
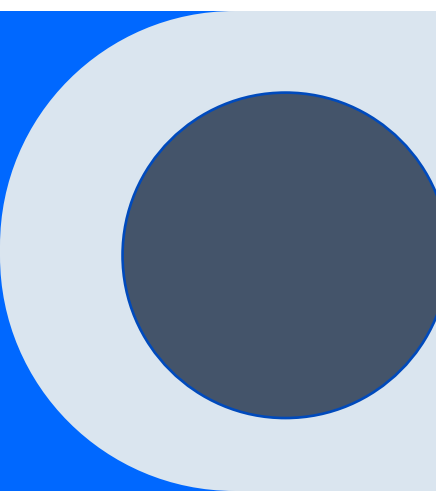




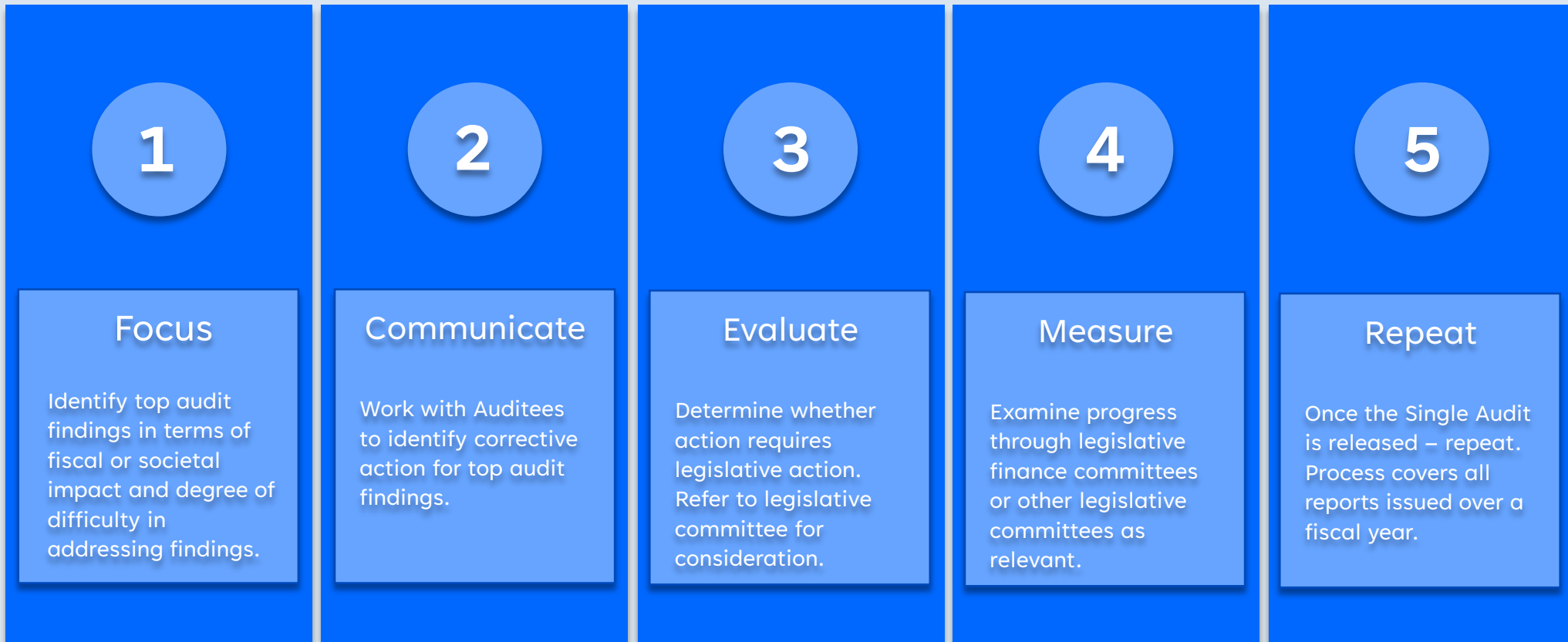
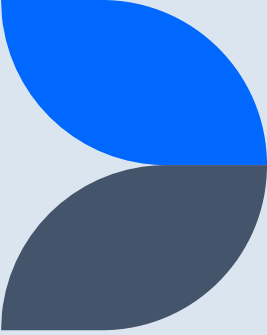
LB&A Oversight

Top Audit Issues



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Legislative Auditor
November 19, 2025

Audit Oversight Process



1. Commercial Passenger Vessel Environmental Compliance (CPVEC)

The fund balance of the CPVEC general fund subfund was misclassified in the FY 24 financial statements.

- Both CPVEC funding sources (environmental compliance fees and ocean ranger program fees) are subject to the federal tonnage clause; therefore, the fund balance should be restricted and not swept into the CBR fund. Department of Law disagreed leading to financial statement misstatements in multiple accounts and footnote No. 2. Unless resolved, misstatements will continue in future years.

Single Audit Finding (Reference)

- 2024-002, 2024-016

2. Disclaimed Opinion – Lack of Evidence for Medicaid System

Department of Health (DOH) failed to obtain a report on internal controls over its Medicaid System.

Single Audit Finding (Reference)

- 2024-048

- Division of Health Care Services historically contracted with a service organization to manage its Medicaid system and process claims. During FY 24, DOH contracted with two separate organizations, one to manage its Medicaid system and one to process claims.
- Because of challenges transitioning to the new contractor, Medicaid system internal control reports were not obtained for FY 24. The system is responsible for processing \$2.4 billion in FY 24 claims. The lack of internal control reports was considered a material internal control weakness.
- Auditors could not provide an opinion regarding several accounts because of the lack of evidence.

