

SCOMM

#3:4

Act relating to the functions of the Department of Revenue regarding monetary gifts to the University of Alaska; and providing for an effective date."

COMMITTEE REPORT

HOUSE

1/30/76

FINANCE

Mr. Speaker:

Date 3-12-76

The Committee on SELECT COMMITTEE ON EDUCATION has had SB 518

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:

Wm Jackson DO PASS

Members NOT concurring in the Majority report:

Stacy Steady recommends: do not pass

Leslie... recommends: do not pass unless amended

... recommends: do not pass unless...

_____ recommends:

_____ recommends:

Chairman

Introduced: 1/15/76
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 518

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the functions of the Department
7 of Revenue regarding monetary gifts to the University
8 of Alaska; and providing for an effective date."

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

10 * Section 1. AS 14.40.280 is amended to read:

11 Sec. 14.40.280. ENDOWMENTS AND DONATIONS. All monetary gifts,
12 bequests or endowments which are made to the university for the pur-
13 pose of the separate trust fund created under sec. 400 of this chapter
14 shall be transferred [OTHER THAN STATE APPROPRIATIONS AND FEDERAL
15 ALLOTMENTS, RECEIVED FOR THE UNIVERSITY EXPANSION PROGRAM OR OTHER USE
16 SHALL BE TURNED OVER] to the Department of Revenue. The Department of
17 Revenue shall manage that money in accordance with [SHALL DEPOSIT THEM
18 IN THE SEPARATE FUND ESTABLISHED AND MAINTAINED UNDER] sec. 400 of
19 this chapter. Title to and control or possession of [TO] land, [AND]
20 personal property, and all money other than that transferred to the
21 Department of Revenue [MONEY], which is devised, bequeathed or given
22 to the university shall be taken by the university in its corporate
23 capacity acting by and through the regents or an authorized agent, and
24 shall be entered in the perpetual inventory of the university.

25 * Sec. 2. AS 14.40.400(a) is amended to read:

26 (a) The Department of Revenue shall establish a separate fund in
27 which all money derived from the sale or lease of the lands granted
28 under the Act of Congress approved January 21, 1929, and in which all
29 monetary gifts, bequests or endowments made to the university for the

1 purpose of the fund, shall be held in trust.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).

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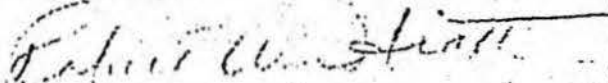
January 20, 1976

Ms. Fran Ulmer
Legislative Assistant
to the Governor
State of Alaska
Office of the Governor
Juneau, Alaska 99801

Dear Ms. Ulmer:

The attached Fiscal Note is returned per your instructions. Thank you for keeping us informed of the progress of the drafted legislation regarding monetary gifts to the University. We support the proposed change to 14.40.280.

Sincerely,



Robert W. Hiatt
President

RWH/mt

cc: Mr. V. Kent Dawson
Division of Budget & Management

FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. To be assigned
Title: An act relating to the functions of the Department of Revenue, etc
Requested by: Governor Date:
Return Date Requested:
Agency: University of Alaska Program: Endowments and Donations

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Statewide Administration

A. EXPENDITURES: (Thousands of dollars)

Table with columns: OBJECT, FY 76, FY 77, FY 78, FY 79, FY 80, FY 81. Rows include PERSONAL SERVICES, TRAVEL, CONTRACTUAL, COMMODITIES, EQUIPMENT, LAND & STRUCTURES, GRANTS, CLAIMS, ETC., and TOTAL. A large handwritten 'NONE' is written across the expenditure rows.

B. FUNDING: (Thousands of dollars)

Table with columns for funding categories: GENERAL FUND, FEDERAL FUNDS, OTHER, and columns for fiscal years FY 76 through FY 81.

C. POSITIONS:

Table with columns for position types: PERMANENT/TEMPORARY, MAN MONTHS (P./T.), and columns for fiscal years FY 76 through FY 81.

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

IV. ATTACHMENTS

V. DATE: 20 January 1976 PREPARED BY: M.M. Hullinger, Vice President for Finance and Comptroller

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

Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill No. 518
 Title: A bill revising the receipting of University of Alaska Permanent Fund
 Requested by: Senate Finance Committee Date: January 16, 1976
 Return Date Requested: January 21, 1976
 Agency: Revenue Program: Treasury

II. FISCAL DETAIL

Budget Request Unit(s) Affected: None

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
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	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

There is no fiscal impact that may be measured related to this measure.

IV. ATTACHMENTS

V. DATE: Jan. 21, 1976

PREPARED BY:

Lawrence C. Eppenbach
 Lawrence C. Eppenbach

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



UNIVERSITY OF ALASKA
FAIRBANKS, ALASKA 99701

March 2, 1976

Representative Hugh Malone, Chairman
House Finance Committee
House of Representatives
Pouch V
Juneau, Alaska 99801

Dear Hugh:

Following a meeting in Juneau last week with the Finance Committee and Select Education Committee, Mr. Hullinger phoned me and stated that you and Mr. Parr wanted copies of the audit proposal and acceptance agreement.


I am enclosing for your information the following documents from our files:

April 18, 1972	Request for Audit Proposal
May 4, 1972	Ray Kohler and Company Proposal
May 18, 1972	Letter accepting proposal
May 5, 1975	Letter amending Kohler arrangement

Although the request for proposal carries the words "University of Alaska Bid No. 2015" for identification, bid law, as we understand it, does not require actual "bids" for professional services. However, good practice involves giving prospective providers of service an opportunity to submit proposals. You will note that acceptance of the proposal was acted upon by the Board of Regents.

If there are other questions you have or additional information you require, please let me know. Mr. Hullinger is currently on leave but we will do our best to provide necessary information from his files.

Sincerely yours,


Don M. Dafoe
Executive Vice President

DMF/mt

cc: Representative Charles Parr, Chairman ✓
Select Committee on Education
President Hiatt
Regent Brundin

Enclosures

PLEASE REPLY BY AIRMAIL

April 18, 1972

University of Alaska
Bid No. 2015

Gentlemen:

The University of Alaska desires to select an auditor for the purpose of examining the records and transactions of the University for fiscal year ended June 30, 1972, in accordance with generally accepted auditing standards prescribed by the American Institute of Certified Public Accountants and in conformity with the generally accepted principles of institutional accounting. The report of audit shall be transmitted to the University within 120 days of the end of its fiscal year.

The scope of the audit will include all transactions and areas of operation necessary to accomplish the report as included in the enclosed financial report of the University. In addition, the University is to receive a letter of comment outlining such matters as the auditor was not fully satisfied with and identify areas where improvement in operation or policy could be made.

If your firm elects to submit an audit proposal, you are invited to attend a pre-award conference to be held on April 26, 1972, at 2 p. m. in Room 101 of the Bunnell Building on the University of Alaska campus at Fairbanks for the purpose of obtaining all information deemed necessary to submit your formal audit proposal which must be received by this office on or before 2 p. m., May 9, 1972. Selection of auditor will be announced within 20 days following the date prescribed for submission of the formal audit proposal.

the A detailed price proposal will be in sufficient detail to indicate:
The number of audit man days; the cost per man day; the total man day costs; travel costs; other costs, if any; and the total estimated cost for the entire proposal.

April 18, 1972

Page Two

The proposal must list recent accounts audited by your organization in Alaska, the experience of your company in auditing university accounts, the names of the auditors to be assigned to this account and their specific background in college and university auditing, and such other data that would assist in the review of your firm.

The proposals will be evaluated by the staff of the Vice President for Finance and Comptroller. The evaluation will include the review of the proposer's plans and associated costs and determine which proposal, if accepted, would be in the best interests of the University. The final award will be subject to approval of the Board of Regents of the University.

The term of this contract pertains to the 1972 fiscal year, but this contract may be renewed for subsequent audits by mutual agreement in writing of the parties hereto subject to approval in the same manner as this instrument. However, in no event will such renewal exceed a period of five years from the date of the original contract.

The University may accept within the time specified herein any proposal whether or not there are negotiations subsequent to its receipt. Any subsequent negotiation shall not constitute a rejection or counter offer on the part of the University.

The University reserves the right to reject any or all proposals and to waive informalities and minor irregularities in the proposals received. It is contemplated that an agreement will be awarded to that responsible offerer whose proposal will be most advantageous to the University. The right is reserved to accept other than the lowest proposal.

Award may be made by acceptance of the most favorable proposal received without further negotiation or bargaining. Initial proposals submitted in response to this solicitation should therefore be set forth in the most favorable terms that the offerer is willing to agree. An acceptance of proposal mailed to the successful offerer within the time for acceptance and upon the terms specified in the proposal shall be deemed to result in a binding agreement without further action by either party.

Payment to the successful firm will be made upon receipt of monthly invoices with the final payment to be rendered upon receipt of the reports and a final invoice for such services.

April 18, 1972
Page Three

The auditor in being awarded this engagement is to be fully aware that the University has no obligation to engage the auditor for future work to implement any of the recommended changes in procedures and policies revealed during the course of the audit. In addition, there is no obligation on the part of the University to consider the firm for any other management or feasibility studies designed to improve the accounting, organizational or administrative procedures of the University.

Sincerely,

M. M. Hullinger
Vice President for Finance
and Comptroller

MMH/alh

Enclosure

RAY KOHLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 607
FAIRBANKS, ALASKA 99707

May 4, 1972

M. M. Hullinger
Vice-President for Finance
and Comptroller
University of Alaska
College, Alaska 99701

Dear Mr. Hullinger:

The firm of Ray Kohler & Co., Certified Public Accountants, is pleased to present this proposal to examine the records of the University of Alaska for the fiscal year ending June 30, 1972. Our examination will be conducted in accordance with generally accepted auditing standards prescribed or accepted by the American Institute of Certified Public Accountants. The financial statements, upon which our report will be based, are to be prepared in accordance with generally accepted accounting principles applicable to state supported Universities. With respect to such principles, our firm considers "College and University Business Administration" to be the most authoritative literature available for the purpose of defining generally accepted accounting principles applicable to your organization.

In the conduct of the engagement we will utilize the services of Hickman & Kautzky, Certified Public Accountants, our correspondent firm with offices in Anchorage.

OUR APPROACH

It is the philosophy of our firm that an image of independence in the auditors you select is of primary importance in maintaining the confidence of the public and legislative bodies in the integrity of the institution. Since there is adequate expertise available in many firms to perform systems and other special engagements, we consider it unnecessary for our firm to extend services into areas which could adversely affect our image of independence. Accordingly, if selected as your auditors, you are advised that we would not extend services beyond the following functions:

- (1) The audit or "attest" function and related work thereto.
- (2) Assistance in preparing requests for proposals for special engagements, (if requested by you).
- (3) Assistance in evaluating proposals, (if requested by you).

With respect to our staffing, we have appended hereto the resumes of the key personnel who will be involved in the engagement. Set forth under our fee estimate below is the number of man days we expect each such individual to devote to the engagement, based on our estimate of total time involved.

In addition to our report on the financial statements of the University, addressed to the Board of Regents, we will issue a separate "Auditors' Observation Report" in narrative form, setting forth weaknesses in internal control, suggested changes in accounting procedures, and such other matters as we consider appropriate to comment on as a result of our observations during the examination. Such narrative report may be addressed to the chief financial officer of the University, the Board of Regents, or such other authority as may be designated by the University in its proposal acceptance.

As noted in the preceding paragraph, the implementation of any changes based on our observations is considered to be a responsibility of the University and we would not be available for services beyond that previously outlined.

