



ALASKA OCEAN OBSERVING SYSTEM
Federal Financial Assistance Reports
Year ended September 30, 2011
(With Independent Auditors' Reports Thereon)

ALASKA OCEAN OBSERVING SYSTEM

Table of Contents

	Page(s)
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	1 – 2
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	5
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6 – 7



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Alaska Ocean Observing System:

Compliance

We have audited the compliance of the Alaska Ocean Observing System (AOOS) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on AOOS's major federal program for the year ended September 30, 2011. AOOS's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of AOOS's management. Our responsibility is to express an opinion on AOOS's compliance based on our audit.

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

In our opinion, AOOS complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control over Compliance

The management of AOOS is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered AOOS's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AOOS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned



functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of AOOS as of and for the year ended September 30, 2011, and have issued our report thereon dated March 16, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 16, 2012

ALASKA OCEAN OBSERVING SYSTEM

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

<u>Federal grantor/pass-through grantor program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
Department of Commerce:			
National Oceanic and Atmospheric Administration:			
National Ocean Service:			
Alaska Regional Coastal and Ocean Observing System 2008 – 2010	11.473	NA08NOS4730406	\$ 1,027,340
FY2008 Alaska Ocean Observing System Regional Association Support	11.473	NA08NOS4730287	<u>389,428</u>
			1,416,768
Alaska Regional Coastal and Ocean Observing System	11.012	NA11NOS0120020	<u>56,657</u>
Total Department of Commerce			<u>1,473,425</u>
National Science Foundation:			
University of Alaska Fairbanks (pass-through)			
COSEE Alaska: People in a Changing Climate	47.050	UAF 09-0057	<u>143,273</u>
Total National Science Foundation			<u>143,273</u>
Total federal awards			<u>\$ 1,616,698</u>

See accompanying notes to schedule of expenditures of federal awards.

ALASKA OCEAN OBSERVING SYSTEM

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of AOOS. The reporting entity is defined in note 1 to AOOS's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

(2) Basis of Accounting

The schedule of federal awards is presented using the accrual basis of accounting, which is described in note 1 to AOOS's financial statements.

(3) Subrecipients

During the year ended September 30, 2011, AOOS provided \$511,111 to subrecipients under the Department of Commerce, National Oceanic and Atmospheric Administration awards.

ALASKA OCEAN OBSERVING SYSTEM

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes x no

Identification of Major Programs

CFDA #	Name of federal program or cluster
11.473	U.S. Department of Commerce, National Oceanic and Atmospheric Administration – Coastal Services Center

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

(2) There were no findings related to the financial statements reported in accordance with *Government Auditing Standards*.

(3) There were no findings and no questioned costs relating to federal awards.



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Alaska Ocean Observing System:

We have audited the financial statements of the Alaska Ocean Observing System (AOOS) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of AOOS is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered AOOS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AOOS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AOOS's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AOOS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 16, 2012