

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF PASSENGER FACILITY CHARGES (PFC)  
AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2022

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

## INDEPENDENT AUDITOR'S 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

To the Members of the Assembly  
City and Borough of Juneau, Alaska

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements, and have issued our report thereon dated March 31, 2023.

### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City and Borough's 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City and Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the City and Borough's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003 to be significant deficiencies.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City and Borough's 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*.

### **City and Borough's Response to Findings**

The City and Borough's response to the findings identified in our audit is described in the accompanying corrective action plan. The City and Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elgee Rehfeld*

March 31, 2023



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *FAA PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*

To the Members of the Assembly  
City and Borough of Juneau, Alaska

### Report on Compliance for the Passenger Facility Charge Program

#### *Opinion on the Passenger Facility Charge Program*

We have audited the City and Borough of Juneau, Alaska's (City and Borough) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA Guide), that could have a direct and material effect on the City and Borough's passenger facility charge program for the year ended June 30, 2022.

In our opinion, the City and Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2022.

#### *Basis for Opinion on the Passenger Facility Charge Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the City and Borough's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the passenger facility charge program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City and Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City and Borough's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City and Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City and Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City and Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 the passenger facility charge 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material

weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 FAA Guide. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Passenger Facility Charges Required by the FAA Guide**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and Borough as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements. We issued our report thereon dated March 31, 2023 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the FAA Guide and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Elgee Rehfeld*

March 31, 2023

CITY AND BOROUGH OF JUNEAU  
Schedule of Passenger Facility Charges (PFC)  
Year ended June 30, 2022

				Quarter Ended					
Revenues	Date Approved	Amount Approved	Cumulative End FY21	Sept '21	Dec '21	Mar '22	Jun '22	Total FY22	Cumulative End FY22
Application: 17-09-C-00-JNU (PFC 9)									
PFC revenues received from carriers		\$ 10,264,134	\$ 2,619,830	\$ 320,666	\$ 189,447	\$ 188,881	\$ 403,419	\$ 1,102,413	\$ 3,722,243
Interest received			91,247	-	-	-	-	-	91,247
Adjustments			1,321,567	-	-	-	-	-	1,321,567
Total PFC Receipts/Interest/Adjustments:			4,032,644	320,666	189,447	188,881	403,419	1,102,413	5,135,057
Disbursements									
Application: 17-09-C-00-JNU (PFC 9)	01/01/18	9,153,351							
Amendment# 1:	08/31/18	809,273							
Amendment# 2:	04/10/19	-							
Amendment# 3:	12/14/18	301,510							
			4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
	Total by PFC:	10,264,134	4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
Total PFC Disbursements:			4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
Net Increase (Decrease) in Cash			(303,587)	300,334	(221,282)	(83,249)	(170,529)	(174,726)	(478,313)
Cash balance, beginning			-	(303,587)	(3,253)	(224,535)	(307,784)	(303,587)	-
Cash balance, ending			\$ (303,587)	\$ (3,253)	\$ (224,535)	\$ (307,784)	\$ (478,313)	\$ (478,313)	\$ (478,313)

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2022

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued on whether the financial Statements were prepared in accordance with GAAP:

Government Activities	Unmodified
Business Type Activities	Unmodified
General Fund	Unmodified
Sales Tax Special Revenue Fund	Unmodified
Pandemic Response Special Revenue Fund	Unmodified
General Debt Service Fund	Unmodified
Other Governmental funds	Unmodified
Proprietary Funds:	
Juneau International Airport	Unmodified
Bartlett Regional Hospital	Unmodified
Areawide Water Utility	Unmodified
Areawide Wastewater Utility	Unmodified
Boat Harbors	Unmodified
Dock	Unmodified
Internal Service Funds	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Passenger Facility Charges (PFC)***

Type of auditor's report issued on compliance for the PFC program:

Unmodified

Internal control over the PFC program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2022-001                      Material Weakness in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)**

New or Repeat:              New

Criteria:                      Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of the following objectives:

- Reliability of financial reporting.



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2022

- Compliance with applicable laws and regulations.

