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, 2014

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 $3.1 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 14, 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, except for the Governmental Activities and General Fund financial statements which are qualified. We were unable to obtain sufficient appropriate audit evidence to support an opinion on the expenditures for Medicaid and Children's Health Insurance Program services and related revenues as of June 30 2014. Medicaid information systems controls were not effective during the fiscal year ended June 30, 2014. (See Recommendation No. 2014-021.)

We were unable to obtain sufficient appropriate audit evidence to support the State of Alaska's compliance with the Allowable Costs and Eligibility requirements applicable to the Medicaid Cluster and Children's Health Insurance Program administered by the Department of Health and Social Services. (See Recommendation No. 2014-019.) Failure to comply with these compliance requirements resulted in a material weakness for Medicaid and the Children's Health Insurance Program. The State has substantially complied with 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 43 recommendations, of which 17 are unresolved issues from last year. Three of the 43 recommendations are made to Alaska Housing Finance Corporation, one is made to the University of Alaska, and two are made to the Department of Environmental Conservation whose audits were performed by other auditors. Some of the recommendations made in this report require significant changes in procedures or a shifting of priorities, and therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of most prior audit recommendations not resolved by the release of the FY 14 statewide single audit.

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February 26, 2015

Honorable Members of the
Alaska State Legislature

The Honorable Bill Walker
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, 2014. 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 14, 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 13 single audit contained 53 recommendations; this report presents a total of 43 recommendations, 17 of which were presented, at least in part, last year. Included in this year's recommendations are three recommendations made to the Alaska Housing Finance Corporation, one recommendation made to the University of Alaska, and two recommendations to the Department of Environmental Conservation whose audits were performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations by the state agencies.

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

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

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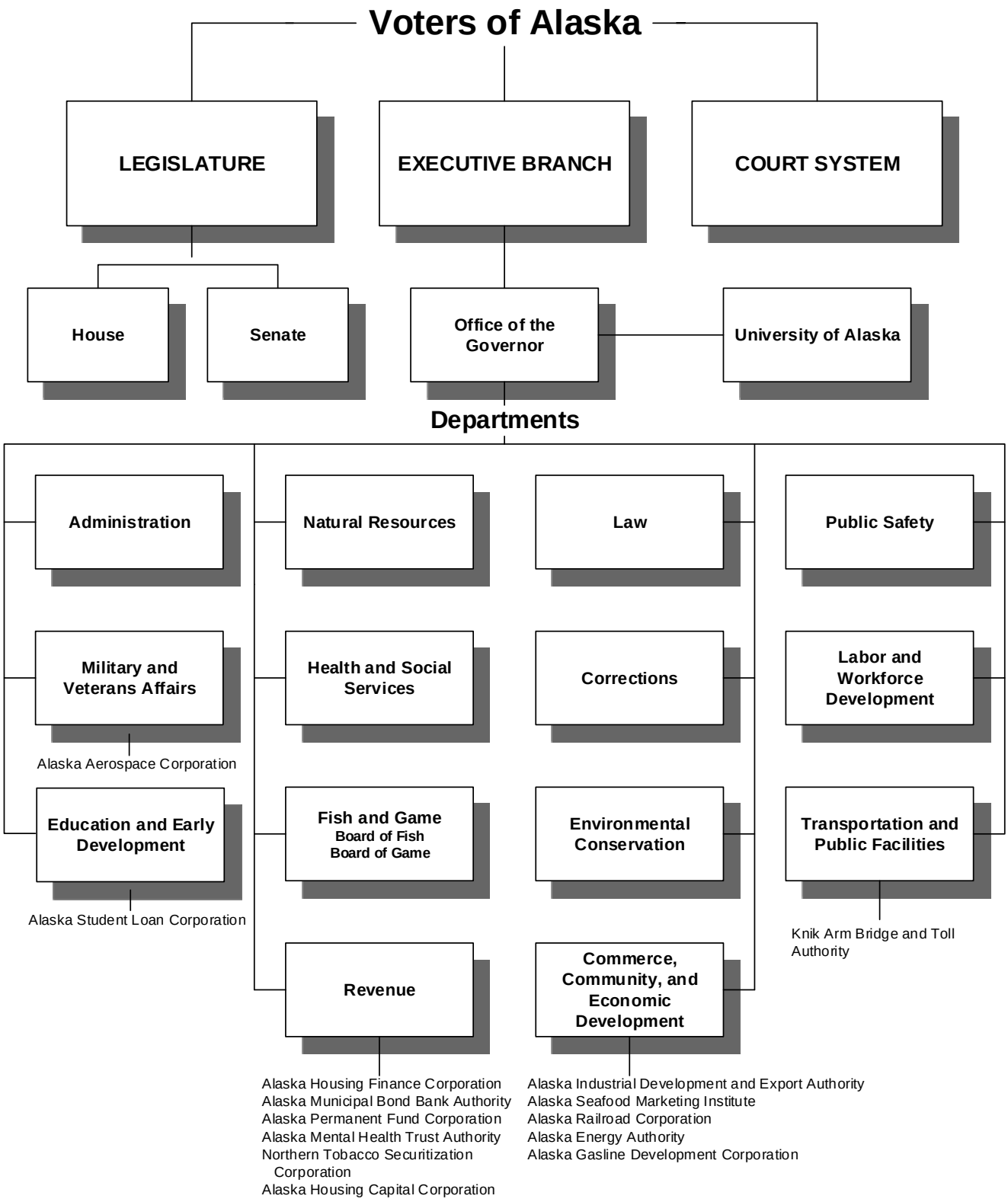
Voters of Alaska
LEGISLATURE
EXECUTIVE BRANCH
COURT SYSTEM
House
Senate
Office of the Governor
University of Alaska
Departments
Administration
Natural Resources
Law
Public Safety
Military and Veterans Affairs
Alaska Aerospace Corporation
Health and Social Services
Corrections
Labor and Workforce Development
Education and Early Development
Alaska Student Loan Corporation
Fish and Game
Board of Fish
Board of Game
Environmental Conservation
Transportation and Public Facilities
Knik Arm Bridge and Toll Authority
Revenue
Commerce, Community, and Economic Development
Alaska Housing Finance Corporation
Alaska Municipal Bond Bank Authority
Alaska Permanent Fund Corporation
Alaska Mental Health Trust Authority
Northern Tobacco Securitization Corporation
Alaska Housing Capital Corporation
Alaska Industrial Development and Export Authority
Alaska Seafood Marketing Institute
Alaska Railroad Corporation
Alaska Energy Authority
Alaska Gasline Development Corporation

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SECTION I – AUDITOR'S REPORT AND FINANCIAL STATEMENTS

ALASKA STATE LEGISLATURE
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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 and 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, 2014, 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 the Department 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%	54%
Business-Type Activities	73%	37%
Aggregate Discretely Presented Component Units	88%	93%
Major Funds:		
General Fund	90%	14%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	91%	89%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Department 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.

Summary of Opinions

Opinion Unit	Type of Opinions
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Qualified
Alaska Permanent Fund	Unmodified
Alaska International Airports	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Governmental Activities and General Fund

The State of Alaska's Department of Health and Social Services implemented a new information system to process Medicaid and Children's Health Insurance Program claims during FY 14 that generated approximately $1.1 billion in General Fund expenditures and $658.8 million in General Fund federal grants-in-aid revenue. From the point of implementation, the new Medicaid system contained pervasive, significant defects. We are unable to obtain sufficient appropriate audit evidence about the expenditures for Medicaid services and related revenues as of June 30, 2014, because the system controls were not effective, and the performance of substantive procedures was not sufficient.

Qualified Opinions

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the "*Basis for Qualified Opinions on Governmental Activities and General Fund*" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and the General Fund information of the State of Alaska, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 business-type activities, the aggregate discretely presented component units, Alaska Permanent Fund, Alaska International Airports, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2014, and 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 Matter

As discussed in Note 3 to the financial statements for FY 14, the State of Alaska and its components adopted the provisions of *Governmental Accounting Standards Board Statement Number 65, Items Previously Reported as Assets and Liabilities*. Adoption of this statement resulted in the restatement of net position as of June 30, 2013, for several entities presented. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, Supplemental Benefits and Deferred Compensation funds changed their reporting period year end to June 30 from January 31 and December 31, respectively. These funds are audited by other auditors and presented in the Pension and Other Employee Benefit Trust Funds. The financial operations in the combining statement of changes in fiduciary net position for Supplemental Benefits are presented for a period of 17 months ended June 30, 2014, and Deferred Compensation for a period of 18 months ended June 30, 2014. 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. Although not a part of the basic financial statements, such information 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 *United States 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, and except for the effects of the matter described in the "*Basis for Qualified Opinions on Governmental Activities and General Fund*" paragraph, 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 10, 2014, 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 10, 2014, except for our report on the Schedule of Expenditures of Federal Awards which is dated February 20, 2015.

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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, 2014. 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 and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of FY 14 by $82.1 billion (net position). Of this amount, $7.1 billion is invested in capital assets, $46.7 billion is restricted for various purposes, and unrestricted net position is $28.3 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 $6.1 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 $74.6 billion, with $28.6 billion unrestricted (includes committed, assigned, and unassigned), $45.8 billion nonspendable, and $231 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes $45.0 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 $22.3 billion. This is a decrease of $0.1 billion from FY 13. The decrease is mainly attributable to a decrease in taxes collected by the State.

Long-term debt

- As a result of this year's activity, after taking into account the effect of a prior period adjustment, the State's total long-term debt decreased by $177 million (6.21 percent). The decrease in debt is primarily due to a decrease in unearned revenue, a decrease in outstanding revenue bonds, as well as a decrease in general obligation bonds. Additional information regarding long-term debt can be found in Note 6. Additional information regarding prior period adjustments can be found in Note 3.

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 ten corporations and authorities that are reported as discretely presented component units of the State.

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

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

- Capital assets (land, buildings, equipment, infrastructure, 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 97.5 percent of total government-wide cash and investments and 89.8 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 9.2 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in the Statement of Fiduciary Net 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 (RSI)

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $82.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net position (62.4 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 ($45.0 billion) may not be spent.

The remainder of the State's net position (37.6 percent) represents net investment in capital assets ($7.1 billion), resources that are subject to external restrictions of how they may be used ($1.6 billion), and the remaining unrestricted net position of $22.2 billion, which excludes $6.2 billion that is in the Alaska Permanent Fund.

Net Position
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Current and Other Noncurrent Assets	$ 78,597	$ 75,016	$ 1,313	$ 1,237	$ 79,910	$ 76,253
Capital Assets	6,951	6,717	1,312	1,335	8,263	8,052
Total Assets	85,548	81,733	2,625	2,572	88,173	84,305
Deferred Outflows of Resources	6	-	-		6	
Long-term Liabilities	2,151	2,428	521	572	2,672	3,000
Other Liabilities	3,385	5,282	19	18	3,404	5,300
Total Liabilities	5,536	7,710	540	590	6,076	8,300
Net Position:						
Net Investment in Capital Assets	6,205	5,940	868	847	7,073	6,787
Restricted	45,797	41,812	866	778	46,663	42,590
Unrestricted	28,016	26,271	351	357	28,367	26,628
Total Net Position	$ 80,018	$ 74,023	$ 2,085	$ 1,982	$ 82,103	$ 76,005

The net position of governmental activities increased $5,995 million and business-type activities increased $103 million as a result of this year's operations. The increase in governmental activities is primarily due to an increase in the Alaska Permanent Fund investment gains. The increase in business-type activities is primarily due to 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 14.

Changes in Net Position
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Revenues						
Program Revenues						
Charges for Services	$ 2,928	$ 3,190	$ 372	$ 359	$ 3,300	$ 3,549
Operating Grants	1,810	1,867	26	81	1,836	1,948
Capital Grants	681	651	80	109	761	760
General Revenues						
Taxes	2,974	4,787	-	-	2,974	4,787
Interest and Investment Income/(Loss)	8,236	5,208	(14)	(17)	8,222	5,191
Payments In from Component Units	23	32	-	16	23	48
Other Revenues	60	99	5	4	65	103
Total Revenues	16,712	15,834	469	552	17,181	16,386
Expenses						
General Government	554	573	-	-	554	573
Alaska Permanent Fund Dividend	571	563	-	-	571	563
Education and University	2,676	2,645	-	-	2,676	2,645
Health and Human Services	2,587	2,717	-	-	2,587	2,717
Law and Justice	270	267	-	-	270	267
Public Protection	805	730	-	-	805	730
Natural Resources	383	376	-	-	383	376
Development	1,123	701	5	5	1,128	706
Transportation	1,404	1,157	-	-	1,404	1,157
Intergovernmental	262	287	-	-	262	287
Debt Service	65	64	-	-	65	64
Loans	-	-	10	8	10	8
Unemployment Compensation	-	-	196	259	196	259
Airports	-	-	158	151	158	151
Total Expenses	10,700	10,080	369	423	11,069	10,503
Excess (Deficiency) of Revenues						
Over Expenditures	6,012	5,754	100	129	6,112	5,883
Transfers	(1)	(23)	1	23	-	-
Change in Net Position	6,011	5,731	101	152	6,112	5,883
Net Position - Beginning of Year (restated)	74,018	68,292	1,984	1,830	76,002	70,122
Prior Period Adjustment	(11)	-	-	-	(11)	-
Net Position - End of Year	$ 80,018	$ 74,023	$ 2,085	$ 1,982	$ 82,103	$ 76,005

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 $74.6 billion, an increase of $5.6 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 $15.7 billion, and $6.6 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of $6.2 billion, and the remaining nonmajor governmental funds had committed fund balances of $129 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 ($45.0 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal ($781 million), and amounts restricted for a variety of other purposes ($231 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 $22.3 billion, while total fund balance reached $22.5 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 220 percent of total General Fund expenditures, while total fund balance represents 223 percent of that same amount.

The fund balance of the State's General Fund decreased by $0.1 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 14 were $8.8 billion, a decrease of $1.5 billion compared to revenues of $10.3 billion for FY 13. Revenues by source for FY 14 are compared to FY 13 in the following schedule (in millions):

Revenue Source	FY 14	Percent	FY 13	Percent
Taxes	$ 2,954.3	33.5%	$ 4,765.8	46.1%
Rents and Royalties	1,764.5	20.0%	1,949.6	18.8%
Interest and Investment Income/(Loss)	1,279.6	14.5%	766.7	7.4%
Federal	2,410.5	27.4%	2,392.4	23.1%
Miscellaneous	402.1	4.6%	471.4	4.6%
Total Revenue	$ 8,811.0	100.0%	$ 10,345.9	100.0%

The primary component of this revenue decrease is petroleum related income compared to the previous year. The State received $1.9 billion less in taxes and royalties due to a decrease in wellhead value and changes in tax laws with the passage of the More Alaska Production Act (MAPA) allowing for an increase in tax credits.

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, 2014, this amounted to $37.9 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: $15.3 billion in dedicated mineral revenues; $15.6 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 $7.1 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, 2014, realized earnings (both gains and losses) have amounted to $47.6 billion. Of this amount $21.7 billion has been paid out for dividends, $15.6 billion has been transferred to principal for inflation proofing, $4.3 billion has been added to principal by special appropriation, $512 million has been paid out to the General Fund, and $5.4 billion remains in the fund at June 30, 2014 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 $975 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a $2.0 billion increase in appropriations (or 11 percent) and can be briefly summarized as follows:

- $1,182.9 million increase allocated to education
- $456.5 million increase allocated to transportation
- $260.0 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, $351.3 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 $1,920.4 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.

The difference between the final amended budget and actual expenditures was a $6.7 billion decrease (or 34 percent) and can be briefly summarized as follows:

- $1,495.9 million decrease from the final budget in tax revenue was realized
- $5,099.0 million decrease from the final budget in federal grants in aid restricted revenue was realized
- $4,375.8 million decrease in transportation expenditures due to the decrease in federal grants in aid

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, 2014, amounts to $7.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 14 totaled $425 million for governmental activities and $66 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Land	$ 936	$ 912	$ 31	$ 31	$ 967	$ 943
Buildings	1,331	1,334	739	771	2,070	2,105
Equipment	461	453	33	36	494	489
Infrastructure	2,675	2,712	413	415	3,088	3,127
Construction in Progress	1,548	1,306	96	82	1,644	1,388
Total Capital Assets	$ 6,951	$ 6,717	$ 1,312	$ 1,335	$ 8,263	$ 8,052

In FY 14, increases were primarily in construction in progress with an increase of $256 million with a decrease in infrastructure and buildings of $39 million and $35 million respectively. 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 $1,597 million. Of this amount, $692 million was general obligation bonds, and $905 million of revenue bonds payable comprised of $354 million issued by the Northern Tobacco Securitization Corporation (NTSC), $37 million of sport fishing revenue bonds, and $514 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 $514 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13 Restated	FY 14	FY 13	FY 14	FY 13 Restated
Revenue Bonds Payable	$ 391	$ 403	$ 514	$ 565	$ 905	$ 968
General Obligation Debt	692	743	-	-	692	743
Notes Payable	3	-	-	-	3	-
Capital Leases Payable	330	342	-	-	330	342
Unearned Revenues	333	397	1	1	334	398
Certificates of Participation	3	5	-	-	3	5
Compensated Absences	178	176	5	5	183	181
Claims and Judgments	142	111	-	-	142	111
Pollution Remediation	78	99	1	1	79	100
Other Noncurrent Liabilities	1	1	-	-	1	1
Total	$ 2,151	$ 2,277	$ 521	$ 572	$ 2,672	$ 2,849

The State's total debt decreased by $177 million (6.21 percent) as a result of this year's operations. The decrease in debt is primarily due to a decrease in unearned revenue and advances as well as a decrease in outstanding revenue bonds and general obligation bonds.

Additional information regarding the restated balances for FY 13 and of the State's long-term debt can be found in Notes 3 and 6 respectively, in the notes to the basic financial statements.

Significant Facts

While the General Fund revenue decreased by $1.5 billion over all, petroleum related tax and royalty revenue decreased by $1.9 billion between FY 13 and FY14. The decrease is attributed to a decrease in the price per barrel and MAPA allowing for an increase in tax credits that oil companies are eligible to claim as well as to an increase in tax deductible lease expenditures. Changes to the tax law allowed credits to be used in FY 14 instead of FY 15 and a per barrel tax credit, based upon where the barrel originated, was created.

Another significant factor affecting revenues was an increase of $3.0 billion in interest and investment income between FY 13 and FY 14. In FY 13 the Alaska Permanent Fund (APF) experienced investment income gain of $4.4 billion, compared to a gain of $7.0 billion in FY 14. The APF experienced a total fund return of 15.52 percent for FY 14. FY 2014'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 14 was 6.5 percent, which is lower than the average unemployment rate for FY 13 of 6.7 percent. Alaska's five year average (2010 to 2014) was 7.2 percent. The United States unemployment rate for FY 14 was 6.8 percent.

- Total General Fund revenue for FY 14 was $8.8 billion. Three sources of revenue accounted for 90 percent of total state revenue; petroleum, investment, and federal revenue. Petroleum accounted for about 48 percent, investment accounted for 15 percent and federal sources accounted for 27 percent of general fund revenue. The State's budget is primarily structured around petroleum and federal revenue. Federal funds are generally restricted for use for federal programs and therefore cannot be used to balance the State budget.

- FY 14 crude oil and natural gas liquids production in the State of Alaska for the North Slope and Cook Inlet areas averaged 547 thousand barrels per day. This is 3 thousand barrels per day more than in the prior year (a state wide effective increase of 1 percent) and can be attributed to an increase of production in the Cook Inlet area. FY 14 production, breaks the pattern of the last 25 years of overall decline and is the first increase in Alaska oil production since 2002 when two new fields, Alpine and Northstar, were added. Overall production decline started in 1988 when production peaked at 2.047 million barrels per day. The current level is now just 26.7 percent of the 1988 peak production.

- The State of Alaska FY 14 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 ($900/resident) was paid to each qualifying Alaskan for a total of $571 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.

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BASIC

FINANCIAL STATEMENTS

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STATE OF ALASKA **STATEMENT 1.01**

Statement of Net Position
Government-wide
June 30, 2014
(Stated in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments	$ 75,728,914	$ 754,418	$ 76,483,332	$ 3,751,240
Accounts Receivable - Net	559,616	42,002	601,618	54,044
Interest and Dividends Receivable	143,640	16,317	159,957	33,657
Internal Balances	29,723	(29,723)	-	-
Due from Primary Government	-	-	-	77,152
Due from Component Units	6,501	-	6,501	6,526
Due from Other Governments	480,688	3,015	483,703	58,690
Loans, Notes, and Bonds Receivable	16,582	413,435	430,017	3,896,420
Inventories	21,425	-	21,425	16,219
Repossessed Property	-	539	539	487
Net Investment in Direct Financing Leases	-	-	-	232,235
Investments in Projects, Partnerships, or Corporations	-	2,787	2,787	39,527
Restricted Assets	10	108,648	108,658	1,511,865
Securities Lending Collateral	1,393,669	-	1,393,669	12,541
Other Assets	216,356	1,249	217,605	40,033
Capital Assets:				
Equipment, Net of Depreciation	461,081	32,308	493,389	247,630
Buildings, Net of Depreciation	1,331,262	739,597	2,070,859	931,416
Infrastructure, Net of Depreciation	2,675,283	413,429	3,088,712	821,514
Museum Collections	-	-	-	6,642
Land / Right-of-Way	935,778	31,202	966,980	113,061
Construction in Progress	1,547,872	95,921	1,643,793	875,512
Total Assets	85,548,400	2,625,144	88,173,544	12,726,411
DEFERRED OUTFLOWS OF RESOURCES				
Change in Fair Value-Interest Rate Swaps	-	-	-	137,175
Deferred Charge on Bond Refundings	6,339	-	6,339	21,267
Total Deferred Outflows of Resources	6,339	-	6,339	158,442
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,699,735	7,065	1,706,800	187,467
Obligations Under Securities Lending	1,393,669	-	1,393,669	12,541
Due to Primary Government	-	-	-	78,732
Due to Component Units	27,414	-	27,414	11,297
Due to Other Governments	78,759	5,189	83,948	997
Interest Payable	14,862	6,413	21,275	28,237
Derivative Instruments	-	-	-	139,704
Bond Anticipation Note Payable	171,122	-	171,122	-
Other Current Liabilities	6	802	808	79,294
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	215,622	3,999	219,621	17,283
Unearned Revenue	32,851	1,471	34,322	23,221
Notes, Bonds, and Leases Payable	74,992	15,860	90,852	196,958
Other Noncurrent Liabilities	615	-	615	3,482
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	182,484	1,665	184,149	5,493
Unearned Revenue	299,848	-	299,848	6,147
Notes, Bonds, and Leases Payable	1,343,911	497,825	1,841,736	3,805,685
Other Long-term Debt	-	-	-	25,814
Other Noncurrent Liabilities	499	-	499	16,084
Total Liabilities	5,536,389	540,289	6,076,678	4,638,436
DEFERRED INFLOWS OF RESOURCES				
Accrued Pension Benefits	-	-	-	5,661
Grant Revenue	-	-	-	580,297
Original Issue Premium on Bond Refundings	-	-	-	3,667
Total Deferred Inflows of Resources	-	-	-	589,625
NET POSITION				
Net Investment in Capital Assets	6,205,097	868,403	7,073,500	2,008,669
Restricted for:				
Permanent Funds				
Nonexpendable	45,563,618	-	45,563,618	438,547
Expendable	13,448	-	13,448	137,760
Education	85,429	-	85,429	537,687
Development	81,014	-	81,014	452,735
Unemployment Compensation	-	380,636	380,636	-
Health and Human Services	16,549	445,813	462,362	-
Debt Service	31,830	17,659	49,489	636,566
Other Purposes	5,378	21,631	27,009	187,130
Unrestricted	28,015,987	350,713	28,366,700	3,257,698
Total Net Position	$ 80,018,350	$ 2,084,855	$ 82,103,205	$ 7,656,792

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

STATE OF ALASKA **STATEMENT 1.02**
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

		Program Revenues		
	Expenses	Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	$ 553,636	$ 12,442	$ 21,655	$ 251
Alaska Permanent Fund Dividend	570,590	-	-	-
Education	2,080,526	3,779	242,389	342
University	595,060	-	1,728	-
Health and Human Services	2,587,529	49,545	1,214,431	52,552
Law and Justice	270,022	12,771	21,993	161
Public Protection	804,823	170,439	88,449	5,996
Natural Resources	383,338	2,612,946	81,968	17,357
Development	1,123,531	2,723	65,704	2,835
Transportation	1,403,539	63,234	48,791	589,652
Intergovernmental Revenue Sharing	262,001	-	22,595	-
Debt Service	64,885	-	-	12,043
Total Governmental Activities	10,699,480	2,927,879	1,809,703	681,189
Business-type Activities:				
Loans	10,197	10,144	590	19,398
Unemployment Compensation	196,345	236,266	24,968	-
Airports	157,367	123,896	-	57,598
Development	5,149	1,851	-	3,355
Total Business-type Activities	369,058	372,157	25,558	80,351
Total Primary Government	$ 11,068,538	$ 3,300,036	$ 1,835,261	$ 761,540
Component Units:				
University of Alaska	$ 849,475	$ 183,963	$ 225,092	$ 186,297
Alaska Housing Finance Corporation	312,851	131,520	6,697	160,120
Alaska Industrial Development and Export Authority	100,716	51,646	128,019	14,584
Nonmajor Component Units	515,771	236,001	184,374	137,080
Total Component Units	$ 1,778,813	$ 603,130	$ 544,182	$ 498,081

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 (restated)
Prior Period Adjustment
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
$ (519,288)	$	$ (519,288)	$
(570,590)		(570,590)	
(1,834,016)		(1,834,016)	
(593,332)		(593,332)	
(1,271,001)		(1,271,001)	
(235,097)		(235,097)	
(539,939)		(539,939)	
2,328,933		2,328,933	
(1,052,269)		(1,052,269)	
(701,862)		(701,862)	
(239,406)		(239,406)	
(52,842)		(52,842)	
(5,280,709)		(5,280,709)	
	19,935	19,935	
	64,889	64,889	
	24,127	24,127	
	57	57	
	109,008	109,008	
(5,280,709)	109,008	(5,171,701)	
			(254,123)
			(14,514)
			93,533
			41,684
			(133,420)
2,175,990	-	2,175,990	10,233
252,538	-	252,538	-
414,613	-	414,613	-
128,076	-	128,076	-
2,631	-	2,631	-
8,236,307	(13,985)	8,222,322	242,997
32,261	-	32,261	-
22,578	-	22,578	-
-	-	-	851,887
27,842	4,703	32,545	5,197
(627)	627	-	-
11,292,209	(8,655)	11,283,554	1,110,314
6,011,500	100,353	6,111,853	976,894
74,018,080	1,984,502	76,002,582	6,723,808
(11,230)	-	(11,230)	(43,910)
$ 80,018,350	$ 2,084,855	$ 82,103,205	$ 7,656,792

STATE OF ALASKA **STATEMENT 1.11**
Balance Sheet
Governmental Funds
June 30, 2014
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 21,632,752	$ 52,919,493	$ 1,064,473	$ 75,616,718
Accounts Receivable - Net	384,755	157,897	3,187	545,839
Interest and Dividends Receivable	455	143,150	35	143,640
Due from Other Funds	1,354,121	-	2,044	1,356,165
Due from Component Units	6,145	-	356	6,501
Due from Other Governments	471,649	-	6,197	477,846
Loans, Notes, and Bonds Receivable	16,517	-	65	16,582
Inventories	17,623	-	-	17,623
Securities Lending Collateral	-	1,393,669	-	1,393,669
Other Assets	202,329	-	29	202,358
Total Assets	$ 24,086,346	$ 54,614,209	$ 1,076,386	$ 79,776,941
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 858,122	$ 740,064	$ 6,825	$ 1,605,011
Obligations Under Securities Lending	-	1,393,669	-	1,393,669
Due to Other Funds	81,386	1,266,763	42,014	1,390,163
Due to Component Units	19,081	-	8,333	27,414
Due to Other Governments	78,759	-	-	78,759
Unearned Revenue	330,675	-	2,024	332,699
Interest Payable	-	-	460	460
Bond Anticipation Note Payable	-	-	171,122	171,122
Other Liabilities	615	-	505	1,120
Total Liabilities	1,368,638	3,400,496	231,283	5,000,417
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	176,092	-	584	176,676
Total Deferred Inflows of Resources	176,092	-	584	176,676
FUND BALANCES				
Nonspendable:				
Inventory	17,623	-	-	17,623
Principal	-	45,002,388	561,230	45,563,618
Advances and Prepaid Items	202,330	-	-	202,330
Restricted for:				
Debt Service	10	-	42,848	42,858
Education	14,132	-	71,297	85,429
Health and Human Services	577	-	15,972	16,549
Development	39,022	-	41,992	81,014
Other Purposes	5,212	-	166	5,378
Committed to:				
Debt Service	2,520	-	-	2,520
Education	2,231,984	-	13,448	2,245,432
Health and Human Services	264,873	-	-	264,873
Public Protection	206,500	-	-	206,500
Permanent Fund	1,252,958	-	-	1,252,958
Development	2,388,650	-	115,943	2,504,593
Other Purposes	229,567	-	-	229,567
Assigned to:				
Permanent Fund	-	6,211,325	-	6,211,325
Unassigned:	15,685,658	-	(18,377)	15,667,281
Total Fund Balances	22,541,616	51,213,713	844,519	74,599,848
Total Liabilities, Deferred Inflows, and Fund Balances	$ 24,086,346	$ 54,614,209	$ 1,076,386	$ 79,776,941

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

STATE OF ALASKA **STATEMENT 1.12**

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014
(Stated in Thousands)

Total Fund Balances - Governmental Funds		$ 74,599,848
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	271,348	
Buildings, net of depreciation	1,220,906	
Infrastructure, net of depreciation	2,675,283	
Land / right-of-way	935,778	
Construction in progress	1,537,978	
		6,641,293
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	2,842	
Net pension Asset (Note 7)	6,558	
Other post employment benefits asset (Note 7)	1,387	
Unamortized bond issuance cost	9	
		10,796
Deferred outflows of resources related to losses on bond refundings are not reported in the funds.		6,339
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).		407,872
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		176,676
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	(141,543)	
Compensated absences	(174,726)	
Pollution remediation	(78,200)	
Capital lease obligations	(329,417)	
		(723,886)
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	(1,086,186)	
Accrued interest payable	(14,402)	
		(1,100,588)
Net Position of Governmental Activities		$ 80,018,350

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

STATE OF ALASKA **STATEMENT 1.13**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,954,303	$ -	$ 19,545	$ 2,973,848
Licenses and Permits	124,275	-	30,716	154,991
Charges for Services	184,031	-	626	184,657
Fines and Forfeitures	16,672	-	345	17,017
Rents and Royalties	1,764,480	779,448	19,498	2,563,426
Premiums and Contributions	19,555	-	5,186	24,741
Interest and Investment Income (Loss)	1,279,567	6,955,670	64,665	8,299,902
Federal Grants in Aid	2,410,524	-	49,057	2,459,581
Payments In from Component Units	22,578	-	-	22,578
Other Revenues	35,012	-	26,178	61,190
Total Revenues	8,810,997	7,735,118	215,816	16,761,931
EXPENDITURES				
Current:				
General Government	454,287	100,834	377	555,498
Alaska Permanent Fund Dividend	570,590	-	-	570,590
Education	2,049,927	-	68,957	2,118,884
University	551,205	-	43,572	594,777
Health and Human Services	2,595,082	-	4,714	2,599,796
Law and Justice	292,586	1,478	-	294,064
Public Protection	801,567	-	96	801,663
Natural Resources	327,738	5,664	67,815	401,217
Development	691,420	-	430,823	1,122,243
Transportation	1,474,679	-	46,011	1,520,690
Intergovernmental Revenue Sharing	263,408	-	-	263,408
Debt Service:				
Principal	31,050	-	53,315	84,365
Interest and Other Charges	18,503	-	50,705	69,208
Total Expenditures	10,122,042	107,976	766,385	10,996,403
Excess (Deficiency) of Revenues Over Expenditures	(1,311,045)	7,627,142	(550,569)	5,765,528
OTHER FINANCING SOURCES (USES)				
Capital Leases	13,842	-	-	13,842
Transfers In from Other Funds	1,307,978	-	79,408	1,387,386
Transfers (Out to) Other Funds	(92,564)	(1,266,763)	(44,713)	(1,404,040)
Total Other Financing Sources and Uses	1,229,256	(1,266,763)	34,695	(2,812)
Net Change in Fund Balances	(81,789)	6,360,379	(515,874)	5,762,716
Fund Balances - Beginning of Year	22,623,405	44,853,334	1,523,736	69,000,475
Prior Period Adjustment	-	-	(163,343)	(163,343)
Fund Balances - End of Year	$ 22,541,616	$ 51,213,713	$ 844,519	$ 74,599,848

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

STATE OF ALASKA **STATEMENT 1.14**

Reconciliation of the Change in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$	5,762,716
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	618,946		
Depreciation expense	(393,946)		
			225,000
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			7,486
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.			(50,022)
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.			
Accrued interest	(2,868)		
Repayment of bond principal	65,923		
Amortization of bond issuance cost	(146)		
			62,909
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.			(13,842)
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	(32,163)		
Compensated absences	(2,072)		
Pollution remediation	21,085		
Capital lease payments	26,190		
Pension obligation	3,611		
Other post employment benefits	602		
			17,253
Change in Net Position of Governmental Activities		$	6,011,500

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

STATE OF ALASKA **STATEMENT 1.21**
Statement of Net Position
Proprietary Funds
June 30, 2014
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 81,723	$ 672,695	$ 754,418	$ 112,206
Accounts Receivable - Net	15,324	26,678	42,002	385
Interest and Dividends Receivable	-	6,340	6,340	-
Due from Other Funds	53	921	974	6,373
Due from Other Governments	2,591	424	3,015	-
Loans, Notes, and Bonds Receivable	-	32,195	32,195	-
Inventories	-	-	-	3,802
Restricted Assets	957	-	957	-
Other Current Assets	-	-	-	6,044
Total Current Assets	100,648	739,253	839,901	128,810
Noncurrent Assets:				
Interest and Dividends Receivable	-	9,977	9,977	-
Loans, Notes, and Bonds Receivable	-	381,240	381,240	-
Repossessed Property	-	539	539	-
Investment in Projects, Partnerships, or Corporations	-	2,787	2,787	-
Restricted Assets	107,691	-	107,691	-
Other Noncurrent Assets	-	1,249	1,249	-
Capital Assets:				
Equipment, Net of Depreciation	32,308	-	32,308	189,733
Buildings, Net of Depreciation	739,597	-	739,597	110,356
Infrastructure, Net of Depreciation	413,429	-	413,429	-
Land / Right-of-Way	31,202	-	31,202	-
Construction in Progress	35,961	59,960	95,921	9,894
Total Noncurrent Assets	1,360,188	455,752	1,815,940	309,983
Total Assets	1,460,836	1,195,005	2,655,841	438,793
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,034	5,031	7,065	22,721
Due to Other Funds	28,650	2,047	30,697	1,263
Due to Other Governments	-	5,189	5,189	-
Interest Payable	6,413	-	6,413	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	3,966	33	3,999	2,818
Unearned Revenue	1,471	-	1,471	-
Notes, Bonds, and Leases Payable	15,860	-	15,860	629
Other Current Liabilities	-	802	802	-
Total Current Liabilities	58,394	13,102	71,496	27,431
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	1,469	196	1,665	819
Notes, Bonds, and Leases Payable	497,825	-	497,825	2,671
Total Noncurrent Liabilities	499,294	196	499,490	3,490
Total Liabilities	557,688	13,298	570,986	30,921
NET POSITION				
Net Investment in Capital Assets	808,443	59,960	868,403	306,683
Restricted for:				
Unemployment Compensation	-	380,636	380,636	-
Health and Human Services	-	445,813	445,813	-
Debt Service	17,659	-	17,659	-
Other Purposes	21,411	220	21,631	-
Unrestricted	55,635	295,078	350,713	101,189
Total Net Position	$ 903,148	$ 1,181,707	$ 2,084,855	$ 407,872

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

STATE OF ALASKA **STATEMENT 1.22**

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	$ -	$ 236,266	$ 236,266	$ 124,675
Charges for Goods and Services	122,434	1,454	123,888	111,938
Interest and Investment Income	-	9,039	9,039	-
Allowance for Uncollectible Interest	-	210	210	-
Fines and Forfeitures	-	31	31	-
Federal Reimbursements	-	24,968	24,968	-
Other Operating Revenues	1,462	-	1,462	594
Total Operating Revenues	123,896	271,968	395,864	237,207
OPERATING EXPENSES				
Benefits	-	196,345	196,345	129,947
Operating	84,691	8,385	93,076	103,031
Depreciation	66,060	20	66,080	30,835
Provision for Loan Losses and Forgiveness	-	519	519	-
Total Operating Expenses	150,751	205,269	356,020	263,813
Operating Income (Loss)	(26,855)	66,699	39,844	(26,606)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	843	9,436	10,279	253
Interest and Investment Expense	(24,260)	(5)	(24,265)	(1)
Gain (Loss) on Disposal of Capital Assets	692	(18)	674	131
Other Nonoperating Revenues (Expenses)	(5,913)	(1,244)	(7,157)	192
Total Nonoperating Revenues (Expenses)	(28,638)	8,169	(20,469)	575
Income Before Capital Contributions and Transfers	(55,493)	74,868	19,375	(26,031)
Capital Contributions	57,598	22,753	80,351	17,490
Transfers In from Other Funds	4,335	39	4,374	16,027
Transfers (Out to) Other Funds	-	(3,747)	(3,747)	-
Change in Net Position	6,440	93,913	100,353	7,486
Total Net Position - Beginning of Year (restated)	896,708	1,087,794	1,984,502	400,386
Total Net Position - End of Year	$ 903,148	$ 1,181,707	$ 2,084,855	$ 407,872

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

STATE OF ALASKA **STATEMENT 1.23**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	$ -	$ 24,968	$ 24,968	$ 54
Receipts from Customers	120,285	324	120,609	247
Receipts for Interfund Services Provided	-	47	47	114,590
Receipt of Principal from Loan Recipients	-	48,992	48,992	-
Receipt of Interest and Fees from Loan Recipients	-	11,234	11,234	-
Receipts from Insured	-	236,828	236,828	124,707
Payments to Employees	(46,566)	(1,082)	(47,648)	(37,871)
Payments to Suppliers	(38,703)	(2,213)	(40,916)	(59,687)
Payments to Other Governments	-	(499)	(499)	-
Payments to Loan Recipients	-	(64,039)	(64,039)	-
Claims Paid	-	(192,763)	(192,763)	(131,642)
Payments for Interfund Services Used	(2,505)	(4,695)	(7,200)	(3,827)
Other Receipts	-	62	62	594
Other Payments	-	(108)	(108)	(859)
Net Cash Provided (Used) by Operating Activities	32,511	57,056	89,567	6,306
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(8,353)	(8,353)	-
Operating Subsidies and Transfers In from Other Funds	4,335	1,488	5,823	16,027
Federal Grants	(5,913)	21,916	16,003	-
Proceeds from Issuance of Short-term Debt	-	2,971	2,971	-
Payments on Short-term Debt	-	(2,971)	(2,971)	-
Interest and Fees Paid on Borrowing	-	(5)	(5)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,578)	15,046	13,468	16,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	349	349	-
Proceeds from Sale of Capital Assets	-	(18)	(18)	2,143
Acquisition and Construction of Capital Assets	(39,613)	(3,563)	(43,176)	(24,748)
Proceeds from Capital Debt	-	-	-	3,300
Principal Paid on Capital Debt	(50,040)	-	(50,040)	-
Interest and Fees Paid on Capital Debt	(25,812)	-	(25,812)	-
Federal Grants	58,569	3,214	61,783	-
Other Receipts (Payments)	(15,211)	-	(15,211)	181
Net Cash Provided (Used) by Capital and Related Financing Activities	(72,107)	(18)	(72,125)	(19,124)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	255,067	4	255,071	-
Purchase of Investments	(254,223)	-	(254,223)	-
Interest and Dividends on Investments	-	9,432	9,432	253
Change in Restricted Cash and Investments	58,728	-	58,728	-
Net Cash Provided (Used) by Investing Activities	59,572	9,436	69,008	253
Net Increase (Decrease) in Cash	18,398	81,520	99,918	3,462
Cash and Cash Equivalents - Beginning of Year	37,641	591,175	628,816	108,744
Cash and Cash Equivalents - End of Year	$ 56,039	$ 672,695	$ 728,734	$ 112,206

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

This statement continued on next page.

STATE OF ALASKA **STATEMENT 1.23**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental 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)	$ (26,855)	$ 66,699	$ 39,844	$ (26,606)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	66,060	20	66,080	30,835
Provision for Loan Losses and Forgiveness	-	2	2	-
Other Reconciling Items	(2,505)	15	(2,490)	-
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(3,657)	535	(3,122)	(440)
Due from Other Funds	-	(167)	(167)	2,831
Due from Other Governments	-	8	8	-
Loans, Notes, and Bonds Receivable - Net	-	(13,791)	(13,791)	-
Repossessed Property	-	75	75	-
Interest and Dividends Receivable - Net	-	697	697	-
Inventories	-	-	-	(107)
Other Assets	-	37	37	2,564
Due to Other Funds	-	384	384	261
Due to Other Governments	-	2,602	2,602	-
Accounts Payable and Accrued Liabilities	(293)	(60)	(353)	(3,041)
Other Liabilities	(239)	-	(239)	9
Net Cash Provided (Used) by Operating Activities	$ 32,511	$ 57,056	$ 89,567	$ 6,306
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position	$ 81,723	$ 672,695	$ 754,418	$ 112,206
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(25,684)	-	(25,684)	-
Cash, End of Year	$ 56,039	$ 672,695	$ 728,734	$ 112,206
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	218	218	17,490
Transfers (Out to) Other Funds (Accrual)	-	(64)	(64)	-

STATE OF ALASKA **STATEMENT 1.31**
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 820,123	$ 327,804
Investments:		222,942
Fixed Income	2,710,526	
Domestic Equities	6,743,316	
International Equities	5,217,756	
Private Equity Pool	1,727,152	
Absolute Return Pool	820,710	
Real Assets	3,558,012	
Collective Investment Funds	1,739,240	
Pooled Investment Funds	2,532,772	
Synthetic Investment Contracts	544,748	
Deposits in Transit	224	
Investment Loss Trust Fund Assets	1,935	-
Accounts Receivable - Net	88	7
Contributions Receivable	43,350	-
Interest and Dividends Receivable	12	-
Due from Other Funds	26,638	3,854
Other Assets	7,429	-
Total Assets	26,494,031	554,607
LIABILITIES		
Accounts Payable and Accrued Liabilities	25,938	4,694
Forfeiture Payable to Employer	23,610	-
Claims Payable	94,437	-
Trust Deposits Payable	-	542,794
Due to Other Funds	6,273	7,119
Total Liabilities	150,258	554,607
NET POSITION		
Held in Trust for:		
Pension Benefits	11,679,591	-
Postemployment Benefits	9,827,160	-
Individuals, Organizations, and Other Governments	4,837,022	-
Total Net Position	$ 26,343,773	$ -

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

STATE OF ALASKA **STATEMENT 1.32**

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	$ 696,005
Member	499,815
Other	633,868
Total Premiums and Contributions	1,829,688
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	3,761,635
Interest	82,489
Dividends	284,670
Total Investment Income	4,128,794
Less Investment Expense	58,962
Net Investment Income	4,069,832
Other Additions	
Other	23,916
Total Additions	5,923,436
DEDUCTIONS	
Benefits Paid	1,880,804
Refunds of Premiums and Contributions	38,242
Administrative Expenses	41,700
Total Deductions	1,960,746
Net Increase (Decrease) in Net Position Held in Trust for:	
Pension Benefits	1,553,242
Postemployment Benefits	1,599,397
Individuals, Organizations, and Other Governments	810,051
Net Position - Beginning of the Year	22,381,083
Net Position - End of the Year	$ 26,343,773

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

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STATE OF ALASKA **STATEMENT 1.41**

Statement of Net Position
Component Units
June 30, 2014
(Stated in Thousands)

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	$ 167,355	$ 671,961	$ 618,332	$ 2,293,592	$ 3,751,240
Accounts Receivable - Net	31,432	-	-	22,612	54,044
Interest and Dividends Receivable	548	12,357	4,342	16,410	33,657
Due from Primary Government	19,788	23,358	9	33,997	77,152
Due from Component Units	71	-	6,455	-	6,526
Due from Other Governments	35,561	-	14	23,115	58,690
Loans, Notes, and Bonds Receivable	11,343	2,536,596	380,285	968,196	3,896,420
Inventories	5,892	-	-	10,327	16,219
Repossessed Property	-	-	487	-	487
Net Investment in Direct Financing Leases	-	44,664	187,571	-	232,235
Investments in Projects, Partnerships, or Corporations	-	-	39,527	-	39,527
Restricted Assets	446,940	468,265	154,221	442,439	1,511,865
Securities Lending Collateral	-	-	-	12,541	12,541
Other Assets	2,821	21,175	1,087	14,950	40,033
Capital Assets:					
Equipment, Net of Depreciation	67,153	823	-	179,654	247,630
Buildings, Net of Depreciation	745,150	98,670	53,591	34,005	931,416
Infrastructure, Net of Depreciation	60,852	-	28,386	732,276	821,514
Museum Collections	6,642	-	-	-	6,642
Land / Right-of-Way	39,376	19,687	3,165	50,833	113,061
Construction in Progress	528,128	1,068	9,635	336,681	875,512
Total Assets	2,169,052	3,898,624	1,487,107	5,171,628	12,726,411
DEFERRED OUTFLOWS OF RESOURCES					
Change in Fair Value-Interest Rate Swaps	-	137,175	-	-	137,175
Deferred Charge on Bond Refundings	1,369	19,404	363	131	21,267
Total Deferred Outflows of Resources	1,369	156,579	363	131	158,442
LIABILITIES					
Accounts Payable and Accrued Liabilities	62,076	14,957	3,956	106,478	187,467
Obligations Under Securities Lending	-	-	-	12,541	12,541
Due to Primary Government	-	662	55,561	22,509	78,732
Due to Component Units	-	-	-	11,297	11,297
Due to Other Governments	-	-	-	997	997
Interest Payable	-	10,147	2,832	15,258	28,237
Derivative Instruments	-	139,704	-	-	139,704
Other Current Liabilities	13,939	64,993	362	-	79,294
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	12,994	2,113	-	2,176	17,283
Unearned Revenue	18,464	-	-	4,757	23,221
Notes, Bonds, and Leases Payable	10,870	45,315	10,570	130,203	196,958
Other Noncurrent Liabilities	-	-	-	3,482	3,482
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	3,172	-	2,321	5,493
Unearned Revenue	-	-	-	6,147	6,147
Notes, Bonds, and Leases Payable	156,423	2,263,395	134,655	1,251,212	3,805,685
Other Long-term Debt	25,814	-	-	-	25,814
Other Noncurrent Liabilities	5,793	837	6,459	2,995	16,084
Total Liabilities	306,373	2,545,295	214,395	1,572,373	4,638,436
DEFERRED INFLOWS OF RESOURCES					
Accrued Pension Benefits	-	-	-	5,661	5,661
Grant Revenue	-	-	-	580,297	580,297
Original Issue Premium on Bond Refundings	-	-	2,313	1,354	3,667
Total Deferred Inflows of Resources	-	-	2,313	587,312	589,625
NET POSITION					
Net Investment in Capital Assets	1,255,355	120,248	94,777	538,289	2,008,669
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	438,547	438,547
Expendable	-	-	-	137,760	137,760
Education	399,760	-	-	137,927	537,687
Development	-	-	-	452,735	452,735
Debt Service	7,102	568,187	-	61,277	636,566
Other Purposes	-	159,214	1,511	26,405	187,130
Unrestricted	201,831	662,259	1,174,474	1,219,134	3,257,698
Total Net Position	$ 1,864,048	$ 1,509,908	$ 1,270,762	$ 3,012,074	$ 7,656,792

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

STATE OF ALASKA **STATEMENT 1.42**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

		Program Revenues		
	Expenses	Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Component Units:				
University of Alaska	$ 849,475	$ 183,963	$ 225,092	$ 186,297
Alaska Housing Finance Corporation	312,851	131,520	6,697	160,120
Alaska Industrial Development and Export Authority	100,716	51,646	128,019	14,584
Nonmajor Component Units	515,771	236,001	184,374	137,080
Total Component Units	$ 1,778,813	$ 603,130	$ 544,182	$ 498,081

General Revenues:
Taxes
Severance Taxes
Interest and Investment Income (Loss)
Payments In from Primary Government
Other Revenues
Total General Revenues
Change in Net Position
Net Position - Beginning of Year (restated)
Prior Period Adjustment
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
$ (254,123)	$	$	$	$ (254,123)
	(14,514)			(14,514)
		93,533		93,533
			41,684	41,684
(254,123)	(14,514)	93,533	41,684	(133,420)
-	-	-	10,233	10,233
44,878	9,019	12,276	176,824	242,997
418,760	-	8	433,119	851,887
4,280	730	-	187	5,197
467,918	9,749	12,284	620,363	1,110,314
213,795	(4,765)	105,817	662,047	976,894
1,694,163	1,514,673	1,164,945	2,350,027	6,723,808
(43,910)	-	-	-	(43,910)
$ 1,864,048	$ 1,509,908	$ 1,270,762	$ 3,012,074	$ 7,656,792

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STATE OF ALASKA
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For the Fiscal Year Ended June 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

The State of Alaska (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 69 percent of the total cash and investments and 62 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 of 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 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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

The **Teachers' Retirement System** 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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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 NGMRS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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. The ARMB is the fiduciary of SBS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor. The financial statements for SBS are for the seventeen months ended June 30, 2014.

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. The ARMB is the fiduciary of DCP and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor. The financial statements for DCP are for the eighteen-month fiscal year ended June 30, 2014.

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). When an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. 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 whose fiscal year ends on December 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 assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the state and its component units. 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, international, and emerging markets equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Frontier 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, 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, Short-term Treasury 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, 2014, 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 does 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, library reserve, 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, 2014, 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 $178.4 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 Statue 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, 2014 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	$ 17,623	$ -	$ -	$ -	$ -
Principal	-	45,563,618	-	-	-
Advances and Prepaid Items	202,330	-	-	-	-
Total Nonspendable	219,953	45,563,618	-	-	-
Restricted:					
Debt Service	10	-	-	42,848	-
Education	14,132	-	8,042	-	63,255
Health & Human Services	577	-	15,972	-	-
Development	39,022	-	34,682	-	7,310
Other Purposes	5,212	-	166	-	-
Total Restricted	58,953	-	58,862	42,848	70,565
Committed					
Debt Service	2,520	-	-	-	-
Education					
School Foundation Support	1,118,122	-	-	-	-
Pupil Transportation	71,370	-	-	-	-
Education Services	790,570	-	-	-	-
Construction & Maintenance	251,922	-	-	-	-
Public School Program Support	-	13,448			
Health & Human Services	264,873	-	-	-	-
Public Protection	206,500	-	-	-	-
Permanent Fund					
Dividend Payments	1,252,958	-	-	-	-
Development					
Natural Resources	237,943	-	-	-	-
Transportation	1,217,858	-	-	-	-
Other	932,849	-	115,943	-	-
Other Purposes	229,567	-	-	-	-
Total Committed	6,577,052	13,448	115,943	-	-
Assigned					
Permanent Fund					
Assigned for Future Appropriations					
Realized Earnings	-	5,236,644	-	-	-
Unrealized Appreciation on Invested Assets	-	974,681	-	-	-
Total Assigned	-	6,211,325	-	-	-
Unassigned	15,685,658	-	-	-	(18,377)
Total Fund Balance	$ 22,541,616	$51,788,391	$ 174,805	$42,848	$ 52,188

Total fund balance for the Capital Project Funds have a deficit unassigned fund balance due to a prior period adjustment recording short term Bond Anticipation Notes sold for the purpose of transportation projects in the 2012 Transportation Project Fund. Additional information on the prior period adjustment can be found in Note 3. Additional Information on the short-term debt can be found in Note 6.

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports $46.7 billion of restricted net position for the primary government, of which $24.0 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 14, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 14 operating budget were $71.6 million, of which $48.6 million was appropriated from the General Fund, and $23.0 million was appropriated from other funds. In addition, the total supplemental appropriations for the FY 14 capital budget were $93.0 million, of which $91.0 million was appropriated from the General Fund, and $2.0 million was appropriated from other 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 14, the Office of Management and Budget estimated the limit to be approximately $10.1 billion. The FY 14 budget passed by the legislature after vetoes was $7.1 billion (unrestricted General Fund revenues only), or $3.0 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

The fund was established to enhance budget stability by depositing certain monies into the 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, FY 13, or FY 14.

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.

SLA 2013, Chapter 14, Section 34, outlines the appropriation to the General Fund giving authority to take from the SBRF if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2014, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2014, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund. For FY 14, this resulted in a year-end transfer from the SBRF to the General Fund for $1,920 million.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION

PRIOR PERIOD ADJUSTMENTS

Governmental Activities – Government-wide

Bond Anticipation Notes (BANs) Series 2013C were issued on March 24, 2013. This activity was reported in FY 13 as long-term debt reporting $149.6 million in bond proceeds and $2.5 million in bond premiums for a total of $152.1 million. In FY 14, it was determined that the BANs Series 2013C should be reported as a short-term debt rather than a long-term debt. As a result, a correction to reverse this activity as a prior period adjustment for an increase of $152.1 million is reported on the government-wide financial statements. This prior period adjustment is offset by the Statement of Activities impact of the Capital Projects Fund prior period adjustment noted below.

Capital Projects Fund 2012 Transportation Project

Bond Anticipation Notes (BANs) Series 2013C were issued on March 24, 2013. In FY 14, it was determined that the BANs Series 2013C should be reported as a short-term debt rather than a long-term debt. As a result, a correction to report the previous bond proceeds and a liability are reflected as a prior period adjustment for an decrease of $152.1 million.

Alaska Housing Capital Corporation

The State of Alaska Legislature appropriated $21 million of Alaska Housing Capital Corporation (AHCC) funds in FY 13 under Senate Bill 160 for the In-State Gas Pipeline project. This appropriation was incorrectly established in the General Fund and disbursements of approximately $11 million were made in FY 13. This error was not discovered by the Department of Administration, Division of Finance until FY 14. The expenditures of $11 million were not properly reflected in AHCC's FY 13 financial statements; therefore requiring a correction of an error in the FY 14 financial statements for a decrease of $11 million.

University of Alaska

In FY 14, the University of Alaska began to depreciate library books in accordance with Generally Acceptable Accounting Principles. The change required retroactively computing depreciation expense. As a result of the change, the beginning net position as of July 1, 2012 was restated, resulting in a decrease of $42.6 million in net investment in capital assets, and capital assets, net of accumulated depreciation decreased by $42.6 million. The change represents the amount of depreciation expense that would have been recognized through that date had the University previously depreciated library books using a 20 year useful life. As part of the change, additional depreciation expense of $1.3 million was recorded in FY 13.

RESTATED BEGINNING NET POSITION

International Airports Fund

The International Airports Fund's net position at June 30, 2013 was restated to reflect a reduction in the amount due to the State of Alaska General Fund by $14,243 thousand. This is a capital project grant revenue that had been previously recognized in the General Fund rather than the International Airports Fund. This had no impact to the International Airports Fund change in net position for the year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 65

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

The State of Alaska and its component units adopted the provisions of Statement 65 during FY 14. The effects of adopting Statement 65 are reported as a restated beginning net position. The following funds had a cumulative effect on the beginning net position due to this change as follows:

Governmental Activities – Government-wide

Government-wide activity for governmental activity reported a decrease of $5,209 thousand. This included Northern Tobacco Securitization Corporation for $2,650 thousand, General Obligation Bonds for $2,319 thousand, and Sport Fish Revenue Bonds for $240 thousand.

Enterprise Funds

International Airport Fund reported a decrease of $8,967 thousand.
Knik Bridge Arm Toll Authority had a decrease of $2,683 thousand.

Component Units

Alaska Industrial Development and Export Authority reported an increase of $3,760 thousand.
Alaska Housing Finance Corporation reported a decrease of $10,855 thousand.
Alaska Energy Authority reported a decrease of $234 thousand.
Alaska Student Loan Corporation reported a decrease of $2,483 thousand.
Alaska Railroad Corporation reported a decrease of $114 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://treasury.dor.alaska.gov/.

Deposits and investments at June 30, 2014, are as follows:

	Fair Value (in thousands)						
Investment Type	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	Total
Deposits	$ -	$ -	$ -	$ -	$ -	$ 42,170	$ 42,170
Money Market	-	-	-	-	18,228	-	18,228
Corporate Bonds	479,458	-	449,338	1,077,102	-	-	2,005,898
Mortgage-backed	32,946	-	207,066	1,686,790	-	-	1,926,802
Municipal Bonds	-	-	-	15,185	-	-	15,185
Other Asset-backed	2,313,886	-	224,381	263,465	-	-	2,801,732
Overnight Sweep Account (lmcs)	751,375	-	-	-	-	-	751,375
Repurchase Agreement	469,500	-	-	-	-	-	469,500
U.S. Government Agency	-	-	10,014	110,457	-	-	120,471
Treasury Bills	4,050,245	748,205	435,904	-	-	-	5,234,354
Treasury Bonds	-	-	-	144,073	-	-	144,073
Treasury Notes	911,136	25,053	5,913,532	1,741,287	-	-	8,591,008
Treasury Strips	-	-	16,004	113,841	-	-	129,845
Yankees Corporate	108,742	-	103,491	196,096	-	-	408,329
Yankees Government	-	-	34,105	64,313	-	-	98,418
Domestic Equity	-	-	-	-	-	3,654,239	3,654,239
International Equity	-	-	-	-	-	1,985,824	1,985,824
Total Invested Assets	9,117,288	773,258	7,393,835	5,412,609	18,228	5,682,233	28,397,451
Pool related net assets (liabilities)	(1,916,082)	311	592,523	5,752	-	438	(1,317,058)
Net Invested Assets before earnings distribution to participants	7,201,206	773,569	7,986,358	5,418,361	18,228	5,682,671	27,080,393
Earnings payable to participants	(941)	-	-	-	-	-	(941)
Other pool ownership	(1,157,863)	71	771,627	386,165	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(898,181)	-	-	-	-	-	(898,181)
Exxon Valdez Oil Spill Trustee Council	-	-	-	(64,236)	-	(158,706)	(222,942)
Alaska Mental Health Trust Authority	(4,014)	-	-	(11,309)	-	(24,683)	(40,006)
Total Commissioner's Fiduciary Responsibility	$ 5,140,207	$ 773,640	$ 8,757,985	$ 5,728,981	$ 18,228	$ 5,499,282	$ 25,918,323

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, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from eight days to 3.2 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, 2014, the expected average life of fixed rate securities ranged from 31 to 179 days.

Short-term Treasury 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, 2014, this pool held no securities or cash.

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, 2014 was 1.94 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, 2014 was 5.52 years.

At June 30, 2014, 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	1.40	8.11
Mortgage-backed	0.99	4.24
Municipal Bonds	-	15.09
Other Asset-backed	0.70	0.69
Treasury Bill	0.42	-
Treasury Bonds	-	19.07
Treasury Notes	2.14	4.71
Treasury Strip	3.27	3.44
U.S. Government Agency	1.71	8.00
Yankees Corporate	0.62	5.89
Yankees Government	0.78	8.21
Portfolio Effective Duration	1.72	5.21

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, 2014, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2014, 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
Corporate Bonds	AAA	0.06%	-	0.10%	0.19%
Corporate Bonds	AA	2.90%	-	1.33%	2.51%
Corporate Bonds	A	3.71%	-	2.98%	9.85%
Corporate Bonds	BBB	-	-	0.73%	5.81%
Corporate Bonds	BB	-	-	-	0.09%
Corporate Bonds	Not Rated	-	-	-	0.10%
U.S. Government Agency	AA	-	-	0.11%	1.90%
Overnight Sweep Account (lmcs)	Not Rated	10.44%	-	-	-
Mortgage-backed	AAA	0.23%	-	1.19%	2.82%
Mortgage-backed	AA	0.04%	-	0.69%	24.77%
Mortgage-backed	A	0.06%	-	0.15%	0.34%
Mortgage-backed	BBB	-	-	0.01%	0.03%
Mortgage-backed	Not Rated	0.12%	-	0.32%	1.09%
Municipal Bonds	AA	-	-	-	0.10%
Municipal Bonds	A	-	-	-	0.16%
Other Asset-backed	AAA	22.93%	-	1.71%	3.13%
Other Asset-backed	AA	0.21%	-	0.34%	0.78%
Other Asset-backed	A	0.79%	-	-	-
Other Asset-backed	Not Rated	8.20%	-	0.51%	0.64%
Other Pool Ownership	Not Rated	-	0.01%	8.81%	6.65%
Repurchase Agreement	AA	6.52%	-	-	-
Treasury Bills	AA	56.25%	96.71%	4.98%	-
Treasury Bonds	AA	-	-	-	2.48%
Treasury Notes	AA	12.65%	3.24%	67.52%	30.03%
Treasury Strips	AA	-	-	0.18%	1.96%
Yankees Corporate	AAA	-	-	-	0.23%
Yankees Corporate	AA	0.77%	-	0.63%	0.81%
Yankees Corporate	A	0.74%	-	0.38%	1.08%
Yankees Corporate	BBB	-	-	0.06%	0.89%
Yankees Corporate	Not Rated	-	-	0.11%	0.36%
Yankees Government	AAA	-	-	-	0.08%
Yankees Government	AA	-	-	0.35%	0.56%
Yankees Government	BBB	-	-	-	0.37%
Yankees Government	Not Rated	-	-	0.04%	0.09%
No Credit Risk		(26.62%)	0.04%	6.77%	0.10%
		100.00%	100.00%	100.00%	100.00%

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 (The FDIC provides $250 thousand of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

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, 2014, the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	$ 683

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, 2014, the funds invested in the Broad market Fixed Income Pool had more than five percent of their investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation as follows:

	Fair Value (in thousands)	Percent of Total Pool Investments
Broad Market Fixed Income Pool		
Federal National Mortgage Association	$ 1,059,217	18.25%
Federal Home Loan Mortgage Corporation	333,797	5.75%

Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds, are backed by the full faith and credit of the U.S. Government and therefore may be held in higher concentration.

