

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

Year ended June 30, 2007

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

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CERTIFIED PUBLIC ACCOUNTANTS

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

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 of Juneau, Alaska, (City and Borough) as of and for the year ended June 30, 2007, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated December 19, 2007. We conducted our audit 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City and Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City and Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City and Borough's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City and Borough's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City and Borough's financial statements that is more than inconsequential will not be prevented or detected by the City and Borough's internal control. We considered the deficiency described in the accompanying schedule of findings and questioned cost to be a significant deficiency in internal control over financial reporting. See finding 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City and Borough's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal controls that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City and Borough's financial statements are free of 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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questions costs as item 07-02.

We also noted other matters that we reported to management of the City and Borough in a separate letter dated December 19, 2007.

This report is intended solely for the information and use of the Assembly, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 19, 2007

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the compliance of the City and Borough of Juneau, Alaska, (City and Borough) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City and Borough's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City and Borough's management. Our responsibility is to express an opinion on the City and Borough's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City and Borough's 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. Our audit does not provide a legal determination on the City and Borough's compliance with those requirements.

As described in item 07-02 in the accompanying schedule of findings and questioned costs, the City and Borough did not comply with requirements regarding reporting that are applicable to its 2003 COPS Technology Grant. Compliance with such requirements is necessary, in our opinion, for the City and Borough to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City and Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

The management of the City and Borough is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City and Borough's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the City and Borough's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirements of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of finding and questioned costs as item 07-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirements of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City and Borough's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City and Borough's response and, accordingly, we express no opinion on it.

### Schedule of Expenditures of Federal Awards

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, 2007, and have issued our report thereon dated December 19, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City and Borough's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

This report is intended solely for the information and use of the Assembly, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 19, 2007

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2006	Amount received	Expenditures	Receivable (deferral) at June 30, 2007
U.S. Transportation Security Administration:							
Department of Homeland Security:							
Maritime and Land Security: Port Security Upgrades	DTSA20-03-G-01120	97.056	\$ 131,265	\$ 27,297	\$ 27,297	\$ -	\$ -
State Pass-Through Grant:							
Department of Military and Veterans Affairs:							
State Homeland Security Grant 05	34021	97.073	456,115	30,361	102,928	336,996	264,429
State Homeland Security Grant 05 MMRS	34041	97.071	227,592	9,391	79,907	213,021	142,505
State Homeland Security Grant 06	34053	97.073	36,525	-	-	10,680	10,680
State Homeland Security Grant LETPP 06	34232	97.074	80,000	-	2,834	4,648	1,814
State Homeland Security Grant 06 MMRS	34043	97.071	232,330	-	3,022	14,549	11,527
State Homeland Security Grant LETPP	34051	97.074	64,000	15,213	62,838	47,625	-
State Homeland Security Grant BZPP	35555	97.078	50,000	-	49,667	49,667	-
State Homeland Security Grant 04	35549	97.004	962,000	16,287	781,879	765,592	-
			<u>2,108,562</u>	<u>71,252</u>	<u>1,083,075</u>	<u>1,442,778</u>	<u>430,955</u>
Total U.S. Transportation Security Administration			<u>2,239,827</u>	<u>98,549</u>	<u>1,110,372</u>	<u>1,442,778</u>	<u>430,955</u>
U.S. Department of Homeland Security:							
Transportation Security Administration:							
Port Security Improvements	HSTS04-04-G-GPS377	97.056	94,000	45,000	-	-	45,000
Federal Emergency Management Agency:							
Assistance to Firefighters	EMW-2004-FG-14310	97.044	98,794	38,101	38,771	670	-
Total U.S. Department of Homeland Security			<u>192,794</u>	<u>83,101</u>	<u>38,771</u>	<u>670</u>	<u>45,000</u>
U.S. Department of Agriculture:							
Natural Resource Conservation Service:							
Nancy Street Pond/Wetlands Enhancement	7201505A106	10.914	126,750	75,000	126,750	51,750	-
Aspen Avenue/McGinnis	7201504A092	10.914	32,625	-	(300)	(300)	-
Lakeside Condominiums/Duck Creek Crossing	7201505A178	10.914	41,274	-	-	-	-
			<u>200,649</u>	<u>75,000</u>	<u>126,450</u>	<u>51,450</u>	<u>-</u>
State Pass-Through Grant:							
Alaska Department of Community and Economic Development:							
Schools and Roads - Grants to States FY04	-	10.665	949,181	(102,572)	-	102,572	-
Schools and Roads - Grants to States FY05	-	10.665	961,656	(144,248)	-	144,248	-
Schools and Roads - Grants to States FY06	-	10.665	984,060	(147,609)	-	147,609	-
Schools and Roads - Grants to States FY07	-	10.665	993,780	-	993,779	993,779	-
			<u>3,888,677</u>	<u>(394,429)</u>	<u>993,779</u>	<u>1,388,208</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>4,089,326</u>	<u>(319,429)</u>	<u>1,120,229</u>	<u>1,439,658</u>	<u>-</u>

