

ALASKA OCEAN OBSERVING SYSTEM
Federal Financial Assistance Reports
Year Ended September 30, 2021
(With Independent Auditors' Reports Thereon)

ALASKA OCEAN OBSERVING SYSTEM

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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, in accordance with the 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, the financial statements of Alaska Ocean Observing System (AOOS), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, ____.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AOOS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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' internal control. Accordingly, we do not express an opinion on the effectiveness of AOOS' internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AOOS' financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AOOS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AOOS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[(signed) KPMG LLP]

Date

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Alaska Ocean Observing System:

Report on Compliance for Each Major Federal Program

We have audited Alaska Ocean Observing System's (AOOS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on AOOS' major federal program for the year ended September 30, 2021. AOOS' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for AOOS' major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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' 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 on compliance for the major federal program. However, our audit does not provide a legal determination of AOOS' compliance.

Opinion on Each Major Federal Program

In our opinion, AOOS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of AOOS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AOOS' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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' 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of AOOS as of and for the year ended September 30, 2021 and have issued our report thereon dated _____, _____, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

 (signed) KPMG LLP

Date

ALASKA OCEAN OBSERVING SYSTEM
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

<u>Federal grantor/pass-through grantor program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Grant number</u>	<u>Subrecipient expenditures</u>	<u>Federal expenditures</u>
Department of Commerce:				
National Oceanic and Atmospheric Administration:				
National Ocean Service:				
Implementation and Development of Regional Coastal Ocean Observing System:				
Alaska Ocean Observing System 2016-2021	11.012	NA16NOS0120027	\$ 2,792,003	4,591,815
Implementation and Development of Regional Coastal Ocean Observing System:				
Alaska Ocean Observing System 2021-2025	11.012	NA21NOS0120094	80,118	166,358
Passed through the University of Notre Dame:				
Build Coupled Surge & Operational Forecasting in AK	11.012	203453AOO/NA18NOS0120164	58,448	68,056
			<u>2,930,569</u>	<u>4,826,229</u>
Passed through Prince William Sound Science Center:				
EVOS Data Management	11.472	17-71-02	195,045	213,662
			<u>3,125,614</u>	<u>5,039,891</u>
Department of the Interior:				
Bureau of Ocean Energy Management:				
Passed through the University of Alaska Fairbanks:				
Central Beaufort Sea Wave and Hydrodynamic Modeling Study	15.423	UAF 18-0073	36,258	42,827
			<u>36,258</u>	<u>42,827</u>
Basic and Applied Scientific Research:				
Office of Naval Research:				
Animal Telemetry Network – Data Assembly Center	12.300	N00014-20-1-2410	341,153	358,210
			<u>341,153</u>	<u>358,210</u>
			<u>\$ 3,503,025</u>	<u>5,440,928</u>

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

(1) General

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Alaska Ocean Observing System (AOOS) under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies as well as federal awards passed through other organizations are included on the schedule. Because the schedule presents only a selected portion of the operations of AOOS, it is not intended to and does not present the financial position, changes in net position, or cash flows of AOOS.

(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' financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Loan Programs

AOOS has not entered into any federal loan programs.

(4) Cost Rate

AOOS has not elected to use the de minimis 10% indirect cost rate.

ALASKA OCEAN OBSERVING SYSTEM
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2021

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified 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
- Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a)?

_____ Yes X No

Identification of Major Programs

CFDA number	Name of federal program
11.012	U.S. Department of Commerce, National Oceanic and Atmospheric Administration – Integrated Ocean Observing System

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

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

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