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 14 and invested assets included the following holdings at June 30, 2014, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	20% ± 7%	20.81%
Exxon Valdez Settlement Investments	23% ± 7%	23.39%
Higher Education Fund	22% ± 7%	22.09%
Mental Health Trust Fund	21% ± 5%	21.38%
Power Cost Equalization Endowment Fund	28% ± 5%	29.12%
Public School Trust Fund, Principal	15% ± 5%	15.91%
Retiree Health Insurance Fund, Long Term Care	14% ± 4%	14.03%

At June 30, 2014, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

Currency	Fair Value (in thousands)
Deposits:	
Japanese Yen	$ 71
Pounds Sterling	612
Total Deposits	$ 683
Investments - International Equity:	
Australian Dollar	$ 4,930
Canadian Dollar	7,155
Danish Krone	2,601
Euro Currency	73,538
Japanese Yen	53,344
Norwegian Krone	1,641
Pound Sterling	73,066
Swedish Krona	9,095
Swiss Franc	17,127
Total Equity	242,497
Total	$ 243,180

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, 2014 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	$ 37,674	Long-term Instruments	$ -	$ -

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. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance 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, 2014, 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, 2014 were $54,435 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 Plans 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. Treasury manages the U.S. Treasury Fixed Income Pool, Dow Jones Dividend 100 Index Fund in the Alternative Equity Strategies 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. All other investments are managed by external management companies.

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://treasury.dor.alaska.gov/armb/.

Deposits and investments at June 30, 2014 are as follows:

	Fair Value (in thousands)
Bank Loans	$ 10,910
Commercial Paper	2,780
Convertible Bonds	166,119
Corporate Bonds	592,914
Deposits	121,992
Foreign Government Bonds	350,598
Mortgage-backed	59,600
Municipal Bonds	208,274
Other Asset-backed	407,378
Overnight Sweep Accounts (lmcs)	115,124
Short-term Investment Fund	31,796
U.S. Government Agency	2,827
Treasury Bills	508,256
Treasury Bonds	802
Treasury Notes	1,057,482
Treasury Strips	2,048
Treasury TIP Bonds	9,773
Treasury TIP Notes	24,475
Yankee Corporate	82,492
Yankee Government	1,491
Equity	10,402,050
Futures	126
Limited Partnership	1,198,627
Mutual Funds	922,016
Options	(5,987)
Repo	58,505
Rights	267
Warrants	134
Absolute Return	820,709
Energy	106,912
Farmland	709,869
Private Equity	1,726,013
Real Estate	1,330,483
Timber	359,681
Participant Directed	699,133
Net Other Assets/(Liabilities)	(207,977)
Total Invested Assets	$ 21,877,692

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 14 months to maturity or 14 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, 2014, the

expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from eight days to 3.2 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 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, 2014 was 3.63 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 Taxable Municipal Bond portfolios to ± 20 percent of the Barclays Capital Aggregate Eligible Taxable Municipal Bond Index. The effective duration for the Barclays Capital Aggregate Eligible Taxable Municipal Bond Index at June 30, 2014 was 11.74 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, 2014 was 4.21 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 percent Citigroup Non-USD World Government Bond Index and 30 percent JP Morgan Global Bond Emerging Markets Broad Diversification Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2014, was 7.54 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2014 was 4.87 years, for a blended duration of 6.74 years at June 30, 2014.

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, 2014 was 8.21 years.

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

At June 30, 2014, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	U.S. Treasury	Municipal Bonds	High Yield	International	TIPS
Bridge Loans	-	-	0.11	-	-
Corporate Bonds	1.85	13.80	3.98	-	-
Foreign Government Bonds	-	-	-	5.96	-
Mortgage-backed	1.97	-	-	-	-
Municipal Bonds	-	11.44	-	-	-
Other Asset-backed	0.45	-	-	-	-
Treasury Bills	-	-	-	-	-
Treasury Bonds	-	18.87	-	-	-
Treasury Notes	4.36	5.79	-	4.78	-
Treasury Strips	4.11	-	-	-	-
Treasury TIP Bonds	-	-	-	-	12.08
Treasury TIP Notes	-	-	-	-	4.59
U.S. Government Agency	8.34	-	-	-	-
Yankees Corporate	1.64	-	4.08	-	-
Yankees Government	(4.00)	-	-	-	-
Portfolio Effective Duration	3.50	10.81	3.75	5.82	6.62

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 blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and five percent Barclays Long U.S. Treasury 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, 2014, the duration of the government corporate debt, and mortgage-backed securities was 3.93 years and the duration of the Barclays Bond Index was 3.98 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, 2014, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 45 days, SSgA World Government Bond Ex-U.S. Index: 7.68 years, SSgA Long U.S. Treasury Bond Index: 16.68 years, SSgA TIPS Index: 7.28 years, Barclays Government Credit Bond Fund: 8.18 years, and the Barclays Intermediate Bond Fund: 3.82 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:

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.

Taxable Municipal Bond Pool:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

At the time of purchase, short term securities must be rated at least A-2 or equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO) or by the Contractor, if unrated. At the time of purchase, long term securities must be rated investment grade by an NRSRO or by the Contractor, if unrated. Only one rating is necessary, and the median rating will apply for securities rated by more than one NRSRO.

No more than 20 percent of the portfolio's assets may be invested in securities that are not rated by an NRSRO.

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:

Corporate debt and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency. In the event of a split rating, the lower of the ratings shall apply for evaluating credit quality.

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 CCC- by S&P and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard and Poor's and C3 by Moody's if such an investment is considered appropriate given the Board'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, 2014, 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):

		Fixed Income Pools						
	Rating	Short-term	U.S. Treasury	Municipal Bond	High Yield	International	Convertible	TIPS
Deposits	Not Rated	-	-	-	3.87%	0.78%	-	-
Bank Loans	Not Rated	-	-	-	1.93%	-	-	-
Commercial Paper	Not Rated	-	-	1.25%	-	-	-	-
Corporate Bonds	AAA	0.06%	-	-	-	-	-	-
Corporate Bonds	AA	2.90%	1.85%	-	-	-	-	-
Corporate Bonds	A	3.71%	2.90%	-	0.11%	-	-	-
Corporate Bonds	BBB	-	0.24%	-	4.00%	-	-	-
Corporate Bonds	BB	-	-	-	35.21%	-	-	-
Corporate Bonds	B	-	-	-	36.94%	-	-	-
Corporate Bonds	CCC	-	-	-	3.94%	-	-	-
Corporate Bonds	Not Rated	-	-	0.56%	2.93%	-	-	-
Convertible Bonds	A	-	-	-	-	-	2.17%	-
Convertible Bonds	BBB	-	-	-	0.29%	-	14.36%	-
Convertible Bonds	BB	-	-	-	-	-	19.98%	-
Convertible Bonds	B	-	-	-	-	-	10.16%	-
Convertible Bonds	CCC	-	-	-	-	-	1.92%	-
Convertible Bonds	Not Rated	-	-	-	0.03%	-	35.37%	-
Equity	BBB	-	-	-	-	-	2.42%	-
Equity	BB	-	-	-	-	-	3.75%	-
Equity	B	-	-	-	-	-	1.36%	-
Equity	Not Rated	-	-	-	-	-	2.10%	-
Foreign Government Bonds	AAA	-	-	-	-	36.26%	-	-
Foreign Government Bonds	AA	-	-	-	-	16.92%	-	-
Foreign Government Bonds	A	-	-	-	-	18.92%	-	-
Foreign Government Bonds	BBB	-	-	-	-	17.02%	-	-
Foreign Government Bonds	BB	-	-	-	-	2.73%	-	-
Foreign Government Bonds	Not Rated	-	-	-	-	0.60%	-	-
U.S. Government Agency	AA	-	0.23%	-	-	-	-	-
Overnight Sweep Account (lmcs)	Not Rated	10.44%	-	4.48%	-	-	5.90%	-
Mortgage-backed	AAA	0.23%	1.08%	-	-	-	-	-
Mortgage-backed	AA	0.04%	1.62%	-	-	-	-	-
Mortgage-backed	A	0.06%	0.26%	-	-	-	-	-
Mortgage-backed	Not Rated	0.12%	1.49%	-	-	-	-	-

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		Fixed Income Pools						
	Rating	Short-term	U.S. Treasury	Municipal Bond	High Yield	International	Convertible	TIPS
Municipal Bonds	AAA	-	-	11.03%	-	-	-	-
Municipal Bonds	AA	-	-	52.76%	-	-	-	-
Municipal Bonds	A	-	-	29.12%	-	-	-	-
Municipal Bonds	Not Rated	-	-	0.77%	-	-	-	-
Other Asset-backed	AAA	22.93%	6.81%	-	-	-	-	-
Other Asset-backed	AA	0.21%	0.34%	-	-	-	-	-
Other Asset-backed	A	0.79%	-	-	-	-	-	-
Other Asset-backed	Not Rated	8.20%	2.41%	-	-	-	-	-
Other Pool Ownership	Not Rated	-	5.08%	-	-	-	-	1.64%
Repurchase Agreement	AA	6.52%	-	-	-	-	-	-
Treasury Bills	AA	56.25%	-	-	-	-	-	-
Treasury Bonds	AA	-	-	0.36%	-	-	-	-
Treasury Notes	AA	12.65%	74.36%	0.22%	-	4.73%	-	-
Treasury Strips	AA	-	0.16%	-	-	-	-	-
Treasury TIP Bonds	AA	-	-	-	-	-	-	27.96%
Treasury TIP Notes	AA	-	-	-	-	-	-	70.01%
Short-Term Investment Fund	Not Rated	-	-	-	-	0.58%	-	-
Warrants	Not Rated	-	-	-	0.01%	-	-	-
Yankees Corporate	AAA	-	0.08%	-	-	-	-	-
Yankees Corporate	AA	0.77%	0.45%	-	-	-	-	-
Yankees Corporate	A	0.74%	-	-	-	-	-	-
Yankees Corporate	BBB	-	0.08%	-	-	-	-	-
Yankees Corporate	BB	-	-	-	4.68%	-	-	-
Yankees Corporate	B	-	-	-	4.96%	-	-	-
Yankees Corporate	CCC	-	-	-	0.44%	-	-	-
Yankees Corporate	Not Rated	-	0.23%	-	0.28%	-	-	-
Yankees Government	Not Rated	-	0.12%	-	-	-	-	-
No Credit Risk		(26.62%)	0.21%	(0.55%)	0.38%	1.46%	0.51%	0.39%
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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 thousand of coverage. In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

At June 30, 2014, the ARMB's invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Equity Pool	$ 85,450
International Fixed Income Pool	2,938
	$ 88,388

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, Taxable Municipal Bond Pool or TIPS Pools.

At June 30, 2014, 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 System	Fixed - Income	Global Equity Ex-U.S.	Private Equity Pool
Public Employees' Retirement System	17%	29%	14%
Teachers' Retirement System	17%	29%	14%
Judicial Retirement System	17%	29%	14%
Alaska National Guard and Naval Militia System	58%	24%	-

At June 30, 2014, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

	International Fixed Income Pool		International Equity					Private Equity
Currency	Deposits	Foreign Government Bonds	Deposits	Equity	Mutal Funds	Rights	Warrants	Limited Partnerships
Australian Dollar	$ 202	$ 25,964	$ 57	$ 100,030	$ -	$ -	$ -	$ 835
Brazilian Real	-	27,099	78	14,822	-	-	-	-
Canadian Dollar	-	-	219	155,562	-	-	-	-
Columbian Peso	19	3,417	-	-	-	-	-	-
Danish Krone	-	-	1	53,829	-	-	-	-
Euro Currency	-	66,539	79,021	961,023	-	88	15	139,724
Hong Kong Dollar	-	-	314	133,391	-	179	-	-
Indian Rupee	-	-	12	10,150	-	-	-	-
Indonesian Rupiah	194	10,353	4	11,612	-	-	-	-
Israeli Shekel	-	-	73	1,373	-	-	-	-
Japanese Yen	82	64,261	3,927	770,563	-	-	-	-
Malaysian Ringgit	408	8,215	-	2,184	-	-	-	-
Mexican Peso	937	26,504	-	476	-	-	-	-
New Israeli Sheqel	-	-	-	-	-	-	-	-
New Russian Ruble	-	13,213	-	-	-	-	-	-
New Taiwan Dollar	-	-	148	3,852	-	-	-	-
New Zealand Dollar	-	-	42	9,232	-	-	-	-
Norwegian Krone	-	-	81	16,432	-	-	-	-
Peruvian Nouveau Sol	182	7,109	-	-	-	-	-	-
Philippine Peso	-	-	-	4,583	-	-	-	-
Polish Zloty	-	32,163	-	-	-	-	-	-
Pound Sterling	199	20,459	1,208	726,163	164	-	-	37,998
Singapore Dollar	-	-	184	37,141	-	-	-	-
South African Rand	226	11,494	-	11,262	-	-	-	-
South Korean Won	-	-	-	57,643	-	-	-	-
Swedish Krona	489	24,494	68	79,975	-	-	-	-
Swiss Franc	-	-	13	211,157	-	-	-	-
Thailand Baht	-	-	-	5,224	-	-	-	-
Turkish Lira	-	9,313	-	7,278	-	-	-	-
	$ 2,938	$ 350,597	$ 85,450	$ 3,384,957	$ 164	$ 267	$ 15	$ 178,557

At June 30, 2014, 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, 2014, the ARMB had the following derivative instruments outstanding (in thousands):

	Change in Fair Value		Fair Value		
Type	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Revenue	$ 5,288	Options	$ (5,966)	$ (1,640)
FX Forwards	Investment Revenue	(995)	Long Term Instruments	(655)	39,412
Index Futures Long	Investment Revenue	17,988	Futures	-	42
Index Options Bought	Investment Revenue	34	Options	-	-
Index Options Written	Investment Revenue	587	Options	(21)	(1)
Rights	Investment Revenue	362	Common Stock	267	751
Warrants	Investment Revenue	213	Common Stock	134	140
		$ 23,477		$ (6,241)	$ 38,704

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, 2014, 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	$ -	$ -	$ (538)	$ (538)
Canadian Dollar	-	3	(10)	(7)
Euro Currency	103	-	-	103
Hong Kong Dollar	179	-	-	179
New Israeli Shekel	-	-	-	-
Japanese Yen	-	-	(61)	(61)
New Zeland Dollar	-	-	(49)	(49)
	$ 282	$ 3	$ (658)	$ (373)

At June 30, 2014 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	$ 3	A+	AA-	A1
Maximum Amount of Loss in Case of Default by all Counterparties	3			
Effect of Collateral Reducing Maximum Exposure	-			
Liabilities Subject to Netting Arrangements Reducing Maximum Exposure	-			
Resulting Net Exposure	$ 3			

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 June 30, 2014, Deferred Compensation Plan investments totaled $794.7 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/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 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 June 30, 2014, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	$ 28,932	8.18 years
Institutional Treasury Money Market Fund	12,081	45 days
Intermediate Bond Fund	14,519	3.82 years
Long U.S. Treasury Bond Index Fund	3,098	16.68 years
U.S. TIPS Index Fund	7,957	7.28 years
World Government Bond Ex-U.S. Index Fund	3,895	7.68 years
Bond Fund	63	5.27 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 3.89 years at June 30, 2014. The duration of the Barclays Capital Intermediate Aggregate Index was 4.19 years at June 30, 2014.
>
> 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 32 days at June 30, 2014.

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 blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclay's TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. At June 30, 2014, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 34.14 days at June 30, 2014.

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 June 30, 2014, 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):

		Fair Value (in thousands)		
Investment type	Rating	Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	$ -	$ 260	$ 260
Short-term Investment Fund	Not Rated	8,839	-	8,839
U.S. Government Agency	AA	9,436	-	9,436
Mortgage-backed	AAA	2,280	-	2,280
Mortgage-backed	A	1,393	-	1,393
Mortgage-backed	Not Rated	52,439	-	52,439
Other Asset-backed	AAA	4,209	-	4,209
Other Asset-backed	AA	96	-	96
Other Asset-backed	Not Rated	4,305	-	4,305
Corporate Bonds	AAA	361	-	361
Corporate Bonds	AA	5,419	-	5,419
Corporate Bonds	A	18,538	-	18,538
Corporate Bonds	BBB	13,740	-	13,740
Corporate Bonds	Not Rated	183	-	183
Yankees Corporate	AAA	1,466	-	1,466
Yankees Corporate	AA	4,428	-	4,428
Yankees Corporate	A	5,819	-	5,819
Yankees Corporate	BBB	2,201	-	2,201
Yankees Government	AAA	1,210	-	1,210
Yankees Government	AA	584	-	584
Yankees Government	A	437	-	437
Yankees Government	BBB	70	-	70
Deposits and Investments with no credit exposure:				
Deposits	Not Rated	(923)	-	(923)
U.S. Treasury Notes	AA	46,138	-	46,138
U.S. Treasury Notes	Not Rated	6,253	-	6,253
Collective Investment Funds	Not Rated	-	377,096	377,096
Wholly Owned Pooled	Not Rated	-	114,127	114,127
Wholly Owned Domestic Equity	Not Rated	-	116,079	116,079
Total Invested Assets		$ 188,921	$ 607,562	$ 796,483

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2014, 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 June 30, 2014, 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 June 30, 2014, SBS investments totaled $3.323 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	$ 45,349	8.18 years
Institutional Treasury Money Market Fund	37,375	45 days
Intermediate Bond Fund	12,896	3.82 years
Long U.S. Treasury Bond Index Fund	10,379	16.58 years
U.S. TIPS Index Fund	16,792	7.28 years
World Government Bond Ex-U.S. Index Fund	10,433	7.68 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 June 30, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.19 years and the expected average life of floating rate securities ranged from eight days to 3.21 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 3.90 years at June 30, 2014. The duration of the Barclays Capital Intermediate Aggregate Index was 4.19 years at June 30, 2014.
>
> 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 ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and 5 percent Barclays Long U.S. Treasury Bond Index. At June 30, 2014, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 34.14 days at June, 30, 2014.

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 June 30, 2014, 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):

		Fair Value (in thousands)				
Investment type	Rating	Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Investment Loss Trust	Other	Total
Investments with Credit Exposure:						
Money Market Fund	Not Rated	$ -	$ 40,250	$ -	$ 1,217	$ 41,467
Short-term Investment Fund	Not Rated	-	3,798	-	-	3,798
Commercial Paper	Not Rated	162	-	469	-	631
U.S. Government Agency	AA	-	12,499	-	-	12,499
U.S. Government Agency	Not Rated	521	-	1,507	-	2,028
Mortgage-backed	AAA	4	4,682	13	-	4,699
Mortgage-backed	AA	-	-	1	-	1
Mortgage-backed	A	-	1,682	-	-	1,682
Mortgage-backed	Not Rated	2	91,933	5	-	91,940
Other Asset-backed	AAA	206	8,252	596	-	9,054
Other Asset-backed	AA	2	123	6	-	131
Other Asset-backed	A	8	-	23	-	31
Other Asset-backed	Not Rated	85	6,546	247	-	6,878
Corporate Bonds	AAA	1	590	2	-	593
Corporate Bonds	AA	27	9,276	79	-	9,382
Corporate Bonds	A	35	31,909	101	-	32,045
Corporate Bonds	BBB	-	22,306	-	-	22,306
Corporate Bonds	Not Rated	-	678	-	-	678
Yankees Corporate	AA	7	6,597	21	-	6,625
Yankees Corporate	A	5	10,350	14	-	10,369
Yankees Corporate	BBB	-	3,858	-	-	3,858
Yankees Government	AAA	-	4,323	-	-	4,323
Yankees Government	AA	-	1,991	-	-	1,991
Yankees Government	A	-	1,546	-	-	1,546
Yankees Government	BBB	-	116	-	-	116
Deposits and Investments with No Credit Exposure:						
Deposits	Not Rated	-	(3,057)	-	-	(3,057)
U.S. Treasury Bills	Not Rated	10	-	29	-	39
U.S. Treasury Notes	AA	-	83,009	-	-	83,009
U.S. Treasury Notes	Not Rated	119	12,571	346	-	13,036
Participant-directed Funds:						
Collective Investment Funds	Not Rated	-	-	-	889,545	889,545
Pooled Investment Funds	Not Rated	-	-	-	2,077,356	2,077,356
Investment Loss Trust Fund Assets not reported with SBS	Not Rated	-	-	(797)	-	(797)
Contributions in Transit and Other Unreconciled Differences	Not Rated	-	(1)	-	224	223
Total Invested Assets		1,194	355,827	2,662	2,968,342	3,328,025
Pool Related Net (Liabilities)		(251)	-	(727)	-	(978)
Total		$ 943	$ 355,827	$ 1,935	$ 2,968,342	$ 3,327,047

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2014, SBS'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%
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'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 June 30, 2014, 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, 2014, the APFC's strategic asset allocation targets were as follows:

Risk Class	Asset Class	Risk Class Target	Asset Class Target
Cash and Interest Rates		6%	
	Cash		1%
	U.S. Government Bonds and International Developed Government Bonds (currency hedged)		5%
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		20%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Fixed Income Aggregate		2%
	Debt Opportunities		1%
	True Special 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 five to 7.5 percent, yellow zone ranges set at 7.5 to nine percent, and red zone ranges set at allocations of less than five percent or greater than nine 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, 2014, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $226,699 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 1.2 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, 2014 (in thousands):

Cash	$ 101,904
Pooled Funds	2,894,564
U.S. Treasury Bills	976
Total Cash and Temporary Investments	$ 2,997,444

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, 2014, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	Cost	Fair Value	Unrealized Gains/(Losses)
Treasury and Government Notes/Bonds	$ 2,344,934	$ 2,370,233	$ 25,299
Mortgage-backed Securities	851,742	861,832	10,090
Corporate Bonds	5,242,368	5,349,365	106,997
Commercial Mortgage/Asset-backed Securities	336,866	340,454	3,588
Non-U.S. Treasury and Government Bonds	1,129,318	1,158,364	29,046
Non-U.S. Corporate Bonds	1,854,722	1,883,220	28,498
Total Marketable Debt Securities	$11,759,950	$11,963,468	$ 203,518

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 92 percent of bond mandates at June 30, 2014), 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 eight percent of bond mandates at June 30, 2014) 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, 2014, 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	$ 513,121	$ 233,783	$ 746,904	6.25%
AA	342,282	722,767	1,065,049	8.90%
A	2,092,349	1,172,959	3,265,308	27.30%
BBB	2,282,084	713,926	2,996,010	25.04%
BB	46,904	82,379	129,283	1.08%
B	38,513	96,348	134,861	1.13%
CCC	34,773	7,222	41,995	0.35%
CC	-	321	321	0.00%
C	443	-	443	0.00%
D	-	-	-	0.00%
Total Fair Value of Rated Debt Securities	5,350,469	3,029,705	8,380,174	70.05%
Commingled Bond Funds	354,714	-	354,714	2.96%
Not Rated	3,246	11,880	15,126	0.13%
U.S. Government Explicitly Backed by the U.S. Government (AA)	2,525,286	-	2,525,286	21.11%
U.S. Government Implicitly Backed by the U.S. Government (AA)	688,168	-	688,168	5.75%
Total Fair Value Debt Securities	$ 8,921,883	$ 3,041,585	$ 11,963,468	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, 2014, 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	26.57%	5.61
Mortgage-backed Securities	9.66%	5.06
Corporate Bonds	59.96%	4.18
Commercial Mortgage and Asset-backed Securities	3.81%	4.29
Total Domestic Bonds	100.00%	4.23
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	38.08%	6.85
Non-U.S. Corporate Bonds	61.92%	4.38
Total Non-domestic Bonds	100.00%	5.33

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, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30, 2014 are summarized as follows (in thousands based on currency of trade), and include the net fair value of equity index futures of $662 thousand:

	Cost	Fair Value	Unrealized Gains/(Losses)
Direct Investments			
Domestic	$ 5,541,414	$ 7,862,625	$ 2,321,211
Non-domestic	9,739,880	11,903,231	2,163,351
Commingled Funds	480,021	677,271	197,250
Total Preferred and Common Stock	$ 15,761,315	$20,443,127	$ 4,681,812

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, 2014, 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	$ 221	$ 52,312	$ 500,585	$ 14,487	$ 567,605
Brazilian Real	995	(21,285)	268,723	85,990	334,423
British Pound Sterling	(360)	(151,951)	2,136,505	34,115	2,018,309
Canadian Dollar	(5,931)	(16,947)	774,934	21,067	773,123
Chilean Peso	4,067	(3,868)	20,144	4,321	24,664
Colombian Peso	(1,287)	1,089	7,266	31,658	38,726
Czech Koruna	50	-	2,776	-	2,826
Danish Krone	(3,100)	3,465	93,813	-	94,178
Egyptian Pound	40	-	1,235	-	1,275
Euro Currency	34,090	(176,143)	2,560,894	268,388	2,687,229
Ghanaian Cedi	(1,944)	1,944	-	1,934	1,934
Hong Kong Dollar	203	2,252	934,676	-	937,131
Hungarian Forint	83	-	3,043	8,633	11,759
Indian Rupee	491	(1,119)	327,295	3,885	330,552
Indonesian Rupiah	2,410	-	106,597	13,918	122,925
Israeli Shekel	273	2,705	51,854	-	54,832
Japanese Yen	9,415	(123,864)	1,611,701	132,909	1,630,161
Malaysian Ringgit	(924)	(1,298)	140,517	-	138,295
Mexican Peso	(23)	(39,154)	132,539	84,200	177,562
New Zealand Dollar	58	153,379	9,587	20,841	183,865
Nigerian Naira	-	-	836	4,860	5,696
Norwegian Krone	269	26,789	69,055	18,451	114,564
Peruvian Nuevo Sol	3	-	-	1,139	1,142
Philippine Peso	155	(3,612)	26,020	18,511	41,074
Polish Zloty	181	(8,319)	21,557	30,589	44,008
Qatari Riyal	507	(498)	4,734	33,056	37,799
Russian Ruble	-	(370)	623	-	253
Singapore Dollar	1,291	(1,226)	97,837	602	98,504
South African Rand	(211)	441	213,722	30,474	244,426
South Korean Won	2,136	(17,814)	475,016	7,084	466,422
Swedish Krona	(1,417)	(148,765)	215,211	6,252	71,281
Swiss Franc	(3,728)	(32,225)	560,929	1,188	526,164
Taiwan Dollar	3,989	(854)	405,741	-	408,876
Thai Baht	861	-	101,480	-	102,341
Turkish Lira	64	-	72,668	27,342	100,074
UAE Dirham	357	(252)	6,313	-	6,418
Uruguayan Peso	-	-	-	5,654	5,654
Total foreign currency exposure	$ 43,284	$ (505,188)	$11,956,426	$ 911,548	$12,406,070

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 14.

Real estate investments at June 30, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Estate Investment Trusts	$ 904,024	$ 1,193,331	$ 289,307
American Homes 4 Rent II	39,638	39,638	-
Directly Owned Real Estate:			
Retail	742,158	1,496,869	754,711
Office	1,264,001	1,552,445	288,444
Industrial	196,615	237,084	40,469
Multifamily	1,061,228	1,372,717	311,489
Total Real Estate	$ 4,207,664	$ 5,892,084	$ 1,684,420

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. During FY 14 it was determined that one private equity fund was

impaired and would not recover its carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, $6.7 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

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, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Return	$ 1,666,246	$ 2,115,743	$ 449,497
Absolute Return	2,454,444	2,775,521	321,077
Private Equity	2,734,978	3,130,850	395,872
Infrastructure	1,232,624	1,342,448	109,824
Distressed and Mezzanine Debt	1,144,899	1,364,779	219,880
Total Alternative Investments	$ 9,233,191	$10,729,341	$ 1,496,150

As of June 30, 2014, the APFC, on behalf of the Fund, had outstanding future funding commitments of: $3.26 billion for private equity; $820 million for infrastructure; and $224 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, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding (Losses)
Emerging Markets Total Opportunities	$ 925,733	$894,029	$ (31,704)

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 certain marketable securities. 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.

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, 2014, 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, 2014, the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan, Secured by Cash Collateral	$ 1,294,366
Cash Collateral	1,393,669
Fair Value of Securities on Loan, Securied by Non-cash Collateral	2,995,522
Non-cash Collateral	3,287,519

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2014, the Fund incurred no losses from securities lending transactions. The Fund received income of $12,010 thousand from securities lending for the year ended June 30, 2014, 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, 2014, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	$ 278,171
Short-term Domestic and Other	10,920
Total Interest	$ 289,091
Dividends	$ 617,199
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	$ 173,639
Real Estate Investment Trust Dividends	24,137
Real Return Interest and Dividends	13,997
Absolute Return Management Expenses, Net of Dividend and Interest Income	(15,061)
Distressed and Mezzanine Debt Interest Income, Net of Fees	26,201
Infrastructure Interest and Dividend Income, Net of Fees	14,261
Private Equity Dividend Income, Net of Management Expenses	11,492
Class Action Litigation Income	1,984
Loaned Securities, Commission Recapture and Other Income	12,444
Total Real Estate and Other Income	$ 263,094

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, 2014 ranged between one and 111 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, 2014 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 14 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	$1,855,805
Net Unrealized Holding Losses on FX Forward Contracts	(2,199)
Fair Value of FX Forward Contracts	$1,853,606
Change in Unrealized Holding Losses	$ (17,708)
Realized Losses	(618)
Net Decrease in Fair Value of FX Forward Contracts	$ (18,326)

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 12, 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 14 is summarized as follows (in thousands):

Face Value of Equity Index Futures	$ 143,192
Net Unrealized Holding Gains on Futures	662
Fair Value of Equity Index Futures	$ 143,854
Change in Unrealized Holding Losses	$ (120)
Realized Gains	17,445
Net Increase in Fair Value of Futures	$ 17,325

Activity and balances related to U.S. Treasury index futures for FY 14 is summarized as follows (in thousands):

Face Value of U.S. Treasury Index Futures	$ 39,178
Net Unrealized Holding Gains on Futures	44
Fair Value of U.S. Treasury Index Futures	$ 39,222
Change in Unrealized Holding Gains	$ 1,397
Realized Losses	(4,200)
Net Decrease in Fair Value of U.S. Treasury Futures	$ (2,803)

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 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:

	Governmental Activities		Business-type Activities	
Capital Asset	Capitalize at Value	Useful Life	Capitalize at 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, 2014, 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	$ 573	$ 23	$ -	$ 596
Land	339	1	-	340
Construction in progress	1,306	581	(339)	1,548
Total capital assets not being depreciated	2,218	605	(339)	2,484
Capital assets being depreciated:				
Buildings	1,939	66	(21)	1,984
Intangible - Software	61	19	-	80
Equipment	937	47	(18)	966
Infrastructure	7,103	280	-	7,383
Total capital assets being depreciated	10,040	412	(39)	10,413
Less accumulated depreciation for:				
Buildings	(605)	(54)	6	(653)
Intangible - Software	(56)	(13)	-	(69)
Equipment	(489)	(42)	15	(516)
Infrastructure	(4,391)	(317)	-	(4,708)
Total accumulated depreciation	(5,541)	(426)	21	(5,946)
Total capital assets being depreciated, net	4,499	(14)	(18)	4,467
Capital assets, net	$ 6,717	$ 591	$ (357)	$ 6,951

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.

The accumulated depreciation beginning balances for Intangible-Software and Equipment are restated $2 million due to a prior year error in classifying the note disclosure impact of an audit adjustment. This restatement nets to zero in the above table and has no financial statement impact as both accounts are reported in Equipment, Net of Depreciation on the Statement of Net Position.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 31	$ -	$ -	$ 31
Construction in progress	82	46	(32)	96
Total capital assets not being depreciated	113	46	(32)	127
Capital assets being depreciated:				
Buildings	1,088	2	(2)	1,088
Equipment	100	5	(3)	102
Infrastructure	801	24	-	825
Total capital assets being depreciated	1,989	31	(5)	2,015
Less accumulated depreciation for:				
Buildings	(317)	(32)	-	(349)
Equipment	(64)	(7)	2	(69)
Infrastructure	(386)	(27)	1	(412)
Total accumulated depreciation	(767)	(66)	3	(830)
Total capital assets being depreciated, net	1,222	(35)	(2)	1,185
Capital assets, net	$ 1,335	$ 11	$ (34)	$ 1,312

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	Amount
General Government	$ 11
Education	9
Health and Human Services	4
Law and Justice	3
Natural Resources	5
Development	1
Public Protection	26
Transportation	335
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.	31
Total Depreciation Expense – Governmental Activities	$ 425
Business-type Activities	
Enterprise	$ 66

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. 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. Software and Right of Use are grouped with equipment. Library and media are also grouped with Equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2014 (in millions):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 106	$ 4	$ -	$ 110
Museum collections	6	1	-	7
Construction in progress	615	406	(146)	875
Total capital assets not being depreciated	727	411	(146)	992
Capital assets being depreciated/depleted:				
Intangible - Software	1	-	-	1
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Library and Media	56	1	-	57
Buildings	1,788	90	(16)	1,862
Equipment	631	26	(60)	597
Infrastructure	1,417	41	-	1,458
Total capital assets being depreciated/depleted	3,918	158	(76)	4,000
Less accumulated depreciation/depletion for:				
Intangible - Software	(1)	-	-	(1)
Intangible - Right of Use	(5)	(1)	-	(6)
Library and Media	(44)	(1)	-	(45)
Buildings	(879)	(59)	8	(930)
Equipment	(369)	(35)	27	(377)
Infrastructure	(588)	(49)	-	(637)
Total accumulated depreciation/depletion	(1,886)	(145)	35	(1,996)
Total capital assets being depreciated/depletion, net	2,032	13	(41)	2,004
Capital assets, net	$ 2,759	$ 424	$ (187)	$ 2,996

University of Alaska art 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 14, the University of Alaska identified that library collections should have been depreciated using a useful life of 20 years. In FY 13, the Alaska Railroad Corporation purchased an ERP accounting system that allowed for an improved capital asset identification and classification between asset classes.

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 14 totaling $1,287 thousand and $1,684 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 14 totaling $170.0 million that will mature in FY 15.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2014 is as follows (in thousands):

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Bond Anticipation Notes	$ 149,645	$ 170,000	$ 149,645	$ 170,000

The Series 2013C Bond Anticipation Notes (BAN) were issued for the purpose of paying $149.6 million of the costs of State transportation projects. The 2014 BAN were issued for the purpose of refunding the 2013C BAN and additional costs of State transportation projects.

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2014 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 403,046	$ 1,159	$ 13,084	$ 391,121	$ 8,502
General obligation debt	742,501	-	50,781	691,720	38,358
Notes payable	-	3,300	-	3,300	629
Capital leases payable	341,765	13,842	26,190	329,417	25,878
Unearned revenue	397,181	8,719	73,201	332,699	32,851
Certificates of participation	4,910	-	1,565	3,345	1,625
Compensated absences	176,360	164,161	162,158	178,363	161,341
Claims and judgments	110,594	71,040	40,091	141,543	45,617
Pollution Remediation	99,285	3,815	24,900	78,200	8,664
Other noncurrent liabilities	991	123	-	1,114	615
Total	$ 2,276,633	$ 266,159	$ 391,970	$2,150,822	$ 324,080

Beginning balance for general obligation debt was restated due to the correction of an error accounting for the 2013C BAN as a long-term liability when it should have been reported as a short-term liability. Note 3 provides additional information on prior period adjustments.

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.

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2014 (in thousands):

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 565,029	$ -	$ 51,344	$ 513,685	$ 15,860
Unearned revenue	1,462	9	-	1,471	1,471
Compensated absences	4,638	3,738	3,905	4,471	3,949
Pollution Remediation	1,253	-	60	1,193	50
Total	$ 572,382	$ 3,747	$ 55,309	$ 520,820	$ 21,330

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, 2014, the following were the General Obligation Bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
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	44.5	22.9	67.4
2020-2024	159.4	90.8	250.2
2025-2029	146.8	55.3	202.1
2030-2034	131.0	18.4	149.4
2035-2039	-	1.6	1.6
Total debt service requirements	643.1	$ 298.5	$ 941.6
Unamortized bond premium	48.6		
Total principal outstanding	$ 691.7		

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying $165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying $164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding $191.41 million on the 2003A Series Bonds. The Series 2013 A and B Bonds were issued for the purpose of paying $162.48 million of the costs of State education projects.

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

At June 30, 2014, the amount of General Obligation Bonds authorized was $1,012.1 million with $697.5 million issued. Of the amount issued, $170.0 million is short-term Bond Anticipation Notes. General Obligation Bonds authorized but not issued at June 30, 2014 was $314.6 million.

REVENUE BONDS

As of June 30, 2014, the following were the revenue bonds outstanding (in millions):

	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2015	$ 8.5	$ 18.5	$ 15.9	$ 24.3
2016	14.3	18.2	16.7	23.6
2017	12.0	17.5	18.7	22.8
2018	7.2	17.0	25.1	21.7
2019	7.9	16.6	26.4	20.4
2020-2024	45.0	77.2	150.4	80.8
2025-2029	41.2	66.0	185.6	36.2
2030-2034	49.3	55.4	50.6	9.2
2035-2039	63.0	41.8	13.7	0.9
2040-2044	85.9	23.9	-	-
2045-2049	54.2	128.4	-	-
Total debt service requirements	388.5	$ 480.5	503.1	$ 239.9
Unamortized bond (discounts)/premiums	(4.9)		10.5	
Plus accreted value	7.5		-	
Total principal outstanding	$ 391.1		$ 513.6	

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, 2014 includes $353.2 million in principal, $468.8 million in interest, $7.0 million in unamortized discount, and $7.5 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 $35.3 million in principal, $11.7 million in interest, and $2.1 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 14. At June 30, 2014 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. International Airports Revenue Bond total at year end includes $503.1 million in principal, $239.9 million in interest and $10.5 million in unamortized premium.

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities	Operating	Capital Leases		
Year Ending June 30	Leases	Principal	Interest	Total
2015	$ 39.0	$ 25.8	$ 17.4	$ 43.2
2016	31.6	22.8	16.1	38.9
2017	25.3	21.2	15.0	36.2
2018	21.3	18.2	14.0	32.2
2019	16.1	18.3	52.9	71.2
2020-2024	27.3	86.6	37.1	123.7
2025-2029	3.3	73.1	12.1	85.2
2030-2034	1.6	63.4	-	63.4
2035-2039	0.2	-	-	-
2040-2044	0.2	-	-	-
2045-2049	0.2	-	-	-
2050-2054	0.2	-	-	-
2055-2059	0.2	-	-	-
2060-2064	2.0	-	-	-
Total	$ 168.5	$ 329.4	$ 164.6	$ 494.0

Leases at June 30, 2014 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, 2014 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 461,599	$ -
Equipment	8,195	-
Less: Accumulated Depreciation	(87,678)	-
	$ 382,116	$ -

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, 2014 (in millions):

Governmental Activities	Certificates of Participation		
Year Ending June 30	Principal	Interest	Total
2015	$ 1.6	$ 0.2	$ 1.8
2016	1.7	0.1	1.8
Total	$ 3.3	$ 0.3	$ 3.6

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2015	$ 196.1	$ 155.3	$ 351.4
2016	201.2	148.1	349.3
2017	213.6	141.1	354.7
2018	194.3	133.5	327.8
2019	181.1	125.9	307.0
2020-2024	860.5	514.0	1,374.5
2025-2029	753.1	342.0	1,095.1
2030-2034	641.5	184.1	825.6
2035-2039	408.1	75.8	483.9
2040-2044	288.6	16.1	304.7
2045-2049	18.4	2.1	20.5
Total debt service requirements	3,956.5	$ 1,838.0	$ 5,794.5
Unamortized (discounts)/premiums	49.2		
Unamortized swap termination penalty	(14.0)		
Total principal outstanding	$ 3,991.7		

The preceding table does not include $810 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 Position, 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, 2014, 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, 2014, 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/A2
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A+/Aa3
E021A1 [2]	10/9/2008	2.9800%	70% of 3M LIBOR [5]	6/1/2032	AAA/Aa2
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A+/Aa3
SC02C [3]	12/5/2002	4.3030%	SIFMA[6] +0.115%	7/1/2022	A+/Aa3
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa2
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa3
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A/A2
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa2
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa3

[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, 2014, 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, 2014	Fair Values June 30, 2013	Change in Fair Values
GP01A	$ 53,455	$ 56,808	$ (3,353)	$ (3,088)	$ (265)
GP01B	65,320	78,423	(13,103)	(13,753)	650
E021A1	41,920	46,115	(4,195)	(4,106)	(89)
E021A2	75,785	79,876	(4,091)	(5,011)	920
SC02C	50,760	56,741	(5,981)	(7,102)	1,121
E071AB	143,622	175,034	(31,412)	(30,462)	(950)
E071BD	95,748	116,325	(20,577)	(19,956)	(621)
E091A	72,789	89,309	(16,520)	(15,961)	(559)
E091B	72,789	89,250	(16,461)	(15,893)	(568)
E091ABD	97,052	118,535	(21,483)	(20,738)	(745)
Total	$ 769,240	$ 906,416	$(137,176)	$(136,070)	$ (1,106)

As of June 30, 2014, 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
2015	$ 13,175	$ 760	$ 26,836	$ 40,771
2016	13,745	752	26,362	40,859
2017	16,765	745	25,867	43,377
2018	20,040	729	25,218	45,987
2019	20,950	710	24,495	46,155
2020-2024	143,580	3,209	108,336	255,125
2025-2029	157,395	2,542	82,815	242,752
2030-2034	158,320	1,766	54,818	214,904
2035-2039	159,220	944	27,174	187,338
2040-2043	66,050	130	3,112	69,292
	$ 769,240	$ 12,287	$ 405,033	$ 1,186,560

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, 2014, 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 33.6 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa2. Another 31.7 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa3. Of the remaining swaps, another counterparty is also rated A+/Aa3, another counterparty is rated A/A2, and the remaining counterparty is also rated A/A2, approximating 18.3 percent, 9.5 percent, and 6.9 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, 2014, SIFMA was 0.06 percent and 1 month LIBOR was 0.1552 percent, resulting in a SIFMA/LIBOR ratio of 38.7 percent. The 3 month LIBOR was 0.2307 percent resulting in a SIFMA/LIBOR ratio of 26.0 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 $22.2 million 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, 2014, 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+/Aa3

The change in fair value of the investment derivatives as of June 30, 2014, 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, 2014	Fair Values June 30, 2013	Change in Fair Values
SC02B	$ 14,555	$ 17,083	$ (2,528)	$ (2,565)	$ 37

Credit Risk

As of June 30, 2014, 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+/Aa3.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

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), and the Judicial Retirement System (JRS) 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, 2014 the number of PERS participating employers was:

State of Alaska	3
Municipalities	75
School Districts	53
Other	25
Total Employers	156

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, 2014 was capped at 22 percent of compensation.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2014, 2013 and 2012 were $248.2, $244.9, and $201.2 million respectively for the year. For the FY 14 contributions, $124.0 million was for pensions and $124.2 million was for postemployment benefits. The contributions were equal to the required contributions in FY 14.

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 14 SLA 2013 appropriated $312.5 million from the General Fund to the PERS-DB as an additional state contribution for FY 14. The portion of this payment attributable to State of Alaska employers is $186.3 million, of which $105.4 million is for pensions and $80.9 million 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):

		Annual required contributions			
Year ended June 30	Actuarial valuation year ended June 30	Pension	Postemployment healthcare	Total	Total percentage contributed
2011	2008	$ 220,419	$ 525,075	$ 745,494	71.4%
2012	2009	351,674	498,433	850,107	73.6
2013	2010	382,889	612,792	995,681	62.6

The components of the net pension liability of the participating employers at June 30, 2014, were as follows:

Total Pension Liability	$ 12,395,578
Plan Fiduciary Net Position	7,731,438
Employers' Net Pension Liability (Asset)	$ 4,664,140
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.37%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) that the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	$ 6,115,582	$ 4,664,140	$ 3,441,889

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, and JRS 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, 2014 the number of participating employers was:

State of Alaska	2
School Districts	53
Other	3
Total Employers	58

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.

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, 2014 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, 2014, 2013, and 2012 were $5.1, $5.3, and $5.7 million respectively, equal to the required contributions for each year. For the FY 14 contributions, $2.7 million was for pensions and $2.4 million was for postemployment benefits. The contributions were equal to the required contributions in FY 14.

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 14 SLA 2013 appropriated $316.8 million from the General Fund to the TRS-DB as an additional state contribution for FY 14. The portion of this payment attributable to State of Alaska employers is $18,885 thousand, of which $12,450 thousand is for pensions and $6,435 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):

		Annual required contributions			
Year ended June 30	Actuarial valuation year ended June 30	Pension	Postemployment healthcare	Total	Total percentage contributed
2011	2008	$ 167,978	$ 167,686	$ 335,664	77.3%
2012	2009	229,509	192,700	422,209	65.4
2013	2010	259,786	330,411	590,197	44.0

The components of the net pension liability of the participating employers at June 30, 2014, were as follows:

Total Pension Liability	$ 6,770,201
Plan Fiduciary Net Position	3,771,139
Employers' Net Pension Liability (Asset)	$ 2,999,062
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.70%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) that the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	$ 3,776,983	$ 2,999,062	$ 2,346,163

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, and JRS 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, 2014, was 73.28 percent of compensation. Total contributions for FY 14 were $8.7 million for pensions, and $1.1 million for postemployment benefits.

The Schedule of Required Contributions follows (in thousands):

		Annual required contributions				
Year ended June 30	Actuarial valuation year ended June 30	Pension	Postemployment healthcare	Total	Pension percentage contributed	Postemployment healthcare percentage contributed
2011	2012	$ 3,896	$ 723	$ 4,619	98.5%	80.1%
2012	2012	5,052	713	5,765	107.3	97.8
2013	2013	5,186	466	5,652	79.9	2.6

Included in the total contributions amounts above is $4.5 million appropriated in Chapter 14 SLA 2013 from the General Fund to JRS as an additional state contribution for FY 14 for the purpose of funding the retirement system.

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 roll forward of the valuation dated June 30, 2010 set the contribution rates for the year ended June 30, 2014. The State of Alaska's net pension and other postemployment benefit (OPEB) obligations for FY 14 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	$ 5,186	$ 467
Interest on net pension asset	(189)	(63)
Adjustment to annual required contribution	166	55
Annual Pension Cost (APC)/OPEB Cost (AOC)	5,163	459
Contributions Made	(8,682)	(1,061)
Increase in Obligation	(3,519)	(602)
Net Pension Obligation/(Asset) Beginning of Year	(2,360)	(785)
Net Pension Obligation/(Asset) End of the Year	$ (5,879)	$ (1,387)

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

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
	2012	$ 5,255	96.0%	$ 1,751
	2013	5,054	153.5%	(2,494)
	2014	5,163	168.2%	(5,879)

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	Net OPEB Obligation /(Asset)
	2012	$ 1,441	67.5%	$ 1,110
	2013	710	164.7%	(785)
	2014	459	231.2%	(1,387)

The components of the net pension liability of the participating employers for the Plan at June 30, 2014, were as follows:

Total Pension Liability	$ 201,397,651
Plan Fiduciary Net Position	139,547,440
Employers' Net Pension Liability (Asset)	$ 61,850,211
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.29%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	$ 84,067,949	$ 61,850,211	$ 43,000,097

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 actuarial roll forward of the valuation dated June 30, 2010 set the contribution rates for the year ended June 30, 2014. The State of Alaska's net pension obligation for FY 14 follows:

Annual Required Contribution	$ 474,791
Interest on net pension asset	(31,705)
Adjustment to annual required contribution	70,889
Annual Pension Cost (APC)	513,975
Contributions Made	(740,100)
Increase/(Decrease) in Net Pension Asset	(226,125)
Net Pension Obligation/(Asset) Beginning of Year	(452,930)
Net Pension Obligation/(Asset) End of the Year	$ (679,055)

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	$ 896	100.0%	$ (159)
2013	431	171.3%	(453)
2014	475	144.0%	(679)

The components of the net pension liability of the participating employers for the plan at June 30, 2014, were as follows:

Total Pension Liability	$ 35,311,535
Plan Fiduciary Net Position	37,467,105
Employers' Net Pension Liability (Asset)	$ (2,155,570)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.10%

The following presents the net pension liability of the System calculated using the discount rate of 7 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current discount rate (7%)	1% Increase (8%)
Net pension liability (Asset)	$ (450,532)	$ (2,155,570)	$ (3,686,221)

ASSET VALUATION

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

Systems	Fair Value
Public Employees' Retirement System	$14,668,741
Teachers' Retirement System	6,035,450
Judicial Retirement System	165,840
Alaska National Guard and Alaska Naval Militia Retirement System	37,556

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 is as of the most recent valuation report date.

	PERS	TRS	JRS	NGNMRS
	6/30/14	6/30/14	6/30/14	6/30/12
Inactive plan members or beneficiaries currently receiving benefits	30,376	11,726	108	608
Inactive plan members entitled to but not yet receiving benefits	18,500	3,162	3	1,308
Current active employees	19,474	5,995	75	4,397
Total	68,350	20,883	186	6,313

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	17 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.	6/30/2013
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension; level dollar Normal Cost for healthcare	Level dollar, closed	17 years	6.11% for first 5 years of service grading down to 3.62% after 20 years	6/30/2013
JRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension; level dollar Normal Cost Basis for healthcare	Level dollar, closed	20 years	4.12%	6/30/2012
NGNMRS	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	7/1/2013

		Health Care Inflation		
		Medical Pre-65	Medical Post-65	Rx
For all systems above	FY14	8.70%	6.40%	6.30%
(excluding NGNMR):	FY15	8.50%	6.30%	6.20%

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 are valued at a five year smoothing asset valuation method.

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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

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, 2014, there were 158 employers participating in PERS-DCR. There were 16,210 active members, of which 14,882 are general employees and 1,328 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 14 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, 2014 by the employees were $35,161 thousand and the State of Alaska employers were $21,976 thousand. The PERS other postemployment contributions for the year ended June 30, 2014 were $16,788 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, 2014 is $704,965 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, 2014, there were 58 employers participating in TRS-DCR. There were 3,650 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 14 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, 2014 by the employees were $576 thousand and the State of Alaska employers were $504 thousand. The TRS other postemployment contributions for the year ended June 30, 2014 were $236 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, 2014 is $282,865 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 June 30, 2014, there were 22 other employers participating in SBS. There were 42,828 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 ended June 30, 2014, were $74,867 thousand. The State's covered payroll was approximately $1,221,314 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 ended June 30, 2014, were $2,801 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 June 30, 2014. 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.

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 June 30, 2014 the Deferred Compensation Plan had approximately 10,500 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 June 30, 2014 were $796,592 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, 2014, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

	Due from Other Funds							
Due to Other Funds	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Other	Total
General Fund	$ -	$ 2,036	$ 53	$ 921	$ 6,373	$ 30,492	$ 41,511	$ 81,386
Alaska Permanent Fund	1,266,763	-	-	-	-	-	-	1,266,763
Nonmajor Governmental Funds	42,006	8	-	-	-	-	-	42,014
International Airports	28,650	-	-	-	-	-	-	28,650
Nonmajor Enterprise Funds	2,047	-	-	-	-	-	-	2,047
Internal Service Funds	1,263	-	-	-	-	-	-	1,263
Fiduciary Funds	13,392	-	-	-	-	-	-	13,392
Other	-	-	-	-	-	-	-	-
Total	$1,354,121	$ 2,044	$ 53	$ 921	$ 6,373	$ 30,492	$ 41,511	$1,435,515

The $1,266.8 million balance due from the Alaska Permanent Fund to the General Fund includes $1,200.4 million for payment of 2014 Permanent Fund dividends to qualified residents of the State and $31.9 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2014 Permanent Fund Dividend Program.

The amounts reported as "Other" represents cash received in FY 15 for a receivable in FY 14 not reported by the Alaska Permanent Fund's audited financial statements.

INTERFUND TRANSFERS

	Transfers to					
Transfers From	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ 72,163	$ 4,335	$ 39	$ 16,027	$ 92,564
Alaska Permanent Fund	1,266,763	-	-	-	-	1,266,763
Nonmajor Governmental Funds	37,468	7,245	-	-	-	44,713
Nonmajor Enterprise Funds	3,747	-	-	-	-	3,747
Total	$ 1,307,978	$ 79,408	$ 4,335	$ 39	$ 16,027	$ 1,407,787

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 $1,200.4 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a $31.9 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 $8.6 million for providing these services during the year ending June 30, 2014. At June 30, 2014 AIDEA had $5.9 million 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, 2014 is $18,501 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, 2014 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, 2014 was $4,696 thousand.

For the year ended December 31, 2013, Alaska Railroad Corporation issued a $1,940 thousand note payable to the State of Alaska, Department of Transportation and Public Facilities in exchange for real property.

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, 2014, is $19,159 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2014. 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 14 expended for school debt was $109,801 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 $1,157,644 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 14, 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: $1 billion 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, 2013 and June 30, 2014. 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 13 and a 3.0 percent discount interest rate for FY 14. 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
2013	$ 92,447,351	$ 47,239,404	$ (36,801,179)	$ 102,885,576
2014	102,885,576	60,080,814	(40,091,359)	122,875,031

D. LITIGATION AND ADMINISTRATIVE APPEALS

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 $18,141 thousand, with an additional possible liability of $25,436 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.

The Department of Revenue Oil and Gas Audit Group performs periodic audits of oil and gas companies. Audits may result in additional assessments. Oil and gas companies often choose to pay the additional assessments "under protest" to avoid accruing interest. Because these payments are deposited in the Constitutional Budget Reserve Fund but are still under dispute, the oil and gas audit assessment revenues recognized in the Constitutional Budget Reserve Fund could be adversely affected by a potential refund resulting from an appeals decision issued by the Department of Revenue's Appeals Group. The amount of potential refund could not be estimated.

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, 2014, 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, 2014, 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 $90,993 thousand and $43,329 thousand respectively.

As of June 30, 2014, 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 $1,276 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for $5,008 thousand, and the Alaska Bulk Fuel Loan Program for $7,387 thousand.

At June 30, 2014, the Alaska Energy Authority had open loan commitments of $8,968 thousand.

At June 30, 2014, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments of $30.8 million, loan guarantees of $1.2 million, and extended commitments to fund borrowings not to exceed $23.1 million from the Sustainable Energy Transmission and Supply Development Fund.

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. AIDEA can guarantee only loans AIGA needs to meet cash flow needs up to a maximum of $30 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

The Alaska Gasline Development Corporation (AGDC) 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.

The AGDC entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corporation, for a proposed Alaska Liquified Natural Gas (AK LNG) project. The project

is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be $45 billion to $65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, the AGDC would contribute $31 million and $22.4 million in FY 15 and FY 16, respectively, to carry out the Pre-FEED work for the AK LNG project.

I. INVESTMENT COMMITMENTS

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

	Amounts in thousands			
Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships				
Withdrawn annually in December with 90-days notice.	$ 10,048	$ 4,123	$ 112	$ 22
Private Equity				
To be paid through 2024.	-	-	7,735	-
To be paid through 2022.	694,103	284,783	-	-
Energy				
To be paid through 2023.	72,039	29,557	803	-
Real Estate				
To be paid through 2024.	310,920	123,748	3,151	-
	$ 1,087,110	$ 442,211	$ 11,801	$ 22

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 one fund.

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, 2013, the General Fund had pollution remediation obligations of $99,285 thousand. As of June 30, 2014, the State had an increase to the obligation of $3,815 thousand and recognized a decrease of $24,900 thousand, for an ending balance of $78,200 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of $21,635 thousand from other responsible parties.

At July 1, 2013, the International Airports Fund (IAF) reported pollution remediation liabilities of $1,253 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2014 IAF had recognized a decrease of $60 thousand, and no increase for an ending balance of $1,193 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, 2012, the Alaska Railroad Corporation had pollution remediation obligations of $1,385 thousand. As of December 31, 2013, the Alaska Railroad Corporation had additional obligations of $1,455 thousand and reductions in obligations of $367 thousand, for an ending liability of $2,473 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, 2014 (in thousands):

	Amount (in thousands)
General Fund	$ 1,570,690
Special Revenue Funds	39,805
Capital Project Funds	148,450
Total Encumbrances	$ 1,758,945

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 $459.2 million of which $352.2 million is in the General Fund, $91.0 million is within Capital Project Funds, and $16.0 million is within Special Revenue Funds. These projects are funded by the general funds, investment income from a settlement, gambling tax revenues, bond proceeds, funding from a component unit, and oil and gas lease revenues.

The Department of Administration, Department of Education and Early Development, Department of Health and Social Services, Department of Labor and Workforce Development, Department of Military and Veterans Affairs, and the Department of Transportation and Public Facilities have several construction/maintenance projects underway totals $280.1 million of which $245.5 million is in the General Fund and $34.6 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 $44.0 million funded by general fund resources and the State’s master lease letter of credit.

L. EFFECTS OF MEDICAID INFORMATION SYSTEM DEFECTS

October 1, 2013 the Department of Health and Social Services (DHSS) legacy Medicaid system was replaced by the Alaska Health Enterprise (AHE) system. After the system went live, it was discovered that AHE had numerous system defects affecting every area of AHE operations. Due to the complexity of claim pricing, the total amount affected by AHE system defects cannot be reasonably estimated before the defects are corrected.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to year end, the Alaska Municipal Bond Bank Authority issued a preliminary statement for the 2014 Series Three general obligation and refunding bonds issue in the approximate par amount of $58 million. Final issuance is expected to take place in October 2014.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2014 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 15 in an amount not to exceed $1,602 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-FY 15. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2014 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 15 in an amount not to exceed $1,692 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-FY 15. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION (AHFC)

On August 27, 2014, AHFC issued $140 million State Capital Project Bonds II, 2014 Series C. The bonds are general obligation bonds of AHFC. The 2014 Series C bonds are federally taxable and bear interest at a floating rate equal to a money market reference rate, like LIBOR, plus a quoted spread, payable each June 1 and December 1, commencing on December 1, 2014. The bonds have a final maturity date of December 1, 2029.

In November 2014, AHFC issued $78.1 million State Capital Project Bonds II, 2014 Series D. The bonds are general obligations bonds of AHFC. The 2014 Series D bonds are tax exempt and bear interest at fixed rates between two and five percent payable each June 1 and December 1 with final maturity of June 1, 2029.

In October 2014, AHFC made the commitment to issue up to $14.7 million of Tax Exempt Direct Purchase Bonds, Series 2014 (ANC MV Phase I Limited Partnership project) with $100 thousand being issued at that time. AHFC issued this debt to assist ANC MV Phase I Limited Partnership with the construction of facilities that will help AHFC fulfill its mission of making housing affordable for all Alaskans. AHFC's component unit Alaska Corporation for Affordable Housing is a partner of ANC MV Phase I Limited Partnership. Neither AHFC nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in AHFC's financial statements.

E. ALASKA AEROSPACE CORPORATION (AAC)

On August 25, 2014, a failure occurred on the launch vehicle within seconds of launch at AAC's rocket launch facility on Kodiak Island. The vehicle was destroyed per well-defined safety requirements, resulting in destruction of the launch vehicle shortly after leaving the launch pad causing extensive damage to AAC's rocket launch facility. There were no injuries, and the vehicle debris was contained on Kodiak Launch Complex property.

The emergency plan was implemented, and access was restricted to the affected areas of the Narrow Cape area. The Explosive Ordinance Detachment team from Joint Base Elmendorf/Richardson was notified and mobilized immediately. Failure notifications were made directly to the Governor's office, State Risk Management, and other State agencies such as the Department of Natural Resources and Department of Environmental Conservation. Detailed damage evaluations are in process, and the results will be shared with the Alaska Risk Management office and the customer. Detailed site clean-ups and the environmental assessments are in process by both the customer and the AAC teams. Planning for site recovery and repairs from the mission-related damage are in-process. The overall site is able to be repaired or replaced in time for future missions.

Access to the public areas of Narrow Cape was re-opened on October 10, 2014.

F. STATE OF ALASKA – CERTIFICATES OF PARTICIPATION

On August 26, 2014 the State of Alaska sold a par amount of $30.9 million of Certificates of Participation (COPs) to fund $35 million of the Alaska Native Tribal Health Consortium's Alaska Native Medical Center Residential Housing Facility. The COPs are subject to annual appropriation commitment of the State of Alaska for the term of the underlying leases. The COPs have a 15 year level debt service amortization of approximately $2.9 million per year based on a True Interest Cost of 2.88%. The COP issuance was closed on September 17, 2014 and the first debt service payment will be due on June 1, 2015.

G. STATE OF ALASKA – PENSION CONTRIBUTIONS

The Alaska State Legislature and Governor approved SLA 2014, Chapter 18, Section 48 which appropriated $3 billion from the Constitutional Budget Reserve Fund, a subfund of the General Fund, to the Public Employees Retirement System and Teachers Retirement System for $1 billion and $2 billion respectfully. This is an additional state contribution to these plans for the fiscal year ended June 30, 2015. In July 2014 and November 2014 transfers processed which total $2 billion. The final $1 billion transfer is scheduled for March 2015.

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REQUIRED

SUPPLEMENTARY INFORMATION

STATE OF ALASKA **STATEMENT 2.01**

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	$ 4,730,848	$ 4,730,849	$ 3,234,953	$ 1,495,896
Licenses and Permits	136,117	138,734	124,275	14,459
Charges for Services	246,417	254,791	184,031	70,760
Fines and Forfeitures	17,992	17,992	16,672	1,320
Rents and Royalties	1,915,346	1,915,662	1,744,768	170,894
Premiums and Contributions	11	12	19,555	(19,543)
Interest and Investment Income	518,730	518,730	1,279,567	(760,837)
Payments In from Component Units	66	66	66	-
Other Revenues	41,564	41,564	34,150	7,414
Restricted:				
Federal Grants in Aid	7,282,945	7,395,328	2,296,280	5,099,048
Interagency	689,004	1,040,305	655,515	384,790
Payments In from Component Units	26,593	27,408	22,512	4,896
Other Revenues	18,510	18,510	862	17,648
Total Revenues	15,624,143	16,099,951	9,613,206	6,486,745
EXPENDITURES				
Current:				
General Government	973,077	963,646	756,870	206,776
Alaska Permanent Fund Dividend	582,544	582,544	570,590	11,954
Education	1,298,176	2,481,034	2,410,154	70,880
University	684,556	691,309	552,243	139,066
Health and Human Services	3,434,620	3,441,906	2,701,777	740,129
Law and Justice	328,044	336,985	309,879	27,106
Public Protection	979,032	1,238,983	1,006,587	232,396
Natural Resources	725,841	780,408	481,282	299,126
Development	1,553,452	1,515,140	956,804	558,336
Transportation	6,860,664	7,317,169	2,941,405	4,375,764
Intergovernmental Revenue Sharing	195,662	267,687	266,290	1,397
Debt Service:				
Principal	36,353	36,353	35,951	402
Interest and Other Charges	228	228	228	-
Total Expenditures	17,652,249	19,653,392	12,990,060	6,663,332
Excess (Deficiency) of Revenues Over Expenditures	(2,028,106)	(3,553,441)	(3,376,854)	(176,587)
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	5,166,858	5,330,004	5,329,491	513
Transfers (Out to) Other Funds	(4,043,587)	(4,043,587)	(4,118,282)	74,695
Total Other Financing Sources and Uses	1,123,271	1,286,417	1,211,209	75,208
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	$ (904,835)	$ (2,267,024)	(2,165,645)	$ (101,379)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			2,413,620	
Basis Difference			(328,194)	
Perspective Difference			(1,570)	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			(81,789)	
Fund Balances - Beginning of Year			22,623,405	
Fund Balances - End of Year			$ 22,541,616	

Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2014

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	$ (259,790)
Medical Assistance Program	(67,652)
Working Reserve	396
Tobacco Tax	(3,251)
Alcohol Tax	2,184
Tire Tax	16
Vehicle Rental Tax	322
Commercial Passenger Vessel Excise Tax	(419)
Total General Fund Basis Difference	$ (328,194)

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SECTION II – RECOMMENDATIONS AND QUESTIONED COSTS

INTRODUCTION

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

Generally, the status of prior year recommendations falls into one of 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 14 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.

