

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date 5/28/75

The Committee on FINANCE has had SB 171

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

Introduced: 2/12/75  
Referred: Commerce and  
Finance

1 IN THE SENATE

BY SACKETT

2 SENATE BILL NO. 171

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act terminating the Alaska State Mortgage  
7 Association."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 44.56 is repealed.  
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The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. SB-171

Title: An Act terminating the Alaska State Mortgage Association.

Requested by: James Fennel, Legis. Finance Date: 3-13-75

Return Date Requested: ASAP

Agency: Commerce Program: Alaska State Housing Authority

II. FISCAL DETAIL

Budget Request Unit(s) Affected: N/A

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

There will be no fiscal impact on the State Treasury with repeal of AS 44.56. The Alaska State Mortgage Association has been inactive since creation of the Alaska Housing Finance Corporation. AHFC now provides the service formerly handled by ASMA.

IV. ATTACHMENTS

V. DATE: 3-13-75

PREPARED BY: Lisa J Cook

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

*Master file*

# STATE OF ALASKA

THIRD LEGISLATURE  
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W--ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF--STATE CAPITOL  
JUNEAU 57001

RECEIVED  
JAN 16 1975  
DOYON, LIMITED

January 8, 1975

*SB 171  
Letter on the table  
Site on the table*

TO: Members of the Legislature

FROM: Garrey M. Peska, CPA  
Legislative Auditor *[Signature]*  
Division of Legislative Audit

In accordance with AS 24.20.311, the following audit reports have been approved for release to the Legislature and the public:

*Copy*

- ✓ A Review of Alaska State Mortgage Association
- A Review of Alaska Industrial Development Authority
- A Review of Department of Environmental Conservation
- Small Business Development Corporation of Alaska
- State of Alaska, Treasury Division, General Fund
- Operating Cash and Investments
- A Review of Department of Labor, Unemployment
- Compensation Fund
- Department of Commerce, Division of Business Loans
- State of Alaska, 1970 School Construction Fund
- A Review of Department of Natural Resources, Division
- of Parks
- Alaska State Development Corporation
- ✓ A Review of Division of Motor Vehicles, Department of
- Revenue

Enclosed is a short digest covering each audit for your convenience. Should you desire a copy of the completed report, it is available at the following libraries or through our office:

- Alaska State Library
- Alaska Historical Library
- University of Alaska Library, College
- University of Alaska Library, Anchorage
- Z. J. Loussac Public Library, Anchorage
- Fairbanks-North Star Borough Library, Fairbanks
- Ketchikan Public Library
- Kotzebue Public Library
- Bethel Public Library
- Admiral Johnson Public Library, Kodiak

# STATE OF ALASKA

TREE BLEDSSBLAWJUBEE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W--ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF--STATE CAPITOL

BUREAU 99501

November 15, 1974

Legislative Budget and Audit Committee

Gentlemen:

Subject: Alaska State Mortgage Association

AS 44.56.096 requires the Legislative Auditor to conduct an annual audit of the Alaska State Mortgage Association (ASMA), a public corporation under the direction and control of the Board of Commissioners of the Alaska State Housing Authority (ASHA). The Corporation was established by Ch. 103, SIA 1961 for the purpose of providing a secondary market facility for insured housing mortgages.

Through the years the only activity of ASMA has been the receipt of a \$200,000 grant from ASHA and the expenditure of \$16,630 for legal fees. By authority of an ASMA Board Resolution and the advice of ASMA's Legal Counsel, the unexpended funds have been transferred back to ASHA.

In 1971 the Alaska Legislature passed legislation creating Alaska Housing Finance Corporation (Ch. 107, SIA 1971). This Act appears to have supplanted all powers granted to ASMA.

On December 7, 1972 the ASMA Board of Directors requested the Attorney General to draft the proper legislation to repeal the Statutes establishing ASMA. On October 18, 1973 ASMA received an opinion from the Attorney General stating that such legislation was not advisable as the existence of ASMA represented a potential vehicle for providing further support to the home mortgage market without engaging State funds.