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2006	Amount received	Expenditures	Receivable (deferral) at June 30, 2007
U.S. Department of Transportation:							
Federal Transit Administration:							
Replacement Buses	AK-03-0065-00	20.500	971,779	937,222	937,222	5,709	5,709
Juneau Transit Center	-	20.500	197,600	146,040	154,684	8,644	-
			<u>1,169,379</u>	<u>1,083,262</u>	<u>1,091,906</u>	<u>14,353</u>	<u>5,709</u>
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Section 18 Grant (Operations)	AK 18-X024-01	20.500	1,000,000	-	850,000	854,172	4,172
Training Grant CY06	-	20.509	25,000	-	10,959	10,959	-
			<u>1,025,000</u>	<u>-</u>	<u>860,959</u>	<u>865,131</u>	<u>4,172</u>
Federal Highway Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Total Station Grant FFY06		20.600	16,700	16,605	16,605	-	-
In Car Video FFY06		20.600	38,725	-	37,252	37,252	-
In Car Video FFY07		20.600	37,400	-	-	-	-
DUI Equipment	07-14-15B	20.600	4,011	-	-	4,011	4,011
Seatbelt and DUI Overtime Enforcement FFY06		20.600	20,515	624	13,620	21,814	8,818
			<u>117,351</u>	<u>17,229</u>	<u>67,477</u>	<u>63,077</u>	<u>12,829</u>
Federal Motor Carrier Safety Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Commercial Vehicle Inspection Training (1.06 - 9.06)	-	20.218	6,605	-	1,025	1,025	-
Commercial Vehicle Inspection Training (10.06 - 9.07)	-	20.218	6,605	-	-	-	-
			<u>13,210</u>	<u>-</u>	<u>1,025</u>	<u>1,025</u>	<u>-</u>
Federal Aviation Administration:							
Snow Removal Equipment Building Design (AIP 25)	-	20.106	656,196	11,707	54,492	53,843	11,058
Environmental Impact Statement (AIP 39)	-	20.106	1,303,125	138,532	257,540	119,008	-
Construct Taxiway Extensions (AIP 42)	-	20.106	1,244,168	-	186,625	186,625	-
Airport Terminal Study Phase II (AIP 44)	-	20.106	760,000	382	382	-	-
Environmental Impact Statement (AIP 46)	-	20.106	750,000	-	312,041	571,278	259,237
Expand Terminal Building (AIP 47)	-	20.106	1,000,000	-	48,518	122,614	74,096
Delta 1 Ramp Expansion (AIP 43)	-	20.106	1,491,528	448,333	562,280	129,125	15,178
			<u>7,205,017</u>	<u>598,954</u>	<u>1,421,878</u>	<u>1,182,493</u>	<u>359,569</u>
Total U.S. Department of Transportation			<u>9,529,957</u>	<u>1,699,445</u>	<u>3,443,245</u>	<u>2,126,079</u>	<u>382,279</u>



CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2006	Amount received	Expenditures	Receivable (deferral) at June 30, 2007
U.S. Department of the Interior:							
Bureau of Land Management:							
"In Lieu of Tax" receipts	-	15.226	823,700	-	836,568	836,568	-
National Park Service:							
State Pass-Through Grants:							
Alaska Department of Natural Resources:							
Downtown Design Standards Evaluations Phase II	-	15.904	39,197	-	2	15	13
Stabilization of Jualpa Mine Camp Buildings	06-469	15.904	10,131	-	111	735	624
Historic Preservation Conference Travel Grant 2006	05-474	15.904	6,457	-	5,751	5,751	-
Interpretive Signs at Marine Park	04461	15.904	9,900	1,318	8,018	6,700	-
Merchant's Wharf Building Historical Survey	04465	15.904	5,000	869	3,121	2,252	-
Downtown Design Standards Evaluations Phase I	05445	15.904	16,827	6,688	15,632	8,944	-
			<u>87,512</u>	<u>8,875</u>	<u>32,635</u>	<u>24,397</u>	<u>637</u>
Fish and Wildlife Service:							
Stormwater Pre-Treatment Guidelines	-	15.631	24,823	-	-	-	-
Nancy Street Pond/Wetlands Enhancement	-	15.631	95,000	-	55,000	55,000	-
			<u>119,823</u>	<u>-</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
State Pass-Through Grants:							
Alaska Department of Fish and Game:							
Aurora Harbor Pump Out Stations	05-041	15.605	180,000	5,645	11,289	23,902	18,258
Fish Creek & Montana Creek Access Improvements	06-010	15.605	12,000	-	-	11,090	11,090
Amalga Harbor Ramp Rehabilitation	03-045	15.605	1,800,000	296,856	304,397	8,400	859
			<u>1,992,000</u>	<u>302,501</u>	<u>315,686</u>	<u>43,392</u>	<u>30,207</u>
			<u>2,111,823</u>	<u>302,501</u>	<u>370,686</u>	<u>98,392</u>	<u>30,207</u>
Total U.S. Department of the Interior			<u>3,023,035</u>	<u>311,376</u>	<u>1,239,889</u>	<u>959,357</u>	<u>30,844</u>
U.S. Department of Education:							
State Pass-Through Grants:							
Alaska Department of Education and Early Development:							
Regional Services Grant	ILC-06-743-101	45.310	111,070	-	111,070	111,070	-
Total U.S. Department of Education			<u>111,070</u>	<u>-</u>	<u>111,070</u>	<u>111,070</u>	<u>-</u>

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2006	Amount received	Expenditures	Receivable (deferral) at June 30, 2007
U.S. Department of Commerce:							
National Oceanic and Atmospheric Administration:							
Coastal Impact Assistance Program	-	11.419	99,952	7,032	93,373	86,341	-
State Pass-Through Grants:							
Alaska Department of Community and Economic Development:							
Alaska Coastal Management FY06	860607	11.419	40,350	3,092	3,092	-	-
Alaska Coastal Management FY07	870388	11.419	38,250	-	27,120	38,250	11,130
ACMP Plan Amendment Funding	850244	11.419	50,000	3,056	3,056	-	-
ACMP Plan Amendment Funding	870791	11.419	950	-	-	-	-
			129,550	6,148	33,268	38,250	11,130
Total U.S. Department of Commerce			229,502	13,180	126,641	124,591	11,130
U.S. Department of Defense:							
State Pass-Through Grants:							
Alaska Department of Military and Veterans Affairs:							
Emergency Management Program FY06	-	83.552	30,000	11,432	24,762	13,330	-
Emergency Management Program FY07	-	83.552	30,000	-	16,569	28,952	12,383
Total U.S. Department of Defense			60,000	11,432	41,331	42,282	12,383
U.S. Department of Health and Human Services:							
State Pass-Through Grant:							
Alaska Department of Health and Social Services:							
Denali Commission -Bartlett 2005	0136-DC-2004-122	90.100	1,480,590	148,059	148,059	-	-
			1,480,590	148,059	148,059	-	-
Passed Through Other Agencies:							
Alaska State Hospital and Nursing Home Association:							
HRSA Health Care and Other Facilities	-	93.887	982,065	84,517	982,065	897,548	-
ASHNHA Rural Hospital Improvement Program	-	93.301	8,934	-	8,934	8,934	-
ASHNHA Norovirus	-	93.889	18,000	-	18,000	10,741	(7,259)
ASHNHA Year 4 Hospital Preparedness	-	93.889	38,000	(37,641)	-	37,641	-
ASHNHA Prot RX Cache	-	93.889	3,124	(2,604)	-	-	(2,604)
ASHNHA RX Chemical	-	93.889	18,873	(10,283)	-	-	(10,283)
			1,068,996	33,989	1,008,999	954,864	(20,146)
Total U.S. Department of Health and Human Services			2,549,586	182,048	1,157,058	954,864	(20,146)