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SUMMARY OF RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2014

	----------*Control Deficiencies*----------					
	Basic Financial Statements		*Federal Programs*			
State Department	*Material Weakness*	*Significant Deficiency*	*Material Weakness*	*Significant Deficiency*	*Federal Compliance*	*Other State Issues*
GOV						
DOA						2014-001, 2014-002
DOL						
DOR		2014-003, 2014-004				2014-005, 2014-006
DEED				2014-007	2014-007	
DHSS	2014-021	2014-022	2014-019	2014-009, 2014-013, 2014-014, 2014-017, 2014-018, 2014-019	2014-008, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, 2014-015, 2014-016, 2014-017, 2014-019	2014-020, 2014-023
DLWD		2014-024				
DCCED						
DMVA				2014-025, 2014-026	2014-025	
DNR						
DFG						
DPS						2014-027
DEC				2014-028, 2014-029	2014-028, 2014-029	
DOC						2014-030

SUMMARY OF RECOMMENDATIONS For the Fiscal Year Ended June 30, 2014						
	----------Control Deficiencies----------					
	Basic Financial Statements		*Federal Programs*			
State Department	*Material Weakness*	*Significant Deficiency*	*Material Weakness*	*Significant Deficiency*	*Federal Compliance*	*Other State Issues*
DOTPF				2014-032, 2014-034, 2014-035, 2014-037, 2014-038, 2014-039	2014-031, 2014-032, 2014-033, 2014-034, 2014-035, 2014-036, 2014-037, 2014-038, 2014-039	
Court System						
Component Units				2014-040, 2014-041, 2014-042, 2014-043	2014-040, 2014-041, 2014-042, 2014-043	

Findings and Recommendations

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OFFICE OF THE GOVERNOR

No recommendations were made to the Office of the Governor in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*.

No new recommendations have been made during the FY 14 statewide single audit.

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DEPARTMENT OF ADMINISTRATION (DOA)

Four recommendations were made to DOA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 2, 3, and 4 are resolved. Prior year Recommendation No. 1 is not resolved and is reiterated in this report as Recommendation No. 2014-001.

One new recommendation has been made during the FY 14 statewide single audit and is included as Recommendation No. 2014-002.

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Recommendation No. 2014-001

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

Prior Finding

The asset tracking system used by ETS does not accurately track and value ISF assets. Specifically, the capital asset tracking system does 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 asset tracking, historical data input into the new system continued to be unreliable. Furthermore, no physical inventory was completed for ISF capital assets. No forward progress in addressing the finding was made during FY 12 or FY 13.

Generally accepted accounting principles[1] (GAAP) require capital assets be reported at historical cost. GAAP also requires the ISF to be operated 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 14, ETS staff did not address the accuracy of historical data input into its asset tracking system, and no comprehensive inventory was completed. No progress was made to improve reporting of ISF capital assets. ETS experienced high turnover in key management and account positions, and new staff were unaware of the historical capital asset problems.

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

Agency Response – Department of Administration

The Division of Enterprise Technology Services (ETS) concurs with Recommendation No. 2014-001 to implement procedures to properly account for Information Service Fund (ISF)

[1]*Codification of Governmental Accounting and Financial Reporting Standards* 1400.102-104.

capital assets. The director of ETS has set a priority for gathering accurate information on assets, and directed a team to accomplish this task in calendar year 2015.

Beginning in FY 14, ETS implemented processes to identify all assets listed in the division's fixed asset system (FASGOV), and those procured during FY 14 and after, as discrete assets or part of a greater whole asset. ETS continues to input assets into the system and two schedules have now been entered, one for ISF assets and one for SATS assets.

The end result for fixed assets entered into FASGOV will be comprehensive listings that will include all ISF capital assets owned and properly depreciated. Although input into the system is manual, the system does allow for:

- *capitalizing the cost of capital improvements,*
- *tracking capital asset disposal, and*
- *generating inventory lists to reconcile FASGOV and AKSAS.*

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

Recommendation No. 2014-002

The state accountant should improve procedures for calculating the amount of funds to transfer from the Statutory Budget Reserve Fund (SBRF) to the General Fund (GF).

Chapter 14, section 34 of the 2013 Session Laws of Alaska authorized a transfer from the SBRF to the GF. Specifically, the law states:

> *If the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2014 is insufficient to cover general fund appropriations made for the fiscal year ending June 30, 2014, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the general fund is appropriated from the budget reserve fund (AS 37.05.540(a)) to the general fund.*

DOA, Division of Finance (DOF) accountants are responsible for calculating the amount of the SBRF transfer and processing the transaction. A review of the FY 14 SBRF transfer found the amount was understated by approximately $377 million. After being made aware of the error, DOF accountants processed a correcting adjustment so the audited financial statements correctly report the transfer.

The SBRF transfer error was caused by DOF accountants' lack of understanding on how to calculate the transfer, insufficient supervisory review, and undetected workpaper errors. If left uncorrected, the miscalculation would have resulted in overstating the SBRF balance.

We recommend the state accountant improve procedures for calculating the amount of funds to transfer from the SBRF to the GF.

Agency Response – Department of Administration

The Division of Finance (DOF) concurs with Recommendation No. 2 to improve procedures to calculate the transfer of funds from the Statutory Budget Reserve Fund (SBRF) to the General Fund (GF). DOF is responsible for the calculation and financial posting of the transfer from the SBRF to balance the deficit within the GF. The procedures and the spreadsheets used to calculate the necessary transfer should be clear and concise.

The Division has taken the following measures to prevent the incorrect calculations in the future. The first measure that the Division has implemented is a correction to the spreadsheet that calculates the amount of the transfer to or from the SBRF. Due to the implementation of GASB 65, a formula error in the spreadsheet resulted in a miscalculation, which has now been corrected for future years. Secondly, the Division has added verbiage to the appropriate work paper that clearly indicates that the balances of sub-funds of the GF are not to be included in the calculation of the amount transferred to or from the SBRF. Lastly, the Division has added language to the General Fund Balance Sheet CAFR procedure to address both of the above issues, and to prevent the same errors from occurring in the future.

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

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DEPARTMENT OF LAW (LAW)

No recommendations were made to LAW in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*.

No new recommendations have been made during the FY 14 statewide single audit.

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DEPARTMENT OF REVENUE (DOR)

One recommendation was made to DOR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013.* Prior year Recommendation No. 5 is resolved.

Four new recommendations have been made during the FY 14 statewide single audit and are included as Recommendation Nos. 2014-003 through 2014-006.

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Recommendation No. 2014-003

The Tax Division director should seek Internal Revenue Service (IRS) certification of the Tax Revenue Management System (TRMS) in order to regain access to IRS income tax data.

Since January 2013, the Tax Division's corporate income tax (CIT) auditors have not had access to IRS income tax data. Tax Division management terminated auditors' access, because DOR's legacy tax system was not in compliance with IRS system security requirements. Since DOR was in the process of implementing a new tax system, TRMS, Tax Division management decided not to use resources to bring the legacy system into compliance. The TRMS CIT module was implemented in April 2014. Tax Division management reported working with contractors to bring TRMS into compliance with IRS requirements in order to obtain IRS certification.

According to AS 43.20.200, Tax Division CIT auditors may examine filed tax returns for accuracy. IRS income tax data is a critical tool used to audit Alaska income tax returns. The inability to access this data inhibits auditors' ability to verify completeness and accuracy of taxpayers' reported income. As a result, the State may be receiving less in tax assessments than is due.

We recommend the Tax Division director seek IRS certification of TRMS in order to regain access to IRS income tax data.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. The Tax Division has made regaining access to IRS income tax data a priority. The previous management allowed the IRS certification to terminate because they deemed the cost was prohibitive to get the legacy system into compliance with the IRS's Publication 1075 (Pub. 1075). This decision was made on the cusp of implementing the new Tax Revenue Management System, which was going to be compliant. The previous management was not aware when they chose to allow the certification to lapse that the process of re-certification would be substantially more involved than the improvements that would have been required to maintain it. Since the Tax Division is not currently certified with the IRS to receive taxpayer information, it must go through the process as if it had never been certified before. The standard to become certified to receive taxpayer information from the IRS for the first time is much higher, making the process much more complicated than it otherwise would have been.

Pub. 1075 is a voluminous document with many stringent requirements dealing not only with the security of the information technology systems, but with the security of physical documents, the building, the floor, and the servers. It mandates certain training be provided to Division staff, Division policies and procedures, and many other requirements.

The Division has been working with the IRS to become compliant with Pub. 1075, but the process is very time consuming and will involve much more than the TRMS system. The IRS will be in Alaska this summer to conduct an inspection of the Division's systems and servers. The Tax Division anticipates passing that part of the certification process. However, given that the Division's resources are still devoted to designing and implementing TRMS for the final rollout, the Division does not anticipate becoming fully compliant with Pub. 1075 at that time.

The Tax Division has this as a high priority and will continue to devote resources to becoming Pub. 1075 compliant and recertifying with the IRS to receive access to income tax data.

Contact Person: *Daniel DeBartolo, Director*
Administrative Services Division
(907) 465-2312

Recommendation No. 2014-004

The Tax Division director should improve the TRMS reporting function and ensure a year-end reconciliation between the TRMS and the state accounting system (AKSAS) is performed timely.

DOR's new tax system, TRMS, did not provide an adequate audit trail that supported FY 14 tax revenues recorded in AKSAS. Specifically, due to inaccuracies, TRMS reports could not be used to support $19.3 million in year-end revenue accruals for Tobacco, Alcohol Beverage, Tire, Vehicle Rental, and Commercial Passenger Vessel Excise taxes. Additionally, the existing reports were summary in nature and did not allow the reconciliation of reported amounts to individual taxpayer receipts.

Moreover, the FY 14 year-end CIT reconciliation between TRMS and AKSAS was not performed timely. This was due to data conversion differences between DOR's legacy tax system and TRMS which required additional research to identify the discrepancies. Furthermore, the original TRMS report pulled to identify total CIT interest revenues was overstated by $17 million because it included amounts outside of FY 14. Once identified, DOR and Department of Administration (DOA) staff processed a correction in AKSAS.

Individually, the above deficiencies do not create a risk of material misstatement for the FY 14 financial statements. However, the internal control deficiencies increase the risk of a material misstatement in FY 15 when oil and gas production and property taxes are brought into TRMS. Total oil and gas tax revenues for FY 14 were $2.1 billion.

Generally, the deficiencies were caused by limitations of available TRMS reports and insufficient training of DOR personnel in using the TRMS and its reporting functions. The *Codification of Governmental Accounting and Financial Reporting Standards*, section 1200.102 states:

Adherence to GAAP (generally accepted accounting principles) is essential to assuring a reasonable degree of comparability amount the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permits reporting on the financial status and operations of a government in conformity with GAAP.

Furthermore, the AAM 10.035, requires each state agency to maintain records sufficient for audit purposes.

We recommend the Tax Division director improve the TRMS reporting function and ensure a year-end reconciliation between TRMS and AKSAS is performed timely. This recommendation could be implemented by working with the TRMS contractor to generate custom TRMS reports that meet DOR's needs and by providing additional training to DOR staff.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. The Tax Division is currently working with the TRMS contractors for additional detailed and custom level of reporting in order to reconcile and provide a clear audit trail between TRMS and AKSAS. In addition, the Accounting and Collections staff will be participating in more targeted training in reconciling and reporting to ensure year-end reconciliations is completed accurately and timely.

Contact Person: *Daniel DeBartolo, Director*
Administrative Services Division
(907) 465-2312

Recommendation No. 2014-005

The Tax Division director should evaluate and ensure procedures for processing Constitutional Budget Reserve Fund (CBRF) transfers are adequate and properly followed.

Of six corporate income tax CBRF transfers that should have been processed in FY 14, five were not processed, and one was processed for the incorrect amount. In all instances, Tax Division procedures for transferring CIT CBRF payments and refunds were not followed. DOR management cited staff turnover and the manual nature of the transactions as the primary reasons for not following designated procedures.

Alaska Constitution, Article IX, section 17, established the CBRF to deposit all money received by the State as a result of the termination of an administrative proceeding or litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale

proceeds, federal mineral revenue sharing payments or bonuses, or taxes imposed on mineral income, production, or property.

Incorrect and/or unperformed CBRF transfers result in a distorted representation of funds available for legislative appropriation. The cumulative effect of FY 14 errors was approximately $30 million. Once identified by the audit team, DOR and DOA staff processed FY 14 corrections to properly record the transfers.

We recommend the Tax Division's director evaluate and ensure procedures for processing CBRF transfers are adequate and properly followed.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. The Division will be evaluating the CBRF procedures under TRMS to ensure the CBRF transfers are completed accurately and timely; and the Division is currently working with the TRMS contractors to provide the ability to generate a higher level of detailed reporting required to fully support CBRF transfers.

Contact Person: *Daniel DeBartolo, Director*
Administrative Services Division
(907) 465-2312

Recommendation No. 2014-006

The Tax Division director should implement procedures to consistently record and report interest and penalty revenues for all tax types.

During FY 14, interest and penalty revenues received for DOR tax types other than oil and gas severance taxes were recorded in AKSAS as tax revenues rather than interest and penalty revenues. This treatment is inconsistent with how DOR records interest and penalty revenues related to oil and gas severance taxes. Interest and penalty revenues associated with oil and gas severance taxes are recorded in separate AKSAS interest and penalty accounts. There are no DOR procedures that require staff to record other tax type interest and penalty revenues in separately identified AKSAS accounts.

According to the *Codification of Governmental Accounting and Financial Reporting Standards*, section 1800, subsection 188:

> *The budget, the accounts, and the financial reports are inseparable elements in the financial administration process. Terminology and classification consistency among them is essential to achieving viable accounting systems and comparable, unambiguous financial reporting.*

The State's comprehensive annual financial report (CAFR) displays tax, and interest and penalty revenues as separate line items. Inconsistent classification of tax, and interest and penalty revenues in AKSAS results in ambiguous CAFR financial reporting. For FY 14 corporate income taxes, auditors identified $10 million net interest receipts and refunds recorded as corporate income tax revenue. Once identified, DOR and DOA staff processed a correction in AKSAS. The interest and penalty revenues collected and refunded for DOR's other tax types were not determined, but are estimated to be immaterial to the FY 14 financial statements.

We recommend the Tax Division director implement procedures to consistently record and report interest and penalty revenues for all tax types.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. Currently, Corporate Income tax (CIT) revenue is recorded in the state accounting system (AKSAS) at the rollup level through an interface between the bank and AKSAS; however, CIT has existing accounts that interest and penalties can be allocated to. The Division will develop and implement written procedures to identify and record adjusting journal entries that will allocate from the tax rollup level to the respective interest and penalty accounts as part of the regular reconciliation process. With the rollout of IRIS later in 2015, the Tax Division expects to automate the recording of revenue in the state accounting system by mapping the accounts from TRMS to IRIS.

Contact Person: *Daniel DeBartolo, Director*
Administrative Services Division
(907) 465-2312

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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, 2013*. Prior year Recommendation Nos. 6 and 7 are resolved.

One new recommendation has been made during the FY 14 statewide single audit and is included as Recommendation No. 2014-007.

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Recommendation No. 2014-007

The Division of Administrative Services' (DAS) director should strengthen *Federal Funding Accountability and Transparency Act* (FFATA) reporting procedures to ensure required reports are submitted timely and accurately.

Multiple FFATA reporting errors were identified for Title I Grants to the Local Educational Agencies program (Title IA) and Emergency Food Assistance Program (EFAP). Errors included:

- Two of 13 tested subaward amounts were incorrectly reported (Title IA[2] and EFAP[3]) and four of 13 tested subawards' information was incorrectly reported (Title IA[4]). These errors were caused by a flaw in the methodology for identifying the subawards to report.

- Fifty-one of the 58 Title IA[5] subawards required to be reported were not reported timely. This error was caused by a flaw in the methodology for identifying the subawards to report and untimely communication between program staff and fiscal staff responsible for reporting.

The review performed by staff prior to submission of the FFATA reports was insufficient to identify the errors noted above.

Per 2 CFR 170,[6] 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. Failure to comply with FFATA requirements reduces transparency and may jeopardize future federal funding.

We recommend DAS' director strengthen FFATA reporting procedures to ensure required reports are submitted timely and accurately.

CFDA: 10.568, 84.010
Questioned Costs: None

Federal Agency: USDA, USED
Significant Deficiency, Noncompliance
Reporting

[2]Federal award identification number (FAIN): S1010A120002.
[3]FAIN:1414AKAK78Y8105.
[4]FAINs: S1010A120002 and S1010A130002. Three of the four incorrectly reported the subaward number, one incorrectly reported the subawardee.
[5]FAINs: S1010A120002 and S1010A130002.
[6]Appendix A, section I.a.1.

Agency Response – Department of Education and Early Development

The department agrees with recommendation No. 2014-007 and has corrected and strengthened our FFATA reporting procedures to ensure timely and accurate reports are submitted in compliance with the FFATA sub-award reporting requirements.

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

DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)

Eighteen recommendations were made to DHSS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 9, 13, 14, 15, 16, and 19 have been resolved. Prior year Recommendation Nos. 8, 20, 21, and 22 were not a significant issue in the current year and are not reiterated in this report. Prior year Recommendation Nos. 11, 12, 17, 18, 23, 24 and 25 are not resolved and are included in this report as part of Recommendation Nos. 2014-013, 2014-014, 2014-015, 2014-016, 2014-017, 2014-018, and 2014-020, respectively. Some of the issues associated with prior year Recommendation No. 10 have been resolved. The unresolved portion of prior year Recommendation No. 10 is included in this report as part of the new Recommendation No. 2014-012.

In addition to the new current year recommendation mentioned above (Recommendation No. 2014-012), eight additional new recommendations have been made during the FY 14 statewide single audit and are included in this report as Recommendation Nos. 2014-008 through 2014-011, 2014-019, and 2014-021 through 2014-023.

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Recommendation No. 2014-008

The Division of Public Assistance (DPA) director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

In testing 109 DHSS employee timesheets, various positive time-keeping errors were identified for employees working on multiple federal programs.

1. Three of 25 DPA eligibility technicians tested for the Children's Health Insurance Program[7] (CHIP) had their time incorrectly entered into the payroll system by administrative staff. Each employee's approved timesheet indicated that hours should have been split between two program codes; CHIP and Medicaid. However, due to insufficient review, the hours for all three employees were charged to a single program code resulting in questioned costs of $522 for Medicaid. These questioned costs were resolved by DPA's operations manager. However, based on the error rate, likely questioned costs are estimated to exceed $10,000.

2. Five of 34 employees tested for the Medicaid program[8] inappropriately split their time between a DPA allocated code and a Medicaid direct code. DPA management approved overtime for eligibility technicians to work overtime on Medicaid determinations made under the new modified adjusted gross income rules. Eligibility technicians were directed to work solely on Medicaid during overtime and charge time accordingly. Upon inquiry, five employees indicated they did not work solely on Medicaid during the overtime periods. These errors result in an indeterminate amount of Medicaid program questioned costs.

3. The DPA employee who administers the Special Supplemental Nutrition Program for Women, Infants, and Children[9] (WIC) and the Commodity Supplemental Food Program (CFSP) charged no time to the CFSP. DPA management asserts that the hours worked on the CFSP are minimal, and therefore, positive timekeeping was not performed. Because the hours worked on the CFSP were not tracked, the amount of WIC questioned costs resulting from this error is indeterminate.

United States Office of Management and Budget Circular (OMB) A-87, Attachment B, section 8.h.4 requires appropriate time distribution records support employee compensation charged to more than one federal grant or other cost objective. Additionally, the time distribution records must reflect actual time worked on a program.

We recommend DPA's director ensure that personal service expenditures charged to federal programs comply with federal cost principles.

[7]CHIP FFY13 federal award identification numbers (FAIN): 1305AK5021 and FFY14 FAIN: 1405AK5021.
[8]Medicaid administration - FFY13 FAIN: 1305AK5ADM and FFY14 FAIN: 1405AK5ADM.
[9]WIC administration - FFY13 FAIN: 13137AKAK7W1003 and FFY14 FAIN:14147AKAK7W1003.

CFDA 10.557, 93.778 Federal Agency: USDA, USDHHS
Questioned Costs: Indeterminate Noncompliance
Allowable Costs

CFDA 93.767
Questioned Costs: $522

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The division has initiated staff training on positive time keeping during SFY 2015.

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

Recommendation No. 2014-009

The Financial and Management Services (FMS) assistant commissioner should redefine CapPlus system accounts to strengthen information system controls.

CapPlus, a web-based application implemented by DHSS in the quarter ending March 31, 2013, allocates indirect costs among federal and state programs. DHSS employees utilizing CapPlus are assigned up to three levels of access: *Read Only*, *User*, or *Admin*.

At the time of testing, seven of the nine active CapPlus system accounts were *Admin*, which enabled employees to perform functions beyond the business needs related to their job duties, including the ability to add users and to adjust prior period data.

State of Alaska Information Security Policy (ISP) 171 5.4.4 requires user accounts to be based on a business need related to the user's duties. Furthermore, ISP-171 5.5.1 requires that all system and application user accounts incorporate role-based access control in order to restrict access to authorized uses.

According to DHSS management, employees were assigned the *Admin* role because the *User* role cannot perform primary system functions such as weekly revenue draws and updating the quarterly statistical plans. According to DHSS management, most employees were granted *Admin* access to allow them to perform these primary functions. Consequently, CapPlus system accounts do not sufficiently enforce proper segregation of duties and increase the risk of unauthorized use of the system.

FY 14 major federal programs with material indirect costs (defined as at least five percent of total program expenditures) that were impacted by this finding are Medicaid,[10] CHIP,[11] Adoption Assistance,[12] and CFSP.[13]

We recommend FMS' assistant commissioner redefine system accounts to strengthen CapPlus information system controls.

CFDA: 10.565, 93.659, 93.767, 93.778 Federal Agency: USDA, USDHHS
Questioned Costs: None Significant Deficiency
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The Federal Allocation Management Unit (FAMU) and revenue unit managers have reduced the number of staff with administrative rights. In SFY 2015 FMS will work with the Interactive Voice Applications (IVA) to expand the levels of CapPlus access from three to four levels to further strengthen the information system controls.

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

Recommendation No. 2014-010

FMS' assistant commissioner should ensure required federal financial reports are submitted.

The FFY 13 Low-Income Home Energy Assistance (LIHEA) program[14] annual SF-425 Federal Financial Report (FFR) for the period ending September 30, 2013, was not submitted due to miscommunication between DPA staff and FMS' revenue unit staff regarding the amounts to report.

The SF-425 FFR is required for block grants received by the State per 45 CFR 96.30(b). By not filing the report, DHSS did not provide timely information to the federal program administrators.

We recommend FMS' assistant commissioner ensure required federal financial reports are submitted.

[10]FAIN: 1305AK5ADM and 1405AK5ADM.
[11]FAINs: 1305AK5021 and 1405AK5021.
[12]FAINs: 1301AK1407 and 1401AK1407.
[13]FAINs: 13137AKAKA1Y8005 and 14147AKAK1Y8005.
[14]FAIN: G-13B1AKLIEA.

CFDA: 93.568 Federal Agency: USDHHS
Questioned Costs: None Noncompliance
Reporting

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The Division of Public Assistance (DPA) and the FMS Revenue Unit are working toward establishing roles and responsibilities as it relates to all federal reporting elements. A written process for the Low Income Energy Assistance Program (LIHEAP) has been drafted for the review and submission of its Federal Financial Report (FFR).

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

Recommendation No. 2014-011

DPA's director should ensure the social security number (SSN) of Medicaid benefit applicants is verified prior to providing benefits.

Two of 25 Medicaid recipients tested for eligibility lacked evidence of SSN verification prior to being approved to receive benefits.

In accordance with 42 USC 1320b-7(a)(1), each applicant for, or recipient of, Medicaid benefits must furnish to the State his or her SSN. The State uses the SSN to identify financial records of the applicant or recipient.

DHSS eligibility procedures include making a copy of the physical social security card for the case file and/or verifying the number through the Internal Revenue Service's income and eligibility verification interface (IVES). Due to oversight, eligibility technicians did not copy applicants' social security card or document a review of IVES to verify the number prior to benefit approval for two of 25 Medicaid applicants tested. Lack of SSN verification increases the risk that ineligible recipients will receive Medicaid[15] benefits.

We recommend DPA's director ensure the SSN of Medicaid benefit applicants is verified prior to providing benefits.

CFDA: 93.778 Federal Agency: USDHHS
Questioned Costs: None Noncompliance
Eligibility

[15]FAINs: 1305AK5MAP and 1405AK5MAP.

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. DPA staff has taken corrective action by performing the SVES verification and updating the files.

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

Recommendation No. 2014-012

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

Prior Finding

During FY 11, FY 12, and FY 13, report monitoring and follow-up by program staff was not adequately performed in accordance with federal requirements for the monthly food instrument and cash value voucher (FI) disposition report. Report monitoring includes review and appropriate follow-up within 120 days of detecting questionable items or suspected errors.

Four types of monthly disposition reports require review and follow-up by DHSS staff: expired, voided/lost/stolen, duplicate, and un-match. Nine of 12, six of 12, and nine of 12 FI disposition reports were not sufficiently monitored in FY 11, FY 12, and FY 13, respectively, as required by 7 CFR 246.12(q).

Insufficient report monitoring was due, in part, to a lack of adequate procedures for report review and follow-up 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

DHSS implemented a new WIC information system, SPIRIT, in October 2013 and developed new procedures for monitoring and following up FI disposition reports. Testing confirmed the new procedures were operating effectively and the prior year control deficiency was addressed. Although the prior year control deficiency has been addressed, instances of inadequate report

review and follow-up[16] were found when testing monthly FI disposition reports due and submitted prior to implementation of the new system. Noncompliance included:

- Current year testing of three months of reports due in FY 14 showed no review or follow-up on any of the reports for September 2013. The lack of review and follow-up was caused by the retirement of the project assistant who performed this function.

- The expired report was unavailable for May 2013 due to incorrect report parameters making the report useless for FI disposition purposes. KeyBank corrected the error prior to June 2013, but did not provide a corrected report for May 2013.

- DHSS follow-up on the May 2013 voided/lost/stolen report was incomplete. WIC personnel sent information requests to seven local agencies and documented the receipt of follow-up information from three of the seven. There was no record of follow-up for the remaining four local agencies. The lack of follow-up and/or documentation was caused by the retirement of the project assistant who performed this function.

We again recommend DPA's director ensure reports are monitored and follow-up is performed as required for the WIC program.

CFDA: 10.557 | Federal Agency: USDA
Questioned Costs: None | Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. Policies and procedures are in the process of being finalized and the new WIC information system, SPIRIT, has automated several of the reporting requirements discussed in this recommendation.

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

[16]FAIN: 13137AKAK7W1006.

Recommendation No. 2014-013

The Division of Senior and Disabilities Services' (DSDS) director should continue to 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, seven of 20, and six of 10 files tested in FY 11, FY 12, and FY 13, respectively. Provider certification files did not consistently contain supporting provider certification documentation and multiple files were missing records.

Federal regulations require DSDS management to provide satisfactory assurance 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.[17] Furthermore, federal regulations require the State to maintain sufficient information to support compliance with the required assurances.[18] 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.[19]

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 14, 16 of 30 Medicaid[20] provider certification files reviewed were incomplete. The incomplete files did not provide assurance that providers and employees were properly screened and adequately trained prior to certification. Although DSDS management developed procedures to improve documentation, testing found procedures were not followed.

We again recommend DSDS' director continue to improve documentation procedures and provide oversight to ensure provider certification files are complete.

CFDA: 93.778
Questioned Costs: None

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

[17] *Title 42 of the Code of Federal Regulations, section 441, subsection 302(a).*
[18] *Title 42 of the Code of Federal Regulations, section 441, subsection 303.*
[19] *Title 7 of the Alaska Administrative Code, section 130, subsection 220* and 7 AAC 125.060.
[20] FAINs: 1305AK5MAP and 1405AK5MAP.

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. In SFY 2014 DSDS continued to strengthen its procedures by performing quality assurance reviews of a sample of the provider certification files for each worker to ensure consistency and sufficient documentation that providers meet certification standards. In SFY2015 DSDS will conduct refresher trainings for staff on the proper use of the checklist and provider certification documentation procedures; specifically background check documentation. DSDS has also implemented Provider Certification procedures and established a standardized file system to document that qualifications have been met prior to certification.

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

Recommendation No. 2014-014

The Division of Behavioral Health's (DBH) director should continue to make improvements to 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

During FY 12, all 23 out-of-state RPTC provider files lacked documentation supporting the rate utilized. In FY 13, RPTC provider files were not made available for the federal compliance review.

The *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. Regulations state 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 RPTC providers, yet personnel 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.

Legislative Audit's Current Position

In FY 14, DHSS' Office of Rate Review management developed policies and procedures for documenting rate setting for RPTC providers. However, procedures were not followed as designed indicating that additional improvements are needed.

Fourteen of 22 tested RPTC provider files for the Medicaid[21] and CHIP[22] programs lacked evidence that provider data used to support the rates were verified for completeness and accuracy. Three additional provider files tested did not document the rate setting methodology. One RPTC provider file did not have the specialized services assessment required by regulations.

Lack of proper verification and documentation supporting RPTC rates increases the risk for overpayments.

We recommend DBH's director continue to make improvements to 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 Federal Agency: USDHHS
Questioned Costs: Indeterminate Significant Deficiency, Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS partially concurs with the recommendation. DHSS agrees RPTC providers should be paid in accordance with federal and state requirements. The Office of Rate Review (ORR) worked with DBH staff to design a template of steps (i.e. rate checklist) for DBH staff to complete and submit to ORR for review and recommendation before DBH sets a rate. The checklist both expressly and implicitly requires verification of provider data through documentation that supports key steps of the rate setting process that is described in regulation.

During SFY2015 ORR continues to strengthen internal controls by expanding the checklist to describe all necessary documentation required for each step and is currently in the process of implementation. As before, the DBH user must collect and attach such documentation before submitting the checklist and materials to ORR for review and recommendation. While this practice may not have been perfectly executed in the past, ORR believes that the rates that have been set under this process within the last two years are still fully consistent with current regulations and have not resulted in any overpayments.

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

[21]FAIN: 1305AK5MAP and 1405AK5MAP.
[22]FAIN: 1305AK5021 and 1405AK5021.

Legislative Auditor's Additional Comments

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation.

Recommendation No. 2014-015

LIHEA's program manager should continue to improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEA State Plan.

Prior Finding

In FY 13, 62 LIHEA benefit recipients were tested for compliance with federal eligibility and allowable costs requirements. Due to a systematic flaw in the methodology for calculating seasonally employed applicants, an applicant whose income exceeded the allowable eligibility income level inappropriately received LIHEA benefits totaling $4,950.[23] Additional questioned costs were likely because of the systematic nature of the error. Additionally, lack of training and monitoring of eligibility technicians resulted in benefit calculation errors for six recipients. Calculation errors occurred despite eligibility technicians' access to comprehensive procedures manuals that guide the calculation of LIHEA benefits. These calculation errors resulted in overpayments totaling $450.

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

Legislative Audit's Current Position

During FY 14, DHSS' LIHEA program manager provided training to address the errors identified in the FY 13 audit. However, FY 14 testing found one of 40 FY 14 LIHEA[24] recipients tested was ineligible. The applicant's income exceeded the program limit resulting in an unallowable benefit payment of $405. Projecting the error to the population indicates likely questioned costs greater than $10,000 exist. This error occurred despite eligibility technicians' access to comprehensive procedures manuals that guide the calculation of LIHEA benefits and the additional training.

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

[23]LIHEA program staff used the state funded Alaska Heating Assistance Programs' eligibility income level of 225 percent of the federal poverty level rather than the federal LIHEA eligibility income level of 150 percent of the federal poverty level.
[24] FAIN: G-14B1AKLIEA.

CFDA: 93.568
Questioned Costs: $405

Federal Agency: USDHHS
Noncompliance
Allowable Costs, Eligibility

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The division updated the LIHEAP procedures manual in SFY 2014 and provided training to staff at the beginning of the season. Case reviewers have also started verifying that the correct eligibility criteria are being applied.

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

Recommendation No. 2014-016

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

Prior Finding

The FFY 13 LIHEA State Plan did not include all benefit determination criteria. Of the 62 FY 13 LIHEA benefit recipients tested for compliance, 10 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 size categories are used by LIHEA staff to calculate the allowable benefit payment. Due to oversight, the State Plan did not address all dwelling types and sizes used in benefit amount calculations.
Per 42 USC 8624(c)(1)(B), the State must include benefit level determinations in the annual State Plan. By failing to include all required benefit determination criteria, the criteria were not subjected to the appropriate federal oversight.

Legislative Audit's Current Position

In FY 14, the State Plan was revised to include additional dwelling types. However, not all dwelling types were included in the revision. Three of the 40 FY 14 LIHEA[25] benefit recipients tested for compliance lived in a dwelling type or size omitted from the plan. According to program staff, these additional dwelling types and sizes were not incorporated into the State Plan because the agency is considering comprehensive changes to the program.

[25]FAIN: G-14B1AKLIEA.

We again recommend LIHEA's manager ensure the LIHEA 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 Federal Agency: USDHHS
Questioned Costs: None Noncompliance
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. The division is continuing to work toward changes in the way benefits are calculated. Since this requires a change in statute and regulation prior to updating the LIHEAP state plan, the anticipated resolution is within the next two years.

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

Recommendation No. 2014-017

DSDS' director should ensure provider employees receive timely, complete, and approved background clearances and that the information supporting the clearance is properly documented.

Prior Finding

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 FY 13, DSDS staff did not follow up on incomplete background checks for six of 10 provider files tested. Also, DSDS staff did not document followup with providers when barred employees were identified. For one provider, testing identified four employees 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.

Legislative Audit's Current Position

In FY 14, 15 of 30 tested Medicaid[26] provider certification files were missing complete criminal history background checks. Each provider certification file may include multiple employees requiring background checks. Further testing of the 15 provider files disclosed the following issues:

- For four providers, no background clearances were located for 12 employees, and five employees were barred.
- For two additional providers, three employees were also barred.
- For two providers, six employees were in provisional status for a period of time ranging from five to eight months.

None of the DSDS provider certification files included documentation to support that DSDS staff followed up with providers with regard to barred employees or incomplete or missing background checks.

DSDS staff does not follow up on noted discrepancies until the provider's next site review — if one is required. 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.

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 requires all certified providers to furnish proof of a valid fingerprint-based criminal history check for all individuals associated with the provider.[27]
Failure to adequately screen providers and their employees puts the health and welfare of service recipients at risk.

We again recommend DSDS' director ensure provider employees receive timely, complete, and approved background clearances and that the information supporting the clearance is properly documented.

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[26]FAIN: 1305AK5MAP and 1405AK5MAP.
[27]*Title 7 of the Alaska Administrative Code, section 10, subsection 910.*

CFDA: 93.778 | Federal Agency: USDHHS
Questioned Costs: None | Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. In SFY 2014 DSDS continued to strengthen its processes and procedures by developing a background check verification form and implementing it as essential documentation for the provider agency folder. DSDS also participated in a department-wide project to address applicants in provisional status over 90 days resulting in outstanding cases being resolved. Early in SFY 2015 procedures were adopted and implemented for individuals with a barred status including a file documentation requirement. Additionally, DSDS has incorporated the background check clearance process into the written procedures for provider certification and certification renewal which includes printing out the agency's background check program account and including it in the provider agency folder.

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

Recommendation No. 2014-018

The Medicaid and Health Care Policy (HCP) deputy commissioner and FMS assistant commissioner should improve procedures to ensure overpayments to Medicaid providers are refunded to the federal agency within the specified time frame.

Prior Finding

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 regulation[28] 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

[28]*Title 42 of the Code of Federal Regulations, section 433, subsection 320(a)* and section 6506 of the *Affordable Care Act.*

by program integrity policies and procedures. Additionally, FMS' CMS-64 policies and procedures were not sufficient to detect all overpayments for reporting purposes.

Legislative Audit's Current Position

In FY 14, procedures were updated; however, upon review of the procedures it was noted that they do not address all types of overpayments or recoveries. Additionally, a Medicaid[29] services provider overpayment was not refunded to the federal agency within one year during FY 14.

Incomplete written procedures and processes increase the risk that Medicaid overpayments or recoveries will not be refunded timely to the federal agency.

We again recommend HCP's deputy commissioner and FMS' assistant commissioner improve procedures to ensure overpayments to Medicaid providers are refunded to the federal agency within the specified time.

CFDA: 93.778 Federal Agency: USDHHS
Questioned Costs: None Significant Deficiency
Allowable Costs

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation. In SFY 2014 DHSS updated procedures to ensure accurate federal reporting and in SFY 2015 is in process of expanding those procedures to include every potential type of overpayment.

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

Recommendation No. 2014-019

DHSS' commissioner should take action to implement effective controls to ensure Medicaid claims are processed accurately and timely.

During FY 14, DHSS replaced its legacy Medicaid management information system. The Alaska Health Enterprise (AHE) system, also known as the Medicaid claims system, began operating October 1, 2013, and encountered significant widespread defects. Because of the defects, the AHE system was not a fully operational or federally certified Medicaid system during FY 14. The AHE system processed approximately $1.1 billion in claim expenditures during FY 14 which

[29]FAIN: 1405AK5MAP.

resulted in $658.8 million in federal revenues. AHE expenditures were material to the Medicaid and CHIP federal programs.

The AHE defects resulted in a material weakness in internal controls over the Medicaid and CHIP programs' allowable costs and eligibility compliance requirements. Due to the complexity of Medicaid program operations, we were unable to support an opinion that Medicaid and CHIP expenditures were in compliance with applicable laws and regulations without the ability to rely upon the AHE system's internal controls. We could not obtain sufficient evidence to determine the accuracy of the claims processed and conclude if eligibility requirements were applied correctly through the interface process.

While we could not express an opinion on compliance with allowable costs and eligibility compliance requirements, testing identified the following noncompliance caused by the system defects.

- Providers were paid for duplicate claims and were over and/or under paid due to the inaccurate claim eligibility and pricing. Identified Medicaid[30] federal questioned costs for duplicate claims totaled $10,459. Likely questioned costs are higher for this deficiency.

- Claims were assigned incorrect funding codes. Four non-Medicaid recipients were identified and miscoded to Medicaid resulting in federal questioned costs of $10,970. Additionally, approximately $1.8 million was identified in claims that were incorrectly coded to CHIP.[31] Likely questioned costs are higher for this deficiency.

- Providers received incorrect and untimely reimbursement for services. To mitigate the impact of untimely and/or incorrect payments, DHCS issued cash advances to providers totaling approximately $143 million in FY 14. Based on an incorrect analysis by DHSS staff of the advances and suspended AHE claims, DHSS obtained approval from the federal oversight agency to draw $131 million of federal funds without identifying eligible expenditures. The $131 million of ineligible expenditures were reported as valid expenditures on the CMS-64 report. (See Recommendation No. 2014-022 for further details.) The $131 million of ineligible expenditures were properly excluded from the schedule of federal awards.

- Program errors related to the Medicare buy-in program caused incorrect payments to the federal agency including payments for ineligible recipients. Questioned costs were indeterminate.

[30]FAINs: 1305AK5MAP and 1405AK5MAP.
[31]FAINs: 1305AK5021 and 1405AK5021.

- The surveillance and utilization review program[32] was ineffective due to unreliable system data and inadequate staffing. Staff was reassigned from the surveillance and utilization review program to help address system defect errors.

- Program integrity staff was unable to complete investigations and pursue collections of potential overpayments from providers due to unreliable system data.

The extensive system defects and known noncompliance increase the risk that Medicaid and CHIP expenditures were incorrect, ineligible, incomplete, and reported inaccurately. Additionally, lack of controls increases the risk for fraud, waste, and abuse.

Federal regulation 42 CFR 433.32(a) and Medicaid State Plan, section 6.1 require the State to maintain an accounting system and supporting fiscal records to assure that claims for federal funds are in accordance with applicable federal requirements. The State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan. Additionally, 42 CFR 430.30(c)(2) requires federal reporting be based on the State's accounting of actual recorded expenditures, not estimates. *OMB Circular A-87* requires costs (i.e. claims) to be adequately documented to be allowable under federal awards.

We recommend the DHSS' commissioner take action to implement effective controls to ensure Medicaid claims are processed accurately and timely.

CFDA: 93.778 Questioned Costs: $21,429 CFDA: 93.767 Questioned Costs: $1,768,845	Federal Agency: USDHHS Material Weakness, Noncompliance Allowable Costs, Eligibility
CFDA: 93.778 Questioned Costs: None	Federal Agency: USDHHS Noncompliance Reporting
CFDA: 93.778 Questioned Costs: Indeterminate	Federal Agency: USDHHS Significant Deficiency, Noncompliance Special Tests and Provisions

Agency Response – Department of Health and Social Services

DHSS concurs that effective controls must be in place to ensure that Medicaid claims are processed accurately and timely. The Department continues to address AHE system defects

[32]*Title 42 of the Code of Federal Regulations, section 456* requires the State to implement and monitor a statewide surveillance and utilization control program and take correction action to ensure the effectiveness of the program.

and deficiencies with Xerox's performance in order to provide for continued access to health care for Alaskans in need.

The Alaska Health Enterprise (AHE) Medicaid claims processing system went live on October 1, 2013. During the first days and weeks of operation, it became evident that significant system defects and issues existed that adversely affected the timely and accurate processing of Medicaid claims. Early in the go-live period, AHE was unable to recognize certain types of claims resulting in those submitted claims not being accepted into the system at all. The Department immediately assessed the status of Xerox's claims processing capacity and identified several areas of critical failure. Documents released to the public by the Department of Law on September 22, 2014 (Attachment Nbr #1) explain in detail the significant actions taken by DHSS during the go-live period and beyond to address these critical system issues.

DHSS acknowledged during the audit period that defects existed within AHE causing certain claims to be priced incorrectly; to be paid incorrectly; and to be denied or suspended inappropriately. To compensate for Xerox's failure to accurately process claims, the state was forced to develop and implement workaround processes. These efforts ensured that providers could receive payment via claims processing through AHE, which would include a remittance advice for each payment even if the payment included errors. This allowed for providers to maintain claims submission and accounting controls. Defect claims were then isolated for correction at a later time when approved system-based resolution could be introduced into AHE. Full disclosure to support these required workarounds was provided at the time of the audit including documentation showing that effective state controls were in place to identify, track and reprocess claims that were paid with errors in the defective AHE system.

During SFY 2014, some providers suffered an ongoing significant loss of dependable Medicaid reimbursement plus additional and burdensome administrative costs while providing routine and continuous care to Alaskans in need. In order to maintain the Department's top priority of access-to-care, DHSS issued more than $143 million in cash payments to our most financially vulnerable providers so they could continue to operate under the duress of a defective Medicaid claims processing system.

During the audit, documentation was provided to show that controls existed to support the dollar amount of claims associated with these cash payments. Due to Xerox's inability to address all AHE deficiencies during this time, unresolved defect claims were part of these documented expenditures. For federal reporting purposes, DHSS attempted to design and implement a manual adjudication process based on the identified claims. This approach was shared with the Centers for Medicare and Medicaid Services (CMS) and DHSS received approval from the CMS regional office to claim $131 million of these expenditures (resulting in $78 million in federal draw down) and did so in QE 6/30/14. However, due to concerns raised by Legislative Audit in November 2014, the Department reversed the adjustment on the CMS64 federal expenditure report for QE 12/31/14 and reported it as a decreasing prior period adjustment for QE 6/30/14.

In SFY 2015 DHSS continues its efforts to ensure that Medicaid claims are processed accurately and timely within AHE. The development of Xerox's Corrective Action Plan (CAP) was initiated in October 2014 and was scheduled to be completed in February 2015. The CAP, which was published on the DHSS webpage, addresses corrective actions, expectations and deadlines for AHE Medicaid claims processing solutions. Litigation was also initiated by the department and the first hearing regarding the state's claim was scheduled for the week of February 16, 2015 with other hearings scheduled in August, 2015.

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

Legislative Auditor's Additional Comments

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation. However, we offer the following points of clarification. In a highly automated environment, manual internal controls are not effective to prevent payment errors. Thus, DHSS did not have effective controls in place to identify, track, and reprocess the magnitude of claims that were either paid with errors or suspended due to AHE system defects. Additionally, no effective controls existed to support the dollar amount of claims associated with cash advances. As discussed in the Recommendation No. 2014-022, review of DHSS' analysis of suspended claims found multiple errors that overestimated the amount of suspended claims related to the advances.

Recommendation No. 2014-020

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.

Nine potential shortfalls previously identified in FY 13 are still outstanding in FY 14 in the following amounts.

Appropriation	Appropriation Title	Amount
22980-08	Department Support Services	$ 3,183,171
22812-10	Workforce Investment Act Youth Juvenile Justice – Reimbursable Service 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	$ 11,225
26212-12	Mental Health Special Needs Housing	$ 15,000
26318-13	Mental Health Treatment and Recovery Based Special Needs Housing	$ 15,000

Additionally, five new potential shortfalls have been identified.

Appropriation	Appropriation Title	Amount
22620-14	Division of Public Assistance	$ 4,642
22704-14	Modifications for IRIS – RSA	$ 36,570
26117-14	E-Grants	$ 3,824
26132-14	Denali Commission Grants for Health Care Facility Improvements	$ 2,621
26137-14	Master Client Index	$ 280,336

These revenue shortfalls are due to weaknesses in internal controls over monitoring revenue collections, untimely revenue billings, ineffective year-end financial processes, and a settlement with CMS for the disallowance of Medicaid School Based Services expenditures.

We recommend FMS' assistant commissioner work with division directors to collect earned revenues where possible. Additionally, FMS' assistant commissioner should work with the State's 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. DHSS has submitted ratification requests to the Office of Management and Budget (OMB) for all appropriations (AR) listed with the exception of AR 22620-14 Division of Public Assistance and AR 22704-14 Modification for IRIS-RSA. It is anticipated the two remaining appropriations may not require ratification as DHSS is expecting the necessary revenues. This is a point in time determination and DHSS is always working toward minimizing differences to prevent shortfalls.

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

Recommendation No. 2014-021

DHSS' commissioner should work with Xerox to correct defects in the AHE system.

On October 1, 2013, DHSS replaced its legacy Medicaid management information system that processed and paid Medicaid and CHIP claims with the new AHE system. DHSS and its system development contractor, Xerox, were aware the AHE system contained 44 defects at the time it was implemented. Rather than delay implementation of the system until the defects were addressed, DHSS and Xerox developed work-around plans to manage the known system

defects and proceeded with implementation. Once implemented, the number of defects climbed to 546. While some defects were addressed during FY 14, the AHE system had identified 451 unresolved defects as of the end of August 2014.

Because of the defects, the AHE system was not a fully operational or federally certified Medicaid system during FY 14. Examples of issues resulting from system defects include:

- *Suspended Claims Backlog*: As of the end of August 2014, the AHE system had a significant backlog of 98,736 suspended claims totaling $184 million. It is not possible to accurately identify the number and amount of claims suspended due to system defects as opposed to other non-system related reasons. Furthermore, it is not possible to determine how many of these claims will be deemed eligible and the amount paid until the claims are successfully processed by the AHE system. Since claims are not determined eligible and priced until processed by the AHE system, suspended claims delayed providers from being compensated for services provided.

- *Interface Issues*: The AHE system has interface problems with DHSS' eligibility information system, pharmacy benefit management system, third party liability system, and the Department of Commerce Community and Economic Development's occupational licensing database. As a result of these issues, risks exist that eligible members are not receiving services and ineligible members are inappropriately receiving services; pharmacy claims are being processed incorrectly; providers without licenses are receiving payments; and private insurance reimbursements are not being collected. While Xerox and DHCS personnel are performing manual procedures to mitigate system defects, considering the volume of claims, the manual procedures are only partially effective in identifying and correcting all errors.

- *Payment Issues*: The AHE system has numerous payment related deficiencies, including paying providers for duplicate claims, over and underpaying providers due to miscalculation of claim eligibility and pricing. While some of the defects causing payment issues were corrected during FY 14, the adjustments to correct previously processed inaccurate claims were not fully processed as of fiscal year-end.

- *Funding Source Issues*: Claims are assigned funding sources by the AHE system which, among other things, are used to determine the percentage of federal reimbursement for which each claim is eligible. AHE system defects caused claims to be assigned incorrect codes which resulted in inaccurate federal reimbursement.

- *Check-Write Issues*: Claims processed and paid through the AHE system (check-writes) should be seamlessly interfaced with the state accounting system (AKSAS). However during FY 14, the AHE interface files required manual adjustments to ensure they correctly interfaced AHE system activity with AKSAS.

Information technology best practices dictate that systems should be tested and significant defects corrected prior to implementing a new system. Specifically, the ISP requires management to test a new information system prior to putting it into production to ensure that the system is configured correctly.[33] Furthermore, the National Institute of Standards and Technology special publication, *Security and Privacy Controls for Federal Information Systems*,[34] commonly regarded as national best practices, requires organizations to conduct an assessment of the information system, system component, or information system service prior to acceptance and update. It states:

> *Organizations conduct assessments to uncover unintentional vulnerabilities and intentional vulnerabilities including, for example, malicious code, malicious processes, defective software, and counterfeits.*

During FY 14, the AHE system processed approximately $1.1 billion in General Fund expenditures, which resulted in $658.8 million in federal grants-in-aid revenues. Because of the complexity of medical claims processing, we could not determine the extent of misreporting resulting from system defects. However, since the defects affected every area of AHE system operations and the amounts processed through the AHE system are material to the financial statements, the combination of the issues above represent a material weakness in internal control and could result in a material misstatement to the financial statements. The FY 14 General Fund and Governmental Activities audit opinions were qualified in recognition of the material weakness and a lack of ability to obtain adequate evidence.

We recommend DHSS' commissioner work with Xerox to correct the defects in the AHE system.

Agency Response – Department of Health and Social Services

DHSS concurs with the recommendation and continues to address AHE system defects and deficiencies with Xerox's performance in the implementation of an operation ready system which has required DHSS to implement manual processes to ensure continued access to healthcare for Alaska's vulnerable constituents.

Documents released to the public by the Department of Law on September 22, 2014, and provided as attachment #1, explain the considerable preparation that was completed by DHSS prior to Xerox taking the AHE live on October 1, 2013. The preparation followed best practices for Information Technology system replacement. DHSS also received a signed certificate of system fitness for operational implementation from Xerox (Attachment #2) and a security plan prior to go-live from Xerox, who hosts the AHE system. Additionally, the professional technical assistance contractor (TAC), Qualis Health, another contractor for the state of Alaska, stated

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[33]State of Alaska ISP-162 - System Planning and Acceptance, 5.2.2.

[34]National Institute of Standards and Technology Special Publication 800-53 Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations, SA-12(7).*

on page 4 of 10 in their "October 2013 IV&V Report" dated November 8, 2013: "By industry standards, the Alaska implementation can be considered successful because at Go-Live, the system…" followed by seven items supporting their conclusion. However, this report was later tempered by the issuance of another report after Go-Live titled "Alaska Health Enterprise Acceptance Testing Assessment" dated November 20, 2013.

Attachment #1 also explains the significant actions taken by DHSS following Go-Live. In SFY 2015 DHSS continues to rectify the operational and system deficiencies with Xerox.

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

Recommendation No. 2014-022

DHSS' commissioner should ensure financial activity is properly classified in AKSAS.

DHSS incorrectly classified $131 million in advance payments to Medicaid providers as FY 14 General Fund expenditures. During FY 14, AHE system defects prevented some providers from receiving correct and timely reimbursement for provided services. (See Recommendation No. 2014-021.) To ensure Medicaid clients continued receiving services, DHSS management advanced funds to affected providers. The practice of advancing general funds without federal reimbursement caused DHSS to encounter expenditure authorization problems as the related appropriations were funded, in large part, by federal receipts.

Based on an analysis by DHSS staff[35] that suspended claims supported the $131 million in advances, DHSS obtained approval from the federal oversight agency to draw federal funds. Federal approval was initially made under the condition that the suspended claims would be successfully processed by the end of the federal fiscal year (FFY) and recorded correctly on the CMS-64 report. Ultimately, this was not possible, and CMS oversight officials allowed DHSS to retain approximately $78 million of related federal revenues and report the advances on the CMS-64 report as expenditures for the FFY ended September 30, 2014, with the understanding that DHSS will make adjustments to correct inaccurate claiming in the future.

To support the draw of federal funds, $131 million in advance payments were reclassified in AKSAS from advances to expenditures. The reclassification was made even though advances or the related suspended claims had not undergone final eligibility and pricing and, therefore, had not been determined eligible. DHSS management incorrectly considered suspended claims to be eligible expenditures because they expected these claims to be eventually deemed eligible by the AHE system once processed.

[35]Review of DHSS' analysis of suspended claims found multiple errors that over-estimated the amount of suspended claims related to advances.

The *Codification of Governmental Accounting and Financial Reporting Standards* states that expenditures cannot be recognized until applicable eligibility requirements are met. In this case, the eligibility requirements are rules of the Medicaid and CHIP promulgated by federal regulations and the Medicaid State Plan. Due to the complexity of rules and variables associated with claim processing, claims can only be effectively priced by processing through the AHE system. Paid advances or related suspended claims were not priced by the AHE system; thus, the eligibility requirements have not been met for expenditure recognition.
As a result of the misclassification, $131 million was incorrectly reported as General Fund expenditures instead of advances, and the associated $78 million of drawn down federal funds was reported as revenue instead of a liability. Once identified, the Department of Administration's Division of Finance staff processed a correcting adjustment to properly classify the activity in the State's *Comprehensive Annual Financial Report*.

We recommend DHSS' commissioner ensure financial activity is properly classified in AKSAS.

Agency Response – Department of Health and Social Services

DHSS concurs that financial activity should be properly classified in AKSAS. Due to extenuating circumstances surrounding the AHE conversion and in order to maintain its Medicaid program, DHSS attempted to design and implement a manual adjudication process. The agency shared its proposed approach with the Centers for Medicare and Medicaid Services (CMS) and the Division of Finance. DHSS received approval in advance from CMS regional office and dedicated significant internal efforts toward satisfying the federal requirements for federal reporting as required for adjudicating Medicaid claims and to ensure the expenditures were reported in compliance with Generally Accepted Accounting Principles (GAAP).

At the time DHSS made the decision to prepare an adjustment for manually adjudicated claims, it was with the understanding that the fiscal agent, Xerox could not process the incorrectly suspended and/or denied claims prior to the state fiscal year end for 2014 (06/30/14) and the adjustment would be reversed prior to the end of quarter ending (QE) 09/30/14 during said quarter the suspended and denied claims were to be processed. Unfortunately, the situation surrounding the AHE operations and system defects only worsened (see Attachment #1).

Due to concerns raised by Legislative Audit in November 2014, DHSS reversed the complete adjustment in December 2014, and it is being reported as a decreasing prior period adjustment for QE 06/30/14 on the CMS 64 federal expenditure report for QE 12/31/14. Screen shots of the adjusting journal entry and online audit trail from the state of Alaska accounting system (ASKAS) are attached for easy reference.

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

Recommendation No. 2014-023

DHSS' commissioner should distribute funds in accordance with state statutes and regulations.

In FY 14, DHSS management directly awarded $1,175,000 to the following three nonprofit organizations and municipality without following state procurement laws or grant regulations.

Amount	Entity Name	Purpose
$ 25,000	Covenant House Alaska	To support Covenant House Alaska's Street Outreach Program.
$150,000	North Star Community Foundation	The Winter Bear Project. A traveling play that promotes suicide awareness and community outreach.
$500,000	Municipality of Anchorage	To help fund the Anchorage Domestic Violence Prevention Project.
$500,000	Boys and Girls Clubs of America	To help fund the Statewide Youth Suicide Prevention Project to pilot outcome-driven primary prevention programs in 11 communities.

DHSS management stated the distributions were not grants. DHSS management considers the distribution of funds to be *sponsorships.* DHSS management further believed that the procurement code did not apply because no services were provided to the state. The audit acknowledges that the *Alaska Administration Manual* did exempt certain activities from the procurement code, including expenditures where the state did not receive services. However, the Department of Administration in consultation with the Department of Law eliminated this exemption in 2013 after the legality of the exemption was questioned in an audit finding.

State procurement and grant laws[36] are designed to provide a fair, competitive, and open procurement process. By failing to comply with these laws, DHSS did not fairly and equitably disburse funds and did not provide a mechanism for monitoring the entities' use of funds.

We recommend DHSS' commissioner distribute funds in accordance with state statutes and regulations.

Agency Response – Department of Health and Social Services

DHSS concurs with the general premise that funds should be distributed in accordance with state statutes and regulations; however, DHSS does not agree that these distributions violated state regulation or were subject to the DHSS grant regulations (7 AAC 78).

The funds that were paid to the four identified providers in your letter were appropriated to DHSS as unrestricted funds and not to a DHSS grant program. As such, the money was not restricted in any way as to how DHSS could use it and was not authorized on exemptions

[36]AS 36.30, 2 AAC 12, and 7 AAC 78.

within the Alaska Administrative Manual current or past. DHSS continues to believe that the use of this money was, under its policy and procedure related to Sponsorships, appropriate and in accordance with Alaska statute (AS) section 18.05.010, AS 18.15.355 (Attachment #3). DHSS used the funding to ameliorate and/or raise public awareness to protect and promote important public health concerns, namely suicide prevention and prevention of domestic violence and sexual assault. These payments were done through collaboration with public sector partners to help meet the mission of DHSS (To Promote And Protect The Health And Well-Being Of Alaskans).

The DHSS grant procedures and regulations are robust and comprehensive allowing for both competitive and non-competitive solicitations. Since this appropriation was not a grant, and sponsorships are not part of the grant process this recommendation is not applicable.

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

Legislative Auditor's Additional Comments

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation. We disagree that all four of the amounts identified above could be reasonably considered to be sponsorships. Direct payments made to the entities appear to circumvent the state procurement rules. We reaffirm our recommendation that the DHSS' commissioner distribute funds in accordance with state statutes and regulations.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD)

Six recommendations were made to DLWD in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 26, 27, 28, and 29 were not significant issues in the current year and are not reiterated in this report. Prior year Recommendation No. 31 is resolved. Prior year Recommendation No. 30 is not resolved and is reiterated in this report as Recommendation No. 2014-024.

No new recommendations have been made during the FY 14 statewide single audit.

(Intentionally left blank)

Recommendation No. 2014-024

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

Prior Finding

DLWD staff failed to 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[37] require that losses (accounts receivable that will not be recovered) be recognized and reported. 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.

Legislative Audit's Current Position

During FY 14, DLWD staff did not complete an estimate of uncollectible accounts receivable or establish an allowance for doubtful accounts. Employment Security Division staff misunderstood the requirement to establish an allowance for doubtful accounts and did not provide an estimate to DAS staff. DAS staff did not ensure that an allowance for doubtful accounts was established. The failure to establish an allowance for doubtful accounts resulted in overstated FY 14 accounts receivable. Because accounts receivable include both tax contribution receivable and overpayments receivable, the failure to recognize uncollectible accounts overstated revenues and understated expenditures by unknown amounts.

We again recommend that DAS' director ensure uncollectible accounts receivable in the UCF are reported in accordance with generally accepted accounting principles.

Agency Response – Department of Labor and Workforce Development

The Department concurs with the recommendation.

The DLWD DAS director is working with the Employment Security Division director to develop procedures for determining the annual estimated uncollectible accounts for the tax contribution receivable and the benefit overpayment receivable.

[37] *Codification of Governmental Accounting and Financial Reporting Standards* 1600.131 and N50.113.

The DLWD DAS director and finance officer will adopt year-end procedures to ensure uncollectible accounts receivable in the UCF are reported in accordance with generally accepted accounting principles, and that an allowance for doubtful accounts is posted for the fiscal year ending June 30, 2015.

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, 2013*. Prior year Recommendation No. 32 is resolved.

No new recommendations have been made during the FY 14 statewide single audit.

(Intentionally left blank)

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS (DMVA)

Four recommendations were made to DMVA in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 34 and 35 are resolved. Prior year Recommendation Nos. 33 and 36 are not resolved and are reiterated in this report as Recommendation Nos. 2014-025 and 2014-026.

No new recommendations have been made during the FY 14 statewide single audit.

(Intentionally left blank)

Recommendation No. 2014-025

The Division of Administrative Services' (DAS) director should develop and implement procedures to ensure *Federal Funding Accountability and Transparency Act of 2006* (FFATA) reports comply with federal reporting requirements.

Prior Finding

During FY 11, FY 12, and FY 13, DMVA's FFATA reports for the Disaster Grants – Public Assistance (PA) program and the Homeland Security Grant Program (HSGP) were inaccurate and/or untimely. Causes of the errors varied by year and included a lack of reporting procedures (FY 11), technical difficulties with the FFATA subaward reporting system (FY 12), and lack of supervisory review (FY 12 and FY 13).

According to 2 CFR 170, Appendix A, section I.a.1, each action that obligates $25,000 or more in federal funds, on or after October 1, 2010, must be reported 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

Noncompliance continued in FY 14 due to insufficient understanding of FFATA reporting requirements and a lack of written procedures.

The following FY 14 FFATA reporting errors were noted for the PA program.

- DMVA staff reported the subtotal of all subawards for each individual subrecipient rather than reporting qualifying subawards individually. Consequently, subawards were not properly reported.

- Three of 54 qualifying subawards[38] totaling $295,459 were not filed.

- Twenty reported subawards did not meet the federal reporting threshold of $25,000.

- Five subawards totaling $2,956,147 were reported, but did not meet the definition of a qualifying award as they were intra-governmental reimbursable service agreements.

- One reported subaward for a federal disaster declared prior to October 2010 was not subject to FFATA reporting requirements.

FY 14 FFATA reporting errors were also noted for the HSGP. Six of 10 qualifying HSGP subawards were not reported timely. Two of the six had an incorrect subaward amount and

[38]Subawards under Federal Award Identification Numbers (FAIN): 4050DRAKP0000000 and 4122DRAKP0000001.

incorrect grant award date. All six errors occurred prior to March 2014, the month DMVA management improved their FFATA reporting procedures by providing training to staff. Also, eight HSGP subawards were reported, but did not meet the $25,000 reporting threshold.

