USDHHS		93.301			165,734	118,156
ARRA-State Primary Care Offices	USDHHS	ARRA	93.414			137,871	
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	USDHHS		93.505			695,544	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Facilities and Providers	USDHHS		93.506			446,847	
PPHF 2012 National Public Health Improvement Initiative	USDHHS		93.507			225,315	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC)and Emerging Infections Program (EIP) Cooperative Agreement; PPHF	USDHHS		93.521			1,193,505	20,000
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	USDHHS		93.544			130,598	
Promoting Safe and Stable Families	USDHHS		93.556			506,539	459,079
Temporary Assistance for Needy Families	USDHHS		93.558		TANFC	46,110,413	201,700
Low-Income Home Energy Assistance	USDHHS		93.568			13,164,146	
Child Care and Development Block Grant	USDHHS		93.575		CCC	13,030,802	7,471,977
Community-Based Child Abuse Prevention Grants	USDHHS		93.590			392,944	400,582
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	USDHHS		93.596		CCC	7,561,294	
Chafee Education and Training Vouchers Program (ETV)	USDHHS		93.599			172,840	
Adoption Incentive Payments	USDHHS		93.603			311,169	12,725
Developmental Disabilities Basic Support and Advocacy Grants	USDHHS		93.630			324,573	
Developmental Disabilities Projects of National Significance	USDHHS		93.631			122,043	
Children's Justice Grants to States	USDHHS		93.643			72,219	
Stephanie Tubbs Jones Child Welfare Services Program	USDHHS		93.645			287,480	318,712
Foster Care, Title IV-E	USDHHS		93.658			15,612,463	
Adoption Assistance	USDHHS		93.659			11,213,829	
Social Services Block Grant	USDHHS		93.667			8,304,155	693,595
Child Abuse and Neglect State Grants	USDHHS		93.669			13,828	
Chafee Foster Care Independence Program	USDHHS		93.674			488,450	136,690

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
ARRA-State Grants to Promote Health Information	USDHHS	ARRA	93.719			1,029,063	
ARRA-Prevention and Wellness-State, Territories and Pacific Islands	USDHHS	ARRA	93.723			33,857	
ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	USDHHS	ARRA	93.725			2,031	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance -financed in part by the Prevention and Public Health Fund (PPHF-2012)	USDHHS		93.733			342,832	
Elder Abuse Prevention Interventions Program	USDHHS		93.747			4,900	
Children's Health Insurance Program	USDHHS		93.767			21,872,613	
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	USDHHS		93.768			130,919	
Medicare - Hospital Insurance	USDHHS		93.773			1,191,827	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	USDHHS		93.777		MC	484,536	
Medical Assistance Program	USDHHS		93.778		MC	885,323,919	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	USDHHS		93.779			15,493	236,080
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	USDHHS		93.779			180,664	
Alternatives to Psychiatric Residential Treatment Facilities for Children	USDHHS		93.789			1,145,761	
National Bioterrorism Hospital Preparedness Program	USDHHS		93.889			167,213	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	USDHHS		93.912			403,258	
Grants to States for Operation of Offices of Rural Health	USDHHS		93.913			183,896	
HIV Care Formula Grants	USDHHS		93.917			33,821	
HIV Care Formula Grants	USDHHS		93.917			1,047,159	415,440
Healthy Start Initiative	USDHHS		93.926			336,562	120,716
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	USDHHS		93.938			54,939	
HIV Prevention Activities - Health Department Based	USDHHS		93.940			1,318,085	314,347
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	USDHHS		93.944			121,161	21,000
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	USDHHS		93.946			134,339	
Block Grants for Community Mental Health Services	USDHHS		93.958			634,132	587,407
Block Grants for Prevention and Treatment of Substance Abuse	USDHHS		93.959			4,331,981	4,117,857
Preventive Health Services - Sexually Transmitted Diseases Control Grants	USDHHS		93.977			361,246	
Preventive Health and Health Services Block Grant	USDHHS		93.991			238,121	
Maternal and Child Health Services Bock Grant to States	USDHHS		93.994			909,081	
Adult Lead Surveillance Data	USDHHS		93.999	030178D4D-CDC		125,366	
NCHS Contract	USDHHS		93.999	200-2000-07201		120,228	
NIOSH Center for Disease Control & Prevention	USDHHS		93.999	214-2008-M-26751		16,250	
Mammography Inspection	USDHHS		93.999	223-03-4401		26,572	
NIOSH Trauma Registry	USDHHS		93.999	243-03-1045		25,000	
Special Education - Grants to States	USDOE		84.027A		SEC	169,737	
ARRA-Special Education - Grants for Infants and Families, Recovery Act	USDOE	ARRA	84.393A			112,817	
Total for DEPARTMENT OF HEALTH AND SOCIAL SERVICES						1,312,277,683	37,060,573

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT							
Labor Force Statistics	USDOL		17.002	850		682,880	
Compensation and Working Conditions	USDOL		17.005	853		110,449	
Employment Service/Wagner-Peyser Funded Activities	USDOL		17.207	858	ESC	8,636,078	
Unemployment Insurance	USDOL		17.225	864		288,528,088	
Senior Community Service Employment Program	USDOL		17.235	867		1,897,396	947,702
Trade Adjustment Assistance	USDOL		17.245	871		190,432	
WIA Adult Program	USDOL		17.258	881/922/923	WIAC	2,050,997	
WIA Youth Activities	USDOL		17.259	882/952	WIAC	2,285,780	1,047,470
Work Opportunity Tax Credit Program (WOTC)	USDOL		17.271	898		64,743	
Temporary Labor Certification for Foreign Workers	USDOL		17.273	856		59,542	
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	USDOL	ARRA	17.275	899		1,202,924	676,237
WIA Dislocated Workers Formula Grants	USDOL		17.278	886/932/933/937/998/938/939	WIAC	1,901,944	27,706
Occupational Safety and Health - State Program	USDOL		17.503	887		1,473,625	
Consultation Agreements	USDOL		17.504	888		656,472	
Disabled Veterans' Outreach Program (DVOP)	USDOL		17.801	893	ESC	403,150	
Local Veterans' Employment Representative Program	USDOL		17.804	895	ESC	121,174	
Adult Education - Basic Grants to States	USDOE		84.002	813/87346		1,101,063	656,106
Federal Pell Grant Program	USDOE		84.063	815	SFAC	337,614	
Rehabilitation Services - Vocational Rehabilitation Grants to States	USDOE		84.126	819		9,608,548	183,498
Independent Living - State Grants	USDOE		84.169	823		306,639	1,320,360
Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	USDOE		84.177	827		238,546	247,550
Supported Employment Services for Individuals with the Most Significant Disabilities	USDOE		84.187	830		288,423	
Assistive Technology	USDOE		84.224	834		406,330	400,000
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	USDOE		84.265	836		19,156	
Federal Direct Student Loans	USDOE		84.268	837	SFAC	379,064	
ARRA-Bridge E-Skills Gap in Alaska	USDOE	ARRA	84.999	87333/02-43-B10566 UAF Grant 6892		113,150	
Denali Commission Program	DC		90.100	842		336,560	246,126
Social Security - Disability Insurance	SSA		96.001	844	DISSIC	4,594,360	
Supplemental Security Income	SSA		96.006	845	DISSIC	853,342	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008	846		9,400	
Total for DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT						328,857,869	5,752,755
DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS							
School Breakfast Program	USDA		10.553	RSA 0520089	CNC	(135,652)	
National School Lunch Program	USDA		10.555	RSA 0520089	CNC	(211,429)	
Meteorologic and Hydrologic Modernization Development	USDOC		11.467	35457		476,899	59,970
Military Construction, National Guard	USDOD		12.400	35400		137,578	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD		12.401	35401		12,134,091	
National Guard ChalleNge Program	USDOD		12.404	35404		3,839,193	
Counterdrug Support Program-Asset Forfeiture	USDOJ		16.999	35160/AKQNGCDO		72,914	
Interagency Hazardous Materials Public Sector Training and Planning Grants	USDOT		20.703	35703		45,432	
Emergency Management Institute - Training Assistance	USDHS		97.026	34052		6,168	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	35036		2,717,124	2,144,641
Hazard Mitigation Grant	USDHS		97.039	35039		590,517	486,201

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Emergency Management Performance Grants	USDHS		97.042	35915		3,195,358	314,046
Pre-Disaster Mitigation	USDHS		97.047	34064		188,717	
Emergency Operations Center	USDHS		97.052	35925		578,565	433,924
Interoperable Emergency Communications	USDHS		97.055	35919		17,325	
Homeland Security Grant Program	USDHS		97.067	34050		6,225,780	4,872,775
Buffer Zone Protection Program (BZPP)	USDHS		97.078	35554		541,170	
Earthquake Consortium	USDHS		97.082	35920		12,125	12,125
Total for DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS						30,431,875	8,323,682

DEPARTMENT OF NATURAL RESOURCES

Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			192,424	
Inspection Grading and Standardization	USDA		10.162			8,943	
Market Protection and Promotion	USDA		10.163			127,885	
Specialty Crop Block Grant Program - Farm Bill	USDA		10.170			155,866	6,829
Organic Certification Cost Share Programs	USDA		10.171			11,250	
Cooperative Forestry Assistance	USDA		10.664			2,836,720	240,426
Schools and Roads - Grants to States	USDA		10.665		FSRC	38	
Forest Legacy Program	USDA		10.676			31,488	
Forest Health Protection	USDA		10.680			137,099	
ARRA-Recovery Act of 2009: Wildland Fire Management	USDA	ARRA	10.688			289,353	573,623
Plant Materials for Conservation	USDA		10.905			173,689	
Kenai Dispatch Center	USDA		10.999	12FI11100400036		14,671	
Hotshot Crew	USDA		10.999	12PA11100100009		145,478	
Cultural Resource Management	USDOJ		15.224			156,307	
National Fire Plan - Wildland Urban Interface Community Fire Assistance	USDOJ		15.228			122,099	
Fish, Wildlife and Plant Conservation Resource Management	USDOJ		15.231			59,337	
Environmental Quality and Protection Resource Management	USDOJ		15.236			10,844	
Management Initiatives	USDOJ		15.239			32,392	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	USDOJ		15.250			322,401	
Abandoned Mine Land Reclamation (AMLR) Program	USDOJ		15.252			4,435,988	
Federal Oil and Gas Royalty Management State and Tribal Coordination	USDOJ		15.427			40,213	
Fish and Wildlife Management Assistance	USDOJ		15.608			8,941	
Partners for Fish and Wildlife	USDOJ		15.631			8,454	
Coastal Impact Assistance Program	USDOJ		15.668			1,518,193	
Cooperative Landscape Conservation	USDOJ		15.669			10,268	
U.S. Geological Survey-Research and Data Collection	USDOJ		15.808			343,968	
National Cooperative Geologic Mapping Program	USDOJ		15.810			200,365	
ARRA-Volcano Hazards Program Research and Monitoring	USDOJ	ARRA	15.818			667,028	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	USDOJ		15.819			20,526	
Historic Preservation Fund Grants-In-Aid	USDOJ		15.904			1,130,295	169,308
Outdoor Recreation-Acquisition, Development and Planning	USDOJ		15.916			299,210	229,075
Rivers, Trails and Conservation Assistance	USDOJ		15.921			10,239	
Palmer Hay Flats State Game Refuge	USDOJ		15.999	C-17-L-1		2,266	
Turner Acquisition Project	USDOJ		15.999	F12AP00078		804,000	
Goose Bay Estuary	USDOJ		15.999	F12AP00112		915	
BLM Fire Suppression	USDOJ		15.999	LAA040005		5,112,324	
Recreational Trails Program	USDOT		20.219		HPCC	1,308,120	481,818
Railroad Development	USDOT		20.314	DTFRDV-5-0006		12,000	
Alaska Trails Initiative	USDOT		20.999	DTHF70-05-E-00028		716,659	534,604
Boating Safety Financial Assistance	USDHS		97.012			955,885	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
State Access to the Oil Spill Liability Trust Fund	USDHS		97.013			1,451	
National Dam Safety Program	USDHS		97.041			13,866	
Fire Management Assistance Grant	USDHS		97.046			2,500	
USFS Fire Suppression (AKDF070002)	USDA		10.UNK	10F11100100040		14,612,251	
Total for DEPARTMENT OF NATURAL RESOURCES						37,064,209	2,235,683
<u>DEPARTMENT OF ADMINISTRATION</u>							
Crime Victim Compensation	USDOJ		16.576	2010VCGX0004, 2011VCGX0011, 2012VCGX0065		1,064,463	
Court Appointed Special Advocates	USDOJ		16.756	AK10900-12-1012-S		31,887	
John R. Justice Prosecutors and Defenders Incentive Act	USDOJ		16.816	2012-RJ-BX-0061		45,686	
Commercial Driver's License Program Improvement Grant	USDOT		20.232	FM-CDL-033-11-01-00, FM-CDL-0106-12-01-00		1,146,676	
Donation of Federal Surplus Personal Property	GSA		39.003			1,686,767	
State Underground Water Source Protection	EPA		66.433	G-00J59001-0		130,000	
Drivers License Security Grant Program	USDHS		97.089	EMW-2011-DL-0036-S01		43,642	
Total for DEPARTMENT OF ADMINISTRATION						4,149,121	-
<u>DEPARTMENT OF CORRECTIONS</u>							
State Criminal Alien Assistance Program	USDOJ		16.606	2010-AP-BX-0845		43,691	
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	USDOE		84.331	Q331A100002		7,101	
Incentive Payment Agreement (IPMOU) between SSA and DOC	SSA		96.999	IPMOU		88,200	
Total for DEPARTMENT OF CORRECTIONS						138,992	-
<u>DEPARTMENT OF REVENUE</u>							
Child Support Enforcement	USDHHS		93.563			19,728,759	
Total for DEPARTMENT OF REVENUE						19,728,759	-
<u>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</u>							
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	USDA		10.999	USFS 07-RO-11100100-076		31,525	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD		12.401	GR35401		994,328	
King Salmon Airport Contract to Maintain USAF Safety	USDOD		12.999	12.F65501-96C0006		533,284	
Adak Airport Operations Agreement	USDOD		12.999	N6871104MDC4010		817,657	
Sand Point School Loop Road-BIA	USDOI		15.999	FRH53637		1,745	
Drug Court Discretionary Grant Program	USDOJ		16.585			16,611	
Drug Court Discretionary Grant Program	USDOJ		16.585			55,114	
ARRA-Airport Improvement Program	USDOT	ARRA	20.106			895,779	
Airport Improvement Program	USDOT		20.106			152,670,587	
ARRA-Highway Planning and Construction	USDOT	ARRA	20.205		HPCC	30,076	
Highway Planning and Construction	USDOT		20.205	WFL-DTFH70-09-E-00002	HPCC	4,694,727	
Highway Planning and Construction	USDOT		20.205		HPCC	425,350,780	1,557,575
National Motor Carrier Safety	USDOT		20.218			906,211	
Performance and Registration Information Systems Management	USDOT		20.231			36,798	
Border Enforcement Grants	USDOT		20.233			180,440	
Safety Data Improvement Program	USDOT		20.234			66,582	
Commercial Vehicle Information Systems and Networks	USDOT		20.237			59,949	
Federal Transit - Capital Investment Grants	USDOT		20.500		FTC	3,302,402	151,312
Metropolitan Transportation Planning	USDOT		20.505			383,448	522,556
ARRA-Formula Grants for Other than Urbanized Areas	USDOT	ARRA	20.509			528,786	484,641
Formula Grants for Other than Urbanized Areas	USDOT		20.509			5,160,882	4,398,716