On October 1, 1974 the Attorney General submitted a memorandum to the Division of Legislative Audit stating, "This Department is unaware of any necessity for the continued existence of the Alaska State Mortgage Association."

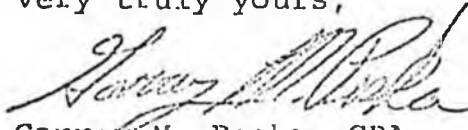
In a memorandum submitted on August 5, 1974, Commissioner Wilson stated, "with the formation of the Alaska Housing Finance Corporation there has been no need to activate ASMA because ASFC provides the same service."

SB 171

The Acting Executive Director of ASHA  
have instructed their attorney to draft  
to repeal AS 44.56, and that the proposed  
submitted to the next session of the  
Legis

Legis audit's position remains the same as reported in  
prior With the establishment of ANEC, AS 44.56 should  
be repealed in its entirety and thereby dissolve ASHA.

Very truly yours,



Garrey M. Peska, CPA  
Legislative Auditor  
Division of Legislative Audit

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNE 9 90301

November 15, 1974

Legislative Budget and Audit Committee

Gentlemen:

The Alaska Industrial Development Authority was created by Ch. 64, SLA 1967 (AS 44.61.020). The authority is a public corporation of the State constituting a political subdivision within the Department of Economic Development, but with separate and independent legal existence. Its purpose is to promote, develop and advance the general prosperity and economic welfare of the State by providing a means of financing industrial and manufacturing plant construction, conversion, or expansion for lease or sale to business enterprises.

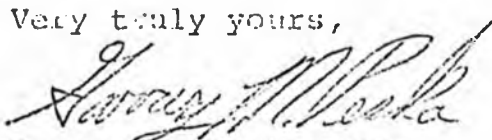
The Authority is authorized to issue bonds (AS 44.61.090) including but not limited to those on which principal and interest are payable (1) exclusively from income and receipts derived from the project financed with the proceeds of the bonds, (2) income and receipts derived from designated projects whether or not financed in whole or in part by proceeds from the bonds, or (3) income and receipts or other assets generally.

Bonds may not be issued until the Authority makes provision by lease (or other agreement) of the project being financed, to produce rentals or other considerations sufficient to meet the principal, interest and costs of the financing bonds and the obligations in connection with the lease unless such a lease (or other agreement) provides that these costs and obligations are to be met by a party other than the Authority. Before entering into a lease (or other agreement) regarding a proposed project there must be filed with the Authority a verified copy of the resolution of the governing body of the political subdivision proving the location of the project within its jurisdiction. Further, the Authority must determine: (1) the development of the project will be economically advantageous to the State, (2) the project occupant is financially responsible, and (3) provision to meet increased demand on public facilities resulting from the project is reasonably assured.

AS 44.61.200 provides for an annual audit of the financial

received from the Industrial Development Authority by the  
Legis. Auditor or by a Certified Public Accountant approved  
by the Legislative Auditor. There has been no activity conducted  
by the Authority as of June 30, 1974 which would require an  
audit. This letter is, therefore, being submitted in lieu of a  
formal audit report.

Very truly yours,



Garrey M. Peska, CPA  
Legislative Auditor  
Division of Legislative Audit

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W-ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF-STATE CAPITOL

JUNEAU 99601

SUBJECT: Review of the Department of Environmental Conservation

## PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Department of Environmental Conservation was conducted to determine if the financial statements of the Department as presented in the State's Annual Financial Report for the 1973-74 fiscal year are fairly presented.

## FINDINGS AND CONCLUSIONS

### 1. Financial Statements

It is our opinion that the financial statements are fairly presented in all material respects.

### 2. Billings for Grant Awards

The Department should revise its billing system in order to bill the U. S. Environmental Protection Agency (EPA) in advance. In billing in advance, general fund money would not have to be used, allowing interest to accrue.

### 3. Temporary employees

Temporary employees are not being hired from eligible lists and are being retained longer than six months without obtaining approval from the Director of Personnel. This practice is in violation of Section 506.0 of the state personnel rules.