**Condition:** Internal controls over financial reporting were not sufficiently designed or implemented to accurately close the accounting records and prepare the ACFR for the City as of fiscal year-end. Significant adjustments to net position/fund balance, cash, pension liabilities, deferred inflow/outflows, revenues, and expenses were identified as a result of audit procedures and review of the draft ACFR. In addition to balances requiring adjustment, disclosures were missing, and disclosures and supplemental information was not in agreement with draft financial statements included in the draft ACFR. The records in place to support account balances did not agree to some balances and internal reviews were not sufficient to detect or identify the errors. Account balances and disclosures were corrected by management as a result of the audit process.

**Cause:** Turnover in key financial positions, lack of documented procedures, and outdated report preparation resources and technology, inadequate review by the Controller's department lead to inadequate monitoring of account balances and disclosures included in the draft ACFR.

**Context:** Financial statements and support were not complete or accurate at the time of the audit. Multiple versions of the ACFR were necessary due to changes identified during the audit, some of which were immaterial, but are needed for the financial statements, schedules and footnotes to be in agreement. Not all differences between the statements, schedules or footnotes, identified by our audit, were corrected by management, as they evaluated and decided not to correct some of the footnotes or supplementary information. The significant issues identified and corrected included the following:

- The governmental activities net pension liability balance and related expenses were overstated by approximately \$24 million and the business-type activities (and proprietary funds) were understated by approximately \$5 million. The misstatements were not detected due to a lack of adequate review to ensure adjustments amounts were correctly calculated and ending balances agreed to the State of Alaska reports, which are the basis for the journal entry. A reconciliation of the pension footnote and the financial statement balances was not completed in a timely manner.
- Fund balances were not classified in the appropriate categories in the draft financial statements and adjustments to restate some prior period balances were not disclosed. Revisions to properly report fund balance were not internally detected or corrected during the preparation for our audit.
- Capital improvement projects were not reconciled at the beginning of audit and were not captured accurately in the early ACFR drafts. As a result of our audit, adjustments were proposed to accurately present the closed and current capital improvement projects and related encumbrance balances. Current project totals were not adjusted for all funds in the current project listing by

CITY AND BOROUGH OF JUNEAU, ALASKA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
 Year Ended June 30, 2022

management. The amounts not adjusted are not material but the supplemental information schedules should be in agreement to the financial statements.

- Modifications were necessary to the ACFR and accounting records to reduce grant revenue and related receivable balance by \$3.9 million, and to reconcile with the federal assistance schedule.
- Lease amounts and disclosures were not accurately reported in the initial ACFR drafts. Certain disclosures related to regulatory leases are still not included, and while immaterial, are an important part of the required lease disclosures.

Effect or Potential Effect:

Due to the significance of the errors in the preparation of the ACFR, there was a significant delay in completing an ACFR draft without material misstatements. The lack of an accurate ACFR resulted in significant delays in the audit and failure to meet audit completion due date requirements.

Recommendation:

We recommend that CBJ evaluate its monthly, quarterly and year-end processes related to the ACFR preparation. All accounts should be reconciled, and report preparation should be completed timely and accurately. The ACFR draft internal review should be at a sufficient level, so that statements, schedules and footnote differences are detected and corrected in a timely manner. We also recommend annual training on Governmental Accounting Standards Board (GASB) reporting requirements for those involved in the ACFR preparation process. Further we recommend an analysis of the resources, used to prepare the ACFR, by the Controller and Treasury departments, be undertaken to identify modifications necessary to current resources or implementation of new resources necessary to ensure timely and accurate preparation of future ACFRs.

View of responsible officials:

Management concurs with this finding, see corrective action plan.

2022-002

**Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard**

New or Repeat:

New

Criteria:

Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of the following objectives:

- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

The implementation of GASB Statement No. 87 *Leases*, effective in fiscal year 2022, required updates to the internal control system in order to comply with new accounting and reporting requirements.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2022