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Enhanced Mobility of Seniors and Individuals with Disabilities	USDOT		20.513		TSPC	505,039	330,591
Job Access and Reverse Commute Program	USDOT		20.516		TSPC	129,921	228,490
New Freedom Program	USDOT		20.521		TSPC	105,606	111,265
State and Community Highway Safety	USDOT		20.600		HSC	974,980	602,792
Alcohol Impaired Driving Countermeasures Incentive Grants I	USDOT		20.601		HSC	148,467	110,474
Occupant Protection Incentive Grants	USDOT		20.602		HSC	138,174	134,838
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	USDOT		20.605			923	
Alcohol Open Container Requirements	USDOT		20.607			1,400,927	523,232
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT		20.608			616,234	
Safety Belt Performance Grants	USDOT		20.609		HSC	(96)	
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	324,289	
Child Safety and Child Booster Seats Incentive Grants	USDOT		20.613		HSC	68,245	68,245
Forest Highway Project Agreement	USDOT		20.999	AK PFH 40-1(1) & AK PFH 43(8)		4,219	
Marine Link to Akutan A/P Denali Commission	USDOT		20.999	DC-01166		14,506	
Sand Point School Loop Road Rehabilitation	USDOT		20.999	DC01324-00		91,502	
Kotzebue Airport ARFF/FSS	USDOT		20.999	DTFA04-02-X44090		(42,713)	
FAA PO-Goodnews Bay Airport Runway Edge Lighting	USDOT		20.999	DTFAA 05-A-00009		12,119	
Takotna A/P Electrical Line Extension FAA FRH52265	USDOT		20.999	DTFAA 05-A-00009		5,305	
FAA PO-Atka Airport Lighting	USDOT		20.999	DTFAA 06-X-00009		22,113	
FAA PO-Goodnews Bay Airport Install Papi & REILs	USDOT		20.999	DTFAAL 05-X-00011		(323)	
FAA PO-Kongiganak Airport Lighting	USDOT		20.999	DTFAWA-06-A00009		5,390	
Akiachak A/P Lighting	USDOT		20.999	DTFAWA-06-A-00009		28,672	
Ouzinkie A/P Lighting	USDOT		20.999	DTFAWA-06-A-00009		60,219	
Unstable Slope Management	USDOT		20.999	DTFH70-11-E-00067		64	
Kodiak A/P Contract for Shared Electricity Bill	USDOT		20.999	FAA DTFA 04-81-F-81018		28,857	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	USDOT		20.999	FAA/DOT DTFA-04-98-L-16606		58,014	
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	USDOT		20.999	FAA/DOT DTFA-04-98-L-16606		102,847	
Cue Based Pilot Training FAA FRH52510	USDOT		20.999	FAA-DTFAAL-09-C-00020		801	
FAA PO-Tuntutuliak Airport runway edge lighting	USDOT		20.999	FAA-FAWA-26--A00009		50	
Alaska Railroad Emergency MP407-409	USDOT		20.999	FF-RRR-0018-11-01-00		315,065	
Alaska Railroad Emergency Repairs MP352.9 FRA	USDOT		20.999	FR-RRR-0010-08-01-01		45,808	
Klawock Causeway Culvert Const FHWA	USDOT		20.999	FWS-70181AB0001		743	
Klawock Causeway Fish Passage FHWA	USDOT		20.999	NA09NMF4630301		14,252	
Traffic Mitigation in to new VA clinic	USDVA		64.999	USDVA FRH 51790		15,699	
ARRA-State Energy Program	ENERGY	ARRA	81.041	EE0000217		546,268	
Denali Commission Program	DC		90.100			1,856,918	
AK GIS Strategic / Business Plan DHHS FRH52540	USDHHS		93.999	GIOAC00178		5,087	
Homeland Security Grant Program	USDHS		97.067			422,778	
National Explosives Detection Canine Team Program	USDHS		97.072			302,000	
ARRA-Port Security Grant Program (ARRA)	USDHS	ARRA	97.116	HS 2009-PU-R1-0210		38,224	
Kodiak A/P USCG Soil Remediation USCG	USDHS		97.999	FRH53594		(45,910)	
Total for DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES						605,038,994	9,224,727

DEPARTMENT OF PUBLIC SAFETY

National Marine Fisheries Joint Enforcement Agreement	USDOC		11.999	11.04 and 06/07/08-NMFS-JEA		1,439,042	
Sexual Assault Services Formula Program	USDOJ		16.017			165,063	157,714
Supervised Visitation, Safe Havens for Children	USDOJ		16.527			138,227	122,034
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	USDOJ		16.543			14,828	
National Criminal History Improvement Program (NCHIP)	USDOJ		16.554			151,801	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Crime Victim Assistance	USDOJ		16.575			891,940	868,809
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	USDOJ		16.580			61,199	
Violence Against Women Formula Grants	USDOJ		16.588			829,709	215,141
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	USDOJ		16.589			244,035	223,788
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	USDOJ		16.590			254,351	232,545
Residential Substance Abuse Treatment for State Prisoners	USDOJ		16.593			52,069	
Project Safe Neighborhoods	USDOJ		16.609			47,639	
Public Safety Partnership and Community Policing Grants	USDOJ		16.710			677,720	
Edward Byrne Memorial Justice Assistance Grant Program	USDOJ		16.738		JAG	993,360	234,185
DNA Backlog Reduction Program	USDOJ		16.741			198,991	
Paul Coverdell Forensic Sciences Improvement Grant Program	USDOJ		16.742			93,361	
Congressionally Recommended Awards	USDOJ		16.753	CY09		36,402	
ARRA-Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	USDOJ	ARRA	16.803		JAG	2,380,095	505,003
Equitable Sharing Program	USDOJ		16.922			543,316	
Marijuana Eradication	USDOJ		16.999	16.05-2 & CY08/CY09		83,871	
Highway Planning and Construction	USDOT		20.205		HPCC	19,041	
Commercial Driver's License Program Improvement Grant	USDOT		20.232			534,378	
State and Community Highway Safety	USDOT		20.600		HSC	217,725	
Alcohol Impaired Driving Countermeasures Incentive Grants I	USDOT		20.601		HSC	195,095	
Alcohol Open Container Requirements	USDOT		20.607			737,246	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT		20.608			547,278	
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	93,462	
Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	USDHHS		93.671			718,363	701,321
State Fire Training Systems Grants	USDHS		97.043			11,023	
Homeland Security Grant Program	USDHS		97.067			46,530	
Total for DEPARTMENT OF PUBLIC SAFETY						12,417,160	3,260,540
<u>KNIK ARM BRIDGE TOLL AUTHORITY</u>							
Highway Planning and Construction	USDOT		20.205	PJ E 56047	HPCC	5,977,492	
Total for KNIK ARM BRIDGE TOLL AUTHORITY						5,977,492	-
<u>DEPARTMENT OF LAW</u>							
Northern Border Prosecution Initiative Program	USDOJ		16.814			6,336	
State Medicaid Fraud Control Units	USDHHS		93.775		MC	836,801	
Total for DEPARTMENT OF LAW						843,137	-
<u>OFFICE OF THE GOVERNOR</u>							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	USEEOC		30.002			197,500	
Help America Vote Act Requirements Payments	EAC		90.401			865,480	
Voting Access for Individuals with Disabilities - Grants to States	USDHHS		93.617			84,225	
Total for OFFICE OF THE GOVERNOR						1,147,205	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
UNIVERSITY OF ALASKA							
Agricultural Research-Basic and Applied Research	USDA		10.001		R&DC	849,602	134,319
Plant and Animal Disease, Pest Control, and Animal Care (Pass-through The Nature Conservancy-Alaska)	USDA		10.025	AKFO-080311-CS	R&DC	117,491	
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025		R&DC	27,275	
Grants for Agricultural Research, Special Research Grants (Pass-through Mount Sinai School of Medicine)	USDA		10.200	0258-3562/HHSN266200700010C	R&DC	25,667	
Grants for Agricultural Research, Special Research Grants (Pass-through University of Hawaii)	USDA		10.200	Z936926	R&DC	5,240	
Grants for Agricultural Research, Special Research Grants	USDA		10.200		R&DC	257,091	
Cooperative Forestry Research	USDA		10.202		R&DC	548,435	
Payments to Agricultural Experiment Stations Under the Hatch Act	USDA		10.203		R&DC	979,689	
Grants for Agricultural Research - Competitive Research Grants	USDA		10.206		R&DC	24,058	
Community Food Projects (Pass-through Mississippi State University)	USDA		10.225	018000-321470-14	R&DC	27,194	13,500
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	USDA		10.226			41,183	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228		R&DC	280,361	3,717
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228			1,051,791	
Integrated Programs (Pass-through University of Idaho)	USDA		10.303	BJKH15 SB005		28,887	
Homeland Security - Agricultural (Pass-through University of California)	USDA		10.304	201223902-05		8,727	
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	USDA		10.310	MA110010 / Z986079-01	R&DC	506,208	
Agriculture and Food Research Initiative (AFRI)	USDA		10.310		R&DC	444,480	103,226
Beginning Farmer and Rancher Development Program	USDA		10.311			117,046	7,931
ARRA-Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF) (Pass-through University of Minnesota)	USDA	ARRA	10.315	H001344228 ARRA		2,056	
Cooperative Extension Service (Pass-through University of Wyoming)	USDA		10.500	1000782		5,385	
Cooperative Extension Service (Pass-through Utah State University)	USDA		10.500	100906004		461	
Cooperative Extension Service (Pass-through Purdue University)	USDA		10.500	8000047643		17,550	
Cooperative Extension Service (Pass-through Auburn University)	USDA		10.500	13-HHP-379816-UAF		3,103	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	2010-48661-21868 / S12037.01		79,392	
Cooperative Extension Service (Pass-through University of Nebraska-Lincoln)	USDA		10.500	25-6329-0059-801		28,979	
Cooperative Extension Service (Pass-through National 4H Council)	USDA		10.500	Agreement dated 05/21/13		24,452	
Cooperative Extension Service (Pass-through University of Idaho)	USDA		10.500	BSK701-SB-001 / PO 0028400		2,217	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S12068		14,780	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S12139		13,654	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S12200		25,276	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S13087		1,101	
Cooperative Extension Service	USDA		10.500			2,254,322	
Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through State of Oklahoma)	USDA		10.557	PO 3409015400 (Orig 3409014142)		14,878	
Technical Assistance for Specialty Crops Program	USDA		10.604		R&DC	64,961	
Forestry Research	USDA		10.652		R&DC	99,932	
Cooperative Forestry Assistance	USDA		10.664			43,904	
Forest Health Protection	USDA		10.680		R&DC	7,387	
Forest Health Protection	USDA		10.680			252,684	
National Fish and Wildlife Foundation (Pass-through National Fish & Wildlife Foundation)	USDA		10.683	2100.12.030840		50,000	
Rural Business Enterprise Grants	USDA		10.769			197,237	
Rural Cooperative Development Grants	USDA		10.771			274,069	28,685
Resource Conservation and Development	USDA		10.901		R&DC	3,605	
Soil Survey	USDA		10.903		R&DC	59,850	
National Atmospheric Deposition Program Precipitation Analysis and Monitoring	USDA		10.999	G00005850	R&DC	2,705	
Soil Contributions Watershed Functions: Soil Hydrology and Biogeochemistry	USDA		10.999	G00005873	R&DC	16,819	
Biophysical Limitations, Migration Potential, and Climatic Ranges of Tree Species in the Interface between the Boreal Forest and the Temperate Rainforest in Alaska: An Information Synthesis	USDA		10.999	G00007358	R&DC	318	
Distinctive Landscape Roles & Contributions Assessment of the Chugach Region	USDA		10.999	G00007416		43,316	
University of Alaska-Southeast GIS Library & the Southeast Alaska Hydrography Database	USDA		10.999	G00007725		15,418	
Alaska Coastal Rainforest Center Director Support	USDA		10.999	G00008142		16,881	
NOAA Mission-Related Education Awards (Pass-through Consortium for Ocean Leadership)	USDOC		11.008	SA13-22		10,659	
Ocean Exploration	USDOC		11.011		R&DC	30,033	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-50	R&DC	95,276	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-51	R&DC	107,676	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-52	R&DC	122,475	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-58	R&DC	25,749	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-59	R&DC	144,013	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska SeaLife Center)	USDOC		11.012	Sub-Award H2300.56		107,557	
Economic Development-Technical Assistance	USDOC		11.303			123,957	
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	USDOC		11.400		R&DC	86,113	71,582
Sea Grant Support	USDOC		11.417			1,466,683	98,481
Coastal Zone Management Administration Awards	USDOC		11.419	RSA ADN 1135184	R&DC	22,673	
Coastal Zone Management Estuarine Research Reserves	USDOC		11.420		R&DC	3,107	
Undersea Research	USDOC		11.430		R&DC	529,152	174,038
Climate and Atmospheric Research	USDOC		11.431		R&DC	1,282,023	55,691
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	USDOC		11.432		R&DC	2,250,575	163,888

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1125952	R&DC	63,589	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	ADN 1115958	R&DC	10,376	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	ADN112595	R&DC	48,622	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	RSA 1115959	R&DC	41,974	
ARRA -Marine Mammal Data Program (Pass-through National Fish and Wildlife Foundation)	USDOC	ARRA	11.439	0312.12.031930	R&DC	10,852	
Marine Mammal Data Program	USDOC		11.439		R&DC	409,374	
Unallied Industry Projects	USDOC		11.452			94,617	6,065
Special Oceanic and Atmospheric Projects	USDOC		11.460		R&DC	528,349	31,776
Applied Meteorological Research (Pass-through University of Mississippi)	USDOC		11.468	UM 09-09-024	R&DC	78,782	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-03	R&DC	14,212	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-06	R&DC	18,575	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-07	R&DC	60,492	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1004	R&DC	4,253	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1005	R&DC	13,937	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1008	R&DC	140,662	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1012	R&DC	43,231	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1023	R&DC	41,256	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1110	R&DC	70,280	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1120	R&DC	4,530	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1201	R&DC	69,874	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1214	R&DC	12,753	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1215	R&DC	52,454	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1219	R&DC	40,282	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1221	R&DC	31,697	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1227	R&DC	75,194	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 828	R&DC	1,658	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 908-B	R&DC	11,107	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 909-B	R&DC	70,989	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 920	R&DC	409	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project B3877	R&DC	154	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project B53	R&DC	90,260	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project F4116	R&DC	60,315	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project F4977	R&DC	280	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G81	R&DC	224,283	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G83	R&DC	274,885	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G84	R&DC	107,880	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G85	R&DC	136,013	
Unallied Science Program	USDOC		11.472			52,572	
Unallied Science Program	USDOC		11.472		R&DC	70,451	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	USDOC		11.473	H2301-51	R&DC	32,187	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	USDOC		11.473	H2301-52	R&DC	122,404	8,800
Educational Partnership Program (Pass-through North Carolina A&T State University)	USDOC		11.481	Sub agreement 270040E	R&DC	20,109	
Educational Partnership Program	USDOC		11.481		R&DC	114	
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557	ADN 52008 EN 520000		1,270	
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557	ADN 530003 EN 530002		135,796	
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557			1,333,859	214,712
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	USDOC	ARRA	11.558	02-50-M09071	R&DC	103,127	
Manufacturing Extension Partnership (Pass-through Alaska Manufacturing Extension Partnership)	USDOC		11.611	082945/AMEP-001	R&DC	55,078	
ID of Larval & Juvenile POP Samples	USDOC		11.999	G00007858	R&DC	23,829	
Economic and Spatial Impacts of US Salmon Farming	USDOC		11.999	G00008241	R&DC	10,106	
Procurement Technical Assistance For Business Firms	USDOD		12.002			359,370	
Collaborative Research and Development (Pass-through University of Mississippi)	USDOD		12.114	UM 07-11-041	R&DC	76,706	
Basic and Applied Scientific Research (Pass-through University of Texas-San Antonio)	USDOD		12.300	26-0201-15UAF	R&DC	12,459	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	USDOD		12.300	A100694	R&DC	28,832	
Basic and Applied Scientific Research	USDOD		12.300		R&DC	827,807	141,354
Military Medical Research and Development	USDOD		12.420		R&DC	650,874	
Basic Scientific Research (Pass-through Mississippi State University)	USDOD		12.431	060803-360295-01	R&DC	66,833	
Basic Scientific Research	USDOD		12.431		R&DC	160,186	
Invitational Grants for Military-Connected Schools (Pass-through Anchorage School District)	USDOD		12.557	11-1401	R&DC	39,011	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Basic, Applied, and Advanced Research in Science and Engineering (Pass-through University of Florida)	USDOD		12.630	5520	R&DC	8,496	
Basic, Applied, and Advanced Research in Science and Engineering	USDOD		12.630		R&DC	140,437	
Air Force Defense Research Sciences Program	USDOD		12.800		R&DC	1,228,355	123,407
Information Security Grant Program	USDOD		12.902			85,641	
Research and Technology Development (Pass-through Michigan Technological University)	USDOD		12.910	SUBC 1205001Z1 / PO 0090464	R&DC	21,550	
Research and Technology Development (Pass-through University of Florida)	USDOD		12.910	UF-EIES_1205022_UAF	R&DC	9,645	
Operational Support of Infrasound and Primary and Auxiliary Seismic Stations for the International Monitoring System (IMS)	USDOD		12.999	G00004909	R&DC	3,599,012	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	USDOD		12.999	G00006854	R&DC	158,673	
Connecting Mongolia Health Practitioners (USPACOM Capacity Building through Technology Pilot)	USDOD		12.999	G00006858		18,498	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	USDOD		12.999	G00007315 / UF11138	R&DC	313,615	
Alaska Native/Native Hawaiian Institutions Assisting Communities	HUD		14.515			769,444	376,653
Partners in Growth	HUD		14.999	G00008210		133,380	
Indian Adult Education	USDOI		15.026			17,177	
Cultural Resource Management	USDOI		15.224		R&DC	12,384	
Cultural Resource Management	USDOI		15.224			1,142,934	
Recreation Resource Management	USDOI		15.225		R&DC	168,148	
Invasive and Noxious Plant Management	USDOI		15.230		R&DC	227,601	
ARRA-Fish, Wildlife and Plant Conservation Resource Management (Pass-through NatureServe)	USDOI	ARRA	15.231	BLM0F021-BLM0F025 To 1	R&DC	3,798	
ARRA-Fish, Wildlife and Plant Conservation Resource Management (Pass-through NatureServe)	USDOI	ARRA	15.231	BLM0F029	R&DC	37,901	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			52,999	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231		R&DC	759,951	
Wildland Fire Research and Studies Program	USDOI		15.232		R&DC	175,182	
ARRA-Environmental Quality and Protection Resource Management (Pass-through Michigan Technological)	USDOI	ARRA	15.236	100259Z1 MOD 2	R&DC	38,362	
Environmental Quality and Protection Resource Management	USDOI		15.236		R&DC	100,442	
Rangeland Resource Management	USDOI		15.237		R&DC	58,665	
Alaska Coastal Marine Institute (Pass-through University of Texas at Austin)	USDOI		15.421	UTA12-000603	R&DC	291	
Alaska Coastal Marine Institute	USDOI		15.421			10,227	
Alaska Coastal Marine Institute	USDOI		15.421		R&DC	1,709,805	541
Bureau of Ocean Energy Management (BOEM)	USDOI		15.423	UTA09-000282	R&DC	37,101	
Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)							
Bureau of Ocean Energy Management (BOEM)	USDOI		15.423	UTA11-000873	R&DC	39,538	
Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)							
Bureau of Ocean Energy Management (BOEM)	USDOI		15.423	UTA11-000973	R&DC	81,756	
Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)							