## RECOMMENDATIONS

1. That procedures be established to allow for advance billings of EPA grants.
2. The Department comply with Section 506.0 of the state personnel rules.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W-ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF--STATE CAPITOL

BUREAU 99001

November 15, 1974

Legislative Budget and Audit Committee

Gentlemen:

Alaska Statute 44.60.150 provides for the Legislative Auditor to conduct an annual audit of the Small Business Development Corporation of Alaska (SBDC). It further provides that if an audit conducted by a Certified Public Accountant is satisfactory in the judgment of the Legislative Auditor it may be accepted instead of the State audit.

#### Review of the Audit for Fiscal Year 1974

The Corporation engaged the firm of Schmitz and Kline, Certified Public Accountants, to perform the audit for the fiscal year ended June 30, 1974. We have reviewed the accountants' work and have found it to be acceptable. Their report and the related statements are, in our judgment, acceptable instead of the State audit. Copies of these documents are attached.

#### Additional Comments by the Legislative Auditor

(SBDC Repayments to State General Fund)

AS 44.60.280 states, "All surplus at the end of a fiscal year over amounts made available to the fund from the general fund of the state shall be repaid to the general fund until the loan is repaid in full . . ."

Surplus at the end of fiscal year 1973 (\$36,341) should have been repaid to the general fund. We were advised that this was delayed because Corporation officials were considering a change in accounting policy which would establish an allowance for doubtful loans. Such an allowance would reduce surplus available for repayment to the general fund.

An allowance of \$25,000 was established in FY 1974.

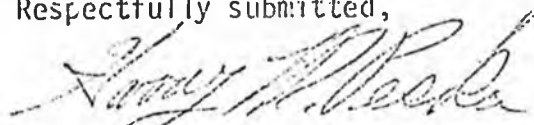
Surplus was appropriately reduced and after the reduction, the June 30, 1974 balance was \$27,572. This balance should be repaid to the general fund without further delay.

Business Development Corporation  
 Status of Loan Portfolio  
 June 30, 1974

	Balance of Loan 6/30/74	Number of Delinquent Quarterly Payments at 6/30/74	
Greater Alaska Development Corporation:			
Greater Anchorage Development Corp.	\$ 54,534		
Alaska Greenhouse, Inc.	11,070		
Lake Otis, Incorporated	29,255		(See Note 1)
Insulating Fiberglas, Inc.	16,533		
Warburton Manufacturing Jewelers, Inc.	14,822		
	<u>\$126,214</u>		
Stikine Development Corporation:			
Highfield Corporation, Inc.	\$ 8,900	2	(Note 2)
			<u>\$ 465</u>
Juneau Development Corporation:			
Glacier Bay Lodge, Inc.	\$ 23,681		
Fairbanks Economic Development, Corp.:			
Mt. McKinley Village	16,044		
Fairbanks Machine	14,076		
Jim Thompson Ford	35,000		
Chena View Hotel	75,000		
	<u>\$140,060</u>	1	(Note 3)
			<u>\$ 341</u>
Alaska Local Development Corporation:			
Golden Rickshaw, Inc.	20,000	6	
Alaska Welding Enterprises	12,195		2,800 (Note
	<u>\$ 32,195</u>		<u>\$2,800</u>
Native Economic Development Corp.:			
Zerembo Native Corporation	5,388		
Royal Fisheries, Inc.	6,905		
	<u>\$ 12,293</u>	-0-	-0-
Kenai City Development Corporation:			
Kenai Food Center	\$ 14,998	-0-	-0-
Consolidated Alaska Development:			
Far North Development Corp.	\$ 20,000	-0-	-0-
Cordova Industrial Development Corp.:			
Bayside Cold Storage	\$ 5,000	-0-	-0-
Ketchikan Local Development Corporation:			
Fireside Lounge and Supper Club	\$ 18,557	-0-	-0-
Schedule Totals	<u>\$401,898</u>		

1. The borrower was current on a renegotiated basis of \$1,000 per month starting in March 1973. Prior to establishing the new repayment schedule, delinquent payments totaled \$8,400. This renegotiated prepayment schedule is sufficient to pay the interest charges but is not sufficient to pay the principal within the 25 year note terms.
2. At 12/31/74 they were delinquent four payments.
3. At 10/31/74 they were delinquent two payments.
4. The borrower failed to complete construction of a restaurant due to construction problems. As a result, construction and funds have been held up by litigation and the Small Business Administration. The probability that the project will be completed must be considered doubtful.