OUR QUALIFICATIONS

The firm of Ray Kohler & Co. is the largest local independent public accounting firm in Interior Alaska. The senior member of our firm has been engaged in public accounting in the area since 1942. The three lead personnel we propose to assign to the engagement have a combined total of 47 years accounting and auditing experience. As indicated by their attached resumes, they bring to bear on this engagement significant experience with colleges and universities both within and without the State of Alaska. In addition to these individuals, who will complete the major portion of the engagement, two assistants will be assigned as required. The assistants assigned will have previously completed at least three years as public accountants.

TIMING

We have prepared time estimates for the examination and have scheduled assigned individuals for task performance within the 120 day time constraint imposed by you. We will accept responsibility for having the designated individuals available during the time frame and for completion of the assigned tasks within the estimates we have provided. Assuming the University can provide account analyses or reconciliations and the required supplementary schedules within the time frames established by us, our report will be available to the printer on or before October 23, 1972. To assist in monitoring our mutual progress, we would propose the following joint monitoring devices:

- July 6, 1972 - A written progress report by us, presented in conference, reporting on progress to date and anticipated problem areas. Your comments may be verbal or written.
- August 24, 1972 - A written progress report by us, presented in conference, reporting on progress to date. At this time a list of all unreconciled accounts and incomplete schedules will be presented and responsibility for reconciliation and completion within a 30-day period assigned.
- October 2, 1972 - A written report by us, presented in conference, reviewing progress to date and timing of delivery of report to printer, review of brown line and report signing.

OUR FEE

We have reviewed the current status of the University accounting records, evaluated the degree of assistance which we can reasonably expect from your staff (assuming no key personnel changes) and estimate the number of audit man days to be 160 to 175. The number of man days we would assign to the personnel involved in the engagement is as follows:

R. P. Kautzky, resume attached	10
Bill B. Hickman, resume attached	45
Jean B. Schmitt, resume attached	45
Assistant accountants (2), resumes provided upon request	<u>60 - 75</u>
Total estimated man days	<u>160 - 175</u>
Cost per man day	<u>\$ 190.00</u>
Estimated engagement cost	<u>\$30,400.00 to \$33,250.00</u>

We assume that the University will provide postage for confirmations, clerical assistance in report and confirmation typing and the costs of report printing. Other costs such as travel, supplies, and our internal operating costs will not be added to the engagement cost. Therefore the engagement cost arrived at by multiplying estimated man days by our charge per man day is to be considered the total estimated cost for the engagement.

M. M. Hullinger

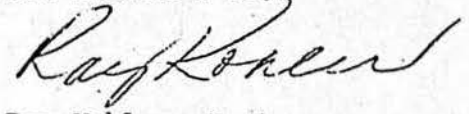
Page 4.

* * * * *

We are pleased to present the above information for your consideration and thank you for the opportunity to do so. If you have any questions or further inquiries regarding our proposal, we welcome the opportunity to discuss them with you.

Very truly yours,

RAY KOHLER & CO.



Ray Kohler, Partner

gms

RESUME OF R. P. KAUTZKY

Experience

Mr. Kautzky has been in public and private accounting since 1946. From 1962 through 1971 he was employed by the Anchorage office of an international accounting firm. Duties with that firm have included:

Overhead cost study for Alaska Methodist University.

Manager in charge of management consulting activities for both private and governmental bodies.

Review of the Alaska Tax Structure for the State of Alaska.

Auditing and/or consulting engagements for:

The City of Seward

The City of Anchorage

The City of Kodiak

Greater Anchorage Area Borough and School District

The City of Fairbanks

Fairbanks North Star Borough and School District

Greater Ketchikan Borough

City of Nome

City of Cordova

Professional

Mr. Kautzky is a member of the American Institute of Certified Public Accountants and also serves as a Representative of the State of Alaska to the governing Council of that organization. He is President of Alaska Society of Certified Public Accountants.

RESUME OF BILL B. HICKMAN

Education

Mr. Hickman is a graduate of the University of Oklahoma with a major in Accounting and a minor in Business Law.

Experience

Mr. Hickman qualified as a Certified Public Accountant in 1959, at which time he was employed by a local public accounting firm in Oklahoma. In 1962 Mr. Hickman joined an international public accounting firm outside and transferred to Alaska with that firm during 1967. Effective January 1, 1972, Mr. Hickman joined R. P. Kautzky, Certified Public Accountant, to form the partnership of Hickman & Kautzky.

General governmental accounting experience of Mr. Hickman has included:

Auditor-in-charge	- - -	City of Anadarko, Oklahoma
	- - -	City of Lindsay, Oklahoma
Engagement manager	- - -	City of Anchorage, Alaska
Engagement manager	- - -	Greater Anchorage Area Borough and School District

Specific College and University auditing experience includes:

Engagement supervisor	- - -	Central State College (Oklahoma) enrollment approximately 8,000
Engagement supervisor	- - -	Alaska Methodist University (1967-68 and 1968-69 fiscal years)
Engagement manager	- - -	University of Alaska

Professional

Mr. Hickman is a member of the American Institute of Certified Public Accountants and the Alaska Society of Certified Public Accountants. He is a past member of the Insurance Accounting and Statistical Association and Systems and Procedures Association. He has served as a speaker at the annual meeting of the Oklahoma Society of C.P.A.'s and as an instructor of their professional development courses. Mr. Hickman recently participated as a panelist on Phase II at a meeting of the Alaska Society of Certified Public Accountants.

May 18, 1972

Ray Kohler & Co.
P. O. Box 607
Fairbanks, Alaska 99701

Dear Mr. Kohler:

The proposal to examine the University records as submitted by your firm and in accordance with University of Alaska bid No. 2015 has been accepted by the Board of Regents.

The arrangements for the conduct of the audit engagement will be worked out with Mr. A. B. Frol, Associate Comptroller, by June 1, 1972.

We appreciate your submitting a proposal for the examination of the University records and look forward to working with the members of your firm.

Sincerely,

M. M. Hullinger
Vice President for Finance
and Comptroller

MMH/alh
cc: Mr. A. B. Frol

RAY KOHLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 507
FAIRBANKS, ALASKA 99707

May 5, 1975

M. M. Hullinger
Vice President for Finance and Comptroller
University of Alaska
Fairbanks, Alaska 99701

Dear Mr. Hullinger:

In accordance with our previous discussions, this letter is to present our proposal for a fee adjustment on our audit contract with the University.

As you know, our original proposal was at \$190 per man day without any charge to the University for travel, housing or per diem. This is the fee arrangement that has been in effect for the past three years. During this period we have all experienced sharply increased costs, particularly in personnel costs. We feel that we cannot continue to meet the increased personnel costs and other charges at our three-year old rate. We hereby request an increase to \$228 per man day. This proposed rate represents a 20% increase, an amount which we feel is less than the general inflation factor we have experienced in the same period. We would continue to pay other costs such as travel and per diem.

However, because of the uncertainties concerning costs and availability of desirable housing in Fairbanks, we request assistance from the University in this area. ~~We propose that we will pay the first \$1,000 of our housing costs. If they should exceed that amount, we consider reimbursement by the University for 50% of that excess to be an equitable arrangement. In addition, University assistance in arranging suitable housing will be appreciated on campus.~~ *Must*

Your favorable consideration will be appreciated. If you agree to the above proposal please sign in the space provided below and return one copy to us.

Very truly yours,

RAY KOHLER & CO.

Jean B Schmitt
Jean B. Schmitt, Partner

The above proposal is accepted

M. M. Hullinger

gmf
enc.

5/20 Copy to Frae

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

February 3, 1976

Honorable Charles Parr
Chairman
Select Committee on Education
Alaska State Legislature
State Capitol Building
Juneau, AK 99811

Re: Senate Bill No. 518

Dear Mr. Parr:

Senate Bill No. 518, an Act relating to the functions of the Department of Revenue regarding monetary gifts to the University of Alaska was introduced in the House on January 29, 1976 and was referred to the House Select Committee on Education and the House Finance Committee.

For the consideration of the House Select Committee on Education, I am enclosing a copy of a fiscal note prepared by Lawrence Eppenbach, Deputy Commissioner, Department of Revenue on the proposed legislation along with copies of a letter dated February 2, 1976 from Mr. Eppenbach to the Honorable Frank Ferguson, Member, Senate Finance Committee and a letter dated November 6, 1975 from Mr. Eppenbach to the Honorable Edward F. Naughton, Chairman, Legislative Budget and Audit Committee concerning the proposed legislation.

If you or any members of the House Select Committee on Education have any questions on the material submitted, please telephone the writer at 465-2397 and I will contact Mr. Eppenbach to submit further material or testify at a hearing.

Very truly yours,



R. D. Stevenson
Special Assistant

cc: The Honorable Hugh Malone
Chairman
House Finance Committee

Lawrence C. Eppenbach
Deputy Commissioner, Treasury
Department of Revenue

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, Governor

POUCH SB-JUNEAU 99801

February 2, 1976

The Honorable Frank Ferguson
Member, Senate Finance Committee
Alaska State Capitol
Juneau, Alaska 99811

Dear Senator Ferguson:

This letter will outline some of the reasons for introducing Senate Bill No. 518 and amplify comments contained in the Governor's letter of transmittal.

The Department of Revenue recognized last summer its receipting responsibility for monetary gifts made to the University of Alaska under Title 14.40.280. The Department wrote to the University requesting a list of any restricted gifts received and the immediate transmittal of all unrestricted gifts. The Department discussed this matter with Budget and Management, Legislative Audit, and disclosed the entire matter to the Budget and Audit Committee in a letter to its Chairman dated November 6, 1975. I have attached a copy of that letter and all documents appended thereto.

Senate Bill No. 518 provides an opportunity for potential benefactors of the University to donate gifts to the University of Alaska Permanent Fund which is invested by the Department of Revenue. This would insure that the value of such gifts would be received by the University in the form of an endowment. The Department of Revenue seeks to make permissive a statute which heretofore required the University to deposit all monetary gifts received. Other changes in Sections 280 and 400 are housekeeping in nature to eliminate archaic language.

There is one issue that SB 518 does not address: The Department of Revenue discussed with Legislative Audit the implication that monetary gifts received by the University may be used to initiate programs which would, in the future, require appropriations. The Department believes that this is an issue deserving legislative review and judgment and not that of the Department.

Sincerely,

Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge
Enclosure
cc: R. D. Stevenson

November 6, 1975

The Honorable Edward F. Naughton
Chairman
Legislative Budget and Audit Committee
P. O. Box 1097
Kodiak, Alaska 99615

Dear Mr. Naughton:

This letter discloses the action taken by the Department of Revenue following its discovery last summer of receipting responsibility contained in Title 14 of the Alaska Code. AS 14.40.280 requires that the Department of Revenue receipt all monetary gifts to the University of Alaska and deposit them in the University of Alaska Permanent Fund. The Department of Revenue was not at the time receipting and depositing such gifts and had no record of ever having made such deposits.

When the Department recognized its responsibility under AS 14.40.280 an official wrote to the Comptroller of the University and asked for a listing of restricted monetary gifts received during fiscal year 1975 as well as for a direct transfer to the Treasury of all unrestricted monetary gifts. The distinction between restricted and unrestricted gifts was made by the Department of Revenue recognizing the practical problems of transferring late in the fiscal year funds already committed for a particular purpose. After additional correspondence with the University, the Department of Revenue was informed that no unrestricted monetary gifts were received during fiscal year 1975.

The University of Alaska did transmit to this Department a listing of all gifts, bequests, and bequeaths, both monetary and in kind. That listing has been reviewed and pared down to the attached list which we believe contains the monetary gifts and bequests that are not directly related to the performance of any contracted service provided by the University. This is admittedly a subjective judgment based on less than sufficient information and the attachment should be viewed as only broadly representative of the nature of monetary gifts, bequests, and endowments.