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	USDOI		15.423		R&DC	2,118,026	143,362
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	USDOI		15.608	2100.12.030840	R&DC	85,290	
Fish and Wildlife Management Assistance Coastal Program	USDOI		15.608		R&DC	105,755	
Alaska Subsistence Management	USDOI		15.630			46,900	
Service Training and Technical Assistance (Generic Training)	USDOI		15.636		R&DC	53,564	
Research Grants (Generic)	USDOI		15.649			43,094	
National Fish and Wildlife Foundation	USDOI		15.650		R&DC	140,833	
Coastal Impact Assistance Program	USDOI		15.663		R&DC	135,564	
Coastal Impact Assistance Program	USDOI		15.668	821192	R&DC	53,537	
Coastal Impact Assistance Program	USDOI		15.668	830032	R&DC	11,325	
Coastal Impact Assistance Program	USDOI		15.668	1021200		200,647	
Coastal Impact Assistance Program	USDOI		15.668	1135209	R&DC	123,331	
Coastal Impact Assistance Program	USDOI		15.668	10-CIAP-021		77,852	
Coastal Impact Assistance Program	USDOI		15.668	ADN 830052	R&DC	225,659	
Cooperative Landscape Conservation (Pass-through Colorado State University)	USDOI		15.669	G-2582-1	R&DC	9,765	
Cooperative Landscape Conservation	USDOI		15.669		R&DC	434,819	
Assistance to State Water Resources Research Institutes	USDOI		15.805		R&DC	47,970	
Earthquake Hazards Reduction Program	USDOI		15.807		R&DC	691,997	
U.S. Geological Survey-Research and Data Collection (Pass- through America View Inc.)	USDOI		15.808	AVO8-AK01	R&DC	21,494	
U.S. Geological Survey-Research and Data Collection	USDOI		15.808		R&DC	3,678,053	49,200
Gap Analysis Program	USDOI		15.811		R&DC	70,388	
Cooperative Research Units Training Program	USDOI		15.812		R&DC	1,859,707	6,287
Volcano Hazards Program Research and Monitoring	USDOI		15.818		R&DC	19,032	
National Climate Change and Wildlife Science Center	USDOI		15.820			35,913	
National Climate Change and Wildlife Science Center	USDOI		15.820		R&DC	43,470	
Historic Preservation Fund Grants-In-Aid	USDOI		15.904			13,497	
Outdoor Recreation-Acquisition, Development and Planning	USDOI		15.916		R&DC	27,532	
National Center for Preservation Technology and Training	USDOI		15.923		R&DC	7,334	
Natural Resource Stewardship	USDOI		15.944			71,205	
Cooperative Research and Training Programs-Resources of the National Park System	USDOI		15.945		R&DC	1,794,573	
Cultural Resources Management	USDOI		15.946			24,183	
BSMMS: Beaufort Sea Mesoscale Mete	USDOI		15.999	G00003585	R&DC	408,535	250,972
Exotic Plants in Alaskan NPS Units	USDOI		15.999	G00005011	R&DC	6,041	
Technical Assistance with Development of Monitoring Protocols and Analysis of Monitoring Data - Oceanography	USDOI		15.999	G00005135		4,580	
CESU Underst lake disappearance	USDOI		15.999	G00005400	R&DC	8,582	
Harding Icefield	USDOI		15.999	G00006251	R&DC	34,146	
Wolf Diets and Derived Salmon	USDOI		15.999	G00006432	R&DC	28,438	
Herbarium Study of Plant Samples from the Arctic Network of National Parks	USDOI		15.999	G00006445		6,027	
Conduct Landcover Inventory Alagnak	USDOI		15.999	G00006479	R&DC	48,335	
Vascular & Non-Vascular Plant Specimen Identification, Curation, & Technical Support for Vegetation Monitoring in the Southwest Alaska Network	USDOI		15.999	G00006584		113	
Vanished Villages: Late Prehistoric	USDOI		15.999	G00006756	R&DC	49,431	
Adaptation Arctic Circulation Model (Pass-through Rutgers)	USDOI		15.999	G00007038 / PO 1449197 / SA 4199	R&DC	113,493	
Continuation of LTER Bonanza Creek	USDOI		15.999	G00007288	R&DC	104,198	
Dinosaur Fossils-AK Peninsula NWR	USDOI		15.999	G00007630	R&DC	3,882	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
State Justice Statistics Program for Statistical Analysis Centers	USDOJ		16.550		R&DC	3,970	
National Institute of Justice Research, Evaluation, and Development Project Grants	USDOJ		16.560		R&DC	228,002	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	USDOJ		16.582	2012-VF-GX-K023	R&DC	2,499	
Juvenile Mentoring Program (Pass-through National 4H Council)	USDOJ		16.726	2011-TY-FX-0031		23,489	
Juvenile Mentoring Program (Pass-through National 4H Council)	USDOJ		16.726	Agreement dated 03/08/12		57,171	
Federal Equitable Sharing UAFPD	USDOJ		16.999	G00006407		22,365	
WIA Youth Activities	USDOL		17.259	EN 736108	WIAC	91,544	
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	USDOL	ARRA	17.275	ASESP-12-007	R&DC	19,206	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	USDOL		17.282	MOU dated 04/17/13		74,178	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	USDOL		17.282			947,897	
Mine Health and Safety Grants	USDOL		17.600			16,572	
Air Transportation Centers of Excellence	USDOT		20.109		R&DC	21,617	
Highway Research and Development Program (Pass-through University of Idaho, NIATT)	USDOT		20.200	KLK262 SB 002	R&DC	18,985	
Highway Research and Development Program	USDOT		20.200		R&DC	179,403	
Highway Training and Education	USDOT		20.215			73,040	
University Transportation Centers Program (Pass-through University of Washington)	USDOT		20.701	739439	R&DC	272,085	
University Transportation Centers Program	USDOT		20.701		R&DC	3,075,693	891,209
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	USDOT		20.931	S5810000021356	R&DC	29,939	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1241499	R&DC	14,744	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1459730	R&DC	37,802	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1485171	R&DC	42,442	
Science (Pass-through Prince William Sound Science Center)	NASA		43.001	10-65-10	R&DC	137,855	
Science (Pass-through University of Pittsburgh)	NASA		43.001	Sub 0020157 (407134-2)	R&DC	89,080	
Science (Pass-through Louisiana State University)	NASA		43.001	Sub 65687 / CFMS 712215	R&DC	28,540	
Science (Pass-through University of Maryland)	NASA		43.001	Sub Z631501	R&DC	655	
Science (Pass-through University of California)	NASA		43.001	Subagreement 00007605	R&DC	31,019	
Science (Pass-through University of Texas Austin)	NASA		43.001	UTA12-000234	R&DC	28,583	
Science	NASA		43.001			112,770	
Science	NASA		43.001		R&DC	12,641,030	233,594
Aeronautics (Pass-through University of Colorado)	NASA		43.002	1545830REF / PO 1000027866	R&DC	37,050	
Aeronautics (Pass-through University of Colorado)	NASA		43.002	1548571 PO 1000017674	R&DC	243,884	
Space Operations	NASA		43.007			24,233	
Education	NASA		43.008		R&DC	461	
Investigation of the Controls and Feedback on the Biogeochemical Cycling of Inorganic Carbon, Air-Sea CO2 Fluxes and Ocean Acidification Effects on the Arctic Pacific Shelves (Pass-through Bermuda Institute of Ocean Sciences)	NASA		43.999	803809/G00006308	R&DC	33,618	
Alaska's NASA EPSCoR Program	NASA		43.999	G00004248	R&DC	120,712	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Application of a New Generation	NASA		43.999	G00004532	R&DC	46,213	
Assessing the spatial and temporal dynamics of thermokarst and related carbon cycling in Siberia and Alaska	NASA		43.999	G00004670	R&DC	605	
Quantifying the Role of Ocean-Ice	NASA		43.999	G00004997	R&DC	80,633	
Heating and Acceleration of the Solar Wind and Corona by Anisotropic MHD and Hall MHD Turbulence	NASA		43.999	G00005062	R&DC	68,342	
Physical and Geologic Investigations of the Surface Materials along the MER Traverses	NASA		43.999	G00005454	R&DC	29,375	
Exploration Potential of Lunar Pole (Pass-through John Hopkins University)	NASA		43.999	G00005724 / 957706	R&DC	208,307	
Adaptation to Rapid Land Use and Cl	NASA		43.999	G00005972	R&DC	102,903	5,577
Ground Station Outreach	NASA		43.999	G00006117		17,828	
Climate Change: NASA's Eyes on the Arctic (Pass-through Alaska Challenger Center for Space Science Technology Inc.)	NASA		43.999	G00006218 / S12985		44,813	
Optimizing Next-Generation Image Compression Transforms via Evolutionary Computation	NASA		43.999	G00006556	R&DC	77,471	
Estimating Spatio-Temporal Variability in Evapotranspiration in Interior Alaska Using Field Measurements, Modeling, and Remote Sensing	NASA		43.999	G00006590	R&DC	192,612	
RETINA (Robotic Exploration Technologies in Astrobiology)	NASA		43.999	G00006617	R&DC	6,038	6,293
NASA Earth and Space Science Fellowship Program 2010	NASA		43.999	G00006759		27,446	
Atmospheric Corrections in SAR Interferometry							
Implication of Arctic Sea Ice Reduction on Bromine, Ozone, and Mercury Chemical Process, Transport, and Distribution (Pass-through Jet Propulsion Laboratory)	NASA		43.999	G00006902 / Sub 1418562	R&DC	174,830	
North American Carbon Project (Pass-through University of South Florida)	NASA		43.999	G00007039 / PO 7000025845	R&DC	11,052	
North American Carbon Project (Pass-through University of Tennessee Knoxville)	NASA		43.999	G00007213 / A11-0338-S001		1,730	
An Investigation of Wave Dynamics in the Arctic Mesosphere and Coupling Between the Lower and Upper Polar Atmosphere (Pass-through Utah Valley University)	NASA		43.999	G00008540	R&DC	37,566	
Promotion of the Arts-Partnership Agreements	NEA		45.025	FY13CAD0038		1,000	
Promotion of the Humanities-Division of Preservation and Access	NEA		45.149			5,870	
Museums for America	IMLS		45.301	ILC-13-157-100		4,475	
Grants to States	IMLS		45.310	Agreement dated 05/25/12		80,640	
Grants to States	IMLS		45.310	ASL dated 08/19/12		14,721	
Grants to States	IMLS		45.310	LS-00-12-0002-12		14,088	
Grants to States	IMLS		45.310		R&DC	8,496	
Engineering Grants (Pass-through Georgia Institute of Technology)	NSF		47.041	RA0693-G1 / PO 2720014478	R&DC	113,752	
Engineering Grants (Pass-through University of Kansas)	NSF		47.041	Sub-Award FY2013-029	R&DC	40,078	
Engineering Grants	NSF		47.041		R&DC	340,582	81,743
Mathematical and Physical Sciences	NSF		47.049		R&DC	245,863	
Geosciences (Pass-through University of Southern California)	NSF		47.050	149701	R&DC	220,518	
Geosciences (Pass-through University of Washington)	NSF		47.050	740876	R&DC	1,533	
Geosciences (Pass-through University of Southern California)	NSF		47.050	158854 / PO 10011580	R&DC	43,001	
Geosciences (Pass-through Cornell University)	NSF		47.050	62144-9481	R&DC	24,802	
Geosciences (Pass-through Rutgers University)	NSF		47.050	PO 4150 / S1409651	R&DC	16,963	
Geosciences (Pass-through University of Southern California)	NSF		47.050	Sub-Award 33760539	R&DC	19,804	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Geosciences (Pass-through University of Southern California)	NSF		47.050	Sub-Award 34277218	R&DC	19,969	
Geosciences (Pass-through University of Southern California)	NSF		47.050	Sub-Award A100638	R&DC	71	
Geosciences (Pass-through SRI International)	NSF		47.050	Subcontract 119-000221	R&DC	519,171	
Geosciences	NSF		47.050		R&DC	13,702,070	200,315
Computer and Information Science and Engineering	NSF		47.070		R&DC	6,342	
Biological Sciences (Pass-through University of Washington)	NSF		47.074	592485	R&DC	7,784	
Biological Sciences (Pass-through Texas Tech University)	NSF		47.074	21P225-02	R&DC	27,249	
Biological Sciences (Pass-through University of New Mexico)	NSF		47.074	Sub-Award 04803T-873U	R&DC	17,572	
Biological Sciences (Pass-through University of Notre Dame)	NSF		47.074	Sub-Award 201717	R&DC	6,251	
Biological Sciences	NSF		47.074		R&DC	3,294,527	181,784
Social, Behavioral, and Economic Sciences (Pass-through University of New Hampshire)	NSF		47.075	Sub-Award 12-037	R&DC	19,195	
Social, Behavioral, and Economic Sciences	NSF		47.075		R&DC	282,587	33,705
Education and Human Resources (Pass-through Columbia University)	NSF		47.076	4(GG009026) / G03550	R&DC	18,814	
Education and Human Resources	NSF		47.076		R&DC	3,632,084	
ARRA-Polar Programs (Pass-through Oklahoma State University)	NSF	ARRA	47.078	AA531200-S1/090987	R&DC	14,760	
Polar Programs (Pass-through Columbia University)	NSF		47.078	3 (Acct 5-24906)	R&DC	7,656	
Polar Programs (Pass-through Purdue University)	NSF		47.078	4101-44885	R&DC	1,796	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	NSF		47.078	A100869	R&DC	29,749	
Polar Programs (Pass-through University of Maryland, UMCES)	NSF		47.078	CA 12-12 07-5-25679	R&DC	21,036	
Polar Programs	NSF		47.078		R&DC	12,299,303	308,872
Office of International and Integrative Activities	NSF		47.079		R&DC	10,332	
Office of Cyberinfrastructure	NSF		47.080		R&DC	2,528,316	
Office of Experimental Program to Stimulate Competitive Research	NSF		47.081		R&DC	392,972	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of Colorado)	NSF	ARRA	47.082	ARRA SPO 1000115770	R&DC	73,031	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	NSF	ARRA	47.082	Sub-Award 13-025	R&DC	23,687	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	NSF	ARRA	47.082	Sub-Award 13-026	R&DC	59,462	
ARRA-Trans-NSF Recovery Act Research Support	NSF	ARRA	47.082		R&DC	35,481,553	42,937
Intergovernmental Personnel Act (IPA) Assignment for Richard Boone	NSF		47.999	G00007461	R&DC	146,489	
8(a) Business Development Program	USSBA		59.006			80,439	
Small Business Development Centers	USSBA		59.037			593,203	
Prime Technical Assistance	USSBA		59.050		R&DC	99,578	
Federal and State Technology Partnership Program	USSBA		59.058			37,280	
Water Pollution Control State, Interstate, and Tribal Program Support	EPA		66.419	1830182	R&DC	11,516	
Regional Wetland Program Development Grants (Pass-through State of Nevada)	EPA		66.461		R&DC	24,840	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State University)	EPA		66.509	Sub-Award 12-866	R&DC	58,805	
P3 Award: National Student Design Competition for Sustainability	EPA		66.516		R&DC	222	
Bristol Bay Watershed Analysis (Pass-through NatureServe)	EPA		66.999	EP-W-07-080 (WA 3-22) / G00007277	R&DC	4,772	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	9064	R&DC	2,302	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	17560	R&DC	72,492	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	4000116073	R&DC	795,435	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	4000118242	R&DC	18,345	
Office of Science Financial Assistance Program (Pass-through University of Illinois)	ENERGY		81.049	Doc 0411/DE-SC0006607	R&DC	70,086	
Office of Science Financial Assistance Program (Pass-through Alliance for Sustainable Energy)	ENERGY		81.049	ZAM-0-40876-01	R&DC	32,593	
Office of Science Financial Assistance Program	ENERGY		81.049		R&DC	1,613,022	16,969
Office of Scientific and Technical Information	ENERGY		81.064		R&DC	68,730	
ARRA-Renewable Energy Research and Development	ENERGY	ARRA	81.087		R&DC	1,861,691	
Renewable Energy Research and Development (Pass-through Aleutian Pribilof Islands Association)	ENERGY		81.087	Agreement dated 09/10/12	R&DC	46,251	
Fossil Energy Research and Development	ENERGY		81.089		R&DC	619,524	37,882
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis (Pass-through University of Minnesota)	ENERGY	ARRA	81.122	A000211596	R&DC	2,231	
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	ENERGY	ARRA	81.128	02/10-01 ARRA		186,079	52,750
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	ENERGY	ARRA	81.128	400114 /EEC-10-ISR-1-AMD3	R&DC	4,112	
ARRA-Geologic Sequestration Training and Research Grant Program	ENERGY	ARRA	81.133		R&DC	85,353	
Adult Education - Basic Grants to States	USDOE		84.002	720336		36,448	
Adult Education - Basic Grants to States	USDOE		84.002	EN 735601		201,959	
Adult Education - Basic Grants to States	USDOE		84.002	EN 735602		102,756	
Adult Education - Basic Grants to States	USDOE		84.002	EN 735604		85,176	
Adult Education - Basic Grants to States	USDOE		84.002	EN 735605		73,467	
Federal Supplemental Educational Opportunity Grants	USDOE		84.007		SFAC	613,265	
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013			125,281	
Higher Education - Institutional Aid	USDOE		84.031			12,388,995	38,465
ARRA-Federal Work-Study Program	USDOE	ARRA	84.033		SFAC	599,221	
TRIO - Student Support Services	USDOE		84.042		TRIOC	451,879	
TRIO - Talent Search	USDOE		84.044		TRIOC	378,659	
TRIO - Upward Bound	USDOE		84.047		TRIOC	806,292	103,173
Career and Technical Education - Basic Grants to States	USDOE		84.048	ADN 45-13-0759 / EL 13.157.02		148,084	44,631
Career and Technical Education - Basic Grants to States	USDOE		84.048	ADN 520052		34,168	33,668
Career and Technical Education - Basic Grants to States	USDOE		84.048	ADN 530095/EL13.157.04		108,479	
Federal Pell Grant Program	USDOE		84.063		SFAC	25,441,950	
TRIO - Educational Opportunity Centers	USDOE		84.066		TRIOC	298,204	
Tech-Prep Education	USDOE		84.243	EN 0530087		67,297	
Federal Direct Student Loans	USDOE		84.268		SFAC	75,636,804	
Indian Education - Special Programs for Indian Children	USDOE		84.299			323,656	
Special Education - State Personnel Development	USDOE		84.323	ADN 510312		853	
Arts in Education (Pass-through Juneau Economic Development Council)	USDOE		84.351	Agreement dated 04/24/12	R&DC	12,790	
Alaska Native Educational Programs	USDOE		84.356	05/04/2012		78,290	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 10/08/12		6,842	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 10/25/12		6,195	
Alaska Native Educational Programs	USDOE		84.356			2,085,568	290,380
Native Hawaiian Education (Pass-through Pacific Tsunami Museum)	USDOE		84.362	MOA dated 09/01/10		191,196	
English Language Acquisition State Grants	USDOE		84.365			179,527	6,500
Statewide Data Systems	USDOE		84.372		SDSC	78,503	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	USDOE		84.379		SFAC	45,933	
Strengthening Minority-Serving Institutions	USDOE		84.382			382,664	
Transition Programs for Students with Intellectual Disabilities into Higher Education	USDOE		84.407			401,995	
Postsecondary Education Scholarships for Veteran's Dependents	USDOE		84.408		SFAC	6,113	
Investing in Innovation (i3) Fund	USDOE		84.411			2,107,559	737,386
Alaska State Writing Consortium (Pass-through National Writing Project Corporation)	USDOE		84.999	G00007639 / Contract 11-AK03		42,386	
Denali Commission Program	DC		90.100			370,259	
Denali Commission Program	DC		90.100		R&DC	862,636	
Help America Vote Act Requirements Payments	EAC		90.401	RSA 0112001		2,415	
ARRA-Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS	ARRA	93.048		R&DC	256,524	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	USDHHS		93.073			343,144	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	USDHHS		93.107			211,068	169,402
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			550,008	20,744
Environmental Health (Pass-through Alaska Community Action on Toxics)	USDHHS		93.113	NIEHS R01 UAA	R&DC	66,728	
Environmental Health	USDHHS		93.113			431,158	138,025
Human Genome Research	USDHHS		93.172		R&DC	541,131	227,697
Research on Healthcare Costs, Quality and Outcomes	USDHHS		93.226		R&DC	135,407	133,779
Mental Health Research Grants	USDHHS		93.242		R&DC	632,509	78,518
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	USDHHS		93.243	11TI23541A	R&DC	5,774	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	USDHHS		93.243	1UD1TI023541	R&DC	36,187	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	USDHHS		93.243		R&DC	14,424	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	USDHHS		93.243			101,136	
Occupational Safety and Health Program	USDHHS		93.262		R&DC	114,574	
Alcohol Research Programs	USDHHS		93.273		R&DC	165,990	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian College)	USDHHS		93.279	24216	R&DC	98,675	
Drug Abuse and Addiction Research Programs (Pass-through Pacific Institute for Research and Evaluation Louisville Center)	USDHHS		93.279	0049.02.01 Mod 3 dated 07/09/11	R&DC	28,985	
Drug Abuse and Addiction Research Programs	USDHHS		93.279		R&DC	265,635	63,247
Centers for Disease Control and Prevention - Investigations and Technical Assistance (Pass-through American Public Health Association)	USDHHS		93.283	Agreement dated 07/19/12	R&DC	79,138	3,424

