



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Commerce, Community,  
and Economic Development

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

P.O. Box 110809  
Juneau, Alaska 99811-0809  
Main: 907.465.5550  
Programs fax: 907.465.4761

September 25, 2013

Mr. Paul Charles, President  
Newtok Traditional Council  
P. O. Box 5502  
Newtok, Alaska 99559

Dear Mr. Charles:

By way of this letter I would like to introduce myself. My name is Tom Sutton and I am the Internal Auditor for the Division of Community and Regional Affairs. I have recently completed two audit reports on the Newtok Traditional Council's (NTC) administration of two grants for the construction of the Mertarvik Evacuation Center.

With correspondence dated March 1, 2013 (copy enclosed) the previous tribal administrator—Mr. Stanley Tom—was informed of the intentions of the Division to audit the activities and financial transactions of the following State grants:

Grant Number	Project Title	Award Amount	Award Remaining Dec. 31, 2012
11-DC-559	Newtok Shelter & Road	\$4,000,000	\$ 427,378
12-DC-550	Metarvik Shelter & Road	\$2,500,000	\$ 1,571,557

The purpose of this memorandum is two-fold. First, I must ask the NTC to review the audit reports and respond in writing to the audit report's, "*findings and recommendations.*" Secondly, in separate correspondence please describe the current status of the required *State Single Audits* for calendar years ending 2011 and 2012.

### **Audit Report Findings and Recommendations**

The audit results are finalized in two reports. The first part is focused on the NTC's fiscal compliance with certain grant agreement terms and conditions. The second part is a performance report concentrating on the economy, efficiency and effectiveness of NTC to meet the objective of the funded project.

Your comments on the audit recommendations in the two reports will be included in both "final" reports as, "Newtok Traditional Council's Responses to Audit Findings." To facilitate the issuance of the final reports, please forward your responses to my physical address or email by October 14, 2013.

**State Single Audit for Years 2011 and 2012**

Earlier this year, I met with NTC's external auditor—Ms. Lisa Taylor, CPA. At that time Ms. Taylor was working on completing NTC's "Federal and State Single Audits" for fiscal years ending 2011 and 2012. The single audit engagement by Ms. Taylor was in response to the State Division of Finance's notice titled, "*FY11 State Single Audit Overdue – Final Request.*" This notice is dated April 30, 2013 and is attached for your review.

Because of the failure to respond with a *Single Audit Report* by the previous letter's due date, the Division of Finance issued another letter titled, "*FY11 State Single Audit – Noncompliance Declaration.*" A copy of this letter is enclosed for your review. The originator of both letters—Director Scot Archart—wrote in the latter correspondence:

***"I am also asking that all state agencies consider your failure to comply with the provisions of the State Single Audit Act before entering into any further grant agreements with your organization. I strongly urge you to take the necessary steps to come into compliance."***

In May of this year, Mr. Stanley Tom indicated the *Single Audit Reports* had not been completed. By way of this letter, I would like to ask the NTC to respond in a separate correspondence and declare the current status of the single audit reports for 2011 and 2012. If the audit reports are not completed please describe in the correspondence the *plan of action* to bring audit reporting up-to-date. Please forward your response to my physical address or email by October 14, 2013.

At this time, I would like to convey my thanks to the former council members and Mr. Stanley Tom's kind assistance and cooperation relative to the engagement of this audit.

If you have any questions, please do not hesitate to contact me by phone at 907-465-5550 or through e-mail at [Tom.Sutton@alaska.gov](mailto:Tom.Sutton@alaska.gov).

Sincerely,

*Tom Sutton*

Thomas L Sutton, CPA  
Internal Auditor  
Dept. of Commerce, Community, and Economic Development  
Division of Community and Regional Affairs  
P.O. Box 110809  
Juneau, Alaska 99811-0809

Cc: George Carl, Vice President  
Simeon Fairbanks Jr., Secretary  
Katherine Charles, Treasurer  
Louie Andy, Member

Lisa Charles, Member  
Bernice John, Member  
Scott Ruby, Director  
Janet Davis, Grants Manager  
Debi Kruse, Grant Administrator III  
Rachel Spicer, Grant Administrator II

Attach: Correspondence—Audit Engagement Letter to Mr. Stanley Tom dated March 1, 2013.  
Correspondence—Division of Finance’s Single Audit Overdue – Final Request, dated April 30, 2013.  
Correspondence—Division of Finance’s Single Audit Noncompliance Declaration, dated June 24, 2013.



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550 West Seventh Avenue, Suite 1640  
Anchorage, Alaska 99501  
Main: 907.269.4501/907.269.4581  
Programs fax: 907.269.4539

March 1, 2013

Stanley Tom--Tribal Administrator  
Newtok Traditional Council  
P.O. Box 5545  
Newtok, Alaska 99559

Dear Mr. Tom:

Our grant agreement with Newtok Traditional Council allows for full access and inspection of pertinent records and financial books. This provision is found in Article 5 or Attachment C —Access to Records in the grant agreement. The Division of Community and Regional Affairs has identified the following grants for review and to audit the activities and financial transactions:

Grant Number	Project Title	Award Amount	Award Remaining	Grant Status
11-DC-559	Newtok Shelter & Road	\$ 4,000,000	\$ 427,378	Active
12-DC-550	Metarvik Shelter & Road	\$ 2,500,000	\$ 1,571,557	Active

The objectives of this audit are to determine:

- The reliability and integrity of financial and operational information,
- Compliance with laws, regulations, grant contract provisions and project scope,
- The safeguarding of assets, and
- Effectiveness and efficiency of project operations.