November 6, 1975

The Department of Revenue has also discussed this issue with the Legislative Auditor and has requested the Attorney General to review the Department's responsibilities under AS 14.40.280 as opposed to Section 250 of the same chapter which appears to confer to the Board of Regents the power to receive and invest funds.

In addition, the Department of Revenue is presently preparing draft legislation for review by the Governor. If introduced and passed it would provide for the Department to receive and deposit monetary gifts in the University of Alaska Permanent Fund when requested by the donor. This would offer a source of permanent investment for monetary gifts as an endowment option available to a donor without directly interfering with the University's relationship to benefactors.

If you have any questions regarding this matter please don't hesitate to call us.

Sincerely,

Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge

Enclosure

cc: The Honorable Jay Hammond, Governor
Commissioner Sterling Gallagher
The Honorable Avrum Gross, Attorney General
Dr. Robert Hiatt, President, University of Alaska
M. M. Hullinger, Vice President, Finance & Comptroller
Gary Peska, Legislative Auditor

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

File w/ Bill
JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

February 3, 1976

Honorable Charles Parr
Chairman
Select Committee on Education
Alaska State Legislature
State Capitol Building
Juneau, AK 99811

Re: Senate Bill No. 518

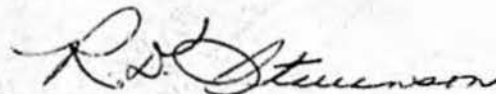
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Very truly yours,



R. D. Stevenson
Special Assistant

cc: The Honorable Hugh Malone
Chairman
House Finance Committee

Lawrence C. Eppenbach
Deputy Commissioner, Treasury
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session -- Ninth Legislature

I. REQUEST

Bill No. Senate Bill No. 518
 Title: A bill revising the receipting of University of Alaska Permanent Fund
 Requested by: Senate Finance Committee Date: January 16, 1976
 Return Date Requested: January 21, 1976
 Agency: Revenue Program: Treasury

II. FISCAL DETAIL

Budget Request Unit(s) Affected: None

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
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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	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

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

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

There is no fiscal impact that may be measured related to this measure.

IV. ATTACHMENTS

V. DATE: Jan. 21, 1976 PREPARED BY: Lawrence C. Eppenbach

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, Governor

POUCH SB-JUNEAU 99801

February 2, 1976

The Honorable Frank Ferguson
Member, Senate Finance Committee
Alaska State Capitol
Juneau, Alaska 99811

Dear Senator Ferguson:

This letter will outline some of the reasons for introducing Senate Bill No. 518 and amplify comments contained in the Governor's letter of transmittal.

The Department of Revenue recognized last summer its receipting responsibility for monetary gifts made to the University of Alaska under Title 14.40.280. The Department wrote to the University requesting a list of any restricted gifts received and the immediate transmittal of all unrestricted gifts. The Department discussed this matter with Budget and Management, Legislative Audit, and disclosed the entire matter to the Budget and Audit Committee in a letter to its Chairman dated November 6, 1975. I have attached a copy of that letter and all documents appended thereto.

Senate Bill No. 518 provides an opportunity for potential benefactors of the University to donate gifts to the University of Alaska Permanent Fund which is invested by the Department of Revenue. This would insure that the value of such gifts would be received by the University in the form of an endowment. The Department of Revenue seeks to make permissive a statute which heretofore required the University to deposit all monetary gifts received. Other changes in Sections 280 and 400 are housekeeping in nature to eliminate archaic language.

There is one issue that SB 518 does not address: The Department of Revenue discussed with Legislative Audit the implication that monetary gifts received by the University may be used to initiate programs which would, in the future, require appropriations. The Department believes that this is an issue deserving legislative review and judgment and not that of the Department.

Sincerely,

Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge
Enclosure
cc: R. D. Stevenson

November 6, 1975

The Honorable Edward F. Naughton
Chairman
Legislative Budget and Audit Committee
P. O. Box 1097
Kodiak, Alaska 99615

Dear Mr. Naughton:

This letter discloses the action taken by the Department of Revenue following its discovery last summer of receipting responsibility contained in Title 14 of the Alaska Code. AS 14.40.280 requires that the Department of Revenue receipt all monetary gifts to the University of Alaska and deposit them in the University of Alaska Permanent Fund. The Department of Revenue was not at the time receipting and depositing such gifts and had no record of ever having made such deposits.

When the Department recognized its responsibility under AS 14.40.280 an official wrote to the Comptroller of the University and asked for a listing of restricted monetary gifts received during fiscal year 1975 as well as for a direct transfer to the Treasury of all unrestricted monetary gifts. The distinction between restricted and unrestricted gifts was made by the Department of Revenue recognizing the practical problems of transferring late in the fiscal year funds already committed for a particular purpose. After additional correspondence with the University, the Department of Revenue was informed that no unrestricted monetary gifts were received during fiscal year 1975.

The University of Alaska did transmit to this Department a listing of all gifts, bequests, and bequeaths, both monetary and in kind. That listing has been reviewed and pared down to the attached list which we believe contains the monetary gifts and bequests that are not directly related to the performance of any contracted service provided by the University. This is admittedly a subjective judgment based on less than sufficient information and the attachment should be viewed as only broadly representative of the nature of monetary gifts, bequests, and endowments.

November 6, 1975

The Department of Revenue has also discussed this issue with the Legislative Auditor and has requested the Attorney General to review the Department's responsibilities under AS 14.40.280 as opposed to Section 250 of the same chapter which appears to confer to the Board of Regents the power to receive and invest funds.

In addition, the Department of Revenue is presently preparing draft legislation for review by the Governor. If introduced and passed it would provide for the Department to receive and deposit monetary gifts in the University of Alaska Permanent Fund when requested by the donor. This would offer a source of permanent investment for monetary gifts as an endowment option available to a donor without directly interfering with the University's relationship to benefactors.

If you have any questions regarding this matter please don't hesitate to call us.

Sincerely,

Lawrence C. Eppenbach
Deputy Commissioner, Treasury

LCE:ge

Enclosure

cc: The Honorable Jay Hammond, Governor
Commissioner Sterling Gallagher
The Honorable Avrum Gross, Attorney General
Dr. Robert Hiatt, President, University of Alaska
M. M. Hullinger, Vice President, Finance & Comptroller
Gary Peska, Legislative Auditor

<u>Amount</u>	<u>Project</u>	<u>Granted By</u>
\$ 6,000	Graduate Fellowship Support, D. Hood	Union Oil
72,000	Foundation Support Grant, D. Coon	Ford Foundation
9,060	Self Support Course, L. Helms	Various
1,500	Geology Scholarship, D. Hawkins	Standard Oil Company
2,000	Lions Scholarship, I. Greiner	Pt. Barrow Lions Club
4,507	ASUA Talent Grant Program, I. Greiner	A.S.U.A.
76,000	Petroleum Tech Scholarship, T. Wagoner	B.P. Alaska
7,000	Student Research Grant, J. Peterson	Atlantic Richfield Oil Co.
3,000	Berry Family Scholarship	Berry Holding Company
200	Nellie Trigg Memorial	Paul Sterling II, President Kuyanna House, Inc.
200	J. Theodore "Ted Crites Scholarship for Skiing"	Kenneth Crites
1,000	Pt. Barrow Lions Club Scholarship	Dr. Larry S. Underwood
94	Daniel Cucurull Memorial Fund	Mrs. Donald C. Douglass
1,000	Northern Commercial Foundation	Mr. Volney Richmond, Jr., President Northern Commercial Company
200	Presser Foundation	Mr. John Ronald Ott, President
445	Talent Grant-Music	Mr. Charles Davis, Head of the Department of Music, U of A
3,000	Alumni Association Talent Grant	Mrs. Alice Mikami Snodgrass
300	Alumni Association Scholarship	Mrs. Alice Mikami Snodgrass
73	Margaret P. Harris Memorial Fund	
100,000	Foundation Support Grant, F. Darnell	Ford Foundation
5,000	Native Arts Festival, T. Tomczak	Private
500	Engineering Scholarship Fund, L. Behlke	Union Oil Company
5,985	Alaska Adult Literacy Lab, J. Irany	Private
12,119	Early Childhood Development Center, E. Short	Private
87	George & Mine Makimi Memorial Scholarship	Mrs. Alice Snodgrass
5,165	Anonymous String Scholarship	Mr. Robert H. E. Lauer
97	Emily Brown Scholarship Fund	Mrs. Ida Knoebel
10	Music Talent Grant	Jimmy Bedford
500	Quota Club of Fairbanks	Mrs. Sally Murphy
485	University Day Scholarship	Mrs. Shelia Herriott
1,000	Alaska Magazine Natural Resource Award	Mr. Robert Henning
1,000	UV Industries Scholarship	Mr. Robert Baldwin
225	University Women's Association	Mrs. Jan Turner
100	Blue & Gold Club & Talent Grant	A. W. Baker
100	Blue & Gold Club & Talent Grant	Mr. Randy Clapp
100	Blue & Gold Club & Talent Grant	Floyd Derieux
100	Blue & Gold Club & Talent Grant	Sharon Griffis
100	Blue & Gold Club & Talent Grant	James M. Hackett
100	Blue & Gold Club & Talent Grant	R. Michael Jens
100	Blue & Gold Club & Talent Grant	Mark Klaich
100	Blue & Gold Club & Talent Grant	Angie Kruckenberg
100	Blue & Gold Club & Talent Grant	James L. McCarthy
100	Blue & Gold Club & Talent Grant	Richard J. Mealey
100	Blue & Gold Club & Talent Grant	Urban E. Rahoi
100	Blue & Gold Club & Talent Grant	Jack Shives
2,000	Recruiting, Mineral Engineering	Mineral Industry Education Foundation
1,000	Student Scholarships, Mineral Engineering	UV Industries, Inc.
144	F. Wayne Jones Scholarship, Mineral Engr.	F. Wayne Jones
1,500	Unrestricted, Geology	Marathon Oil Company

<u>Amount</u>	<u>Project</u>	<u>Granted By</u>
\$ 500	Student Scholarship, Geology	Union Oil Company
25	Mary and John Doyle Emergency Loan Fund	Marie Hoffman
520	Scholarship Fund	American Society of Women
25	Jackie Robinson Loan Fund	Accountants c/o Carol Rude
100	Women's Basketball Team	Air Force Sergeants Assn., # 605
15	Women's Basketball Team	F. J. Phillips, M. D.
10	Women's Basketball Team	Theresa's Bakery
5	Women's Basketball Team	Jones & Bosser, Accountants
150	Women's Basketball Team	Harland W. Davis, Attorney
50	Women's Basketball Team	Marathon Oil Company
100	Women's Basketball Team	National Bank of Alaska
10	Women's Basketball Team	Roosevelt Hotel
10	Women's Basketball Team	Automotive Parts & Equipment
50	Women's Basketball Team	R. Collin Middleton
25	Women's Basketball Team	Black Orchid Brothers'
25	Women's Basketball Team	Enterprises, Inc.
10	Women's Basketball Team	Sheffield Enterprises, Inc.
20	Women's Basketball Team	Rabbit Creek Inn
10	Women's Basketball Team	Alaska Stationers
5	Women's Basketball Team	Polar Reproductions
50	Camille Marie More Music Scholarship Fund	Rabbit Hutch
5	Camille Marie More Music Scholarship Fund	M. L. Nicholson
10	Camille Marie More Music Scholarship Fund	Mrs. Marilyn Yonley
25	Camille Marie More Music Scholarship Fund	Mrs. C. O. Arnecke, Jr.
10	Camille Marie More Music Scholarship Fund	Major & Mrs. E. P. Frey
5	Camille Marie More Music Scholarship Fund	The Matyas Family
1,100	Sandra Flothe Memorial Scholarship Fund	Mrs. Joan S. Newhouse
5,500	Surveying and Mapping Scholarship	Mrs. Sara Langton
545	Kevin Robbins Memorial Scholarship Fund	Mr. and Mrs. Milo Flothe
210	Dental Hygiene Scholarship	Sidney J. Henderson, Jr.
2,500	Grant	Latter Day Saints Church
		Dental Assisting Program
		Mr. Larry Howland, Director
		ITT Arctic Services, Inc.