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013
By State Agency**

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Cluster	Federal Expenditures	Provided to Recipient
Centers for Disease Control and Prevention - Investigations and Technical Assistance	USDHHS		93.283			48,634	
Minority Health and Health Disparities Research	USDHHS		93.307		R&DC	368,529	
Advanced Nursing Education Traineeships	USDHHS		93.358			255,813	
National Center for Research Resources (Pass-through Institute of Translational Health Sciences)	USDHHS		93.389	UW Sub NO.738223 DTD 5/8/12	R&DC	12,206	
National Center for Research Resources	USDHHS		93.389		R&DC	656,229	7,249
ARRA-Nursing Workforce Diversity	USDHHS	ARRA	93.417			158,028	
Family Connection Grants (Pass-through OnTrack, Inc.)	USDHHS		93.605	Agreement dated 01/19/10	R&DC	21,549	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	USDHHS		93.632		R&DC	611,325	
Child Abuse and Neglect State Grants	USDHHS		93.669	EN 0629008		31,433	
Child Abuse and Neglect State Grants	USDHHS		93.669	RSA 630002		855,480	
ARRA-Trans-NIH Recovery Act Research Support (Pass-through Harvard College)	USDHHS	ARRA	93.701	149728.386555.0207	R&DC	2,284	
ARRA-Trans-NIH Recovery Act Research Support	USDHHS	ARRA	93.701		R&DC	437,737	135,682
ARRA-National Center for Research Resources, Recovery Act Construction Support	USDHHS	ARRA	93.702		R&DC	341,873	
Area Health Education Centers Infrastructure Development Awards	USDHHS		93.824			731,050	566,998
Diabetes, Digestive, and Kidney Diseases Extramural Research	USDHHS		93.847		R&DC	649,339	376,136
Extramural Research Programs in the Neurosciences and Neurological Disorders	USDHHS		93.853		R&DC	207,519	6,907
Allergy, Immunology and Transplantation Research (Pass-through Blood Center of Wisconsin, Inc.)	USDHHS		93.855	0176-81148	R&DC	54,336	
Biomedical Research and Research Training (Pass-through University of Washington)	USDHHS		93.859	743856	R&DC	289,193	
Biomedical Research and Research Training	USDHHS		93.859		R&DC	4,387,823	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program (Pass-through Southeast Alaska Regional Health Consortium)	USDHHS		93.912	31199	R&DC	10,179	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health)	USDHHS		93.933	ANTHC-11-U-33434 dated 07/28/11	R&DC	13,438	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health)	USDHHS		93.933	ANTHC-11-U-34569 Mod 003		244,908	25,164
Program Development and Innovation Grants (Pass-through Oregon Campus Compact)	USCNCS		94.007	MOU dated 01/11/13		1,000	
Volunteers in Service to America	USCNCS		94.013			5,678	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008			7,103	
Centers for Homeland Security (Pass-through University of Hawaii)	USDHS		97.061	Z884255	R&DC	390,996	9,868
Centers for Homeland Security (Pass-through University of Hawaii)	USDHS		97.061	Z884255 Amend 5	R&DC	279,458	96,464
Total for UNIVERSITY OF ALASKA						286,849,297	7,615,324
Total Federal Financial Assistance						3,259,028,163	335,852,268

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

(Intentionally left blank)

STATEWIDE ABBREVIATIONS

A

AAC	Alaska Administrative Code <i>or</i> Alaska Aerospace Corporation
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
ABE/GED	Adult Basic Education/General Education Degree
ACA	Affordable Care Act
ACAH	Alaska Corporation for Affordable Housing
ACES	Alaska's Clear and Equitable Share
ACF	Administration for Children and Families
ACPE	Alaska Commission on Postsecondary Education
ACS	Alaska Court System <i>or</i> Affiliated Computer Systems, Inc.
ADP	Automated Data Processing
AEA	Alaska Energy Authority
AF	Agency Fund
AFMLS	Asset Forfeiture and Money Laundering Section
AFRI	Agriculture and Food Research Initiative
AG	Agriculture
AGIA	Alaska Gasline Inducement Act
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AHRQ	Agency for Healthcare and Quality
AHSO	Alaska Highway Safety Office
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AIGA	Alaska Insurance Guarantee Association
AJE	Adjusting Journal Entries
AK	Alaska
AKFIN	Alaska Fisheries Information Network
AKSCIP	Alaska State Court Improvement Program
AKSAS	Alaska State Accounting System
AKSAVP	Alaska States for Access and Visitation Programs
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
ALSC	Alaska Legal Services Corporation
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
ANGDA	Alaska Natural Gas Development Authority
ANTHC	Alaska Native Tribal Health Consortium
APC	Annual Pension Cost

APF	Alaska Permanent Fund
APFC	Alaska Permanent Fund Corporation
APHIS	Animal and Plant Health Inspection Service
AR	Accounts Receivable <i>or</i> Appropriation
ARHCT	Alaska Retiree Health Care Trust
ARLF	Agriculture Revolving Loan Fund
ARMB	Alaska Retirement Management Board
ARMY	Department of the Army, Office of the Chief of Engineers
ARRA	American Recovery and Investment Act
ARRC	Alaska Railroad Corporation
ARS	Agricultural Research Corporation
AS	Alaska Statute
ASD	Administrative Services Division
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board

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
BOEM	Bureau of Ocean Energy Management
BSMMS	Beaufort Sea Mesoscale Mete
BTOP	Broadband Technology Opportunities Program
BZPP	Buffer Zone Protection Program

C

CACFP	Child and Adult Care Food Program
CAEF	Commercial Assistance Enterprise Fund
CAFR	Comprehensive Annual Financial Report
CAP	Cost Allocation Plan <i>or</i> Community Assistance Program
CapPlus	Cost Allocation Plan Software
CAP-SSSE	Community Assistance Program State Support Services Element
CBRF	Constitutional Budget Reserve Fund (Alaska)
CC	Collocation Code
CCC	Child Care and Development Cluster
CCDBG	Child Care and Development Block Grant
CCDF	Child Care Development Fund
CESU	Cooperative Ecosystem Studies Units
CFDA	Catalog of Federal Domestic Assistance
CFLGC	Community Facilities Loans and Grants
CFPC	CFP Cluster

CFR	Code of Federal Regulations
Ch	Chapter
CHIP	Children’s Health Insurance Program
CH	Chapter
CIAP	Coastal Impact Assistance Program
CIP	Capital Improvement Projects
CISA	Certified Information Systems Auditor
CMIA	Cash Management Improvement Act
CMP	Care Management Program
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
COA	Chart of Accounts
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant
CSBGC	Community Services Block Grant Cluster
CSED	Child Support Enforcement Division
CV	Cash Voucher

D

DAIS	Dividend Application Information System
DAS	Division of Administrative Services
DB	Defined Benefit
DBH	Division of Behavioral Health
DBP	Division of Business Partnerships
DC	Denali Commission
DCCED	Department of Commerce, Community, and Economic Development (Alaska)
DCP	Deferred Compensation Plan
DCR	Defined Contribution Retirement Plan
DCRA	Department of Community and Regional Affairs (Alaska)
DEA	Drug Enforcement Administration
DEC	Department of Environmental Conservation (Alaska)
DEED	Department of Education and Early Development (Alaska)
DFG	Department of Fish and Game (Alaska)
DFISX	International Small Company Portfolio managed by Dimensional Fund Advisors LP
DG	Domestic Grant
DGS	Division of General Services
DHCS	Division of Health Care Services
DHHS	U.S. Department of Health and Human Services
DHS	Department of Homeland Security
DHS&EM	Division of Homeland Security and Emergency Management
DHSS	Department of Health and Social Services (Alaska)

DISVX	DFA International Small Cap Value Portfolio managed by Dimensional Fund Advisors LP
DLA	Defense Logistics Agency or Division of Legislative Audit
DLWD	Department of Labor and Workforce Development (Alaska)
DM	Disaster Mitigation
DMA	Division of Medical Assistance
DME	Division of Medical Equipment
DMVA	Department of Military and Veterans Affairs (Alaska)
DNA	Deoxyribonucleic Acid
DNR	Department of Natural Resources (Alaska)
DOA	Department of Administration (Alaska)
DOC	Department of Corrections (Alaska)
DOF	Division of Finance or Division of Forestry
DOL	Department of Law (Alaska)
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DPU	Data Processing Unit
DPA	Division of Public Assistance
DPH	Division of Public Health
DPS	Department of Public Safety
DRVS	Data Reporting and Validation System
DRB	Division of Retirement and Benefits
DSDS	Division of Senior and Disability Services
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
DSS	Division of Senior Services
DUA	Disaster Unemployment Assistance
DUNS	Dun and Bradstreet Data Universal Numbering System
DUR	Drug Utilization Review
DVOP	Disabled Veterans' Outreach Program

E

EAC	Election Assistance Commission
EAEF	Energy Assistance Enterprise Fund
EDA	Economic Development Administration
EDC	Economic Development Cluster
EECBG	Energy Efficiency and Conservation Block Grant Program
EFAP	Emergency Food Assistance Program
EIES	Engineering and Industrial Experiment Station
EIP	Emerging Infections Program
EIS	Environmental Impact Statement or Eligibility Information System
ELP	Epidemiology and Laboratory Capacity for Infectious Disease
ELF	Economic Limit Factor
EMGF	Emerging Markets Growth Fund
EMS	Emergency Medical Services

ENERGY	U.S. Department of Energy
EPA	U.S. Environmental Protection Agency
EPLS	Excluded Parties List System
EPORS	Elected Public Officers Retirement System
EPSCoR	Experimental Research to Stimulate Competitive Research
ERISA	Employee Retirement Income Security Act of 1974
ESC	Employment Service Center
ESEA	Elementary and Secondary Education Act
ESD	Employment Security Division
ESS	Education Support Services
ETA	Employment and Training Administration
ETS	Division of Enterprise Technology Services
ETSGC	Education Technologies State Grants Cluster
EVOS	Exxon Valdez Oil Spill

F

F&M	Facilities and Maintenance
F&WC	Fish and Wildlife Cluster
FAA	Federal Aviation Administration
FAIN	Federal Award Identification Number
FAS	Foreign Agricultural Service
FASB	Financial Accounting Standards Board
FD	Final Determination
FDA	Food and Drug Administration
FDC	Food Distribution Cluster
FDIC	Federal Deposit Insurance Corporation
FE	Funding Excess
FEMA	Federal Emergency Management Agency
FFADC	Foreign Food Aid Donation Cluster
FFATA	Federal Funding and Accountability and Transparency Act
FFEL(P)	Federal Family Education Loan (Program)
FFP	Federal Financial Participation
FFR	Federal Financial Report
FFY	Federal Fiscal Year
FGOTUA	Formula Grants for Other Than Urbanized Areas
FHA	Federal Housing Administration
FHSC	First Health Services Corporation
FHWA	Federal Highway Administration
FI	Food Instrument and Cash Voucher
FIA	Fairbanks International Airport
FICA	Federal Insurance Contributions Act
FIFO	First In First Out
FMS	Finance and Management Services
FNMA	Federal National Mortgage Association

FMNP	WIC Farmers' Market Nutrition Program
FNS	Food and Nutrition Service
Forestry	Division of Forestry (Alaska)
FRA	Federal Railroad Administration
FSRC	Forest Service Schools and Roads Cluster
FSRS	FFATA Subaward Reporting System
FSS	Federal Supply Schedule
FTA	Federal Transit Administration
FTC	Federal Transit Cluster
FTE	Full-time Equivalent
FSSLA	First Special Session Law of Alaska
Fund	Alaska Permanent Fund
FUTA	Federal Unemployment Tax Act
FVPSP	Family Violence Prevention and Services Program
FX	Foreign Currency
FX Forward	Foreign currency forward exchange contracts
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-Segregated Investments
GF	General Fund
GFOA	Government Finance Officers Association
GIS	Geospatial Information Services
GOV	Office of the Governor
GNMA	Government National Mortgage Association
GSA	U.S. General Services Administration

H

HAP	Housing Assistant Plan
HCBS	Home and Community Based Services
HCC	Health Center Cluster
HCFA	Health Care Financing Administration
HCP	Health Care Policy
HCS	Health Care Services or Highway Safety Cluster
HCV	Housing Choice Vouchers
HDSC	Head Start Cluster
HFC	Highway Safety Cluster
HIPAA	Health Insurance Portability and Accountability Act
HIV	Human Immunodeficiency Virus
HMGP	Hazard Mitigation Grant Program

HMS	Health Management Services
HPCC	Highway Planning and Construction Cluster
HPP	Hospital Preparedness Program
H.R.	House Resolution
HRA	Health Reimbursement Arrangement
HRSA	Health Resources and Services Administration
HSC	Highway Safety Cluster <i>or</i> Homeland Security Cluster
HSCG	Homeland Security Coast Guard
HSGP	Homeland Security Grant Program
HSO	Highway Safety Office
HUD	U.S. Department of Housing and Urban Development