Additionally, DMVA staff did not submit FFATA reports for three of three qualifying Hazard Mitigation Grant Program (HMGP) subawards totaling $4,115,645.[39] DMVA staff responsible for FFATA reporting stated that they were unaware of the applicability of the reporting requirement for this program.

We again recommend DAS' director continue to develop and implement procedures to ensure FFATA reports comply with federal reporting requirements.

CFDA: 97.036, 97.039, 97.067 Federal Agency: USDHS
Questioned Costs: None Significant Deficiency, Noncompliance Reporting

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with recommendation. Division of Administrative Services (DAS) and Division of Homeland Security and Emergency Management (DHS&EM) will jointly develop and implement a new comprehensive procedure to ensure the Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports are accurately submitted. Effective April 30, 2015, DMVA will replace the policy implemented February 1, 2013 to ensure timely and accurate processing of FFATA reports. DAS and DHS&EM staff working jointly will develop a replacement written procedure that will include three distinctive sections; section one – an internal process for DAS/Finance to correctly report FFATA information; section two – an internal process for DHS&EM Program Support staff in providing award information for FFATA reporting; and section three – a joint monthly reconciliatory process between DAS and DHS&EM to ensure sub-awards meeting the $25,000 reporting requirement are in the system per Federal Regulation 2 CFR 170, Appendix A, Section I.a.1.

Contact Person: Susan Colligan, Director
Administrative Services Division
(907) 465-4602

[39]Subawards under FAINs: 4050DRAKP0000005, 4094DRAKP0000005, and 4122DRAKP0000005.

Recommendation No. 2014-026

The Division of Homeland Security and Emergency Management (DHS&EM) director should improve procedures to account for each approved large[40] project as required by federal regulations.

Prior Finding

In FY 13, program management could not provide a comprehensive list of approved large projects for the PA program. DMVA management accounted for the 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 completion[41] 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, was input into the report spreadsheet by multiple DMVA staff from various disaster tracking spreadsheets and was not reviewed by management for accuracy or completeness. Additionally, there was 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.*

Legislative Audit's Current Position

In FY 14, two of five PA program large projects tested were inaccurately reported. Specifically, for the quarter ending March 31, 2014, the state closeout dates on the report did not tie to the closeout letter sent to FEMA. Additionally, for the same quarter, two approved large projects that closed in FY 14 were not accurately identified on the quarterly report as alternate projects.

In January 2014, DHS&EM management developed and implemented procedures to track state closeout dates and alternate or improved classifications for open large projects. However, despite the improved procedures, DHS&EM staff did not update the closed project spreadsheet

[40]Projects are classified as large or small according to the cost of the eligible work for the individual project.
[41]Project worksheets with a signed P.4 project completion and certification report.

to accurately record the closeout dates or the classification of alternate or improved projects. Additionally, management did not review the quarterly reports for completeness and accuracy.

We recommend DHS&EM's director continue to 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 recommendation. Effective January 30, 2015, the Division of Homeland Security and Emergency Management reviewed and corrected the FEMA/State quarterly report to capture the required information and has updated the State Public Assistance Administrative Plan for the management of this report. The quarterly report has been corrected to capture all large projects, identifies improved or alternate projects. Verify large project close out dates reflect the date in the project close out letters. Additionally, a certification statement has been added to FEMA/State quarterly report requiring signatures from the Disaster Assistance and Program Support Program Manager's to ensure the report's accuracy.

Contact Person: *Susan Colligan, Director*
Administrative Services Division
(907) 465-4602

DEPARTMENT OF NATURAL RESOURCES (DNR)

Two recommendations were made to DNR in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 37 and 38 are resolved.

No new recommendations have been made during the FY 14 statewide single audit.

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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, 2013*.

No new recommendations have been made during the FY 14 statewide single audit.

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DEPARTMENT OF PUBLIC SAFETY (DPS)

One recommendation was made to DPS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013.* Prior year Recommendation No. 39 is not resolved and is reiterated as Recommendation No. 2014-027.

No new recommendations have been made during the FY 14 statewide single audit.

(Intentionally left blank)

Recommendation No. 2014-027

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.

One potential shortfall identified in FY 13 was still outstanding in FY 14 in the following amount:

Appropriation	Appropriation Title	Amount
47863-13	Bureau of Highway Patrol - Special Project – RSA	$4,304,930

This revenue shortfall is due to payment under the reimbursable service agreement (RSA) being withheld while the billing support is reviewed by a federal oversight agency.

We recommend that DPS' finance officer collect any remaining revenue if possible and request a supplemental appropriation if necessary.

Agency Response – Department of Public Safety

This is the Department of Public Safety's written response to the above referenced report and applicable recommendation related to a revenue shortfall in AR 47863-13.

This revenue shortfall is due to the withholding of payment under a reimbursable service agreement (RSA) pending the outcome of a federal review/audit.

This RSA was between the Department of Public Safety (DPS – servicing agency) and the Department of Transportation & Public Facilities' Alaska Highway Safety Office (AHSO – requesting agency) and involved federal funds from the National Highway Traffic Safety Administration (NHTSA).

Though AHSO advised DPS that expenditures under this RSA were reimbursable, the national office of NHTSA prevented AHSO from reimbursing DPS pending the outcome of a multi-year audit of the program. The shortfall of $4,304,930 in AR 47863-13 is due to the NHTSA audit not yet being complete.

As of this writing DPS is not aware of the current status of the audit, as communication with NHTSA regarding the status of the audit and any potential resolution is being handled through the AHSO.

DPS agrees with the Division of Legislative Audit's recommendation. As advised, DPS will consult with the Office of Management and Budget on a ratification supplemental

appropriation or other appropriate means of clearing AR 47863-13 if the final federal review results in under collection of revenue.

Contact Person: *Kelly Howell, Director*
Division of Administrative Services
(907) 269-5591

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

Four recommendations were made to DEC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 40 through 43 are resolved.

Two new recommendations have been made during the FY 14 statewide single audit and are included as Recommendation Nos. 2014-028 and 2014-029. Both recommendations come from auditors whose reports have been furnished to us. A complete copy of the Alaska Clean Water Fund and Alaska Drinking Water Fund reports may be obtained directly from DEC.

(Intentionally left blank)

Recommendation No. 2014-028

Major Program Compliance and Internal Control Over Compliance – Reporting

Program: U.S. Environmental Protection Agency; Drinking Water State Revolving Fund (CFDA 66.458).

Criteria: Federal Funding Accountability and Transparency (FFATA) is required for the above award in accordance with their grant agreements, and in accordance with 2 CFR Chapter 1, Part 170 Reporting Sub-Award and Executive Compensation Information.

Condition: Alaska Clean Water Fund (ACWF) did not complete or submit the required report for their subgrants.

Questioned Costs: There are no questioned costs associated with this finding.

Effect: ACWF did not comply with the FFATA reporting requirements.

Cause: ADEC did not have the internal controls in place to ensure the required reports were completed and on time.

Recommendation: Management should review their policies and practices related to FFATA reporting to ensure there is oversight over this key compliance function. Oversight over the FFATA reporting function should be sufficient to ensure that FFATA reports are submitted accurately and on time.

CFDA: 66.458 Federal Agency: USEPA
Questioned Costs: None Significant Deficiency, Noncompliance Reporting

Agency Response to Outside Auditor – Department of Environmental Conservation

Management will work with the granting agency to ensure FFATA reporting is completed as required.

Recommendation No. 2014-029

Major Program Compliance and Internal Control Over Compliance – Reporting

Program: U.S. Environmental Protection Agency; Drinking Water State Revolving Fund (CFDA 66.468).

Criteria: Federal Funding Accountability and Transparency (FFATA) is required for the above award in accordance with their grant agreements, and in accordance with 2 CFR Chapter 1, Part 170 Reporting Sub-Award and Executive Compensation Information.

Condition: Alaska Drinking Water Fund (ADWF) did not complete or submit the required report for their subgrants.

Questioned Costs: There are no questioned costs associated with this finding.

Effect: ADWF did not comply with the FFATA reporting requirements.

Cause: ADEC did not have the internal controls in place to ensure the required reports were completed and on time.

Recommendation: Management should review their policies and practices related to FFATA reporting to ensure there is oversight over this key compliance function. Oversight over the FFATA reporting function should be sufficient to ensure that FFATA reports are submitted accurately and on time.

CFDA: 66.468 Federal Agency: USEPA
Questioned Costs: None Significant Deficiency, Noncompliance Reporting

Agency Response to Outside Auditor – Department of Environmental Conservation

Management will work with the granting agency to ensure FFATA reporting is completed as required.

Agency Response – Department of Environmental Conservation

DEC concurs with these recommendations, which are closely related to Recommendation 43 of the statewide single audit for the fiscal year ending June 30, 2013, in which deficiencies with FFATA reporting were initially found. DEC took action to resolve FFATA reporting issues, which has resulted in Recommendation 43 being considered partially resolved at this time. Actions include increased oversight of subawarding practices, and verification of appropriate FFATA reporting completion upon issuance of the award. DEC continues to refine its oversight processes to ensure full resolution of these recommendation, and has recendy added specific verification tasks to be completed both in the Division of Water and in the Division of Administrative Services.

Contact Person: *Thomas Cherian, Director*
Division of Administrative Services
(907) 465-5256

DEPARTMENT OF CORRECTIONS (DOC)

One recommendation was made to DOC in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation No. 44 is not resolved and is reiterated as Recommendation No. 2014-030.

No new recommendations have been made during the FY 14 statewide single audit.

(Intentionally left blank)

Recommendation No. 2014-030

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.

One potential shortfall previously identified in FY 13 is still outstanding in FY 14 in the following amount.

Appropriation	Appropriation Title	Amount
51303-09	Deferred Maintenance, Repair, and Renovation	$342,967

This revenue shortfall is due to a long standing accounts receivable with the Alaska Student Loan Corporation which has not been collected due, in part, to staff turnover in both agencies.

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

Recommendation No. 2014-30

One recommendation was made to DOC in the State of Alaska, Single Audit for the Fiscal Year Ended June 30m 2013. Prior year Recommendation No. 44 is not resolved and is reiterated as Recommendation No. 2014-030.

Outstanding Recommendation No. 44 from FY2013 reflected that the DOC's finance officer should take measures to resolve revenue shortfall issues for Appropriation 51303-09.

In FY2014, the potential shortfall was identified in the following amount.

Appropriation	*Appropriation Title*	*Amount*
51303-09	*Deferred Maintenance, Repair, and Renovation*	*$342,967*

In response to the shortfall identified:

- *As of January 27, 2015 the DOC's has obtained approval of partial payments for previously billed requisitions as identified below:*

	Billed	*Partial payment*	*Under Review*
Requisition # 6	*258,842.36*	*184,769.27*	*74,037.09*
Requisition # 8	*22,191.07*	*5,744.80*	*16,446.27*
Total	***$281,033.43***	***$190,514.07***	***$90,503.36***

- *DOC's was previously informed by ASLC to hold future billings. As of January 2015 approval has been obtained to submit requisition #9 in the amount of $61,949.84 which will allow 100% collections of this revenue.*

During FY2014, DOC collected $811,184 of the outstanding balance from prior year and feel that the full amount will be collected from the Student Loan Corporation.

Contact Person: *April Wilkerson, Director*
Division of Administrative Services
(907) 465-3460

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOTPF)

Eight recommendations were made to DOTPF in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*. Prior year Recommendation Nos. 46, 47, 48, 51, and 52 are resolved. Prior year Recommendation No. 45 was not resolved and is reiterated in this report as Recommendation Nos. 2014-031 and 2014-034. Prior year Recommendations 49 and 50 are not resolved and are reiterated in this report as Recommendation Nos. 2014-032 and 2014-033, respectively.

Five new recommendations have been made during the FY 14 statewide single audit and are included as Recommendation Nos. 2014-035 through 2014-039.

(Intentionally left blank)

Recommendation No. 2014-031

DOTPF's program development director should ensure compliance with the *Federal Funding Accountability and Transparency Act* (FFATA) subaward reporting requirements.

Prior finding

In FY 13, DOTPF staff did not file 12 required subaward FFATA reports totaling $5,260,543 for the Formula Grants for Rural Areas program (FGRA). Furthermore, due to competing priorities, DOTPF management did not develop or implement FFATA reporting procedures.

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. Failure to comply with FFATA requirements reduces government transparency and may jeopardize future federal funding.

Legislative Audit's Current Position

FFATA reports for four of 14 subawards tested[42] were filed six months late, and therefore, were non-compliant with reporting requirements. The reports were required to be filed by November 30, 2013, but were not filed until April 2014, after the development and implementation of reporting procedures. Failure to file timely was due to the lack of procedures at the time reports were due.

We again recommend DOTPF's program development director ensure compliance with FFATA subaward reporting requirements.

CFDA: 20.509 Federal Agency: USDOT
Questioned Costs: None Noncompliance
Reporting

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. Transit program staff will ensure that all completely signed sub-award documents are submitted to finance within 5 days of final signature. Finance will encumber the award prior to the 10 day requirement and update the FFATA report online within a week after encumbering. A second person in finance will review the report online and submit. Finance will document these procedures and provide training for new staff.

[42]Federal award identification number (FAIN): AK 18-X0-79-00.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-032

DOTPF's program development director should develop and implement procedures to ensure accurate federal reporting.

Prior finding

DOTPF staff filed inaccurate financial data on two types of annual FGRA reports in FY 13: RU-20 special reports and SF-425 financial reports. Two of four tested RU-20 special reports did not accurately report total annual operating expenses. Additionally, the federal share of cumulative expenditures was not supported by the accounting records for two of the four tested SF-425 financial reports. 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 RU-20 special reports is mandatory. Additionally, 49 CFR 18.41(b) requires periodic filing of financial status reports. Funding calculations may be affected by incorrect special reports. Furthermore, inaccurate financial reports may impair the federal agency's ability to appropriately oversee the program.

Legislative Audit's Current Position

DOTPF staff developed and implemented review procedures over financial reporting during FY 14. Current year testing of SF-425 financial reports found no material errors.

Review procedures for special reporting were not developed in FY 14, and testing of special report RU-20 identified inaccuracies. Nine FGRA RU-20 reports were required to be filed in FY 14. One of three RU-20 reports[43] tested contained inaccurate data elements. Two data elements overstated total annual operating and capital expenses by $19,560 and $1,047, respectively. The erred reporting was due to the lack of review procedures.

We again recommend DOTPF's program development director develop and implement procedures to ensure accurate federal reporting.

CFDA: 20.509
Questioned Costs: None

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Reporting

[43]FAIN: AK-18-X0-53-00.

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. An electronic grant management system implemented in January 2014 has made it possible to get accurate information for the National Transit Database RU-20 reports. Procedures are currently in development. Transit program staff will evaluate the process for two quarters (July – December 2014) before finalizing the procedures.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-033

DOTPF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.

Prior finding

DOTPF staff did not inform FGRA subrecipients of the FAIN and award name for all 12 subawards issued during FY 13. The standard grant agreement form did not include all required pre-award information, and program staff was not aware of all pre-award notification requirements.

Per the *United States Office of Management and Budget* (OMB) *Circular A-133,* section 400(d)(1), a pass-through entity must inform each subrecipient of the federal award information (i.e. the *Catalog of Federal Domestic Assistance* (CFDA) title and number, and award name and number) and applicable compliance requirements. Failure to provide required federal award information may reduce subrecipients' ability to accurately track and report activities by federal funding source.

Legislative Audit's Current Position

DOTPF staff did not provide the required CFDA name or federal awarding agency name to three of 14 FGRA subrecipients[44] tested in FY 14. Although the standard grant award agreement form was updated from the previous year, fields were still missing for these two required disclosure items. Failure to provide the required information was due to an oversight by DOTPF staff who updated the grant award documents.

We again recommend DOTPF's program development manager strengthen procedures to ensure subrecipients are informed of required federal award information.

[44]FAIN: AK-18-X0-79-00.

CFDA: 20.509
Questioned Costs: None

Federal Agency: USDOT
Noncompliance
Subrecipient Monitoring

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. SFY2015 agreements were updated with the information provided in the SFY2013 audit. Transit program staff developed language that will meet the additional requirements made known in the SFY2014 audit and it will be included in the SFY2016 agreements.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-034

DOTPF's program development director should develop and implement procedures to ensure compliance with FFATA subaward reporting requirements.

Prior Finding

DOTPF staff did not file the required FFATA subaward reports for the Highway Safety Cluster (HSC) in FY 12 and FY 13. Agency staff was unaware of FFATA reporting requirements in FY 12, and due to competing priorities, DOTPF management did not develop or implement FFATA reporting procedures in FY 13.

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. Failure to comply with FFATA requirements reduces government transparency and may jeopardize future federal funding.

Legislative Audit's Current Position

During FY 14, DOTPF developed FFATA reporting procedures; however, due to conflicting priorities, the Highway Safety Office (HSO) did not implement the newly established procedures. Consequently, nine of nine HSC subawards totaling $666,074 were not reported.[45]

We recommend the director of program development implement newly established procedures to ensure compliance with FFFATA subaward reporting requirements.

[45]FAINs:18X90204080AK11,18X90204050AK12,18X90204080AK12,18X90202110AK12, and 18X90204020AK13.

CFDA: 20.600, 20.601, 20.602, 20.610, 20.613 Federal Agency: USDOT
Questioned Costs: None Significant Deficiency, Noncompliance
Reporting

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. Alaska Highway Safety Office staff has worked with the finance unit to develop a methodology and procedure to comply with the FFATA regulations. The department plans to have delinquent reports completed during FY15 and be timely in its reporting by FY16.

Contact Person: Mary Siroky, Director
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-035

DOTPF's program development director should develop and implement procedures to ensure compliance with federal earmarking requirements.

No procedures exist to monitor and ensure the required minimum amount of annual expenditures[46] is spent on developing and supporting intercity bus services for the FGRA program. Instead, reliance is placed on obtaining an annual certification from the governor to satisfy the program requirement. In FY 14, DOTPF staff failed to obtain a certification due to an oversight by the program manager.

Per 49 USC 5311(f)(1), the State must expend at least 15 percent of the amount made available in each fiscal year to carry out a program to develop and support intercity bus transportation. Alternatively, according to 49 USC 5311(f)(2), the State may substitute the requirement by obtaining a certification issued by the governor which identifies the intercity bus service needs are adequately met. Absent expenditure tracking procedures of the State's intercity bus earmark requirements or certification by the governor, there is an increased risk funds may be used for unallowable purposes.

We recommend DOTPF's program development director develop and implement procedures to ensure compliance with federal earmarking requirements.

CFDA: 20.509 Federal Agency: USDOT
Questioned Costs: None Significant Deficiency, Noncompliance
Matching, Level of Effort, Earmarking

[46]FAIN: AK-18-X0-79-00.

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. This was an oversight on the part of the transit program staff, who neglected to request certification for FFY2014. Certification was submitted and approved for FFY2015. Written procedures are under development to ensure that annual certification of intercity bus needs being met is requested if the identified need is less than the federal earmark requirement.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-036

DOTPF's program development director should maintain documentation that supports required federal reporting.

In FY 14, HSO staff submitted the required HS-217 cost summary report as part of the State's Annual Highway Safety plan. However, much of the reported data lacked supporting documentation. Staff responsible for preparing the report was unaware of the requirement to retain supporting documentation.

According to 49 CFR 18.42(a-c), state records must be retained for three years from the date a program's final expenditure report is submitted. Without adequate supporting documentation, compliance with HS-217 reporting requirements could not be determined.

We recommend DOTPF's program development director maintain documentation that supports required federal reporting.

CFDA: 20.600, 20.601, 20.602, 20.610, 20.613 Federal Agency: USDOT
Questioned Costs: None Noncompliance
Reporting

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. Alaska Highway Safety Office staff will save documentation, including screen prints and estimation methodology for each number in the HS-217 cost summary report, which is a part of the State's annual highway safety plan. This documentation will be retained in accordance with 49 CFR 18.42(a-c).

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-037

DOTPF's program development director should develop and implement procedures to ensure compliance with federal level-of-effort requirements.

The HSO lacks procedures to ensure compliance with federal level-of-effort requirements for the HSC program. Furthermore, the amount necessary to meet program requirements is not known by HSO staff, and therefore, compliance could not be determined.

Level-of-effort deficiencies were due, in part, to an insufficient understanding of which category of expenditures to use in the level-of-effort analysis and a lack of detailed expenditure records for FFY 03 and FFY 04.

Under the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)* five HSC programs are federally required[47] to maintain a level-of-effort. In general, each fiscal year's state expenditures[48] must meet or exceed the average level of such expenditures in FFY 03 and FFY 04. Failure to meet level-of-effort requirements may jeopardize future federal funding.
We recommend DOTPF's program development director develop and implement procedures to ensure compliance with level-of-effort requirements. This includes identifying and documenting average state program expenditures for FFY 03 and FFY 04.

CFDA: 20.601, 20.602, 20.610, 20.613 Federal Agency: USDOT
Questioned Costs: None Significant Deficiency, Noncompliance
Matching, Level of Effort, Earmarking

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. Alaska Highway Safety Office staff will develop procedures that adhere to federal regulations and guidance ensuring correct calculation and tracking of this requirement. The department has received a waiver from the federal level-of-effort requirements for FFY2013.

[47]*Title 23 of the Code of Federal Regulations, Part 1350 Appendix B and Part 1345.4(a)(1)(iv); Title 23 of the United States Code 410(a)(2) and 408(e)(3); and Public Law 109-59 Section 2011(b) of the SAFETEA-LU Act.*
[48]FAINs:18X90204050AK12,18X90204080AK11,18X90204080AK12,18X90204100AK10, and 18X90202110AK12.

Federal guidance has been developed for level-of-effort requirements for FFY2014 and the new deadline to submit the level-of-effort calculations for FFY2014 is March 31, 2015. Alaska Highway Safety Office staff will submit the level-of-effort calculations for FFY2014 in accordance with the new guidance by this deadline.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-038

DOTPF's Statewide Design and Engineering Services director should ensure that the *Alaska Construction Manual* (ACM) complies with federal record retention policies.

Record retention errors were identified for the Denali Commission,[49] the Airport Improvement Program,[50] and the Highway Planning and Construction Cluster.[51] In total, eight of 25 tested certified payroll records had been destroyed. By program, errors included:

- Denali Commission – Two of five tested certified payroll records were destroyed.
- Airport Improvement Program – One of four tested certified payroll records were destroyed.
- Highway Planning and Construction – Five of 16 tested certified payroll records were destroyed.

All financial records must be retained for three years in accordance with federal regulations.[52] Records were inappropriately destroyed because ACM 16.15 directed DOTPF staff to destroy personnel records and certified payrolls once a project closed. As a result, DOTPF staff could not demonstrate certified payrolls were received for projects where certified payrolls have been destroyed.

We recommend DOTPF's Statewide Design and Engineering Services director ensure the ACM complies with federal record retention policies.

CFDA: 20.106, 20.205, 90.100 Federal Agency: USDOT, USDOC
Questioned Costs: None Significant Deficiency; Noncompliance
Davis Bacon

[49]FAIN: 01256, 01257.
[50]FAIN: 30202190122009.
[51]FAINs: 020002282, 0A16035, 0656004, 81003, and 20003163.
[52]CFDA 20.205, 23 CFR 635.118; CFDA 20.106, 14 CFR 151.53(a); CFDA 90.100, and 15 CFR 24.42(b)(1).

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. DOT&PF is currently in the process of updating the Alaska Construction Manual (ACM) to comply with federal record retention regulations found in 23 CFR 635.118 and 14 CFR 151.53. The revisions are expected to be approved by FHWA and FAA, and in effect by June 30, 2015.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

Recommendation No. 2014-039

DOTPF's Administrative Services Division director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

DOTPF staff use a time and equipment (T&E) subsystem to charge personal service costs to federal and state funded projects. When T&E journal entries are made, the T&E system captures an employee's current pay rate rather than the pay rate in effect at the time the underlying activity occurred. Untimely processing of journal entries may result in over charging federal programs in instances of mass salary updates, employee merit increases, and promotions.

Review of FY 14 T&E journal entries processed in FY 15 identified $20,190 in questioned costs, of which $16,981 was charged to the Highway Planning and Construction Cluster. The questioned costs were the result of untimely processing of T&E journal entries following a mass salary update. The error affected all DOTPF federal programs whose personal service expenditures were processed with T&E transactions. Additional questioned costs are likely.

Per *OMB Circular A-87*, Attachment A, section E.2.a, direct costs chargeable to federal awards include compensation of employees for time devoted and identified specifically to the performance of those federal awards. Expenditures charged due to incorrect pay rates do not constitute as an allowable direct cost to a federal program.

We recommend DOTPF's Administrative Services Division director ensure personal service expenditures charged to federal programs comply with federal cost principles.

CFDA: 20.205
Questioned Costs: $16,981

Federal Agency: USDOT
Significant Deficiency, Noncompliance
Allowable Costs

CFDA: 20.106
Questioned Costs: Indeterminate

Agency Response – Department of Transportation of and Public Facilities

The department concurs with this recommendation. This issue is expected to be resolved with the implementation of the new HRM payroll system January 1, 2016. Additionally, the department will be reviewing its procedures in order to mitigate any potential issues within the limitations of our current systems.

Contact Person: *Mary Siroky, Director*
Division of Administrative Services
(907) 465-3911

ALASKA COURT SYSTEM (ACS)

No recommendations were made to ACS in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2013*.

No new recommendations have been made during the FY 14 statewide single audit.

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COMPONENT UNITS

This section includes three federal compliance recommendations directed to the Alaska Housing Finance Corporation (AHFC) and one directed to the University of Alaska (UA). All four recommendations came from other auditors whose reports were furnished to us. A complete copy of the AHFC and the UA reports may be obtained directly from those entities.

(Intentionally left blank)

Recommendation No. 2014-040 (AHFC)

Internal Control Over Compliance - Eligibility

Program: Section 8 Housing Assistance Payment Program

Criteria: According to the OMB A-133 Compliance Supplement, the public housing agency (PHA) must document third party verification of annual income, value of assets, expenses related to deductions from annual income, and any other factors that affect the determination of adjusted income or income-based rent disclosed by the family during examinations and reexaminations.

Condition: Of the 81 participant files tested, 9 files were found to have deficiencies in the documentation of third party income verification or other documentation supporting eligibility.

Questioned Costs: None identified.

Context: Third party verification within 120 days of the examination or reexamination is required to determine if all income is included in the Housing Assistance Payment (HAP) calculation. Based on HUD guidance, there are types of income that should be included and others that should be excluded from the calculations. Amounts not properly verified through a third party source could significantly change the income calculations.

Effect: The Corporation may have inaccurately calculated voucher payments or required tenant rent contributions.

Cause: The Corporation failed to obtain and retain sufficient documentation supporting compliance with the requirement as stated in their administrative plan and the HUD guidance.

Recommendation: We recommend that management review procedures for obtaining third party income verification, and establish controls to ensure that the procedures are followed and that documentation is adequate throughout the program. We also recommend that AHFC continue to perform quarterly file reviews, in order to identify and correct deficiencies in documentation. We further recommend additional on-site inspections of files for those locations with only one employee responsible for performing income determinations.

CFDA: 14.195, 14.249, 14.881 Federal Agency: USHUD
Questioned Costs: None Significant Deficiency, Noncompliance
Eligibility

Agency Response – Alaska Housing Finance Corporation

The Public Housing Division considers this finding resolved as of September 26, 2014. All questionable files have been reviewed and any deficiency addressed. Technically, 3rd party

verifications of income were not in the file, but lesser verifications were. Training was provided to all PHD staff during our annual workshop held the week of September 15th, 2014.

Contact Person: *Cynthia Weiser, Controller*
Accounting
(907) 330-8338, cweiser@ahfc.us

Recommendation No. 2014-041 (AHFC)

Internal Control Over Compliance - Special Tests and Provisions

Program: Moving to Work Demonstration Program

Criteria: MTW Agencies must ensure that housing assisted under the demonstration program meets housing quality standards established or approved by the Secretary. The HCV program regulations at 24 CFR sections 982.401 through 982.405 set forth basic housing quality standards (HQS) which all units must meet, and the PHA must verify by inspection, before initial assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy or so determined by the MTW agreement.

Condition: Of the 40 participant files tested, 2 files were found to have deficiencies in the documentation of required inspections throughout the term of the tenancy.

Questioned Costs: None identified.

Context: To ensure compliance with the regulations of the MTW agreement AHFC conducts regular annual HQS inspections in accordance with MTW plan, Section 2010-5.

Effect: The Corporation was not in compliance with the documentation requirements contained in the MTW agreement as it related to housing quality standards and could potentially have participants in units that do not meet the housing quality standard.

Cause: The controls over the timing of the annual HQS inspections were not sufficient to ensure compliance with the requirements of the MTW agreement.

Recommendation: We recommend that management review procedures for tracking the required timing of inspections, and establish controls to ensure that the procedures are followed and that documentation is of the inspection is properly retained.

CFDA: 14.881 Federal Agency: USHUD
Questioned Costs: None Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

For the two files identified as having deficiencies regarding inspection documentation; the first was a S8 New program participant which requires only an HQS inspection to be conducted at move-in, this inspection was located in the file. The second inspection deficiency indicated a missing inspection; however upon our review we located an inspection dated April 2014. As both of these files contained the required inspection documentation no further corrective action is required.

Contact Person: *Cynthia Weiser, Controller*
Accounting
(907) 330-8338, cweiser@ahfc.us

Recommendation No. 2014-042 (AHFC)

Internal Control Over Compliance - Special Tests and Provisions

Program: Section 8 Housing Assistance Payment Program

Criteria: Participants are to be selected from the waiting list in accordance with the admission policies in its administrative plan and maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family's place on the waiting list. For the Mod Rehab SRO program, eligible individuals may be referred to the PHA for eligibility determination as a result of the owner's/sponsor's outreach or through the PHA waiting list. (24 CFR sections 880.603, 881.601, 882.514, 882.808(b)(2), 883.701, 884.214, and 886 subparts A and C).

Condition: Of the 65 participant files tested, 2 files were found to have deficiencies in the time of the application and the time they were placed on the wait list.

Questioned Costs: None identified.

Context: Due to lack of public housing readily available AHFC has developed waitlist procedures to ensure the participants have equal opportunity to receive the benefits provided by Moving to Work and Project Based Section 8 programs. The placement on the Waiting List takes place after the participant fills out the Wait List Application and submits it to one of the offices. The placement on the Waitlist is dependent on the date and time of submission. There were 8,749 individuals on the waitlists with 813 individuals receiving housing for Moving to Work and the Project Based Section 8 programs.

Effect: The Corporation may be delaying participants who have applied before other applicants but were not entered into system with the correct time.

Cause: The time listed on the waitlist application was not listed accurately and was not reviewed in the timely manner.

Recommendation: We recommend that management continue to educate staff about applicable policies and procedures. We also recommend that the Corporation continue to perform periodic checks of the wait list in order to identify and correct deficiencies in documentation.

CFDA: 14.195, 14.249 Federal Agency: USHUD
Questioned Costs: None Significant Deficiency, Noncompliance
Special Tests and Provisions

Agency Response – Alaska Housing Finance Corporation

The first deficiency noted was for a tenant that relocated between two AHFC voucher jurisdictions; as such this individual is not processed through the waitlist. Additionally, this tenant was admitted into the program in 2007 and was likely outside of the auditor's scope. The second tenant has been on the AHFC Waiting List since 2009. During our conversion to YARDI some applicant data was automatically reset to midnight on the actual date of application. Staff has been advised to search the older active waiting lists for those with times set at 12:00 a.m. to correct the data to reflect the correct time.

Contact Person: Cynthia Weiser, Controller
Accounting
(907) 330-8338, cweiser@ahfc.us

Recommendation No. 2014-043 (UA)

Reporting - Significant Deficiency in Internal Controls and Instances of Noncompliance

Program: Research and Development Cluster

Criteria: Federal Financial Reporting Instructions require recipients to report quarterly and semiannual interim reports no later than 30 days after the end of each reporting period. Annual and final reports shall be submitted no later than 90 days after the end of each reporting period or the grant end date.
Condition: While management was aware of the reporting deadlines, procedures were not in place to ensure reporting was completed for all grants timely.

Questioned Costs: None identified.

Context: During our testing of 25 reports, 6 reports were submitted after the due date.

Effect: The report was not submitted in the required time frame.

Cause: The University did not adhere to established internal controls governing timely submission of federal financial reports.

Recommendation: We recommend the University implement a University wide repository to track report requirements for each grant to ensure submissions are completed timely.

CFDA: R&D Cluster
Federal Agency: Various
Questioned Costs: None
Significant Deficiency, Noncompliance
Reporting

Agency Response to Outside Auditor – University of Alaska

The University concurs with the finding. While established internal controls are in place to ensure compliance with expectations regarding timely submission of federal financial reports, staffing shortages and change in personnel led to several reports not being filed in a timely manner. We are given to understand by the University of Alaska Fairbanks that the Office of Grants and Contracts is now fully staffed and personnel have been properly trained. Additionally, we are given to understand by University of Alaska Fairbanks that they are taking steps to put in place a tracking mechanism for all federal grants with reporting expectations specific to each grant. This will allow for appropriate management monitoring and oversight of reporting expectations.

Agency Response – University of Alaska

The University of Alaska Fairbanks (UAF) concurs with the finding and recommendation.

The UAF Office of Grants and Contracts Administration (OGCA) has changed the Federal Financial Reporting process beginning in Fall 2014 to include:

- *A check and balance system to eliminate the single point of failure.*
- *Grants and Contracts analysts entering Federal Financial Reporting (FFR) data into the FRAEVGA screen in Banner (this was not done previously).*
- *Building and developing reporting tools that can assist in tracking FFRs on key due dates.*
- *A process that facilitates the escalation of notices to OGCA management if FFR reporting is not completed within the designated timeframe by the Grants and Contracts analysts.*

- *A verification process by OGCA management to ensure all FFRs are completed.*

UAF expects to fully implement the steps to remedy the issue by June 30, 2015.

Contact Person: *Wei Guo, Financial Account Manager*
University of Alaska
(907) 450-8063

Part I – Summary of Auditor's Results

a) The independent auditor's report included a qualified opinion on the Governmental Activities and General Fund basic financial statements of the State of Alaska as of and for the year ended June 30, 2104. An unmodified opinion was issued on the business-type activities, the aggregate discretely presented component units, Alaska Permanent Fund, Alaska International Airports, and the aggregate remaining fund information of the State of Alaska basic financial statements as of and for the year ended June 30, 2014.

b) Significant deficiencies and a material weakness 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 Medicaid Cluster and the Children's Health Insurance Program was disclosed by the audit. Additionally, 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 an unmodified opinion on all programs except for the Medicaid Cluster and Children's Health Insurance Program which received a qualified opinion.

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 37 major federal programs for the fiscal year ended June 30, 2014 as follows:

CFDA or Other Identifying Number	Federal Program Title
10.010, 11.300, 11.307	Economic Development Cluster
10.410	Very Low to Moderate Income Housing Loans
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Part I – Summary of Auditor's Results (*continued*)

CFDA or Other Identifying Number	Federal Program Title
10.565, 10.568, 10.569	Food Distribution Cluster
10.UNK (10FI11100100040)	USFS Fire Suppression
12.UNK (FR-RLD-0016-12-01-00)	Access to Joint Tanana Training Complex – 2008
14.195, 14.249	Section 8 Project-Based Cluster
14.218	Community and Development Block Grants/Entitlement Grants
14.865	Public and Indian Housing – Indian Loan Guarantee Program
14.881	Moving to Work Demonstration Program
15.UNK (AK-2010-0001)	BLM Fire Suppression
17.207, 17.801, 17.804	Employment Security Cluster
20.106	Airport Improvement Program
20.205, 20.219	**ARRA –** Highway Planning and Construction Cluster
20.314	Railroad Development
20.509	**ARRA –** Formula Grants for Rural Areas
20.600, 20.601, 20.602, 20.610, 20.613	Highway Safety Cluster
64.114	Veterans Housing – Guaranteed and Insured Loans
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	**ARRA –** Capitalization Grants for Drinking Water State Revolving Funds
84.010	Title I Grants to Local Education Agencies
84.031	Higher Education – Institutional Aid
84.032L	Federal Family Education Loans
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.356	Alaska Native Educational Program
84.411	Investing in Innovation Fund
90.100	Denali Commission
93.563	Child Support Enforcement

Part I – Summary of Auditor's Results (*continued*)

CFDA or Other Identifying Number	Federal Program Title
93.568	Low-Income Home Energy Assistance
93.659	Adoption Assistance
93.775, 93.777, 93.778	Medicaid Cluster
93.767	Children's Health Insurance Program (CHIP)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant (HMGP)
97.067	Homeland Security Grant Program
Various	**ARRA –** Research and Development Cluster

h) A threshold of $9,332,101 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

Material Weaknesses

State Department	Recommendation Number
Health and Social Services	2014-021

Significant Deficiencies

State Department	Recommendation Number
Revenue	2014-003 and 2014-004
Health and Social Services	2014-022
Labor and Workforce Development	2014-024

Irregularities and Illegal Acts

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

Part III – Federal Findings and Questioned Costs

Federal Agency/ Recommendation Number	Questioned Costs	Comments
USDA		
2014-007	None	Significant Deficiency, Noncompliance
2014-008	Indeterminate	Noncompliance
2014-009	None	Significant Deficiency
2014-012	None	Noncompliance
USDOC		
2014-038	None	Significant Deficiency, Noncompliance
USHUD		
2014-040	None	Significant Deficiency, Noncompliance
2014-041	None	Significant Deficiency, Noncompliance
2014-042	None	Significant Deficiency, Noncompliance
USDOT		
2014-031	None	Noncompliance
2014-032	None	Significant Deficiency, Noncompliance
2014-033	None	Noncompliance
2014-034	None	Significant Deficiency, Noncompliance
2014-035	None	Significant Deficiency, Noncompliance
2014-036	None	Noncompliance
2014-037	None	Significant Deficiency, Noncompliance
2014-038	None	Significant Deficiency, Noncompliance
2014-039	$16,981	Significant Deficiency, Noncompliance
USEPA		
2014-028	None	Significant Deficiency, Noncompliance
2014-029	None	Significant Deficiency, Noncompliance
USED		
2014-007	None	Significant Deficiency, Noncompliance

Part III – Federal Findings and Questioned Costs (*continued*)

Federal Agency/ Recommendation Number	Questioned Costs	Comments
USDHHS		
2014-008	$522	Noncompliance
2014-009	None	Significant Deficiency
2014-010	None	Noncompliance
2014-011	None	Noncompliance
2014-013	None	Significant Deficiency, Noncompliance
2014-014	Indeterminate	Significant Deficiency, Noncompliance
2014-015	$405	Noncompliance
2014-016	None	Noncompliance
2014-017	None	Significant Deficiency, Noncompliance
2014-018	None	Significant Deficiency
2014-019	$1,790,274	Material Weakness, Significant Deficiency, Noncompliance
USDHS		
2014-025	None	Significant Deficiency, Noncompliance
2014-026	None	Significant Deficiency
Various		
2014-043	None	Significant Deficiency, Noncompliance

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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, 2014, 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 10, 2014. Our report is qualified for the General Fund and Governmental Activities opinion units. We have issued a qualified opinion on the General Fund and Governmental Activities due to the inability to obtain sufficient and appropriate evidence to support an opinion on the expenditures for Medicaid and Children's Health Insurance Program services and related revenue. Medicaid information system controls were not effective during the fiscal year ended June 30, 2014, and the performance of substantive procedures was not sufficient to obtain sufficient and appropriate evidence.

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 the Department 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 the Department 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.

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. However, as described in Section II – Recommendations and Questions Costs, Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs in Recommendation No. 2014-021 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Recommendations Nos. 2014-003, 2014-004, 2014-022, and 2014-024 to be significant deficiencies.

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 table 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 preceding 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 10, 2014

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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 and
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 *United States 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, 2014. 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. As shown in the table on the following page, 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
10.410	Very Low to Moderate Income Housing Loans	100%
12.999	USDOD, passed through the FRA: Access to Joint Tanana Training Complex - 2008	100%
14.195, 14.249	Section 8 Project-Based Cluster	100%
14.218	Community and Development Block Grants/Entitlement Grants	100%
14.865	Public and Indian Housing - Indian Loan Guarantee Program	100%
14.881	Moving to Work Demonstration Program	100%
20.314	Railroad Development	100%
64.114	Veterans Housing - Guaranteed and Insured Loans	100%
66.458	Capitalization Grants for Clean Water State Revolving Funds	100%
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	100%
84.031	Higher Education Institutional Aid	100%
84.356	Alaska Native Educational Programs	100%
84.411	Investing in Innovation Fund	100%
90.100	Denali Commission	60%
84.032L	Federal Family Education Loans	100%
Various	ARRA - 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.

[1]The 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 Medicaid Cluster (CFDAs 93.778, 93.775, and 93.777) and Children's Health Insurance Program (CFDA 93.767)

As described in Recommendation No. 2014-019 in the preceding Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the State of Alaska's compliance with the following major federal programs as administered by the Department of Health and Social Services regarding the compliance types indicated:

CFDA Number	Federal Program	Compliance Type	Recommendation No.
93.778	Medicaid Cluster	Allowable Costs, Eligibility	2014-019
93.767	Children's Health Insurance Program	Allowable Costs, Eligibility	2014-019

Consequently, we were unable to determine whether the State of Alaska, Department of Health and Social Services complied with those requirements applicable to the programs.

Qualified Opinion on Medicaid Cluster (CFDAs 93.778, 93.775, and 93.777) and Children's Health Insurance Program (CFDA 93.767)

In our opinion, except for the possible effects of the matter described in the "*Basis for 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 Medicaid Cluster and the Children's Health Insurance Program for the fiscal year ended June 30, 2014.

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 fiscal year ended June 30, 2014.

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 table 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. 2014-019 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 Part III of 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, 2014, and the related notes to the financial statements, which collectively comprise the State of Alaska's basic financial statements. We issued our report thereon dated December 10, 2014, which contained an unmodified opinion on those financial statements, except for the governmental activities and general fund financial statements which contained a qualified opinion. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information 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. 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 basic financial statements or to the basic 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 basic financial statements taken as a whole.

Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
February 20, 2015

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014
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	747,091	739,130
Total for Community Facilities Loans and Grants Cluster					**747,091**	**739,130**
Child Nutrition Cluster						
School Breakfast Program	DEED		10.553	17131	8,889,699	8,565,974
School Breakfast Program	DMVA		10.553	RSA 0520089	(136,017)	
School Breakfast Program	DHSS		10.553		181,150	
National School Lunch Program (Food Commodities)	DEED		10.555	17132	2,565,092	2,565,092
National School Lunch Program	DEED		10.555	17132	31,235,853	30,750,265
National School Lunch Program	DMVA		10.555	RSA 0520089	(220,421)	
National School Lunch Program	DHSS		10.555		271,725	
Special Milk Program for Children	DEED		10.556	17133	2,214	2,214
Summer Food Service Program for Children	DEED		10.559	17137	1,490,629	1,406,981
Total for Child Nutrition Cluster					**44,279,924**	**43,290,526**
Food Distribution Cluster						
Commodity Supplemental Food Program	DHSS		10.565		702,991	686,146
Emergency Food Assistance Program (Administrative Costs)	DEED		10.568	17138	157,344	151,038
Emergency Food Assistance Program (Food Commodities)	DEED		10.569		971,225	971,225
Total for Food Distribution Cluster					**1,831,560**	**1,808,409**
Forest Service Schools and Roads Cluster						
Schools and Roads - Grants to States	DCCED		10.665	National Forest Receipts	12,173,616	12,173,616
Schools and Roads - Grants to States	DNR		10.665		27,072	
Total for Forest Service Schools and Roads Cluster					**12,200,688**	**12,173,616**
Supplemental Nutrition Assistance Program Cluster						
Supplemental Nutrition Assistance Program	DHSS		10.551		178,186,588	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	DHSS		10.561		11,155,998	
Total for Supplemental Nutrition Assistance Program Cluster					**189,342,586**	**-**
Water and Waste Program Cluster						
Water and Waste Disposal Systems for Rural Communities	DEC		10.760		4,154,407	390,494
Total for Water and Waste Program Cluster					**4,154,407**	**390,494**
Plant and Animal Disease, Pest Control, and Animal Care	DFG		10.025		18,099	
Plant and Animal Disease, Pest Control, and Animal Care	DEC		10.025		128,618	
Plant and Animal Disease, Pest Control, and Animal Care	DNR		10.025		167,965	
Inspection Grading and Standardization	DNR		10.162		17,598	
Market Protection and Promotion	DNR		10.163		45,774	
Specialty Crop Block Grant Program - Farm Bill	DNR		10.170		175,130	54,451
1890 Institution Capacity Building Grants (Pass-through University of Delaware)	UofA		10.216	11-007JNA/PO# 0100338	36,788	
Higher Education - Institution Challenge Grants Program (Pass-through University of Missouri)	UofA		10.217	C00041710-3	20,647	
Secondary and Two-Year Postsecondary Agriculture Education Challenge	UofA		10.226		28,357	
Alaska Native Serving and Native Hawaiian Serving Institutions Education	UofA		10.228		1,137,769	
Integrated Programs (Pass-through University of Idaho)	UofA		10.303	BJKH15 SB005	21,624	
Homeland Security-Agricultural (Pass-through University of California)	UofA		10.304	201223902-05	16,391	
Beginning Farmer and Rancher Development Program	UofA		10.311		49,807	7,900

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
ARRA-Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF) (Pass-through University of Minnesota)	UofA	ARRA	10.315	H001344228 ARRA	3,510	
Cooperative Extension Service (Pass-through Utah State University)	UofA		10.500	100906004	12,188	
Cooperative Extension Service (Pass-through Auburn University)	UofA		10.500	13-HHP-379816-UAF	9,073	
Cooperative Extension Service (Pass-through University of Nebraska-	UofA		10.500	25-6329-0059-801	5,817	
Cooperative Extension Service (Pass-through National 4H Council)	UofA		10.500	Agreement dated 05/21/13	85,268	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S12068	5,984	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S13087	36,418	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S14105	19,408	
Cooperative Extension Service (Pass-through Kansas State University)	UofA		10.500	S14182	1,621	
Cooperative Extension Service	UofA		10.500		2,479,025	
Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through State of Oklahoma)	UofA		10.557	PO 3409015400 (Orig 3409014142)	13,160	
Special Supplemental Nutrition Program for Women, Infants, and Children	DHSS		10.557		20,580,686	5,799,999
Child and Adult Care Food Program (Food Commodities)	DEED		10.558	17134	74,046	74,046
Child and Adult Care Food Program	DEED		10.558	17134	9,652,515	9,547,080
State Administrative Expenses for Child Nutrition	DEED		10.560	17135	797,505	
WIC Farmers' Market Nutrition Program (FMNP)	DHSS		10.572		109,092	
Team Nutrition Grants	DEED		10.574	17400	73,333	14,752
Senior Farmers Market Nutrition Program	DHSS		10.576		64,562	19,983
SNAP Partnership Grant (Pass-through State of Oklahoma)	UofA		10.577	PO 3409018697	1,056	
ARRA-WIC Grants to States (WGS)	DHSS	ARRA	10.578	WISA-09-AK-01	534,515	
Child Nutrition Discretionary Grants Limited Availability	DEED		10.579	17169	878,757	
Fresh Fruit and Vegetable Program	DEED		10.582	17166	1,781,986	1,717,315
Market Access Program	ASMI		10.601		3,774,260	
Cooperative Forestry Assistance	DNR		10.664		3,205,948	413,909
Cooperative Forestry Assistance	UofA		10.664		3,112	
Rural Development, Forestry, and Communities	AEA		10.672	DG 1110016	123,318	
Urban and Community Forestry Program	UofA		10.675		45,496	
Forest Legacy Program	DNR		10.676		37,110	
Forest Health Protection	DNR		10.680		244,148	
Forest Health Protection	UofA		10.680		248,687	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	DFG		10.683	0801.12.032829	3,962	
ARRA-Recovery Act of 2009: Wildland Fire Management	DNR	ARRA	10.688		317,877	284,815
Rural Business Enterprise Grants	UofA		10.769		72,550	
Rural Cooperative Development Grants	UofA		10.771		161,268	
Rural Business Opportunity Grants	UofA		10.773		17,263	
Plant Materials for Conservation	DNR		10.905		50,710	
USFS Fire Suppression (AKDF070002)	DNR		10.Unknown	10FI11100100040	5,113,552	
Kenai Dispatch Center	DNR		10.Unknown	12FI11100400036	21,772	
Hotshot Crew	DNR		10.Unknown	12PA11100100009	152,819	
Pioneer Peak Hotshot	DNR		10.Unknown	12-PA-11100100-009	12,245	
Manley AP Bark Beetle Mitigation	DOTPF		10.Unknown	2013 DG 11100154	25,750	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0109-C-10-0011	105,220	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0109-C-10-0016	7,671	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0109-P-12-0032	6,950	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0116-C-09-0054	18,419	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0116-C-09-0056	21,291	
Sikes Act Environmental Consultation	DNR		10.Unknown	AG-0116-C-11-011	11,435	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0116-P-12-0029	1,936	
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0120-P-13-0053	15,357	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Miscellaneous US Forest Service-Wildlife Research	DFG		10.Unknown	AG-0120-P-13-0057	5,000	
University of Alaska-Southeast GIS Library & the Southeast Alaska Hydrography Database	UofA		10.Unknown	G00007725	70,946	
Alaska Coastal Rainforest Center Director Support	UofA		10.Unknown	G00008142	51,549	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	DOTPF		10.Unknown	USFS 07-RO-11100100-076	75,561	
Total for U.S. DEPARTMENT OF AGRICULTURE					**305,663,530**	**76,336,425**
U.S. DEPARTMENT OF COMMERCE						
Economic Development Cluster						
Investments for Public Works and Economic Development Facilities	DLWD		11.300	805	86,336	
Economic Adjustment Assistance	DCCED		11.307	07-79-05719	588	
Economic Adjustment Assistance	DCCED		11.307	SBED	6,967,782	
Total for Economic Development Cluster					**7,054,706**	**-**
NOAA Mission-Related Education Awards (Pass-through Consortium for Ocean Leadership)	UofA		11.008	SA13-22	2,341	
NOAA Mission-Related Education Awards	UofA		11.008		36,385	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska SeaLife Center)	UofA		11.012	Sub-Award H2300.56	37,994	
Economic Development-Technical Assistance	UofA		11.303		131,692	
Interjurisdictional Fisheries Act of 1986	DFG		11.407		82,577	
Sea Grant Support	UofA		11.417		1,191,122	167,121
Coastal Zone Management Administration Awards (Pass-Through from University of New Hampshire)	DFG		11.419	11-036	142,649	
Coastal Zone Management Estuarine Research Reserves	DFG		11.420		496,447	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	DFG		11.437	14.17	1,983,793	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	DFG		11.437	13-04	203,788	
Pacific Fisheries Data Program	DFG		11.437		2,844,054	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DCCED		11.438	NA10NMF4380355	6,859,192	6,770,302
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	ARRC		11.438	NA11NMF4380268	57	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	ARRC		11.438	NA11NMF4380268	286,714	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	DFG		11.438		10,923,645	1,510,014
Marine Mammal Data Program	UofA		11.439		1,863	
Marine Mammal Data Program	DFG		11.439		1,847,531	
Regional Fishery Management Councils (Pass-through from Pacific Fishery Management Council)	DFG		11.441	01-14	9,863	
Regional Fishery Management Councils	DFG		11.441		29,921	
Unallied Industry Projects	UofA		11.452		30,486	
Meteorologic and Hydrologic Modernization Development	DMVA		11.467	35457	701,374	59,020
Unallied Science Program (Pass-through North Pacific Research Board)	DFG		11.472	1107	21,301	
Unallied Science Program (Pass-through North Pacific Research Board)	DFG		11.472	1108	43,899	
Unallied Science Program (Pass-through North Pacific Research Board)	DFG		11.472	1111	27,255	
Unallied Science Program (Pass-through Prince William Sound Science Center)	DFG		11.472	13-81-02	5,100	
Unallied Science Program	UofA		11.472		55,464	
Unallied Science Program	DFG		11.472		312,665	
State and Local Implementation Grant Program	DPS		11.549		7,688	
ARRA-Broadband Technology Opportunities Program (BTOP)	DEED	ARRA	11.557	17353	1,047,949	308,641
ARRA-Broadband Technology Opportunities Program (BTOP) (Match)	DEED	ARRA	11.557	17354	18,358	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
ARRA-Broadband Technology Opportunities Program (BTOP)	UofA	ARRA	11.557	540055	66,627	
ARRA-Broadband Technology Opportunities Program (BTOP)	UofA	ARRA	11.557		540,308	138,985
ARRA-State Broadband Data and Development Grant Program Recovery (Pass-through from Connected Nation, Inc.)	DCCED	ARRA	11.558	02-50-M09071	62,976	
Manufacturing Extension Partnership	UofA		11.611		72,371	
National Marine Fisheries Joint Enforcement Agreement	DPS		11.Unknown	11.04 and NMFS-JEA	1,168,882	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	HA133F09SE4456	2,873	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	HA133F10SE3691	11,157	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	HA133F12SE2199	22,127	
Japanese Tsunami Marine Debris	DEC		11.Unknown	MOA-2013-005-8626	178,263	
NOAA Pribilof Island Restoration	DEC		11.Unknown	RA133013SE1880	1,744	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	WE133F13SE1006	44,649	
Miscellaneous NOAA-Marine Mammal Research	DFG		11.Unknown	WE133R13SE0274	19,670	
Total for U.S. DEPARTMENT OF COMMERCE					**38,629,520**	**8,954,083**
U.S. DEPARTMENT OF DEFENSE						
Procurement Technical Assistance For Business Firms	UofA		12.002		376,326	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	DEC		12.113		2,753,789	
Military Construction, National Guard	DMVA		12.400	35400	6,294	
Military Construction, National Guard	AADC		12.400	W91ZRU-06-2-3038	28,458	
National Guard Military Operations and Maintenance (O&M) Projects	DMVA		12.401	35401	15,423,896	
National Guard ChalleNGe Program	DMVA		12.404	35404	4,021,197	
Information Security Grant Program	UofA		12.902		141,677	
King Salmon Airport Contract to Maintain USAF Safety	DOTPF		12.Unknown	12.F65501-96C0006	543,208	
OHA Wake Island	DNR		12.Unknown	F1W6CC3262M001	284	
Access to Joint Tanana Training Complex-2008 (Pass-through from the Federal Railroad Administration)	ARRC		12.Unknown	FR-RLD-0016-12-01-00	5,004,731	
Adak Airport Operations Agreement	DOTPF		12.Unknown	N6871104MDC4010	815,961	
Miscellaneous Army-Wildlife Research	DFG		12.Unknown	W911KB11P0037	44,910	
Total for U.S. DEPARTMENT OF DEFENSE					**29,160,731**	**-**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
CDBG - Entitlement Grants Cluster						
Community Development Block Grants/Entitlement Grants	AHFC		14.218		1,319,302	1,148,469
Total for CDBG - Entitlement Grants Cluster					**1,319,302**	**1,148,469**
CDBG - State-Administered CDBG Cluster						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	DCCED		14.228	B13DC020001, B12DC020001, B11DC020001, B10DC(	2,574,089	2,362,302
Total for CDBG - State-Administered CDBG Cluster					**2,574,089**	**2,362,302**
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	AHFC		14.871		1,167,509	
Total for Housing Voucher Cluster					**1,167,509**	**-**
Section 8 Project-Based Cluster						
Section 8 Housing Assistance Payments Program	AHFC		14.195		2,192,629	
Section 8 Moderate Rehabilitation Single Room Occupancy	AHFC		14.249		493,759	421,219
Total for Section 8 Project-Based Cluster					**2,686,388**	**421,219**
Mortgage Insurance-Homes	AHFC		14.117		5,080,495	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Emergency Solutions Grants Program	AHFC		14.231		249,252	248,788
Supportive Housing Program	AHFC		14.235		24,747	20,479
Shelter Plus Care	AHFC		14.238		214,900	199,129
HOME Investment Partnerships Program	AHFC		14.239		2,880,806	2,880,806
Housing Opportunities for Persons with AIDS	AHFC		14.241		532,015	510,006
Continuum of Care Program	AHFC		14.267		727,625	727,625
Alaska Native/Native Hawaiian Institutions Assisting Communities	UofA		14.515		221,222	81,729
Public and Indian Housing-Indian Loan Guarantee Program	AHFC		14.865		1,024,325	
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	AHFC		14.877		76,415	
Moving to Work Demonstration Program	AHFC		14.881		47,167,903	
Partners in Growth	UofA		14.Unknown	G00008210	180,455	12,000
Total for U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					**66,127,448**	**8,612,552**
U.S. DEPARTMENT OF THE INTERIOR						
Fish and Wildlife Cluster						
Sport Fish Restoration Program	DFG		15.605		17,579,253	1,889,583
Wildlife Restoration and Basic Hunter Education	DFG		15.611		18,140,628	
Total for Fish and Wildlife Cluster					**35,719,881**	**1,889,583**
Indian Adult Education	UofA		15.026		3,663	
Cultural Resource Management	DNR		15.224		17,199	
Cultural Resource Management	UofA		15.224		870,791	
Recreation Resource Management	DFG		15.225		5,371	
Payments in Lieu of Taxes	DCCED		15.226	Payments in Lieu of Taxes	10,250,120	10,250,120
Distribution of Receipts to State and Local Governments (Pass-through from North Slope Borough)	DFG		15.227	14-120	12,500	
Distribution of Receipts to State and Local Governments	DCCED		15.227	National Petroleum Reserve Alaska Impact Mitigation	7,858,908	7,858,908
National Fire Plan - Wildland Urban Interface Community Fire Assistance	DNR		15.228		90,538	
Fish, Wildlife and Plant Conservation Resource Management	DNR		15.231		49,034	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		268,446	
Fish, Wildlife and Plant Conservation Resource Management	DFG		15.231		322,220	
Secure Rural Schools and Community Self-Determination	UofA		15.234		21,609	
Environmental Quality and Protection Resource Management	DNR		15.236		28,289	
Challenge Cost Share	UofA		15.238		203	
Challenge Cost Share	DFG		15.238		14,521	
Management Initiatives	DNR		15.239		89,827	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	DNR		15.250		332,232	
Abandoned Mine Land Reclamation (AMLR) Program	DNR		15.252		568,373	
Alaska Coastal Marine Institute	UofA		15.421		61,312	
Federal Oil and Gas Royalty Management State and Tribal Coordination	DNR		15.427		90,736	
Fish and Wildlife Management Assistance	DNR		15.608		2,542	
Fish and Wildlife Management Assistance	DFG		15.608		599,424	
Cooperative Endangered Species Conservation Fund	DFG		15.615		106,808	
Clean Vessel Act Program	DFG		15.616		42,512	31,885
Enhanced Hunter Education and Safety Program	DFG		15.626		67,542	
Multistate Conservation Grant Program (Pass-through from National Fish Habitat Partnership)	DFG		15.628	13-084	50,015	
Coastal Program	DFG		15.630		92,498	
Partners for Fish and Wildlife	DNR		15.631		3,126	
State Wildlife Grants	DFG		15.634		3,368,360	
Alaska Subsistence Management (Pass-through from Ecotrust)	DFG		15.636	1-2343-209-0	39,276	

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Alaska Subsistence Management	DFG		15.636		2,051,405	
Alaska Migratory Bird Co-Management Council	DFG		15.643		185,375	
Service Training and Technical Assistance (Generic Training)	UofA		15.649		51,726	
Migratory Bird Monitoring, Assessment and Conservation	DFG		15.655		33,511	
Coastal Impact Assistance Program	UofA		15.668	1021200	238,921	
Coastal Impact Assistance Program	UofA		15.668	10-CIAP-021	98,565	
Coastal Impact Assistance Program (Pass-through from Northwest Arctic Borough)	DFG		15.668	11-053	22,032	
Coastal Impact Assistance Program	DCCED		15.668	Various	4,213,078	3,992,646
Coastal Impact Assistance Program	DFG		15.668		1,042,553	3,655
Coastal Impact Assistance Program	DEC		15.668		741,686	
Coastal Impact Assistance Program	DNR		15.668		1,781,469	
Cooperative Landscape Conservation	DNR		15.669		9,087	
Cooperative Landscape Conservation	UofA		15.669		10,393	
Cooperative Landscape Conservation	DFG		15.669		53,841	
U.S. Geological Survey-Research and Data Collection	DNR		15.808		384,222	
National Cooperative Geologic Mapping Program	DNR		15.810		229,391	
National Geological and Geophysical Data Preservation Program	DNR		15.814	G13AP00073	11,991	
ARRA-Volcano Hazards Program Research and Monitoring	DNR	ARRA	15.818		280,253	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	DNR		15.819		9,737	
National Climate Change and Wildlife Science Center	UofA		15.820		5,411	
Historic Preservation Fund Grants-In-Aid	DNR		15.904		1,350,426	147,910
Historic Preservation Fund Grants-In-Aid	UofA		15.904		4,347	
Outdoor Recreation-Acquisition, Development and Planning	DNR		15.916		54,752	30,610
Rivers, Trails and Conservation Assistance	DNR		15.921		25,840	
Natural Resource Stewardship	UofA		15.944		4,239	
Cooperative Research and Training Programs-Resources of the National Park System	DFG		15.945		21,132	
Cultural Resources Management	UofA		15.946		8,660	
BLM Fire Suppression	DNR		15.Unknown	AK-2010-0001	19,631,887	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	DFG		15.Unknown	F09PX75731	22,699	
Miscellaneous US Fish & Wildlife Service - Climate Change/Impact	DFG		15.Unknown	F10PX79129	1,484	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	DFG		15.Unknown	F11PX03657	12,089	
Goose Bay Estuary	DNR		15.Unknown	F12AP00112	500	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Moose	DFG		15.Unknown	F13PX02128	11,400	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	DFG		15.Unknown	FPNJ10009	3,282	
Sand Point School Loop Road-BIA	DOTPF		15.Unknown	FRH53637	(4,407)	
Herbarium Study of Plant Samples from the Arctic Network of National	UofA		15.Unknown	G00006445	12,966	
Vascular & Non-Vascular Plant Specimen Identification, Curation, & Technical Support for Vegetation Monitoring in the Southwest Alaska Network	UofA		15.Unknown	G00006584	132	
Miscellaneous National Park Service - Harvest Assessments	DFG		15.Unknown	H8W07060001	44,309	
Miscellaneous BLM - Wildlife Research-Mountain Goats	DFG		15.Unknown	L10AC20287	13,224	
Bureau of Land Management Oversight	DEC		15.Unknown	L11PA00032	50,914	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	DFG		15.Unknown	M09PC00027	313,373	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Whale	DFG		15.Unknown	M12PC00005	331,198	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Seal	DFG		15.Unknown	M13PC00015	191,523	
National Park Service Oversight	DEC		15.Unknown	P12PA90901	13,686	
Total for U.S. DEPARTMENT OF THE INTERIOR					**94,622,178**	**24,205,317**