Introduced: 1/15/76
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 518

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the functions of the Department
7 of Revenue regarding monetary gifts to the University
8 of Alaska; and providing for an effective date."

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

10 * Section 1. AS 14.40.280 is amended to read:

11 Sec. 14.40.280. ENDOWMENTS AND DONATIONS. All monetary gifts,
12 bequests or endowments which are made to the university for the pur-
13 pose of the separate trust fund created under sec. 400 of this chapter
14 shall be transferred [OTHER THAN STATE APPROPRIATIONS AND FEDERAL
15 ALLOTMENTS, RECEIVED FOR THE UNIVERSITY EXPANSION PROGRAM OR OTHER USE
16 SHALL BE TURNED OVER] to the Department of Revenue. The Department of
17 Revenue shall manage that money in accordance with [SHALL DEPOSIT THEM
18 IN THE SEPARATE FUND ESTABLISHED AND MAINTAINED UNDER] sec. 400 of
19 this chapter. Title to and control or possession of [TO] land, [AND]
20 personal property, and all money other than that transferred to the
21 Department of Revenue [MONEY], which is devised, bequeathed or given
22 to the university shall be taken by the university in its corporate
23 capacity acting by and through the regents or an authorized agent, and
24 shall be entered in the perpetual inventory of the university.

25 * Sec. 2. AS 14.40.400(a) is amended to read:

26 (a) The Department of Revenue shall establish a separate fund in
27 which all money derived from the sale or lease of the lands granted
28 under the Act of Congress approved January 21, 1929, and in which all
29 monetary gifts, bequests or endowments made to the university for the

1 purpose of the fund, shall be held in trust.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-

3 10.070(c).

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Pouch V
JUNEAU ALASKA
99801

Alaska State Legislature
House

SELECT COMMITTEE ON EDUCATION

February 2, 1976

*rec 2/6/76
cc Mr. Sullivan
for review
K.*

Dr. Robert W. Hiatt
President
University of Alaska
Fairbanks, Alaska 99701

Dear Dr. Hiatt:

Does the University have a position on SB 518? This bill deals with the separate trust fund established for monetary gifts, bequests, and endowments made to the University.

I would appreciate any position statement.

Sincerely,

Charles H. Parr
Charles H. Parr
Chairman

CHP:jh

Introduced: 1/15/76

Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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FROM: OFFICE OF THE PRESIDENT

UNIVERSITY



OF ALASKA

TO: Dr. Gruenig

DATE: 2-6-76

Will you kindly review this for
Dr. Hiatt. It would be nice if you
could talk to him about it today..

W
*Makes law conform to existing
practice.*



Alaska State Legislature House

Pouch V
JUNEAU ALASKA
99801

SELECT COMMITTEE ON EDUCATION

February 2, 1976

rec 2/6/76

Dr. Robert W. Hiatt
President
University of Alaska
Fairbanks, Alaska 99701

Dear Dr. Hiatt:

Does the University have a position on SB 518? This bill deals with the separate trust fund established for monetary gifts, bequests, and endowments made to the University.

I would appreciate any position statement.

Sincerely,

Charles H. Parr
Charles H. Parr
Chairman

CHP: jh

Introduced: 1/15/76
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 518

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4 NINTH LEGISLATURE - SECOND SESSION

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15 ALLOTMENT, RECEIVED FOR THE UNIVERSITY EXPANSION PROGRAM OR OTHER USE
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17 Revenue shall manage that money in accordance with [SHALL DEPOSIT THEM
18 IN THE SEPARATE FUND ESTABLISHED AND MAINTAINED UNDER] sec. 400 of
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21 Department of Revenue [MONEY], which is devised, bequeathed or given
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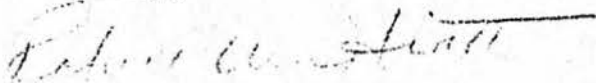
January 20, 1976

Ms. Fran Ulmer
Legislative Assistant
to the Governor
State of Alaska
Office of the Governor
Juneau, Alaska 99801

Dear Ms. Ulmer:

The attached Fiscal Note is returned per your instructions. Thank you for keeping us informed of the progress of the drafted legislation regarding monetary gifts to the University. We support the proposed change to 14.40.280.

Sincerely,



Robert W. Hiatt
President

RWH/mt

cc: Mr. V. Kent Dawson
Division of Budget & Management

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST
 Bill No. To be assigned
 Title: An act relating to the functions of the Department of Revenue, etc.
 Requested by: Governor Date: _____
 Return Date Requested: _____
 Agency: University of Alaska Program: Endowments and Donations

II. FISCAL DETAIL
 Budget Request Unit(s) Affected: Statewide Administration

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

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)

IV. ATTACHMENTS

V. DATE: 20 January 1976 PREPARED BY: *M. M. Hullinger*

M.M. Hullinger, Vice President for Finance
and Comptroller

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

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 12, 1976

new 1/16/76

Dr. Robert W. Hiatt
President
University of Alaska
101 Bunnell
Fairbanks, Alaska 99701

Dear President Hiatt:

The Attorney General's office has drafted legislation concerning "An Act relating to the functions of the Department of Revenue regarding monetary gifts to the University of Alaska," for introduction in the Second Session of the Ninth Legislature. Please review this proposal for possible fiscal impact upon your agency and complete the attached Fiscal Note. Return the original to me and two copies to the Division of Budget and Management within one week, if it is at all possible.

For assistance in preparing the Fiscal Note, refer to the preparation instructions issued by the Division of Legislative Finance, or consult your budget analyst. Where no fiscal impact implications are involved, enter "none" in section II and return promptly.

Also, as this bill may have a fiscal impact on the Department of Revenue, I have requested a Fiscal Note from that agency.

Sincerely,

Fran Ulmer / fu

Fran Ulmer
Legislative Assistant
to the Governor

Enclosures

cc: Kent Dawson
Division of Budget &
Management
w/Enclosures

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU 99811

January 5, 1976

MEMORANDUM

TO: The Honorable Jay S. Hammond
Governor

FROM: Avram W. Gross
Attorney General

RE: Proposed legislation regarding the functions of
the Department of Revenue on the receipt of
monetary gifts to the University of Alaska.

Attached is legislation proposed by the Department of Revenue restricting the functions of the Department of Revenue on the receipt of monetary gifts to the University of Alaska. Here is a copy of the transmittal letter:

DEPT

In accordance with AS 24.30.060() and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill which limits the functions of the Department of Revenue with regard to monetary gifts received by the University of Alaska.

Some confusion has arisen regarding the functions of the Department of Revenue regarding the receipt of monetary gifts made to the University of Alaska. AS 24.30.060 appears to require the department to receive all monetary gifts regardless of whether the

The Honorable Jay S. Hammond

January 5, 1975

- 2 -

... whether gifts were collected or whether the gifts were intended to be made to the permanent trust fund under AS 14.40.400. Accordingly, this bill would appropriately limit the Department of Revenue's control of University of Alaska monetary gifts to those made specifically for the purpose of the separate trust fund administered by the Department of Revenue under AS 14.40.400.

Sincerely,

Jay S. Hammond
Governor

Enclosed:

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

GENERAL AND STATE PROGRAM FUNDS

MONTHLY INVESTMENT REPORT

January 31, 1976

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Statement of Condition	3 - 4
Summary of Deposits in Alaska Financial Institutions	5
Index to Financial Institutions	6
Asset Listing - General Investment Account Deposits	7 - 8
Asset Listing - State Program Accounts	9 - 11

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

FLOW OF FUNDS SUMMARY
January 31, 1976

At the end of January 1976, the General and Segregated State Program Funds totaled \$458,398,667.06, down from \$478,744,749.09 at the close of the previous month. Operating cash and the level of the General Investment Account totaled \$378,053,927.83 at the end of January. This total represents a decrease of \$20,538,912.78 from the previous month. During the month, \$4,984,857.08 was received from the Federal Highway Administration, \$5,419,910.52 was received from royalty oil production payments, and \$861,250.08 was received from the Federal Bureau of Outdoor Recreation.

Beginning of Month Cash and Invested Funds	\$478,744,749.09
Net Investment Revenue	1,543,237.87
Net Drawdown of Funds for State Expenditures	(18,802,844.16)
End of Month Cash and Invested Funds	\$458,398,667.06

INVESTMENT RETURN

The total realized cash investment return of \$1.5 million for January raises the amount collected over the first seven months of this fiscal year to \$19.0 million.

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

TOTAL INVESTMENT PORTFOLIO AT COST
January 31, 1976

<u>General and Segregated State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Cash	\$ 7,314,970.69	\$ 9,665,528.02
Repurchase Agreements	23,900,000.00	18,500,000.00
Bankers' Acceptances	12,968,969.03	
U. S. Treasury Bills	24,297,367.83	27,131,674.49
Certificates of Deposit	228,924,825.35	254,135,100.84
U. S. Notes and Bonds	456,480.75	5,473,685.25
U. S. Agencies	18,517,282.25	23,542,299.75
Alaska Loans	<u>142,018,771.16</u>	<u>140,296,460.74</u>
 Total	 <u>\$458,398,667.06</u>	 <u>\$478,744,749.09</u>

INVESTMENT ACTIVITY

During the month of January, the Treasury Division was a net purchaser of short term investments (\$6.0 million). Total short term investments (less than one year) in the General Investment Account declined by \$18.0 million after netting out purchases, sales, and maturities. The Treasury Division purchased a total of \$13.0 million, sold \$7.0 million, and allowed \$24.0 million to mature.

In January we committed a total of \$184.9 million to 26 repurchase agreements in order to invest overnight cash balances. These one-day investments were at interest rates ranging from 4.37% to 5.15%.

During the month of January, the Treasury Division reduced holdings of intermediate term securities in the Investment Account by a total of \$10.5 million. Reduced holdings in this maturity range appeared warranted on the basis of imminent heavy Treasury borrowing in this area.