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2006	Amount received	Expenditures	Receivable (deferral) at June 30, 2007
U.S. Department of Housing and Urban Development:							
State Pass-Through Grant:							
Alaska Department of Community and Economic Development							
Homeless Shelters	841212	14.228	500,000	150,362	462,760	312,398	-
Alaska Department of Revenue:							
Alaska Housing Finance Corporation:							
"In Lieu of Tax" receipts FY07	-	14.xxx	29,866	-	-	27,514	27,514
"In Lieu of Tax" receipts FY06	-	14.xxx	33,084	33,084	33,084	-	-
Total U.S. Department of Housing and Urban Development			<u>562,950</u>	<u>183,446</u>	<u>495,844</u>	<u>339,912</u>	<u>27,514</u>
U.S. Department of Justice:							
2003 COPS Technology Grant	2003CKWX0275	16.710	906,085	153,875	213,890	69,094	9,079
Bullet Proof Vests	99003463	16.607	26,434	1,159	-	2,794	3,953
			<u>932,519</u>	<u>155,034</u>	<u>213,890</u>	<u>71,888</u>	<u>13,032</u>
State Pass-Through Grant:							
Department of Military and Veterans Affairs:							
State Homeland Security Grant - First Responder	SHSGP 03-05	16.007	10,000	-	-	-	-
State Homeland Security Grant - First Responder	SHSGP II 03-11	16.007	663,467	1,537	14,585	13,048	-
			<u>673,467</u>	<u>1,537</u>	<u>14,585</u>	<u>13,048</u>	<u>-</u>
Alaska Department of Public Safety:							
2001 COPS Technology Grant	2001CKWXO008	16.710	976,900	122,765	250,209	196,669	69,225
Total U.S. Department of Justice			<u>2,582,886</u>	<u>279,336</u>	<u>478,684</u>	<u>281,605</u>	<u>82,257</u>
Total Federal Expenditures			<u>\$ 25,170,933</u>	<u>\$ 2,542,484</u>	<u>\$ 9,363,134</u>	<u>\$ 7,822,866</u>	<u>\$ 1,002,216</u>

CITY AND BOROUGH OF JUNEAU, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City and Borough of Juneau, Alaska. The City and Borough's reporting entity is defined in Note 1 to the City and Borough's basic financial statements. Federal awards received directly from federal agencies, as well as federal financial assistance passed through the State of Alaska and other agencies, are included in the schedule.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in Note 1 to the City and Borough's basic financial statements.