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U.S. DEPARTMENT OF JUSTICE						
JAG Program Cluster						
Edward Byrne Memorial Justice Assistance Grant Program	DPS		16.738		697,924	190,616
Total for JAG Program Cluster					**697,924**	**190,616**
Sexual Assault Services Formula Program	DPS		16.017		142,696	130,871
Juvenile Accountability Block Grants	DHSS		16.523		280,316	
Supervised Visitation, Safe Havens for Children	DPS		16.527		106,788	98,760
Juvenile Justice and Delinquency Prevention-Allocation to States	DHSS		16.540		616,516	285,574
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	DPS		16.543	2010-MC-CX-K031 & 2013-MC-FX-K011	40,802	
National Criminal History Improvement Program (NCHIP)	DPS		16.554		210,246	
Crime Victim Assistance	DPS		16.575		1,358,275	1,341,720
Crime Victim Compensation	DOA		16.576	2010VCGX0004, 2011VCGX0011, 2012VCGX0065,201	910,265	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	DPS		16.580		2,192	
Drug Court Discretionary Grant Program	DOTPF		16.585		99,805	
Violence Against Women Formula Grants	DPS		16.588		893,295	211,986
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	DPS		16.590		323,343	293,728
Residential Substance Abuse Treatment for State Prisoners	DPS		16.593		58,310	
State Criminal Alien Assistance Program	DOC		16.606	2010-AP-BX-0845	96,527	
Public Safety Partnership and Community Policing Grants	DPS		16.710		119,537	
Juvenile Mentoring Program (Pass-through National 4H Council)	UofA		16.726	Agreement dated 01/13/14	26,039	
Enforcing Underage Drinking Laws Program	DHSS		16.727		199,450	116,200
DNA Backlog Reduction Program	DPS		16.741		274,242	
Paul Coverdell Forensic Sciences Improvement Grant Program	DPS		16.742		41,697	
Support for Adam Walsh Act Implementation Grant Program	DPS		16.750		120,215	
Harold Rogers Prescription Drug Monitoring Program	DCCED		16.754	2009-PM-BX-0010	16,809	
Court Appointed Special Advocates	DOA		16.756	AK10900-13-1013S, AK10900-13-0614F1	41,536	
Northern Border Prosecution Initiative Program	LAW		16.814		5,689	
John R. Justice Prosecutors and Defenders Incentive Act	DOA		16.816	2013-RJ-BX-0061	48,437	
Equitable Sharing Program	DPS		16.922		793,933	
Domestic Cannabis Eradication/Suppression Program	DPS		16.Unknown	2013-2 & 2014-2	39,907	
Counterdrug Support Program-Asset Forfeiture	DMVA		16.Unknown	35160/AKQNGCD0	3,446	
Federal Equitable Sharing UAFPD	UofA		16.Unknown	G00006407	23,321	
Total for U.S. DEPARTMENT OF JUSTICE					**7,591,558**	**2,669,455**
U.S. DEPARTMENT OF LABOR						
Employment Service Cluster						
Employment Service/Wagner-Peyser Funded Activities	DLWD		17.207	858	8,200,566	
Disabled Veterans' Outreach Program (DVOP)	DLWD		17.801	893	495,376	
Local Veterans' Employment Representative Program	DLWD		17.804	895	33,369	
Total for Employment Service Cluster					**8,729,311**	**-**
Workforce Investment Act Cluster						
WIA Adult Program	DLWD		17.258	881/922/923	1,904,705	
WIA Youth Activities	DLWD		17.259	882/952	2,102,267	790,536
WIA Youth Activities	UofA		17.259	EN 736108	79,685	
WIA Youth Activities	DHSS		17.259		155,664	
WIA Dislocated Worker Formula Grants	DLWD		17.278	886/932/933/937/998/938/939	1,660,203	
Total for Workforce Investment Act Cluster					**5,902,524**	**790,536**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Labor Force Statistics	DLWD		17.002	850	544,215	
Compensation and Working Conditions	DLWD		17.005	853	115,867	
Unemployment Insurance	DLWD		17.225	864	223,368,741	
Senior Community Service Employment Program	DLWD		17.235	867	1,866,198	974,308
Trade Adjustment Assistance	DLWD		17.245	871	122,588	
Work Opportunity Tax Credit Program (WOTC)	DLWD		17.271	898	70,193	
Temporary Labor Certification for Foreign Workers	DLWD		17.273	856	96,459	
Workforce Investment Act (WIA) National Emergency Grants	DLWD		17.277	896	534,982	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	UofA		17.282	MOU dated 04/17/13	285,373	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	UofA		17.282		1,411,036	
Occupational Safety and Health-State Program	DLWD		17.503	887	1,428,860	
Consultation Agreements	DLWD		17.504	888	622,755	
Mine Health and Safety Grants	UofA		17.600		18,104	
Total for U.S. DEPARTMENT OF LABOR					**245,117,206**	**1,764,844**
U.S. DEPARTMENT OF TRANSPORTATION						
Federal Transit Cluster						
Federal Transit-Capital Investment Grants	AIDEA		20.500	AK-04-0009-00	90,378	
Federal Transit-Capital Investment Grants	AIDEA		20.500	AK-04-0012-01	625,371	
Federal Transit-Capital Investment Grants	ARRC		20.500	AK-05-0018	181,345	
Federal Transit-Capital Investment Grants	ARRC		20.500	AK-05-0019	735,356	
Federal Transit-Capital Investment Grants	ARRC		20.500	AK-05-0021	1,141,717	
Federal Transit-Capital Investment Grants	AIDEA		20.500	AK-55-0001-02	612,576	
Federal Transit-Capital Investment Grants (Pass-through from the Federal Transit Administration)	ARRC		20.500	AK-55-0003	94,327	
Federal Transit-Capital Investment Grants	DOTPF		20.500		661,308	105,978
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X068-00	1,264,278	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X069-00	4,471,966	
Federal Transit-Formula Grants	ARRC		20.507	AK-90-X072-00	2,510,041	
Federal Transit-Formula Grants	ARRC		20.507	AK-95-X013-00	1,664,273	
State of Good Repair Grants Program	ARRC		20.525	AK-54-0001	8,887,726	
State of Good Repair Grants Program	ARRC		20.525	AK-54-0002	9,282,834	
Total for Federal Transit Cluster					**32,223,496**	**105,978**
Highway Planning and Construction Cluster						
ARRA-Highway Planning and Construction	DOTPF	ARRA	20.205		72,941	
Highway Planning and Construction	KABATA		20.205	PJ E 56047	4,550,219	
Highway Planning and Construction	DOTPF		20.205	WFL-DTFH70-09-E-00002	19,266,292	
Highway Planning and Construction	DOTPF		20.205		518,021,385	3,174,943
Highway Planning and Construction	DNR		20.205		541	
Recreational Trails Program	DNR		20.219		1,213,679	649,781
Total for Highway Planning and Construction Cluster					**543,125,057**	**3,824,724**
Highway Safety Cluster						
State and Community Highway Safety	DOTPF		20.600		1,018,656	478,700
Alcohol Impaired Driving Countermeasures Incentive Grants I	DOTPF		20.601		155,907	
Occupant Protection Incentive Grants	DOTPF		20.602		226,572	194,298
State Traffic Safety Information System Improvement Grants	DHSS		20.610		57,127	
State Traffic Safety Information System Improvement Grants	DOTPF		20.610		375,709	
Child Safety and Child Booster Seats Incentive Grants	DOTPF		20.613		22,796	22,796
Total for Highway Safety Cluster					**1,856,767**	**695,794**

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Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	DOTPF		20.513		905,210	604,700
Job Access and Reverse Commute Program	DOTPF		20.516		170,074	146,097
New Freedom Program	DOTPF		20.521		88,171	64,006
Total for Transit Services Programs Cluster					**1,163,455**	**814,803**
Airport Improvement Program	DOTPF		20.106		176,385,088	
National Motor Carrier Safety	DOTPF		20.218		1,232,926	
Performance and Registration Information Systems Management	DOTPF		20.231		19,205	
Commercial Driver's License Program Improvement Grant	DOA		20.232	FM-CDL-033-11-01-00, FM-CDL-0106-12-01-00	984,182	
Border Enforcement Grants	DOTPF		20.233		278,921	
Safety Data Improvement Program	DOTPF		20.234		129,629	
Commercial Vehicle Information Systems and Networks	DOTPF		20.237		110,514	
Railroad Safety (Pass-through from Operation Lifesaver, Inc.)	ARRC		20.301	FR-OLS-0003-12-01-00	16,704	
Railroad Development	DNR		20.314	DTFRDV-5-0006	(7,430)	
Railroad Development	ARRC		20.314	FR-RLD-0002-09-01-00	7,375,094	
Railroad Development	ARRC		20.314	FR-RLD-0005-10-01-00	12,147	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0038-12-01-00	746,347	
Rail Line Relocation and Improvement	ARRC		20.320	FR-LRI-0039-12-01-00	39,509	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	DOTPF		20.505		544,213	544,213
ARRA-Formula Grants for Rural Areas	DOTPF	ARRA	20.509		176,692	
Formula Grants for Rural Areas	DOTPF		20.509		7,384,526	7,083,966
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	ARRC		20.523	AK-88-0001	91,344	
Alcohol Open Container Requirements	DOTPF		20.607		680,812	446,161
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	DOTPF		20.608		37,580	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	DOTPF		20.614		7,815	
National Priority Safety Programs	DOTPF		20.616		98,388	
Interagency Hazardous Materials Public Sector Training and Planning Grants	DMVA		20.703	35703	144,323	
Davis Dome Wayside Imp - federal lands reimbursement	DOTPF		20.Unknown	AK DOT 252500(1)	13,470	
Forest Highway Project Agreement	DOTPF		20.Unknown	AK PFH 40-1(1) & AK PFH 43(8)	6,110	
Denali Park Road Drilling - federal lands reimbursement	DOTPF		20.Unknown	AK PRA AKRO ES(3) & AK PRA DENA 19(35)	82,248	
FAA PO-Goodnews Bay Airport Install Papi & REILs	DOTPF		20.Unknown	DTFAAL 05-X-00011	(7,547)	
Clean-up Contaminated Sites in Alaska	DEC		20.Unknown	DTFAAL-04X-80007	67,938	
Ouzinkie A/P Lighting	DOTPF		20.Unknown	DTFAWA-06-A-00009	29	
Akiachak A/P Lighting	DOTPF		20.Unknown	DTFAWA-06-A-00009	461,123	
Unstable Slope Management	DOTPF		20.Unknown	DTFH70-11-E-00067	25,251	
Snug Harbor Road	DOTPF		20.Unknown	DTFH70-13-E-00018	101,416	
Alaska Trails Initiative	DNR		20.Unknown	DTHF70-05-E-00028	349,644	159,930
Eller Subdivision Cultural Resources	DNR		20.Unknown	DTHF70-13-E-00024	18,380	
Glen Highway Cultural Resource Survey	DNR		20.Unknown	DTHF70-13-E-00026	11,538	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.Unknown	FAA/DOT DTFA-04-98-L-16606	62,277	
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	DOTPF		20.Unknown	FAA/DOT DTFA-04-98-L-16606	84,294	
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated	DOTPF		20.Unknown	HSTS02-08-H-CAN402	2,283	
Total for U.S. DEPARTMENT OF TRANSPORTATION					**776,135,758**	**13,675,569**
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	OG		30.002		199,000	
Total for U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					**199,000**	**-**

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
U.S. GENERAL SERVICES ADMINISTRATION						
Donation of Federal Surplus Personal Property	DOA		39.003		2,849,629	
Total for U.S. GENERAL SERVICES ADMINISTRATION					**2,849,629**	**-**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1499197	6,369	
Science	UofA		43.001		113,752	
Space Operations	UofA		43.007		91,465	
Climate Change: NASA's Eyes on the Arctic (Pass-through Alaska Challenger Center for Space Science Technology Inc.)	UofA		43.Unknown	G00006218 / S12985	25,182	
NASA Earth and Space Science Fellowship Program 2010 Atmospheric Corrections in SAR Interferometry	UofA		43.Unknown	G00006759	1,187	
The Role of Disturbance in the North American Carbon Budget Project Education Outreach (Pass-through University of Tennessee Knoxville)	UofA		43.Unknown	G00007213 / A11-0338-S001	15,286	
Total for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					**253,241**	**-**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Museums for America	DEED		45.301	17357	51,252	
Museums for America	UofA		45.301		117,773	
Grants to States	DEED		45.310	17336	895,801	810,138
Grants to States	UofA		45.310	Agreement Dated 06/07/13	92,761	
Grants to States	UofA		45.310	ILC-14-157-125 / ADN#0540121	14,776	
Laura Bush 21st Century Librarian Program	DEED		45.313	17258	36,095	
Laura Bush 21st Century Librarian Program	UofA		45.313	0540075	25,610	
Total for INSTITUTE OF MUSEUM AND LIBRARY SERVICES					**1,234,068**	**810,138**
NATIONAL ENDOWMENT FOR THE ARTS						
Promotion of the Arts-Partnership Agreements	DEED		45.025	17335	666,046	302,390
Promotion of the Arts-Partnership Agreements	UofA		45.025	FY14CAD0015	2,250	
Promotion of the Humanities-Federal/State Partnership	UofA		45.129		1,000	
Total for NATIONAL ENDOWMENT FOR THE ARTS					**669,296**	**302,390**
U.S. SMALL BUSINESS ADMINISTRATION						
8(a) Business Development Program	UofA		59.006		56,046	
Small Business Development Centers	UofA		59.037		921,523	
Federal and State Technology Partnership Program	UofA		59.058		1,371	
Total for U.S. SMALL BUSINESS ADMINISTRATION					**978,940**	**-**
U.S. DEPARTMENT OF VETERANS AFFAIRS						
Veterans Housing-Guaranteed and Insured Loans	AHFC		64.114		6,195,924	
VHA-ORH Rural Provider Education: A Collaborative Approach with the Area Health Education Centers	UofA		64.Unknown	G00009278	20,296	
Total for U.S. DEPARTMENT OF VETERANS AFFAIRS					**6,216,220**	**-**
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Clean Water State Revolving Fund Cluster						
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000110	609,943	609,943
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000111	236,592	236,591
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000112	5,047,908	5,593,673

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Capitalization Grants for Clean Water State Revolving Funds	DEC		66.458	CS-02000113	6,191,643	4,722,046
Total for Clean Water State Revolving Fund Cluster					**12,086,086**	**11,162,253**
Drinking Water State Revolving Fund Cluster						
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	DEC	ARRA	66.468	2F-96091501	1,011,820	1,011,820
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005810	569,186	569,186
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005811	1,097,378	1,097,378
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005812	3,922,365	2,870,247
Capitalization Grants for Drinking Water State Revolving Funds	DEC		66.468	FS-98005813	4,494,642	2,567,951
Total for Drinking Water State Revolving Fund Cluster					**11,095,391**	**8,116,582**
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	DEC		66.034		165,157	45,500
State Clean Diesel Grant Program	DEC		66.040		214,623	
Congressionally Mandated Projects	DCCED		66.202	XP00J26701, XP00J76501	1,360,669	62,212
Congressionally Mandated Projects	DEC		66.202		12,489,643	1,132,036
State Environmental Justice Cooperative Agreement Program	DEC		66.312		11,776	
Water Pollution Control State, Interstate, and Tribal Program Support	DEC		66.419		415,547	
State Public Water System Supervision	DEC		66.432		2,372,548	
State Underground Water Source Protection	DOA		66.433	G-00J69301-1	124,000	
Water Quality Management Planning	DEC		66.454		84,591	
Regional Wetlands Program Development Grants	DEC		66.461		30,106	
Beach Monitoring and Notification Program Implementation Grants	DEC		66.472		140,932	80,603
Performance Partnership Grants	DEC		66.605		5,503,971	305,827
Environmental Information Exchange Network Grant Program and Related Assistance	DEC		66.608		68,724	
Consolidated Pesticide Enforcement Cooperative Agreements	DEC		66.700		304,251	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	DEC		66.802		7,570	
Underground Storage Tank Prevention, Detection and Compliance	DEC		66.804		277,000	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	DEC		66.805		462,595	
Superfund State and Indian Tribe Core Program Cooperative Agreements	DEC		66.809		112,500	
State and Tribal Response Program Grants	DEC		66.817		757,752	
LUST Trust Cost Recovery	DEC		66.Unknown	LUST Trust Cost Recovery	242,391	
Total for U.S. ENVIRONMENTAL PROTECTION AGENCY					**48,327,823**	**20,905,013**
U.S. DEPARTMENT OF ENERGY						
State Energy Program	AEA		81.041	DE-EE0004501	297,628	64,204
State Energy Program	AHFC		81.041		470,342	238,692
ARRA-Weatherization Assistance for Low-Income Persons	AHFC	ARRA	81.042		1,112,323	382,901
Weatherization Assistance for Low-Income Persons	AHFC		81.042		1,228,798	1,191,040
Renewable Energy Research and Development	AEA		81.087	DE-FG36-05GO85038	495,513	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	DFG	ARRA	81.112	30-232-AK	22,312	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance (Pass-through from Washington State University)	AEA		81.117	DE-EE0006283	14,431	
State Energy Program Special Projects	AHFC		81.119		125,908	
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	DCCED	ARRA	81.122	DE-OE0000170	112,601	
Amchitka Oversight Monitoring	DEC		81.Unknown	DE-FG01-06LM00075	1,918	
Amchitka Oversight Monitoring	DEC		81.Unknown	DE-LM0000402	51,859	
Total for U.S. DEPARTMENT OF ENERGY					**3,933,633**	**1,876,837**

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U.S. DEPARTMENT OF EDUCATION						
Statewide Data Systems Cluster						
Statewide Longitudinal Data Systems	DEED		84.372	17274	1,090,322	
Total for Statewide Data Systems Cluster					**1,090,322**	**-**
Special Education Cluster (IDEA)						
Special Education-Grants to States	DEED		84.027	17232	36,102,647	33,529,151
Special Education-Preschool Grants	DEED		84.173	17242	1,330,289	1,267,642
Total for Special Education Cluster (IDEA)					**37,432,936**	**34,796,793**
Student Financial Assistance Programs Cluster						
Federal Supplemental Educational Opportunity Grants	UofA		84.007		651,674	
ARRA-Federal Work-Study Program	UofA	ARRA	84.033		800,621	
Federal Pell Grant Program	DLWD		84.063	815	406,614	
Federal Pell Grant Program	UofA		84.063		24,619,901	
Federal Direct Student Loans	DLWD		84.268	837/87465	302,184	
Federal Direct Student Loans	UofA		84.268		68,697,568	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	UofA		84.379		14,851	
Postsecondary Education Scholarships for Veteran's Dependents	UofA		84.408		2,495	
Total for Student Financial Assistance Programs Cluster					**95,495,908**	**-**
School Improvement Grants Cluster						
School Improvement Grants	DEED		84.377	17165	1,777,510	1,690,571
ARRA-State Improvement Grants, Recovery Act	DEED	ARRA	84.388	17198	152,117	126,809
Total for School Improvement Grants Cluster					**1,929,627**	**1,817,380**
TRIO Cluster						
TRIO-Student Support Services	UofA		84.042		450,431	
TRIO-Talent Search	UofA		84.044		324,414	
TRIO-Upward Bound	UofA		84.047		704,470	116,100
TRIO-Educational Opportunity Centers	UofA		84.066		277,142	
Total for TRIO Cluster					**1,756,457**	**116,100**
Adult Education - Basic Grants to States	DLWD		84.002	813 / 87446(RSA)	956,149	507,645
Adult Education - Basic Grants to States	UofA		84.002	EN 740333	35,958	
Adult Education - Basic Grants to States	UofA		84.002	EN 745600	182,135	
Adult Education - Basic Grants to States	UofA		84.002	EN 745601	92,160	
Adult Education - Basic Grants to States	UofA		84.002	EN 745602	90,276	
Adult Education - Basic Grants to States	UofA		84.002	EN 745604	70,745	
Title I Grants to Local Educational Agencies	DEED		84.010	17126	31,656,789	31,193,833
Migrant Education-State Grant Program	DEED		84.011	17127	6,865,477	6,243,383
Title I State Agency Program for Neglected and Delinquent Children and Youth	DEED		84.013	17129	180,935	178,635
Title I State Agency Program for Neglected and Delinquent Children and Youth	UofA		84.013		625,345	
Higher Education-Institutional Aid	UofA		84.031		10,210,814	
Impact Aid	DEED		84.041	17238	33,787,426	
Career and Technical Education-Basic Grants to States	DEED		84.048	17244	4,773,423	3,674,252
Career and Technical Education-Basic Grants to States	UofA		84.048	0540056 / EL 14.157.02	149,295	
Career and Technical Education-Basic Grants to States	UofA		84.048	ADN 0540009 EL 14.157.01	39,988	34,095
Career and Technical Education-Basic Grants to States	UofA		84.048	ADN 0540054 / EL 14.157.04	73,518	

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Career and Technical Education - Grants to Native Americans and Alaska Natives (Pass-through Cook Inlet Tribal Council)	UofA		84.101	Subgrant dated 04/25/14	111,510	
Rehabilitation Services-Vocational Rehabilitation Grants to States	DLWD		84.126	819	10,255,198	117,406
Rehabilitation Services-Client Assistance Program	DEED		84.161	17152	112,838	
Independent Living-State Grants	DLWD		84.169	823	287,118	286,529
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	DLWD		84.177	827	225,075	180,998
Special Education-Grants for Infants and Families	DHSS		84.181		2,250,930	1,207,750
Supported Employment Services for Individuals with the Most Significant	DLWD		84.187	830	318,881	
Education for Homeless Children and Youth	DEED		84.196	17257	226,233	200,799
Assistive Technology	DLWD		84.224	834	397,603	389,450
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service	DLWD		84.265	836	19,970	
Twenty-First Century Community Learning Centers	DEED		84.287	17271	5,566,761	5,401,748
Indian Education-Special Programs for Indian Children	UofA		84.299		196,280	
Special Education - State Personnel Development	DEED		84.323	17159	661,853	226,468
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	DEED		84.330	17122	15,925	
Transition to Teaching	DEED		84.350	17164	20,906	
Alaska Native Educational Programs (Pass-through Alaska Humanities Forum)	UofA		84.356	05/04/2012	385,230	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 07/24/13	6,266	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 07/25/13	9,159	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 10/08/12	1,659	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	UofA		84.356	MOA dated 10/25/12	2,805	
Alaska Native Educational Programs	UofA		84.356		2,941,453	117,020
Rural Education	DEED		84.358	17373	74,292	70,000
Native Hawaiian Education (Pass-through Pacific Tsunami Museum)	UofA		84.362	MOA dated 09/01/10	19,474	
English Language Acquisition State Grants	DEED		84.365	17175	755,937	605,422
English Language Acquisition State Grants	UofA		84.365		182,456	
Mathematics and Science Partnerships	DEED		84.366	17252	709,358	690,252
Improving Teacher Quality State Grants	DEED		84.367	17172	8,904,997	8,516,081
Grants for State Assessments and Related Activities	DEED		84.369	17171	3,194,888	
Strengthening Minority-Serving Institutions	UofA		84.382		349,394	
Transition Programs for Students with Intellectual Disabilities into Higher Education	UofA		84.407		371,260	
Investing in Innovation (i3) Fund	UofA		84.411		3,798,085	1,515,439
Consolidated Programs IASA Admin	DEED		84.Unknown	17300	804,963	
Federal Family Education Loans	ASLC		84.032L		(4,161,804)	
College Access Challenge Grant Program	ACPE		84.378A		1,485,273	
Total for U.S. DEPARTMENT OF EDUCATION					**267,997,909**	**98,087,478**
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION						
National Historical Publications and Records Grants	DEED		89.003	17141	26,250	
Total for NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					**26,250**	**-**
DENALI COMMISSION						
Denali Commission Program	AEA		90.100	366	6,584,330	5,732,487
Denali Commission Program	DLWD		90.100	842	600,233	335,396

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Denali Commission Program	UofA		90.100	EN 746114 | ADN740381	124,948	
Denali Commission Program	UofA		90.100	EN 746116	89,880	
Denali Commission Program	DHSS		90.100		339,128	339,128
Denali Commission Program	UofA		90.100		311,506	
Denali Commission Program	DOTPF		90.100		3,710,394	
Total for DENALI COMMISSION					**11,760,419**	**6,407,011**
ELECTION ASSISTANCE COMMISSION						
Help America Vote Act Requirements Payments	OG		90.401		763,515	
Total for ELECTION ASSISTANCE COMMISSION					**763,515**	**-**
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		2,039,645	
Special Programs for the Aging - Title III, Part C - Nutrition Services	DHSS		93.045		3,123,928	
Nutrition Services Incentive Program	DHSS		93.053		218,234	
Total for Aging Cluster					**5,381,807**	**-**
Child Care and Development Fund Cluster						
Child Care and Development Block Grant	DHSS		93.575		13,389,621	7,033,419
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DHSS		93.596		8,474,166	
Total for Child Care and Development Fund Cluster					**21,863,787**	**7,033,419**
Health Centers Cluster						
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	DHSS		93.224		19,704	
Total for Health Centers Cluster					**19,704**	**-**
Medicaid Cluster						
State Medicaid Fraud Control Units	LAW		93.775		851,176	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	DHSS		93.777		457,479	
Medical Assistance Program	DHSS		93.778		812,694,214	
Total for Medicaid Cluster					**814,002,869**	**-**
TANF Cluster						
Temporary Assistance for Needy Families	DHSS		93.558		30,988,206	135,000
Total for TANF Cluster					**30,988,206**	**135,000**
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DHSS		93.041		23,626	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	DHSS		93.042		68,063	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	DHSS		93.043		85,994	
Special Programs for the Aging - Title IV and Title II - Discretionary	DHSS		93.048		193,783	

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STATE OF ALASKA
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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Special Programs for the Aging - Title IV and Title II - Discretionary	DHSS		93.048		264,657	
National Family Caregiver Support, Title III, Part E	DHSS		93.052		903,697	
Medicare Enrollment Assistance Program	DHSS		93.071		14,664	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	UofA		93.073		452,843	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	DHSS		93.074		6,175,184	773,626
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	DHSS		93.079		45,853	
Guardianship Assistance	DHSS		93.090		201,747	
Affordable Care Act (ACA) Personal Responsibility Education Program	DHSS		93.092		200,900	
Affordable Care Act (ACA) Health Profession Opportunity Grants (Pass-through Cook Inlet Tribal Council)	DLWD		93.093	AVTEC/HHS ACF Partner Agreement (AR 28716 CC#07716431)	470,671	
Food & Drug Administration-Research	DEC		93.103		582,542	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	UofA		93.107		173,259	108,575
Maternal and Child Health Federal Consolidated Programs	DHSS		93.110		550,008	4,060
Maternal and Child Health Federal Consolidated Programs	UofA		93.110		492,197	19,701
Environmental Health	UofA		93.113		527,860	204,488
Project Grants and Cooperative Agreements for Tuberculosis Control	DHSS		93.116		502,259	70,000
Emergency Medical Services for Children	DHSS		93.127		440,791	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	DHSS		93.130		398,809	
Injury Prevention and Control Research and State and Community Based	DHSS		93.136		275,121	18,100
Projects for Assistance in Transition from Homelessness (PATH)	DHSS		93.150		280,250	280,250
Rural Health Research Centers	DHSS		93.155		26,099	
Grants to States for Loan Repayment Program	DHSS		93.165		310,488	
Disabilities Prevention	DHSS		93.184		347,942	
Urban Indian Health Services	DHSS		93.193		7,288	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	DEC		93.210	MOU dated 05/09/2006	10,395,063	
Family Planning-Services	DHSS		93.217		589,125	129,700
Grants to States to Support Oral Health Workforce Activities	DHSS		93.236		244,449	
State Capacity Building	DHSS		93.240		355,993	
State Rural Hospital Flexibility Program	DHSS		93.241		549,357	322,695
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Northwest Indian College)	UofA		93.243	24218	35,320	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	DHSS		93.243		3,513,563	2,593,729
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	UofA		93.243		93,417	
Universal Newborn Hearing Screening	DHSS		93.251		269,758	35,000
Immunization Cooperative Agreements	DHSS		93.268		9,590,419	
Adult Viral Hepatitis Prevention and Control	DHSS		93.270		102,607	
Centers for Disease Control and Prevention-Investigations and Technical Assistance	DHSS		93.283		5,221,389	2,000
Centers for Disease Control and Prevention-Investigations and Technical Assistance	UofA		93.283		25,088	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Teenage Pregnancy Prevention Program	DHSS		93.297		810,255	376,419
Small Rural Hospital Improvement Grant Program	DHSS		93.301		135,863	
State Health Insurance Assistance Program	DHSS		93.324		29,145	
National Center for Advancing Translational Sciences (Pass-through Institute of Translational Health Sciences)	UofA		93.350	UW Sub No. 754545	12,373	
Advanced Education Nursing Traineeships	UofA		93.358		332,782	
ARRA-State Primary Care Offices	DHSS	ARRA	93.414		23,390	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	DHSS		93.505		739,633	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Facilities and Providers	DHSS		93.506		330,506	
PPHF 2012 National Public Health Improvement Initiative	DHSS		93.507		342,614	
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		1,226,527	
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health	DHSS		93.544		223,264	
Promoting Safe and Stable Families	DHSS		93.556		390,441	363,257
Child Support Enforcement	DOR		93.563		20,516,622	
Low-Income Home Energy Assistance	DHSS		93.568		12,093,429	
Community Services Block Grant	DCCED		93.569	G13B1AKCOSR, G12B1AKCOSR	2,548,410	2,406,275
State Court Improvement Program	COURT		93.586	1201AKSCID	10,428	
State Court Improvement Program	COURT		93.586	1201AKSCIP	2,553	
State Court Improvement Program	COURT		93.586	1201AKSCIT	5,594	
State Court Improvement Program	COURT		93.586	1301 AKSCIP	62,120	
State Court Improvement Program	COURT		93.586	1301AKSCID	93,091	
State Court Improvement Program	COURT		93.586	1301AKSCIT	45,273	
Community-Based Child Abuse Prevention Grants	DHSS		93.590		445,148	442,306
Grants to States for Access and Visitation Programs	COURT		93.597	1302AKSAVP	98,500	
Chafee Education and Training Vouchers Program (ETV)	DHSS		93.599		353,569	
Head Start	DEED		93.600	17330	159,690	
Adoption Incentive Payments	DHSS		93.603		381,214	
Voting Access for Individuals with Disabilities-Grants to States	OG		93.617		89,340	
Developmental Disabilities Basic Support and Advocacy Grants	DHSS		93.630		413,960	
Developmental Disabilities Projects of National Significance	DHSS		93.631		348,417	
Children's Justice Grants to States	DHSS		93.643		91,076	
Stephanie Tubbs Jones Child Welfare Services Program	DHSS		93.645		16,027	6,762
Foster Care - Title IV-E	DHSS		93.658		19,559,846	
Adoption Assistance	DHSS		93.659		12,126,013	
Social Services Block Grant	DHSS		93.667		7,473,370	648,020
Child Abuse and Neglect State Grants	UofA		93.669	RSA 630002	40,931	
Child Abuse and Neglect State Grants	DHSS		93.669		35,766	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	DPS		93.671		577,945	567,159
Chafee Foster Care Independence Program	DHSS		93.674		404,106	99,453
ARRA-State Grants to Promote Health Information Technology	DHSS	ARRA	93.719		1,050,879	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
ARRA-IHS Tribal Agreements (Pass-through from ANTHC)	DEC	ARRA	93.722	MOU dated 05/09/2006	165,993	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	DHSS		93.733		719,966	
PPHF: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds (PPHF)	DHSS		93.745		137,671	
Elder Abuse Prevention Interventions Program	DHSS		93.747		302,767	
Children's Health Insurance Program	DHSS		93.767		23,323,467	
Medicare-Hospital Insurance	DHSS		93.773		1,038,996	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DHSS		93.779		249,286	
Alternatives to Psychiatric Residential Treatment Facilities for Children	DHSS		93.789		67,436	
Area Health Education Centers Infrastructure Development Awards	UofA		93.824		447,150	353,464
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	DHSS		93.912		393,783	76,000
Grants to States for Operation of Offices of Rural Health	DHSS		93.913		190,754	
HIV Care Formula Grants	DHSS		93.917		1,255,439	932,740
HIV Care Formula Grants	DHSS		93.917		387,033	
Healthy Start Initiative	DHSS		93.926		471,502	321,850
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	UofA		93.933	ANTHC-11-U-34569 Mod 005	197,583	28,925
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health	DEED		93.938	17308	10,146	
HIV Prevention Activities-Health Department Based	DHSS		93.940		1,301,073	476,525
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	DHSS		93.944		141,385	
Assistance Programs for Chronic Prevention and Control	DHSS		93.945		495,771	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	DHSS		93.946		159,067	
Block Grants for Community Mental Health Services	DHSS		93.958		583,103	500,023
Block Grants for Prevention and Treatment of Substance Abuse	DHSS		93.959		5,226,316	5,149,911
Preventive Health Services-Sexually Transmitted Diseases Control Grants	DHSS		93.977		370,469	
Mental Health Disaster Assistance and Emergency Mental Health	DHSS		93.982		11,650	11,650
Preventive Health and Health Services Block Grant	DHSS		93.991		192,793	28,584
Maternal and Child Health Services Bock Grant to the States	DHSS		93.994		1,055,046	20,820
Adult Lead Surveillance Data	DHSS		93.Unknown	030178D4D-CDC	211,856	
NCHS Contract	DHSS		93.Unknown	200-2000-07201	101,290	
NIOSH Center for Disease Control & Prevention	DHSS		93.Unknown	214-2008-M-26751	31,275	
Mammography Inspection	DHSS		93.Unknown	223-03-4401	60,121	
FDA Food Inspections	DEC		93.Unknown	HHSF223201210206C	308,357	
FDA Food Inspections	DEC		93.Unknown	HHSF223201310149C	462,091	
Support the Licensure & Survey of Frontier Extended Stay Clinics	DHSS		93.Unknown	HHSH250200436OIC	54	
Total for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**1,040,969,315**	**24,540,486**
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
State Commissions	DCCED		94.003	10CAHAK001	167,686	
AmeriCorps	DCCED		94.006	06AFHAK001, 10ACHAK001, 12FXHAK002, 12ESHAK	1,113,041	1,113,041
Volunteers in Service to America	UofA		94.013		4,300	
Total for U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					**1,285,027**	**1,113,041**

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
SOCIAL SECURITY ADMINISTRATION						
Disability Insurance/SSI Cluster						
Social Security-Disability Insurance	DLWD		96.001	844	4,278,279	
Supplemental Security Income	DLWD		96.006	845	1,048,183	
Total for Disability Insurance/SSI Cluster					**5,326,462**	**-**
Social Security - Work Incentives Planning and Assistance Program	DLWD		96.008	846	56,989	
Social Security - Work Incentives Planning and Assistance Program	UofA		96.008		76,019	
Incentive Payment Agreement (IPMOU) between SSA and DOC	DOC		96.Unknown	IPMOU	58,800	
Total for SOCIAL SECURITY ADMINISTRATION					**5,518,270**	**-**
U.S. DEPARTMENT OF HOMELAND SECURITY						
Boating Safety Financial Assistance	DNR		97.012		795,441	
State Access to the Oil Spill Liability Trust Fund	DNR		97.013		885	
Community Assistance Program State Support Services Element (CAP-SSSE)	DCCED		97.023	EMS-2013-CA-0001	125,655	24,131
Emergency Management Institute Training Assistance	DMVA		97.026	34052	8,664	
Disaster Unemployment Assistance	DLWD		97.034	848	6,560	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DMVA		97.036	35036	22,117,215	14,416,927
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	ARRC		97.036	4094-DR-AK	674,276	
Hazard Mitigation Grant	DMVA		97.039	35039	2,555,305	2,215,992
National Dam Safety Program	DNR		97.041		34,517	
Emergency Management Performance Grants	DMVA		97.042	35915	2,900,985	246,856
State Fire Training Systems Grants	DPS		97.043		25,665	
Assistance to Firefighters Grant	DPS		97.044		21,150	
Pre-Disaster Mitigation	DMVA		97.047	34064	404,485	
Pre-Disaster Mitigation	ARRC		97.047	11PDM-GR34081-MP243.9	225,543	
Pre-Disaster Mitigation	ARRC		97.047	11PDM-GR34081-MP244.7	10,575	
Pre-Disaster Mitigation	ARRC		97.047	12PDM-GR34055	143,121	
Port Security Grant Program	ARRC		97.056	EMW-2011-PU-00291-S01	5,327	
Port Security Grant Program	ARRC		97.056	EMW-2012-PU-00312-S01	68,831	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00508	350	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00510	179	
Port Security Grant Program	ARRC		97.056	EMW-2013-PU-00514	120	
Homeland Security Grant Program	DMVA		97.067	34050	5,734,977	3,936,203
Homeland Security Grant Program	DOTPF		97.067		416,323	
Buffer Zone Protection Program (BZPP)	ARRC		97.078	2009-BF-T90016	28,476	
Earthquake Consortium	DMVA		97.082	35920	50,910	25,455
Driver's License Security Grant Program	DOA		97.089	EMS2011DL0036A	425,683	
National Explosives Detection Canine Team Program	DOTPF		97.Unknown	BAC-000S(511)	244,681	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	DFG		97.Unknown	FBNJ05003	270	
Kodiak A/P USCG Soil Remediation USCG	DOTPF		97.Unknown	FRH53594	31	
U.S. Coast Guard Oversight - Kodiak	DEC		97.Unknown	HSCG5013NPVCM21	2,936	
U.S. Coast Guard Oversight - Juneau	DEC		97.Unknown	HSCG8713NPXA503	45,368	
U.S. Coast Guard Oversight - Kodiak	DEC		97.Unknown	HSCG8714QPXAS12	23,515	
Total for U.S. DEPARTMENT OF HOMELAND SECURITY					**37,098,019**	**20,865,564**
R&D CLUSTER for U.S. DEPARTMENT OF AGRICULTURE						
Plant and Animal Disease, Pest Control, and Animal Care	UofA		10.025		104,220	
Grants for Agricultural Research, Special Research Grants	UofA		10.200		33,819	5,106
Cooperative Forestry Research	UofA		10.202		509,552	
Payments to Agricultural Experiment Stations Under the Hatch Act	UofA		10.203		830,255	

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
1890 Institution Capacity Building Grants	UofA		10.216		23,444	
Community Food Projects (Pass-through Mississippi State University)	UofA		10.225	018000-321470-14	79	
Alaska Native Serving and Native Hawaiian Serving Institutions Education	UofA		10.228		372,373	100,266
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	UofA		10.310	MA110010 / Z986079-01	565,195	
Agriculture and Food Research Initiative (AFRI)	UofA		10.310		527,557	77,569
Technical Assistance for Specialty Crops Program	UofA		10.604		115,999	
Forestry Research	UofA		10.652		27,185	
Forest Health Protection	UofA		10.680		25,139	
Resource Conservation and Development	UofA		10.901		3,734	
Soil Survey	UofA		10.903		110,851	
National Atmospheric Deposition Program Precipitation Analysis and Monitoring	UofA		10.Unknown	G00005850	836	
Soil Contributions Watershed Functions: Soil Hydrology and	UofA		10.Unknown	G00005873	26,995	
Flux and fate of carbon in terrestrial and aquatic ecosystem at the ocean margin of the Alaskan perhumid coastal temperate rainforest	UofA		10.Unknown	G00008893	17,798	
A characterization of the specialty wood products market in Southeast	UofA		10.Unknown	G00008916	20,376	
Monitoring with Forest Inventory and Analysis in Tanana Valley State Forest	UofA		10.Unknown	G00009133	43,406	
Total R&D Cluster for U.S. DEPARTMENT OF AGRICULTURE					**3,358,813**	**182,941**
R&D CLUSTER for U.S. DEPARTMENT OF COMMERCE						
NOAA Mission-Related Education Awards	UofA		11.008		19,077	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-50	136,542	25,000
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-51	104,674	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-52	156,920	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-59	157,153	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-64	117,869	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-65	27,179	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	UofA		11.012	H2300-66	4,774	
Sea Grant Support	UofA		11.417		178,238	8,133
Coastal Zone Management Administration Awards	UofA		11.419	1145124	30,368	
Coastal Zone Management Estuarine Research Reserves	UofA		11.420		39,131	
Undersea Research	UofA		11.430		157,156	42,940
Climate and Atmospheric Research	UofA		11.431		817,078	16,356
National Oceanic and Atmospheric Administration (NOAA) Cooperative	UofA		11.432		2,330,116	104,837
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1145953	3,153	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	1145956	3,859	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program (Pass-through Pacific States Marine Fisheries)	UofA		11.438	14-104	1,461	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	AND 1125959	49,750	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	UofA		11.438	RS 1145955	14,757	
Marine Mammal Data Program	UofA		11.439		501,435	
Special Oceanic and Atmospheric Projects	UofA		11.460		445,940	
Applied Meteorological Research (Pass-through University of Mississippi)	UofA		11.468	UM 09-09-024	81,210	
Unallied Science Program (Pass-through Prince William Sound Science	UofA		11.472	12-81-03	41,462	
Unallied Science Program (Pass-through Prince William Sound Science	UofA		11.472	12-81-06	35,455	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Unallied Science Program (Pass-through Prince William Sound Science	UofA		11.472	12-81-07	99,303	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1008	147,406	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1012	41,122	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1106	41,260	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1110	52,427	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1201	88,793	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1206	9,686	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1214	9,231	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1215	119,338	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1219	5,292	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1221	8,534	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1227	56,628	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1229	11,946	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1302	27,113	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1303	44,623	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1307	8,842	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1309	46,387	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1316	33,243	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 1323	14,317	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 908-B	139,677	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project 909-B	(8,228)	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project B53	46,646	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project F4116	4,540	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G81	109,354	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G83	167,217	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G84	125,446	
Unallied Science Program (Pass-through North Pacific Research Board)	UofA		11.472	Project G85	130,486	
Unallied Science Program	UofA		11.472		68,107	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	UofA		11.473	H2301-51	62,214	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	UofA		11.473	H2301-52	2,595	
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	UofA	ARRA	11.558	02-50-M09071	21,042	
Total R&D Cluster for U.S. DEPARTMENT OF COMMERCE					**7,189,344**	**197,266**
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	79,269	
Basic and Applied Scientific Research (Pass-through University of Texas-San Antonio)	UofA		12.300	26-0201-15UAF	4,503	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	UofA		12.300	A100694	9,368	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	UofA		12.300	A101021	108,100	
Basic and Applied Scientific Research	UofA		12.300		448,918	60,742
Military Medical Research and Development	UofA		12.420		122,859	
Basic Scientific Research	UofA		12.431		77,943	
Invitational Grants for Military-Connected Schools (Pass-through Anchorage School District)	UofA		12.557	11-1401	28,175	
Basic, Applied, and Advanced Research in Science and Engineering	UofA		12.630		44,633	
Air Force Defense Research Sciences Program	UofA		12.800		93,292	

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Research and Technology Development (Pass-through Michigan Technological University)	UofA		12.910	Subc 1205001Z1 / PO 0090464	61,976	
Research and Technology Development (Pass-through University of	UofA		12.910	UF-EIES_1205022_UAF	37,014	
Operational Support of Infrasound and Primary and Auxiliary Seismic Stations for the International Monitoring System (IMS)	UofA		12.Unknown	G00004909	3,178,240	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	UofA		12.Unknown	G00006854	267,276	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	UofA		12.Unknown	G00007315 / UF11138	274,761	
Total R&D Cluster for U.S. DEPARTMENT OF DEFENSE					**4,836,327**	**60,742**
R&D CLUSTER for U.S. DEPARTMENT OF THE INTERIOR						
Recreation Resource Management	UofA		15.225		570,834	
Invasive and Noxious Plant Management	UofA		15.230		159,438	
Fish, Wildlife and Plant Conservation Resource Management	UofA		15.231		897,160	
Wildland Fire Research and Studies Program	UofA		15.232		234,485	
Environmental Quality and Protection Resource Management	UofA		15.236		165,513	
Rangeland Resource Management	UofA		15.237		81,520	
Alaska Coastal Marine Institute (Pass-through University of Texas at	UofA		15.421	UTA12-000603	9,787	
Alaska Coastal Marine Institute	UofA		15.421		2,188,053	294,917
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000873	61,125	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	UofA		15.423	UTA11-000973	53,393	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	UofA		15.423		1,915,353	91,892
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	UofA		15.608	2100.12.030840	158,152	
Fish and Wildlife Management Assistance	UofA		15.608		63,364	
Alaska Subsistence Management	UofA		15.636		120,785	
Research Grants (Generic)	UofA		15.650		171,606	
National Fish and Wildlife Foundation	UofA		15.663		111,207	
Coastal Impact Assistance Program	UofA		15.668	821192	45,406	
Coastal Impact Assistance Program	UofA		15.668	830339	25,237	
Coastal Impact Assistance Program	UofA		15.668	1135209	176,341	
Coastal Impact Assistance Program	UofA		15.668	1840132	48,491	
Coastal Impact Assistance Program	UofA		15.668	ADN 830052	109,280	
Coastal Impact Assistance Program (Pass-through Alaska SeaLife	UofA		15.668	Agreement #L0006-02 Amend #1	1,248	
Coastal Impact Assistance Program (Pass-through Alaska SeaLife	UofA		15.668	Agreement No. L0016-00	243	
Coastal Impact Assistance Program	UofA		15.668	RSA/EN 830722	1,137,675	
Cooperative Landscape Conservation (Pass-through Colorado State University)	UofA		15.669	G-2582-1	313	
Cooperative Landscape Conservation	UofA		15.669		351,266	
Adaptive Science	UofA		15.670		94,103	
Assistance to State Water Resources Research Institutes	UofA		15.805		82,277	7,461
Earthquake Hazards Research Grant	UofA		15.807		714,165	
U.S. Geological Survey-Research and Data Collection (Pass-through America View Inc.)	UofA		15.808	AVO8-AK01	2,868	
U.S. Geological Survey-Research and Data Collection	UofA		15.808		2,100,517	9,054
Cooperative Research Units Program	UofA		15.812		2,495,979	5,000

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National Geospatial Program: Building The National Map	UofA		15.817		4,297	
Volcano Hazards Program Research and Monitoring	UofA		15.818		517,191	
National Climate Change and Wildlife Science Center	UofA		15.820		60,314	
Cooperative Research and Training Programs-Resources of the National Park System	UofA		15.945		1,517,994	
Beaufort Sea Mesoscale Meteorology Model Study	UofA		15.Unknown	G00003585	4,525	
Exotic Plants in Alaskan National Park Service Units	UofA		15.Unknown	G00005011	901	
Understanding Lake Disappearance through time in Northern Alaska Parks	UofA		15.Unknown	G00005400	22,552	
Quantify Thickness of Harding Icefield	UofA		15.Unknown	G00006251	15,117	
Assessing Use of Marine Derived Salmon in Wolf Diets Across Alaskan	UofA		15.Unknown	G00006432	2,629	
A Technical Plan to Conduct a Landcover (Vegetation) Inventory for Alagnak Wild River	UofA		15.Unknown	G00006479	10,177	5,243
Adaptation Arctic Circulation Model (Pass-through Rutgers)	UofA		15.Unknown	G00007038 / PO 1449197 / SA 4199	(225)	
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)	UofA		15.Unknown	G00007288	211,356	
Total R&D Cluster for U.S. DEPARTMENT OF THE INTERIOR					**16,714,012**	**413,567**
R&D CLUSTER for U.S. DEPARTMENT OF JUSTICE						
State Justice Statistics Program for Statistical Analysis Centers	UofA		16.550		54,155	
National Institute of Justice Research, Evaluation, and Development	UofA		16.560		215,928	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	UofA		16.582	2012-VF-GX-K023	92,515	
Total R&D Cluster for U.S. DEPARTMENT OF JUSTICE					**362,598**	**-**
R&D CLUSTER for U.S. DEPARTMENT OF TRANSPORTATION						
Highway Research and Development Program	UofA		20.200		199,097	
Highway Training and Education	UofA		20.215		10,000	
University Transportation Centers Program (Pass-through University of Washington)	UofA		20.701	739439	303,556	
University Transportation Centers Program	UofA		20.701		823,155	29,525
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	UofA		20.931	S58100000021356	21,000	
Transportation Planning, Research and Education	UofA		20.931		3,918	
Total R&D Cluster for U.S. DEPARTMENT OF TRANSPORTATION					**1,360,726**	**29,525**
R&D CLUSTER for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION						
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1459730	18,086	
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1478441	5,260	
Science (Pass-through Jet Propulsion Laboratory)	UofA		43.001	1485171	6,590	
Science (Pass-through University of Texas Arlington)	UofA		43.001	2612013261	4,744	
Science (Pass-through Prince William Sound Science Center)	UofA		43.001	10-65-10	67,176	
Science (Pass-through Southwest Research Institute)	UofA		43.001	F99009DB	61,357	
Science (Pass-through University of Pittsburgh)	UofA		43.001	Sub 0020157 (407134-2)	104,243	
Science (Pass-through Louisiana State University)	UofA		43.001	Sub 65687 / CFMS 712215	22,430	
Science (Pass-through University of Texas Austin)	UofA		43.001	UTA12-000234	55,613	
Science (Pass-through University of Maryland)	UofA		43.001	Z675801	33,333	
Science	UofA		43.001		14,000,900	254,325

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Aeronautics (Pass-through University of Colorado)	UofA		43.002	1545830 REF / PO 1000027866	(341)	
Aeronautics (Pass-through University of Colorado)	UofA		43.002	1548571 PO 1000017674	40,918	
Education	UofA		43.008		237,160	
Investigation of the Controls and Feedbacks 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 Science)	UofA		43.Unknown	803809 /G00006308	24,327	
Alaska's NASA EPSCoR Program	UofA		43.Unknown	G00004248	1,371	
Heating and Acceleration of the Solar Wind and Corona by Anisotropic MHD and Hall MHD Turbulence	UofA		43.Unknown	G00005062	4,600	
Physical and Geologic Investigations of the Surface Materials along the MER Traverses	UofA		43.Unknown	G00005454	27,001	
An Investigation of Surface Excavation and Mobility and Volatile Transport in Regolith at the Poles (Pass-through John Hopkins University)	UofA		43.Unknown	G00005724 / 957706	(3,345)	
Adaptation to Rapid Land Use and Climate Changes on the Yamal Peninsula, Russia: Remote Sending and Models for Analyzing Cumulative Effect	UofA		43.Unknown	G00005972	13,319	
Optimizing Next-Generation Image Compression Transforms via Evolutionary Computation	UofA		43.Unknown	G00006556	5,894	
Estimating Spatio-Temporal Variability in Evapotranspiration in Interior Alaska Using Field Measurements, Modeling, and Remote Sensing	UofA		43.Unknown	G00006590	154,516	
Implication of Arctic Sea Ice Reduction on Bromine, Ozone, and Mercury Chemical Process, Transport, and Distribution (Pass-through Jet	UofA		43.Unknown	G00006902 / Sub 1418562	51,211	
North American Carbon Program (NACP) and Ocean Carbon and Biogeochemistry (OCB) Interim Coastal Carbon Synthesis (Pass-through	UofA		43.Unknown	G00007039 / PO 7000025845	22,249	
Total R&D Cluster for NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					**14,958,612**	**254,325**
R&D CLUSTER for NATIONAL SCIENCE FOUNDATION						
Engineering Grants (Pass-through Georgia Institute of Technology)	UofA		47.041	RA0693-G1 / PO 2720014478	880	
Engineering Grants (Pass-through University of Kansas)	UofA		47.041	Sub-Award FY2013-029	4,706	
Engineering Grants	UofA		47.041		248,703	
Mathematical and Physical Sciences	UofA		47.049		178,113	
Geosciences (Pass-through University of Southern California)	UofA		47.050	149701	241,725	
Geosciences (Pass-through University of Southern California)	UofA		47.050	158854 / PO 10011580	67,404	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	UofA		47.050	59-TA	200,553	
Geosciences (Pass-through Cornell University)	UofA		47.050	62144-9481	33,092	
Geosciences (Pass-through Rutgers University)	UofA		47.050	PO 4150 / S1409651	10,609	
Geosciences (Pass-through Research Foundation SUNY)	UofA		47.050	R890450|PTAEO111524/66933	16,225	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	UofA		47.050	Sub-Award 06-UAF-SAGE	191,965	
Geosciences (Pass-through University of Southern California)	UofA		47.050	Sub-Award 33760539	40,196	
Geosciences (Pass-through SRI International)	UofA		47.050	Subcontract 119-000221	502,344	
Geosciences (Pass-through Utah Valley University)	UofA		47.050	Subgrant	112,951	
Geosciences	UofA		47.050		13,535,775	451,044
Computer and Information Science and Engineering (Pass-through State University of New York)	UofA		47.070	Sub-Award R875772	21,649	
Biological Sciences (Pass-through University of Washington)	UofA		47.074	592485	4,716	
Biological Sciences (Pass-through Texas Tech University)	UofA		47.074	21P225-02	4,191	
Biological Sciences	UofA		47.074		2,196,215	60,894
Social, Behavioral, and Economic Sciences (Pass-through University of New Hampshire)	UofA		47.075	Sub-Award 12-037	96	
Social, Behavioral, and Economic Sciences	UofA		47.075		254,076	13,619

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Education and Human Resources (Pass-through Columbia University)	UofA		47.076	4(GG009026) / G03550	63,861	
Education and Human Resources	UofA		47.076		3,312,156	110,068
ARRA-Polar Programs (Pass-through Oklahoma State University)	UofA	ARRA	47.078	AA531200-S1/090987	7,606	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	UofA		47.078	A100869	9,713	
Polar Programs (Pass-through University of Maryland, UMCES)	UofA		47.078	CA 12-12 07-5-25679	5,267	
Polar Programs	UofA		47.078		14,413,368	290,285
Office of International and Integrative Activities	UofA		47.079		68,842	
Office of Cyberinfrastructure	UofA		47.080		3,507,797	17,333
Office of Experimental Program to Stimulate Competitive Research	UofA		47.081		20,384	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through Virginia Polytech Institute)	UofA	ARRA	47.082	478219-19100 ATM-0946900	50,000	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of Colorado)	UofA	ARRA	47.082	ARRA SPO 1000115770	4,370	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	UofA	ARRA	47.082	Sub-Award 13-025	10,018	
ARRA-Trans-NSF Recovery Act Research Support	UofA	ARRA	47.082		15,876,757	12,582
NSF Intergovernmental Personnel Act Assignment: NSF Program Director for the Integrative Graduate Education and Research Traineeship (IGERT)	UofA		47.Unknown	G00007461	165,385	
Total R&D Cluster for NATIONAL SCIENCE FOUNDATION					**55,381,708**	**955,825**
R&D CLUSTER for U.S. SMALL BUSINESS ADMINISTRATION						
Prime Technical Assistance	UofA		59.050		28,369	
Total R&D Cluster for U.S. SMALL BUSINESS ADMINISTRATION					**28,369**	**-**
R&D CLUSTER for U.S. ENVIRONMENTAL PROTECTION AGENCY						
Water Pollution Control State, Interstate, and Tribal Program Support	UofA		66.419	1830182	3,424	
Regional Wetlands Program Development Grants (Pass-through State of Nevada)	UofA		66.461	DEP-S 12-039	32,401	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State University)	UofA		66.509	Sub-Award 12-866	77,379	
Total R&D Cluster for U.S. ENVIRONMENTAL PROTECTION AGENCY					**113,204**	**-**
R&D CLUSTER for U.S. DEPARTMENT OF ENERGY						
Office of Science Financial Assistance Program (Pass-through Battelle Pacific Northwest Laboratory)	UofA		81.049	17560	(414)	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	4000116073	1,175,311	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	UofA		81.049	4000118242	11,132	
Office of Science Financial Assistance Program (Pass-through University of Illinois)	UofA		81.049	DE-SC0006607/003	80,406	
Office of Science Financial Assistance Program (Pass-through Alliance for Sustainable Energy)	UofA		81.049	ZAM-0-40876-01	26,183	
Office of Science Financial Assistance Program	UofA		81.049		839,699	
Office of Scientific and Technical Information (Pass-through University of California)	UofA		81.064	7064267	6,558	
Office of Scientific and Technical Information	UofA		81.064		19,726	
ARRA-Renewable Energy Research and Development	UofA	ARRA	81.087		240,020	
Renewable Energy Research and Development (Pass-through Aleutian Pribilof Islands Association)	UofA		81.087	Agreement dated 09/10/12	(1,498)	

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Renewable Energy Research and Development	UofA		81.087		2,203,202	
Fossil Energy Research and Development	UofA		81.089		105,223	
Soil Organic Carbon Stocks in Ice Wedge Polygons, Barrow (Pass-through Argonne National Laboratory)	UofA		81.Unknown	13F-32021 / G00008869	80,706	
ARM Cryogenic Frostpoint Hygrometer (CFH) Mentorship (Pass-through Argonne National Laboratory)	UofA		81.Unknown	3F-31801 / G00008815	24,256	
Assessment of the Quantity and Quality of Organic Matter in Frozen Quaternary Deposits (Pass-through Argonne National Laboratory)	UofA		81.Unknown	4F-30641 / G00009252	10,911	
Total R&D Cluster for U.S. DEPARTMENT OF ENERGY					**4,821,421**	**-**
R&D CLUSTER for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD						
Architectural and Transportation Barriers Compliance Board (Pass-through University of San Francisco)	UofA		88.001	201121454-19-2	8,536	
Total R&D Cluster for ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD					**8,536**	**-**
R&D CLUSTER for DENALI COMMISSION						
Denali Commission Program	UofA		90.100		121,844	
Total R&D Cluster for DENALI COMMISSION					**121,844**	**-**
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		204,930	
Environmental Health (Pass-through Alaska Community Action on Toxics)	UofA		93.113	NIEHS R01 UAA	73,228	
Human Genome Research	UofA		93.172		319,238	171,340
Mental Health Research Grants	UofA		93.242		383,157	154,071
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action	UofA		93.243	51UD1TI023541-03 CP1327	31,905	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Bristol Bay Area Health Corporation)	UofA		93.243	DWT 21080151V3 0021048-000153	15,937	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	UofA		93.243		143,290	
Occupational Safety and Health Program (Pass-through University of Washington)	UofA		93.262	756721	9,293	
Occupational Safety and Health Program	UofA		93.262		194,048	8,852
Alcohol Research Programs	UofA		93.273		73,926	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian College)	UofA		93.279	24216	66,799	
Drug Abuse and Addiction Research Programs	UofA		93.279		271,714	106,042
Minority Health and Health Disparities Research	UofA		93.307		538,922	4,700
Trans-NIH Research Support	UofA		93.310		101,275	
National Center for Research Resources	UofA		93.389		170,609	
Cancer Cause and Prevention Research	UofA		93.393		7,900	764
Family Connection Grants (Pass-through OnTrack, Inc.)	UofA		93.605	Agreement dated 01/19/10	4,000	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UofA		93.632		492,457	
ARRA-Trans-NIH Recovery Act Research Support	UofA	ARRA	93.701		52,620	
ARRA-National Center for Research Resources, Recovery Act Construction Support	UofA	ARRA	93.702		101,771	
Arthritis, Musculoskeletal and Skin Diseases Research	UofA		93.846		19,249	
Diabetes, Digestive, and Kidney Diseases Extramural Research	UofA		93.847		90,346	9,910

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, 2014
By Federal Agency

Federal Program Title	State Agency	ARRA	CFDA Number	Grant or Other Identifying Number	Federal Expenditures	Provided to Subrecipient
Extramural Research Programs in the Neurosciences and Neurological	UofA		93.853		388,668	
Allergy, Immunology and Transplantation Research (Pass-through Blood Center of Wisconsin, Inc.)	UofA		93.855	0176-81148	(494)	
Biomedical Research and Research Training (Pass-through University of Washington)	UofA		93.859	743856	2,332	
Biomedical Research and Research Training (Pass-through University of	UofA		93.859	14-746Q-UAF-PG20-00	87,164	
Biomedical Research and Research Training (Pass-through University of New Mexico)	UofA		93.859	3RN79	47,655	
Biomedical Research and Research Training (Pass-through University of Washington)	UofA		93.859	5 U01 GM092676-04	224,465	
Biomedical Research and Research Training	UofA		93.859		3,275,390	8,723
Child Health and Human Development Extramural Research	UofA		93.865		6,849	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	UofA		93.933	ANTHC-11-U-33434 dated 07/28/11	17,742	
NIAID Centers of Excellence for Influenza Research and Surveillance (Pass-through Mount Sinai School of Medicine)	UofA		93.Unknown	0258-0511 / G00009368	31,934	
Total R&D Cluster for U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**7,448,319**	**464,402**
R&D CLUSTER for U.S. DEPARTMENT OF HOMELAND SECURITY						
Centers for Homeland Security (Pass-through University of Hawaii)	UofA		97.061	Z884255	867,898	56,677
Total R&D Cluster for U.S. DEPARTMENT OF HOMELAND SECURITY					**867,898**	**56,677**
TOTAL FEDERAL FINANCIAL ASSISTANCE					**3,110,700,234**	**313,741,473**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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 by its Catalog of Federal Domestic Assistance (CFDA) title and 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, 2014.

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 FY14 the State processed federal property valued at $12,033,906 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 $2,849,629. The ending inventory at June 30, 2014, carried at the donors' acquisition cost was $1,194,952. (CFDA 39.003)

B. **Commodities** –

1) The Department of Education and Early Development administers federal commodities distribution through other governmental and nonprofit agencies. In FY14, commodities distributed totaled $3,610,363 ($2,565,092 CFDA 10.555; $74,046 CFDA 10.558, $971,225 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, 2014.

2) The Department of Health and Social Services (DHSS) administers federal commodities distributed through other governmental and nonprofit agencies. In FY14, commodities received were $542,119,

while the amount issued under the program was $512,249. These commodities are not reported in the State of Alaska basic financial statements for the year ended June 30, 2014. (CFDA 10.565)

C. **Immunization Grants** – Federal expenditures include vaccines received during FY14 valued at $7,130,662. (CFDA 93.268)

D. **Supplemental Nutrition Assistance Program (SNAP)** – At fiscal year end, June 30, 2014, $178,186,588 of SNAP benefits were redeemed. (CFDA 10.551)

Note 4: WIC Rebates

During SFY14, the Alaska Department of Health and Social Services (DHSS) earned cash rebates of $3,388,282 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 4,278 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 FY14 WIC 798 report, the infant formula rebates were $3,630,522 resulting in additional clients served totaling 4,584. All other reporting requirements for the WIC 798 are the same.