I

IAC	Impact Aid Cluster
IAF	International Airport Fund
IASA	Improving America's Schools Act of 1994
IC	Immunization Cluster
ICPC	Indian CDBG Program Cluster
ID	Initial Determination
IDEA	Individuals with Disabilities Education Act
IEVS	Income Eligibility and Verification System
IHS	Indian Health Service
IMLS	Institute of Museum and Library Services
IMS	International Monitoring System
IOOS	Integrated Ocean Observing System
IPA	Intergovernmental Personnel Act
IRS	Internal Revenue System
ISF	Information Services Fund
ISP	Information Security Policies
IT	Information Technology
ITA	International Trade Administration
ITBE	International Trade and Business Endowment
ITQ	Improving Teacher Quality

J

JAG	Justice Assistance Grant
JDC	Juneau Data Center
JHC	Juneau Health Center
JRS	Judicial Retirement System
JUCE	Juneau Claims Eligibility

K

KABTA	Knik Arm Bridge and Toll Authority
KD&A	Knowledge, Development, and Application Program

L

LAAs	Local Administrators
LAW	Department of Law (Alaska)
LBA	Legislative Budget and Audit Committee (Alaska)
LC	Library of Congress or Ledger Code
LETPP	Law Enforcement Terrorism Prevention Program
LIBOR	London Interbank Offered Rate
LIHEA(P)	Low-Income Home Energy Assistance (Program)
LMCS	Liquidity Management Cash System
LSC	Legal Services Corporation
LTER	Long Term Ecological Research
LUST	Leaking Underground Storage Tanks

M

MAXCARS	Maximus Cost Allocation and Rate System
MBIA	Municipal Bond Insurance Association
MC	Medicaid Cluster
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association
Medicaid	Medical Assistance Program
MER	Mars Exploration Rover
MFCU	Medicaid Fraud Control Unit
MHD	Magnetohydrodynamics
MHTA	Alaska Mental Health Trust Authority
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
MSA	Master Settlement Agreement and Final Judgment
MSCI EAFE	Morgan Stanley Capital International - Europe, Australasia, and Far East
MSHA	Mine Safety and Health Administration

N

NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NAVY	U.S. Department of the Navy, Office of the Chief of Naval Research
NCHIP	National Criminal History Improvement Program
NCHS	National Center for Health Statistics
NCRDS	National Coal Resources Data System
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NFAH	National Foundation on the Arts and the Humanities

NGB	National Guard Bureau
NGMO&M	National Guard Military Operations and Maintenance
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NIATT	National Institute of Advanced Transportation Technology
NIEHS	National Institute of Environmental Health Sciences
NIH	National Institute of Health
NIJ	National Institute of Justice
NIOSH	National Institute for Occupational Safety and Health
NIST	National Institute of Standards and Technology
NMRT	Northwest Marine Retirement Trust
NOAA	National Oceanic and Atmospheric Administration
NPO	Net Pension Obligation
NPR	National Petroleum Reserve
NPRB	North Pacific Research Board
NPS	National Park Service
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTS	Nutrition, Transportation, and Support Services program
NTSC	Northern Tobacco Securitization Corporation
NWR	National Wildlife Refuge

O

O&M	Operations and Maintenance
OAH	Office of Administrative Hearings
OD&D	Occupation Death & Disability
ODEP	Office of Disability Employment Policy
OG	Office of the Governor (Alaska)
OIG	Office of Inspector General
OMB	United States Office of Management and Budget
OPA	Office of Population Affairs
OPDR	Office of Policy Development and Research
OPEB	Other Post-Employment Benefits
OPM	Office of Personnel Management
ORR	Office of Rate Review
OSERS	Office of Special Education and Rehabilitative Services
OSHA	Occupational Safety and Health Administration
OTC	Over-the-Counter Securities Market

P

PA	Public Assistance
PACAP	Public Assistance Cost Allocation Plan
PBF	Public Building Fund (Alaska)
PCA	Personal Care Assistant
PDM	Pre-Disaster Mitigation

Pension Funds	Pension Trust Funds' Investments
PERM	Payment Error Rate Measurement
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System – Defined Benefits
PERS-DCR	Public Employees' Retirement System – Defined Contribution Retirement
PF	Permanent Funds
PFDD	Permanent Fund Dividend Division
PL	Public Law
PO	Purchase Order
PPA	Prior Period Adjustments
PPHF	Prevention and Public Health Fund
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
PVE	Petroleum Violation Escrow

R

R&DC	Research and Development Center
REIL	Runway End Identifier Lights
REOMB	Recipient Explanations of Medical Benefits
RETINA	Robotic Exploration Technologies in Astrobiology
RFP	Request for Proposal
RHF	Retiree Health Fund
RICR	Restricted Indirect Cost Rate
RLF	Revolving Loan Fund
RMP	Retiree Major Medical Insurance
RMTS	Random Moment in Time Study
RPTC	Residential Psychiatric Treatment Center
RRHC	Rural Rental Housing Cluster
RSA	Reimbursable Services Agreement
RSI	Required Supplementary Information
RUS	Rural Utilities Service

S

S&P	Standard & Poors
S8PBC	Section 8 Project-Based Cluster
SAAMS	Seward Association for Advancement of Science
SABG	Substance Abuse Block Grant
SAM	System Award Management
SAMHSA	Substance Abuse and Mental Health Services Administration
SAR	Synthetic Aperture Radar
SAS	Statement on Auditing Standards
SB	Senate Bill
SBJPA	Small Business Job Protection Act of 1996

SBPA	Standby Bond Purchase Agreement
SBR	Statutory Budget Reserve Fund
SBS	Supplemental Benefits System (Alaska)
SCHIP	State Children’s Health Insurance Program
SDSC	Statewide Data Systems Cluster
SEA	State Education Agency
SEC	Special Education Cluster (IDEA)
SEF	State Equipment Fleet
SEFA	Schedule of Expenditures of Federal Awards
SF	Sport Fishing
SFA	Student Financial Assistance
SFAC	Student Financial Assistance Program Cluster
SFSFC	State Fiscal Stabilization Fund Cluster
SFY	State Fiscal Year
SGBG	Social Services Block Grant
SHSGP	Statewide Homeland Security Grant Program
SHSP	Statewide Homeland Security Program
SIFMA	Securities Industry and Financial Markets Association
SIGC	School Improvement Grants Cluster
SIR	Self-Insured Retention
SJI	State Justice Institute
SLA	Session Laws of Alaska
SMART	National Science and Mathematics Access to Retain Talent Grant
SNAP	Supplemental Nutrition Assistance Program Cluster
Social Security	Social Security System
SOP	Standard Operating Procedures
SPCS	State Property Control System
SPED	Special Education
SSA	Social Security Administration
SSBG	Social Services Block Grant
SSD	Support Services Division
SSI	Supplementary Security Income
SSSLA	Second Special Session Law of Alaska
STAR	Science to Achieve Results
State	State of Alaska
SUR	Surveillance and Utilization Review
SW	Statewide
SWSA	Statewide Single Audit

T

TA	Travel Authorization
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TAAF	Trade Adjustment Assistance for Farmers Training Coordination Program

TANF(C)	Temporary Assistance for Needy Families Cluster
TAPS	Trans-Alaska Pipeline Liability
TBA	To-Be-Announced
TEACH	Teacher Assistance for College and Higher Education Grants
The Bank	Bank of New York Mellon
The Fund	Alaska Permanent Fund
The State	State of Alaska
The Trustees	APFC's Board Members
TIAC	Title I, Port A Cluster
TIPS	Treasury Inflation Protected Securities
TLS	Teaching and Learning Support
TRIOC	TRIO Cluster
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System – Defined Benefits
TRS-DCR	Teachers' Retirement System – Defined Contribution Retirement
TSA	Treasury State Agreement
TSPC	Transit Services Program Cluster
TSRs	Tobacco Settlement Revenues
Treasury	Treasury Division, Department of Revenue (Alaska)
Trusts	Common Trust Funds

U

UA	University of Alaska
UAAL	Unfunded Actuarial Accrued Liabilities
UAFPD	University of Alaska Fairbanks Police Department
UC	Unemployment Compensation
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UF	University of Florida
UI	Unemployment Insurance
U of A	University of Alaska
UPL	Upper Payment Limit
U.S.	United States
UM	University of Mississippi
UMCES	University of Maryland Center for Environmental Science
USAF	Office of the Air Force, Material Command
USC	United States Code
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

USDOJ	U.S. Department of Justice
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
USED	U.S. Department of Education
USEEOC	U.S. Equal Employment Opportunity Commission
USEPA	U.S. Environmental Protection Agency
USFS	U.S. Forest Service
USFWS	U.S. Fish and Wildlife Service (USDOJ)
USGSA	U.S. General Services Administrator
USPACOM	U.S. Pacific Command
USSBA	U.S. Small Business Administration
USTREAS	U.S. Treasury
USSTURAA	U.S. Surface Transportation and Uniform Relocation Assistance Act
UTA	University of Texas at Austin

V

VA	U.S. Department of Veterans Affairs
VBA	Veterans' Benefits Administration
VSW	Village Safe Water
VTS	Virtual Tape System

W

WAFD	Western Alaska Fisheries Disaster
WGC	WIC Grants to States
WIA(C)	Workforce Investment Act Cluster
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WISA	Wisconsin Institute of Sustainable Agriculture
WWPC	Waste Water Pollution Control

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Karen Rehfeld, Director

Court Plaza Building
240 Main Street, Suite 802
Juneau, Alaska 99811-0020
Main: 907.465.4660
Fax: 907.465.2090

March 19, 2014

RECEIVED

MAR 19 2014

LEGISLATIVE AUDIT

Mr. Brian Blackwell, CPA
Audit Manager
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

Re: FY 2013 Statewide Single Audit, Preliminary Report

Dear Mr. Blackwell,

This is in response to Recommendation No. 3 in the FY 2013 Statewide Single Audit, preliminary report.

Recommendation No. 3

DOA's Division of Finance director, the Department of Commerce, Community, and Economic Development's (DCCED) Division of Administrative Services director, and the Office of Management and Budget (OMB) director should improve procedures to ensure appropriations are correctly established in the Alaska state accounting system (AKSAS).

The Office of Management and Budget works closely with the Division of Finance to update and clarify procedures to improve the accuracy of recording appropriations in the State accounting system. OMB also works closely with agency staff to review legislation and correctly interpret the funding source for specific appropriations to ensure accuracy. Updated procedures, training for agency personnel, and careful review of documents when the annual appropriations bills are recorded should prevent errors of this nature in the future.

Thank you for the opportunity to respond.

Sincerely,

A handwritten signature in blue ink, appearing to read "Karen".

Karen J. Rehfeld
Director

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Administration

Office of the Commissioner

P.O. Box 110200
Juneau, AK 99811-0200
Phone: (907) 465-2200
Fax: (907) 465-2135

March 18, 2014

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

RECEIVED
MAR 18 2014
LEGISLATIVE AUDIT

RE: Department of Administration Response to the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2013 Preliminary Audit Report (Audit Control Number 02-40014-14)

Dear Ms. Curtis:

Thank you for the opportunity to respond to the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2013, Preliminary Audit Report. You have asked the Department of Administration to provide a written response to help you evaluate the findings and recommendations presented in the preliminary audit report. The Department of Administration's response to the findings and recommendations are as follows.

Recommendation No. 1

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

We concur with this recommendation. The newly appointed director for ETS has set a priority for gathering accurate information on assets, and has made it a requirement for ETS operational managers to engage in this effort. To help facilitate that goal, the new deputy director for ETS has established an annual review of fixed assets in order to confirm assets in production, and those removed from service.

These two efforts represent the initial steps that ETS is taking to acquire accurate asset information for consistent tracking in the future.

ETS division management is committed to developing consistent, effective business processes that align with industry "best practices". The asset-specific processes will be designed toward

managing an accurate asset inventory. We anticipate having those processes fully operational prior to the end of FY2015.

Recommendation No. 2

DOA's Division of General Services (DGS) division operations manager should, in consultation with Division of Finance (DOF) accounting staff, develop asset capitalization procedures for the public building fund that comply with generally accepted accounting principles.

We concur with this recommendation. To ensure compliance with generally accepted accounting principles for asset capitalization, DGS and DOF have cooperatively developed the following plan that will result in DGS adoption of a formal capitalization procedure that complies with generally accepted accounting principles.

- 1) A draft formal asset capitalization policy has been developed;
- 2) A DGS Accountant III will attend capital asset training offered by the GFOA on 3/18/14;
- 3) Revisions to the draft DGS policy based on the capital asset training are due by 3/28/14;
- 4) The draft policy will be submitted to DGS Division Operations Manager for review and revisions on 4/1/14;
- 5) The draft policy will be submitted to DGS Statewide Leasing & Facilities Manager for review and revisions on 4/7/14;
- 6) The draft policy will be submitted to DOF for final review and revisions by 4/16/14; and,
- 7) The policy will be finalized and fully implemented by 7/1/14.

With the successful completion of the above plan, DGS anticipates the recommended capitalization procedures will be fully developed and implemented by July 1, 2014.

Recommendation No. 3

DOA's Division of Finance director, the Department of Commerce, Community, and Economic Development's (DCCED) Division of Administrative Services director, and the Office of Management and Budget (OMB) director should improve procedures to ensure appropriations are correctly established in the state accounting system.

We concur with this recommendation. The Department of Administration Division of Finance (DOA/DOF) is working closely with the Department of Commerce, Community, and Economic Development (DCCED) to update and clarify procedures to improve the accuracy of recording appropriations in the state accounting system. Entry of the appropriations are generated and certified by DCCED staff, with review and approval performed by DOA/DOF. Updated procedures, training for agency personnel, and careful review of documents when the annual appropriations bills are recorded should prevent errors of this nature in the future.

Kris Curtis, CPA, CISA
Legislative Budget and Audit Committee
Page 3 of 3

Additionally, DOA/DOF is working with the Department of Revenue (DOR) and the Alaska Housing Capital Corporation, a subsidiary of the Alaska Housing Finance Corporation reporting to the DOR, to ensure legislative tracking and activity in their fund is known.

Recommendation No. 4

DOA's commissioner and ETS and DGS' directors should improve procedures over maintenance of the State's critical information systems to limit disruptions.

In general, we concur with this recommendation. The DOA Commissioner's Office, in conjunction with the directors of DGS and ETS, has reviewed the recommendation relating to the incident in which the State's mainframe was offline for five continuous days.

ETS and DGS staff are working together with the goal of updating procedures over maintaining the State's critical information systems to limit disruption of daily operations.

Enhanced procedures that have been implemented include increased frequency of scheduled generator maintenance and live generator testing, and implementation of an electronic monitoring system.

Once again, thank you for the opportunity to respond to the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2013, Preliminary Audit Report (Audit Control Number 02-40014-14). Please do not hesitate to contact me if you require additional information or clarification of this response.

Sincerely,



Curtis Thayer
Commissioner

cc: Cheryl Lowenstein
Director, Division of Administrative Services
Department of Administration

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela M. Rodell, Commissioner

333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

RECEIVED

MAR 18 2014

LEGISLATIVE AUDIT

March 18, 2014

Kris Curtis, Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Re: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013

Dear Ms. Curtis:

Thank you for your recommendation. To address the errors noted in your letter specifically:

1) *Catalog of Federal Domestic Assistance (CFDA) numbers ending in 999 were on the Federal Schedule, but not in the CFDA.*

We were unaware that programs not in the CFDA could be included on the Federal Schedule, so we took the conservative approach of including them. We have added a review step to our procedure for new items added to the Federal Schedule to ensure that they are not included in the TSA calculations if they are not also in the CFDA.

2) *ARRA created a lot of unique situations that had never been encountered in TSA preparation.*

These programs no longer exist and because of their short duration, they should not have been included in the threshold calculations. Due to their unique nature, we were unclear about their appropriate treatment, again, we took the conservative approach of including them.

3) *For the reimbursable service agreement activity (CFDA 97.036), we did not include DOTPF's pass through amount on the TSA because they were not performing the draw.*

We understand that we should have included the amount under DMVA.

We also agree that additional training should be provided for the individuals responsible for preparation of the TSA agreement. For the past several years, the TSA agreement has been drafted by our most experienced individual within Treasury, therefore, internal training is not a viable option for improvement. Although we are seeking additional training resources, the availability for outside training in this area appears to be extremely limited. We have, however,

Kris Curtis, Legislative Auditor
Legislative Budget & Audit Committee
March 18, 2014
Page 2

recently been assigned a new Federal representative whom we hope will be able to provide assistance as well.

With regard to the effect of these errors, we do not believe that inclusion of the additional programs represents an undue burden on the departments affected. To have an effect, a department would have to either draw early on these programs or be paid late by the Federal grantee agencies. This happens with very few programs each year, as such, is unlikely to occur with the added programs specifically. We believe that the effect to the agencies in question will be negligible.

As you are aware, the preparation of the Treasury-State Agreement for the Cash Management Improvement Act (TSA) is a very complicated process. This is exacerbated by the fact that it occurs infrequently and that there are painfully few resources for assistance in interpretation of the application of the CFR governing the process. In the past, Treasury worked closely with Legislative Audit to reach a mutual understanding of appropriate treatment of unusual CMIA issues prior to issuance of the TSA. This practice has fallen by the wayside in the past several years, and we have found with increasing frequency that our interpretation of the CFR differs with your organization's. To mitigate the extent to which this occurs in the future, we would like to work closer with your agency to eliminate the effect of this difference of interpretation.