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
January 31, 1976

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Operating Cash:		
Cash in Clearing Accounts	\$ 5,257,693.34	\$ 7,628,915.99
Compensating Balances	1,995,000.00	1,995,000.00
Sub-Total	<u>\$ 7,252,693.34</u>	<u>\$ 9,623,915.99</u>
Investment Accounts:		
Cash	\$ 62,277.35	\$ 41,612.03
Repurchase Agreements	23,900,000.00	18,500,000.00
Bankers' Acceptances	12,968,969.03	
U. S. Treasury Bills	24,297,367.83	27,131,674.49
Certificates of Deposit	93,187,706.62	111,290,812.86
U. S. Notes and Bonds		5,017,204.50
U. S. Agencies	10,050,026.00	15,075,043.50
Alaska Deposits	63,312,500.00	70,612,500.00
Sub-Total	<u>\$227,778,846.83</u>	<u>\$247,668,847.38</u>
Loan and Mortgage Programs:		
Agricultural Loans	\$ 624,291.96	\$ 633,884.56
Alaska Housing Finance Corp. Mortgages	19,482,472.50	19,664,592.57
Alaska Housing Finance Corp. Notes	10,423,027.13	9,953,968.97
Alaska Native Corporations	1,000,000.00	1,775,000.00
Bank Loan Incentive	2,250,224.58	2,262,027.63
Commercial Fishing Loans	3,126,706.36	3,195,320.74
Municipal Loans	4,741,337.00	4,747,337.00
Small Business Loans	5,067,795.91	4,577,033.95
Tourism Loans	6,839,787.72	6,852,638.69
Veterans Loans	89,466,744.50	87,638,273.13
Sub-Total	<u>\$143,022,387.66</u>	<u>\$141,300,077.24</u>
Total - Operating Cash, Investment Accounts, and Loan and Mortgage Programs	<u>\$378,053,927.83</u>	<u>\$398,592,840.61</u>

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
January 31, 1976

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Separately Invested Segregated Funds:		
Bond Construction Fund		
Certificates of Deposit	\$ 59,090,000.00	\$ 59,090,000.00
International Airport Funds		
Operating and Trust Accounts		
Certificates of Deposit	\$ 12,331,002.23	\$ 12,138,171.48
Public School Permanent Fund		
U. S. Government Agencies	\$ 6,376,568.75	\$ 6,376,568.75
University of Alaska Permanent Fund		
U. S. Government Agencies	\$ 2,090,687.50	\$ 2,090,687.50
U. S. Treasury Notes	456,480.75	456,480.75
Sub-Total	<u>\$ 2,547,168.25</u>	<u>\$ 2,547,168.25</u>
Total - Separately Invested Segregated Funds	<u>\$ 80,344,739.23</u>	<u>\$ 80,151,908.48</u>
Total - General and State Program Funds	<u>\$458,398,667.06</u>	<u>\$478,744,749.09</u>

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF DEPOSITS IN FINANCIAL INSTITUTIONS
January 31, 1976

<u>Institution</u>	<u>General Investment Account Deposits</u>		<u>State Program Accounts Deposits</u>
	<u>Short Term</u>	<u>Long Term</u>	
Alaska Bank of Commerce	\$	\$ 4,370,000	\$ 6,150,000
Alaska Federal Savings & Loan, Juneau	2,700,000		
Alaska Federal and State Federal Credit Union	200,000		
Alaska Mutual Savings Bank, Anchorage	440,000	5,582,500	1,000,000
Alaska National Bank, Fairbanks	400,000	2,570,000	2,700,000
Alaska State Bank	150,000	5,430,000	10,190,000
Anchorage Teachers Federal Credit Union	480,000		
Arctic First Federal Savings & Loan, Fairbanks	1,450,000		
B. M. Behrends Bank, Juneau		500,000	4,100,000
First Federal Savings & Loan, Anchorage	2,350,000		
First National Bank of Anchorage		17,630,000	16,300,000
First National Bank of Fairbanks		2,675,000	
First National Bank of Ketchikan		1,445,000	6,500,000
Home Federal Savings & Loan, Anchorage	675,000		
J. McKinley Mutual Savings Bank, Fairbanks	200,000	1,440,000	600,000
National Bank of Alaska, Anchorage		11,550,000	13,450,000
Peoples Bank & Trust, Anchorage		1,075,000	100,000
Sub-Total	<u>\$ 9,045,000</u>	<u>\$54,267,500</u>	<u>\$61,090,000</u>

	<u>Clearing Account</u>	<u>Compensating Balance</u>
Alaska National Bank, Fairbanks	\$	\$ 300,000.00
American Security & Trust Co., Wn., D. C.		25,000.00
B. M. Behrends Bank, Juneau	733,123.79	350,000.00
First National Bank of Anchorage, Juneau	3,144,722.55	610,000.00
National Bank of Alaska, Juneau	1,379,847.00	710,000.00
Sub-Total	<u>\$ 5,257,693.34</u>	<u>\$1,995,000.00</u>

Total - Time Certificates and Cash on
Deposit in Alaska Financial
Institutions

\$131,655,193.34

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

INDEX TO FINANCIAL INSTITUTIONS

<u>Reference Symbol</u>	<u>Institution</u>	<u>Location</u>
<u>ALASKA COMMERCIAL BANKS</u>		
ABC	Alaska Bank of Commerce	Anchorage
ANB	Alaska National Bank	Fairbanks
ASB	Alaska State Bank	Anchorage & Fairbanks
BMB	B. M. Behrends Bank	Juneau
FNA	First National Bank of Anchorage	Anchorage
FNB	First National Bank of Fairbanks	Fairbanks
FNK	First National Bank of Ketchikan	Ketchikan
NBA	National Bank of Alaska	Anchorage & Cordova
PBT	Peoples Bank & Trust	Anchorage
<u>ALASKA SAVINGS BANKS AND SAVINGS & LOAN ASSOCIATIONS</u>		
AFSL	Alaska Federal Savings & Loan	Juneau
AS	Alaska Mutual Savings Bank	Anchorage
AFFSL	Arctic First Federal Savings & Loan	Fairbanks
FFSL	First Federal Savings & Loan	Anchorage
HFSL	Home Federal Savings & Loan	Anchorage
MMS	Mt. McKinley Mutual Savings Bank	Fairbanks
<u>OTHER BANKS</u>		
BA	Bank of America	San Francisco
BT	Bankers Trust	New York
CM	Chase Manhattan	New York
RNB	Rainier National Bank	Seattle
SP	Security Pacific	Los Angeles
<u>FEDERAL CREDIT UNIONS</u>		
AFSFCU	Alaska Federal and State Federal Credit Union	Anchorage
ATFCU	Anchorage Teachers Federal Credit Union	Anchorage

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
GENERAL AND STATE PROGRAM FUNDS

GENERAL INVESTMENT ACCOUNT DEPOSITS
January 31, 1976

SHORT TERM

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/08/76	07/01/75	AFSL	\$ 100,000	6.75
03/15/76	03/21/75	AFSL	250,000	6.75
03/22/76	03/26/75	AFSL	300,000	6.75
03/24/76	09/26/75	AFSL	150,000	7.50
03/26/76	03/26/74	AFSL	1,000,000	7.50
03/26/76	07/01/75	AFSL	100,000	6.75
06/02/76	09/26/75	AFSL	100,000	7.50
08/17/76	08/21/75	AFSL	700,000	7.50
02/02/76	05/27/75	AMS	200,000	6.00
02/23/76	05/27/75	AMS	240,000	6.12
02/20/76	05/26/75	ANB	100,000	6.50
03/19/76	06/23/75	ANB	100,000	6.50
03/30/76	12/31/75	ANB	200,000	5.50
02/12/76	11/14/75	AFSL	100,000	6.75
03/12/76	06/12/75	AFSL	150,000	6.75
03/12/76	09/15/75	AFSL	150,000	6.75
03/15/76	03/26/74	AFSL	200,000	6.75
03/15/76	03/20/75	AFSL	150,000	7.50
03/15/76	11/14/75	AFSL	100,000	6.75
03/20/76	04/05/75	AFSL	200,000	7.50
05/07/76	12/09/75	AFSL	157,000	6.75
09/09/76	07/09/74	AFSL	243,000	7.50
03/29/76	07/22/75	ASB	150,000	6.35
02/13/76	05/19/75	FFSL	200,000	6.50
03/11/76	03/17/75	FFSL	500,000	7.50
03/19/76	03/25/75	FFSL	200,000	7.50
03/23/76	09/25/75	FFSL	200,000	7.75
03/25/76	03/26/74	FFSL	750,000	6.75
04/19/76	05/20/74	FFSL	500,000	7.50

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

GENERAL INVESTMENT ACCOUNT DEPOSITS
January 31, 1976SHORT TERM

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/22/76	03/23/75	HFSL	\$ 100,000	7.50
03/26/76	03/27/74	HFSL	175,000	6.75
04/07/76	08/01/75	HFSL	200,000	7.50
05/10/76	10/16/75	HFSL	200,000	7.50
02/24/76	02/25/75	MMS	200,000	6.50
02/01/76	10/31/75	ATFCU	150,000	7.50
02/28/76	10/31/75	ATFCU	160,000	7.50
03/31/76	10/31/75	ATFCU	160,000	7.50
09/19/76	09/17/74	AFSFCU	200,000	7.50
		Total	<u>\$ 9,045,000</u>	

LONG TERM

Various	Various	Alaska Banks	<u>\$ 54,267,500</u>	Various
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STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISIONGENERAL AND STATE PROGRAM FUNDS
STATE PROGRAM ACCOUNTS
January 31, 1976BOND CONSTRUCTION FUNDS
CERTIFICATES OF DEPOSIT

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/01/76	09/02/75	ABC	\$ 500,000	7.73
03/01/76	09/02/75	ABC	500,000	7.67
03/01/76	09/02/75	ABC	500,000	7.64
03/01/76	09/02/75	ABC	500,000	7.54
03/01/76	09/02/75	ABC	500,000	7.57
08/22/76	08/22/75	ABC	1,000,000	6.60
09/22/77	08/22/74	ABC	1,100,000	6.00
08/22/78	08/22/75	ABC	300,000	6.60
08/22/79	08/22/74	ABC	1,250,000	6.00
08/22/76	08/22/75	AMS	800,000	6.60
08/22/78	08/22/75	AMS	200,000	6.60
08/22/76	08/22/75	ANB	800,000	6.60
08/22/77	08/22/74	ANB	800,000	6.00
08/22/78	08/22/75	ANB	200,000	6.60
08/22/79	08/22/74	ANB	900,000	6.00
03/01/76	09/02/75	ASB	1,000,000	7.51
03/01/76	09/02/75	ASB	1,000,000	7.37
03/01/76	09/02/75	ASB	1,000,000	7.41
03/01/76	09/02/75	ASB	1,000,000	7.46
03/01/76	09/02/75	ASB	500,000	7.32
05/20/76	12/22/75	ASB	4,590,000	6.02
08/22/76	08/22/75	ASB	900,000	6.60
08/22/78	08/22/75	ASB	200,000	6.60
08/22/76	08/22/75	BMB	1,000,000	6.60
08/22/77	08/22/74	BMB	500,000	6.00
08/22/78	08/22/75	BMB	100,000	6.60
08/22/79	08/22/74	BMB	500,000	6.00
04/12/76	10/15/75	FNA	2,500,000	6.55
08/22/76	08/22/75	FNA	3,000,000	6.60
10/08/76	10/15/75	FNA	2,500,000	7.20
10/08/76	10/15/75	FNA	5,000,000	7.40
10/08/76	10/15/75	FNA	2,500,000	7.55
08/22/78	08/22/75	FNA	800,000	6.60

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISIONGENERAL AND STATE PROGRAM FUNDS
STATE PROGRAM ACCOUNTS
January 31, 1976BOND CONSTRUCTION FUNDS
CERTIFICATES OF DEPOSIT

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/01/76	09/02/75	FNK	\$ 5,000,000	7.50
08/22/76	08/22/75	FNK	500,000	6.60
08/22/77	06/22/74	FNK	400,000	6.60
08/22/78	08/22/75	FNK	100,000	6.60
08/22/79	06/22/74	FNK	500,000	6.00
08/22/76	08/22/75	MMS	400,000	6.60
08/22/78	08/22/75	MMS	200,000	6.60
08/22/76	08/22/75	NBA	3,300,000	6.60
08/22/76	08/22/75	NBA	300,000	6.60
08/22/77	08/22/74	NBA	4,400,000	6.00
08/22/78	08/22/75	NBA	800,000	6.60
08/22/78	08/22/75	NBA	100,000	6.60
08/22/79	08/22/74	NBA	4,550,000	6.00
08/22/79	08/22/74	PBT	100,000	6.00
		Total	<u>\$59,090,000</u>	

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS
STATE PROGRAM ACCOUNTS
January 31, 1976

<u>Due Date</u>	<u>Purchase Date</u>	<u>Description</u>	<u>Amount</u>	<u>Yield</u>
<u>INTERNATIONAL AIRPORT REVENUE FUND</u>				
Various	Various	Certificates of Deposit	<u>\$12,138,171</u>	Various
<u>PUBLIC SCHOOL PERMANENT FUND</u> <u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 750,000	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	478,187	8.64
10/01/97	10/27/72	Federal National Mortgage Cap. Debentures	2,511,444	7.30
12/10/97	03/06/74	Federal National Mortgage Association	269,625	8.07
11/01/02	12/21/72	General Services Administration	592,500	7.22
07/01/12	11/10/72	Washington Metropolitan Bonds	<u>799,250</u>	7.32
		Total	<u>\$ 5,401,006</u>	
<u>UNIVERSITY OF ALASKA PERMANENT FUND</u> <u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 250,000	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	434,937	8.66
12/10/97	03/06/74	Federal National Mortgage Association	269,625	8.07
11/01/02	12/21/72	General Services Administration	434,500	7.22
07/01/12	11/08/72	Washington Metropolitan Bonds	<u>701,625</u>	7.29
		Sub-Total	<u>\$ 2,090,688</u>	
<u>U. S. Government Notes & Bonds</u>				
02/15/82	03/01/72	U. S. Treasury Notes	<u>\$ 456,480</u>	6.35
		Total	<u>\$ 2,547,168</u>	

UNIVERSITY OF ALASKA

Management Letter

December 5, 1975

RAY KOHLER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 607
FAIRBANKS, ALASKA 99707

December 5, 1975

Robert W. Hiatt, President, University of Alaska
M. M. Hullinger, Vice President for Finance
and Comptroller, University of Alaska
Board of Regents, University of Alaska

Ladies and Gentlemen:

In connection with our examination of the financial statements of the University of Alaska for the year ended June 30, 1975, we reviewed and tested the University's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the University's system of internal accounting control for the year ended June 30, 1975, which was made for the purpose set forth in the first paragraph above, was not designed for the purpose of expressing an opinion on internal accounting control and it would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed the following conditions that we believe merit your attention.

