



**UNIVERSITY OF ALASKA**

Audit in Accordance with OMB A-133

Year ended June 30, 2006





**KPMG LLP**  
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**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and Supplementary Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133**

The Board of Regents  
The University of Alaska:

**Compliance**

We have audited the compliance of the University of Alaska with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The University of Alaska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University of Alaska's management. Our responsibility is to express an opinion on the University of Alaska's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University of Alaska's compliance with those requirements.

In our opinion, the University of Alaska complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.

**Internal Control over Compliance**

The management of the University of Alaska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University of Alaska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the application requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and; accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable conditions described above are material weaknesses.

#### **Schedule of Expenditures of Federal Awards**





University of Alaska  
Schedule of Expenditures of Federal Awards





University of Alaska  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

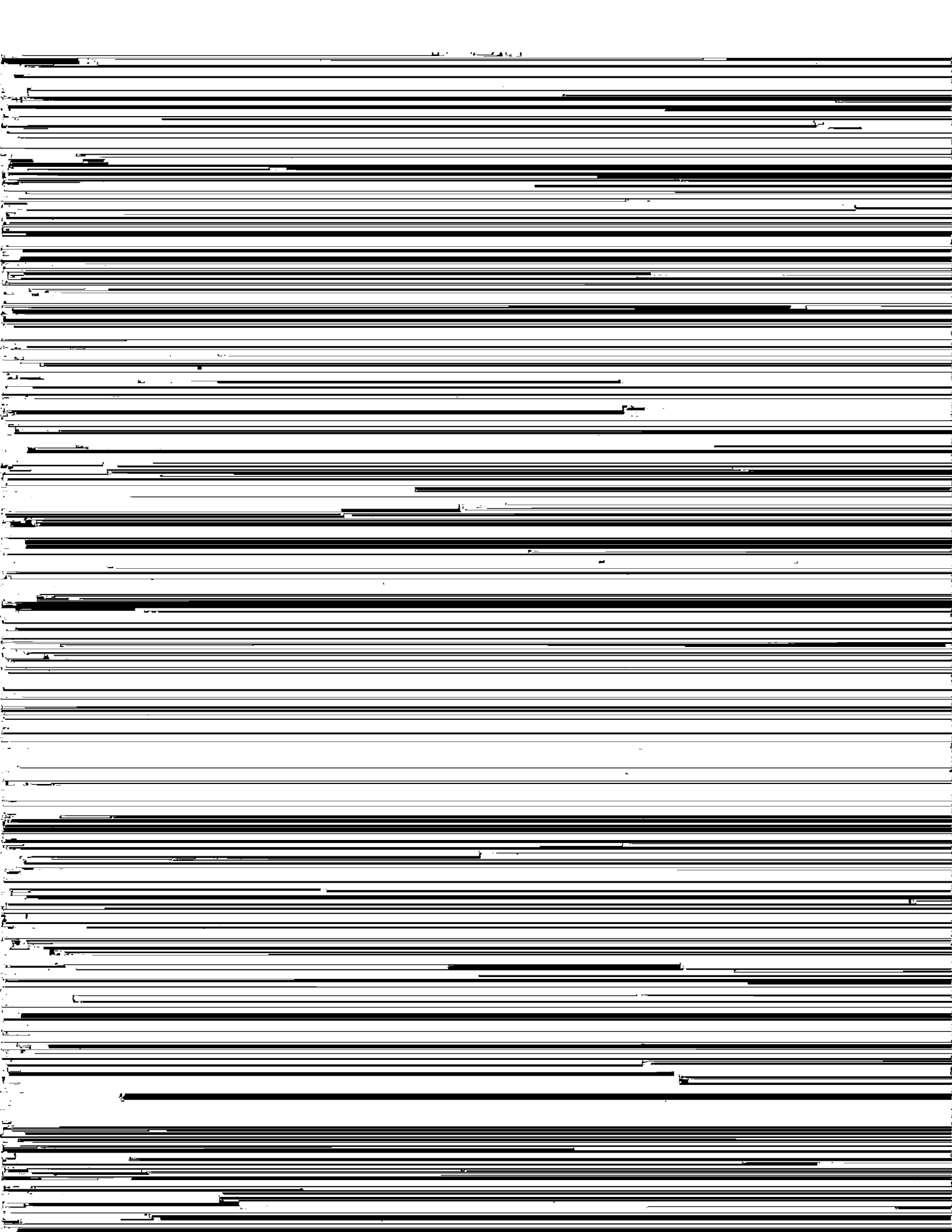
CFDA NUMBER	FEDERAL PROGRAM TITLE	PASS-THROUGH ID#	EXPENDITURES
47.075	Social, Behavioral, and Economic Sciences Pass-through Iowa State University	420 40 40	\$ 101,138

University of Alaska  
Schedule of Expenditures of Federal Awards

University of Alaska  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

CFDA NUMBER	FEDERAL PROGRAM TITLE	PASS THROUGH ID#	EXPENSES
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University of Alaska  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006



University of Alaska  
Schedule of Expenditures of Federal Awards

University of Alaska  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

CFDA NUMBER	FEDERAL PROGRAM TITLE	PASS-THROUGH ID#	EXPENDITURES
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**UNIVERSITY OF ALASKA**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the University of Alaska. The University of Alaska is a constitutionally created corporation and a component unit of the State of Alaska. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the economic resources measurement focus and accrual basis of accounting, which is described in note 1 to the University of Alaska's financial statements.

