

MEMORANDUM



DATE: January 4, 2023
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director

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SUBJECT: Delay of FY2022 Annual Comprehensive Financial Report and Audit

This memo serves to notify the Assembly of a significant delay in the completion of CBJ's FY2022 Annual Comprehensive Financial Report (ACFR) and the subsequent audit performed by Elgee Rehfeld.

In recent years, the CBJ Finance Department has provided our auditor with all necessary documents by Thanksgiving, and our auditor has generally completed their audit shortly before or after New Year. However, as of this memo, CBJ Finance has still not provided all required FY2022 documentation to our auditor. We expect to transmit all remaining documents necessary for the completion of the ACFR audit to the auditor within the next ten business days. We will also be transmitting the documents requested to start the Federal and State of Alaska compliance audits. Our auditor estimates 30-45 days, once all items are provided, to complete their audit procedures. This delay is significant, and I make no excuse for it.

No one factor created this delay, but turnover and position changes in the Controller's Office play a significant part. With the departure of CBJ's former Controller, Sam Muse, I promoted the Assistant Controller, Sarita Knull, to the role of Controller. At the same time, I reprogrammed the Assistant Controller position as a new Budget Analyst. This change was reflective of how much budget-related work had shifted from the Controller's Office to the Budget Manager, Adrien Speegle, over the past several years. However, repeated recruitments for the new budget analyst have been unsuccessful, which has left the Controller's Office and the budget section understaffed and overwhelmed. The departure of Mr. Muse resulted in some loss of institutional knowledge.

In addition to staffing turnover and position changes, drafting the ACFR has also been burdened by the implementation of GASB 87 (the new lease accounting standard) and the financial reporting associated with federal pandemic relief funding. Unlike many of our peer communities, CBJ did not add staff to assist with these burdensome requirements.

Ultimate responsibility for the timely production of the ACFR and the completion of the audit lies squarely with me as the Finance Director. At this point in time, there is nothing I can do to expedite the final production of the ACFR or to speed up the audit process. But I remain in daily conversation with both the Controller and our auditors at Elgee Rehfeld. Once the FY2022 ACFR and audit are complete, I will undertake a full review of this year's process to determine a corrective approach and schedule for FY2023's ACFR and audit. Additionally, I will review staff competencies to determine what additional professional development is necessary to facilitate more timely production of the financial statements.

CBJC 57.05.070 requires that the audit is complete within 210 days of the end of the preceding fiscal year. With the aforementioned delay, the Finance Department will fail to meet this deadline. This memo serves to acknowledge this violation of CBJ Code. Additionally, CBJ has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the past 35 years. This substantial delay in the production of the ACFR and audit may threaten our ability to earn that award for FY2022.

I heartily regret this delay and the resulting consequences, and I take full responsibility for them. I will devote substantial attention to the FY2023 ACFR and audit in the coming year with the intention to guarantee a timely result. No Assembly action is necessary at this time.