Relationship to Basic Financial Statements

The following is a reconciliation of federal revenues reported in the City and Borough's basic financial statements to federal expenditures reported in the Schedule of Expenditures of Federal Awards:

Direct Grants:

Federal revenues as reported in the basic financial statements:

Governmental Funds	\$ 1,111,085
Proprietary Funds	208,397

Less:

Amounts reported as federal revenue in the basic financial statements but not included in the Schedule of Expenditures of Federal Awards:

Juneau International Airport classified Transportation Security Administration reimbursement for security upgrades as federal revenue.	(208,397)
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Non-grant federal receipts	<u>(524)</u>
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Total direct grants	<u>1,110,561</u>
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Plus:

Amounts reported as federal revenue in the Schedule of Expenditures of Federal Awards, but not included as federal revenue in the basic financial statements:

Grants not identified as Federal in the basic financial statements	262,498
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Grants passed through the State of Alaska	4,306,740
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Bartlett Regional Hospital grant revenues reported as operating revenues	954,864
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Federal monies included in airport, harbors, hospital, water and sewer capital projects	1,182,493
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Public transportation capital project	5,709
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Rounding	<u>1</u>
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Total federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 7,822,866</u>
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CITY AND BOROUGH OF JUNEAU, ALASKA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2007

**SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) over financial reporting?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes        No

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal control over financial reporting:

- Material weakness(es) over financial reporting?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes        No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes        No

Major programs:

CFDA #	<u>NAME</u>
14.228	U.S. Department of Housing and Urban Development - Emergency Family Shelters
16.710	U.S. Department of Justice - 2001 COPS Technology Grant
16.710	U.S. Department of Justice - 2003 COPS Technology Grant
93.887	U.S. Department of Health and Human Services - HRSA Health Care and Other Facilities
97.073	U.S. Military and Veterans Affairs - State Homeland Security Grant 05
97.073	U.S. Military and Veterans Affairs - State Homeland Security Grant 06

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee?   X   Yes        No

## **FINDINGS – FINANCIAL STATEMENT AUDIT**

### **Finding 07-01**

#### Internal Controls over Financial Reporting

Criteria: Generally accepted accounting principles and OMB Circular A-110 (Subpart C, Section 21) require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives of accurate and complete financial reporting and adequate support for amounts in the accounting records.

Condition: The City and Borough of Juneau has not established adequate internal controls to ensure that amounts recorded as inventory held by its various departments, and related expenditures, are accurate.

Effect: Unit pricing information for inventory as reflected in the City and Borough of Juneau's accounting system are not accurate.

Cause: Certain operating divisions of the City and Borough of Juneau have not attributed sufficient resources to ensure inventory unit pricing information is current. Also, controls have not been developed to monitor the accuracy of unit pricing information.

Recommendation: The City and Borough of Juneau should allocate additional resources to ensure that inventory pricing is accurate and establish procedures for monitoring inventory unit pricing information in the accounting records.

#### Management's Response:

Management concurs with the finding. See corrective action plan.

## **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

### **Finding 07-02**

#### DEPARTMENT OF JUSTICE

Public Safety Partnership and Community Policing Grants (COPS) - CFDA 16.710 - Grant No. 2001CKWXO008.

2001 COPS Technology Grant- Modernizing Police Equipment - Year ended June 30, 2007

Criteria: OMB Circulars A-110 (Subpart C, Section 21) and A-133 (Section 300 (b)) require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives of accurate and complete financial reporting and adequate support for amounts in the accounting records.

Condition: The City and Borough of Juneau has not established adequate internal controls to ensure that amounts requested for reimbursement in grant reports are accurate and supported by grant expenditures.

Effect: Expenditures through May 25, 2007, as reported by the Juneau Police Department, exceed expenditures in the accounting system by \$19,266. Of these expenditures, \$15,645 were due to duplicate reporting of invoices. This was not detected except through the audit process.

Cause: Procedures in place for monitoring expenditures submitted for reimbursement of grant expenditures have not been developed and implemented sufficiently in the Juneau Police Department.

Recommendation: The Juneau Police Department should work with the Controller's Department to develop procedures to ensure that grant reports are accurately prepared, reviewed and timely submitted.

Management's Response:

Management concurs with the finding. See corrective action plan.