Note 5: Loans

A. **AHFC Loan Guarantee Programs** – During FY14, 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, 2014, are:

CFDA 14.117	HUD FHA Mortgage Insurance	$ 409,098,128
CFDA 14.865	HUD Loan Guarantees for Indian Housing	154,921,949
CFDA 64.114	Department of Veterans' Affairs Mortgage Guarantees	242,295,309
CFDA 10.410	Farmers Home Administration Mortgage Insurance	174,362,045
	Total Loan Guarantees and Insurance Programs	$ 980,677,431

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. FY14 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, 2014, totaled $32,275. Federal share of principal is $30,448.

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 loan guarantees outstanding at year end were $122,268,887. Claim payments in the amount of $6,532,277 were received during the fiscal year. (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, 2014, totals $6,967,782 and is comprised of the following balances: $5,887,699 in loans outstanding, $1,035,608 in cash and investments, and $44,475 in administrative expenses. There were no loans written off during FY 14. The new loans disbursed in FY 14 and current year administrative expenses total $880,625. (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, 2014 are summarized as follows:

	Amount Disbursed
Direct Subsidized Loan	$ 23,931,286
Direct Unsubsidized Loan	39,926,073
Direct PLUS Loan	4,840,209
Total:	$ 68,697,568

Note 6: Unemployment Insurance

Federal participation in FY14 Unemployment Insurance benefits was $30,758,668. Federal participation for program administration was $27,015,254 (this includes $4,051,552 under the Extended Unemployment Compensation Program). UI benefits paid by the State during FY14 were $165,591,929. 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 FY14, Alaska Housing Finance Corporation expended $188,479 from the trust fund in support of ENERGY programs. (CFDA 81.041)

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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 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:** DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.
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 resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.

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. HCS hosted a public meeting to discuss draft DME regulations and solicit public comment in SFY 2014. However, the draft DME regulations have been placed on hold for further review.
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:** DHSS has partially resolved the finding. In SFY 2013 DHSS worked with USDA on the questioned costs associated with CFDA 10.557 and expects resolution in SFY 2015.
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 SFY 2015 and 2016. It will have the required data elements incorporated to resolve the finding.
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. HCS hosted a public meeting to discuss draft DME regulations and solicit public comment in SFY 2014. However, the draft DME regulations have been placed on hold for further review.

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:** DHSS has partially resolved the finding. In SFY 2013 DHSS worked with USDA on the questioned costs associated with CFDA 10.557 and expects resolution in SFY2015.
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 SFY 2014 the CapPLUS development was completed including the documented processes and procedures associated with the new technology. FMS revenue unit also implemented processing changes through the weekly draw process resulting in recognizing revenues earlier and reducing reconciliation variances at quarter end.
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 resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.
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 resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.

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. DHSS has developed policies and procedures that are being finalized. Additionally, the new WIC information system has automated several of the reporting requirements discussed in this recommendation.
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. DHSS has implemented written procedures for maintaining documentation in provider certification files, including maintaining Background Check Unit verification documentation. Checklists are being used and DHSS began conducting quality assurance reviews of provider files on a sample basis to ensure compliance. DHSS anticipates that all provider files will include complete requirements for certification as of August 2015.
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:** Please refer to updated response on finding #26, report 02-40014-14.
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 (FFATA) reports are submitted. **Status/corrective action planned/reasons for no further action:** Please refer to updated response on finding #33, report 02-40014-14.

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 is resolved in accordance with OMB Circular A-133_.315.

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 funding #10, report 02-40012-12.

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:
DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.

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:

DHSS has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.

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: **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: **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 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 resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.

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 #26, report 02-40014-14.

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:
Please refer to updated response on finding #27, report 02-40014-14

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 #33, report 02-40014-14.

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:
Corrective action was implemented. This finding is resolved in accordance with OMB Circular A-133 §_.315.

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:
Please refer to the response at 02-40014-14 #45

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:
Please refer to the response at 02-40014-14 #46

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:
Repeated as Finding 02-40014-14 #53. This finding has been resolved. The Authority began documenting its EPLS verification in October 2012 and now also includes in federally funded proposals a vendor verification clause whereby the vendors self certifies eligibility to participate in receiving federal funds.

Report: **02-40014-14**
Finding Number: **05**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USTREAS**
State Agency: **DOR**
CFDA: **12.401**
CFDA: **15.605**
CFDA: **66.458**
CFDA: **66.468**
CFDA: **84.367**
CFDA: **93.563**
CFDA: **93.767**

Questioned Costs: **None Identified**

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

Status/corrective action planned/reasons for no further action:
DOR has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315

Report: **02-40014-14**
Finding Number: **06**
Fiscal Year: **2013**
Initial Finding Year: **2012**

Federal Agency: **USDA and USDOE**
State Agency: **DEED**
CFDA: **10.553**
CFDA: **10.555**
CFDA: **10.556**
CFDA: **10.558**
CFDA: **10.559**
CFDA: **10.568**
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 finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40014-14**
Finding Number: **07**
Fiscal Year: **2013**
Initial Finding Year: **2013**

Federal Agency: **USDA**
State Agency: **DEED**
CFDA: **10.569**

Questioned Costs: **None Identified**

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

Status/corrective action planned/reasons for no further action:
This finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40014-14**
Finding Number: **08**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.551**
CFDA: **10.557**
CFDA: **93.658**
CFDA: **93.767**
CFDA: **93.778**

Questioned Costs: **None Identified**

Prior Audit Finding:
The Finance and Management Services (FMS) assistant commissioner should ensure 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.

Report: **02-40014-14**
Finding Number: **09**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDA and USDHHS**
State Agency: **DHSS**
CFDA: **10.557**
CFDA: **93.959**
CFDA: **93.667**

Questioned Costs: **None Identified**

Prior Audit Finding:
FMS' assistant commissioner should develop procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward 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: **02-40014-14**
Finding Number: **10**
Fiscal Year: **2013**
Initial Finding Year: **2011**

Federal Agency: **USDA**
State Agency: **DHSS**
CFDA: **10.557**

Questioned Costs: **None Identified**

Prior Audit Finding:
DPA's director should develop and implement procedures to 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: **02-40014-14**
Finding Number: **11**
Fiscal Year: **2013**
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 improve documentation procedures and provide oversight to ensure provider certification files are complete.

Status/corrective action planned/reasons for no further action:
Please refer to updated response on finding #20, report 02-40012-12.

Report: **02-40014-14** Finding Number: **12** Fiscal Year: **2013** Initial Finding Year: **2012** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.767** CFDA: **93.778** Questioned Costs: **Indeterminate**	**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 and that rates are properly documented. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. In SFY 2014 the Office of Rate Review (ORR) entered into a memorandum of understanding (MOU) with DBH and implemented new policy and procedures to review out-of-state RPTC rates and file completeness. In SFY 2015 DBH and ORR will strengthen procedures pertaining to verification of provider rate documentation and to ensure file completeness and accuracy.
Report: **02-40014-14** Finding Number: **13** Fiscal Year: **2013** 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 food instruments 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 resolved the finding. Corrective action was taken in accordance with OMB Circular A-133_.315.
Report: **02-40014-14** Finding Number: **14** Fiscal Year: **2013** Initial Finding Year: **2013** 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.
Report: **02-40014-14** Finding Number: **15** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDA and USDHHS** State Agency: **DHSS** CFDA: **10.557** CFDA: **93.667** CFDA: **93.959** Questioned Costs: **None Identified**	**Prior Audit Finding:** 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. **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: **02-40014-14** Finding Number: **16** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDA** State Agency: **DHSS** CFDA: **10.557** Questioned Costs: **$913,245**	**Prior Audit Finding:** FMS' assistant commissioner should work with DPA's director to implement controls to ensure WIC federal revenue draws are supported by program expenditures. **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: **02-40014-14** Finding Number: **17** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.568** Questioned Costs: **$5,400**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. Corrective action included updating the procedures manual and providing training at the beginning of the season. Case reviewers are also verifying that the correct threshold is being used. The questioned costs are being researched.
Report: **02-40014-14** Finding Number: **18** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.568** Questioned Costs: **None Identified**	**Prior Audit Finding:** LIHEAP's manager should ensure the LIHEAP State Plan complies with federal requirements. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. Recommendations have been made to change the way benefits are calculated but require statute and regulation changes. When these changes are adopted, the state plan will be updated. Anticipated resolution is within the next two years.
Report: **02-40014-14** Finding Number: **19** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.568** Questioned Costs: **None Identified**	**Prior Audit Finding:** LIHEAP's manager should ensure state cost principles are followed when paying LIHEAP benefits. **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: **02-40014-14** Finding Number: **20** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.568** Questioned Costs: **$11,695**	**Prior Audit Finding:** LIHEAP's manager should ensure LIHEAP administrative costs do not exceed earmarking limitations. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. The Division of Public Assistance Administrative Operations Manager in conjunction with the Finance and Management Services Revenue Unit has collaborated to define roles and responsibilities within each unit. The Administrative Operations Manager will continue to ensure administrative costs are not exceeded by providing regular and ongoing review and monitoring efforts for the program manager in advance of federal fiscal year end. The questioned costs are being researched.
Report: **02-40014-14** Finding Number: **21** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.568** Questioned Costs: **None Identified**	**Prior Audit Finding:** FMS' assistant commissioner should strengthen procedures over reporting cash receipts and disbursements to ensure federal financial reports are accurate. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. In SFY 2015 FMS will review and assess departmental policy and procedure associated with Financial Status Reporting to identify additional reporting tools or changes in processes to ensure completeness and accuracy.
Report: **02-40014-14** Finding Number: **22** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.778** CFDA: **93.767** Questioned Costs: **Indeterminate**	**Prior Audit Finding:** ORR's executive director should improve the agency's review process over inpatient hospital rates. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. Procedures and documents were revised in SFY 2014 and are being used for the SFY 2015 agency's review process.
Report: **02-40014-14** Finding Number: **23** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.778** Questioned Costs: **None Identified**	**Prior Audit Finding:** DSDS' director should ensure provider employees have timely, complete, and approved background clearances, and that the information supporting the clearance is properly documented. **Status/corrective action planned/reasons for no further action:** DHSS has not resolved the finding. The agency is continuing to strengthen procedures in FY15 and will ensure background checks are performed and documented at the time of certification.

Report: **02-40014-14** Finding Number: **24** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHHS** State Agency: **DHSS** CFDA: **93.778** Questioned Costs: **$73,181**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** DHSS has partially resolved the finding. Procedures were implemented in FY14 and the Department will continue to strengthen procedures in FY15. Questioned costs were returned on CMS-64 QE 3/31/14.
Report: **02-40014-14** Finding Number: **26** Fiscal Year: **2013** Initial Finding Year: **2011** Federal Agency: **USDOL** State Agency: **DLWD** CFDA: **17.258** Questioned Costs: **$5,956** CFDA: **17.278** Questioned Costs: **$7,153** CFDA: **17.225** Questioned Costs: **$46,748**	**Prior Audit Finding:** The Employment Security Division (ESD) director should ensure that personal services expenditures charged to federal programs comply with federal cost principles. **Status/corrective action planned/reasons for no further action:** This finding is resolved in accordance with OMB Circular A-133_.315.
Report: **02-40014-14** Finding Number: **27** Fiscal Year: **2013** Initial Finding Year: **2012** 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 develop and implement procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. **Status/corrective action planned/reasons for no further action:** This finding is resolved in accordance with OMB Circular A-133_.315.
Report: **02-40014-14** Finding Number: **28** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOL** State Agency: **DLWD** CFDA: **17.225** Questioned Costs: **None Identified**	**Prior Audit Finding:** The ESD director should ensure that Employment and Training Administration (ETA) 227 quarterly reports are fully supported by the financial accounting system. **Status/corrective action planned/reasons for no further action:** This finding is resolved in accordance with OMB Circular A-133_.315.

Report: **02-40014-14** Finding Number: **29** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOL** State Agency: **DLWD** CFDA: **17.225** Questioned Costs: **None Identified**	**Prior Audit Finding:** The ESD director should ensure that Federal Unemployment Tax Act (FUTA) certifications comply with federal requirements. **Status/corrective action planned/reasons for no further action:** This finding is resolved in accordance with OMB Circular A-133_.315.
Report: **02-40014-14** Finding Number: **33** Fiscal Year: **2013** Initial Finding Year: **2011** Federal Agency: **USDHS** State Agency: **DMVA** CFDA: **97.036** CFDA: **97.067** Questioned Costs: **None Identified**	**Prior Audit Finding:** The Division of Administrative Services (DAS) director should develop and implement procedures to ensure Federal Funding Accountability and Transparency Act (FFATA) reports are accurately 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 of Administrative Services developed and implemented procedures, effective March 1, 2014, 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 FY15.
Report: **02-40014-14** Finding Number: **34** Fiscal Year: **2013** Initial Finding Year: **2012** Federal Agency: **USDHS** State Agency: **DMVA** CFDA: **97.067** Questioned Costs: **$16,922**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** Please refer to updated response on finding #34, report 02-40013-13.
Report: **02-40014-14** Finding Number: **35** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHS** State Agency: **DMVA** CFDA: **97.036** Questioned Costs: **None Identified**	**Prior Audit Finding:** The Division of Homeland Security and Emergency Management (DHS&EM) director should improve procedures over subrecipient monitoring requirements. **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: **02-40014-14** Finding Number: **36** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDHS** State Agency: **DMVA** CFDA: **97.036** Questioned Costs: **None Identified**	**Prior Audit Finding:** DHS&EM's director should improve procedures to account for each approved large project as required by federal regulations. **Status/corrective action planned/reasons for no further action:** This audit finding was partially resolved. The Division of Homeland Security and Emergency Management developed and implemented procedures, effective January 15, 2014, to ensure all large projects and required information is captured in the quarterly report to FEMA to comply with federal requirements. The agency is continuing to strengthen procedures in FY15.
Report: **02-40014-14** Finding Number: **37** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDA** State Agency: **DNR** CFDA: **10.UNK-10FI11100100040** Questioned Costs: **$45,769**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** The Department of Natural Resources, Division of Forestry (DoF) has designed policies and procedures within the organization to ensure positive time reporting, and employee certification of timesheets when they are unavailable for signature. These policies and procedures were effective prior to the 2014 fire season beginning April 1, 2014, and the policy was included in the Division of Forestry's *Alaska Incident Business Management Handbook*. The Division of Forestry will continue training staff on the policy and coordinating efforts with the Division of Personnel, Payroll Section to ensure the timesheets of record are accurate and complete. We will also follow-up with our federal counterparts, the U.S. Forest Service, to clarify their position on questioned costs.
Report: **02-40014-14** Finding Number: **40** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **EPA** State Agency: **DEC** CFDA: **66.202** Questioned Costs: **None Identified**	**Prior Audit Finding:** DEC's finance officer should improve cash management procedures to ensure federal expenditure reimbursement requests are accurate. **Status/corrective action planned/reasons for no further action:** DEC has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
Report: **02-40014-14** Finding Number: **41** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **EPA** State Agency: **DEC** CFDA: **66.202** Questioned Costs: **None Identified**	**Prior Audit Finding:** DEC's finance officer should develop and implement procedures to ensure federal suspension and debarment requirements are met. **Status/corrective action planned/reasons for no further action:** DEC has partially resolved the finding. In SFY2014, various solicitation form templates were updated to include the requirement for a debarment certification form. DEC is continuing to update procedures to ensure signed debarment certification forms are obtained when entering into covered transactions with other government entities.

Report: **02-40014-14** Finding Number: **42** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **EPA** State Agency: **DEC** CFDA: **66.202** Questioned Costs: **None Identified**	**Prior Audit Finding:** DEC's finance officer should improve procedures over subrecipient monitoring. **Status/corrective action planned/reasons for no further action:** DEC has resolved the finding. Corrective action was taken in accordance with OMB Circular A-133 §_.315.
Report: **02-40014-14** Finding Number: **43** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **EPA** State Agency: **DEC** CFDA: **66.202** Questioned Costs: **None Identified**	**Prior Audit Finding:** DEC's finance officer should develop and implement procedures to comply with Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. **Status/corrective action planned/reasons for no further action:** DEC has partially resolved the finding. In SFY2014, DEC initiated reporting and is continuing to update procedures to ensure accuracy of the reported data.
Report: **02-40014-14** Finding Number: **45** Fiscal Year: **2013** Initial Finding Year: **2012** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.600** CFDA: **20.613** CFDA: **20.509** Questioned Costs: **None Identified**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** Repeat of finding 02-40013-13 #38. This finding has been partially resolved. The delinquent reports for the Transit programs (CFDA 20.509) have been completed and procedures have been developed to comply with FFATA reporting requirements. The DOTPF Highway Safety office staff is coordinating efforts and is compiling the necessary information for the DOTPF Grants Section to file delinquent reports. Procedures will be developed accordingly to comply with FFATA reporting requirements.
Report: **02-40014-14** Finding Number: **46** Fiscal Year: **2013** Initial Finding Year: **2012** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.600** CFDA: **20.602** CFDA: **20.613** Questioned Costs: **None Identified**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** Repeat of finding 02-40013-13 #39. This finding has been resolved. The required federal grant award information has been added to sub-recipient grant agreements. In addition, all DUNS numbers are required on grant applications and AHSO staff verifies DUNS registration annually.

Report: **02-40014-14** Finding Number: **47** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.600** Questioned Costs: **$1,605** CFDA: **20.601** Questioned Costs: **$2,331**	**Prior Audit Finding:** DOTPF's highway safety administrator should ensure personal service expenditures billed to federal programs comply with federal requirements. **Status/corrective action planned/reasons for no further action:** This finding has been resolved. The AHSO has developed procedures that adhere to federal regulations and guidance, including redesigning forms, which meet the federal requirements for proper documentation of personnel service costs charged to federal awards. Sub-recipients with employees solely funded by a single federal award will be required to submit a Periodic Certification form, quarterly. Employees funded by more than one funding source will be required to submit signed timesheets with sufficient detail to meet federal documentation requirements. The same procedures will be followed internally. Resolution of questioned costs is still pending.
Report: **02-40014-14** Finding Number: **48** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.610** Questioned Costs: **None Identified**	**Prior Audit Finding:** DOTPF's highway safety administrator should strengthen procedures to ensure expenditures claimed as an HSC program match meet federal requirements. **Status/corrective action planned/reasons for no further action:** This finding has been resolved. However, the resolution of ineligible match reported for FFY12 is still pending resolution.
Report: **02-40014-14** Finding Number: **49** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.509** Questioned Costs: **None Identified**	**Prior Audit Finding:** DOTPF's transit program manager should strengthen procedures to ensure federal report accuracy. **Status/corrective action planned/reasons for no further action:** This finding has been partially resolved. DOTPF has completed delinquent and corrected inaccurate SF-425 reports. Procedures are currently being developed to resolve this recommendation for the RU-20 reports and will be implemented prior to the FFY14 reporting deadline.
Report: **02-40014-14** Finding Number: **50** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.509** Questioned Costs: **None Identified**	**Prior Audit Finding:** DOTPF's transit program manager should strengthen procedures to ensure subrecipients are informed of required federal award information. **Status/corrective action planned/reasons for no further action:** This finding has been resolved. The required federal grant award information has been added to sub-recipient grant agreements. In addition, all DUNS numbers are required on grant applications and both DOT&PF Transit and Finance Section staff verify DUNS registration annually.

Report: **02-40014-14** Finding Number: **51** Fiscal Year: **2013** Initial Finding Year: **2013** Federal Agency: **USDOT** State Agency: **DOTPF** CFDA: **20.509** Questioned Costs: **None Identified**	**Prior Audit Finding:** 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. **Status/corrective action planned/reasons for no further action:** This finding has been resolved. There are no further ARRA requirements.
Report: **02-40014-14** Finding Number: **53** Fiscal Year: **2013** Initial Finding Year: **2012** Federal Agency: **ENERGY** State Agency: **AEA** CFDA: **81.128** Questioned Costs: **None Identified**	**Prior Audit Finding:** Suspension and Debarment – Finding and Significant Deficiency **Status/corrective action planned/reasons for no further action:** This finding has been resolved. The Authority began documenting its EPLS verification in October 2012 and now also includes in federally funded proposals a vendor verification clause whereby the vendors self certifies eligibility to participate in receiving federal funds.

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STATE OF ALASKA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2014

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, 2014*. The corrective action plan is incorporated in the agencies' responses to the auditor's recommendations in Section II – Recommendations and Questioned Costs. The agency response for each recommendation immediately follows the auditor's recommendation. A complete copy of each agency's response letter including attachments, if any, is also contained in Section IV – APPENDICES.

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SECTION IV – APPENDICES

STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
ALASKA AEROSPACE CORPORATION							
Military Construction, National Guard	USDOD		12.400	W91ZRU-06-2-3038		28,458	
Total for ALASKA AEROSPACE CORPORATION						**28,458**	**-**
ALASKA COMMISSION ON POSTSECONDARY EDUCATION							
College Access Challenge Grant Program	USDOE		84.378A			1,485,273	
Total for ALASKA COMMISSION ON POSTSECONDARY EDUCATION						**1,485,273**	**-**
ALASKA ENERGY AUTHORITY							
Rural Development, Forestry, and Communities	USDA		10.672	DG 1110016		123,318	
State Energy Program	ENERGY		81.041	DE-EE0004501		297,628	64,204
	ENERGY		81.087	DE-FG36-05GO85038		495,513	
Renewable Energy Research and Development	ENERGY		81.117	DE-EE0006283		14,431	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance (Pass-through from Washington State University)							
Denali Commission Program	DC		90.100	366		6,584,330	5,732,487
Total for ALASKA ENERGY AUTHORITY						**7,515,220**	**5,796,691**
ALASKA HOUSING FINANCE CORPORATION							
Mortgage Insurance-Homes	USDHHS		14.117			5,080,495	
Section 8 Housing Assistance Payments Program	USDHHS		14.195		S8PBC	2,192,629	
Community Development Block Grants/Entitlement Grants	USDA		14.218		CEGC	1,319,302	1,148,469
Emergency Solutions Grants Program	USDHS		14.231			249,252	248,788
Supportive Housing Program	USDHHS		14.235			24,747	20,479
Shelter Plus Care	USDHHS		14.238			214,900	199,129
HOME Investment Partnerships Program	USDHS		14.239			2,880,806	2,880,806
Housing Opportunities for Persons with AIDS	USDHS		14.241			532,015	510,006
Section 8 Moderate Rehabilitation Single Room Occupancy	USDHHS		14.249		S8PBC	493,759	421,219
Continuum of Care Program	USDA		14.267			727,625	727,625
Public and Indian Housing-Indian Loan Guarantee Program	USDHHS		14.865			1,024,325	
Section 8 Housing Choice Vouchers	USDHHS		14.871		HVC	1,167,509	
	USDHHS		14.877			76,415	
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services							
Moving to Work Demonstration Program	USDHHS		14.881			47,167,903	
Veterans Housing-Guaranteed and Insured Loans	USDHS		64.114			6,195,924	
State Energy Program	USDHHS		81.041			470,342	238,692
Weatherization Assistance for Low-Income Persons	USDHS		81.042			1,228,798	1,191,040
ARRA-Weatherization Assistance for Low-Income Persons	USDOI	ARRA	81.042			1,112,323	382,901
State Energy Program Special Projects	USDHHS		81.119			125,908	
Total for ALASKA HOUSING FINANCE CORPORATION						**72,284,977**	**7,969,154**
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY							
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-04-0009-00	FTC	90,378	
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-04-0012-01	FTC	625,371	
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-55-0001-02	FTC	612,576	
Total for ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY						**1,328,325**	**-**

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
ALASKA RAILROAD CORPORATION							
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	NA11NMF4380268		286,714	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	NA11NMF4380268		57	
Access to Joint Tanana Training Complex-2008 (Pass-through from the Federal Railroad Administration)	USDOD		12.UNK	FR-RLD-0016-12-01-00		5,004,731	
Railroad Safety (Pass-through from Operation Lifesaver, Inc.)	USDOT		20.301	FR-OLS-0003-12-01-00		16,704	
Railroad Development	USDOT		20.314	FR-RLD-0002-09-01-00		7,375,094	
Railroad Development	USDOT		20.314	FR-RLD-0005-10-01-00		12,147	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0038-12-01-00		746,347	
Rail Line Relocation and Improvement	USDOT		20.320	FR-LRI-0039-12-01-00		39,509	
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-05-0018	FTC	181,345	
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-05-0019	FTC	735,356	
Federal Transit-Capital Investment Grants	USDOT		20.500	AK-05-0021	FTC	1,141,717	
Federal Transit-Capital Investment Grants (Pass-through from the Federal Transit Administration)	USDOT		20.500	AK-55-0003	FTC	94,327	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X068-00	FTC	1,264,278	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X069-00	FTC	4,471,966	
Federal Transit-Formula Grants	USDOT		20.507	AK-90-X072-00	FTC	2,510,041	
Federal Transit-Formula Grants	USDOT		20.507	AK-95-X013-00	FTC	1,664,273	
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	USDOT		20.523	AK-88-0001		91,344	
State of Good Repair Grants Program	USDOT		20.525	AK-54-0001	FTC	8,887,726	
State of Good Repair Grants Program	USDOT		20.525	AK-54-0002	FTC	9,282,834	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	4094-DR-AK		674,276	
Pre-Disaster Mitigation	USDHS		97.047	11PDM-GR34081-MP243.9		225,543	
Pre-Disaster Mitigation	USDHS		97.047	11PDM-GR34081-MP244.7		10,575	
Pre-Disaster Mitigation	USDHS		97.047	12PDM-GR34055		143,121	
Port Security Grant Program	USDHS		97.056	EMW-2011-PU-00291-S01		5,327	
Port Security Grant Program	USDHS		97.056	EMW-2012-PU-00312-S01		68,831	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00508		350	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00510		179	
Port Security Grant Program	USDHS		97.056	EMW-2013-PU-00514		120	
Buffer Zone Protection Program (BZPP)	USDHS		97.078	2009-BF-T90016		28,476	
Total for ALASKA RAILROAD CORPORATION						**44,963,308**	**-**
ALASKA STUDENT LOAN CORPORATION							
Federal Family Education Loans	USDOE		84.032L			(4,161,804)	
Total for ALASKA STUDENT LOAN CORPORATION						**(4,161,804)**	**-**
ALASKA SEAFOOD MARKETING INSTITUTE							
Market Access Program	USDA		10.601			3,774,260	
Total for ALASKA SEAFOOD MARKETING INSTITUTE						**3,774,260**	**-**
ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL							
State Court Improvement Program	USDHHS		93.586	1201AKSCID		10,428	
State Court Improvement Program	USDHHS		93.586	1201AKSCIP		2,553	
State Court Improvement Program	USDHHS		93.586	1201AKSCIT		5,594	
State Court Improvement Program	USDHHS		93.586	1301 AKSCIP		62,120	
State Court Improvement Program	USDHHS		93.586	1301AKSCID		93,091	
State Court Improvement Program	USDHHS		93.586	1301AKSCIT		45,273	
Grants to States for Access and Visitation Prog	USDHHS		93.597	1302AKSAVP		98,500	
Total for ALASKA COURT SYSTEM / ALASKA JUDICIAL COUNCIL						**317,559**	**-**

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT							
Schools and Roads - Grants to States	USDA		10.665	National Forest Receip	FSRC	12,173,616	12,173,616
Community Facilities Loans and Grants	USDA		10.766	Rural Broadband Internet Access Grant	CFLGC	747,091	739,130
Economic Adjustment Assistance	USDOC		11.307	07-79-05719	EDC	588	
Economic Adjustment Assistance	USDOC		11.307	SBED	EDC	6,967,782	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	NA10NMF4380355		6,859,192	6,770,302
ARRA-State Broadband Data and Development Grant Program Recovery (Pass-through from Connected Nation, Inc.)	USDOC	ARRA	11.558	02-50-M09071		62,976	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HUD		14.228	B13DC020001, B12DC020001, B11DC020001, B10DC020001, B09DC020001	CSACC	2,574,089	2,362,302
Payments in Lieu of Taxes	USDOI		15.226	Payments in Lieu of Taxes		10,250,120	10,250,120
Distribution of Receipts to State and Local Governments	USDOI		15.227	National Petroleum Reserve Alaska Impact Mitigation		7,858,908	7,858,908
Coastal Impact Assistance Program	USDOI		15.668	Various		4,213,078	3,992,646
Harold Rogers Prescription Drug Monitoring Program	USDOJ		16.754	2009-PM-BX-0010		16,809	
Congressionally Mandated Projects	EPA		66.202	XP00J26701, XP00J76501		1,360,669	62,212
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	ENERGY	ARRA	81.122	DE-OE0000170		112,601	
Community Services Block Grant	USDHHS		93.569	G13B1AKCOSR, G12B1AKCOSR		2,548,410	2,406,275
State Commissions	USCNCS		94.003	10CAHAK001		167,686	
AmeriCorps	USCNCS		94.006	06AFHAK001, 10ACHAK001, 12FXHAK002, 12ESHAK001, 13ACHAK001		1,113,041	1,113,041
Community Assistance Program State Support Services Element (CAP-SSSE)	USDHS		97.023	EMS-2013-CA-0001		125,655	24,131
Total for DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT						**57,152,311**	**47,752,683**
DEPARTMENT OF ENVIRONMENTAL CONSERVATION							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			128,618	
Water and Waste Disposal Systems for Rural Communities	USDA		10.760		WWPC	4,154,407	390,494
Japanese Tsunami Marine Debris	USDOC		11.UNK	MOA-2013-005-8626		178,263	
NOAA Pribilof Island Restoration	USDOC		11.UNK	RA133013SE1880		1,744	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	USDOD		12.113			2,753,789	
Coastal Impact Assistance Program	USDOI		15.668			741,686	
Bureau of Land Management Oversight	USDOI		15.UNK	L11PA00032		50,914	
National Park Service Oversight	USDOI		15.UNK	P12PA90901		13,686	
Clean-up Contaminated Sites in Alaska	USDOT		20.UNK	DTFAAL-04X-80007		67,938	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EPA		66.034			165,157	45,500

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
State Clean Diesel Grant Program	EPA		66.040			214,623	
Congressionally Mandated Projects	EPA		66.202			12,489,643	1,132,036
State Environmental Justice Cooperative Agreement Program	EPA		66.312			11,776	
Water Pollution Control State, Interstate, and Tribal Program Support	USDHS		66.419			415,547	
State Public Water System Supervision	USDHHS		66.432			2,372,548	
Water Quality Management Planning	USDHS		66.454			84,591	
Capitalization Grants for Clean Water State Revolving Funds	USDOT		66.458	CS-02000110	CWFC	609,943	609,943
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000111	CWFC	236,592	236,591
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000112	CWFC	5,047,908	5,593,673
Capitalization Grants for Clean Water State Revolving Funds	EPA		66.458	CS-02000113	CWFC	6,191,643	4,722,046
Regional Wetlands Program Development Grants	USDHHS		66.461			30,106	
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	EPA	ARRA	66.468	2F-96091501	DWFC	1,011,820	1,011,820
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005810	DWFC	569,186	569,186
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005811	DWFC	1,097,378	1,097,378
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005812	DWFC	3,922,365	2,870,247
Capitalization Grants for Drinking Water State Revolving Funds	EPA		66.468	FS-98005813	DWFC	4,494,642	2,567,951
Beach Monitoring and Notification Program Implementation Grants	EPA		66.472			140,932	80,603
Performance Partnership Grants	EPA		66.605			5,503,971	305,827
Environmental Information Exchange Network Grant Program and Related Assistance	EPA		66.608			68,724	
Consolidated Pesticide Enforcement Cooperative Agreements	EPA		66.700			304,251	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	EPA		66.802			7,570	
Underground Storage Tank Prevention, Detection and Compliance Program	EPA		66.804			277,000	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	EPA		66.805			462,595	
Superfund State and Indian Tribe Core Program Cooperative Agreements	EPA		66.809			112,500	
State and Tribal Response Program Grants	EPA		66.817			757,752	
LUST Trust Cost Recovery	EPA		66.UNK	LUST Trust Cost Recovery		242,391	
Amchitka Oversight Monitoring	ENERGY		81.UNK	DE-FG01-06LM00075		1,918	
Amchitka Oversight Monitoring	ENERGY		81.UNK	DE-LM0000402		51,859	
Food & Drug Administration-Research	USDHHS		93.103			582,542	
Tribal Self-Governance Program: IHS Compacts/Funding Agreements (Pass-through from ANTHC)	USDHHS		93.210	MOU dated 05/09/2006		10,395,063	
ARRA-IHS Tribal Agreements (Pass-through from ANTHC)	USDHHS	ARRA	93.722	MOU dated 05/09/2006		165,993	
FDA Food Inspections	USDHHS		93.UNK	HHSF223201210206C		308,357	
FDA Food Inspections	USDHHS		93.UNK	HHSF223201310149C		462,091	

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
U.S. Coast Guard Oversight - Kodiak	USDHS		97.UNK	HSCG5013NPVCM21		2,936	
U.S. Coast Guard Oversight - Juneau	USDHS		97.UNK	HSCG8713NPXA503		45,368	
U.S. Coast Guard Oversight - Kodiak	USDHS		97.UNK	HSCG8714QPXAS12		23,515	
Total for DEPARTMENT OF ENVIRONMENTAL CONSERVATION						**66,973,841**	**21,233,295**
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT							
School Breakfast Program	USDA		10.553	17131	CNC	8,889,699	8,565,974
National School Lunch Program	USDA		10.555	17132	CNC	31,235,853	30,750,265
National School Lunch Program (Food Commodities)	USDA		10.555	17132	CNC	2,565,092	2,565,092
Special Milk Program for Children	USDA		10.556	17133	CNC	2,214	2,214
Child and Adult Care Food Program	USDA		10.558	17134		9,652,515	9,547,080
Child and Adult Care Food Program (Food Commodities)	USDA		10.558	17134		74,046	74,046
Summer Food Service Program for Children	USDA		10.559	17137	CNC	1,490,629	1,406,981
State Administrative Expenses for Child Nutrition	USDA		10.560	17135		797,505	
Emergency Food Assistance Program (Administrative Costs)	USDA		10.568	17138	FDC	157,344	151,038
Emergency Food Assistance Program (Food Commodities)	USDA		10.569		FDC	971,225	971,225
Team Nutrition Grants	USDA		10.574	17400		73,333	14,752
Child Nutrition Discretionary Grants Limited Availability	USDA		10.579	17169		878,757	
Fresh Fruit and Vegetable Program	USDA		10.582	17166		1,781,986	1,717,315
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	**ARRA**	11.557	17353		1,047,949	308,641
ARRA-Broadband Technology Opportunities Program (BTOP) (Match)	USDOC	**ARRA**	11.557	17354		18,358	
Promotion of the Arts-Partnership Agreements	NEA		45.025	17335		666,046	302,390
Museums for America	IMLS		45.301	17357		51,252	
Grants to States	IMLS		45.310	17336		895,801	810,138
Laura Bush 21st Century Librarian Program	IMLS		45.313	17258		36,095	
Title I Grants to Local Educational Agencies	USDOE		84.010	17126		31,656,789	31,193,833
Migrant Education-State Grant Program	USDOE		84.011	17127		6,865,477	6,243,383
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013	17129		180,935	178,635
Special Education-Grants to States	USDOE		84.027	17232	SEC	36,102,647	33,529,151
Impact Aid	USDOE		84.041	17238		33,787,426	
Career and Technical Education-Basic Grants to States	USDOE		84.048	17244		4,773,423	3,674,252
Rehabilitation Services-Client Assistance Program	USDOE		84.161	17152		112,838	
Special Education-Preschool Grants	USDOE		84.173	17242	SEC	1,330,289	1,267,642
Education for Homeless Children and Youth	USDOE		84.196	17257		226,233	200,799
Twenty-First Century Community Learning Centers	USDOE		84.287	17271		5,566,761	5,401,748
Special Education - State Personnel Development	USDOE		84.323	17159		661,853	226,468
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	USDOE		84.330	17122		15,925	
Transition to Teaching	USDOE		84.350	17164		20,906	
Rural Education	USDOE		84.358	17373		74,292	70,000

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
English Language Acquisition State Grants	USDOE		84.365	17175		755,937	605,422
Mathematics and Science Partnerships	USDOE		84.366	17252		709,358	690,252
Improving Teacher Quality State Grants	USDOE		84.367	17172		8,904,997	8,516,081
Grants for State Assessments and Related Activities	USDOE		84.369	17171		3,194,888	
Statewide Longitudinal Data Systems	USDOE		84.372	17274	SDSC	1,090,322	
School Improvement Grants	USDOE		84.377	17165	SIGC	1,777,510	1,690,571
ARRA-State Improvement Grants, Recovery Act	USDOE	ARRA	84.388	17198	SIGC	152,117	126,809
Consolidated Programs IASA Admin	USDOE		84.UNK	17300		804,963	
National Historical Publications and Records Grants	NARA		89.003	17141		26,250	
Head Start	USDHHS		93.600	17330		159,690	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	USDHHS		93.938	17308		10,146	
Total for DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						**200,247,671**	**150,802,197**
DEPARTMENT OF FISH AND GAME							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			18,099	
National Fish and Wildlife Foundation (Pass-through from National Fish and Wildlife Foundation)	USDA		10.683	0801.12.032829		3,962	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0109-C-10-0011		105,220	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0109-C-10-0016		7,671	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0109-P-12-0032		6,950	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0116-C-09-0054		18,419	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0116-C-09-0056		21,291	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0116-P-12-0029		1,936	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0120-P-13-0053		15,357	
Miscellaneous US Forest Service-Wildlife Research	USDA		10.UNK	AG-0120-P-13-0057		5,000	
Interjurisdictional Fisheries Act of 1986	USDHS		11.407			82,577	
Coastal Zone Management Administration Awards (Pass-Through from University of New Hampshire)	USDOC		11.419	11-036		142,649	
Coastal Zone Management Estuarine Research Reserves	USDOC		11.420			496,447	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	USDOC		11.437	14.17		1,983,793	
Pacific Fisheries Data Program (Pass-through from Pacific States Marine Fisheries Commission)	USDOC		11.437	13-04		203,788	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Pacific Fisheries Data Program	USDOC		11.437			2,844,054	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438			10,923,645	1,510,014
Marine Mammal Data Program	USDHHS		11.439			1,847,531	
Regional Fishery Management Councils (Pass-through from Pacific Fishery Management Council)	USDOC		11.441	01-14		9,863	
Regional Fishery Management Councils	USDOC		11.441			29,921	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	1107		21,301	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	1108		43,899	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	1111		27,255	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	13-81-02		5,100	
Unallied Science Program	USDOC		11.472			312,665	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.UNK	HA133F09SE4456		2,873	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.UNK	HA133F10SE3691		11,157	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.UNK	HA133F12SE2199		22,127	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.UNK	WE133F13SE1006		44,649	
Miscellaneous NOAA-Marine Mammal Research	USDOC		11.UNK	WE133R13SE0274		19,670	
Miscellaneous Army-Wildlife Research	USDOD		12.UNK	W911KB11P0037		44,910	
Recreation Resource Management	USDOI		15.225			5,371	
Distribution of Receipts to State and Local Governments (Pass-through from North Slope Borough)	USDOI		15.227	14-120		12,500	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			322,220	
Challenge Cost Share	USDOI		15.238			14,521	
Sport Fish Restoration Program	USDOI		15.605		F&WC	17,579,253	1,889,583
Fish and Wildlife Management Assistance	USDOI		15.608			599,424	
Wildlife Restoration and Basic Hunter Education	USDOI		15.611		F&WC	18,140,628	
Cooperative Endangered Species Conservation Fund	USDOI		15.615			106,808	
Clean Vessel Act Program	USDOI		15.616			42,512	31,885
Enhanced Hunter Education and Safety Program	USDOI		15.626			67,542	
Multistate Conservation Grant Program (Pass-through from National Fish Habitat Partnership)	USDOI		15.628	13-084		50,015	
Coastal Program	USDOI		15.630			92,498	
State Wildlife Grants	USDOI		15.634			3,368,360	
Alaska Subsistence Management (Pass-through from Ecotrust)	USDOI		15.636	1-2343-209-0		39,276	
Alaska Subsistence Management	USDOI		15.636			2,051,405	
Alaska Migratory Bird Co-Management Council	USDOI		15.643			185,375	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Migratory Bird Monitoring, Assessment and Conservation	USDOI		15.655			33,511	
Coastal Impact Assistance Program (Pass-through from Northwest Arctic Borough)	USDOI		15.668	11-053		22,032	
Coastal Impact Assistance Program	USDOI		15.668			1,042,553	3,655
Cooperative Landscape Conservation	USDOI		15.669			53,841	
Cooperative Research and Training Programs-Resources of the National Park System	USDOI		15.945			21,132	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	USDOI		15.UNK	F09PX75731		22,699	
Miscellaneous US Fish & Wildlife Service - Climate Change/Impact Studies	USDOI		15.UNK	F10PX79129		1,484	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Caribou	USDOI		15.UNK	F11PX03657		12,089	
Miscellaneous US Fish & Wildlife Service - Wildlife Research-Moose	USDOI		15.UNK	F13PX02128		11,400	
Miscellaneous US Fish & Wildlife Service - Adak Oil Spill Response	USDOI		15.UNK	FPNJ10009		3,282	
Miscellaneous National Park Service - Harvest Assessments	USDOI		15.UNK	H8W07060001		44,309	
Miscellaneous BLM - Wildlife Research-Mountain Goats	USDOI		15.UNK	L10AC20287		13,224	
Miscellaneous Minerals Management Service - Marine Mammal Research-Walrus	USDOI		15.UNK	M09PC00027		313,373	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Whale	USDOI		15.UNK	M12PC00005		331,198	
Miscellaneous Bureau of Safety and Environmental Enforcement - Marine Mammal Research - Seal	USDOI		15.UNK	M13PC00015		191,523	
ARRA-Stewardship Science Grant Program (Pass-through from Western Governor's Association)	ENERGY	ARRA	81.112	30-232-AK		22,312	
Miscellaneous Homeland Security - M/V Selendang Oil Spill Response	USDHS		97.UNK	FBNJ05003		270	
Total for DEPARTMENT OF FISH AND GAME						**64,141,719**	**3,435,137**
DEPARTMENT OF HEALTH AND SOCIAL SERVICES							
Supplemental Nutrition Assistance Program	USDA		10.551		SNAP	178,186,588	
School Breakfast Program	USDA		10.553		CNC	181,150	
National School Lunch Program	USDA		10.555		CNC	271,725	
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA		10.557			20,580,686	5,799,999
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	USDA		10.561		SNAP	11,155,998	
Commodity Supplemental Food Program	USDA		10.565		FDC	702,991	686,146
WIC Farmers' Market Nutrition Program (FMNP)	USDA		10.572			109,092	
Senior Farmers Market Nutrition Program	USDA		10.576			64,562	19,983
ARRA-WIC Grants to States (WGS)	USDA	ARRA	10.578	WISA-09-AK-01		534,515	
Juvenile Accountability Block Grants	USDOJ		16.523			280,316	
Juvenile Justice and Delinquency Prevention-Allocation to States	USDOJ		16.540			616,516	285,574
Enforcing Underage Drinking Laws Program	USDOJ		16.727			199,450	116,200
WIA Youth Activities	USDOL		17.259		WIAC	155,664	

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	57,127	
Special Education-Grants for Infants and Families	USDOE		84.181			2,250,930	1,207,750
Denali Commission Program	DC		90.100			339,128	339,128
Special Programs for the Aging - Title VII, Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	USDHHS		93.041			23,626	
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	USDHHS		93.042			68,063	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	USDHHS		93.043			85,994	
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	USDHHS		93.044		AC	2,039,645	
Special Programs for the Aging - Title III, Part C - Nutrition Services	USDHHS		93.045		AC	3,123,928	
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			264,657	
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS		93.048			193,783	
National Family Caregiver Support, Title III, Part E	USDHHS		93.052			903,697	
Nutrition Services Incentive Program	USDHHS		93.053		AC	218,234	
Medicare Enrollment Assistance Program	USDHHS		93.071			14,664	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	USDHHS		93.074			6,175,184	773,626
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	USDHHS		93.079			45,853	
Guardianship Assistance	USDHHS		93.090			201,747	
Affordable Care Act (ACA) Personal Responsibility Education Program	USDHHS		93.092			200,900	
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			550,008	4,060
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	USDHHS		93.116			502,259	70,000
Emergency Medical Services for Children	USDHHS		93.127			440,791	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	USDHHS		93.130			398,809	
Injury Prevention and Control Research and State and Community Based Programs	USDHHS		93.136			275,121	18,100
Projects for Assistance in Transition from Homelessness (PATH)	USDHHS		93.150			280,250	280,250
Rural Health Research Centers	USDHHS		93.155			26,099	
Grants to States for Loan Repayment Program	USDHHS		93.165			310,488	
Disabilities Prevention	USDHHS		93.184			347,942	
Urban Indian Health Services	USDHHS		93.193			7,288	
Family Planning-Services	USDHHS		93.217			589,125	129,700

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	USDHHS		93.224		HCC	19,704	
Grants to States to Support Oral Health Workforce Activities	USDHHS		93.236			244,449	
State Capacity Building	USDHHS		93.240			355,993	
State Rural Hospital Flexibility Program	USDHHS		93.241			549,357	322,695
	USDHHS		93.243			3,513,563	2,593,729
Substance Abuse and Mental Health Services-Projects of Regional and National Significance							
Universal Newborn Hearing Screening	USDHHS		93.251			269,758	35,000
Immunization Cooperative Agreements	USDHHS		93.268			9,590,419	
Adult Viral Hepatitis Prevention and Control	USDHHS		93.270			102,607	
Centers for Disease Control and Prevention-Investigations and Technical Assistance	USDHHS		93.283			5,221,389	2,000
Teenage Pregnancy Prevention Program	USDHHS		93.297			810,255	376,419
Small Rural Hospital Improvement Grant Program	USDHHS		93.301			135,863	
State Health Insurance Assistance Program	USDHHS		93.324			29,145	
ARRA-State Primary Care Offices	USDHHS	ARRA	93.414			23,390	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	USDHHS		93.505			739,633	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Facilities and Providers	USDHHS		93.506			330,506	
PPHF 2012 National Public Health Improvement Initiative	USDHHS		93.507			342,614	
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			1,226,527	
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	USDHHS		93.544			223,264	
Promoting Safe and Stable Families	USDHHS		93.556			390,441	363,257
Temporary Assistance for Needy Families	USDHHS		93.558		TANFC	30,988,206	135,000
Low-Income Home Energy Assistance	USDHHS		93.568			12,093,429	
Child Care and Development Block Grant	USDHHS		93.575		CCC	13,389,621	7,033,419
Community-Based Child Abuse Prevention Grants	USDHHS		93.590			445,148	442,306
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	USDHHS		93.596		CCC	8,474,166	
Chafee Education and Training Vouchers Program (ETV)	USDHHS		93.599			353,569	
Adoption Incentive Payments	USDHHS		93.603			381,214	
Developmental Disabilities Basic Support and Advocacy Grants	USDHHS		93.630			413,960	
Developmental Disabilities Projects of National Significance	USDHHS		93.631			348,417	

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STATE OF ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Children's Justice Grants to States	USDHHS		93.643			91,076	
Stephanie Tubbs Jones Child Welfare Services Program	USDHHS		93.645			16,027	6,762
Foster Care - Title IV-E	USDHHS		93.658			19,559,846	
Adoption Assistance	USDHHS		93.659			12,126,013	
Social Services Block Grant	USDHHS		93.667			7,473,370	648,020
Child Abuse and Neglect State Grants	USDHHS		93.669			35,766	
Chafee Foster Care Independence Program	USDHHS		93.674			404,106	99,453
ARRA-State Grants to Promote Health Information Technology	USDHHS	ARRA	93.719			1,050,879	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	USDHHS		93.733			719,966	
PPHF: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds (PPHF)	USDHHS		93.745			137,671	
Elder Abuse Prevention Interventions Program	USDHHS		93.747			302,767	
Children's Health Insurance Program	USDHHS		93.767			23,323,467	
Medicare-Hospital Insurance	USDHHS		93.773			1,038,996	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	USDHHS		93.777		MC	457,479	
Medical Assistance Program	USDHHS		93.778		MC	812,694,214	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	USDHHS		93.779			249,286	
Alternatives to Psychiatric Residential Treatment Facilities for Children	USDHHS		93.789			67,436	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	USDHHS		93.912			393,783	76,000
Grants to States for Operation of Offices of Rural Health	USDHHS		93.913			190,754	
HIV Care Formula Grants	USDHHS		93.917			1,255,439	932,740
HIV Care Formula Grants	USDHHS		93.917			387,033	
Healthy Start Initiative	USDHHS		93.926			471,502	321,850
HIV Prevention Activities-Health Department Based	USDHHS		93.940			1,301,073	476,525
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	USDHHS		93.944			141,385	
Assistance Programs for Chronic Prevention and Control	USDHHS		93.945			495,771	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	USDHHS		93.946			159,067	
Block Grants for Community Mental Health Services	USDHHS		93.958			583,103	500,023
Block Grants for Prevention and Treatment of Substance Abuse	USDHHS		93.959			5,226,316	5,149,911

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
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Preventive Health Services-Sexually Transmitted Diseases Control Grants	USDHHS		93.977			370,469	
Mental Health Disaster Assistance and Emergency Mental Health	USDHHS		93.982			11,650	11,650
Preventive Health and Health Services Block Grant	USDHHS		93.991			192,793	28,584
Maternal and Child Health Services Bock Grant to the States	USDHHS		93.994			1,055,046	20,820
Adult Lead Surveillance Data	USDHHS		93.999	030178D4D-CDC		211,856	
NCHS Contract	USDHHS		93.999	200-2000-07201		101,290	
NIOSH Center for Disease Control & Prevention	USDHHS		93.999	214-2008-M-26751		31,275	
Mammography Inspection	USDHHS		93.999	223-03-4401		60,121	
Support the Licensure & Survey of Frontier Extended Stay Clinics	USDHHS		93.999	HHSH2502004360IC		54	
Total for DEPARTMENT OF HEALTH AND SOCIAL SERVICES						**1,216,369,345**	**29,306,679**
ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT							
Investments for Public Works and Economic Development Facilities	USDOC		11.300	805	EDC	86,336	
Labor Force Statistics	USDOL		17.002	850		544,215	
Compensation and Working Conditions	USDOL		17.005	853		115,867	
Employment Service/Wagner-Peyser Funded Activities	USDOL		17.207	858	ESC	8,200,566	
Unemployment Insurance	USDOL		17.225	864		223,368,741	
Senior Community Service Employment Program	USDOL		17.235	867		1,866,198	974,308
Trade Adjustment Assistance	USDOL		17.245	871		122,588	
WIA Adult Program	USDOL		17.258	881/922/923	WIAC	1,904,705	
WIA Youth Activities	USDOL		17.259	882/952	WIAC	2,102,267	790,536
Work Opportunity Tax Credit Program (WOTC)	USDOL		17.271	898		70,193	
Temporary Labor Certification for Foreign Workers	USDOL		17.273	856		96,459	
Workforce Investment Act (WIA) National Emergency Grants	USDOL		17.277	896		534,982	
WIA Dislocated Worker Formula Grants	USDOL		17.278	886/932/933/937/998/938/939	WIAC	1,660,203	
Occupational Safety and Health-State Program	USDOL		17.503	887		1,428,860	
Consultation Agreements	USDOL		17.504	888		622,755	
Disabled Veterans' Outreach Program (DVOP)	USDOL		17.801	893	ESC	495,376	
Local Veterans' Employment Representative Program	USDOL		17.804	895	ESC	33,369	
Adult Education - Basic Grants to States	USDOE		84.002	813 / 87446(RSA)		956,149	507,645
Federal Pell Grant Program	USDOE		84.063	815	SFAC	406,614	
Rehabilitation Services-Vocational Rehabilitation Grants to States	USDOE		84.126	819		10,255,198	117,406
Independent Living-State Grants	USDOE		84.169	823		287,118	286,529
Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	USDOE		84.177	827		225,075	180,998
Supported Employment Services for Individuals with the Most Significant Disabilities	USDOE		84.187	830		318,881	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Assistive Technology	USDOE		84.224	834		397,603	389,450
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	USDOE		84.265	836		19,970	
Federal Direct Student Loans	USDOE		84.268	837/87465	SFAC	302,184	
Denali Commission Program	DC		90.100	842		600,233	335,396
Affordable Care Act (ACA) Health Profession Opportunity Grants (Pass-through Cook Inlet Tribal Council)	USDHHS		93.093	AVTEC/HHS ACF Partner Agreement		470,671	
Social Security-Disability Insurance	SSA		96.001	844	DISSIC	4,278,279	
Supplemental Security Income	SSA		96.006	845	DISSIC	1,048,183	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008	846		56,989	
Disaster Unemployment Assistance	USDHS		97.034	848		6,560	
Total for DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT						**262,883,387**	**3,582,268**
DEPARTMENT OF MILITARY AND VETERAN AFFAIRS							
School Breakfast Program	USDA		10.553	RSA 0520089	CNC	(136,017)	
National School Lunch Program	USDA		10.555	RSA 0520089	CNC	(220,421)	
Meteorologic and Hydrologic Modernization Development	USDOC		11.467	35457		701,374	59,020
Military Construction, National Guard	USDOD		12.400	35400		6,294	
National Guard Military Operations and Maintenance (O&M) Projects	USDOD		12.401	35401		15,423,896	
National Guard ChalleNGe Program	USDOD		12.404	35404		4,021,197	
Counterdrug Support Program-Asset Forfeiture	USDOJ		16.UNK	35160/AKQNGCD0		3,446	
Interagency Hazardous Materials Public Sector Training and Planning Grants	USDHS		20.703	35703		144,323	
Emergency Management Institute Training Assistance	USDHS		97.026	34052		8,664	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	USDHS		97.036	35036		22,117,215	14,416,927
Hazard Mitigation Grant	USDHS		97.039	35039		2,555,305	2,215,992
Emergency Management Performance Grants	USDHS		97.042	35915		2,900,985	246,856
Pre-Disaster Mitigation	USDHS		97.047	34064		404,485	
Homeland Security Grant Program	USDHS		97.067	34050		5,734,977	3,936,203
Earthquake Consortium	USDHS		97.082	35920		50,910	25,455
Total for DEPARTMENT OF MILITARY AND VETERAN AFFAIRS						**53,716,633**	**20,900,453**
DEPARTMENT OF NATURAL RESOURCES							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025			167,965	
Inspection Grading and Standardization	USDA		10.162			17,598	
Market Protection and Promotion	USDA		10.163			45,774	
Specialty Crop Block Grant Program - Farm Bill	USDA		10.170			175,130	54,451
Cooperative Forestry Assistance	USDA		10.664			3,205,948	413,909
Schools and Roads - Grants to States	USDA		10.665		FSRC	27,072	
Forest Legacy Program	USDA		10.676			37,110	
Forest Health Protection	USDA		10.680			244,148	
ARRA-Recovery Act of 2009: Wildland Fire Management	USDA	ARRA	10.688			317,877	284,815
Plant Materials for Conservation	USDA		10.905			50,710	
USFS Fire Suppression (AKDF070002)	USDA		10.UNK	10FI11100100040		5,113,552	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Kenai Dispatch Center	USDA		10.UNK	12FI11100400036		21,772	
Hotshot Crew	USDA		10.UNK	12PA11100100009		152,819	
Pioneer Peak Hotshot	USDA		10.UNK	12-PA-11100100-009		12,245	
Sikes Act Environmental Consultation	USDA		10.UNK	AG-0116-C-11-011		11,435	
OHA Wake Island	USDOD		10.UNK	F1W6CC3262M001		284	
Cultural Resource Management	USDOI		15.224			17,199	
National Fire Plan - Wildland Urban Interface Community Fire Assistance	USDOI		15.228			90,538	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			49,034	
Environmental Quality and Protection Resource Management	USDOI		15.236			28,289	
Management Initiatives	USDOI		15.239			89,827	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	USDOI		15.250			332,232	
Abandoned Mine Land Reclamation (AMLR) Program	USDOI		15.252			568,373	
Federal Oil and Gas Royalty Management State and Tribal Coordination	USDOI		15.427			90,736	
Fish and Wildlife Management Assistance	USDOI		15.608			2,542	
Partners for Fish and Wildlife	USDOI		15.631			3,126	
Coastal Impact Assistance Program	USDOI		15.668			1,781,469	
Cooperative Landscape Conservation	USDOI		15.669			9,087	
U.S. Geological Survey-Research and Data Collection	USDOI		15.808			384,222	
National Cooperative Geologic Mapping Program	USDOI		15.810			229,391	
National Geological and Geophysical Data Preservation Program	USDOI		15.814	G13AP00073		11,991	
ARRA-Volcano Hazards Program Research and Monitoring	USDOI	ARRA	15.818			280,253	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	USDOI		15.819			9,737	
Historic Preservation Fund Grants-In-Aid	USDOI		15.904			1,350,426	147,910
Outdoor Recreation-Acquisition, Development and Planning	USDOI		15.916			54,752	30,610
Rivers, Trails and Conservation Assistance	USDOI		15.921			25,840	
BLM Fire Suppression	USDOI		15.UNK	AK-2010-0001		19,631,887	
Goose Bay Estuary	USDOI		15.UNK	F12AP00112		500	
Highway Planning and Construction	USDOT		20.205		HPCC	541	
Recreational Trails Program	USDOT		20.219		HPCC	1,213,679	649,781
Railroad Development	USDOT		20.314	DTFRDV-5-0006		(7,430)	
Alaska Trails Initiative	USDOT		10.UNK	DTHF70-05-E-00028		349,644	159,930
Eller Subdivision Cultural Resources	USDOT		10.UNK	DTHF70-13-E-00024		18,380	
Glen Highway Cultural Resource Survey	USDOT		10.UNK	DTHF70-13-E-00026		11,538	
Boating Safety Financial Assistance	USDHS		97.012			795,441	
State Access to the Oil Spill Liability Trust Fund	USDHS		97.013			885	
National Dam Safety Program	USDHS		97.041			34,517	
Total for DEPARTMENT OF NATURAL RESOURCES						**37,060,085**	**1,741,406**

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
DEPARTMENT OF ADMINISTRATION							
Crime Victim Compensation	USDOJ		16.576	2010VCGX0004, 2011VCGX0011, 2012VCGX0065,2013 VCGX0013		910,265	
Court Appointed Special Advocates	USDOJ		16.756	AK10900-13-1013S, AK10900-13-0614F1		41,536	
John R. Justice Prosecutors and Defenders Incentive Act	USDOJ		16.816	2013-RJ-BX-0061		48,437	
Commercial Driver's License Program Improvement Grant	USDOT		20.232	FM-CDL-033-11-01-00, FM-CDL-0106-12-01-00		984,182	
Donation of Federal Surplus Personal Property	GSA		39.003			2,849,629	
State Underground Water Source Protection	EPA		66.433	G-00J69301-1		124,000	
Driver's License Security Grant Program	USDHS		97.089	EMS2011DL0036A		425,683	
Total for DEPARTMENT OF ADMINISTRATION						**5,383,732**	**-**
DEPARTMENT OF CORRECTIONS							
State Criminal Alien Assistance Program	USDOJ		16.606	2010-AP-BX-0845		96,527	
Incentive Payment Agreement (IPMOU) between SSA and DOC	SSA		96.UNK	IPMOU		58,800	
Total for DEPARTMENT OF CORRECTIONS						**155,327**	**-**
DEPARTMENT OF REVENUE							
Child Support Enforcement	USDHHSS		93.563			20,516,622	
Total for DEPARTMENT OF REVENUE						**20,516,622**	**-**
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES							
Manley AP Bark Beetle Mitigation	USDA		10.UNK	2013 DG 11100154		25,750	
USFS Contract - Fish passageways on Mitkof, Hydaburg, and Yakutat Highways	USDA		10.UNK	USFS 07-RO-11100100-076		75,561	
King Salmon Airport Contract to Maintain USAF Safety	USDOD		12.UNK	12.F65501-96C0006		543,208	
Adak Airport Operations Agreement	USDOD		12.UNK	N6871104MDC4010		815,961	
Sand Point School Loop Road-BIA	USDOI		12.UNK	FRH53637		(4,407)	
Drug Court Discretionary Grant Program	USDOJ		16.585			99,805	
Airport Improvement Program	USDOT		20.106			176,385,088	
Highway Planning and Construction	USDOT		20.205	WFL-DTFH70-09-E-00(	HPCC	19,266,292	
Highway Planning and Construction	USDOT		20.205		HPCC	518,021,385	3,174,943
ARRA-Highway Planning and Construction	USDOT	ARRA	20.205		HPCC	72,941	
National Motor Carrier Safety	USDOT		20.218			1,232,926	
Performance and Registration Information Systems Management	USDOT		20.231			19,205	
Border Enforcement Grants	USDOT		20.233			278,921	
Safety Data Improvement Program	USDOT		20.234			129,629	
Commercial Vehicle Information Systems and Networks	USDOT		20.237			110,514	
Federal Transit-Capital Investment Grants	USDOT		20.500		FTC	661,308	105,978
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	USDOT		20.505			544,213	544,213
Formula Grants for Rural Areas	USDOT		20.509			7,384,526	7,083,966
ARRA-Formula Grants for Rural Areas	USDOT	ARRA	20.509			176,692	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Enhanced Mobility of Seniors and Individuals with Disabilities	USDOT		20.513		TSPC	905,210	604,700
Job Access and Reverse Commute Program	USDOT		20.516		TSPC	170,074	146,097
New Freedom Program	USDOT		20.521		TSPC	88,171	64,006
State and Community Highway Safety	USDOT		20.600		HSC	1,018,656	478,700
Alcohol Impaired Driving Countermeasures Incentive Grants I	USDOT		20.601		HSC	155,907	
Occupant Protection Incentive Grants	USDOT		20.602		HSC	226,572	194,298
Alcohol Open Container Requirements	USDOT		20.607			680,812	446,161
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	USDOT		20.608			37,580	
State Traffic Safety Information System Improvement Grants	USDOT		20.610		HSC	375,709	
Child Safety and Child Booster Seats Incentive Grants	USDOT		20.613		HSC	22,796	22,796
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	USDOT		20.614			7,815	
National Priority Safety Programs	USDOT		20.616			98,388	
Davis Dome Wayside Imp - federal lands reimbursement	USDOT		20.UNK	AK DOT 252500(1)		13,470	
Forest Highway Project Agreement	USDOT		20.UNK	AK PFH 40-1(1) & AK PFH 43(8)		6,110	
Denali Park Road Drilling - federal lands reimbursement	USDOT		20.UNK	AK PRA AKRO ES(3) & AK PRA DENA 19(35)		82,248	
FAA PO-Goodnews Bay Airport Install Papi & REILs	USDOT		20.UNK	DTFAAL 05-X-00011		(7,547)	
Akiachak A/P Lighting	USDOT		20.UNK	DTFAWA-06-A-00009		461,123	
Ouzinkie A/P Lighting	USDOT		20.UNK	DTFAWA-06-A-00009		29	
Unstable Slope Management	USDOT		20.UNK	DTFH70-11-E-00067		25,251	
Snug Harbor Road	USDOT		20.UNK	DTFH70-13-E-00018		101,416	
Kotzebue & Nome AARF-FAA for prorated share of utilities and repair costs	USDOT		20.UNK	FAA/DOT DTFA-04-98-L-16606		84,294	
Deadhorse AARF-FAA for prorated share of utilities and repair costs	USDOT		20.UNK	FAA/DOT DTFA-04-98-L-16606		62,277	
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	USDOT		20.UNK	HSTS02-08-H-CAN402		2,283	
Denali Commission Program	DC		90.100			3,710,394	
Homeland Security Grant Program	USDHS		97.067			416,323	
National Explosives Detection Canine Team Program	USDHS		97.UNK	BAC-000S(511)		244,681	
Kodiak A/P USCG Soil Remediation USCG	USDHS		97.UNK	FRH53594		31	
Total for DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES						**734,829,591**	**12,865,858**
DEPARTMENT OF PUBLIC SAFETY							
State and Local Implementation Grant Program	USDOC		11.549			7,688	
National Marine Fisheries Joint Enforcement Agreement	USDOC		11.UNK	11.04 and NMFS-JEA		1,168,882	
Sexual Assault Services Formula Program	USDOJ		16.017			142,696	130,871
Supervised Visitation, Safe Havens for Children	USDOJ		16.527			106,788	98,760
Missing Children's Assistance (Pass-through from Municipality of Anchorage, Police Department)	USDOJ		16.543	2010-MC-CX-K031 & 2013-MC-FX-K011		40,802	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
National Criminal History Improvement Program (NCHIP)	USDOJ		16.554			210,246	
Crime Victim Assistance	USDOJ		16.575			1,358,275	1,341,720
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	USDOJ		16.580			2,192	
Violence Against Women Formula Grants	USDOJ		16.588			893,295	211,986
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	USDOJ		16.590			323,343	293,728
Residential Substance Abuse Treatment for State Prisoners	USDOJ		16.593			58,310	
Public Safety Partnership and Community Policing Grants	USDOJ		16.710			119,537	
Edward Byrne Memorial Justice Assistance Grant Program	USDOJ		16.738		JAG	697,924	190,616
DNA Backlog Reduction Program	USDOJ		16.741			274,242	
Paul Coverdell Forensic Sciences Improvement Grant Program	USDOJ		16.742			41,697	
Support for Adam Walsh Act Implementation Grant Program	USDOJ		16.750			120,215	
Equitable Sharing Program	USDOJ		16.922			793,933	
Domestic Cannabis Eradication/Suppression Program	USDOJ		16.UNK	2013-2 & 2014-2		39,907	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	USDHHS		93.671			577,945	567,159
State Fire Training Systems Grants	USDHS		97.043			25,665	
Assistance to Firefighters Grant	USDHS		97.044			21,150	
Total for DEPARTMENT OF PUBLIC SAFETY						**7,024,732**	**2,834,840**
KNIK ARM BRIDGE AND TOLL AUTHORITY							
Highway Planning and Construction	USDOT		20.205	PJ E 56047	HPCC	4,550,219	
Total for KNIK ARM BRIDGE AND TOLL AUTHORITY						**4,550,219**	**-**
DEPARTMENT OF LAW							
Northern Border Prosecution Initiative Program	USDOJ		16.814			5,689	
State Medicaid Fraud Control Units	USDHHS		93.775		MC	851,176	
Total for DEPARTMENT OF LAW						**856,865**	**-**
OFFICE OF THE GOVERNOR							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	USEEOC		30.002			199,000	
Help America Vote Act Requirements Payments	EAC		90.401			763,515	
Voting Access for Individuals with Disabilities-Grants to States	USDHHS		93.617			89,340	
Total for OFFICE OF THE GOVERNOR						**1,051,855**	**-**
UNIVERSITY OF ALASKA							
Plant and Animal Disease, Pest Control, and Animal Care	USDA		10.025		R&DC	104,220	
Grants for Agricultural Research, Special Research Grants	USDA		10.200		R&DC	33,819	5,106