We would like to start within the next two weeks, provided that you, council members and key personnel are available. The Division's internal auditor is Tom Sutton. Tom is located in our Juneau office. His contact information is:

Tom Sutton, CPA  
Tel. (907) 465-5550  
Email: [tom.sutton@alaska.gov](mailto:tom.sutton@alaska.gov)

Letter to Mr. Stanley Tom  
March 1, 2013  
Page Two

To start the audit, our auditor will call you to discuss the audit objectives and solicit your input. Our goal is to perform an effective and efficient audit. Following the introduction, Tom will interview key personnel involved with the implementation of your important projects. At some point, we will need your staff to provide us access to the following documents and financial records:

1. Financial Statements, General Ledger, Subsidiary Ledgers for Years 2011-2012,
2. Procurement Contracts and Construction Progress Reports and,
3. Financial Data (i.e. invoices, canceled checks & accounting records) supporting the Council's "Request for Reimbursement Form" which is submitted to the Division.

Additional records or computer systems may need to be reviewed, based upon the initial interviews and the review of the above documents.

After Tom completes his review of your records, an exit conference will be held with you to discuss: preliminary findings, any outstanding information and the next steps of the audit. A draft audit report will be completed by the auditor and the draft audit report will be sent to you for your review. We will allow two weeks for a response prior to finalizing the audit. The final report will be sent to you and made available to any requesting agencies or individuals.

Our mission is to help your organization achieve the grant project objectives by providing you information about the effectiveness of accounting internal controls and project management. There may be management recommendations—which would improve performance or enhance your organization's abilities.

If you have any questions about this audit, please do not hesitate to call me at 907-269 4569 or email [scott.ruby@alaska.gov](mailto:scott.ruby@alaska.gov).

Sincerely,

Scott Ruby, Director  
Division of Community and Regional Affairs

Cc: Tom Sutton, Internal Auditor  
Rachel Spicer, Grant Administrator II  
Debi Kruse, Grant Administrator III



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Administration**

DIVISION OF FINANCE  
Director's Office

P.O. Box 110204  
Juneau, Alaska 99801  
Direct: (907) 465-4666  
Fax: (907) 465-2169

April 30, 2013

Newtok Traditional Council  
Attn: Stanley Tom, Tribal Administrator  
P.O. Box 5545  
Newtok, AK 99559

RECEIVED

MAY 03 2013

Dept. of Commerce  
Admin. Services

CERTIFIED MAIL No. 7009 1410 0001 4088 9152  
RETURN RECEIPT REQUESTED

Dear Mr. Tom:

**FY11 State Single Audit Overdue – FINAL REQUEST**

The Department of Administration, Division of Finance is responsible for implementing the Alaska Single Audit Regulation (2 AAC 45). In general, a state single audit is required when an organization expends \$500,000 or more of state financial assistance in its fiscal year. Audit reports are to be submitted no later than nine months after the end of the organization's fiscal year.

Our records indicate that your organization received more than \$500,000 during its fiscal year 2011 and that a state single audit report should have been submitted by **September 30, 2012**. We will expect to receive the 2011 financial statements and state single audit report within 30 days of receipt of this letter.

Please see the enclosed flyer to determine how many copies of the financial statements and state single audit report should be sent to the Department of Administration, Division of Finance. If your organization is unable to meet this due date, or if you believe the expected report is not required, please provide a written explanation within the 30 day time period.

This is our **final request** for the overdue reports. If we have not received the reports or an adequate response within 30 days of receipt of this letter, we will issue a formal **Declaration of Noncompliance**. Noncompliance with single audit requirements may jeopardize future grant awards for your organization. The State may also withhold payment or institute extraordinary monitoring procedures for current grant awards until the audit requirements are met.



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**Department of Administration**

DIVISION OF FINANCE  
Director's Office

P.O. Box 110204  
Juneau, Alaska 99811-0204  
Direct: (907) 465-4666  
Fax: (907) 465-2169

June 24, 2013

Newtok Traditional Council  
Attn: Stanley Tom, Tribal Administrator  
P.O. Box 5545  
Newtok, AK 99559

Dear Mr. Tom:

CERTIFIED MAIL NO. 7009 1410 0001 4088 9947  
RETURN RECEIPT REQUESTED

**FY11 STATE SINGLE AUDIT - NONCOMPLIANCE DECLARATION**

As noted in previous correspondence from this office, we have determined that your organization is obligated to file a state single audit for the fiscal year 2011. The reports were to be submitted no later than nine months after the end of the fiscal year in which the financial assistance was expended.

Our previous requests have not resulted in compliance by your organization. I am formally declaring your organization noncompliant with the requirements of the State Single Audit Act (2 AAC 45).

I am forwarding a copy of this declaration to each state agency that has provided grant funds to your organization in the past. I am requesting that those agencies review their monitoring procedures for any current grant/contract agreements before making further payments. I am also asking that all state agencies consider your failure to comply with the provisions of the State Single Audit Act before entering into any further grant agreements with your organization.

I strongly urge you to take the necessary steps to come into compliance. In the future, please monitor expenditures for both state and federal grants, as required by the grants, and plan for audits as necessary.

If you have any questions or need further information, please contact Colleen Campbell, Single Audit Coordinator at 465-4666, by e-mail at [single.audit@alaska.gov](mailto:single.audit@alaska.gov) or at the above address.

Sincerely,

A handwritten signature in black ink, appearing to read "Scot Arehart".

Scot Arehart  
Division Director

cc: All Departmental Single Audit Representatives