CITY AND BOROUGH OF JUNEAU, ALASKA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2007

**AGENCY RESPONSE:**

**Financial Statement Finding**

Finding Control Number: **07-01**

Internal Control over Financial Reporting

We **concur** with this finding. The City and Borough of Juneau (CBJ) has procedures in place to verify the accuracy of the various inventory quantities, but these procedures did not extend to verifying the accuracy of the inventory prices used to calculate the inventory value. The City and Borough plans the following actions to address this finding.

The measures taken are as follows:

1. As part of a citywide budget training class held on January 8, 2008, the Finance Director presented this issue to the CBJ departments. In that presentation, he noted the issues, problems and expectation on correcting the inventory valuation finding.
2. The Finance Department accounting staff will meet with departments over the next five months to review, develop and document inventory valuation procedures. The objective will be to provide written policies and procedures to departments to correct inventory valuation deficiencies.
3. As part of this process, we will offer suggestions and recommendations to the departments on what can be done to make the task of pricing inventory at year-end more accurate and efficient. For example, departments could flag and compile a file or log of inventory acquisitions during the year for year-end inventory pricing. This file could then be used to help develop and support the year-end inventory values and to assist the accountant and/or auditors with inventory verification. Other options might include switching from excel spreadsheets to an inventory management software system.
4. During the year-end inventory observations, to address the deficiency of costing inventory, the Finance Department Accountants will select at random inventory items to verify pricing. The number of inventory items selected will be determined based upon the inventory types and quantities. This inventory verification step will include a statistically valid sample size. The individual inventory item price verification will be added to the existing procedures.
5. If the inventory tests performed in step #4 are accurate, we will conclude our check. If the inventory price verification tests identify incorrect values and these values are determined to be potentially more than inconsequential, the accountant will select additional items for verification. After the expanded selection, the Accountant will determine if there is likelihood that the combined inventory price inaccuracies could be more than inconsequential, they will notify the Finance Director and require the department to reprice the entire inventory and provide verifications for all inventory values. It will take several years to build a base, with backup, to



substantiate the values of all items on the inventory count/list. We feel this is a reasonable solution for addressing this internal control finding.

6. As part of the year-end inventory valuation, we will request that the auditors make their inventory test selections early in their fieldwork to allow sufficient time to pull from the files the documentation supporting the inventory valuations.

Proposed Completion Date: June 30, 2008

Contact Person: Mary Norcross

Telephone: 586-5216

Email: Mary\_Norcross@ci.juneau.ak.us

### **Federal Award Finding**

Finding Control Number: **07-02**

Grant Reporting

We **concur** with this finding. The City and Borough has two Finance Department Accountants assigned to capital projects and grant accounting. Operational modifications will be made to insure that the CIP/Grant Accountants are involved with the finances of all grant activity. The City and Borough plans the following action to address this finding.

The measures taken are as follows:

1. As part of a citywide budget training class held on January 8, 2008, the Finance Director presented this issue to the CBJ departments. In that presentation, he noted the issues, problems and expectation on correcting the grant reporting finding.
2. All CBJ grant recipients, at the time of application and no later than the award date, are now required to notify the Finance Department CIP/Grants Accountants and submit copies of the grant documentation.
3. The CIP/Grants Accountants will maintain a current schedule of all CBJ grants. This will include the specific reporting requirements (for both activity and financial information) for each grant.
4. All drawdowns, grant reports, and reimbursement requests prepared by CBJ departments, shall be submitted to the CIP/Grants Accountants prior to the filing. The grant's financial activity reported in the filings will be verified to the general ledger activity. Reports shall be submitted to the CIP/Grants Accountants at least two days prior to the filing due date. More complicated grant reports shall be submitted at least five days prior to the filing due date.
5. Written financial polices and procedures will be drafted as soon as possible, and prior to March 31, 2008, for grant reporting. These policies and procedures will be presented and reviewed with all departments to help insure a complete understanding of grant reporting expectations.

Proposed Completion Date: March 31, 2008

Contact Person: Mary Norcross

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CITY AND BOROUGH OF JUNEAU, ALASKA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2007

No prior year audit findings reported.