OVERVIEW

The University's already inadequate financial management system was subjected to additional unusual burdens during the year caused in part by:

- (a) Payroll procedure changes resulting from bargaining unit agreements.
- (b) Retroactive salary changes.
- (c) Partial funding of salary increases.

It appears there has been little or no improvement in timeliness and reliability of financial information. In following sections of this report we have addressed specific conditions we believe to represent significant internal control weaknesses.

While it is not an internal control matter, the management problems created by partial funding of salary increases deserves immediate attention of the Board of Regents to preclude or minimize future similar problems. The problem comes about primarily because the salary increase applies to all personnel whereas the state has made provision for funding only on those salaries paid from state appropriated funds. In many instances the University has entered into contracts with Federal agencies or private firms which require specific performance. The contracts typically provide for reimbursement of specified costs plus an allowance for overhead. The contract may provide that salary increases not be charged to the contract or the maximum recoverable under the contract may effectively preclude coverage of salary increases. Under such conditions the effectiveness of budgeting as a management tool is impaired and those individuals charged with the responsibility of future budgets may feel justified in providing for such contingencies in their budget requests.

During June 1975 Systems and Computer Technology Corp. (SCT) commenced work on development and implementation of an integrated business information system. An additional contract for management of the computer center was executed with that firm. Improved timeliness and reliability of financial information and improvement in many of the areas of internal control weaknesses addressed elsewhere in this letter are dependent on the success of the project jointly undertaken by the University and SCT. We consider this project to warrant close supervision by the Regents so that changes in implementation time schedules and/or failure to meet established goals can receive the attention of the Regents at the earliest possible date.

NONMANDATORY TRANSFERS

Our management letter of December 5, 1974 expressed our reservations with regard to the practice, by the University, of effecting non-mandatory transfers of unrestricted revenues to other fund groups. In addition to the comments included in that letter, we suggest a periodic review, by the Regents, of the status of transfers previously made to ascertain their continued appropriateness. Examples of accounts which should be reviewed are:

- (1) The automatic transfer (at the direction of the Regents) of income from the State of Alaska Permanent Fund to the Planning Revolving Funds which at June 30, 1975 had unexpended balances in excess of \$1,000,000.
- (2) Annual transfers to "self insurance" reserves which now aggregate \$284,000.
- (3) Other smaller funds established by nonmandatory transfers which have been inactive or have reflected only nominal activity.

BUDGETING AND FUND BALANCES CARRIED FORWARD

University accounting records account for a separate fund balance for each responsibility center within the University system. These are carried forward from year to year and charged or credited with each operating year's change in fund balance. Annual budgets are prepared without anticipation of the use of existing fund balances or elimination of fund deficits.

Consideration should be given to the more generally followed method of budgeting which is to include existing balances or deficits as a part of each year's budget. The present method encourages manipulation of the budget as a means of eliminating accumulated deficits. Further, a substantial part of the accumulated deficits is made up of excess charges to the responsibility centers for payroll burden costs and this appears to be particularly inappropriate as a carry-forward item.

PLANT FUNDS

The University is currently administering the planning, design and construction of \$39,523,000 of 1974 State of Alaska general obligation bond projects, \$6,500,000 of revenue bonds, the completion of numerous prior year bond projects, and has also presented a proposal to submit to the 1976 State legislature for a new bond issue of \$67,500,000 for University construction projects.

The University has chosen to depart from traditional construction and planning procedures and has embarked upon an innovative system of construction planning, design and construction practices. Because of the magnitude of the expenditures and the long-range cost effects, we believe they warrant particularly close monitoring by responsible officials who have expertise in that specialized area and are without bias except as to the best use of designated public funds.

Our audit review of the construction funds indicates that a larger percentage of the construction dollar is spent for consultants (including architects) than would be the case under conventional construction methods. University personnel with whom we discussed this were of the opinion that the improved quality of buildings and the shortened time frame for completion more than offset the cost of additional consultants.

We have no special expertise with which to evaluate the benefits and costs actually gained or lost by alternative methods and procedures of planning, design and construction and do not address that question. However, the following are specific areas of cost control and internal control procedures which we believe should be strengthened:

- (1) Architects and consultant contracts provide for reimbursement of incurred costs such as travel, lodging, meals, and supplies. Terms of the contracts do not require supporting documentation customarily required for some kinds of reimbursable expenditures (for example - business purpose of entertainment expenses). The contracts do provide for advance approval of certain reimbursable expenditures; however, billings are frequently presented and paid without evidence of the required approvals. Reimbursement requests submitted to the University should be subjected to a comprehensive review at the cognizant administrative level for approval. There is little evidence, with some recent exceptions, that University personnel are reviewing such expenditures for appropriateness or for compliance with the contract terms.
- (2) In connection with the architect's changed responsibilities the University has departed from the AIA Standard form of agreement. The agreement presently used requires revision to clarify certain provisions. These provisions have been discussed with appropriate University personnel. The contracts also provide for a portion of the fee to be based on direct personnel cost times a multiplier of 2.0. Under certain circumstances, based on the architect's overhead, the architect may adjust the multiplier to 2.4. We believe the multiplier should be fixed, without conditions for adjustment.
- (3) We recommend that Internal Audit make an in-depth review of the disbursing function for construction funds. Such review should cover approval and documentation control and procedures. In addition, we suggest that Internal Audit, in participation with a qualified engineering firm, conduct a pilot study of a selected construction project to evaluate the cost effectiveness of the construction program.
- (4) Many projects appear to have been completed but have funds remaining. We recommend that such projects be closed and disposition of the funds be made as appropriate.
- (5) Engagements with consultants and architects are often effectively entered into prior to execution and approval of contract documents. Most consultants and architects engaged on the 1974 Bond projects performed substantial work prior to the November 1974 election. Contracts were executed after the approval of the bond issue. It is a frequent occurrence for professional contracts to be submitted for approval subsequent to commencement of work.

ENDOWMENT FUNDS

Prior management letters have mentioned that the University has obligated future funds by financing fixed asset purchases through borrowing from endowment funds. We have also questioned the appropriateness of using endowment funds to "invest" in property of the University. The most recent edition of College and University Business Administration (Page 145) addresses this matter with the following comment:

" . . . Although quasi-endowment funds can be used for any purpose, true endowment funds should not be invested in property of the institution, whether income-producing or not".

LOAN FUNDS

With increased availability of funds under more attractive terms (State of Alaska Student Loans, NDEA, EOG, SEOG, etc.) the demand by students for conventional repayable student loans has declined to the point that funds from individuals and organizations for that purpose are under utilized. We suggest the contributors of existing loan funds be so notified with the suggestion the original restrictions be removed and the funds be used for more needed purposes, perhaps in the form of endowments or direct student aid.

PURCHASING AND CASH DISBURSEMENTS -

NORTHERN REGION

The cash disbursing system presently in use in Fairbanks (for expenditures other than payroll which is discussed elsewhere in this letter) is not functioning efficiently. From the time an invoice is received, elapsed time until payment is frequently six weeks or more. As a result, many items are handled outside the system as "handpays". Handpays bypass certain internal control features of the system. For example, handpays are routinely processed on the basis of a check request, without supporting documentation including invoices, receiving reports, etc. To indicate the extent to which this practice is permitted, substantially all payments by Cooperative Extension Service are processed with only a check request as support. In addition to the bypassing of system controls, the numerous handpays place an additional burden on all departments involved in the disbursing function.

In conjunction with the development and implementation of the business information system earlier mentioned, we suggest an extensive revision of the method of processing documents for final payment. The revision would include a shift in the major control point in the disbursing function. Presently there are two steps in the disbursing function which contribute to the unreasonable time lapse. These are:

- (1) Invoices, upon receipt, are transmitted to the department originating the requisition for goods or services. The invoice is matched with the receiving copy of the purchase order and returned to accounts payable for further processing. Departmental approval of the invoice is the critical control point in the present procedure.

- (2) An unreasonable time lapse is presently experienced between the time batched groups of invoices are transmitted from keypunching to the computer center for automatic check preparation. This problem is directly addressed by the SCT project.

We believe consideration should be given to shifting the critical control point from departmental approval of the invoice to accounts payable audit of supporting documentation. This would be accomplished by eliminating departmental approval of the invoice and including in the documentation transmitted to accounts payable signed copies of the purchase requisition, purchase order and receiving report. Written justification for any departure from prescribed purchasing procedures would be included in the documentation supporting the disbursement.

Additionally, consideration should be given to establishing central receiving at the Fairbanks Campus. At present there are a number of expeditors engaged in arranging local purchases and effecting pickup and delivery of goods. We are informed that most of such goods would be delivered free of charge by vendors if a central receiving point were established. This would further reduce processing time for invoices and provide the improved internal control inherent in central receiving.

WAREHOUSE INVENTORY - FAIRBANKS

In our management letter of November 15, 1973 we noted that the warehouse inventory had increased approximately \$150,000 over a three year period. In that letter we made some suggestions designed to keep warehoused inventories at some optimum level. During the year ended June 30, 1974 an actual reduction in inventory was accomplished.

During the year ended June 30, 1975 the inventory increased approximately \$80,000 to \$489,000. Total withdrawals during the year approximated \$330,000 indicating a turnover of some 17 months. This suggests it would be appropriate to review the warehouse operations to:

- (1) Determine optimum level and purchase quantities of various inventory items.
- (2) Dispose of obsolete and overstocked items.
- (3) Analyze cost factors involved in warehousing versus purchase as required of specific slow moving items.

CASH RECEIPTS

Written procedures for handling cash received by the various departments of the Northern Region have been prepared and circulated but are not being followed by several departments. In general, deposits are not always submitted daily to the Business Office and several departments were not maintaining proper documentation to support amounts submitted. Deficiencies were also noted regarding refund procedures.

Specifically, Cooperative Extension, Tanana Valley Community College, College of Earth Sciences & Mineral Industry, and the Registrar's office are not depositing cash received on a regular basis. Numerical receipts to support deposits are not consistently used at Cooperative Extension or Tanana Valley Community College. Several areas were observed in which small refunds were made without obtaining proper authorization or signature of payee.