3. Department of Health (DOH) Accounts Receivable Unsupported

Department of Health and Social Services did not collect or liquidate two federal receivables totaling \$26.6 million in a timely manner.

- The receivables were first recorded during FY 17 to correct for errors in the billing process related to several federal programs. During the FY 19 single audit, DHSS staff were unable to provide support for the receivables.
- Limited staff resources and the complexity of the reconciliation process was blamed for DOH's inability to identify the federal programs and collect the funds.

Single Audit Finding (Reference)

- 2024-049

4. Opioid Settlement Revenues

Opioid settlement funds were misreported in the draft FY 24 financial statements.

- During 2021 and 2022, nationwide settlements were reached involving the production, distribution, and sales of opioids. Alaska is a party to the settlements. The revenues must be spent in accordance with the settlements.
- No accounting structures were set up to adequately track and report the FY 24 opioid revenues.
- We recommend the Office of Management and Budget work with the legislature to create a separate subfund to account for the opioid settlement revenues.

Single Audit Findings (Reference)

- 2024-001, 2024-015

5. High Error Rate – Procurement Testing

Statewide testing found significant errors in the procurement process.

- 33 percent of the procurements tested had insufficient documentation.
- Trainings were not sufficient to ensure all procurement regulations were met.
- We recommend that DOA's chief procurement officer conduct additional training for statewide procurement officers.

Single Audit Findings (Reference)

- 2024-020

6. Not Billing Federal Government for Approximately \$279.8 Million Related To FEMA Disaster Grants

The state incurred \$279.8 million of expenditures associated with a federal grant but did not request reimbursement.

- Department of Military and Veterans Affairs (DMVA) was the recipient of COVID-related FEMA disaster grants and passed through the grants to Department of Health and Social Services (DHSS). DHSS incurred the COVID-related costs but did not bill DMVA timely.
- The Department of Health claimed billing delays were caused by a number of factors including the reorganization of DHSS, working with federal agencies, turnover in key financial and grant personnel, time intensive documentation requirements, and competing priorities.
- The state lost out on millions of investment earnings by not billing the federal government in a timely manner.

Single Audit Findings (Reference)

- 2024-068

7. Department of Corrections (DOC) Overspent FY 24 Budget

DOC's FY 24 population management operating budget was overspent.

Single Audit Finding (Reference)

- 2024-073

- DOC payroll expenditures were unable to post in the state accounting system due to a lack of funding.
- DOC internal controls were insufficient to identify the funding deficiency so corrective actions could be taken.
- Unauthorized general funds were expended (\$8,037,023).

8. Unaddressed Shortfalls

Several departments did not address shortfalls in a timely manner.

- Seven Department of Law (LAW) appropriations were in shortfall as of February 2025.
- Ten Department of Natural Resources (DNR) appropriations were in shortfall as of February 2025.
- Four Department of Health (DOH) appropriations were in shortfall as of February 2025.

Single Audit Finding (Reference)

- LAW 2024-022
- DNR 2024-042
- DOH 2024-071

9. AIA's FY 24 Audit Was Not Completed Timely for Inclusion in the State's Financial Statement

For several years, the Alaska International Airports (AIA) has not completed their financial statements in a timely manner, which has delayed their audit.

- According to AIA's controller, the FY 24 audit was not completed timely due to late trial balances provided by the Division of Finance, audit team reassignments, and errors identified during the audit.

Single Audit Finding (Reference)

- 2024-074

10. Division of Public Assistance Federal Program Findings

The division has struggled with staffing shortages, lack of staff experience, poor training, and lack of adequate internal controls.

Material noncompliance with federal laws and material weaknesses in internal controls over the following federal programs:

- Medicaid
- CHIP
- SNAP (Food Stamps)
- Temporary Assistance for Needy Families
- Child Care Development Fund

Single Audit Finding (Reference)

- 2024-052, 2024-053, 2024-054, 2024-055, 2024-056, 2024-057, 2024-058, 2024-059, 2024-060, 2024-061, 2024-062, 2024-063, 2024-064, 2024-065, 2024-066, 2024-067

11. Parole Board

The 2024 sunset audit made three recommendations.

Audit Control Number: 20-20139-24

1. The board chair should work with Department of Correction's (DOC) commissioner to ensure all hearings are conducted in a confidential manner.
2. DOC's commissioner should ensure fiscal notes for pending legislation properly reflect decreases, as appropriate.
3. The board chair and DOC's commissioner should ensure regulations are updated in a timely manner.

12. Office of Children's Services (OCS) Compliance With Foster Care Reform

The 2024 performance audit made six recommendations.

Audit Control Number: 26-30097-25

1. OCS's director should implement procedures to ensure the annual staffing report is accurate.
2. OCS's director should implement procedures to ensure the annual recruitment and retention report is accurate and prepared in compliance with state law.
3. OCS's director should consider implementing a more comprehensive training program that is grounded in practical applications.
4. OCS's director should continue to implement hiring best practices.
5. OCS's director should consider enhancing data to align with best practices and make recruitment and retention efforts more meaningful.
6. OCS's director should develop a forward-looking plan for addressing recruitment and retention challenges.

Next Steps – LB&A Oversight

Legislative Auditor sends letters on behalf of the LB&A committee to the auditees asking for the status of corrective action. A summary of the responses will be presented at the next LB&A meeting. For those audit findings that warrant consideration by other legislative committees, the findings may be forwarded to the appropriate committees for consideration during the 2026 legislative session.