Respectfully submitted,



Garrey I. Peska, CPA  
Legislative Auditor  
Division of Legislative Audit

# STATE OF ALASKA

THREE LEGISLATURES

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU 99801

November 15, 1974

Legislative Budget and Audit Committee

Gentlemen:

A recently instituted policy of the Division of Legislative Audit is to confirm the existence and cost of securities and cash balances of General and State Program Funds as reported by the Department of Revenue, Treasury Division, at the end of each Fiscal Year. Attached is the Statement of Condition - Segregated Funds as of June 30, 1974.

The General Fund Operating Cash and Investments were audited by Peat, Marwick, Mitchell and Co., Certified Public Accountants, for the Fiscal Years ended June 30, 1974 and June 30, 1973. Their report is attached. The Statement of Condition - General Fund Operating Cash and Investments is contained in Note 1 to their Statements.

Accordingly, the scope of work done by the Division of Legislative Audit was limited solely to the written confirmation of existence and cost of securities contained in the Segregated Funds.

During the course of our work, the Federal Revenue Sharing Fund was found to be stated at \$140,319.20 less than actual. This error was corrected by the Treasury in July, 1974, and the correction is reflected in the State's General Ledger as of August 31, 1974.

It was noted that one item of the International Airport Fund, the International Airport Trust, was recorded by the Treasury at \$7,516.60 more than as stated by the Trustee. This was also at variance with the State's General Ledger. We recommend that the Treasury reconcile the difference with the Trustee and to the State's General Ledger so that all are in agreement as to the amount.

November 15, 1974

We recommend that in the future, the auditors chosen to audit the General Fund Operating Cash and Investments also report on the Segregated Funds for the same audit period. The result will be a more complete and comprehensive report of Treasury holdings.

Sincerely yours,



Garrey M. Peska, CPA  
Legislative Auditor  
Juneau, Alaska

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU 95301

November 15, 1974

SUBJECT: A Review of the Unemployment Compensation Fund,  
Alaska Department of Labor

## PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Unemployment Compensation Fund, Alaska Department of Labor was conducted to determine if the financial statements of the Fund appearing in the State's Annual Financial Report for the 1973-74 fiscal year are fairly presented.

## FINDINGS AND CONCLUSIONS

### 1. Financial Statements

It is our opinion that the financial statements are fairly presented. Interest in the amount of \$508,628 earned during April, May and June, 1974 on funds on deposit with the United States Treasury was omitted from the statements but this omission does not materially distort the financial statements.

### 2. Cash Management

During the months of March, April and May, 1974, cash on deposit in a non-interest bearing bank account averaged \$910,984, \$1,220,137 and \$1,022,904 respectively. This is far above the usual balance maintained. We have estimated that \$8,625 in interest was not earned by allowing the bank balance to remain so high for such a long period.

### 3. Segregation of responsibilities to strengthen internal controls.

The concentration of responsibility for financial functions performed in the units which recover overpaid benefits and which issue certain benefit checks present unnecessary risks of misappropriation of funds or other improper practices.