**(3) Noncash Federal Awards**

The University receives Federal awards under the Perkins Loan Program (CFDA #84.638). The outstanding loan balances under this program totaled \$5,758 as of June 30, 2006.

**(4) Subrecipients**

The University of Alaska passed through \$8,535,907 of federal awards to subrecipients for the year ended June 30, 2006. Expenditures incurred by the subrecipients are listed below by federal program. These amounts are included in the Schedule of Expenditures of Federal Awards.

<b>Federal Agency and Program</b>	<b>CFDA#</b>	<b>Expenditures</b>
<b>Department of Agriculture</b>		
Agricultural Research - Basic and Applied Research	10.001	\$ 463,252
Grants for Agricultural Research, Special Research Grants	10.200	532,347
Alaska Native Serving and Native Hawaiian Serving		
Institutions Education Grants	10.228	127,552
Cooperative Extension Service	10.500	85,014
Forestry Research	10.652	5,838
		1,214,003
<b>Department of Commerce</b>		
Miscellaneous	11.000	10,180
Sea Grant Support	11.417	59,779
Undersea Research	11.430	980,304
Joint and Cooperative Institutes	11.432	696,537
Pacific Fisheries Data Program	11.437	10,000
Pacific Coast Salmon Recovery - Pacific Salmon		
Treaty Program	11.438	9,500
Special Oceanic and Atmospheric Projects	11.460	153,439

**UNIVERSITY OF ALASKA**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<b>Federal Agency and Program</b>	<b>CFDA#</b>	<b>Expenditures</b>
Coastal Services Center	11.473	\$ 16,100
Educational Partnership Program	11.481	117,489
		2,053,328
<b>Department of Defense</b>		
Basic and Applied Scientific Research	12.300	116,887
<b>Department of the Interior</b>		
Miscellaneous	15.000	155,527
<b>Department of Justice</b>		
Part E - Developing, Testing, and Demonstrating Promising New Programs	16.541	22,200
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	10,408Grants

**UNIVERSITY OF ALASKA**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<b>Federal Agency and Program</b>	<b>CFDA#</b>	<b>Expenditures</b>
<b>Department of Energy</b>		
Miscellaneous	81.000	\$ 162,306
Fossil Energy Research and Development	81.089	22,437
		184,743
<b>Department of Education</b>		
Higher Education - Institutional Aid	84.031	19,493
TRIO - Student Support Services	84.042	4,622
TRIO - Talent Search	84.044	84,254
TRIO - Upward Bound	84.047	48,429
Vocational Education - Basic Grants to States	84.048	40,208
Bilingual Education - Professional Development	84.195	60,82584.040,825

**UNIVERSITY OF ALASKA**

Schedule of Findings and Questioned Costs

June 30, 2006

**(1) Summary of Auditors' Results**

Financial Statements:

Type of auditor's report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	<u>  X  </u> no
Reportable condition(s) identified that are not considered to be material weaknesses?	_____	yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____	yes	<u>  X  </u> no

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____	yes	<u>  X  </u> no
Reportable condition(s) identified that are not considered to be material weaknesses?	<u>  X  </u>	yes	_____

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>  X  </u>	yes	_____	no
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
Various	Student Financial Aid Cluster
84.031	Department of Education, Higher Education - Institutional Aid

Dollar threshold used to distinguish between type A and type B programs: \$   3,000,000  

Auditee qualified as low-risk auditee?	<u>  X  </u>	yes	_____	no
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**(2) Findings Relating to General Purpose Financial Statements Reported in Accordance with Government Auditing Standards**

None.

**UNIVERSITY OF ALASKA**

Schedule of Findings and Questioned Costs

June 30, 2006

**(3) Findings and Questioned Costs Related to Federal Award**

*Finding 2006-1*

**Department of Education (DOE), Student Financial Assistance (SFA) Programs Cluster, Federal Family Education Loans (FFEL) (CFDA #84.032) and Federal Pell Grant Program (CFDA #84.063)**

**Criteria or Specific Requirements** – According to the Code of Federal Regulations (CFR), Title 34, Section 668-22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

According to the CFR, Title 34, Section 668-173, returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or

**UNIVERSITY OF ALASKA**

Schedule of Findings and Questioned Costs

June 30, 2006

**(3) Findings and Questioned Costs Related to Federal Award, Continued**

*Finding 2006-2, Continued*

**Context** – Isolated to four grants within the Institutional Aid Program.

**Effect** – The University did not receive all required weekly certified payrolls from contractors or subcontractors.

**Recommendation** – The University should make every effort to ensure weekly certified payrolls are received from contractors or subcontractors as required by the Davis-Bacon Act.





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## **Independent Auditors' Report on Internal Control over Financial Reporting**