Sincerely,



Angela M. Rodell
Commissioner

cc: Karen Buchkoski, In-Charge Auditor II, LB&A
Michelle Prebula, Cash Manager, Treasury Division
Jerry Burnett, Director, Administrative Director



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Department of Education
and Early Development**

Office of the Commissioner

801 W 10th Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
Main: 907.465.2800
TTY/TTD: 907.465.2815
Fax: 907.465.4156

RECEIVED

MAR 12 2014

LEGISLATIVE AUDIT

March 12, 2014

Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

The Department of Education & Early Development (DEED) appreciates the opportunity to respond to the audit recommendations in the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013.

Recommendation No. 6

The Division of Teaching and Learning Support (TLS) director should develop and implement procedures to ensure that subaward reports comply with *Federal Funding Accountability and Transparency Act (FFATA)* reporting requirements.

The department agrees with recommendation No. 6 and has developed and implemented procedures to ensure compliance with the FFATA sub-award reporting requirements. In addition, the department has transferred the FFATA reporting responsibility from the grants section to the administrative services section; this change is consistent with other fiscal reports the department files.

Recommendation No. 7

TLS' director should develop and implement procedures to ensure compliance with federal suspension and debarment requirements.

The department agrees with recommendation No. 7 and has developed and implemented procedures to ensure compliance with the federal suspension and debarment requirements. The department now requires sub grantees to sign and certify compliance with suspension and debarment requirements prior to any Emergency Food Assistance Program (TEFAP) award being released.

Sincerely,


Mike Hanley
Commissioner

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Department of
Health and Social Services**

OFFICE OF THE COMMISSIONER

Anchorage
3601 C Street, Suite 902
Anchorage, Alaska 99503-5923
Main: 907.269.7800
Fax: 907.269.0060

Juneau
350 Main Street, Suite 404
Juneau, Alaska 99801-1149
Main: 907.465.3030
Fax: 907.465.3068

RECEIVED

MAR 17 2014

LEGISLATIVE AUDIT

March 17, 2014

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, Alaska 99811-3300

RE: Preliminary Audit Report, FY 13 Statewide Single Audit, Department of Health and Social Services (DHSS)

Dear Ms. Curtis:

Below are the responses for each of the recommendations reported in the preliminary audit report for FY 13 received February 26, 2014.

Recommendation No. 8

The Finance and Management Services (FMS) assistant commissioner should ensure quarterly reconciliations comparing federal revenues to federal expenditures are performed accurately and timely.

DHSS partially concurs with the recommendation. The DHSS reconciliation that should be performed is the completed quarterly federal report compared to the sum total of the weekly revenue drawn. Any required revenue adjustments due to using the prior quarter statistics or quarterly reporting adjustments, are either drawn with the next weekly revenue draw for increases or the next weekly revenue draw is reduced for over collections. The required adjustments are usually immaterial to the overall revenue collected for the reporting quarter.

It is notable that the quarter selected by DLA, March 31, 2013, is the quarter in which DHSS implemented a new cost allocation system. Since this was the initial implementation quarter, the revenue and the federal allocation units performed additional testing on the cost allocation results, compared direct expenditures from AKSAS to Cap Plus, the new system, along with

many other processes to ensure the system worked as designed and was accurately providing information. As a result of these enhanced internal controls for this quarter, the closing of the cost allocation plan was delayed. However, DLA applied an arbitrary due date of 60 days from the end of the quarter which the reconciliations should have been performed resulting in four out of the six reconciliations being reported as delayed despite the implementation of the new system during the quarter. As with any new computerized system, additional time and effort is required to verify it is working as intended. The DLA auditors did not consider the additional internal controls that DHSS applied during this time to make sure that data was accurate for the revenue accountants to use.

DHSS also opposes the 60 day time frame applied by DLA auditors. During this timeline, DHSS is required to accurately close the cost allocation plan, prepare federal expenditure reports, prepare cash transaction reports, and collaborate with division and program staff on the federal expenditure reports. In addition, their weekly revenue draws and routine work must still be performed. These responsibilities must be performed in order for DHSS to financially manage its federal collections. Without appropriate financial management, DHSS would be unable to receive federal reimbursement which could adversely affect the program's ability to pay benefits and other operating costs.

Recommendation No. 9

FMS' assistant commissioner should develop procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.

DHSS concurs with the recommendation and it has implemented FFATA reporting with the SFY14 grant awards issued starting on 07/01/13. DHSS has invested substantial effort into corrective action to satisfy the federally mandated requirements of FFATA. The FFATA reporting process relies on completed forms and procedures occurring in the previous state fiscal year. The majority of the FFATA reporting (approximately 95%) becomes due before September 30th of each state fiscal year based on the executed awards obligated starting on July 1st.

Throughout the entire year of SFY 2013 DHSS dedicated resources to:

- The development and implementation of new grant and contract forms
- The continued development of policy
- Creation of associated reporting tools (i.e. cheat sheets; flow charts)
- Testing within the divisions

The modified opinion issued initially for the Social Service Block Grant (SSBG) program for SFY12 and again for SFY13 appears excessive since the United States Office of Management and Budget (US OMB) compliance supplement A-133 states the auditor is not required to consider audit findings or modification of audit opinions based solely on Part 3L, steps 10 and 11 when performing the risk-based approach.

Recommendation No. 10

DPA's director should develop and implement procedures to ensure reports are monitored and follow up is performed as required for the WIC program.

DHSS partially concurs with this recommendation. DPA developed policies for three of the four types of disposition reports. In SFY 2014 DPA implemented a new WIC banking service contract with Solutran and a new client data base/benefit issuance system, SPIRIT, with improved reporting capabilities.

Recommendation No. 11

The Division of Senior and Disabilities Services (DSDS) director should improve documentation procedures and provide oversight to ensure provider certification files are complete.

DHSS concurs with this recommendation. DSDS has made improvements in its documentation procedures and oversight of provider certification files since FY 11 and FY 12. However, DSDS acknowledges that in FY 13, there was still inconsistent use of the provider certification checklist. As a result of key personnel retirements, there has been complete turnover in provider certification staff since the middle of FY 13, and DSDS has trained all new staff on proper use of the checklist and provider certification documentation procedures. Beginning in January of 2014, the supervisor of certification staff will perform ongoing quality assurance reviews of a sample of the provider certification files for each worker to ensure consistent and sufficient documentation that providers meet certification standards.

Please see DHSS response to Recommendation #23 for discussion of background checks.

Recommendation No. 12

The Division of Behavioral Health (DBH) director should ensure out-of-state residential psychiatric treatment center (RPTC) providers are paid in accordance with federal and state requirements and that rates are properly documented.

DHSS concurs with the recommendation. In SFY 2014 the Office of Rate Review (ORR) and Division of Behavioral Health (DBH) established new policy and procedures for rate setting for out-of-state residential psychiatric treatment centers (RPTC) followed by entering into a memorandum of agreement to strengthen internal controls and ensure completeness of file documentation.

Additional analysis conducted by ORR in SFY2014 identified that while 20 of the 23 OS RPTC facility files had inadequate documentation to support the rate under 7 AAC 145.025, the payment rates associated with the questioned costs previously reported in SFY 2012 were within the scope of 42 CFR 431.52 and the state plan.

DBH is also reviewing its internal processes including the protocol for RPTC file requests and modifying the roles and responsibility of key administrative support staff to assist in ongoing file maintenance.

Recommendation No. 13

DPA's director should ensure all food instruments are accounted for within 120 days of the first valid date for use by program participants.

DHSS concurs with the recommendation. In SFY 2013 DPA provided training to statewide WIC agencies on voiding food instruments (FI). In SFY 2014 with the implementation of SPIRIT, the voiding process has been automated for aged out FIs and procedures have been developed to complete reconciliations of all FIs.

Recommendation No. 14

DPA's director should ensure vendors participating in the WIC program are adequately monitored according to federal requirements.

DHSS concurs the federal guidance on monitoring WIC vendors should be followed. DPA has explored and attempted alternative approaches since the first finding. In SFY 2013 the WIC vendor staff explored and adopted a model used by the State of Oregon.

Recommendation No. 15

The Grants and Contracts Unit manager should implement procedures to ensure subrecipients provide a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of each application for federal funding.

DHSS concurs with this recommendation. DHSS implemented both a short term solution and a long term solution to this issue during SFY13. The short term solution required the DHSS grants and contract unit to manually modify the request for proposal and special conditions to include the DUNS number in the competitive solicitation process. A similar modification for awards issued through the grant continuation process was also implemented.

A long term solution was initiated through the development process of the new Grants Electronic Management System (GEMS) with the DUNS number field included on the online application. Implementation of GEMS is occurring in SFY14 for the SFY15 DHSS awards.

Recommendation No. 16

FMS' assistant commissioner should work with DPA's director to implement controls to ensure WIC federal revenue draws are supported by program expenditures.

DHSS concurs with the recommendation that revenue draws should be supported by program expenditures in AKSAS. However, federal entity directives oftentimes override this internal

control. The United States Department of Agriculture (USDA) has directed state agencies to draw the balance of grant funds prior to the states incurring the expenditures, especially with federal grants that are due to expire. The regional USDA offices requested this to occur in order to ensure the states have their grant funds for unliquidated obligations. For example, the USDA requires an initial grant closeout report to be submitted by January of the following calendar year. The states are allowed to include the encumbrances within this initial final report. At this time, if grant funds have not been drawn, the USDA central office will close the grant account for future draws. If this occurs, the states are at risk for the future expenditures of the reported encumbrances. When the final report is submitted, approximately five months later, the reconciliation should be performed between the amounts expended versus the excess grant funds received. Any excess revenue should be returned at that time. It appears that this final reconciliation has not yet been performed.

Currently, DPA administrative staff and the revenue unit are working together to create policy and procedures regarding the WIC federal grant. Ongoing training by the revenue manager and the DPA administrative manager will occur in SFY 14 for all staff involved in the WIC grant.

Recommendation No. 17

The Low-Income Home Energy Assistance Program (LIHEAP) manager should improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEAP State Plan.

DHSS concurs with the recommendation. The Heating Assistance Procedures Manual has been corrected to reflect the LIHEAP eligibility income level of 150% when establishing the Threshold Test. All eligibility staff were provided training by the Eligibility Office Manager on this issue upon their return from seasonal leave without pay on September 3, prior to the start of the program season.

Training of staff is a continuous process designed to improve program requirements each season. The Eligibility Office Manager is currently scheduled to meet with staff from the Division Staff Development and Training unit to design a formal web-based training in SFY 14.

The Eligibility Office Manager and the Eligibility Technician III provide continuous case reviews of all staff and 100% review on all probationary staff cases. Staff training is provided as soon as issues are identified from case review errors.

Recommendation No. 18

LIHEAP's manager should ensure the LIHEAP State Plan complies with federal requirements. DHSS concurs with this recommendation. The program manuals have been revised to include all dwelling factor categories, and corrections to the FY 2014 state plan have been completed.

Additionally, the state regulations relating to dwelling factors are pending review to ascertain what changes may need to be made to address concerns raised by this recommendation.

Recommendation No. 19

LIHEAP's manager should ensure state cost principles are followed when paying LIHEAP benefits.

DHSS concurs with this recommendation. The Heating Assistance Procedures Manual was revised to instruct staff to pend applications that did not include the utility bill receipts for clients. All eligibility staff were trained by the Eligibility Office Manager on this issue upon their return from seasonal leave without pay on September 3, prior to the start of the Program season.

In prior years, it was determined that the greater good was served for the elderly and disabled, or most vulnerable population, to issue a benefit to prevent shut-off notices or people going without fuel, while their applications were pended, against the lesser chance of a credit balance. Further, the eligibility staff determines whether the credit balance is low enough to justify the benefit against a denial that will almost certainly result in a rework a few months in the future.

Recommendation No. 20

LIHEAP's manager should ensure LIHEAP administrative costs do not exceed earmarking limitations.

DHSS concurs with the recommendation. During SFY 14, the revenue unit and the DPA administrative section will collaborate on defining roles and responsibilities to ensure that earmarked costs stay within the federal directives.

Recommendation No. 21

FMS' assistant commissioner should strengthen procedures over reporting cash receipts and disbursements to ensure federal financial reports are accurate.

DHSS concurs with the recommendation. The reporting of the grant award amounts on the federal financial report (FFR) 425 resulted from a directive by the program manager. The revenue manager will provide training to the revenue unit staff, divisions' administrative operations managers, and program managers on the preparation of FFRs. This training will provide a better understanding of the required financial information on the federal reporting form.

Recommendation No. 22

ORR's executive director should improve the agency's review process over inpatient hospital rates.

DHSS concurs with this recommendation. The executive director agrees that improvement of the agency's review process over inpatient hospital rates will benefit both the agency and hospital providers. Although this recommendation is specific to audit work that occurred prior to his tenure, the executive director has been working to improve the agency's processes since he assumed the position last January and believes that his efforts are proving successful.

The executive director agrees that legislative audit's review of ten inpatient hospital rate setting files noted multiple rate calculation errors. Before responding to each notation, it is necessary to explain the corrective action that has been instituted to address legislative audit's recommendation that the executive director improve the agency's review process over inpatient hospital rates. In addition to the individual corrective actions below, the executive director has ordered that a peer review process be refined, defined, and formally implemented for inpatient hospital rate setting. The executive director recognizes the complexity of the information being reviewed by audit staff and believes that it is necessary to have a formal peer review process that adds a substantive level of review prior to final review by the audit supervisor. Policy and procedures for this process will be refined and defined so that peer review can be formally implemented before the next desk review.

Notation 1: six files had inflation factors that were not in accordance with state regulation 7 AAC 150.150.

The executive director reviewed the inflation errors and has instituted corrective action. The corrective action consists of requiring two levels of documentation that demonstrates that the inflation factors received two levels of formal review—the first level from an accounting technician; the second level from the audit supervisor.

Notation 2: six files contained inconsistent categorization of cost center days which were not in accordance with 7 AAC 150.160 or with the agency's reconciliation process of provider information.

The executive director agrees that there was inconsistency in the way that the hospital providers reported their financial information and revenue codes as they relate to cost centers. However, the executive director believes that the 5-part audit check that is currently in place treated the inconsistency appropriately and generated proper rates. This explanation is reflected in an email sent from the executive director to the legislative audit team on 12/5/13.

The executive director agrees that this process can be improved. After considering valuable input from legislative audit, the executive director has instituted action for these situations that adds a formal "due diligence" audit step that requires audit staff to formerly contact the hospital provider, inquire about the reporting inconsistency, and document the inquiry.

Notation 3: One file contained an expense that was deducted.

The executive director agrees that one file contained an expense that was deducted.

Notation 4: One file had a formula error.

The executive director agrees that one file had a formula error. This error is a result of a faulty formula in an excel spreadsheet. The formula has been corrected.

Recommendation No. 23

DSDS' director should ensure provider employees have timely, complete, and approved background clearances, and that the information supporting the clearance is properly documented.

DHSS concurs with the recommendation. Ensuring compliance with state background check statute and regulation is a key component of DSDS provider oversight function. As noted in the December 17, 2013, Management Letter No. 2, DSDS had determined it did not have the staff resources to prioritize routine follow-up on provider employees under provisional status with the systems in place in FY 13.

DSDS provider staff have recently received initial training on the DHSS's Background Check Unit's new automated system, expected to become operational in SFY 14, and learned that provisional status will only be granted for 90 days under the new system. As DSDS becomes more familiar with the new system over the next few months, it will implement procedures to ensure that provider employees in provisional status at the time of provider certification have either successfully completed their background check or have been removed from contact with recipients and denied access to protected health information. DSDS will implement procedures to follow up on revocation notices sent by the Background Check Unit to employees of DSDS certified agencies to confirm that those employees have been removed from contact with recipients and denied access to protected health information.

In addition, DSDS has recently awarded a contract to develop an automated system for several key functions of DSDS operations. DSDS intends to explore the extent to which its new system (expected to be fully operational near the end of FY 15) can link with the new Background Check Unit system and the extent to which DSDS can automate and further enhance its monitoring of provider compliance with background check provisions.

Ms. Kris Curtis, CPA, CISA
March 17, 2014
Page 9

Recommendation No. 24

The DHSS Medicaid and Health Care Policy (HCP) deputy commissioner and FMS' assistant commissioner should improve procedures to ensure overpayments to providers of Medicaid services are refunded to the federal agency within specified time frame.

DHSS concurs with this recommendation. Program Integrity will work with FMS staff to ensure all overpayments are reported timely on the CMS 64 quarterly reports. Program Integrity and FMS are each updating internal policies and procedures. Program Integrity will be sending FMS staff the Meyers and Stauffer overpayment reports and all deposit memos on a quarterly basis. FMS is updating reporting processes by including an additional Alder report that includes account codes impacted by the Meyers and Stauffer recoveries.

Recommendation No. 25

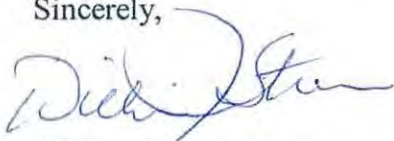
FMS' assistant commissioner should take measures to resolve revenue shortfall issues.

DHSS concurs with the recommendation. During SFY 14, DHSS submitted seven ratification requests on the previously identified revenue shortfalls.