Condition:	Internal controls were not sufficiently designed and implemented to ensure lease populations were complete, lease discount rates were supported and reasonable, and lease balances and disclosures were accurate. Internal policies and procedures were not documented for the new lease accounting standard during fiscal year 2022. Significant adjustments to balances and disclosures for leases were identified as a result of audit procedures.
Cause:	Turnover in key financial positions and lack adequate resources in the Controller's department lead to inadequate documentation of key decisions made in the implementation of the new lease standard, lack of documented policies or procedures for departmental use related to the implementation and accounting for leases under the new standard and for preparation of the ACFR.
Context and effect:	Lease account balances and disclosures required adjustment based on the new lease standard. Financial records, including policies and procedures for accounting and reporting of leases, were not complete at the time of the audit. Decisions made during the implementation of the standard and processes used to implement the standard were not documented. As a result the infrastructure needed, by finance and departments, to ensure lease data is being captured on a timely basis for accounting and reporting purposes is not present.
Recommendation:	We recommend the Controller's department complete additional training on the new lease standard reporting requirements and document necessary lease related policies and procedures for departments, as well as for ACFR preparation, to ensure accurate accounting and reporting.
View of responsible officials:	Management concurs with this finding, see corrective action plan.
<b>2022-003</b>	<b>Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes (Bartlett Regional Hospital)</b>
New or Repeat:	Repeat (2021-001)
Criteria:	Internal controls should be properly designed and implemented to efficiently conduct business, safeguard assets, prevent or detect misstatement, errors, or fraud, ensure completeness and accuracy of financial records, and timely preparation of the financial statements.
Condition:	<p>For a portion of the fiscal year, internal controls over purchasing were not sufficiently designed and implemented to ensure credit card purchases were adequately supported, including documentation of the business purpose of transactions.</p> <p>The current written policies and procedures do not sufficiently respond to the risks to the organization, nor are they representative of current practices for credit card purchases.</p>

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2022

Context: Finding 2021-001, as reported in the fiscal year 2021 audit, reported a significant deficiency in internal controls over financial reporting – purchasing process. Finding 2021-001 was issued in the middle of fiscal year 2022, and due to the time necessary to implement corrective action, the conditions continued to be present in a portion of fiscal 2022. During the first three quarters of fiscal 2022, in many instances, credit card purchases, or employee reimbursement, including reimbursement for travel, did not provide sufficient audit evidence to conclude on the appropriateness of costs. Certain asset purchases did not provide enough evidence to conclude that the assets were purchased for a valid business purpose. However, significant improvements were noted in items tested, from the fourth quarter of 2022, as corrective actions were implemented by the start of the quarter.

Many finance policies and procedures are still outdated and do not represent actual current practices. The existing policies or current practices do not adequately address the risks to the organization.

Effect (or potential): Without sufficient internal controls over purchasing processes, risk significantly increases that errors and fraud, related to purchases and expenditures, including misappropriation of assets, could occur and not be detected or corrected within a timely basis.

Cause: Turnover in key finance department positions has resulted in deferring the update of finance related policies and procedures. The lack of updated and thorough financial policies and procedures has resulted in weaknesses in the organization's internal controls, opportunities for employees to take advantage of the weaknesses in the system, and a lack of sufficient documentation to support the business purpose consistently in financial transactions. The corrective actions designed by management in response to the fiscal 2021 audit finding, were either not complete until late in fiscal 2022, or are still in the process of being implemented as of June 30, 2022, due to the time necessary to design and implement controls.

Recommendation: We recommend that management continue to implement their planned corrective actions, if not already in place. We understand significant modifications were already made to purchasing processes after the third quarter of fiscal 2022. We further recommend that financial policies and procedures be reviewed and updated periodically and as necessary.

View of responsible officials: Management concurs with this finding, see corrective action plan.

**SECTION III – PFC PROGRAM FINDINGS AND QUESTIONED COSTS**

None to report for fiscal year 2022.



Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

City & Borough of Juneau  
Summary of Prior Year Findings  
Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDINGS**

**2021-001 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund**

Current Status: Recurring. Management remains committed to resolving this finding and recommendation. It anticipates the issue being fully resolved January 31, 2023

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-002 Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles – Transaction Support, Bartlett Regional Hospital Enterprise Fund**

Program: U.S. Department of Treasury, Coronavirus Relief Fund  
ALN: 20.019

COVID-19 – Substance Use Disorder Services Expansion – Crisis Stabilization CARES Funding

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services  
Pass through award number 602-239-21004  
FAIN: SLT-0073*

COVID-19 – Substance Use Disorder Services Expansion – Youth Psychiatric Stabilization CARES

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services  
Pass through award number: 602-239-21004  
FAIN: SLT-0073*

COVID-19 – Ambulatory Withdrawal Management

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services  
Pass through award number: 602-239-21010  
FAIN: SLT-0073*

Current Status: Resolved.