RECOMMENDATIONS

1. In future years interest earned in the last quarter of the fiscal year should be included in the financial statements of the year.
2. Supervisory personnel should review cash management results to assure that idle cash balances are maintained at minimum practical levels.
3. Responsibilities for receiving cash and key billing functions should be assigned to employees not in the Investigations Unit. Signed checks should be mailed directly to payees and not returned to the employee who originated the transaction.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

BUREAU 99801

REPORT OF: Department of Commerce, Division of Business Loans  
Small Business Revolving Loan Fund  
Commercial Fish Revolving Loan Fund  
Tourism Revolving Loan Fund

## PURPOSE OF THE REVIEW

To determine if the financial statements for the above loan funds appearing in the State's Annual Financial Report for the 1973-74 fiscal year are fairly represented.

## FINDINGS AND CONCLUSIONS

Small Business Revolving Loan Fund: Uncertainty exists as to legislative intent of the appropriation set forth in Chapter 34, Session Laws of Alaska 1972. It is not clear whether a portion of this is a non-continuing administrative appropriation.

Commercial Fishing Revolving Loan Fund: Two warrants of \$100,000 were held more than six months, pending loan closure.

Tourism Revolving Loan Fund: Not all loans were held to the statutory limit of 75% of the appraised value of the collateral.

There is no statutory limit on the amount of Small Business or Tourism loans that can be sold to the Department of Revenue. Thus there is no upper limit on these two funds.

## RECOMMENDATIONS

A determination needs to be made as to legislative intent of fund allocation.

Warrants should not be issued until the loan has been closed.

Closer supervision is needed to keep loans from exceeding 75% of the appraised value of the collateral, as provided by statute.

The Legislature and the Department of Commerce should review applicable statutes in order that effective ceilings may be placed on Small Business and Tourism loans. Without these ceilings, legislative review and control over the total contributions to these funds is prevented.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH 14—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH 17—STATE CAPITOL

JUNEAU 99301

SUMMARY OF: 1970 School Construction Fund (Special Report)  
Department of Education  
Department of Public Works, Division of Buildings  
Alaska State Operated School System

## PURPOSE OF THE REVIEW

To determine the efficiency and effectiveness of capital accounting and budgeting system pertaining to the 1970 School Construction Fund. Also to analyze the major reasons for cost overruns.

Note: Department of Education and State Operated Schools are responsible for determining construction priorities. The construction projects themselves are operated under the supervision of the Department of Public Works, Division of Buildings.

## FINDINGS AND CONCLUSIONS

Projects for which funds have been spent were not in every case authorized by the Governor, nor have changes been properly documented.

Costs have been substantially in excess of original estimates in many cases.

Monthly expenditure reports were not submitted by the Division of Buildings, thus the Department of Education has not been able to plan cash requirements properly.

Project cost reports have not been submitted on a timely basis, nor do expenses incurred agree with amounts charged against the bond fund by the Department of Education.

## RECOMMENDATIONS

Formal written authorization of all approved projects (and changes) should be obtained.

Initial planning needs to be better organized and its scope enlarged to deal with all of those that are likely to affect the project.

Expenditure reports should be submitted monthly, together with a projection of anticipated cash requirements.

Expenditures should be charged to the proper project even if authorization levels are exceeded. Properly approved changes in authorization amounts can be made at a later date when necessary.

A system of priorities for school needs should be established by the Department of Education and State Operated Schools. It is further recommended that the legislative acts be spelled out to a degree that would negate subsequent political pressures and program changes.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU 99801

SUMMARY OF: Review of the Department of Natural Resources,  
Division of Parks

## PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Division of Parks and Recreation was conducted to determine if the financial statements of the Division as presented in the State's Annual Report for the 1973-74 fiscal year were fairly presented.

## FINDINGS AND CONCLUSIONS

### Financial Statements

The Division changed its basis of accounting for program/inter-agency receipts from a cash basis to an accrual basis of accounting. This change resulted in an overstatement of revenue in excess of \$100,000. Because of the materiality of the overstatement of revenues, it is our opinion that the Statement of Revenue-Estimated and Actual was not fairly presented.

The Division of Legislative Audit approves of this change in the basis of accounting as it will result in a more accurate recording of program/inter-agency receipts in subsequent years.