Cash received at Northern Region Business Office is receipted and often filed without adequate supporting documentation. Determining purpose of non-routine receipts is unduly time consuming and often unsatisfactory.

BANK RECONCILIATIONS

At year end the principal general and payroll bank accounts had not been reconciled for several months and the balances reflected in the accounting records were materially in error. At your request, our staff completed these reconciliations. Errors noted in the process of reconciliation included unrecorded securities transactions, bank transfers and bank debit and credit advices along with numerous errors and omissions in the recording of various receipts and disbursements. As of this writing, none of the principal accounts have been reconciled beyond June, 1975. The major hold up appears to be the difficulty in running the computer bank reconciliation program. Without these, general ledger personnel are unable to reconcile the various bank accounts.

Regular and timely reconciliation of bank accounts is a universally accepted control procedure. Failure to follow this procedure substantially increases the risk of losses through defalcation and management decisions based on erroneous data.

RECONCILIATION OF OTHER ASSET

AND LIABILITY ACCOUNTS

A number of asset and liability accounts are maintained to record the University's accountability for various amounts due to or from others, such as payroll taxes, employee insurance and retirement provisions and other miscellaneous items. At any given time the balances in these accounts aggregate several hundred thousand dollars. In most organizations such accounts are reconciled or analyzed on a regular recurring basis, usually monthly. Such analyses and/or reconciliations are required so that errors can be detected on a timely basis and so that items to be collected or paid are effected as required.

Reconciliations and necessary adjustments of such accounts are not being effectively completed by the University. This has resulted in a situation where significant errors can occur without detection and matters requiring collection or other action do not come to the attention of the responsible individual or department.

Attention to these matters on a regular and timely basis can be provided for by priority scheduling of tasks by administrative personnel. However, when the work is allowed to accumulate, its accomplishment is particularly difficult to effect.

GRANTS AND CONTRACTS

In an earlier section of this letter we have discussed the problems in the administration of grants and contracts caused by failure to provide a source of funding for pay increases effected during the year. In addition to these problems, we noted a general deterioration in the timeliness and accuracy of grant accounting records. Examples of items noted were:

- (1) Quarterly reports to the major grantor agencies were delinquent during the year and at year end. Reports for the quarter ended June 30, 1975 were not filed until November and December 1975.
- (2) The University administers two grants from the Kellogg Foundation. These grants require that salary increases be funded by other than foundation funds, a provision that has been ignored in reporting to the agency. One of the grants (the Musk-ox Project) has cumulative deficits exceeding \$60,000 at June 30, 1975 and is presently spending funds at a rate which may substantially increase the deficit. A substantial portion of the other grant (Alaska Native Human Resources Project) has been subcontracted to another organization without formally notifying the foundation. Financial reports to the foundation are restated in such manner that the existence of the subcontract is not disclosed. We are of the opinion the failure to obtain concurrence of the foundation in advance of this change in administration of the funds contributes to an unnecessary and undesirable degree of exposure.
- (3) During the year ended June 30, 1975 many contracts and grants were billed late, contributing to an unnecessarily high "negative cash flow" from such activities. We did observe that the timeliness of billing had improved substantially by year end.
- (4) One contract (Pipeline Archeology funded by Alyeska) was over expended \$119,000 without prior formal notification to Alyeska. Alyeska did fund the excess after registering some dismay; however, the fact that such overrun did not come to the attention of appropriate personnel for timely action is indicative of a serious control weakness.

PAYROLL

It is our observation that problems caused by basic system and procedural deficiencies in the payroll function permeate the entire accounting system and cause particular difficulties in payroll liability and bank account reconciliations. The payroll system is being re-designed by SCT. Until such time that a new payroll system is successfully implemented, many desirable corrective changes in other areas are not likely to be effectively accomplished.

We place a high priority on successful development and implementation of the new system. We believe that all levels of University administration must constructively support the implementation of the procedural changes in order for it to be successful. We realize that union contracts may have some unavoidable negative effects on preferred payroll methods. However, we do not believe administrative policy, in general, should interfere with good accounting control practice concerning payroll.

Business organizations have long accepted positive input data (time sheets, promptly submitted) for generation of payroll checks for all levels and grades of personnel. The lack of such operating discipline causes a significant number of payroll checks to be hand prepared each month. Accounting Services professional personnel have had extraordinary demands upon their time to accommodate the hand pay processing.

We strongly support the elimination of the bi-weekly and monthly payroll system. We feel the dual payment system is an unnecessary burden on effective internal control administration. We commend the Board of Regents for authorizing elimination of the dual system as requested by the administration.

Prompt and accurate payroll preparation is one of the most sensitive functions of any large organization. If strong enforcement of revised procedural requirements, as they may be ultimately established, by all appropriate University administrators is not forthcoming, we are concerned that the success of the new system will be limited.

SOUTHCENTRAL REGIONAL CENTER AND

UNIVERSITY OF ALASKA - ANCHORAGE

The Southcentral Regional Center and the University of Alaska - Anchorage continued to make significant improvements in accounting capability.

Many of the benefits of this improved capability have been lost as a result of delays in receipt of processed data from the computer center in Fairbanks. The resolution of this problem is dependent on the success of the SCT project mentioned earlier in this letter.

The Southcentral Region absorbed unbudgeted losses on grants and contracts during the year in an approximate amount of \$60,000. These losses were the results of the following:

	Amount (<u>Approximate</u>)
(1) Provision for loss on unpaid contract with State of Alaska	\$19,000
(2) Provision for loss on contract which specifically excluded recovery of certain expenses (these expenses were not otherwise provided for)	9,000
(3) Net contract overruns on approximately twenty contracts	<u>32,000</u>
	<u>\$60,000</u>

With regard to item (3) above, personnel at the Southcentral Regional Center attribute these overruns primarily to the unfunded salary increases discussed in a prior section of this letter.

Internal control weaknesses observed during the course of our audit which merit additional attention include:

- (1) Some travel advances continue to be charged directly to an expense account rather than to the appropriate receivable.
- (2) Accounts receivable and student loan detail records are not reconciled to the general ledger control on a regular basis.
- (3) Bid requirements on purchases have not been met in all instances. Personnel in the purchasing department have indicated most such departures were the result of commitments made by individuals without following prescribed purchasing procedures. We were informed such individuals are being notified that they will be personally liable for such commitments in the future. We suggest evidence of compliance with bidding requirements accompany all invoices in excess of \$2,500 being processed for payment. Such evidence would consist of:

- (a) a reference to the bid number;
 - (b) a reference to a state or federal contract; or
 - (c) a copy of the written justification for departure from prescribed procedures.
- (4) In our prior year's management letter we noted that fluctuations in gross profit margins for the bookstore operations suggested the need for a closer management review of the operations and more frequent physical inventories. Our review of the current year's operations indicate this need still exists.
- (5) Agency funds are those received by the University from student organizations and others for which the University acts as custodian or fiscal agent on behalf of the payor. Our examination disclosed that the major student organization at Anchorage had "overdrawn" its account approximately \$40,000. Discussion with Anchorage personnel indicated this deficit is being made up in the 1975-76 budget of the organization; however, the fact that the deficit was permitted to accumulate indicates a significant internal control problem.
- (6) In August 1974 the University made a commitment to acquire equipment costing \$22,500 from proceeds of the 1974 G. O. bond issue. The bond issue was not passed until November, 1974.
- (7) The principles of good internal control require segregation of the payroll function from the personnel department where the size of the organization permits. We do not believe a satisfactory segregation of these activities has been achieved.
- (8) Accounting control over contract activities in the Community Colleges is inadequate. In some instances billings on contracts are recorded on a cash basis. In some instances contract overhead expenses remained unrecorded throughout the year. These deficiencies in accounting control provide situations where major problems may go undetected until it is too late to take corrective measures.

* * * * *

The primary purpose of our letter discussing internal control is to enable those individuals responsible for management decisions to give consideration to corrective measures on material weaknesses disclosed by our review. Recognizing this as the purpose of the letter, it should be understood that limiting the content to deficiencies only should not be considered to reflect on management effectiveness. Further, it should be recognized that material control weaknesses may be allowed to continue for a variety of reasons, including:

University of Alaska
December 5, 1975
page 12

- (1) An evaluation of the degree of risk compared to the cost of correction may make correction impractical.
- (2) The lack of acceptable alternatives may make correction impractical.
- (3) The necessity to assemble particular talents or develop procedures may delay corrective action.

We have appreciated the assistance extended us by University personnel during the course of our examination. We shall be pleased to discuss further with you any of the comments or recommendations included above.

Very truly yours,

RAY KOHLER & CO.

Jean B. Schmitt
Jean B. Schmitt, Partner

RESPONSE TO

1975 Management Letter
Provided by Ray Kohler & Company

Overview

We concur the unusual burdens indicated by the Auditors did further impact our already inadequate financial management systems. These factors coupled with nearly a complete turnover in personnel subjected the University to many crises during the year. Often production and decision schedules had to be altered just to cover the basic tasks required of the operating systems and personnel. All of our resources were utilized in trying to remain operational and financially responsible. Development of analytical data for management on a scheduled basis is seriously hampered due to the inability of the financial systems to react to changing demands. Eventually the information is reliable and available in the management format required.

The authorization of funds from the Legislature and the contract for an integrated financial information system was the first indication of some possible relief to this impossible situation. Much effort has been utilized in developing these new systems during FY76 and we welcome Regent support and attention to its undertaking.

Nonmandatory Transfers

The auditors annually comment on the nonmandatory transfers even though they acknowledge that the transfers made during FY75 conform with generally accepted accounting principles for Colleges and Universities.

We believe the transfers are good business practice and necessary to meet the specific needs of the University. The transfers are detailed in financial reports of the University and no transfers made without authorization by the Regents.

Budgeting and Fund Balance Carried Forward

We acknowledge the intent of this recommendation and recognize that sound financial management requires the carrying forward of prior year balances. Unfortunately, the time schedules for budget developments, closing the fiscal year financial records and the lack of effective management systems preclude the inclusion of prior year financial data in the current working budget plan. Each cost center manager has the responsibility for the fiscal programs of their area, which includes all prior year, current year and future year operations.

The new financial systems will provide for current financial information to be made more readily available for budget development and financial planning.

First Funds

Response provided by Dr. Donald Meyer:

thousands of dollars a year in the maintenance and operation costs of a building across 40 years of its life. Therefore, it is felt that extra attention and effort in design has the potential for significant cost effectiveness savings.

Plant Funds, Paragraph #4

(1) The matter of reimbursement of incurred costs such as travel, lodging, meals and supplies for Architects and consultant contracts, because of the detailed checking involved has been of considerable concern to the Planning/Construction Office. Many Architects have asked that the University shift to a per diem reimbursement pattern, a system used by the Alaska Division of Buildings. This system is under study; however, because of the variety of reimbursable items, this is not a simple matter to resolve. Our review of this matter shows only a few instances where additional justification for expenditure is needed. Presently, all contracts require documentation of reimbursables and is checked by three separate individuals before payment. We will reexamine these procedures and in cooperation with the University's Accounting Department will work to improve the handling of this type of expense.

(2) "In connection with the architects changed responsibilities the University has departed from the AIA Standard form of agreement."

It has been necessary for the University to depart from the AIA Standard form of agreement between owner and architect. The role of the architect is somewhat different under Component Subsystems Procedures and the AIA, although working on a contract of this type, has not yet developed a standard form for the Subsystems mode. The contract presently used with architects on Systems Buildings has been checked by Steve Delisio and seems to be working rather effectively. It will however, be given further review. On buildings and remodeling following traditional modes contracts very similar to the AIA Standard form are used. An attempt is made to develop a contract that will facilitate the best design for a project. If the project involves a very complex design then allowances in fee are made to give extra attention to that particular problem. Regarding the overhead multiplier, we now feel we should return to a 2.0 multiplier.

