

CITY OF DILLINGHAM, ALASKA

Basic Financial Statements,
Required Supplementary Information,
Supplementary Information, and Compliance Reports

(With Independent Auditor's Report Thereon)

Year Ended June 30, 2024

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Question Costs, Continued

Section II - Financial Statement Findings

Finding 2024-001: Lack of Internal Control over Procurement

Material Weakness

Condition and Context: During testing of material checks, two checks wrote to the same local business totaling \$214,938 that did not follow procurement policy or have supporting documentation in line with the City's procurement policy. Both checks are considered to be related party transactions. The first check (#72798) was made up of four invoices from one local business. The first invoice was for \$10,000 for an emergency water line repair related to one purchase order (#4372) for \$29,999. The remaining three invoices totaling \$100,940 were related to the landfill project from three purchase orders (PO) (#4450, #4451, and #4452) each for \$29,999.

The three landfill invoices noted the earliest day of work began on August 23, 2023. The total landfill project based on the three PO's noted above have the projected project cost at \$89,997.

Per the City's procurement policy purchase price, including shipping of \$30,000 or greater require the following:

"City manager, or designee will arrange competitive sealed bidding procedures for the purchase. The City Council will evaluate and award i) the most responsive bid, ii) the most responsive bid will not necessarily be the bid offering the lowest price

As well as, per the City's procurement policy for purchases of services, contracts are used for construction work and memorandum of agreements are used for other types of work.

It appears that purchase orders were deliberately split in the amount of \$29,999 to circumvent the City's procurement policies.

Criteria: Per the City's procurement policy purchase price, including shipping of \$30,000 or greater require the following:

"City manager, or designee will arrange competitive sealed bidding procedures for the purchase. The City Council will evaluate and award i) the most responsive bid, ii) the most responsive bid will not necessarily be the bid offering the lowest price

Cause: Failure to follow city policies and procedures.

CITY OF DILLINGHAM, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Effect:	Without following the procurement policy in place costs for services could be excessive or not consummated in an “arm’s length” transaction.
Recommendation:	We recommend the City follows the procurement policy in place.
Management Response:	Management concurs with this finding. See Corrective Action Plan.
Finding 2024-002: Significant Deficiency	<u>Lack of Internal Control over Credit Cards</u>
Condition and Context:	During our review of three of the City’s monthly credit card statements, we found the City was not following its adopted policies and procedures surrounding credit card receipt documentation. We noted twenty-two (22) out of one hundred three (103) credit card transactions totaling \$3,611 did not have supporting documentation in the form of receipts.
Criteria:	The City’s policies and procedures over credit card receipt documentation must be followed to ensure accurate financial reporting and minimize the risk of fraudulent charges.
Cause:	Lack of internal controls over credit card users and violation of credit card policy adopted by the City.
Effect:	Fraudulent or unauthorized purchases could be made with the City’s credit cards.
Recommendation:	We recommend the City follow the policies in place and ensure credit card users be held accountable for providing proper supporting documentation for credit card transactions.
Management Response:	Management concurs with this finding. See Corrective Action Plan.
Finding 2024-003: Significant Deficiency	<u>Lack of Internal Control over Journal Entries</u>
Condition and Context:	During our review of the City’s adjusting journal entries, we found two material entries that did not have appropriate approval. Per the City’s policies, all adjusting journal entries require an approving signature.
Criteria:	The City’s policies and procedures over adjusting journal entries must be followed to ensure accurate financial reporting.
Cause:	Internal controls over adjusting journal entries are not functioning as designed.
Effect:	Increased risk of misstated financial statements due to unauthorized posting of journal entries.
Recommendation:	We recommend that the City follow the policy in place requiring approval of all adjusting journal entries.
Management Response:	Management concurs with this finding. See Corrective Action Plan.



Corrective Action Plan

Year Ended June 30, 2024

Financial Statement Findings

Finding 2024-001

Lack of Internal Control over Procurement

Name of Contact Person: Anita Foran, Finance Director

Corrective Action Plan: Internal control policies are being reviewed and updated by the Finance Department with a completion date of review by 06/30/2025. The purchasing policy has been updated following the adopted changes made to DMC 4.30 (Ordinance 24-01) to increase purchasing limits. Trainings have been held by the Finance Director for all staff that are involved with making or receiving purchases. This training will be ongoing due to the cities high rate of turnover. Administration is looking deeper into the reason for the requisitions in question to be split and not follow the city policies and procedures.

Proposed Completion Date: Immediately.

Finding 2024-002

Lack of Internal Control over Credit Cards

Name of Contact Person: Anita Foran, Finance Director

Corrective Action Plan: The finance department is now requiring all staff who are being issued a credit card to sign a credit card use agreement. This agreement states they will adhere to all the rules outlined in the purchasing policy, will turn in receipts for all purchases and will remit receipts to the finance office in a timely manner. Finance is also reaching out to the bank to find alternatives to using credit cards for vendor purchases. This will put further controls that the purchasing policy will be followed.

Proposed Completion Date: Immediately.