Also, FMS would like to note the two new potential shortfalls that have been identified did not result from weaknesses in internal controls over monitoring revenue collections or ineffective yearend financial processes. Appropriation number 22980-08 is identified as new, which resulted from a settlement made with the Centers for Medicare and Medicaid Services requiring a liquidation of an accounts receivable. Appropriation number 26318-13 will be resolved by future billings.

Thank you for providing this opportunity for a final review of the SFY 2013 issues.

Sincerely,



William J. Streur
Commissioner

Cc: Sana Efird, Assistant Commissioner
Ree A Sailors, Deputy Commissioner
Craig Christenson, Deputy Commissioner
Linnea Osborne, Accountant V

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Department of Labor and
Workforce Development**

Office of the Commissioner

Post Office Box 111149
Juneau, Alaska 99811
Main: 907.465.2700
Fax: 907.465.2784

March 18, 2014

RECEIVED

MAR 18 2014

LEGISLATIVE AUDIT

Ms. Kris Curtis
Alaska State Legislature
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis,

This letter provides a response from the Department of Labor and Workforce Development (DLWD) related to the Division of Legislative Audit recommendations detailed in the Preliminary Audit Report of the Single Audit for the Fiscal Year 2013.

Recommendation No. 26

The Employment Security Division (ESD) director should ensure that personal service expenditures charged to federal programs comply with federal cost principles.

DLWD Response to Recommendation No. 26

The Department concurs with the recommendation. As the auditor noted, the Department has procedures for positive timekeeping. Employees working on more than one program have received training, guidance and reminders from management on the importance of following those procedures. Also, the ESD director started directly reviewing timesheets in FY 14 and has found no recurrence of staff using an allocation rather than direct activity based time charging.

The auditor noted that one employee working on the Unemployment Insurance (UI) Program was not practicing positive time charging and was not aware of the positive timekeeping procedures. Guidance has been provided to this employee in the past regarding positive timekeeping and was provided again upon notification to Department management of the finding. Department management has reviewed the employee's UI Program work effort based on an internal ticketing system and emails requesting tasks and has identified 718 direct work hours on UI Program activities. The Department contests the questioned costs based on this evidence.

Recommendation No. 27

The Division of Business Partnerships (DBP) director should develop and implement procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements.

DLWD Response to Recommendation No. 27

The Department concurs with the recommendation.

As of April 2013, DBP established and implemented a procedure to ensure compliance with FFATA subaward reporting requirements. At that time, DBP completed FFATA subaward reporting requirements for both current and previous federal grant awards.

The Department provided DBP's FFATA reporting procedure and evidence of its implementation to the U.S. Department of Labor (US DOL), Employment and Training Administration (ETA). ETA reviewed and found the policy and procedures and implementation sufficient to resolve the finding.

As noted above by the auditor, DBP completed FFATA subaward reports for intra- and inter-departmental reimbursable services agreements (RSAs). The Department will receive technical assistance from US DOL ETA on FFATA reporting and amend the DBP FFATA reporting procedure to ensure accurate reporting.

Recommendation No. 28

The ESD director should ensure that Employment and Training Administration (ETA) 227 quarterly reports are fully supported by the financial accounting system.

DLWD Response to Recommendation No. 28

The Department concurs with the recommendation. ESD identified that the retention schedule for the ETA 277 source data was insufficient. In reviewing the UI Reports Handbook No. 401, specifically the ETA Overpayment Detection and Recovery Activities section, the Department found the section silent on records retention. Therefore, the Department will utilize the three year retention for source data supporting counts as defined in the UI Reports Handbook No. 401, Introduction and General Reporting Instructions. System programming changes to ensure retention of source data supporting documents for at least three years was implemented in February 2014.

The Department considers this finding corrected.

Recommendation No. 29

The ESD director should ensure that Federal Unemployment Tax Act (FUTA) certifications comply with federal requirements.

DLWD Response to Recommendation No. 29

Ms. Kris Curtis
March 18, 2014
Page 3

The Department concurs with the recommendation. The Department has instituted procedural changes to have the FUTA certification report reflect the actual date of payment received.

The Department considers this finding corrected.

Recommendation No. 30

The Administrative Services Director (ASD) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally acceptable governmental accounting principles.

DLWD Response to Recommendation No. 30

The Department concurs with the recommendation. The ASD director will ensure uncollectible accounts receivable in the UCF are reported in accordance with generally acceptable governmental accounting principles.

Recommendation No. 31

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

DLWD Response to Recommendation No. 31

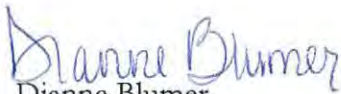
The Department concurs with the recommendation. The DLWD finance officer has taken measures to resolve the revenue shortfall issue with submission of a ratification request to the Office of Management and Budget for supplemental appropriation.

The DLWD finance officer has implemented updated procedures for billing and monitoring revenue collections to prevent future revenue shortfalls.

The Department considers this finding corrected.

Thank you for the opportunity to respond to these recommendations.

Sincerely,


Dianne Blumer
Commissioner

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

RECEIVED
MAR 19 2014

P.O. Box 110800
Juneau, Alaska 99811-0800
Main: 907.465.2500
TDD: 907.465.5437
Fax: 907.465.5442

March 19, 2014

LEGISLATIVE AUDIT

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

Re: State of Alaska, Statewide Single Audit for the Fiscal Year Ended June 30, 2013 Preliminary Report Audit
Control Number 02-40014-14

Dear Ms. Curtis:

The department appreciates the opportunity to respond to the recommendations issued in preliminary report.

Recommendation No. 3

DOA's Division of Finance director, the Department of Commerce, Community, and Economic Development's (DCCED) Division of Administrative Services director, and the Office of Management and Budget (OMB) director should improve procedures to ensure appropriations are correctly established in the Alaska state accounting system (AKSAS).

The department concurs with this recommendation. The Division of Administrative Services (ASD) director is working closely with OMB and DOA to improve the accuracy of recording appropriations in the state accounting system.

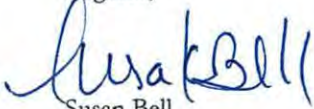
Recommendation No. 32

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

The department concurs with this recommendation and is taking measures to resolve revenue shortfall issues.

If you have additional questions please contact me at 465-2500.

Regards,


Susan Bell
Commissioner

cc: Jeanne Mungle, Director ASD

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Military and
Veterans Affairs

Office of the Commissioner

P.O. Box 5800
JBER, AK 99505-0800
Main: 907.428.6003
Fax: 907.428.6019

March 17, 2014

Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 17 2014

LEGISLATIVE AUDIT

RE: Preliminary Audit Report State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013,
Department of Military and Veterans' Affairs (DMVA)

Ms. Curtis,

I have reviewed the findings and recommendations in the above referenced preliminary audit report and appreciate the opportunity to respond.

Recommendation No. 33

DMVA concurs with the recommendation. Division of Administrative Services staff will work with the appropriate department personnel to develop and implement procedures to ensure that Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports are accurately submitted. Effective March 1, 2014, DMVA will improve the policy implemented February 1, 2013 to ensure timely and accurate processing of FFATA reports. Division of Administrative Services staff will develop internal written procedures that will include a monthly review of all items that were reported on during the preceding month and a review of any potential subawards that meet the \$25,000 reporting requirement per Federal Regulation 2 CFR 170, Appendix A, Section I.a.1.

Recommendation No. 34

DMVA concurs with the recommendation. Division of Administrative Services staff will work with the appropriate department personnel to develop and implement procedures to ensure either positive timekeeping or federally approved time allocation method is used when employees work on multiple activities or cost objectives. DMVA will improve the policy implemented March 1, 2013. Effective January 15, 2014, additional training was provided to all new employees regarding positive timekeeping, since the error occurred on a new employee's timesheet. An update was also made to "New Employee Training" to ensure positive timekeeping is covered. Additional review procedures were also implemented for all timesheets to identify errors in positive timekeeping prior to submission of timesheets to payroll. Future corrective actions will include an adjustment to the automated timesheets to provide instructions on positive timekeeping and the development of an in-depth training in timekeeping for all employees. DMVA does not agree the costs in question are ineligible under the grant. The costs are for eligible activities within each grant and can be supported based on the guidelines of the grants.

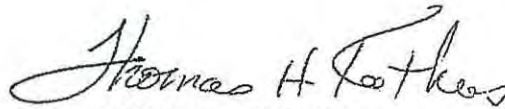
Recommendation No. 35

DMVA concurs with the recommendation. Division of Homeland Security and Emergency Management staff will work with the appropriate division personnel to improve procedures for subrecipient monitoring requirements. Effective April 1, 2014, a new procedure will be implemented to ensure that the review of award documents for all required information is included and documented.

Recommendation No. 36

DMVA concurs with the recommendation. Effective January 15, 2014, Division of Homeland Security and Emergency Management Staff adjusted the quarterly report to capture required information and written procedures for the management of this report. The quarterly report now captures all large projects, identifies improved and alternate projects, captures work completed per the P.4 Project Completion and Certification Report, and captures the actual project closeout date from the State closeout letters sent to Federal Emergency Management Agency. Procedures have been included in the State Public Assistance Administrative Plan and an explanation of the columns has been included on the quarterly report spreadsheet.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. Katkus". The signature is written in a cursive style with a large, sweeping initial "T".

MG Thomas H. Katkus
Commissioner, DMVA



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Natural Resources

Commissioner's Office
550 W. 7th, Suite 1400
Anchorage, Alaska 99501
Main: 907-269-8431

March 6, 2014

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 06 2014

LEGISLATIVE AUDIT

Re: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013, Preliminary Report

Dear Ms. Curtis:

Thank you for the opportunity to provide a written response to the Preliminary Audit Report which includes two recommendations for DNR.

Recommendation No. 37: The Division of Forestry (DOF) director should develop and implement policies and procedures to ensure employees certify their time when they are unavailable for signature.

The DNR is in agreement with this finding, and recognize the need to implement policies and procedures within the organization to ensure positive time reporting on employee timesheets and are in the process of drafting the language to address this need. We will have policies and procedures in place and training for employees prior to the 2014 fire season beginning April 1, 2014, and will coordinate our efforts with the Division of Personnel, Payroll Section to ensure the timesheets of record are accurate and complete.

Recommendation No. 38: The Oil and Gas Division director should develop and implement procedures to accurately report trust accounts.

The DNR is in agreement with this finding. Both the Division of Oil and Gas, and the Support Services Division, Financial Services Section have procedures in place to track all performance bonds and financial instruments held in trust accounts. In addition, procedures are in place to track all performance bonds and financial instruments that are held outside of the State Accounting System (e.g., land use surety bonds, Certificates of Deposits, savings account assignments) and report these for the CAFR. However, we recognize the need to integrate the procedures between the divisions in order to ensure accurate and timely reporting and have already undergone efforts to do so. We will have these procedures finalized and documented by March 31, 2014.

If you have further questions or need clarification, please contact Jean Davis at 465-2422.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Balash".

Joe Balash
Commissioner

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Fish and Game

OFFICE OF THE COMMISSIONER

1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4100
Fax: 907.465.2332

RECEIVED

MAR 11 2014

LEGISLATIVE AUDIT

March 7, 2014

Ms. Kristin Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

Thank you for the opportunity to comment on the preliminary audit report on the *State of Alaska Single Audit, for the Fiscal Year Ended June 30, 2013*. There were no findings or recommendations for the Department of Fish and Game, so we have no comments on the report.

It has been 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.

Sincerely,

A handwritten signature in blue ink that reads "Cora Campbell".

Cora Campbell
Commissioner

cc: Kevin Brooks, Deputy Commissioner
Sunny Haight, Director, Division of Administrative Services
Cristine O'Sullivan, Finance Officer, Division of Administrative Services

(Intentionally left blank)



State of Alaska Department of Public Safety

Sean Parnell, Governor
Gary Folger, Commissioner

March 5, 2014

Kris Curtis
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED

MAR 12 2014

LEGISLATIVE AUDIT

Dear Ms. Johnson,

Thank you for allowing me to respond to the recommendation contained in the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013. The department's response follows:

Recommendation No. 39

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

DPS agrees with this recommendation.

As recommend in your letter, DPS is consulting with the Office of Management and Budget on a ratification supplemental appropriation or other appropriate means of clearing AR 47872-13.

We will take similar action if the final federal review of AR 47863-13 results in under collection of revenue.

If you have any questions, please contact Dan Spencer, Director of Administrative Services, at 465-5488.

Sincerely,

A handwritten signature in blue ink that reads "Gary Folger".

Gary Folger
Commissioner

(Intentionally left blank)



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental
Conservation

RECEIVED
MAR 12 2014

Office of the Commissioner
410 Willoughby Ave., Ste. 303
Juneau, Alaska 99811-1800
Main: 907-465-5066
Fax: 907-465-5070
14.036

LEGISLATIVE AUDIT

March 18, 2014

Ms. Kris Curtis
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Re: Preliminary Audit Report, FY13 Statewide Single Audit, Department of Environmental Conservation (DEC)

Dear Ms. Curtis,

Thank you for the opportunity to respond to the Preliminary Audit Report. The department's response to the recommendations follows:

Recommendation No. 1: DEC's finance officer should improve cash management procedures to ensure federal expenditure reimbursement requests are accurate.

DEC concurs that cost-beneficial improvements in error prevention are always desirable. The error referenced in this recommendation was the result of a draw being requested in the wrong amount due to an undetected typographical mistake in the draw calculation spreadsheet.

To give perspective on the cost of this error, "overdraw" errors like this must be reported in annual Cash Management Improvement Act reporting, which calculates and charges interest to the state for the period "overdrawn" funds were held. The cost of this error to the state was \$66.00, as documented on the fiscal year 2013 report (submitted December 9, 2013). To give some perspective of the frequency and magnitude of all such errors committed by DEC, for the previous four years (FY2009 – FY 2012), DEC incurred a total of \$11.00 in "overdraw" costs. This brings the total cost of all overdraw errors committed by DEC to \$77.00 over a five year period. The cost, under \$100 over five years, and the rarity with which DEC commits these errors must be considered in determining appropriately cost-beneficial error prevention.

Detailed supervisor review of draws at DEC already occurs in conjunction with accounting transactions for draws received. This and other existing DEC internal controls designed for the purpose detected this error and corrected it within two weeks of the error occurring.

Recommendation 1 suggests adding an additional review as part of the initial draw request process to prevent draw request errors. This is not cost beneficial, and would likely not prevent all draw request errors in any case. Rather than adding manual review to all initial draw requests, DEC is pursuing

further automation of its initial draw request process to reduce the manual inputs that can result in typographical errors, which has the added benefit of reducing staff time required to calculate draws.

Recommendation No. 2: DEC's finance officer should develop and implement procedures to ensure federal suspension and debarment requirements are met.

DEC concurs with this recommendation. A federal grant administrative requirements checklist has been created and is currently being implemented for all federal grants. This checklist includes procedures for suspension and debarment verification and documentation.

Recommendation No. 3: DEC's finance officer should improve procedures over subrecipient monitoring.

DEC concurs with this recommendation. A federal grant administrative checklist has been created and is currently being implemented for all federal grants. This checklist includes procedures for subrecipient monitoring verification and documentation including ensuring that DUNS numbers are received prior to award, CFDA numbers are communicated, and management decisions regarding subrecipient audit findings are issued timely.

Recommendation No. 4: DEC's finance officer should develop and implement procedures to comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) subaward reporting requirements.

DEC concurs with this recommendation. A federal grant administrative requirements checklist has been created and is currently being implemented for all federal grants. This checklist includes a description of the FFATA reporting requirements, and is reviewed by division of Water administrative management.

Again, thank you for the opportunity to respond. If you have any questions, please contact DEC Finance Officer Luke Canady at 465-5041.

Sincerely,



Larry Hartig
Commissioner

cc: Tom Cherian, Director, Division of Administrative Services, DEC
Joanna McDowell, Division Operations Manager, Division of Administrative Services, DEC
Luke Canady, Finance Officer, Division of Administrative Services, DEC
Michelle Hale, Director, Division of Water, DEC



March 18, 2014

Ms. Kris Curtis, CPA
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED
MAR 18 2014
LEGISLATIVE AUDIT

Dear Ms. Curtis:

Thank you for the opportunity to respond to the confidential preliminary report dated February 25, 2014 regarding the FY 13 Statewide Single Audit, Department of Corrections (DOC). Our response to the preliminary report is as follows.

Recommendation No. 44

DOC's finance officer should take measures to resolve revenue shortfall issues. In FY 13, one potential shortfall was identified in the following amount.

<u>Appropriation</u>	<u>Appropriation Title</u>	<u>Amount</u>
51303-09	Deferred Maintenance, Repair and Renovation	\$ 1,154,151

In response to the shortfall identified:

- As of March 18, 2014 the DOC's has billed the Alaska Student Loan Corporation \$1,094,876.01 as identified below:

Requisition # 5	\$ 200,761.79
Requisition # 6	258,842.36
Requisition # 7	613,080.79
Requisition # 8	22,191.07
Total	\$ 1,094,876.01

A summary of the project total and billings submitted (both paid and pending) is attached.

- Of the remaining balance \$59,264.51 DOC staff has prepared an additional \$57,038.28 for billing and is currently working on pulling the documentation to fulfill the billing. We anticipate the full amount to be billed and paid by June 30, 2014.

Thank you again for the opportunity to respond to your letter. Should you need additional information or have questions, please do not hesitate to contact our office. We look forward to assisting your office in any way possible.