Address: 155 Municipal Way, Juneau, AK 99801  
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City & Borough of Juneau  
Corrective Action Plan  
Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDINGS**

Finding: 2022-001 Material Weakness in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller is strengthening review procedures through the mechanical automation of internal checks, checks lists and staff training.

The template for the mechanical automation containing internal checks of the FY23 ACFR will be completed by July 1, 2023. It includes rebuilding and tying out the 2022 ACFR so that the notes and financial state statements meet all requirements. Additionally, cross review of work is being built into team processes so that the team reviews and cross checks each other's work prior to management review.

The Controller recognizes the financial report preparation training needs of the ACFR team and has already implemented a training plan for the on the team. Training includes implementation of GASB pronouncements and inclusion of pronouncements into statements and notes. Training for the FY23 ACFR is to be completed by August 1<sup>st</sup>.

The Controller Division has also begun documenting processes and procedures in order to create consistency and accountability in accounting practices rather than relying on hearsay and historical memory.

The Controllers Division has moved to reconciling and closing its books on a quarterly cycle with the goal of being able to shift a monthly a soft close of the City

and Borough of Juneau's books. The monthly soft close process will be fully implemented by January 1, 2024.

Proposed Completion Date: December 31, 2023

Finding: 2022-002 Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller's Division is in the process of drafting policies and procedures for maintaining compliance with GASB 87 throughout the fiscal year. The policies and procedures will enable the financial reporting to be in compliance with GASB 87 as well.

Additionally, the Controller Division's training needs regarding GASB 87 are being addressed. See the response to Finding 2022-001

Proposed Completion Date: July 31, 2023

Finding: 2022-003 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes

Name of Contact Person: Samuel Muse, Bartlett CFO

Corrective Action: Bartlett Finance implemented M-files software which digitizes invoices and automates the approval process for payments and ultimate storage. This went live on July 1st 2021. With invoices tracked and approved virtually, documentation and approval of invoices always occurs prior to payment. This change also allowed us to eliminate manual routing of invoice by folder or email, resulting in more timely payments and ensure proper approvals from the correct individuals.

Additionally, starting the month of March 2022, review of credit card receipts was transitioned to the executive assistant for CFO & CFO. This transition allowed Finance to follow up and ensure that every credit card purchases included receipt and the cardholder was making only valid purchases. To ensure separation of duties, accounts payable staff review CFO and CFO's assistant card receipts. Bartlett took further action to cancel some of the credit cards and to transition those purchases to normal purchase order or check requests. There are now only 7 active cards outstanding, less than half of what there was previously.

As of October 2021, Gift cards are no longer allowed to be purchased except for rare exceptions with approval of Senior Leadership. In these situations, cash or cash equivalent gifts will be processed through payroll, to tax employees appropriately per IRS regulation. Annual holiday gift card from Bartlett will be processed as a bonus starting current year to tax employees appropriately per IRS regulation.

Bartlett Hospital hired a Supply Chain consultant to perform an outside review of the Materials Management/Purchasing Department; this consultant helped develop new processes and policies for the entire Bartlett Regional Hospital (BRH) organization.

Management has also taken this opportunity to also implement a culture shift toward accountability. Staff are encouraged to ask questions, follow up with things that aren't well documented or understood. Management is focusing on being receptive to ideas, critiques, and providing a safe whistleblower environment where individuals can come forward with concerns.

Lastly, Bartlett has reduced the amount of travel in the interim while strengthening our controls over approval and documentation that travel has occurred.

In addition to these changes, Bartlett is also currently developing more internal control measures, including revising the spending authority to include new departments and managers and align it better with industry practices; using PolicyTech software to provide organizational feedback on our procurement policy, personal reimbursement policies and credit card policy. Bartlett is developing procedures to streamline the submission of credit card reconciliations and travel reimbursements utilizing software for automated notifications for approvals and adding additional checks and balances.

Proposed Completion Date: 1/31/2023