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Cooperative Forestry Research	USDA		10.202		R&DC	509,552	
Payments to Agricultural Experiment Stations Under the Hatch Act	USDA		10.203		R&DC	830,255	
1890 Institution Capacity Building Grants (Pass-through University of Delaware)	USDA		10.216	11-007JNA/PO# 0100338		36,788	
1890 Institution Capacity Building Grants	USDA		10.216		R&DC	23,444	
Higher Education - Institution Challenge Grants Program (Pass-through University of Missouri)	USDA		10.217	C00041710-3		20,647	
Community Food Projects (Pass-through Mississippi State University)	USDA		10.225	018000-321470-14	R&DC	79	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	USDA		10.226			28,357	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228			1,137,769	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	USDA		10.228		R&DC	372,373	100,266
Integrated Programs (Pass-through University of Idaho)	USDA		10.303	BJKH15 SB005		21,624	
Homeland Security-Agricultural (Pass-through University of California)	USDA		10.304	201223902-05		16,391	
Agriculture and Food Research Initiative (AFRI) (Pass-through University of Hawaii)	USDA		10.310	MA110010 / Z986079-0	R&DC	565,195	
Agriculture and Food Research Initiative (AFRI)	USDA		10.310		R&DC	527,557	77,569
Beginning Farmer and Rancher Development Program	USDA		10.311			49,807	7,900
ARRA-Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF) (Pass-through University of Minnesota)	USDA	ARRA	10.315	H001344228 ARRA		3,510	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S14182		1,621	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S14105		19,408	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S13087		36,418	
Cooperative Extension Service (Pass-through Kansas State University)	USDA		10.500	S12068		5,984	
Cooperative Extension Service (Pass-through National 4H Council)	USDA		10.500	Agreement dated 05/21/13		85,268	
Cooperative Extension Service (Pass-through University of Nebraska-Lincoln)	USDA		10.500	25-6329-0059-801		5,817	
Cooperative Extension Service (Pass-through Auburn University)	USDA		10.500	13-HHP-379816-UAF		9,073	
Cooperative Extension Service (Pass-through Utah State University)	USDA		10.500	100906004		12,188	
Cooperative Extension Service	USDA		10.500			2,479,025	
Special Supplemental Nutrition Program for Women, Infants, and Children (Pass-through State of Oklahoma)	USDA		10.557	PO 3409015400 (Orig 3409014142)		13,160	
SNAP Partnership Grant (Pass-through State of Oklahoma)	USDA		10.577	PO 3409018697		1,056	
Technical Assistance for Specialty Crops Program	USDA		10.604		R&DC	115,999	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Forestry Research	USDA		10.652		R&DC	27,185	
Cooperative Forestry Assistance	USDA		10.664			3,112	
Urban and Community Forestry Program	USDA		10.675			45,496	
Forest Health Protection	USDA		10.680			248,687	
Forest Health Protection	USDA		10.680		R&DC	25,139	
Rural Business Enterprise Grants	USDA		10.769			72,550	
Rural Cooperative Development Grants	USDA		10.771			161,268	
Rural Business Opportunity Grants	USDA		10.773			17,263	
Resource Conservation and Development	USDA		10.901		R&DC	3,734	
Soil Survey	USDA		10.903		R&DC	110,851	
Monitoring with Forest Inventory and Analysis in Tanana Valley State Forest	USDA		10.UNK	G00009133	R&DC	43,406	
A characterization of the specialty wood products market in Southeast Alaska	USDA		10.UNK	G00008916	R&DC	20,376	
Flux and fate of carbon in terrestrial and aquatic ecosystem at the ocean margin of the Alaskan perhumid coastal temperate rainforest	USDA		10.UNK	G00008893	R&DC	17,798	
Alaska Coastal Rainforest Center Director Support	USDA		10.UNK	G00008142		51,549	
University of Alaska-Southeast GIS Library & the Southeast Alaska Hydrography Database	USDA		10.UNK	G00007725		70,946	
Soil Contributions Watershed Functions: Soil Hydrology and Biogeochemistry	USDA		10.UNK	G00005873	R&DC	26,995	
National Atmospheric Deposition Program Precipitation Analysis and Monitoring	USDA		10.UNK	G00005850	R&DC	836	
NOAA Mission-Related Education Awards (Pass-through Consortium for Ocean Leadership)	USDOC		11.008	SA13-22		2,341	
NOAA Mission-Related Education Awards	USDOC		11.008			36,385	
NOAA Mission-Related Education Awards	USDOC		11.008		R&DC	19,077	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska SeaLife Center)	USDOC		11.012	Sub-Award H2300.56		37,994	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-66	R&DC	4,774	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-65	R&DC	27,179	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-64	R&DC	117,869	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-59	R&DC	157,153	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-52	R&DC	156,920	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-51	R&DC	104,674	
Integrated Ocean Observing System (IOOS) (Pass-through Alaska Ocean Observing System)	USDOC		11.012	H2300-50	R&DC	136,542	25,000
Economic Development-Technical Assistance	USDOC		11.303			131,692	

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ALASKA
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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Sea Grant Support	USDOC		11.417			1,191,122	167,121
Sea Grant Support	USDOC		11.417		R&DC	178,238	8,133
Coastal Zone Management Administration Awards	USDOC		11.419	1145124	R&DC	30,368	
Coastal Zone Management Estuarine Research Reserves	USDOC		11.420		R&DC	39,131	
Undersea Research	USDOC		11.430		R&DC	157,156	42,940
Climate and Atmospheric Research	USDOC		11.431		R&DC	817,078	16,356
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	USDOC		11.432		R&DC	2,330,116	104,837
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	RS 1145955	R&DC	14,757	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	AND 1125959	R&DC	49,750	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program (Pass-through Pacific States Marine Fisheries)	USDOC		11.438	14-104	R&DC	1,461	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1145956	R&DC	3,859	
Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	USDOC		11.438	1145953	R&DC	3,153	
Marine Mammal Data Program	USDOC		11.439		R&DC	501,435	
Marine Mammal Data Program	USDOC		11.439			1,863	
Unallied Industry Projects	USDOC		11.452			30,486	
Special Oceanic and Atmospheric Projects	USDOC		11.460		R&DC	445,940	
Applied Meteorological Research (Pass-through University of Mississippi)	USDOC		11.468	UM 09-09-024	R&DC	81,210	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G85	R&DC	130,486	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G84	R&DC	125,446	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G83	R&DC	167,217	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project G81	R&DC	109,354	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project F4116	R&DC	4,540	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project B53	R&DC	46,646	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 909-B	R&DC	(8,228)	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 908-B	R&DC	139,677	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1323	R&DC	14,317	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1316	R&DC	33,243	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1309	R&DC	46,387	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1307	R&DC	8,842	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1303	R&DC	44,623	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1302	R&DC	27,113	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1229	R&DC	11,946	

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1227	R&DC	56,628	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1221	R&DC	8,534	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1219	R&DC	5,292	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1215	R&DC	119,338	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1214	R&DC	9,231	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1206	R&DC	9,686	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1201	R&DC	88,793	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1110	R&DC	52,427	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1106	R&DC	41,260	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1012	R&DC	41,122	
Unallied Science Program (Pass-through North Pacific Research Board)	USDOC		11.472	Project 1008	R&DC	147,406	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-07	R&DC	99,303	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-06	R&DC	35,455	
Unallied Science Program (Pass-through Prince William Sound Science Center)	USDOC		11.472	12-81-03	R&DC	41,462	
Unallied Science Program	USDOC		11.472		R&DC	68,107	
Unallied Science Program	USDOC		11.472			55,464	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	USDOC		11.473	H2301-52	R&DC	2,595	
Coastal Services Center (Pass-through Alaska Ocean Observing System)	USDOC		11.473	H2301-51	R&DC	62,214	
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557	540055		66,627	
ARRA-Broadband Technology Opportunities Program (BTOP)	USDOC	ARRA	11.557			540,308	138,985
ARRA-State Broadband Data and Development Grant Program (Pass-through Connected National Inc.)	USDOC	ARRA	11.558	02-50-M09071	R&DC	21,042	
Manufacturing Extension Partnership	USDOC		11.611			72,371	
Procurement Technical Assistance For Business Firms	USDOD		12.002			376,326	
Collaborative Research and Development (Pass-through University of Mississippi)	USDOD		12.114	UM 07-11-041	R&DC	79,269	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	USDOD		12.300	A101021	R&DC	108,100	
Basic and Applied Scientific Research (Pass-through Woods Hole Oceanographic Institution)	USDOD		12.300	A100694	R&DC	9,368	
Basic and Applied Scientific Research (Pass-through University of Texas-San Antonio)	USDOD		12.300	26-0201-15UAF	R&DC	4,503	
Basic and Applied Scientific Research	USDOD		12.300		R&DC	448,918	60,742
Military Medical Research and Development	USDOD		12.420		R&DC	122,859	
Basic Scientific Research	USDOD		12.431		R&DC	77,943	

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Invitational Grants for Military-Connected Schools (Pass-through Anchorage School District)	USDOD		12.557	11-1401	R&DC	28,175	
Basic, Applied, and Advanced Research in Science and Engineering	USDOD		12.630		R&DC	44,633	
Air Force Defense Research Sciences Program	USDOD		12.800		R&DC	93,292	
Information Security Grant Program	USDOD		12.902			141,677	
Research and Technology Development (Pass-through University of Florida)	USDOD		12.910	UF-EIES_1205022_UA	R&DC	37,014	
Research and Technology Development (Pass-through Michigan Technological University)	USDOD		12.910	Subc 1205001Z1 / PO	R&DC	61,976	
Identifying Mechanisms of State Change and Forecasting Future Vulnerability (Pass-through University of Florida)	USDOD		12.UNK	G00007315 / UF11138	R&DC	274,761	
Lead and Antimony Speciation in Shooting Range Soils: Molecular Scale Analysis, Temporal Trends and Mobility	USDOD		12.UNK	G00006854	R&DC	267,276	
Operational Support of Infrasound and Primary and Auxiliary Seismic Stations for the International Monitoring System (IMS)	USDOD		12.UNK	G00004909	R&DC	3,178,240	
Alaska Native/Native Hawaiian Institutions Assisting Communities	HUD		14.515			221,222	81,729
Partners in Growth	HUD		14.UNK	G00008210		180,455	12,000
Indian Adult Education	USDOI		15.026			3,663	
Cultural Resource Management	USDOI		15.224			870,791	
Recreation Resource Management	USDOI		15.225		R&DC	570,834	
Invasive and Noxious Plant Management	USDOI		15.230		R&DC	159,438	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231		R&DC	897,160	
Fish, Wildlife and Plant Conservation Resource Management	USDOI		15.231			268,446	
Wildland Fire Research and Studies Program	USDOI		15.232		R&DC	234,485	
Secure Rural Schools and Community Self-Determination	USDOI		15.234			21,609	
Environmental Quality and Protection Resource Management	USDOI		15.236		R&DC	165,513	
Rangeland Resource Management	USDOI		15.237		R&DC	81,520	
Challenge Cost Share	USDOI		15.238			203	
Alaska Coastal Marine Institute (Pass-through University of Texas at Austin)	USDOI		15.421	UTA12-000603	R&DC	9,787	
Alaska Coastal Marine Institute	USDOI		15.421		R&DC	2,188,053	294,917
Alaska Coastal Marine Institute	USDOI		15.421			61,312	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	USDOI		15.423	UTA11-000973	R&DC	53,393	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP) (Pass-through University of Texas-Austin)	USDOI		15.423	UTA11-000873	R&DC	61,125	
Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	USDOI		15.423		R&DC	1,915,353	91,892

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Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Fish and Wildlife Management Assistance (Pass-through National Fish & Wildlife Foundation)	USDOI		15.608	2100.12.030840	R&DC	158,152	
Fish and Wildlife Management Assistance	USDOI		15.608		R&DC	63,364	
Alaska Subsistence Management	USDOI		15.636		R&DC	120,785	
Service Training and Technical Assistance (Generic Training)	USDOI		15.649			51,726	
Research Grants (Generic)	USDOI		15.650		R&DC	171,606	
National Fish and Wildlife Foundation	USDOI		15.663		R&DC	111,207	
Coastal Impact Assistance Program	USDOI		15.668	RSA/EN 830722	R&DC	1,137,675	
Coastal Impact Assistance Program (Pass-through Alaska SeaLife Center)	USDOI		15.668	Agreement No. L0016-(	R&DC	243	
Coastal Impact Assistance Program (Pass-through Alaska SeaLife Center)	USDOI		15.668	Agreement #L0006-02 Amend #1	R&DC	1,248	
Coastal Impact Assistance Program	USDOI		15.668	ADN 830052	R&DC	109,280	
Coastal Impact Assistance Program	USDOI		15.668	10-CIAP-021		98,565	
Coastal Impact Assistance Program	USDOI		15.668	1840132	R&DC	48,491	
Coastal Impact Assistance Program	USDOI		15.668	1135209	R&DC	176,341	
Coastal Impact Assistance Program	USDOI		15.668	1021200		238,921	
Coastal Impact Assistance Program	USDOI		15.668	830339	R&DC	25,237	
Coastal Impact Assistance Program	USDOI		15.668	821192	R&DC	45,406	
Cooperative Landscape Conservation (Pass-through Colorado State University)	USDOI		15.669	G-2582-1	R&DC	313	
Cooperative Landscape Conservation	USDOI		15.669		R&DC	351,266	
Cooperative Landscape Conservation	USDOI		15.669			10,393	
Adaptive Science	USDOI		15.670		R&DC	94,103	
Assistance to State Water Resources Research Institutes	USDOI		15.805		R&DC	82,277	7,461
Earthquake Hazards Research Grant	USDOI		15.807		R&DC	714,165	
U.S. Geological Survey-Research and Data Collection (Pass-through America View Inc.)	USDOI		15.808	AVO8-AK01	R&DC	2,868	
U.S. Geological Survey-Research and Data Collection	USDOI		15.808		R&DC	2,100,517	9,054
Cooperative Research Units Program	USDOI		15.812		R&DC	2,495,979	5,000
National Geospatial Program: Building The National Map	USDOI		15.817		R&DC	4,297	
Volcano Hazards Program Research and Monitoring	USDOI		15.818		R&DC	517,191	
National Climate Change and Wildlife Science Center	USDOI		15.820		R&DC	60,314	
National Climate Change and Wildlife Science Center	USDOI		15.820			5,411	
Historic Preservation Fund Grants-In-Aid	USDOI		15.904			4,347	
Natural Resource Stewardship	USDOI		15.944			4,239	
Cooperative Research and Training Programs-Resources of the National Park System	USDOI		15.945		R&DC	1,517,994	
Cultural Resources Management	USDOI		15.946			8,660	
Consequences of a Changing Climate for Alaska's Boreal Forests (A Continuation of the Bonanza Creek Long-Term Ecological Research Program)	USDOI		15.UNK	G00007288	R&DC	211,356	
Adaptation Arctic Circulation Model (Pass-through Rutgers)	USDOI		15.UNK	G00007038 / PO 1449197 / SA 4199	R&DC	(225)	

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Vascular & Non-Vascular Plant Specimen Identification, Curation, & Technical Support for Vegetation Monitoring in the Southwest Alaska Network	USDOI		15.UNK	G00006584		132	
A Technical Plan to Conduct a Landcover (Vegetation) Inventory for Alagnak Wild River	USDOI		15.UNK	G00006479	R&DC	10,177	5,243
Herbarium Study of Plant Samples from the Arctic Network of National Parks	USDOI		15.UNK	G00006445		12,966	
Assessing Use of Marine Derived Salmon in Wolf Diets Across Alaskan Parks	USDOI		15.UNK	G00006432	R&DC	2,629	
Quantify Thickness of Harding Icefield	USDOI		15.UNK	G00006251	R&DC	15,117	
Understanding Lake Disappearance through time in Northern Alaska Parks	USDOI		15.UNK	G00005400	R&DC	22,552	
Exotic Plants in Alaskan National Park Service Units	USDOI		15.UNK	G00005011	R&DC	901	
Beaufort Sea Mesoscale Meteorology Model Study	USDOI		15.UNK	G00003585	R&DC	4,525	
State Justice Statistics Program for Statistical Analysis Centers	USDOJ		16.550		R&DC	54,155	
National Institute of Justice Research, Evaluation, and Development Project Grants	USDOJ		16.560		R&DC	215,928	
Crime Victim Assistance/Discretionary Grants (Pass-through Alaska Immigration Justice Project)	USDOJ		16.582	2012-VF-GX-K023	R&DC	92,515	
Juvenile Mentoring Program (Pass-through National 4H Council)	USDOJ		16.726	Agreement dated 01/13/14		26,039	
Federal Equitable Sharing UAFPD	USDOJ		16.UNK	G00006407		23,321	
WIA Youth Activities	USDOL		17.259	EN 736108	WIAC	79,685	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (Pass-through Tyler Junior College)	USDOL		17.282	MOU dated 04/17/13		285,373	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	USDOL		17.282			1,411,036	
Mine Health and Safety Grants	USDOL		17.600			18,104	
Highway Research and Development Program	USDOT		20.200		R&DC	199,097	
Highway Training and Education	USDOT		20.215		R&DC	10,000	
University Transportation Centers Program (Pass-through University of Washington)	USDOT		20.701	739439	R&DC	303,556	
University Transportation Centers Program	USDOT		20.701		R&DC	823,155	29,525
Transportation Planning, Research and Education (Pass-through University of Massachusetts Lowell)	USDOT		20.931	S58100000021356	R&DC	21,000	
Transportation Planning, Research and Education	USDOT		20.931		R&DC	3,918	
Science (Pass-through University of Maryland)	NASA		43.001	Z675801	R&DC	33,333	
Science (Pass-through University of Texas Austin)	NASA		43.001	UTA12-000234	R&DC	55,613	
Science (Pass-through Louisiana State University)	NASA		43.001	Sub 65687 / CFMS 71	R&DC	22,430	
Science (Pass-through University of Pittsburgh)	NASA		43.001	Sub 0020157 (407134-	R&DC	104,243	
Science (Pass-through Southwest Research Institute)	NASA		43.001	F99009DB	R&DC	61,357	

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Science (Pass-through Prince William Sound Science Center)	NASA		43.001	10-65-10	R&DC	67,176	
Science (Pass-through University of Texas Arlington)	NASA		43.001	2612013261	R&DC	4,744	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1499197		6,369	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1485171	R&DC	6,590	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1478441	R&DC	5,260	
Science (Pass-through Jet Propulsion Laboratory)	NASA		43.001	1459730	R&DC	18,086	
Science	NASA		43.001		R&DC	14,000,900	254,325
Science	NASA		43.001			113,752	
Aeronautics (Pass-through University of Colorado)	NASA		43.002	1548571 PO 10000176	R&DC	40,918	
Aeronautics (Pass-through University of Colorado)	NASA		43.002	1545830 REF / PO 1000027866	R&DC	(341)	
Space Operations	NASA		43.007			91,465	
Education	NASA		43.008		R&DC	237,160	
The Role of Disturbance in the North American Carbon Budget Project Education Outreach (Pass-through University of Tennessee Knoxville)	NASA		43.UNK	G00007213 / A11-0338-S001		15,286	
North American Carbon Program (NACP) and Ocean Carbon and Biogeochemistry (OCB) Interim Coastal Carbon Synthesis (Pass-through University of South Florida)	NASA		43.UNK	G00007039 / PO 7000025845	R&DC	22,249	
Implication of Arctic Sea Ice Reduction on Bromine, Ozone, and Mercury Chemical Process, Transport, and Distribution (Pass-through Jet Propulsion Laboratory)	NASA		43.UNK	G00006902 / Sub 1418	R&DC	51,211	
NASA Earth and Space Science Fellowship Program 2010 Atmospheric Corrections in SAR Interferometry	NASA		43.UNK	G00006759		1,187	
Estimating Spatio-Temporal Variability in Evapotranspiration in Interior Alaska Using Field Measurements, Modeling, and Remote Sensing	NASA		43.UNK	G00006590	R&DC	154,516	
Optimizing Next-Generation Image Compression Transforms via Evolutionary Computation	NASA		43.UNK	G00006556	R&DC	5,894	
Climate Change: NASA's Eyes on the Arctic (Pass-through Alaska Challenger Center for Space Science Technology Inc.)	NASA		43.UNK	G00006218 / S12985		25,182	
Adaptation to Rapid Land Use and Climate Changes on the Yamal Peninsula, Russia: Remote Sending and Models for Analyzing Cumulative Effect	NASA		43.UNK	G00005972	R&DC	13,319	
An Investigation of Surface Excavation and Mobility and Volatile Transport in Regolith at the Poles (Pass-through John Hopkins University)	NASA		43.UNK	G00005724 / 957706	R&DC	(3,345)	
Physical and Geologic Investigations of the Surface Materials along the MER Traverses	NASA		43.UNK	G00005454	R&DC	27,001	

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Heating and Acceleration of the Solar Wind and Corona by Anisotropic MHD and Hall MHD Turbulence	NASA		43.UNK	G00005062	R&DC	4,600	
Alaska's NASA EPSCoR Program	NASA		43.UNK	G00004248	R&DC	1,371	
Investigation of the Controls and Feedbacks 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 Science)	NASA		43.UNK	803809 /G00006308	R&DC	24,327	
Promotion of the Arts-Partnership Agreements	NEA		45.025	FY14CAD0015		2,250	
Promotion of the Humanities-Federal/State Partnership	NEA		45.129			1,000	
Museums for America	NEA		45.301			117,773	
Grants to States	NEA		45.310	ILC-14-157-125 / ADN#0540121		14,776	
Grants to States	NEA		45.310	Agreement Dated 06/07/13		92,761	
Laura Bush 21st Century Librarian Program	NEA		45.313	540075		25,610	
Engineering Grants (Pass-through University of Kansas)	NSF		47.041	Sub-Award FY2013-02	R&DC	4,706	
Engineering Grants (Pass-through Georgia Institute of Technology)	NSF		47.041	RA0693-G1 / PO 2720014478	R&DC	880	
Engineering Grants	NSF		47.041		R&DC	248,703	
Mathematical and Physical Sciences	NSF		47.049		R&DC	178,113	
Geosciences (Pass-through Utah Valley University)	NSF		47.050	Subgrant	R&DC	112,951	
Geosciences (Pass-through SRI International)	NSF		47.050	Subcontract 119-00022	R&DC	502,344	
Geosciences (Pass-through University of Southern California)	NSF		47.050	Sub-Award 33760539	R&DC	40,196	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	NSF		47.050	Sub-Award 06-UAF-SA	R&DC	191,965	
Geosciences (Pass-through Research Foundation SUNY)	NSF		47.050	R890450|PTAEO1115 24/66933	R&DC	16,225	
Geosciences (Pass-through Rutgers University)	NSF		47.050	PO 4150 / S1409651	R&DC	10,609	
Geosciences (Pass-through Cornell University)	NSF		47.050	62144-9481	R&DC	33,092	
Geosciences (Pass-through Incorporated Research Institution for Seismology)	NSF		47.050	59-TA	R&DC	200,553	
Geosciences (Pass-through University of Southern California)	NSF		47.050	158854 / PO 10011580	R&DC	67,404	
Geosciences (Pass-through University of Southern California)	NSF		47.050	149701	R&DC	241,725	
Geosciences	NSF		47.050		R&DC	13,535,775	451,044
Computer and Information Science and Engineering (Pass-through State University of New York)	NSF		47.070	Sub-Award R875772	R&DC	21,649	
Biological Sciences (Pass-through Texas Tech University)	NSF		47.074	21P225-02	R&DC	4,191	
Biological Sciences (Pass-through University of Washington)	NSF		47.074	592485	R&DC	4,716	

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Biological Sciences	NSF		47.074		R&DC	2,196,215	60,894
Social, Behavioral, and Economic Sciences (Pass-through University of New Hampshire)	NSF		47.075	Sub-Award 12-037	R&DC	96	
Social, Behavioral, and Economic Sciences	NSF		47.075		R&DC	254,076	13,619
Education and Human Resources (Pass-through Columbia University)	NSF		47.076	4(GG009026) / G03550	R&DC	63,861	
Education and Human Resources	NSF		47.076		R&DC	3,312,156	110,068
Polar Programs (Pass-through University of Maryland, UMCES)	NSF		47.078	CA 12-12 07-5-25679	R&DC	5,267	
ARRA-Polar Programs (Pass-through Oklahoma State University)	NSF	ARRA	47.078	AA531200-S1/090987	R&DC	7,606	
Polar Programs (Pass-through Woods Hole Oceanographic Institution)	NSF		47.078	A100869	R&DC	9,713	
Polar Programs	NSF		47.078		R&DC	14,413,368	290,285
Office of International and Integrative Activities	NSF		47.079		R&DC	68,842	
Office of Cyberinfrastructure	NSF		47.080		R&DC	3,507,797	17,333
Office of Experimental Program to Stimulate Competitive Research	NSF		47.081		R&DC	20,384	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of New Hampshire)	NSF	ARRA	47.082	Sub-Award 13-025	R&DC	10,018	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through University of Colorado)	NSF	ARRA	47.082	ARRA SPO 100011577	R&DC	4,370	
ARRA-Trans-NSF Recovery Act Research Support (Pass-through Virginia Polytech Institute)	NSF	ARRA	47.082	478219-19100 ATM-0946900	R&DC	50,000	
ARRA-Trans-NSF Recovery Act Research Support	NSF	ARRA	47.082		R&DC	15,876,757	12,582
NSF Intergovernmental Personnel Act Assignment: NSF Program Director for the Integrative Graduate Education and Research Traineeship (IGERT) Program	NSF		47.UNK	G00007461	R&DC	165,385	
8(a) Business Development Program	USSBA		59.006			56,046	
Small Business Development Centers	USSBA		59.037			921,523	
Prime Technical Assistance	USSBA		59.050		R&DC	28,369	
Federal and State Technology Partnership Program	USSBA		59.058			1,371	
VHA-ORH Rural Provider Education: A Collaborative Approach with the Area Health Education Centers	USDVA		64.UNK	G00009278		20,296	
Water Pollution Control State, Interstate, and Tribal Program Support	EPA		66.419	1830182	R&DC	3,424	
Regional Wetlands Program Development Grants (Pass-through State of Nevada)	EPA		66.461	DEP-S 12-039	R&DC	32,401	
Science To Achieve Results (STAR) Research Program (Pass-through Arizona State University)	EPA		66.509	Sub-Award 12-866	R&DC	77,379	
Office of Science Financial Assistance Program (Pass-through Alliance for Sustainable Energy)	ENERGY		81.049	ZAM-0-40876-01	R&DC	26,183	
Office of Science Financial Assistance Program (Pass-through University of Illinois)	ENERGY		81.049	DE-SC0006607/003	R&DC	80,406	

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Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	4000118242	R&DC	11,132	
Office of Science Financial Assistance Program (Pass-through Battelle Oak Ridge National Laboratory)	ENERGY		81.049	4000116073	R&DC	1,175,311	
Office of Science Financial Assistance Program (Pass-through Battelle Pacific Northwest Laboratory)	ENERGY		81.049	17560	R&DC	(414)	
Office of Science Financial Assistance Program	ENERGY		81.049		R&DC	839,699	
Office of Scientific and Technical Information (Pass-through University of California)	ENERGY		81.064	7064267	R&DC	6,558	
Office of Scientific and Technical Information	ENERGY		81.064		R&DC	19,726	
Renewable Energy Research and Development (Pass-through Aleutian Pribilof Islands Association)	ENERGY		81.087	Agreement dated 09/1(	R&DC	(1,498)	
Renewable Energy Research and Development	ENERGY		81.087		R&DC	2,203,202	
ARRA-Renewable Energy Research and Development	ENERGY	ARRA	81.087		R&DC	240,020	
Fossil Energy Research and Development	ENERGY		81.089		R&DC	105,223	
Assessment of the Quantity and Quality of Organic Matter in Frozen Quaternary Deposits (Pass-through Argonne National Laboratory)	ENERGY		81.UNK	4F-30641 / G00009252	R&DC	10,911	
ARM Cryogenic Frostpoint Hygrometer (CFH) Mentorship (Pass-through Argonne National Laboratory)	ENERGY		81.UNK	3F-31801 / G00008815	R&DC	24,256	
Soil Organic Carbon Stocks in Ice Wedge Polygons, Barrow (Pass-through Argonne National Laboratory)	ENERGY		81.UNK	13F-32021 / G0000886	R&DC	80,706	
Adult Education - Basic Grants to States	USDOE		84.002	EN 745604		70,745	
Adult Education - Basic Grants to States	USDOE		84.002	EN 745602		90,276	
Adult Education - Basic Grants to States	USDOE		84.002	EN 745601		92,160	
Adult Education - Basic Grants to States	USDOE		84.002	EN 745600		182,135	
Adult Education - Basic Grants to States	USDOE		84.002	EN 740333		35,958	
Federal Supplemental Educational Opportunity Grants	USDOE		84.007		SFAC	651,674	
Title I State Agency Program for Neglected and Delinquent Children and Youth	USDOE		84.013			625,345	
Higher Education-Institutional Aid	USDOE		84.031			10,210,814	
ARRA-Federal Work-Study Program	USDOE	ARRA	84.033		SFAC	800,621	
TRIO-Student Support Services	USDOE		84.042		TRIOC	450,431	
TRIO-Talent Search	USDOE		84.044		TRIOC	324,414	
TRIO-Upward Bound	USDOE		84.047		TRIOC	704,470	116,100
Career and Technical Education-Basic Grants to States	USDOE		84.048	ADN 0540054 / EL 14.157.04		73,518	
Career and Technical Education-Basic Grants to States	USDOE		84.048	ADN 0540009 EL 14.157.01		39,988	34,095
Career and Technical Education-Basic Grants to States	USDOE		84.048	0540056 / EL 14.157.02		149,295	
Federal Pell Grant Program	USDOE		84.063		SFAC	24,619,901	
TRIO-Educational Opportunity Centers	USDOE		84.066		TRIOC	277,142	

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Career and Technical Education - Grants to Native Americans and Alaska Natives (Pass-through Cook Inlet Tribal Council)	USDOE		84.101	Subgrant dated 04/25/14		111,510	
Federal Direct Student Loans	USDOE		84.268		SFAC	68,697,568	
Indian Education-Special Programs for Indian Children	USDOE		84.299			196,280	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 10/25/12		2,805	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 10/08/12		1,659	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 07/25/13		9,159	
Alaska Native Educational Programs (Pass-through Project GRAD Kenai Peninsula)	USDOE		84.356	MOA dated 07/24/13		6,266	
Alaska Native Educational Programs (Pass-through Alaska Humanities Forum)	USDOE		84.356	05/04/2012		385,230	
Alaska Native Educational Programs	USDOE		84.356			2,941,453	117,020
Native Hawaiian Education (Pass-through Pacific Tsunami Museum)	USDOE		84.362	MOA dated 09/01/10		19,474	
English Language Acquisition State Grants	USDOE		84.365			182,456	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	USDOE		84.379		SFAC	14,851	
Strengthening Minority-Serving Institutions	USDOE		84.382			349,394	
Transition Programs for Students with Intellectual Disabilities into Higher Education	USDOE		84.407			371,260	
Postsecondary Education Scholarships for Veteran's Dependents	USDOE		84.408		SFAC	2,495	
Investing in Innovation (i3) Fund	USDOE		84.411			3,798,085	1,515,439
Architectural and Transportation Barriers Compliance Board (Pass-through University of San Francisco)	USAB		88.001	201121454-19-2	R&DC	8,536	
Denali Commission Program	DC		90.100	EN 746116		89,880	
Denali Commission Program	DC		90.100	EN 746114 | ADN740381		124,948	
Denali Commission Program	DC		90.100			311,506	
Denali Commission Program	DC		90.100		R&DC	121,844	
ARRA-Special Programs for the Aging - Title IV and Title II - Discretionary Projects	USDHHS	ARRA	93.048		R&DC	204,930	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	USDHHS		93.073			452,843	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	USDHHS		93.107			173,259	108,575
Maternal and Child Health Federal Consolidated Programs	USDHHS		93.110			492,197	19,701
Environmental Health (Pass-through Alaska Community Action on Toxics)	USDHHS		93.113	NIEHS R01 UAA	R&DC	73,228	
Environmental Health	USDHHS		93.113			527,860	204,488
Human Genome Research	USDHHS		93.172		R&DC	319,238	171,340
Mental Health Research Grants	USDHHS		93.242		R&DC	383,157	154,071
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Bristol Bay Area Health Corporation)	USDHHS		93.243	DWT 21080151V3 002:	R&DC	15,937	

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Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Rural Alaska Community Action Program)	USDHHS		93.243	51UD1TI023541-03 CP	R&DC	31,905	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (Pass-through Northwest Indian College)	USDHHS		93.243	24218		35,320	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	USDHHS		93.243		R&DC	143,290	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	USDHHS		93.243			93,417	
Occupational Safety and Health Program (Pass-through University of Washington)	USDHHS		93.262	756721	R&DC	9,293	
Occupational Safety and Health Program	USDHHS		93.262		R&DC	194,048	8,852
Alcohol Research Programs	USDHHS		93.273		R&DC	73,926	
Drug Abuse and Addiction Research Programs (Pass-through Northwest Indian College)	USDHHS		93.279	24216	R&DC	66,799	
Drug Abuse and Addiction Research Programs	USDHHS		93.279		R&DC	271,714	106,042
Centers for Disease Control and Prevention-Investigations and Technical Assistance	USDHHS		93.283			25,088	
Minority Health and Health Disparities Research	USDHHS		93.307		R&DC	538,922	4,700
Trans-NIH Research Support	USDHHS		93.310		R&DC	101,275	
National Center for Advancing Translational Sciences (Pass-through Institute of Translational Health Sciences)	USDHHS		93.350	UW Sub No. 754545		12,373	
Advanced Education Nursing Traineeships	USDHHS		93.358			332,782	
National Center for Research Resources	USDHHS		93.389		R&DC	170,609	
Cancer Cause and Prevention Research	USDHHS		93.393		R&DC	7,900	764
Family Connection Grants (Pass-through OnTrack, Inc.)	USDHHS		93.605	Agreement dated 01/19	R&DC	4,000	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	USDHHS		93.632		R&DC	492,457	
Child Abuse and Neglect State Grants	USDHHS		93.669	RSA 630002		40,931	
ARRA-Trans-NIH Recovery Act Research Support	USDHHS	ARRA	93.701		R&DC	52,620	
ARRA-National Center for Research Resources, Recovery Act Construction Support	USDHHS	ARRA	93.702		R&DC	101,771	
Area Health Education Centers Infrastructure Development Awards	USDHHS		93.824			447,150	353,464
Arthritis, Musculoskeletal and Skin Diseases Research	USDHHS		93.846		R&DC	19,249	
Diabetes, Digestive, and Kidney Diseases Extramural Research	USDHHS		93.847		R&DC	90,346	9,910
Extramural Research Programs in the Neurosciences and Neurological Disorders	USDHHS		93.853		R&DC	388,668	

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, 2014
By State Agency

Federal Program Title	Federal Agency	ARRA	CFDA Number	Grant or Other Indentifying Number	Cluster	Federal Expenditures	Provided to Recipient
Allergy, Immunology and Transplantation Research (Pass-through Blood Center of Wisconsin, Inc.)	USDHHS		93.855	0176-81148	R&DC	(494)	
Biomedical Research and Research Training (Pass-through University of Washington)	USDHHS		93.859	5 U01 GM092676-04	R&DC	224,465	
Biomedical Research and Research Training (Pass-through University of New Mexico)	USDHHS		93.859	3RN79	R&DC	47,655	
Biomedical Research and Research Training (Pass-through University of Nevada)	USDHHS		93.859	14-746Q-UAF-PG20-0(	R&DC	87,164	
Biomedical Research and Research Training (Pass-through University of Washington)	USDHHS		93.859	743856	R&DC	2,332	
Biomedical Research and Research Training	USDHHS		93.859		R&DC	3,275,390	8,723
Child Health and Human Development Extramural Research	USDHHS		93.865		R&DC	6,849	
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	USDHHS		93.933	ANTHC-11-U-34569 Mod 005		197,583	28,925
Demonstration Projects for Indian Health (Pass-through Alaska Native Tribal Health Consortium)	USDHHS		93.933	ANTHC-11-U-33434 da	R&DC	17,742	
NIAID Centers of Excellence for Influenza Research and Surveillance (Pass-through Mount Sinai School of Medicine)	USDHHS		93.UNK	0258-0511 / G0000936	R&DC	31,934	
Volunteers in Service to America	USCNCS		94.013			4,300	
Social Security - Work Incentives Planning and Assistance Program	SSA		96.008			76,019	
Centers for Homeland Security (Pass-through University of Hawaii)	USDHS		97.061	Z884255	R&DC	867,898	56,677
Total for UNIVERSITY OF ALASKA						**250,250,723**	**5,520,812**
Total Federal Financial Assistance						**3,110,700,234**	**313,741,473**

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 *or* Alaska Aerospace Corporation
AADC	Alaska Aerospace Development Corporation
AAL	Actuarial Accrued Liabilities
AAM	Alaska Administrative Manual
AC	Aging Cluster
ACA	Affordable Care Act
ACES	Alaska's Clear and Equitable Share
ACF	Administration for Children and Families
ACM	Alaska Construction Manual
ACPE	Alaska Commission on Postsecondary Education
ACS	Alaska Court System *or* Affiliated Computer Systems, Inc.
ACWF	Alaska Clean Water Fund
ADEC	Department of Environmental Conservation (Alaska)
ADWF	Alaska Drinking Water Fund
AEA	Alaska Energy Authority
AF	Agency Fund
AFRI	Agriculture and Food Research Initiative
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHE	Alaska Health Enterprise
AHFC	Alaska Housing Finance Corporation
AHSO	Alaska Highway Safety Office
AIDEA	Alaska Industrial Development and Export Authority
AIDS	Acquired Immunodeficiency Virus Syndrome
AIGA	Alaska Insurance Guarantee Association
AK	Alaska
AKSAS	Alaska State Accounting System
ALAE	Allocated Loss Adjustment Expenses
ALDER	Alaska Data Enterprise Reporting
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
AMLR	Abandoned Mine Land Reclamation
AMS	American Management Systems
ANTHC	Alaska Native Tribal Health Consortium
AOC	OPEB Cost
A/P	Aleutian/Pribilof Energy Authority
APC	Annual Pension Cost
APF	Alaska Permanent Fund
APFC	Alaska Permanent Fund Corporation
AR	Appropriations
ARFF	Aircraft Rescue and Firefighting

ARHCT	Alaska Retiree Health Care Trust
ARIES	Alaska's Resource for Integrated Eligibility Services
ARMB	Alaska Retirement Management Board
ARRA	American Recovery and Investment Act
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
ASPIB	Alaska State Pension Investment Board
AVTEC	Alaska's Institute of Technology

B

BAN	Bond Anticipation Note
BC	British Columbia
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOEM	Bureau of Ocean Energy Management
BTOP	Broadband Technology Opportunities Program
BZPP	Buffer Zone Protection Program

C

CAEF	Commercial Assistance Enterprise Fund
CAFR	Comprehensive Annual Financial Report
CAP	Corrective Action Plan
CAP-SSSE	Community Assistance Program State Support Services Element
CBRF	Constitutional Budget Reserve Fund (Alaska)
CCC	Child Care and Development Cluster
CDBG	Community Development Block Grants
CEO	Chief Executive Officer
CFDA	Catalog of Federal Domestic Assistance
CFH	Cryogenic Frostpoint Hygrometer
CFLGC	Community Facilities Loans and Grants
CFR	Code of Federal Regulations
CSFP	Commodity Supplemental Food Program
Ch	Chapter
CHIP	Children's Health Insurance Program
CISA	Certified Information Systems Auditor
CIT	Corporate Income Tax
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CO2	Carbon Dioxide
COPs	Certificates of Participation
COURT	Alaska Court System/Alaska Judicial Council
CPA	Certified Public Accountant

CPF	Capital Project Fund
CSACC	Consolidated Substance Abuse Counseling Center

D

D	Democratic Party
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
DEC	Department of Environmental Conservation (Alaska)
DEED	Department of Education and Early Development (Alaska)
DFG	Department of Fish and Game (Alaska)
DG	Domestic Grant
DHCS	Division of Health Care Services
DHHS	U.S. Department of Health and Human Services
DHS&EM	Division of Homeland Security and Emergency Management
DHSS	Department of Health and Social Services (Alaska)
DISSIC	Disability Insurance/SSI Cluster
DLWD	Department of Labor and Workforce Development (Alaska)
DME	Durable 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
DOR	Department of Revenue (Alaska)
DOTPF	Department of Transportation and Public Facilities (Alaska)
DOT/PF	Department of Transportation and Public Facilities (Alaska)
DPA	Division of Public Assistance
DPCU	Discretely Presented Component Unit
DPS	Department of Public Safety
DSDS	Division of Senior and Disability Services
DSF	Debt Service Fund
DUNS	Dun and Bradstreet Data Universal Numbering System
DVOP	Disabled Veterans' Outreach Program

E

EAC	Election Assistance Commission

EAEF	Energy Assistance Enterprise Fund
EDC	Economic Development Cluster
EFAP	Emergency Food Assistance Program
EIP	Emerging Infections Program
EIS	Environmental Impact Statement or Eligibility Information System
ELC	Epidemiology and Laboratory Capacity for Infection Disease
ELF	Economic Limit Factor
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
ERP	Enterprise Resource Planning
ESC	Employment Service Center
ESD	Employment Security Division
ESP	Environment Studies Program
ETA	Employment and Training Administration
ETS	Division of Enterprise Technology Services
ETV	Education and Training Vouchers
EVOS	Exxon Valdez Oil Spill

F

F&WC	Fish and Wildlife Cluster
FAA	Federal Aviation Administration
FAIN	Federal Award Identification Number
FAMU	Federal Allocation Management Unit
FASGOV	Fixed Asset System (DOA)
FDA	Food and Drug Administration
FDC	Food Distribution Cluster
FDIC	Federal Deposit Insurance Corporation
FE	Funding Excess
FEMA	Federal Emergency Management Agency
FFATA	Federal Funding and Accountability and Transparency Act
FFELP	Federal Family Education Loan Program
FFR	Federal Financial Report
FFY	Federal Fiscal Year
FGRA	Federal Grants for Rural Areas
FHA	Federal Housing Administration
FHWA	Federal Highway Administration
FI	Food Instrument and Cash Voucher
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
FMS	Finance and Management Services
FRA	Federal Railroad Administration
FSRC	Forest Service Schools and Roads Cluster
FTC	Federal Transit Cluster
Fund	Alaska Permanent Fund
FUTA	Federal Unemployment Tax Act
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	Geospacial Information Services
GOV	Office of the Governor
GRAD	Graduation Really Achieves Dreams
GSA	U.S. General Services Administration

H

HAP	Housing Assistant Plan
HCC	Health Center Cluster
HCP	Health Care Policy
HCS	Health Care Services or Highway Safety Cluster
HCV	Housing Choice Vouchers
HOA	Heads of Agreement
HIV	Human Immunodeficiency Virus
HMGP	Hazard Mitigation Grant Program
HPCC	Highway Planning and Construction Cluster
HPP	Hospital Preparedness Program
HQS	Housing Quality Standards
H.R.	House Resolution
HRA	Health Reimbursement Arrangement
HRM	Human Resource Management
HSC	Highway Safety Cluster
HSGP	Homeland Security Grant Program
HSO	Highway Safety Office
HUD	U.S. Department of Housing and Urban Development

I

IAF	International Airport Fund
IASA	Improving America's Schools Act of 1994
IDEA	Individuals with Disabilities Act
IGERT	Integrative Graduate Education and Research Traineeship
IHS	Indian Health Service
IMLS	Institute of Museum and Library Services
IMS	International Monitoring System
IOOS	Integrated Ocean Observing System
IPMOU	Incentive Payment Agreement
IRIS	Integrated Resource Information System
IRS	Internal Revenue System
ISF	Information Services Fund
ISP	Information Security Policies
IVA	Interactive Voice Applications
IVES	Income and Eligibility Verification Interface

J

JAG	Justice Assistance Grant
JRS	Judicial Retirement System

K

KABATA	Knik Arm Bridge and Toll Authority
KABTA	Knik Arm Bridge and Toll Authority

L

LAs	Local Administrators
LAW	Department of Law (Alaska)
LIBOR	London Interbank Offered Rate
LIHEA	Low-Income Home Energy Assistance
LIHEAP	Low-Income Home Energy Assistance Program
LNG	Liquid Natural Gas
LUST	Leaking Underground Storage Tanks

M

MAPA	More Alaska Production Act
MC	Medicaid Cluster
MD&A	Management's Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association
Medicaid	Medical Assistance Program
MER	Mars Exploration Rover
MHD	Magnetohydrodynamics
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding

MSA	Master Settlement Agreement and Final Judgment
MTW	Moving to Work
M/V	Motor Vessel

N

NACP	North American Carbon Program
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NCHIP	National Criminal History Improvement Program
NCHS	National Center for Health Statistics
NCRDS	National Coal Resources Data System
NEA	National Endowment for the Arts
NGNMRS	National Guard and Alaska Naval Militia Retirement System (Alaska)
NHTSA	National Highway Traffic Safety Administration
NIEHS	National Institute of Environmental Health Sciences
NIOSH	National Institute for Occupational Safety and Health
NMRT	Northwest Marine Retirement Trust
No.	Number
NOAA	National Oceanic and Atmospheric Administration
NPR	National Petroleum Reserve
NRSRO	Nationally Recognized Statistical Rating Organization
NSF	National Science Foundation
NTSC	Northern Tobacco Securitization Corporation

O

O&M	Operations and Maintenance
OAEF	Other Agencies Enterprise Fund
OAH	Office of Administrative Hearings
OCB	Ocean Carbon and Biogeochemistry
OD&D	Occupation Death & Disability
OG	Office of the Governor (Alaska)
OGCA	UAF Office of Grants and Contracts Administration
OHA	Overseas Housing Allowance
OMB	United States Office of Management and Budget
OPEB	Other Post-Employment Benefits
ORR	Office of Rate Review

P

PA	Public Assistance
PATH	Projects for Assistance in Transition from Homelessness
Pension Funds	Pension Trust Funds' Investments
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
PHA	Public Housing Agency
PHD	Public Housing Division
PHEP	Public Health Emergency Preparedness
PL	Public Law
P.O.	Post Office
PPHF	Prevention and Public Health Fund
PPT	Petroleum Profits Tax
PTF	Pension and Other Employee Benefit Trust Fund
Pub. 1075	IRS' Publication 1075
PVE	Petroleum Violation Escrow
QE	Quarter Ending

R

R	Republican Party
R&D	Research and Development
R&DC	Research and Development Center
REIL	Runway End Identifier Lights
RHF	Retiree Health Fund
RLF	Revolving Loan Fund
RMP	Retiree Major Medical Insurance
RPTC	Residential Psychiatric Treatment Center
RSA	Reimbursable Services Agreement
RSI	Required Supplementary Information

S

S&P	Standard & Poors
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAR	Synthetic Aperture Radar
SBJPA	Small Business Job Protection Act of 1996
SBPA	Standby Bond Purchase Agreement
SBR	Statutory Budget Reserve Fund
SBRF	Statutory Budget Reserve Funds
SBS	Supplemental Benefits System (Alaska)
SDSC	Statewide Data Systems Cluster
SEC	Special Education Cluster
SEFA	Schedule of Expenditures of Federal Awards
SF	Division of School Finance or Sport Fishing or Standard Form
SFAC	Student Financial Assistance Program Cluster
SFY	State Fiscal Year
SIFMA	Securities Industry and Financial Markets Association

SIGC	School Improvement Grants Cluster
SRO	Single Room Occupancy
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SNAP	Supplemental Nutrition Assistance Program Cluster
Social Security	Social Security System
SPIRIT	Successful Partners in Reaching Innovative Technology
SRF	Special Revenue Fund
SSA	Social Security Administration
SSI	Supplementary Security Income
SSN	Social Security Number
STAR	Science To Achieve Results
State	State of Alaska
SUNY	State University of New York
SVES	State Verification and Exchange System

T

T&E	Time and Equipment
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TAAF	Trade Adjustment Assistance for Farmers Training Coordination Program
TAC	Technical Assistance Contractor
TANF	Temporary Assistance for Needy Families
TANFC	TANF Cluster
TAPS	Trans-Alaska Pipeline Liability
TEACH	Teacher Assistance for College and Higher Education Grants
The Fund	Alaska Permanent Fund
The State	State of Alaska
The Trustees	Alaska Permanent Fund Corporation's Board Members
TIPS	Treasury Inflation Protected Securities
Title IA	Title I Grants to the Local Educational Agencies
TLS	Teaching and Learning Support
TRMS	Tax Revenue Management System
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)

U

UA	University of Alaska

UAAL	Unfunded Actuarial Accrued Liabilities
UAFPD	University of Alaska Fairbanks Police Department
UCF	Unitized Cash Fund and/or Unemployment Compensation Fund
UofA	University of Alaska
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
USDOI	U.S. Department of the Interior
USDOJ	U.S. Department of Justice
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State
USDOT	U.S. Department of Transportation
USED	U.S. Department of Education
USEEOC	U.S. Equal Employment Opportunity Commission
USEPA	U.S. Environmental Protection Agency
USFS	U.S. Forest Service
USHUD	U.S. Department of Housing and Urban Development
USTREAS	U.S. Treasury
USSTURAA	U.S. Surface Transportation and Uniform Relocation Assistance Act

V

VHA-ORH	Veterans Health Administration Office of Rural Health

W

WA	Washington
WGS	WIC Grants to States
WIA	Workforce Investment Act
WIAC	Workforce Investment Act Cluster
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WISA	Wisconsin Institute of Sustainable Agriculture
WOTC	Work Opportunity Tax Credit Program
WWPC	Waste Water Pollution Control

X

Xerox	Xerox State Healthcare LLC

Y

YARDI	Yardi Systems

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THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Administration
OFFICE OF THE COMMISSIONER
10th Fl. State Office Building
PO Box 110200
Juneau, Alaska 99811
Main: 907.465.2200
Fax: 907.465.2135
www.doa.alaska.gov

RECEIVED
MAR 19 2015
LEGISLATIVE AUDIT

March 19, 2015

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

Dear Mr. Curtis:

RE: Department of Administration (DOA), State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014

This is in response to Recommendation No. 2014-001 and No. 2014-002 in the FY 14 State of Alaska Single Audit.

Recommendation No. 2014-001 - The Division of Enterprise Technology Services (ETS) director should implement procedures to properly account for Information Services Fund (ISF) capital assets.

The Division of Enterprise Technology Services (ETS) concurs with Recommendation No. 2014-001 to implement procedures to properly account for Information Service Fund (ISF) capital assets. The director of ETS has set a priority for gathering accurate information on assets, and directed a team to accomplish this task in calendar year 2015.

Beginning in FY 14, ETS implemented processes to identify all assets listed in the division's fixed asset system (FASGOV), and those procured during FY 14 and after, as discrete assets or part of a greater whole asset. ETS continues to input assets into the system and two schedules have now been entered, one for ISF assets and one for SATS assets.

The end result for fixed assets entered into FASGOV will be comprehensive listings that will include all ISF capital assets owned and properly depreciated. Although input into the system is manual, the system does allow for:

- capitalizing the cost of capital improvements,
- tracking capital asset disposal, and
- generating inventory lists to reconcile FASGOV and AKSAS.

Recommendation No. 2014-002 – The state accountant should improve procedures for calculating the amount of funds to transfer from the Statutory Budget Reserve Fund to the General Fund.

The Division of Finance (DOF) concurs with Recommendation No. 2 to improve procedures to calculate the transfer of funds from the Statutory Budget Reserve Fund (SBRF) to the General Fund (GF). DOF is responsible for the calculation and financial posting of the transfer from the SBRF to balance the deficit within the GF. The procedures and the spreadsheets used to calculate the necessary transfer should be clear and concise.

The Division has taken the following measures to prevent the incorrect calculations in the future. The first measure that the Division has implemented is a correction to the spreadsheet that calculates the amount of the transfer to or from the SBRF. Due to the implementation of GASB 65, a formula error in the spreadsheet resulted in a miscalculation, which has now been corrected for future years. Secondly, the Division has added verbiage to the appropriate work paper that clearly indicates that the balances of sub-funds of the GF are not to be included in the calculation of the amount transferred to or from the SBRF. Lastly, the Division has added language to the General Fund Balance Sheet CAFR procedure to address both of the above issues, and to prevent the same errors from occurring in the future.

Thank you for the opportunity to respond.

Sincerely,

Sheldon Fisher
Commissioner

[Page 2]

THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Revenue
COMMISSIONER'S OFFICE
State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

March 6, 2015

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MAR 09 2015
LEGISLATIVE AUDIT

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, 2014

Dear Ms. Curtis:

Thank you for the opportunity to address the recommendations contained in the preliminary audit *02-40014-15 State of Alaska Single Audit, for Fiscal Year Ended June 30, 2014*. We appreciate your observations.

As you know, the Tax Division has for the past two years been actively developing and implementing the new Tax Revenue Management System (TRMS). We anticipate that this will eventually result in tremendous improvements to our efficiency, our data consistency, our taxpayer relations, and our overall thoroughness. However, at the present time its development is absorbing a large proportion of our human resources with direct impacts.

Many of your recommendations are in some way tied to the development and rollout of TRMS, or highlight conditions that are being actively worked on as integral components of TRMS. We appreciate your guidance as well as your patience as we work our way through this important generational transition in how the Division interacts with our taxpayers and how the resulting data is managed. Below is our division's response to the specific recommendations:

Recommendation No. 2014-003

The Tax Division director should seek Internal Revenue Service (IRS) certification of the Tax Revenue Management System (TRMS) in order to regain access to IRS income tax data.

Agency' Response – Department of Revenue

The Tax Division concurs with this recommendation. *The Tax Division has made regaining access to IRS income tax data a priority. The previous management allowed the IRS certification*

to terminate because they deemed the cost was prohibitive to get the legacy system into compliance with the IRS's Publication 1075 (Pub. 1075). This decision was made on the cusp of implementing the new Tax Revenue Management System, which was going to be compliant. The previous management was not aware when they chose to allow the certification to lapse that the process of re-certification would be substantially more involved than the improvements that would have been required to maintain it. Since the Tax Division is not currently certified with the IRS to receive taxpayer information, it must go through the process as if it had never been certified before. The standard to become certified to receive taxpayer information from the IRS for the first time is much higher, making the process much more complicated than it otherwise would have been.

Pub. 1075 is a voluminous document with many stringent requirements dealing not only with the security of the information technology systems, but with the security of physical documents, the building, the floor, and the servers. It mandates certain training be provided to Division staff, Division policies and procedures, and many other requirements.

The Division has been working with the IRS to become compliant with Pub. 1075, but the process is very time consuming and will involve much more than the TRMS system. The IRS will be in Alaska this summer to conduct an inspection of the Division's systems and servers. The Tax Division anticipates passing that part of the certification process. However, given that the Division's resources are still devoted to designing and implementing TRMS for the final rollout, the Division does not anticipate becoming fully compliant with Pub. 1075 at that time.

The Tax Division has this as a high priority and will continue to devote resources to becoming Pub. 1075 compliant and recertifying with the IRS to receive access to income tax data.

Recommendation No. 2014-004

The Tax Division director should improve the TRMS reporting function and ensure a year-end reconciliation between TRMS and AKSAS is performed timely.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. *The Tax Division is currently working with the TRMS contractors for additional detailed and custom level of reporting in order to reconcile and provide a clear audit trail between TRMS and AKSAS. In addition, the Accounting and Collections staff will be participating in more targeted training in reconciling and reporting to ensure year-end reconciliations is completed accurately and timely.*

Recommendation No. 2014-005

The Tax Division director should evaluate and ensure procedures for processing Constitutional Budget Reserve Fund (CBRF) transfers are adequate and properly followed.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. *The Division will be evaluating the CBRF procedures under TRMS to ensure the CBRF transfers are completed accurately and timely; and the Division is currently working with the TRMS contractors to provide the ability to generate a higher level of detailed reporting required to fully support CBRF transfers.*

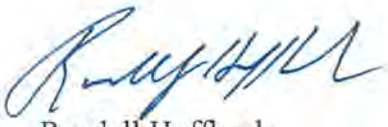
Recommendation No. 2014-006

The Tax Division director should implement procedures to consistently record and report interest and penalty revenues for all tax types.

Agency Response – Department of Revenue

The Tax Division concurs with this recommendation. *Currently, Corporate Income tax (CIT) revenue is recorded in the state accounting system (AKSAS) at the rollup level through an interface between the bank and AKSAS; however, CIT has existing accounts that interest and penalties can be allocated to. The Division will develop and implement written procedures to identify and record adjusting journal entries that will allocate from the tax rollup level to the respective interest and penalty accounts as part of the regular reconciliation process. With the rollout of IRIS later in 2015, the Tax Division expects to automate the recording of revenue in the state accounting system by mapping the accounts from TRMS to IRIS.*

Sincerely,



Randall Hoffbeck
Commissioner

cc: Anna Tchernykh, In-Charge Auditor II, LB&A
Ken Alper, Director, Tax Division
Dan DeBartolo, Director, Administrative Director

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THE STATE of ALASKA
GOVERNOR BILL WALKER

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
Fax: 907.465.4156

March 16, 2015

RECEIVED
MAR 17 2015
LEGISLATIVE AUDIT

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 recommendation in the preliminary audit report on the State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014.

Recommendation No. 2014-007
The Division of Administrative Services' (DAS) director should strengthen *Federal Funding Accountability and Transparency Act* (FFATA) reporting procedures to ensure required reports are submitted timely and accurately.

The department agrees with recommendation No. 2014-007 and has corrected and strengthened our FFATA reporting procedures to ensure timely and accurate reports are submitted in compliance with the FFATA sub-award reporting requirements.

Sincerely,

Mike Hanley

Mike Hanley
Commissioner

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THE STATE of ALASKA
GOVERNOR BILL WALKER

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

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MAR 18 2015
LEGISLATIVE AUDIT

March 18, 2015

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Curtis:

The Department of Health and Social Services (DHSS) 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, 2014.

Recommendation No. 2014-008
DHSS' Division of Public Assistance (DPA) director should ensure personal service expenditures charged to federal programs comply with federal cost principles.
DHSS concurs with the recommendation. The division has initiated staff training on positive time keeping during SFY 2015.

Recommendation No. 2014-009
The Financial and Management Services (FMS) assistant commissioner should redefine CapPlus system accounts to strengthen information system controls.
DHSS concurs with the recommendation. The Federal Allocation Management Unit (FAMU) and revenue unit managers have reduced the number of staff with administrative rights. In SFY 2015 FMS will work with the Interactive Voice Applications (IVA) to expand the levels of CapPlus access from three to four levels to further strengthen the information system controls.

Recommendation No. 2014-010
FMS' assistant commissioner should ensure required federal financial reports are submitted.
DHSS concurs with the recommendation. The Division of Public Assistance (DPA) and the FMS Revenue Unit are working toward establishing roles and responsibilities as it relates to all

federal reporting elements. A written process for the Low Income Energy Assistance Program (LIHEAP) has been drafted for the review and submission of its Federal Financial Report (FFR).