(3) "We recommend that Internal Audit, in participation with disbursing functions for construction funds."

Many of the present disbursing functions have been developed in cooperation with the University's Accounting Office. The Planning/Construction Office welcomes and will cooperate to bring about any improvements in these controls and procedures.

"In addition, we suggest that Internal Audit, in participation with a qualified engineering firm, conduct a pilot study of selected construction projects, to evaluate the cost effectiveness of the construction program."

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projects if there is delay; in those cases proposals and letters of intent must suffice in order to proceed with the work. Certainly we must find ways of finalizing contract documents.

Endowment Funds

The stewardship and care of endowment funds by members of governing boards, including permissible investments is under review nationally. There is a model Act entitled "Uniform Management of Institutional Funds Act" being considered nationally. The prefatory note to that Act is as follows:

"Over the past several years the governing boards of eleemosynary institutions, particularly colleges and universities, have sought to make more effective use of endowment and other investment funds. They and their counsel have wrestled with questions as to permissible investments, delegation of investment authority, and use of the total return concept in investing endowment funds. Studies of the legal authority and responsibility for the management of the funds of an institution have pointed up the uncertain state of the law in most jurisdictions. There is virtually no statutory law regarding trustees or governing boards of eleemosynary institutions, and case law is sparse." ... "They concluded that there was little developed law but that legal impediments which have been thought to deprive managers of their freedom of action appear on analysis to be more legendary than real."

The act further states:

"The 'use, benefit, or purposes' of an institution broadly encompasses all of the activities permitted by its charter or other source of authority."

I believe that the past actions taken by the Regents to use endowment funds as a temporary source of monies to acquire property is appropriate and indicates prudent management. These funds are invested for variable periods to obtain maximum current return and safety of principal, combined with sufficient liquidity to permit flexibility of operations.

Loans

I do not concur with the recommendations of the Auditors as their comments are of a different range in concept. The current economic situation and governmental loan programs have made Federal and State loans more attractive than those available to the University. We should not dissipate the loan principal as the time may come when the average student will not be as affluent as at present and there will be a need for loans to students who cannot meet the Federal and State provisions.

Bank Reconciliations

Timely reconciliation of the principal general and payroll bank accounts has been a problem for several years. During the year under review we had problems with getting accurate and timely data from the banks and fell way behind on our reconciliation schedule. As a result we contracted with the audit firm to assist us in getting our accounts in order. The reconciliations were accomplished through the audit period, but we again fell behind schedule because of:

1. Checks and parts of several months' statements were misplaced by several banks.
2. Some magnetic tapes prepared by the banks for the reconciliation programs were erroneous and all of the data had to be corrected.
3. Recording of payroll handpays and voids was not timely.
4. Failure by an outside keypunch service to encode cancelled checks within the planned time schedule delayed the reconciliation.
5. Problems in running and processing bank reconciliation programs within the computer center.

All but one of the accounts are on a current basis. The one account is unreconciled since August because of insufficient data from the bank. We hope to have the missing data in February and then all accounts will be brought to a current basis. The problems with the computer center have been solved as a result of improved management practices instituted by SCT.

Reconciliation of Other Asset and Liability Accounts

We concur with the comments of the Auditor. High turnover of personnel and the top priority given to getting people paid adversely affected this function of our operations. During the past two months additional efforts have been made to get and keep these accounts current. Our efforts have resulted in a reconciled status for nearly half of the accounts and a plan to get them all current effective with the implementation of the new financial system.

Grants and Contracts

The salary increases for employees funded from unrestricted funds applied to the employees funded from restricted funds has seriously impacted the budget plans for operation of grant and contract funds and the program accomplishments. During FY 1975 the average salary increases amounted to over 21% and the largest percentage was

University Office and confirms that this position was discussed and approved.

Dr. Kings' reply of 1/28/74 approves the requested changes and emphasizes the requirement of reporting to them in the categories as listed on the annual fiscal report. The auditors questioned our reporting procedures, but this was done at the request of the Kellogg Foundation. Since their approved budget included the salaries, benefits and other support costs of the liaison position under those categories in our budget, we are required to report the costs in the same manner.

Copies of the memorandum of agreement with the Alaska Native Foundation, approved as of May, 1974 and Kellogg Foundations acceptance of our financial report dated 2/7/75 were furnished to the auditor and we thought the questions had been resolved.

The late billing of grants and contracts is discussed above and was caused by employee turnover and retroactive application of salary increases. New procedures have been installed in the department including a control card for each award containing all pertinent details as well as a calendar of due dates for all billings and financial reports. The installation of these procedures have resulted in the improved timeline of billing as remarked by the auditors.

The Pipeline Archeology contract was a unique project that required a great amount of flexibility to bring about its accomplishment. The overrun in the contract was due to two factors that were outside the control of the University. The pipeline right of way was uncovering an unusual number of prehistoric native sites requiring an increased number of personnel on this project (including a large percentage of University students) to keep ahead of the pipeline construction and not interfere with its progress. Therefore, the increased cost of the project was initially due to the larger number of people engaged on this project than originally budgeted.

After these salaries were paid, we were advised that the students must be paid at an overtime rate for the excess hours over 40 hours per week, since they were not exempt personnel under the Fair Labor Standards Act. This additional expense then resulted in the total excess costs.

Alaska did express dismay, but they acknowledged the fact that they had requested an increased member dig because of discovering more prehistoric sites than anticipated. The University would have been vulnerable to criticism if it had held up the construction of the pipeline while negotiating each extension of the contract.

We concur with the comments of the Auditors. The problems associated with the current payroll procedures have permeated throughout our financial systems

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was made to purchase the equipment in August 1974 in order to take advantage of the opportunity and in anticipation of the 1974 GO bond issue.

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7. The segregation of the payroll function from the personnel department has been under review. Considering the problems we have had with payroll the cooperative efforts made available because of the attachment of this operation to the Personnel Office have been very beneficial to both operations. As soon as adequate resources are available changes will be made to better satisfy the internal control requirements.
 8. The staff resources in the central service areas have not been adequate to properly support the outlying community colleges. The development of the Rural Educational Affairs and its related financial support unit will provide coverage for this internal control weakness. In the meantime each service area will provide as much support as they can to assist these fast growing operating areas.

We appreciate the comments and suggestions of the Auditors and will take steps to correct the internal control weakness where the materiality of the deficiency is seriously affecting the operations of the University and resources are available to implement such corrective action.

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Eppenbach —

Makes permissive what had been mandatory. Statute had never been enforced. $\frac{3}{4}$ way through year so asked only that unrestricted funds be transferred.

If money put in permanent fund would be invested and only income used. Donor cannot earmark funds; once given donor loses control.

Contracts under which Univ performs services in return for money are not included under term "gifts"

Hullinger —

Gifts, grants, and contracts all lumped as one term. In FY 75 — \$12,000 in unrestricted gifts; \$10,000 of it for law school. Other \$2000 donor said not to go to permanent fund.

List of all gifts, grants, contracts, to Regents at each board meeting.

Indiv segments of Univ cannot solicit funds, must be in name of Univ.

FY 1974 ca \$600,000 in endowment above land money.

Foundation (1 $\frac{1}{2}$ years old) has little less than \$250,000.

Regents several years ago earmarked interest income from Revenue permanent fund for planning revolving fund (construction).

Div of Lands has to handle land sales.

Has never used true endowment funds for investment in Univ.

Berra —

250 repealed (implied) by 280.

Trust and agency funds (e.g. girls basketball team), grants and contracts not into permanent fund.

Interprets 280 to mean that restricted gifts to permanent fund may be used as prescribed by donor; unrestricted gifts to permanent fund could use interest only.

get
Al
George

SB 578 (cont)

Investment of trust funds against future appropriations highly speculative from legal viewpoint.

↗ Last year - buy, option \$15.5 million
 May not realize effect 1.1 " for program
 This year - \$7000 contract -

Students 53:421 = 19.16 = $\frac{114}{5.9}$

D	13	} 17
m	23	
B	5	
	<hr/>	
	41	

329 FT, 197 PT, 412 FTE

Acc 31/137
 15+ -
 42 996

\$2.3 million



NEED FOR GIVING

Your gift to the University of Alaska Foundation is an investment in education — one of the most powerful tools for the survival and continued creativity of man.

A gift to higher education can provide for continued excellence in teaching, research and public service. At the University of Alaska both large and small gifts can be directed to those programs where added financial support is so necessary to progress.

Your gift to higher education can help accomplish these special goals in specific areas:

- Provide scholarships for needy and deserving students at every level.
- Maintain and further research for the benefit of mankind.
- Help to provide new physical facilities for various disciplines.
- Provide funds to bring master teachers with national and international reputations to the campus to present their wisdom to students in the classroom.
- Provide for needed reference and Alaskan works for the University library.
- Provide for gifts of sophisticated teaching materials and equipment necessary to maintain the standard of excellence in teaching.
- Encourage student creativity and initiative by providing prizes for excellence in the respective academic disciplines.
- Maintain the quality of undergraduate work and at the same time build a firm foundation for strengthened graduate programs.
- Provide funds to honor faculty members, students, staff and other deserving individuals.
- Provide for purchase of special Alaskan collections for the University of Alaska Museum.
- Support special programs of the University of Alaska Alumni Association.

PLANS FOR GIVING

Gifts From Income

Annual gifts from income can aid the University of Alaska and at the same time reduce current income taxes for the donor.

Capital Gifts

Tax advantages often accrue when the individual gives real estate, securities or other property which has appreciated in value. In the case in which the donor prefers to realize a loss, the item of property should be sold and the cash given to the Foundation.

Testamentary Trust

This plan is designed for the donor who wishes to provide for members of his family during their lifetimes and at the same time make a gift of the remainder to the Foundation. This method of giving often produces tax advantages to the survivors named in the estate.

Irrevocable Trust

The irrevocable trust has certain specific advantages. The donor cannot make changes in an irrevocable trust once he has set it up. However, the gift presented by the irrevocable trust (other than tangible personal property) may be deducted from the donor's taxable income in the year in which the trust is created, limited by the extent of the remainder interest which ultimately will pass to the University.

Life Income Plans

These plans provide the donor with a life income with the principal of the gift going to the Foundation at the time of his death.

Gift Annuities

A gift annuity is an agreement between the institution and the donor, whereby the donor contributes a given sum of cash, securities, or other property in return for the payment to him, or to a beneficiary, of a fixed income for life. The principal is released absolutely to the Foundation at the death of the surviving beneficiary.

Gifts by Life Insurance

The donor may benefit the Foundation through a gift of life insurance. Many people who would find it difficult to make a large contribution to the Foundation can realize their desire through gifts of existing insurance or new insurance taken out for this specific purpose.

Gift by Bequest

Regardless of the size of the estate, the bequest is the most popular method of making a large gift to the Foundation. The tax savings may be substantial in the gift by bequest.

THE UNIVERSITY OF ALASKA FOUNDATION

The University of Alaska Foundation is a non-profit corporation established in 1974 under the laws of the State of Alaska. It operates exclusively for the benefit of the University of Alaska and has been designated by the Board of Regents of the University of Alaska to solicit, receive, hold and manage funds and property on behalf of the University.

Its members and officers bring a wide range of business and professional experience as well as a high degree of motivation and competence in their efforts on behalf of the advancement of the University. The Foundation will be happy to have a qualified representative discuss with you your financial situation and tell you just what could be accomplished for the University and yourself by your gift. This discussion, of course, will put you under no obligation whatever.

For further information, please write:
University of Alaska Foundation
P.O. Box 79
University of Alaska
Fairbanks, Alaska 99701