It is our opinion that the Statement of Expenditures and Encumbrances Compared with Appropriations is fairly presented.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH W—STATE CAPITOL

BUFILE 99301

SUMMARY OF: Alaska State Development Corporation

## PURPOSE OF THE REVIEW

Alaska Statute 44.59.160 provides for an annual audit of the Alaska State Development Corporation. Below, the more significant findings of the audit conducted in accordance with this statute are summarized.

## FINDINGS AND CONCLUSIONS

Certain banks are not providing sufficient documentation on all investment transactions.

Access to company assets is not formally restricted.

Control over cash receipts is not properly segregated.

## RECOMMENDATIONS

Banks should be required to provide specific supporting documentation for any and all investment and interest activity.

The banks should be formally notified that checks payable to the Corporation are to be accepted for deposit only. Further, transfers of funds other than as authorized in writing by a Corporation officer should only be made for investment or interest payment.

Control of cash receipts received by mail should be handled by someone independent of the cash receipts functions.

# STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W-ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF-STATE CAPITOL

JUNEAU 93201

SUMMARY OF: A Review of the Department of Revenue,  
Division of Motor Vehicles

## PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a review of the Department of Revenue, Division of Motor Vehicles was conducted to determine if the financial statements of the Division appearing in the State's Annual Financial Report for the 1973-74 fiscal year are fairly presented.

## FINDINGS AND CONCLUSIONS

### 1. Financial Statements

It is our opinion that the financial statements do not present fairly the financial operations of the Division for fiscal year ending 1974. The Division understated expenditures by at least \$21,338 (refer to Findings 2 and 5) and overstated authorizations by \$30,000 (refer to Finding 3). As a result the financial statements are materially distorted.

### 2. Intentional Miscoding of Documents

The Department's fiscal office intentionally miscoded at least 64 expenditure vouchers. This is in violation of AS 37.10.030 (Responsibility of officer or employee approving or certifying voucher). This resulted in understating expenditures by \$15,725.

### 3. Authorization established contrary to Budget and Audit Committee Intent

The Division acted contrary to Budget and Audit Committee intent by crediting the 1974 fiscal year with \$30,000 of a \$105,000 Revised Program (74-273) approved for expenditures to be incurred during fiscal year 1975. This was done to cover an apparent overexpenditure of authorizations and resulted in the overstatement of 1973-74 fiscal authorizations by \$30,000.

### 4. Overexpenditure of 1973-74 fiscal year appropriation

The Division overexpended its total 1973-74 fiscal year appropriation by at least \$46,759. This is in violation of the Constitution of the State of Alaska, Article IX,

Section 13; AS 37.05.170; and AS 37.07.08 paragraph 3(d) and (e).

5. 1973-74 fiscal year expenditures charged to the 1974-75 fiscal year

The Department recorded \$5,613 of expenditures incurred during the 1973-74 fiscal year to the 1974-75 fiscal year. This understates the 1973-74 fiscal year expenditures and overstates the 1974-75 fiscal year expenditures.

6. License Plate and Tab Inventories

Major accountability and control deficiencies were noted in the Division's license plate and tab inventory systems.

7. Cash Receipts System

Better controls should be maintained for cash receipts collected from the sale of license plates and tabs. Our review of this system disclosed many weaknesses.

8. Property Control

The Division's state property listing should be corrected and updated. AS 37.05.160 requires all agencies to maintain complete and accurate property records.

#### RECOMMENDATIONS

- 1, 2, 3, & 4 We offer no recommendations pending direction of the Budget and Audit Committee.
5. The Division comply with section 6784 of the State's Administrative Manual.
6. The Department of Revenue, Division of Motor Vehicles, the Department of Administration, Division of Internal Audit and the Division of Data Processing determine and implement the necessary procedures required for the Division to regain the necessary controls and accountability of license plate and tab inventories.
7. The Department of Revenue, Division of Motor Vehicles and the Department of Administration, Division of Internal Audit determine and implement the procedures and controls necessary for the Division to accurately control and account for all cash receipts collected.
8. The Division take a physical inventory to update and correct the state property listing and comply with AS 37.05.160.