Recommendation No. 2014-011
DPA's director should ensure the social security number (SSN) of Medicaid benefit applicants is verified prior to providing benefits.
DHSS concurs with the recommendation. DPA staff has taken corrective action by performing the SVES verification and updating the files.

Recommendation No. 2014-012
DPA's director should ensure reports are monitored and follow-up is performed as required for the WIC program.
DHSS concurs with the recommendation. Policies and procedures are in the process of being finalized and the new WIC information system, SPIRIT, has automated several of the reporting requirements discussed in this recommendation.

Recommendation No. 2014-013
The Division of Senior and Disabilities Services (DSDS) director should continue to improve documentation procedures and provide oversight to ensure provider certification files are complete.
DHSS concurs with the recommendation. In SFY 2014 DSDS continued to strengthen its procedures by performing quality assurance reviews of a sample of the provider certification files for each worker to ensure consistency and sufficient documentation that providers meet certification standards. In SFY2015 DSDS will conduct refresher trainings for staff on the proper use of the checklist and provider certification documentation procedures; specifically background check documentation. DSDS has also implemented Provider Certification procedures and established a standardized file system to document that qualifications have been met prior to certification.

Recommendation No. 2014-014
The Division of Behavioral Health's (DBH) director should continue to make improvements to 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 partially concurs with the recommendation. DHSS agrees RPTC providers should be paid in accordance with federal and state requirements. The Office of Rate Review (ORR) worked with DBH staff to design a template of steps (i.e. rate checklist) for DBH staff to complete and submit to ORR for review and recommendation before DBH sets a rate. The checklist both expressly and implicitly requires verification of provider data through documentation that supports key steps of the rate setting process that is described in regulation.

During SFY2015 ORR continues to strengthen internal controls by expanding the checklist to describe all necessary documentation required for each step and is currently in the process of

implementation. As before, the DBH user must collect and attach such documentation before submitting the checklist and materials to ORR for review and recommendation. While this practice may not have been perfectly executed in the past, ORR believes that the rates that have been set under this process within the last two years are still fully consistent with current regulations and have not resulted in any overpayments.

Recommendation No. 2014-015
DHSS' Low-Income Home Energy Assistance Program (LIHEAP) program manager should continue to improve training and monitoring to ensure program benefits are calculated in accordance with the LIHEAP State Plan.
DHSS concurs with the recommendation. The division updated the LIHEAP procedures manual in SFY 2014 and provided training to staff at the beginning of the season. Case reviewers have also started verifying that the correct eligibility criteria are being applied.

Recommendation No. 2014-016
The LIHEAP program manager should ensure the LIHEAP State Plan complies with federal requirements.
DHSS concurs with the recommendation. The division is continuing to work toward changes in the way benefits are calculated. Since this requires a change in statute and regulation prior to updating the LIHEAP state plan, the anticipated resolution is within the next two years.

Recommendation No. 2014-017
The DSDS' director should ensure provider employees receive timely, complete, and approved background clearances and that the information supporting the clearance is properly documented.
DHSS concurs with the recommendation. In SFY 2014 DSDS continued to strengthen its processes and procedures by developing a background check verification form and implementing it as essential documentation for the provider agency folder. DSDS also participated in a department-wide project to address applicants in provisional status over 90 days resulting in outstanding cases being resolved. Early in SFY 2015 procedures were adopted and implemented for individuals with a barred status including a file documentation requirement. Additionally, DSDS has incorporated the background check clearance process into the written procedures for provider certification and certification renewal which includes printing out the agency's background check program account and including it in the provider agency folder.

Recommendation No. 2014-018
The Medicaid and Health Care Policy's (HCP) deputy commissioner and FMS assistant commissioner should improve procedures to ensure overpayments to Medicaid providers are refunded to the federal agency within the specified time frame.
DHSS concurs with the recommendation. In SFY 2014 DHSS updated procedures to ensure accurate federal reporting and in SFY 2015 is in process of expanding those procedures to include every potential type of overpayment.

Recommendation No. 2014-019
DHSS' commissioner should take action to implement effective controls to ensure Medicaid claims are processed accurately and timely.
DHSS concurs that effective controls must be in place to ensure that Medicaid claims are processed accurately and timely. The Department continues to address AHE system defects and deficiencies with Xerox's performance in order to provide for continued access to health care for Alaskans in need.

The Alaska Health Enterprise (AHE) Medicaid claims processing system went live on October 1, 2013. During the first days and weeks of operation, it became evident that significant system defects and issues existed that adversely affected the timely and accurate processing of Medicaid claims. Early in the go-live period, AHE was unable to recognize certain types of claims resulting in those submitted claims not being accepted into the system at all. The Department immediately assessed the status of Xerox's claims processing capacity and identified several areas of critical failure. Documents released to the public by the Department of Law on September 22, 2014 (Attachment Nbr #1) explain in detail the significant actions taken by DHSS during the go-live period and beyond to address these critical system issues.

DHSS acknowledged during the audit period that defects existed within AHE causing certain claims to be priced incorrectly; to be paid incorrectly; and to be denied or suspended inappropriately. To compensate for Xerox's failure to accurately process claims, the state was forced to develop and implement workaround processes. These efforts ensured that providers could receive payment via claims processing through AHE, which would include a remittance advice for each payment even if the payment included errors. This allowed for providers to maintain claims submission and accounting controls. Defect claims were then isolated for correction at a later time when approved system-based resolution could be introduced into AHE. Full disclosure to support these required workarounds was provided at the time of the audit including documentation showing that effective state controls were in place to identify, track and reprocess claims that were paid with errors in the defective AHE system.

During SFY 2014, some providers suffered an ongoing significant loss of dependable Medicaid reimbursement plus additional and burdensome administrative costs while providing routine and continuous care to Alaskans in need. In order to maintain the Department's top priority of access-to-care, DHSS issued more than $143 million in cash payments to our most financially vulnerable providers so they could continue to operate under the duress of a defective Medicaid claims processing system.

During the audit, documentation was provided to show that controls existed to support the dollar amount of claims associated with these cash payments. Due to Xerox's inability to address all AHE deficiencies during this time, unresolved defect claims were part of these documented expenditures. For federal reporting purposes, DHSS attempted to design and implement a manual adjudication process based on the identified claims. This approach was shared with the Centers for Medicare and Medicaid Services (CMS) and DHSS received approval from the CMS regional office to claim $131 million of these expenditures (resulting in $78 million in federal draw down) and did so in QE 6/30/14. However, due to concerns raised by Legislative Audit in

November 2014, the Department reversed the adjustment on the CMS64 federal expenditure report for QE 12/31/14 and reported it as a decreasing prior period adjustment for QE 6/30/14.

In SFY 2015 DHSS continues its efforts to ensure that Medicaid claims are processed accurately and timely within AHE. The development of Xerox's Corrective Action Plan (CAP) was initiated in October 2014 and was scheduled to be completed in February 2015. The CAP, which was published on the DHSS webpage, addresses corrective actions, expectations and deadlines for AHE Medicaid claims processing solutions. Litigation was also initiated by the department and the first hearing regarding the state's claim was scheduled for the week of February 16, 2015 with other hearings scheduled in August, 2015.

Recommendation No. 2014-020
FMS' assistant commissioner should take measures to resolve revenue shortfall issues.
DHSS concurs with the recommendation. DHSS has submitted ratification requests to the Office of Management and Budget (OMB) for all appropriations (AR) listed with the exception of AR 22620-14 Division of Public Assistance and AR 22704-14 Modification for IRIS-RSA. It is anticipated the two remaining appropriations may not require ratification as DHSS is expecting the necessary revenues. This is a point in time determination and DHSS is always working toward minimizing differences to prevent shortfalls.

Recommendation No. 2014-021
DHSS' commissioner should work with Xerox to correct defects in the AHE system.
DHSS concurs with the recommendation and continues to address AHE system defects and deficiencies with Xerox's performance in the implementation of an operation ready system which has required DHSS to implement manual processes to ensure continued access to healthcare for Alaska's vulnerable constituents.

Documents released to the public by the Department of Law on September 22, 2014, and provided as attachment #1, explain the considerable preparation that was completed by DHSS prior to Xerox taking the AHE live on October 1, 2013. The preparation followed best practices for Information Technology system replacement. DHSS also received a signed certificate of system fitness for operational implementation from Xerox (Attachment #2) and a security plan prior to go-live from Xerox, who hosts the AHE system. Additionally, the professional technical assistance contractor (TAC), Qualis Health, another contractor for the state of Alaska, stated on page 4 of 10 in their "October 2013 IV&V Report" dated November 8, 2013: "By industry standards, the Alaska implementation can be considered successful because at Go-Live, the system..." followed by seven items supporting their conclusion. However, this report was later tempered by the issuance of another report after Go-Live titled "Alaska Health Enterprise Acceptance Testing Assessment" dated November 20, 2013.

Attachment #1 also explains the significant actions taken by DHSS following Go-Live. In SFY 2015 DHSS continues to rectify the operational and system deficiencies with Xerox.

Recommendation No. 2014-022
DHSS' commissioner should ensure financial activity is properly classified in AKSAS.
DHSS concurs that financial activity should be properly classified in AKSAS. Due to extenuating circumstances surrounding the AHE conversion and in order to maintain its Medicaid program, DHSS attempted to design and implement a manual adjudication process. The agency shared its proposed approach with the Centers for Medicare and Medicaid Services (CMS) and the Division of Finance. DHSS received approval in advance from CMS regional office and dedicated significant internal efforts toward satisfying the federal requirements for federal reporting as required for adjudicating Medicaid claims and to ensure the expenditures were reported in compliance with Generally Accepted Accounting Principles (GAAP).

At the time DHSS made the decision to prepare an adjustment for manually adjudicated claims, it was with the understanding that the fiscal agent, Xerox could not process the incorrectly suspended and/or denied claims prior to the state fiscal year end for 2014 (06/30/14) and the adjustment would be reversed prior to the end of quarter ending (QE) 09/30/14 during said quarter the suspended and denied claims were to be processed. Unfortunately, the situation surrounding the AHE operations and system defects only worsened (see Attachment #1).

Due to concerns raised by Legislative Audit in November 2014, DHSS reversed the complete adjustment in December 2014, and it is being reported as a decreasing prior period adjustment for QE 06/30/14 on the CMS 64 federal expenditure report for QE 12/31/14. Screen shots of the adjusting journal entry and online audit trail from the state of Alaska accounting system (ASKAS) are attached for easy reference.

Recommendation No. 2014-023
DHSS' commissioner should distribute funds in accordance with state statutes and regulations.
DHSS concurs with the general premise that funds should be distributed in accordance with state statutes and regulations; however, DHSS does not agree that these distributions violated state regulation or were subject to the DHSS grant regulations (7 AAC 78).

The funds that were paid to the four identified providers in your letter were appropriated to DHSS as unrestricted funds and not to a DHSS grant program. As such, the money was not restricted in any way as to how DHSS could use it and was not authorized on exemptions within the Alaska Administrative Manual current or past. DHSS continues to believe that the use of this money was, under its policy and procedure related to Sponsorships, appropriate and in accordance with Alaska statute (AS) section 18.05.010, AS 18.15.355 (Attachment #3). DHSS used the funding to ameliorate and/or raise public awareness to protect and promote important public health concerns, namely suicide prevention and prevention of domestic violence and sexual assault. These payments were done through collaboration with public sector partners to help meet the mission of DHSS (To Promote And Protect The Health And Well-Being Of Alaskans).

The DHSS grant procedures and regulations are robust and comprehensive allowing for both competitive and non-competitive solicitations. Since this appropriation was not a grant, and sponsorships are not part of the grant process this recommendation is not applicable.

Thank you for allowing the department to provide additional insight on these recommendations.

Sincerely,

Valerie J. Davidson
Commissioner

Cc: Sana Efird, Assistant Commissioner
Jon Sherwood, Deputy Commissioner
Ree Sailors, Deputy Commissioner
Albert Wall, DBH Director
Duane Mayes, DSDS Director
Ron Kreher, DPA Acting Director
Margaret Brodie, HCS Director
Linnea Osborne, Accountant V

Attachments (3)

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Law
CIVIL DIVISION
1031 West 4th Avenue, Suite 200
Anchorage, Alaska 99501
Main: 907.269.5100
Fax: 907.276.3697

September 22, 2014

VIA MAIL AND EMAIL

Curtis Thayer, Commissioner
Alaska Department of Administration
550 W. 7th Avenue, Suite 1970
Anchorage, AK 99501
curtis.thayer@alaska.gov

Re: Alaska MMIS/Enterprise Contract 060706 including RFP 2007-0600-6640

Dear Commissioner Thayer:

This office represents the State of Alaska, Department of Health and Social Services (DHSS) in the above referenced matter. Pursuant to AS 36 30.620(f), enclosed is a claim on behalf of DHSS against Xerox State Healthcare LLC (Xerox). As the claim explains, we are referring this matter to your office pursuant to the terms of the contract between DHSS and Xerox that gives rise to this dispute.

A copy of this letter and the enclosed claim are being simultaneously sent to Xerox and its counsel.

Thank you for your attention in this matter. Please contact me and Xerox's counsel if you have any questions.

Regards,

MICHAEL C. GERAGHTY
ATTORNEY GENERAL

By:
Dana Burke
Senior Assistant Attorney General

DSB/ajp
Attachment

cc: William Streur, Commissioner, Department of Health and Social Services
Margaret Brodie, Director Health Care Services
David Hamilton, Group President, Xerox (via email and Certified U.S. Mail)
Peter Weis, Vice President & Senior Corporate Counsel, Xerox (via email and Certified U.S. Mail)

BEFORE THE COMMISSIONER OF ADMINISTRATION

In the Matter of:	)	
	)	
DEPARTMENT OF HEALTH AND SOCIAL SERVICES	)	
	)	
v.	)	
	)	
XEROX STATE HEALTHCARE, LLC; (f/k/a ACS STATE HEALTHCARE, LLC), A XEROX COMPANY	)	Contract 060706 RFP 2007-0600-6640
	)	

STATEMENT OF CLAIM

For its claim against Xerox State Healthcare LLC, (Xerox) the State of Alaska, Department of Health and Social Services (jointly referred to herein as the State or DHSS) asserts the following:

I. Introduction

1. This claim is brought by the Alaska Attorney General's Office (AGO) on behalf of DHSS. DHSS seeks specific performance, declaratory relief, injunctive relief, damages, indemnification, and other relief as stated herein. The filing of this action with the Commissioner of the Department of Administration (COA), is without prejudice to DHSS's and the AGO's right to seek further or concurrent relief against Xerox and others in Alaska Superior Court in accordance with applicable law and the contract that is the subject of this case, Contract 060706 (the contract).

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

II. Parties and Jurisdiction

2. DHSS has authority to bring this action before the COA in accordance with the parties' contract, the Alaska Procurement Code, the Alaska Administrative Procedures Act, and other applicable law. The AGO brings this action not only as counsel for DHSS but also pursuant to its authority set forth in the Alaska Unfair Trade Practices and Consumer Protection Act (UFTPA), AS 45.50 *et seq.*, including but not limited to AS 45.50.495(b).

3. Xerox is subject to COA jurisdiction in accordance with the parties' contract, the Alaska Procurement Code, the Alaska Administrative Procedures Act, and other applicable law.

III. The Contract

4. Alaska's Medicaid Management Information System (MMIS) was established in 1987 to process and pay Medicaid claims. Since then, the number of Alaskans enrolled in medical assistance programs has grown to more than 140,000. Today, Alaska's MMIS pays about $1.5 billion annually in state and federal money to doctors, hospitals and others who care for Medicaid and Denali Kid Care patients.

5. In November 2006, DHSS issued a Request for Proposals (RFP) to replace the old, legacy MMIS. The legacy system was not Internet-dependent and needed updating to comply with changing federal requirements. The RFP sought a system capable of supporting a variety of health care delivery systems, and capable of processing claims and data from multiple programs and plans. It further sought a system

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OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

capable of being amended with changing federal requirements such as the Affordable Care Act.

6. As specified in the RFP, the new MMIS had to be certifiable by the Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for the administration of federal health care programs including but not limited to Medicare, Medicaid, the Children's Health Insurance Program, and the Health Insurance Portability and Accountability Act. CMS provides 90% of the funds for the development and implementation of the new MMIS. CMS will provide 75% of the funds for the operation of the MMIS when and if it is certified.

7. In 2007, DHSS awarded the contract to design, develop, implement and operate the new MMIS to Affiliated Computer Services (ACS). Xerox has since acquired ACS, and in so doing acquired and assumed all of ACS's interests, responsibilities, and obligations relative to the MMIS contract.

8. The Alaska MMIS contract was divided into three phases: (1) design, development, and implementation (DDI) of the new enterprise MMIS; (2) operation of the MMIS, including its data warehouse and decision support system; and (3) turnover over of the MMIS to DHSS or its contractor upon completion of performance.

9. The DDI portion of the contract was to be completed in approximately two years and 8 months. Seven years from contract inception, Xerox has yet to provide a fully implemented, functional, and certifiable system in accordance with the contract requirements. The MMIS that was implemented has fundamental and material defects.

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

IV. Xerox's Performance Failures

10. From the outset Xerox's performance was marred by missed deadlines, rushed work resulting in poor coordination, a high rate of critical staff turnover, and false representations regarding operational readiness of the MMIS.

11. Regarding missed deadlines, the DDI phase of the contract consisted of eight milestones, with payments tied to successful completion of each, as follows:

Milestone	Contract Price	Contract Completion Date	Actual Delivery Date
Project Initiation (DDI 1)	$1,617,333.90	12/31/2007	6/18/2008
Requirement Verification (DDI 2)	$6,469,335.60	8/31/2008	3/1/2009
System Design (DDI3)	$3,234,667.80	10/31/2009	5/13/2010
Conversion (DDI 4)	$3,234,667.80	5/31/2010	12/7/2012
MMIS Development (DDI 5)	$3,234,667.80	10/31/2009	12/1/2012
Testing (DDI 6)	$3,234,667.80	10/31/2009	11/30/2013
Acceptance Test (DDI 7)	$3,234,667.80	4/30/2010	11/30/2013
Implementation (DDI 8)	$8,086,669.50	5/31/2010	N/A

12. Due to Xerox's failed performance, defects in the deliverables developed, and failure to meet deadlines, the State has not accepted DDI Milestones 6, 7, and 8, highlighted above in yellow.

13. Pursuant to the contract, the original fully operational or "go live" deadline for the MMIS was June 01, 2010. As a result of Xerox's performance failures, and in reliance upon Xerox's assurances that it would correct its failures, DHSS agreed several times to extend the "go live" date. In 2011, the State approved a revised "go live" extension to October 1, 2012.

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

14. Thereafter the State declined to approve additional extensions. Nevertheless Xerox, without State approval and in breach of its prior assurances and contract obligations, unilaterally and on more than one occasion extended the "go live" date.

15. To mitigate the continuing delay of the "go live" date, Xerox proposed a new DDI approach. This consisted of separate eight week project performance "sprints" in which six separate teams of Xerox staff would simultaneously work on discrete parts of the MMIS, with each team to complete its work within the eight-week period.

16. Yet, Xerox still failed to timely complete critical portions of such work. Moreover the work of the sprint teams was often not coordinated with Xerox's testing and operations teams. As a result, the MMIS became and remains fundamentally flawed.

17. Under the contract Xerox was responsible for product testing to ensure that its deliverables would meet the performance criteria the parties agreed upon. During the DDI process, Xerox claimed it had performed extensive "system testing" on the MMIS. Xerox claimed, among other things, that it had run over 13,000 tests cases to confirm that the MMIS met contract requirements. Upon information and belief DHSS asserts that Xerox misrepresented to the State the system passed the tests.

18. DHSS conducted test cases, numbering in the hundreds, in order to evaluate Xerox's representations and alleged performance. Notwithstanding Xerox's representations and assurances, DHSS found numerous defects and failures to meet

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

contract requirements. DHSS immediately apprised Xerox of these defects and failures. In response Xerox incorrectly and improperly assured DHSS that it had remedied the failures and defects and had established easy to administer workarounds that could be used until the remaining defects were remedied.

19. In September 2013, the parties knew there were approximately 44 defects in the MMIS, but Xerox incorrectly and improperly represented that it had established workarounds to allow the State to perform those defective functions. Xerox continued to represent and assure DHSS that the MMIS was ready for "go live." In support of its representations and assurances, intended to induce DHSS to allow the enterprise system to "go live," Xerox submitted an operational readiness document certifying that the MMIS was ready for operation.

20. Relying on Xerox's representations and assurances, and in order to get at least part of the long-delayed MMIS up and running, and aware of the small number of MMIS defects with workarounds, DHSS agreed to allow Xerox to "go live" on the portion of the MMIS that Xerox certified or otherwise represented as "completed." In so doing DHSS believed and understood, based on Xerox's statements, representations, and assurances, that the MMIS was functioning at 90% of the contractually agreed upon performance.

21. Concurrently, however, DHSS withheld acceptance of the MMIS. DHSS did so in light of other system defects known to both parties, and because the development and implementation of other parts of the MMIS were incomplete.

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
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22. Xerox was made aware of, knew of, and fully recognized the State's non-acceptance. Xerox's awareness, knowledge, and understanding were manifested by, among other things, the fact that the DHSS Project Director for the contract declined to countersign the Deliverable Transmittal Document which, if so signed, would (pursuant to the contract) have reflected acceptance.

23. In reliance upon Xerox's purported testings, certifications, representations, and assurances including those set forth herein above, but without having accepted Xerox's product, DHSS authorized Xerox to "go live" with the MMIS on October 1, 2013.

24. Simultaneously, and also in reliance upon Xerox's testings, certifications, representations, and assurances, DHSS stopped using its existing legacy system to pay providers. In so doing, although aware the MMIS had defects, DHSS reasonably believed based upon Xerox's assurances that the system was operational and that a Xerox contingency plan and schedule of fixes would very soon resolve remaining defects.

25. But, once the new MMIS went into operation for the purpose of processing Medicaid claims and performing other functions, at which time the old legacy system was turned off, DHSS and Alaska's Medicaid providers quickly learned the MMIS was fundamentally and materially flawed far beyond what was disclosed by Xerox. At this point, once DHSS cut over from the old legacy MMIS to the new MMIS, it was too late to turn back.

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1031 W. FOURTH AVENUE, SUITE 200
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PHONE: (907) 269-5100

26. The existence of material flaws, defects, and failures to meet contract standards is reflected, among other things, in the fact that the list of identified defects grew from 44 at "go live" to 546, and today is still at 460, some 290 of which have been determined to be "critical" or "high," the two most severe categories. The impact of these and other defects for which Xerox is responsible has been devastating to DHSS, healthcare providers who utilize MMIS, healthcare recipients who rely on such healthcare providers, and the public health, safety, and welfare. The impacts and the costs thereof continue to mount.

27. The last time Xerox submitted a work plan sufficient to gain DHSS approval was in January 2013. Since October 1, 2013, Xerox has operated without a credible work plan in violation of its contract obligations. Xerox has presented DHSS with a so-called "fatal flaws" work plan, but this is a partial work plan only and does not satisfy Xerox's contract obligations. Despite the passage of almost one year since "go live," Xerox continues to fail to provide a plan to correct the comprehensive failures in its product and project performance.

28. Xerox's flawed system and its failure to remedy defects has resulted in Xerox's further failure to make healthcare provider payments. Under the MMIS program, providers electronically submit claims for payment for services rendered. Such providers can also submit claims for payment on federally approved paper forms. Pursuant to the contract Xerox is responsible to process both types of claims. Xerox's defective MMIS and its failure to remedy the defects notwithstanding its certifications,

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

assurances, and representations as to the adequacy of its MMIS, have rendered Xerox incapable of adequately processing claims in accordance with the contract. This has rendered healthcare providers that submit claims incapable of receiving payment, has harmed the relationships between such healthcare providers and their patients, and has damaged public health, safety, and welfare.

29. Regarding paper claims, when DHSS inspected the Xerox mail room in response to providers' complaints that their paper claims were disappearing or otherwise being ignored, DHSS found hundreds of thousands of neatly stacked paper claims in a Xerox mailroom. DHSS brought this situation to Xerox's attention. In response, Xerox failed to take sufficient corrective action. Rather than properly addressing the backlog, Xerox returned a significant number of the claims to the providers. This action further contributed to and exacerbated the harm described herein. Xerox's conduct in this regard was deceptive, dishonest, outrageous and in conscious disregard of the State's rights, and in breach of Xerox's contractual obligations.

30. Regarding electronically submitted claims DHSS, upon investigation, believes and asserts that due to Xerox's defective programming an unknown percentage of claims submitted using the new MMIS are artificially placed by Xerox in a "suspended" status. In said status, and due to defects in the MMIS, such claims are treated as neither paid nor denied. Xerox's conduct in this regard is or may be deceptive, dishonest, outrageous and in conscious disregard of the State's rights, and in breach of Xerox's contractual obligations.

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31. Many other defects exist. To date, eleven months after Xerox certified the MMIS to "go live," Xerox is not able to or will not tell DHSS if the claims it has processed were properly paid or properly denied. DHSS's contact with healthcare providers leaves the State with reason to believe processing and payment errors continue. Such errors include but are not limited to claims submitted by the Pioneer Home which were overpaid because of Xerox's errors and omissions.

32. DHSS has attempted to mitigate the existing and potential harm to Alaska providers, their patients, and the public caused by Xerox's errors and omissions. DHSS recognizes that unless Xerox's errors and omissions are mitigated or otherwise remedied, the resulting harm may include: the closing of medical practices that rely on timely Medicaid payments; the refusal by healthcare providers to render medical services to Medicaid eligible patients; the loss of available services for healthcare recipients; and damage to public health, safety, and welfare. DHSS's mitigation efforts to date include but are not limited to outreach to provider groups and the delivery of advanced payments to providers whose claims were artificially placed in suspended status. As of July 29, 2014, there were 89,421 suspended claims. As of August 2014, the State had issued advance payments of approximately $154,000,000 to cover such claims.

33. By advancing payments, DHSS risks not being able to accurately reconcile the payments that should have been made with the amounts actually paid. As a result, DHSS may have to repay the federal government for inaccurate payments, or

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DHSS may not be able to get as much money as it should have from the federal government for provider claims. As the entity whose errors and omissions triggered DHSS's mitigation efforts, Xerox is responsible for all harm or damages stemming from such mitigation efforts.

V. Xerox's Failure to Cure

34. On February 4, 2014, David Hamilton, a Xerox agent and representative in his capacity as Group President for Xerox Government Health Care Solutions, testified before the Alaska State Legislature House Health and Social Services Standing Committee. Mr. Hamilton testified that Xerox expected to clear the backlog of claims (partially described herein above) in three to four weeks. On March 24, 2014, after Xerox failed to fulfill Mr. Hamilton's representations, DHSS sent Xerox a Notice to Cure letter. Attached to DHSS's letter were six pages identifying performance defects. In the letter DHSS demanded that Xerox create and provide a corrective action plan (CAP) outlining the steps Xerox would take to cure the defects and contract breaches.

35. Xerox did not provide the requested CAP. By letter dated April 28, 2014 Xerox responded to the DHSS Notice to Cure letter by acknowledging receipt and providing a spreadsheet of defects. Xerox's response letter and its actions taken thereafter have failed to provide adequate cure. To date, Xerox has failed to advise DHSS of acceptable, concrete steps Xerox will take to cure its contract breaches.

36. On May 6, 2014, DHSS sent a letter to David Zirl, a Xerox agent and representative in his capacity as Senior Vice President and Managing Director for Xerox

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

Government Healthcare Solutions for the Western Region. In the letter DHSS notified Xerox that its response to the Notice to Cure was deficient. DHSS demanded a targeted approach to addressing the demand for cure. DHSS detailed the specific elements that the CAP must include.

37. Soon thereafter, and in accordance with Section A.8.5 of the contract, Xerox and DHSS representatives met to discuss and attempt to resolve Xerox's failure to cure. Xerox representatives made a presentation outlining steps Xerox proposed to undertake. The presentation and supporting documentation did not adequately address Xerox's deficiencies and did not indicate an appropriate cure to its breaches. Xerox asked for additional time, until August 1, 2014, to remedy admitted defects and failures. The State demanded that Xerox cure its long-standing breaches by June 30, 2014.

38. On June 30, 2014, Xerox provided DHSS a document that plainly did not constitute a CAP sufficient to meet DHSS's demands, contract requirements, or industry standards. The document proposed completion dates as late as December 2014. Among other problems, it treated as satisfied work deadlines that had already passed for work that remained unsatisfactory and incomplete.

39. Xerox's proposal, if accepted, would have allowed for project completion more than twelve months after Medicaid eligible services had been provided. This timing would have exposed the State to substantial risk, including but not limited to the risk that DHSS would compromise the State's ability to claim the full federal funding match of 90% on DDI services. Furthermore, Xerox's proposal did not adequately

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OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

address significant MMIS defects, including but not limited to defects discovered following the October 1, 2013 "go live" date. DHSS therefore reasonably and appropriately rejected the proposal.

40. On July 2, 2014, the State sent gave Xerox a Request for Mediation under Section A.8.5 of the contract. The parties conducted mediation on September 10 and 11, 2014. The mediation was unsuccessful.

VI. Causes of Action

Count 1 – Breach of Contract and Bad Faith

41. DHSS restates and incorporates herein by reference all prior allegations.

42. In view of Xerox's actions, omissions, and misconduct, Xerox is in breach of the MMIS contract. Xerox's breaches include, but are not limited to, breach of the covenant of good faith and fair dealing applicable to all contracts under Alaska law.

43. Xerox's breaches additionally include, but are not limited to: its failure to correct or re-perform inadequate services; it's replacement or reassignment of key personnel without consent; its failure to ensure that its personnel are qualified; its failure to meet service related performance standards and other system service levels; its failure to provide an MMIS in accordance with contract standards; its failure to adequately provide monthly performance reports; its failure to give written notice of DHSS eligibility for performance credits due to Xerox's failure to achieve service levels; its failure to transfer the parent guaranty to Xerox after Xerox purchased ACS; its failure to obtain DHSS approval for a subcontractor; its failure to provide the state a copy of that

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OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

subcontract 30 days prior to the subcontractor starting work; its failure to provide deliverables and perform services at the skill level required by contract; its failure to perform equipment, hardware, software, and system maintenance and support as contractually required; it's failure to adequately provide training, knowledge transfer, and other services; and, its failure to provide a suitable CAP.

44. As a consequence of Xerox's contract breaches and bad faith, DHSS has been harmed as described herein and is entitled to compensatory, special, consequential, and incidental damages, specific performance, declaratory relief, injunctive relief, and other relief as requested below.

Count 2 – Breach of Warranty

45. DHSS restates and incorporates by reference all prior allegations.

46. In view of Xerox's actions, omissions, and misconduct, Xerox is in breach of express and implied warranties in connection with the MMIS related services and products it sold to DHSS, which products are or may constitute "goods" under Alaska's commercial code.

47. Xerox's warranty breaches further include but are not limited to its contractual warranty to comply with all applicable laws, which violations of law are further described herein below.

48. As a consequence of Xerox's warranty breaches DHSS has been harmed as described herein and is entitled to compensatory, special, consequential, indirect, and

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

incidental damages, specific performance, declaratory relief, injunctive relief, and other relief as requested below.

Count 3 – Quasi-Contract and Other Grounds for Estoppel

49. DHSS restates and incorporates herein by reference all prior allegations.

50. Xerox, through its promises, statements, actions, interactions, representations, and other conduct described herein, caused or induced DHSS to rely to its detriment upon Xerox and/or to refrain from undertaking steps to protect DHSS's rights with respect to the defective MMIS and Xerox's related misconduct.

51. As a consequence DHSS has been harmed and is entitled to relief under one or more doctrines of estoppel. Such relief includes but is not limited to compensatory, special, and incidental damages, specific performance, declaratory relief, injunctive relief, and other relief as requested below.

Count 4 – Misrepresentation and Nondisclosure

52. DHSS restates and incorporates herein by reference all prior allegations.

53. In view of Xerox's actions, omissions, misconduct, representations, assurances, and certifications described herein in detail and with specificity, Xerox has breached duties owed to DHSS by committing intentional and/or negligent misrepresentations and/or nondisclosures of material fact. The intentional misrepresentations and/or nondisclosures are outrageous and in conscious disregard of the rights of DHSS and others.

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

54. As a consequence DHSS has been harmed and is entitled to relief including but not limited to compensatory, special, consequential, indirect, and incidental damages, punitive damages, specific performance, declaratory relief, injunctive relief, and other relief as requested below.

Count 5 – Unfair Trade Practices

55. DHSS restates and incorporates herein by reference all prior allegations.

56. Xerox's conduct described herein constitutes unlawful acts and trade practices subject to Alaska's UFTPA, AS 45.471 *et seq.*

57. Specifically, Xerox's conduct constitutes unfair or deceptive acts or practices in the conduct of trade or commerce pursuant to §§ 471(b)(4), (6), (11), and (12).

58. Xerox's conduct in this regard entitles DHSS to all rights and remedies available under the UFTPA, including but not limited to: the powers vested in the AGO under §§ .495(a) and (b) and .501(a) and (b). DHSS's assertion of these powers in this action is without prejudice to DHSS's right to pursue appropriate remedies in Alaska Superior Court, either concurrently with or subsequent to this action. No waiver or estoppel may be inferred.

59. As a consequence of Xerox's UFTPA violations DHSS has been harmed and is entitled to relief including but not limited to relief as contemplated in the UFTPA (treble damages, actual reasonable attorney fees and costs).

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

Count 6 – Declaratory Relief

60. DHSS restates and incorporates herein by reference all prior allegations.

61. In light of the contract and warranty relationships between DHSS and Xerox as described herein, and in light of Xerox's ongoing actions, omissions, and misconduct detrimental to DHSS and the public health, safety and welfare, there is an actual case or controversy upon which the COA may provide declaratory relief.

62. There is an actual case or controversy regarding DHSS's contract rights and remedies, including but not limited to DHSS's right of rescission and reimbursement in the event DHSS elects to rescind.

63. There is an actual case or controversy regarding DHSS's warranty rights.

64. There is an actual case or controversy regarding Xerox's obligation to cure, and when cure must be implemented.

65. There is an actual case or controversy regarding Xerox's obligation to indemnify DHSS pursuant to the contract in the event healthcare providers, health recipients, or others initiate claims against DHSS in connection with the failed MMIS. DHSS asserts that it is entitled to full indemnity.

66. There is an actual case or controversy regarding the State's right to collect or otherwise impose liquidated damages. DHSS has asserted its right to liquidated damages under the contract, and has quantified such damages by letter to Xerox dated September 19, 2014.

67. DHSS seeks a declaration of its rights with respect to all of these issues.

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

Count 7 – Injunctive Relief

68. DHSS Restates and incorporates herein by reference all prior allegations.

69. Based on Xerox's conduct as described herein, DHSS is entitled to injunctive relief in order to prevent irreparable harm to DHSS, to healthcare providers and recipients described herein, and to the public health, safety, and welfare.

70. DHSS's request for injunctive relief is without prejudice to DHSS's right to pursue such relief in Alaska Superior Court either concurrently with or subsequent to this action. No waiver or estoppel may be inferred.

71. DHSS is entitled to injunctive relief including but not limited to:

A. An interim injunctive order requiring Xerox to pay liquidated damages pending the outcome of this case.

B. An interim injunctive order requiring Xerox to directly reimburse healthcare providers pending the outcome of this case.

C. An injunctive order requiring Xerox to rectify all identified, known, or knowable defects, deferred functionality, and performance failures by December 31, 2014.

D. An interim injunctive order requiring Xerox to defend, indemnify, and hold DHSS harmless in the event of claims by healthcare providers or others against DHSS arising from Xerox's acts, omissions, conscious disregard, and misconduct described herein, pending the outcome of this action.

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

E. An injunctive order requiring Xerox to submit by October 15 2014, a CAP for OAH and DHSS approval. The CAP must:

- resolve the MMIS defects, and MMIS services areas that are not operating correctly;
- specify that Xerox will implement the CAP according to a clear, accurate, 60 calendar day schedule, and based on underlying data that can support the schedule that will be provided and explained completely to DHSS; must be detailed, credible, accurate and acceptable;
- explain in detail and with specificity how Xerox built the CAP, and what resources Xerox used in so doing;
- include, in the event of requests by Xerox for schedule changes, a mechanism for DHSS and COA review and approval or disapproval of such changes;
- include a plan to rectify MMIS product defects, performance failures, delays, quality problems or other deficiencies hereafter identified by DHSS, Xerox, or others;
- include a subcontractor management plan;
- identify in detail and with specificity all persons or entities who will execute each task in the CAP;
- recognize continued oversight by the COA;
- comply with and recognize the ongoing application of all contract terms;
- follow and comport with Xerox's software development methodology

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

- provide an overview of, and explanation of its software development methodology;
- disclose in detail and specificity all details about how the CAP was built, including resource and other staff allocations, critical path tasks identification and task dependencies, staff overlaps, and how Xerox arrived at its dates, and a promise not to remove staff approved by DHSS without DHSS's approval;
- address problems with overall project management, communications management, technical management, operations management, staffing management and certification management.

F. An injunctive order additionally requiring that Xerox:

- by December 31, 2014 analyze (and provide DHSS the results of its analysis of) a statistically valid sample size of adjudicated claims processed since October 1, 2013;
- contemporaneously send to DHSS Xerox's analysis work as it is completed, with the fully completed analysis results delivered by December 31, 2014;
- provide full support for Provider Recoupment processes for any claims paid in error as identified in the analysis;
- for open items or areas of dispute identified in the above analysis, allow for review by DHSS, Alaska Medicaid, and others of all approved design documentation and Alaska Medicaid rules to identify differences, and distinguish defects versus work needed to be done under change requests.

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ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

G. Alternatively, if Xerox contends that it is would be impossible or impracticable for it to provide a CAP as hereinabove described, and injunctive order compelling Xerox to otherwise continue to perform its MMIS contract obligations until DHSS is able to obtain a replacement contractor and system vendor; and compelling Xerox to fully cooperate during transition to the replacement vendor.

H. For additional injunctive relief to be specified by DHSS.

WHEREFORE, DHSS prays for the following relief:

1. judgment in favor of DHSS and against Xerox;
2. an award of compensatory, special, consequential, indirect, and incidental damages;
3. an award of treble damages under AS 45.50.531;
4. an award of punitive damages under AS 09.17.020;
5. pre-and post-judgment interest at the legal rates;
6. costs and expenses, including but not limited to attorney fees under AS 45.50.537 and as otherwise provided by law and in the Contract;
7. declaratory relief in favor of DHSS;
8. specific performance and injunctive relief in favor of DHSS;

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

9. such other and further relief available under the contract and/or the as the OAH deems just and equitable.

DATED this 22th day of September, 2014.

MICHAEL C. GERAGHTY
ATTORNEY GENERAL

By:
Dana S. Burke
Senior Assistant Attorney General
ABA No. 901100885

Certificate of Service

I certify that on this 22nd day of September, 2014, a copy of the foregoing document was emailed and sent via Certified U.S. Mail to the following:

David Hamilton, Group President
Xerox Government Healthcare Solutions
45 Glover Avenue
P.O. Box 4505
Norwalk, CT 06856

Peter Weis
Vice President & Senior Corporate Counsel
Office of General Counsel
Xerox Business Services, LLC
820 Stillwater Road
West Sacramento, CA 95605

Angela Plucker 9-22-14
Angela Plucker Date

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

Craig Steffen
Senior Vice President &
Managing Director
Government Healthcare
Solutions

Xerox State Healthcare, LLC
1835 S. Bragaw Street - 200
Anchorage, Alaska 99508

Craig.Steffen@xerox.com
Tel 904-813-0216

October 28, 2013

Mr. Nick Faulkner
Project Manager
Alaska MMIS Replacement Project
Department of Health and Social Services
1835 Bragaw Street – 300
Anchorage, Alaska 99508

Dear Nick:

Xerox State Healthcare, LLC, "Xerox", "Contractor" for the MMIS is pleased to provide the State with this "certificate of system fitness" for operational implementation. This letter serves as the "certificate of system fitness" and fulfills a Contractor Responsibility in compliance with the following citation under the RFP:

5.5.9.2 Operational Readiness Testing

5.5.9.2.3 Contractor Responsibilities

At a minimum, the Contractor will have the following responsibilities for this task:

(6) Provide DHSS a "certificate of system fitness" that the system is ready for operational implementation.

While the RFP is silent on the specifics of this certificate, Xerox offers as evidence the results of testing as exercised by Xerox and the State through system testing, user testing, and operational readiness testing. More importantly, pursuant to the plans agreed to with the State of Alaska and its consultants, Xerox entered Production Operations with the new Alaska Health Enterprise MMIS on 10/1/2013.

Please let me know if you have any questions.

Sincerely,

Craig E. Steffen

Craig E. Steffen

AS 18.05.010

- Title 47. WELFARE, SOCIAL SERVICES AND INSTITUTIONS

Chapter 18.05 ADMINISTRATION OF PUBLIC HEALTH AND RELATED LAWS

Sec. 18.05.010. Administration of laws by department. (a) The department shall administer the statutes and regulations relating to the promotion and protection of the public health as provided by law.

(b) In performing its duties under this chapter, AS 18.09, and AS 18.15.355 - 18.15.395, the department may

(1) flexibly use the broad range of powers set out in this title assigned to the department to protect and promote the public health;

(2) provide public health information programs or messages to the public that promote healthy behaviors or lifestyles or educate individuals about health issues;

(3) promote efforts among public and private sector partners to develop and finance programs or initiatives that identify and ameliorate health problems;

(4) establish, finance, provide, or endorse performance management standards for the public health system;

(5) develop, adopt, and implement

(A) a statewide health plan under AS 18.09 based on recommendations of the Alaska Health Care Commission established in AS 18.09.010; and

(B) public health plans and formal policies through regulations adopted under AS 44.62 or collaborative recommendations that guide or support individual and community public health efforts;

(6) establish formal or informal relationships with public or private sector partners within the public health system;

(7) identify, assess, prevent, and ameliorate conditions of public health importance through surveillance; epidemiological tracking, program evaluation, and monitoring; testing and screening programs; treatment; administrative inspections; or other techniques;

(8) promote the availability and accessibility of quality health care services through health care facilities or providers;

(9) promote availability of and access to preventive and primary health care when not otherwise available through the private sector, including acute and episodic care, prenatal and postpartum care, child health, family planning, school health, chronic disease prevention, child and adult immunization, testing and screening services, dental health, nutrition, and health education and promotion services;

(10) systematically and regularly review the public health system and recommend modifications in its structure or other features to improve public health outcomes; and

(11) collaborate with public and private sector partners, including municipalities, Alaska Native organizations, health care providers, and health insurers, within the public health system to achieve the mission of public health

AS 18.15.355

Article 06. PUBLIC HEALTH AUTHORITY AND POWERS ***Sec. 18.15.350. SARS control program authorization. [Repealed, Sec. 12 ch 54 SLA 2005].*** Repealed or Renumbered

Sec. 18.15.355. Prevention and control of conditions of public health importance. (a) The department may use the powers and provisions set out in AS 18.15.355 - 18.15.395 to prevent, control, or ameliorate conditions of public health importance or accomplish other essential public health services and functions.

(b) In performing its duties under AS 18.15.355 - 18.15.395, the department may

(1) establish standards

(A) for the prevention, control, or amelioration of conditions of public health importance;

(B) to accomplish other essential public health services and functions; and

(2) adopt regulations to implement and interpret AS 18.15.355 - 18.15.395.

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THE STATE of ALASKA
GOVERNOR BILL WALKER

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 19, 2015

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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 recommendation detailed in the confidential Preliminary Report of the Single Audit for the Fiscal Year 2014.

Recommendation No. 2014-024

The Division of Administrative Services' (DAS) director should ensure uncollectible accounts receivable in the Unemployment Compensation Fund (UCF) are reported in accordance with generally accepted accounting principles.

DLWD Response to Recommendation No. 2014-024
The Department concurs with the recommendation.

The DLWD DAS director is working with the Employment Security Division director to develop procedures for determining the annual estimated uncollectible accounts for the tax contribution receivable and the benefit overpayment receivable.

The DLWD DAS director and finance officer will adopt year-end procedures to ensure uncollectible accounts receivable in the UCF are reported in accordance with generally accepted accounting principles, and that an allowance for doubtful accounts is posted for the fiscal year ending June 30, 2015.

Thank you for the opportunity to respond to this recommendation.

Sincerely,

Heidi Drygas
Commissioner

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THE STATE of ALASKA
GOVERNOR BILL WALKER

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

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March 17, 2015

Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RE: Preliminary Confidential Report Audit Control Number 02-40015-15
State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014, 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. 2014-025

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with recommendation. Division of Administrative Services (DAS) and Division of Homeland Security and Emergency Management (DHS&EM) will jointly develop and implement a new comprehensive procedure to ensure the Federal Funding Accountability and Transparency Act of 2006 (FFATA) reports are accurately submitted. Effective April 30, 2015, DMVA will replace the policy implemented February 1, 2013 to ensure timely and accurate processing of FFATA reports. DAS and DHS&EM staff working jointly will develop a replacement written procedure that will include three distinctive sections; section one – an internal process for DAS/Finance to correctly report FFATA information; section two – an internal process for DHS&EM Program Support staff in providing award information for FFATA reporting; and section three – a joint monthly reconciliatory process between DAS and DHS&EM to ensure sub-awards meeting the $25,000 reporting requirement are in the system per Federal Regulation 2 CFR 170, Appendix A, Section I.a.1.

Recommendation No. 2014-026

Agency Response – Department of Military and Veterans' Affairs

DMVA concurs with recommendation. Effective January 30, 2015, the Division of Homeland Security and Emergency Management reviewed and corrected the FEMA/State quarterly report to capture the required information and has updated the State Public Assistance Administrative Plan for the management of this report. The quarterly report has been corrected to capture all large projects, identifies improved or alternate projects. Verify large project close out dates reflect the date in the project close out letters. Additionally, a certification statement has been added to FEMA/State quarterly report requiring signatures from the Disaster Assistance and Program Support Program Manager's to ensure the report's accuracy.

Sincerely,

Laurel J. Hummel
Commissioner
Department of Military and Veterans Affairs

THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Natural Resources
COMMISSIONER'S OFFICE
550 West 7th Ave, Suite 1400
Anchorage, AK 99501-3561
Main: 907.269.8431
Fax: 907.269.8918

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February 27, 2015

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit
PO Box 113300
Juneau, AK 99811-3300

Re: FY2014 Statewide Single Audit, Department of Natural Resources (DNR)

Dear Ms. Curtis:

Thank you for the opportunity to provide a written response to the preliminary audit report on:

State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014.

No new recommendations have been made during the FY2014 audit, and the two prior year recommendation Nos. 37 and 38 are resolved. We concur with your report and appreciate the collaborative work between our agencies.

Sincerely,

Mark D. Myers
Commissioner

cc: Jean Davis, Director, Support Services Division
Fabienne Peter-Contesse, Deputy Director, Support Services Division

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THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Fish and Game
OFFICE OF THE COMMISSIONER
Headquarters Office
1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4100
Fax: 907.465.2332

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March 16, 2015

Kris Curtis, CPA, CISA
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, 2014*. 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,

Sam Cotten
Commissioner

cc: Sunny Haight, Director, Division of Administrative Services
Cristine O'Sullivan, Finance Officer, Division of Administrative Services

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THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Public Safety
OFFICE OF THE COMMISSIONER
Gary Folger

5700 East Tudor Road
Anchorage, Alaska 99507-1225
Main: 907.269.5086
Fax: 907.269.4543

450 Whittier Street
PO Box 111200
Juneau, Alaska 99811-1200
Main: 907.465.4322
Fax: 907.465.4362

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March 18, 2015

Kris Curtis
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RE: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014 – Response to Recommendation No. 2014-027

Dear Ms. Curtis,

This is the Department of Public Safety's written response to the above referenced report and applicable recommendation related to a revenue shortfall in AR 47863-13.

This revenue shortfall is due to the withholding of payment under a reimbursable service agreement (RSA) pending the outcome of a federal review/audit.

This RSA was between the Department of Public Safety (DPS – servicing agency) and the Department of Transportation & Public Facilities' Alaska Highway Safety Office (AHSO – requesting agency) and involved federal funds from the National Highway Traffic Safety Administration (NHTSA).

Though AHSO advised DPS that expenditures under this RSA were reimbursable, the national office of NHTSA prevented AHSO from reimbursing DPS pending the outcome of a multi-year audit of the program. The shortfall of $4,304,930 in AR 47863-13 is due to the NHTSA audit not yet being complete.

As of this writing DPS is not aware of the current status of the audit, as communication with NHTSA regarding the status of the audit and any potential resolution is being handled through the AHSO.

DPS agrees with the Division of Legislative Audit's recommendation. As advised, DPS will consult with the Office of Management and Budget on a ratification supplemental appropriation or other appropriate means of clearing AR 47863-13 if the final federal review results in under collection of revenue.

Please let me know if you have any additional questions. Thank you.

Sincerely,

Gary Folger
Commissioner

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THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Environmental Conservation
OFFICE OF THE COMMISSIONER
Post Office Box 111800
410 Willoughby Avenue, Suite 303
Juneau, Alaska 99811-1800
Main: 907.465.5066
Fax: 907.465.5070
www.dec.alaska.gov

March 19, 2015

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MAR 20 2015
LEGISLATIVE AUDIT

Ms. Christine Lumba
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Re: Preliminary Audit Report, FY14 Statewide Single Audit, Department of Environmental Conservation (DEC)

Dear Ms. Lumba:

Thank you for the opportunity to respond to recommendations listed in the Statewide Single Audit for the fiscal year ending June 30, 2014. The department's response to the recommendations follows:

Recommendations No. 2014-028 and 2014-029: Management should review their policies and practices related to FFATA reporting to ensure there is oversight over this key compliance function. Oversight over the FFATA reporting function should be sufficient to ensure that FFATA reports are submitted accurately and on time.

DEC concurs with these recommendations, which are closely related to Recommendation 43 of the statewide single audit for the fiscal year ending June 30, 2013, in which deficiencies with FFATA reporting were initially found. DEC took action to resolve FFATA reporting issues, which has resulted in Recommendation 43 being considered partially resolved at this time. Actions include increased oversight of subawarding practices, and verification of appropriate FFATA reporting completion upon issuance of the award. DEC continues to refine its oversight processes to ensure full resolution of these recommendation, and has recently added specific verification tasks to be completed both in the Division of Water and in the Division of Administrative Services.

Again, thank you for the opportunity to respond. If you have any questions, please contact DEC Finance Officer Nikolay Barkov at 465-5041.

Sincerely,

Larry Hartig
Commissioner

cc: Tom Cherian, Director, Division of Administrative Services, DEC
Jeff Rogers, Division Operations Manager, Division of Administrative Services, DEC
Nikolay Barkov, Finance Officer, Division of Administrative Services, DEC
Michelle Hale, Director, Division of Water, DEC

THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Corrections
Office of the Commissioner

PO Box 112000
Juneau, Alaska 99811
Main: 907.465.4645

RECEIVED
MAR 18 2015
LEGISLATIVE AUDIT

March 19, 2015

Kris Curtis, CPA
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

Thank you for the opportunity to respond to the confidential preliminary report dated February 27, 2015 regarding the FY14 Statewide Single Audit, Department of Corrections (DOC). Our response to the preliminary report is as follows.

While the department has no new recommendations, prior year No. 44 remains unresolved as stated for FY2014 and the DOC is continuing to work with the Student Loan Corporation to collect these funds in full.

Recommendation No. 2014-30
One recommendation was made to DOC in the State of Alaska, Single Audit for the Fiscal Year Ended June 30m 2013. Prior year Recommendation No. 44 is not resolved and is reiterated as Recommendation No. 2014-030.

Outstanding Recommendation No. 44 from FY2013 reflected that the DOC's finance officer should take measures to resolve revenue shortfall issues for Appropriation 51303-09.

In FY2014, the potential shortfall was identified in the following amount.

Appropriation	Appropriation Title	Amount
51303-09	Deferred Maintenance, Repair, and Renovation	$342,967

In response to the shortfall identified:

- As of January 27, 2015 the DOC's has obtained approval of partial payments for previously billed requisitions as identified below:

	Billed	Partial payment	Under Review
Requisition # 6	258,842.36	184,769.27	74,037.09
Requisition # 8	22,191.07	5,744.80	16,446.27
Total	**$281,033.43**	**$190,514.07**	**$90,503.36**

- DOC's was previously informed by ASLC to hold future billings. As of January 2015 approval has been obtained to submit requisition #9 in the amount of $61,949.84 which will allow 100% collections of this revenue.

During FY2014, DOC collected $811,184 of the outstanding balance from prior year and feel that the full amount will be collected from the Student Loan Corporation.

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.

Sincerely,

Remond Henderson

Remond Henderson
Deputy Commissioner

THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
Marc Luiken, Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
Fax: 907.586.8365
dot.state.ak.us

RECEIVED
MAR 18 2015
LEGISLATIVE AUDIT

March 12, 2015

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 2014 Statewide Single Audit recommendations for the Department of Transportation and Public Facilities (DOT&PF). The following are the responses regarding the DOT&PF specific recommendations.

Recommendation 31

DOT&PF's program development director should ensure compliance with *Federal Funding Accountability and Transparency Act* (FFATA) sub-award reporting requirements.

Department response: *The department concurs with this recommendation. Transit program staff will ensure that all completely signed sub-award documents are submitted to finance within 5 days of final signature. Finance will encumber the award prior to the 10 day requirement and update the FFATA report online within a week after encumbering. A second person in finance will review the report online and submit. Finance will document these procedures and provide training for new staff.*

Recommendation 32

DOT&PF's program development director should develop and implement procedures to ensure accurate federal reporting.

Department response: *The department concurs with this recommendation. An electronic grant management system implemented in January 2014 has made it possible to get accurate information for the National Transit Database RU-20 reports. Procedures are currently in development. Transit program staff will evaluate the process for two quarters (July – December 2014) before finalizing the procedures.*

"Keep Alaska Moving through service and infrastructure."

Recommendation 33

DOT&PF's program development director should strengthen procedures to ensure subrecipients are informed of required federal award information.

Department response: *The department concurs with this recommendation. SFY2015 agreements were updated with the information provided in the SFY2013 audit. Transit program staff developed language that will meet the additional requirements made known in the SFY2014 audit and it will be included in the SFY2016 agreements.*

Recommendation 34

DOT&PF's program development director should develop and implement procedures to ensure compliance with FFATA sub-award reporting requirements.

Department response: *The department concurs with this recommendation. Alaska Highway Safety Office staff has worked with the finance unit to develop a methodology and procedure to comply with the FFATA regulations. The department plans to have delinquent reports completed during FY15 and be timely in its reporting by FY16.*

Recommendation 35

DOT&PF's director of program development should develop and implement procedures to ensure compliance with federal earmarking requirements.

Department response: *The department concurs with this recommendation. This was an oversight on the part of the transit program staff, who neglected to request certification for FFY2014. Certification was submitted and approved for FFY2015. Written procedures are under development to ensure that annual certification of intercity bus needs being met is requested if the identified need is less than the federal earmark requirement.*

Recommendation 36

DOT&PF's director of program development should maintain documentation that supports required federal reporting.

Department response: *The department concurs with this recommendation. Alaska Highway Safety Office staff will save documentation, including screen prints and estimation methodology for each number in the HS-217 cost summary report, which is a part of the State's annual highway safety plan. This documentation will be retained in accordance with 49 CFR 18.42(a-c).*

Recommendation 37

DOT&PF's director of program development develop and implement procedures to ensure compliance with federal level-of-effort requirements.

Department response: *The department concurs with this recommendation. Alaska Highway Safety Office staff will develop procedures that adhere to federal regulations and guidance*

ensuring correct calculation and tracking of this requirement. The department has received a waiver from the federal level-of-effort requirements for FFY2013.

Federal guidance has been developed for level-of-effort requirements for FFY2014 and the new deadline to submit the level-of-effort calculations for FFY2014 is March 31, 2015. Alaska Highway Safety Office staff will submit the level-of-effort calculations for FFY2014 in accordance with the new guidance by this deadline.

Recommendation 38

DOT&PF's Statewide Design and Engineering Services director should ensure that the *Alaska Construction Manual* (ACM) complies with federal record retention policies.

Department response: *The department concurs with this recommendation. DOT&PF is currently in the process of updating the Alaska Construction Manual (ACM) to comply with federal record retention regulations found in 23 CFR 635.118 and 14 CFR 151.53. The revisions are expected to be approved by FHWA and FAA, and in effect by June 30, 2015.*

Recommendation 39

DOT&PF's Administrative Services Division director should ensure personal service expenditures charged to federal programs comply with federal cost principles.

Department response: *The department concurs with this recommendation. This issue is expected to be resolved with the implementation of the new HRM payroll system January 1, 2016. Additionally, the department will be reviewing its procedures in order to mitigate any potential issues within the limitations of our current systems.*

Sincerely,

Marc Luiken
Commissioner

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Alaska Housing
FINANCE CORPORATION

RECEIVED
MAR 1 1 2015
LEGISLATIVE AUDIT

March 11, 2015

Kris Curtis
Legislative Auditor
333 Willoughby Ave, 6th Floor
PO Box 113300
Juneau, AK 99811-3300

Re: Response to Preliminary State of Alaska Single Audit Report

Ms. Curtis:

I'm in receipt of the Preliminary State of Alaska Single Audit Report and have reviewed the three issues identified in the report as the responsibility of Alaska Housing Finance Corporation (AHFC). After discussions with staff of AHFC it is my understanding that responses to these three issues were included as part of a February 18, 2015 submission to your office and our response remains unchanged. We respectively request that you incorporate the responses submitted on February 18, 2015 and documented below into the final version of the State of Alaska Single Audit Report.

1. Condition (CDFA 14.881):
   Of the 81 participant files tested, 9 files were found to have deficiencies in the documentation of third party income verification or other documentation supporting eligibility.

   Recommendation:
   We recommend that management review procedures for obtaining third party income verification, and establish controls to ensure that the procedures are followed and that documentation is adequate throughout the program. We also recommend that AHFC continue to perform quarterly file reviews, in order to identify and correct deficiencies in documentation. We further recommend additional on-site inspections of files for those locations with only one employee responsible for performing income determinations.

   Response:
   The Public Housing Division considers this finding resolved as of September 26, 2014. All questionable files have been reviewed and any deficiency addressed. Technically, 3rd party verifications of income were not in the file, but lesser verifications were. Training was provided to all PHD staff during our annual workshop held the week of September 15th, 2014.

2. Condition (CDFA 14.881):
   Of the 40 participant files tested, 2 files were found to have deficiencies in the documentation of required inspections throughout the term of the tenancy.

   Recommendation:
   We recommend that management review procedures for tracking the required timing of inspections, and establish controls to ensure that the procedures are followed and that documentation is of the inspection is properly retained.

4300 Boniface Parkway • Anchorage, Alaska 99504 • P.O. Box 101020 • Anchorage, Alaska 99510
907.338-6100 (Anchorage) or (Toll-Free) 1-800-478-AHFC (2432) • www.ahfc.us

Response:
For the two files identified as having deficiencies regarding inspection documentation; the first was a S8 New program participant which requires only an HQS inspection to be conducted at move-in, this inspection was located in the file. The second inspection deficiency indicated a missing inspection; however upon our review we located an inspection dated April 2014. As both of these files contained the required inspection documentation no further corrective action is required.

3. **Condition (CFDA 14.195 and 14.249):**
Of the 65 participant files tested, 2 files were found to have deficiencies in the time of the application and the time they were placed on the wait list.

Recommendation:
We recommend that management continue to educate staff about applicable policies and procedures. We also recommend that the Corporation continue to perform periodic checks of the wait list in order to identify and correct deficiencies in documentation

Response:
The first deficiency noted was for a tenant that relocated between two AHFC voucher jurisdictions; as such this individual is not processed through the waitlist. Additionally, this tenant was admitted into the program in 2007 and was likely outside of the auditor's scope. The second tenant has been on the AHFC Waiting List since 2009. During our conversion to YARDI some applicant data was automatically reset to midnight on the actual date of application. Staff has been advised to search the older active waiting lists for those with times set at 12:00 a.m. to correct the data to reflect the correct time.

Should you need any additional information regarding this matter please feel free to contact me at your earliest convenience.

Sincerely,

Frank Roppel
AHFC Board Chair

Audit and Consulting Services
211A Butrovich Bldg.
P. O. Box 755120
Fairbanks, AK 99775-5120

(907) 450-8094
FAX: (907) 450-8091
ua-ia-dept@alaska.edu

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RECEIVED
MAR 19 2015
LEGISLATIVE AUDIT

March 19, 2015

TO: Kris Curtis
Legislative Auditor
State of Alaska Division of Legislative Audit

FROM: Nichole Pittman
Chief Audit Executive

Nichole Pittman

SUBJECT: Response to the Preliminary Audit Report Titled:
State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2014

The University of Alaska Fairbanks (UAF) concurs with the finding and recommendation.

The UAF Office of Grants and Contracts Administration (OGCA) has changed the Federal Financial Reporting process beginning in Fall 2014 to include:

- A check and balance system to eliminate the single point of failure.
- Grants and Contracts analysts entering Federal Financial Reporting (FFR) data into the FRAEVGA screen in Banner (this was not done previously).
- Building and developing reporting tools that can assist in tracking FFRs on key due dates.
- A process that facilitates the escalation of notices to OGCA management if FFR reporting is not completed within the designated timeframe by the Grants and Contracts analysts.
- A verification process by OGCA management to ensure all FFRs are completed.

UAF expects to fully implement the steps to remedy the issue by June 30, 2015.

Contact Person: Wei Guo, Financial Accounting Manager
Telephone: (907) 450-8063

cc: Wei Guo, Financial Accounting Manager
Myron Dosch, Controller
Ashok Roy, Vice President for Finance and Administration/Chief Financial Officer

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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 23, 2015

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 three of these recommendations which we believe warrant further comments.

Recommendation No. 2014-014

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation.

Recommendation No. 2014-019

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation. However, we offer the following points of clarification. In a highly automated environment, manual internal controls are not effective to prevent payment errors. Thus, DHSS did not have effective controls in place to identify, track, and reprocess the magnitude of claims that were either paid with errors or suspended due to AHE system defects. Additionally, no effective controls existed to support the dollar amount of claims associated with cash advances. As discussed in the Recommendation No. 2014-022, review of DHSS' analysis of suspended claims found multiple errors that overestimated the amount of suspended claims related to the advances.

Recommendation No. 2014-023

We have reviewed DHSS' response and nothing contained in the response persuaded us to revise the recommendation. We disagree that all four of the amounts identified above could

be reasonably considered to be sponsorships. Direct payments made to the entities appear to circumvent the state procurement rules. We reaffirm our recommendation that the DHSS' commissioner distribute funds in accordance with state statutes and regulations.

In summary, we reaffirm the findings and recommendations presented in this report.

Kris Curtis, CPA, CISA
Legislative Auditor