

CITY AND BOROUGH OF JUNEAU, ALASKA
INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Year Ended June 30, 2024

February 14, 2025



Elgee Rehfeld

Certified Public Accountants

elgeerehfeld.com
(907) 789-3178

9309 Glacier Highway, Suite B-200
Juneau, Alaska 99801

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 (the City and Borough) as of and for the year ended June 30, 2024, 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 February 14, 2025.

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 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 a significant deficiency.

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 City and Borough'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 item 2024-001 to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

We noted certain other matters that we have reported to management and the boards of Bartlett Regional Hospital and Juneau School District in separate letters dated December 20, 2024 and November 6, 2024, respectively.

City and Borough's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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 City and Borough'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 City and Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elgee Rehfeld

February 14, 2025

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 Material Weakness in Internal Controls over Financial Reporting – Timely and Accurate Reconciliation of Significant Accounts

New or Repeat: Repeat

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.

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 and Borough as of year-end in a timely manner. Key steps in the year-end close process were not accurately completed, including the year-end reconciliation of sales tax fund deferred inflows, land fund notes receivable, a general fund accounts receivable-related clearing account, central equipment fund inventory, other general fund accruals, and grants, as well as calculations and support related to the reporting of components of fund balance and net position designations.

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

Much of the close and audit preparation was completed much later than originally planned.

Account balances and disclosures were corrected by management as a result of proposed changes during the audit process.

Cause: Turnover in key finance positions, lack of documented procedures, outdated report preparation resources and technology, and inadequate review by the Controller's department lead to significant delays in closing the year and the review of certain account balances.

For several accounts, support was prepared and reconciled but was not reviewed to ensure that the general ledger was appropriately adjusted to reflect these reconciliations. In one case, a reconciliation was incorrectly performed due to a lack of adequate accounts. This led to the erroneous inclusion of a deferred inflows amount in an otherwise unrelated reconciliation.

Context: The year-end adjustments and close process, scheduled to conclude in mid-October, was not completed until late December. The compilation of the draft ACFR, originally scheduled to be completed by December, was delayed until early February. As a result of review of provided support we proposed several significant adjustments, as well as other insignificant changes for clarity in reporting.

Effect: The lack of timely close and delayed preparation of the draft ACFR resulted in significant delays in the audit.

Recommendation: We recommend the City and Borough evaluate its year-end close process, including an analysis of any reporting changes anticipated and resources available, to ensure sufficient time is available for preparation and internal review. The account reconciliation and internal review processes should be at a sufficient level, so that accounts, statements, schedules and footnote differences are detected and corrected in a timely manner.

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

2024-002 **Significant Deficiency in Internal Controls over Financial Reporting – Financial Statement Presentation of Lease and SBITA Payments and Additions**

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.

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

Condition:	<p>Internal controls were not sufficiently designed and implemented to ensure lease and SBITA payments and additions were appropriately presented in the governmental fund financial statements.</p> <p>Account balances and disclosures were corrected by management as a result of proposed changes during the audit process.</p>
Cause:	<p>A shortage of adequate resources and staff turnover in key positions within the accounting department led to the lack of appropriate preparation and presentation during the fiscal year.</p>
Context and effect:	<p>Policies and procedures for the accounting and reporting of leases and SBITAs were not adequate to ensure appropriate financial statement presentation. Decisions made and processes used to prepare information for financial statement presentation were not sufficiently documented. Turnover in key accounting positions exacerbated the issue. As a result, presentation of lease and SBITA payments and additions in the governmental fund financial statements was not appropriate.</p>
Recommendation:	<p>We recommend policies and procedures be developed, and necessary documentation retained to ensure lease and SBITAs payments and additions are appropriately presented in governmental fund financial statements.</p>
View of responsible officials:	<p>Management concurs with this finding, see corrective action plan.</p>

CITY AND BOROUGH OF JUNEAU, ALASKA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS

2023-001	Significant Deficiency in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)
Current Status:	Partially Resolved - Improvements were made in the fiscal year 2024 close process and ACFR preparation, but due to additional deficiencies identified related to ensuring accurate reporting of specific accounts, the reported issues will continue into fiscal year 2025. See Material Weakness 2024-001.
2023-002	Significant Deficiency in Internal Controls over Financial Reporting – Implementation of New Accounting Standard
Current Status:	Partially Resolved - Improvements were made in the fiscal year 2024 close process related to SBITAs (Subscription-Based Information Technology Agreements), however SBITA payments were incorrectly presented in the governmental fund financial statements. See Significant Deficiency 2024-002.



155 Heritage Way
Juneau, AK 99801
907-586-5215

City & Borough of Juneau
Corrective Action Plan
Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS

Finding: 2024-001 Material Weakness in Internal Controls over Financial Reporting – Timely and Accurate Reconciliation of Significant Accounts

Name of Contact Person: Angie Flick, Director of Finance

Corrective Action: The corrective action includes a multi-pronged approach to address the core issues which include staff turnover, staff knowledge and internal controls. The CBJ accounting workgroup has been fully staffed since August 2024. Focus is required on staff engagement and morale in order to remain fully staffed and gain the benefits of a seasoned team. In addition to being fully staffed, having those accountants with more time in their positions is creating a learning opportunity for content, context and process. They have and will continue to be engaged in classes and other learning opportunities to gain confidence and competence in accounting principles. All members of Finance working on year-end close actions will receive training on reconciliation processes and verifying trial balance amounts compared to their own work scope. Finally, we are also going to be working on reconciliation quarterly instead of annually. This will make our year end reconciliations quicker and gives us more time to research and resolve issues.

Proposed Completion Date: October 31, 2025

Finding: 2024-002 Significant Deficiency in Internal Controls over Financial Reporting – Financial Statement Presentation of Lease and SBITA Payments and Additions

Name of Contact Person: Angie Flick, Director of Finance

Corrective Action: Similar to finding 2024-001, new staff had to learn both process, principles and a tool in order to work through lease and SBITA information and presentation. Staff will continue to work with the tool over the next few months, look for training opportunities on the tool and verify data that may need to be cleaned up. Additionally, as noted in 2024-001; a more robust review of potential lease and SBITA transactions will be implanted.

Proposed Completion Date: October 31, 2025