Sincerely,

A handwritten signature in blue ink, appearing to read "Leslie Houston", with a long horizontal flourish extending to the right.

Leslie Houston
Deputy Commissioner

Enclosure
Summary of Alaska Student Loan Corporation
Billings as of January 27, 2014

Requisition of Proceeds Capital Project Revenue Bonds, 2004 Series A Alaska Student Loan Corporation Department of Corrections Summary of Billings as of January 27, 2014												
PROJECT	LEDGER CODE	FINAL PROJECT TOTALS	REQUISITION #1	REQUISITION #2	REQUISITION #3	REQUISITION #4	REQUISITION #5	REQUISITION #6	REQUISITION #7	REQUISITION #8	TOTAL SPENT	BALANCE
FY 05 CIP RSA 2053000 Changeback	17791022	\$ 238,300.00		62,991.76	62,975.76	112,332.48					238,300.00	\$ -
FY 05 CIP Administration Costs	17791042	21,721.79	446.99	3,784.25	13,555.64	4,898.38	(565.70)				22,119.56	(387.77)
Replace ST Sliders & Controls-Design	17791401	10.12					10.12				10.12	-
AWWU Water Connection-Ph II	17791402	363,781.97	390,748.00				2,680.50	(29,646.53)			363,781.97	-
Generator Transfer Switch	17791403	50,765.40					50,765.40				50,765.40	-
FY-07 "AWWU" Assessments	17791404	4,930.00										4,930.00
RSA 2043002-Mid Fire Sprinkler Repair-Ph II	17791501	57,954.78			813.02	20,996.77	2,531.76	1,938.09		16,446.27	42,727.91	15,226.87
Switchgear Replacement-Equipment	17791601	10,485.36			10,485.36						10,485.36	-
Switchgear Replacement-Construction	17791602	13,178.00		3,350.00	9,828.00						13,178.00	-
RSA 2053001-Roof Replacement Project-Design	17791603	50,000.00					50,000.00				50,000.00	-
Emergency Heating System Repair	17791604	39,911.14					19,330.40	20,580.74			39,911.14	-
Water Treatment System-Ph I	17791701	1,876.43					1,832.00				1,832.00	44.43
ACI Laundry Heating Oil Tank	17791801	4,189.50					4,189.50				4,189.50	-
Heating Means-Ph I	17791901	48,518.15					46,518.15	266,282.13		5,744.80	46,518.15	-
Water Line Replacement-Ph I	17792001	289,574.54									272,026.93	17,547.61
Gym Temporary Housing	17792402	19,289.37										19,289.37
Radio Man Down Console (Labor)	17792501	1,501.50			875.00		1,501.50				1,501.50	-
Water Treatment System Repairs	17792701	875.00			194.00	206.07	3,581.16				875.00	-
DJEC Water Treatment Upgrade	17792703	3,581.16					16,475.00	(88.00)	(312.07)		16,475.00	(400.07)
Washers/Dryers	17792802	16,475.00										16,475.00
Mat-Su Fire Alarms	17792801										(400.07)	400.07
HMCC Sallyport	17761401	33,237.69							33,237.69		33,237.69	-
PCC Sewer Line Extension	17761504	3,553.80							3,553.80		3,553.80	-
FCC Gum Mech Rm Cont	17761602	411.84							411.84		411.84	-
FCC Boiler Blowdown	17761604	2,938.78							2,938.78		2,938.78	-
FCC Switchgear Replacement	17761605	16,794.00							16,794.00		16,794.00	-
FCC Dental Clinic Equipment	17761606	5,525.35							5,525.35		5,525.35	-
AMCC Fire Alarm	17761702	112,559.45							112,559.45		112,559.45	-
LCCC Laundry Heat	17761803	9,810.50							9,810.50		9,810.50	-
KCC Regals Heat Main	17761901	91,422.71							91,422.71		91,422.71	-
WCC Asbestos - Phase II	17762301	1,252.63							1,252.63		1,252.63	-
CjPT Replaces Floor Drain	17762401	8,140.32							8,140.32		8,140.32	-
AMCC Sep Pret Ph II	17761701	89,240.58							89,240.58		89,240.58	-
AMCC Incon RGR	17761703	26,787.14							26,787.14		26,787.14	-
LCCC ACI Laundry Heat Tank	17761602	88,407.50							88,407.50		88,407.50	-
MSPT Int Repa Const	17762801	122,998.50							122,998.50		122,998.50	-
TOTAL		\$ 1,850,000.00	391,194.99	70,126.01	98,726.78	138,435.70	200,761.79	258,842.36	613,080.79	22,191.07	1,793,359.49	\$ 56,640.51

STATUS	Paid in full		Paid short		Remitted for payment		Remitted for payment	
	10/23/13	10/25/13	10/23/13	10/25/13	1/27/14	1/27/14	1/27/14	1/27/14
	391,194.99	67,502.01	67,502.01	138,435.70	200,761.79	258,842.36	613,080.79	22,191.07
	1,458,805.01	1,391,303.00	1,391,303.00	1,154,140.52	953,378.73	694,536.37	81,455.58	59,264.51

COA Year	2006,2011,2010,2009,2008,2007,2007
Appropriation Number	51303
Term Year	2009
Appropriation Name	DEFER MAINT REPR&REN
Account Type(s)	EX
Account Number	all
Posting Type(s)	1,4
Posting Month(s)	1-18

DP	DN	TC	PN	TD	Input RD Code	Req #9	Page #	Notes
08/25/06	AA19553210012	310-10		SOLAR ENVIRONMENTAL SERVICES, INC	20128	40.00		
08/25/06	AA19553210001	310-10		ALASKA CONCRETE SAWING, INC.	20128	900.00		
08/25/06	AA19553210003	310-10		CHINOOK FIRE PROTECTION, INC	20128	1,787.00		
08/25/06	AA19553210005	310-10		GLASS, SASH & DOOR SUPPLY, INC.	20128	996.00		
08/25/06	AA19553210007	310-10		HONEYWELL INC	20128	5,288.54		
08/25/06	AA19553210006	310-10		HOME DEPOT COMMERCIAL CREDIT	20128	599.70		
08/25/06	AA19553210004	310-10		CRAFTMASTER HARDWARE CO., INC.	20128	167.34		
08/24/06	AA19378110017	310-10		SPENARD BUILDERS SUPPLY, INC./GALCO	20128	705.55		
08/24/06	AA19387000011	310-10		SPENARD BUILDERS SUPPLY, INC./GALCO	20128	(274.28)		
08/24/06	AA19387000011	310-10		SPENARD BUILDERS SUPPLY, INC./GALCO	20128	1,759.48		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	549.00		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	269.20		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	289.20		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	201.90		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	20.52		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	250.25		
08/25/06	AA19553210008	310-10		JAMES P SHELDON CO INC	20128	252.00		
08/31/06	AA19568610001	310-10		NORTH COAST ELECTRIC COMPANY	20128	372.00		
08/25/06	AA19553210009	310-10		KELLER SUPPLY COMPANY	20128	319.52		
08/25/06	AA19553210010	310-10		PACIFIC PLUMBING SUPPLY COMPANY	20128	367.74		
08/25/06	AA19553210011	310-10		PLUMBMASTER INC	20128	2,147.86		
08/24/06	AA19384520017	310-10		WESTERN SHEET METAL AND CONTROLS, INC.	20128	1,851.50		
08/25/06	AA19553210006	310-10		HOME DEPOT COMMERCIAL CREDIT	20128	32.70		
08/24/06	AA19552180001	430-10		AA19248590008 AJE TO CAPTIAL / ACC W GYM	20111	58.90		
08/25/06	AA19553210006	310-10		HOME DEPOT COMMERCIAL CREDIT	20128	164.78		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	74.35		
08/25/06	AA19553210002	310-10		ANCHORAGE SAND AND GRAVEL, INC.	20128	(11.40)		
04/17/07	AA20016620034	145-90		PJ 78500 TO REIMBURSE DOT/PF FOR EXP	24342	15,226.67		
06/20/07	AA20267060002	310-10		DIGITAL BLUEPRINT	20169	44.43		
07/11/07	AA20304450001	310-10		RSA ENGINEERING, INC.	20169	372.79		
08/23/07	AA20455240001	310-10		RSA ENGINEERING, INC.	20169	41.86		
09/04/07	AA20509420001	310-10		CHRIS E HAAS	20169	17,132.96		
02/07/08	AA20836900004	310-10		ARCTIC PUMP & WELL	20169	4,930.00		
NET TO ZERO:								
08/23/07	AA20455240001	310-10		RSA ENGINEERING, INC.	20169	41.86		
08/23/07	AA20455240001	310-10		RSA ENGINEERING, INC.	20169	(41.86)		
09/04/07	AA20509420001	310-10		CHRIS E HAAS	20169	(17,132.96)		
09/04/07	AA20509420001	310-10		CHRIS E HAAS	20169	17,132.96		
09/16/05	AA18658350005	310-10		RSA ENGINEERING, INC.	20169	5,744.80		
09/16/05	AA18658350005	310-10		RSA ENGINEERING, INC.	20169	(5,744.80)		
06/20/07	AA20267060002	310-10		DIGITAL BLUEPRINT	20169	44.43		
06/20/07	AA20267060002	310-10		DIGITAL BLUEPRINT	20169	(44.43)		
07/11/07	AA20304450001	310-10		RSA ENGINEERING, INC.	20169	372.79		
07/11/07	AA20304450001	310-10		RSA ENGINEERING, INC.	20169	(372.79)		
02/07/08	AA20836900004	310-10		ARCTIC PUMP & WELL	20169	4,930.00		
02/07/08	AA20836900004	310-10		ARCTIC PUMP & WELL	20169	(4,930.00)		
						\$	57,038.28	



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Transportation and
Public Facilities

OFFICE OF THE COMMISSIONER
Patrick J. Kemp, P.E., Commissioner

RECEIVED

MAR 19 2014

LEGISLATIVE AUDIT

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
Fax: 907.586.8365
dot.state.ak.us

March 19, 2014

Ms. Kris Curtis, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis,

This is in response to FY 2013 Statewide Single Audit recommendations for the Department of Transportation and Public Facilities (DOT&PF). The following are the responses regarding the DOTPF specific recommendations.

Recommendation 45

DOT&PF's director of program development should develop and implement procedures to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) sub-award reporting requirements.

Department response: *The department concurs with this recommendation. The DOT&PF Program Development staff is coordinating efforts with the DOT&PF Federal Grants Accountant to file delinquent FFATA reports and will transfer the FFATA reporting responsibilities to DOT&PF Admin-Finance Section as a component of the encumbrance process. Procedures will be developed accordingly.*

Recommendation 46

DOT&PF's highway safety administrator should develop and implement procedures to obtain subrecipients' Dun and Bradstreet Data Universal Numbering System (DUNS) number and ensure subrecipients are informed of the federal award information.

Department response: *The department concurs with this recommendation. The Alaska Highway Safety Office (AHSO) has obtained DUNS numbers from current grantees. For the FY14 grant year, a new field has been added to the grant application requesting the applicants' DUNS number. DUNS' numbers have been added to the subrecipient grant agreements. In*

addition, a field has been included on the subrecipient grant award to inform the sub grantee of the federal grant award information.

Recommendation 47

DOT&PF's highway safety administrator should ensure that personal service expenditures billed to federal programs comply with federal requirements.

Department response: *The department concurs with this recommendation. The AHSO has implemented the requirement that all grantees who request reimbursement for personal services submit certified personnel activity reports or equivalent documentation. In addition all AHSO employees billing federal programs for personal services expenditures will document actual hours worked and certify their timesheet.*

Recommendation 48

DOT&PF's highway safety administrator should strengthen procedures to ensure expenditures claimed as an HSC program match meet federal requirements.

Department response: *The department concurs with this recommendation. Each year AHSO completes a grant application for each funding section. This application certifies the federal level of effort requirement has been met.*

Recommendation 49

DOT&PF's transit program manager should strengthen procedures to ensure federal report accuracy.

Department response: *The department concurs with this recommendation. The DOT&PF transit program manager is working with the DOT&PF Federal Grants Accountant to complete delinquent and correct inaccurate reports. The DOT&PF Transit program has transferred the preparation of financial reports to the DOT&PF Admin-Finance Section. Procedures are being developed which will require the Transit Coordinator to review finance reports prior to submission to the federal funding partner. DOT&PF Admin-Finance section will provide oversight to ensure accurate and timely submission of program reports to the federal funding partner.*

Recommendation 50

DOT&PF's transit program manager should strengthen procedures to ensure subrecipients are informed of required federal award information.

Department response: *The department concurs with this recommendation. Procedures have been implemented for SFY2014 to ensure that recipients are informed of federal award information. The required federal award information was included in template agreements through the electronic grants management system effective with SFY2014. The DOT&PF transit*

program manager will continue to ensure grant agreements and other form templates include required federal award information.

Recommendation 51

DOT&PF's transit program manager should notify applicable subrecipients of *American Recovery and Reinvestment Act (ARRA)* requirements concerning registering on the Central Contractor Registration system (CCR) and the presentation of ARRA awards in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC data collection form.

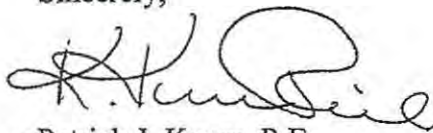
Department response: *The department concurs with this recommendation. All ARRA sub-recipients were notified to register on the CCR and had their registry identification numbers in October 2009. The ARRA grants to sub-recipients have been fully expended and DOT&PF has closed the ARRA grant with Federal Transit Administration. In addition, the January 17th enactment of the Federal Government's Fiscal Year 2014 Omnibus Spending Bill repealed Section 1512, quarterly ARRA reporting as of February 1, 2014. This made January 2014 reporting cycle the last time recipients need to report on the status of their awards.*

Recommendation 52

DOT&PF's finance officer should take measures to resolve revenue shortfall issues.

Department response: *The department concurs with this recommendation and is working closely with DMVA to resolve the revenue shortfall when the OIG Audit has been completed.*

Sincerely,



Patrick J. Kemp, P.E.
Commissioner



(Intentionally left blank)



RECEIVED
MAR 10 2014
LEGISLATIVE AUDIT

CHRISTINE E. JOHNSON
Administrative Director

Alaska Court System

303 K STREET
ANCHORAGE, ALASKA
99501

(907) 264-0548
FAX (907) 264-0881

March 5, 2014

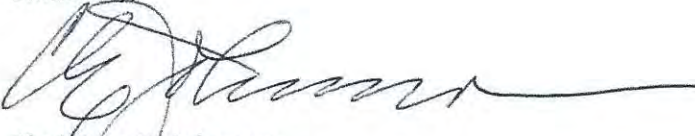
Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

We have reviewed the preliminary FY13 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 264-0528 or the court system's chief financial officer, Rhonda McLeod at 264-8215.

Sincerely,



Christine E. Johnson
Administrative Director

cc: Honorable Dana Fabe, Chief Justice
Rhonda McLeod, Chief Financial Officer

(Intentionally left blank)



March 12, 2014

RECEIVED

MAR 12 2014

LEGISLATIVE AUDIT

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

Subject: Request for Alaska Energy Authority Response to State of Alaska, Single Audit June 30, 2013

Dear Kris Curtis:

Russell Dick, AEA Chairman, asked me to respond to the Legislative Budget and Audit Committee's letter dated February 25, 2014 requesting a response to the preliminary report for the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013. Thank you for the opportunity to include our response in the final report. Accordingly, we request that you incorporate AEA's response to the finding, as documented in the FY2013 KPMG single audit. AEA's response also identifies corrective actions taken to address the condition found.

Sincerely,

A handwritten signature in black ink that reads "Sara Fisher-Goad". The signature is written in a cursive, flowing style.

Sara Fisher-Goad
AEA Executive Director

(Intentionally left blank)

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

March 21, 2014

Members of the Legislative Budget
and Audit Committee:

Agency responses to audit recommendations have been incorporated into this report twice. Agency responses are first paired with the audit recommendations in Section II. The responses then reappear in Section IV of this report.

We have reviewed agencies' responses to the recommendations in this report. Generally, the agencies concur with the recommendations. There are, however, responses to five of these recommendations which we believe warrant further comments

Recommendation No. 8

We have reviewed the Department of Health and Social Services' (DHSS) response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. Reconciliations are DHSS' main internal control to ensure expenditures eligible for federal reimbursement are drawn and received timely. Alternative internal controls were not brought to our attention during the audit despite multiple meetings to discuss this finding. We reaffirm the recommendation and reiterate that 50 percent of the reconciliations tested were performed over 60 days after the end of the quarter.

Recommendation No. 10

We have reviewed DHSS' response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. The department does not fully concur with the recommendation but does not identify a basis for disagreement.

Recommendation No. 26

We have reviewed the Department of Labor and Workforce Development's response to this recommendation, and nothing contained in the response provided sufficient information to

persuade us to revise or remove the recommendation. The resolution of the questioned costs will be determined by the United States Department of Labor.


Recommendation No. 34

We have reviewed the Department of Military and Veterans Affairs response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation. The resolution of the questioned costs will be determined by the United States Department of Homeland Security.

Recommendation No. 40

We have reviewed the Department of Environmental Conservation's response to this recommendation, and nothing contained in the response provided sufficient information to persuade us to revise or remove the recommendation.

In summary, we reaffirm the findings and recommendations presented in this report.



Kris Curtis, CPA, CISA
Legislative Auditor