

CITY AND BOROUGH OF JUNEAU, ALASKA

PASSENGER FACILITY CHARGES REPORT

Year Ended June 30, 2021

March 17, 2022



# Elgee Rehfeld

## Alaska's CPA Firm

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### 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, 2021, 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 December 28, 2021.

#### ***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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

### ***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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***The City and Borough's Response to Finding***

The City and Borough's response to the finding 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 it.

### ***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*

December 28, 2021

March 17, 2022 (updated for completion of single audit)



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**

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, 2021. The City and Borough's passenger facility charge program is identified as a major program in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City and Borough's passenger facility charge program based on our audit of the types of compliance requirements referred to above. 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 the FAA Guide. Those standards and the FAA Guide 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 the passenger facility charge 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 on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the City and Borough's compliance.

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

In our opinion, the City and Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2021.

## **Report on Internal Control over Compliance**

Management of the City and Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City and Borough's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the FAA Guide, 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.

*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 a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2021, 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 December 28, 2021, 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 17, 2022

CITY AND BOROUGH OF JUNEAU  
Schedule of Passenger Facility Charges (PFC)  
Year ended June 30, 2021

	Date Approved	Amount Approved	Cumulative End FY20	Quarter Ended				Yearly Total FY21	Cumulative End FY21
				Sept '20	Dec '20	Mar '21	Jun '21		
<b>Revenues</b>									
Application: 17-09-C-00-JNU (PFC 9)									
PFC revenues received from carriers		\$ 10,264,134	\$ 2,240,914	\$ 44,170	\$ 94,299	\$ 96,332	\$ 144,115	\$ 378,916	\$ 2,619,830
Interest received			83,597	7,973	(317)	-	(6)	7,650	91,247
Adjustments			1,321,567	-	-	-	-	-	1,321,567
Total PFC Receipts/Interest/Adjustments:			3,646,078	52,143	93,982	96,332	144,109	386,566	4,032,644
<b>Disbursements</b>									
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							
			2,615,605	457,888	740,889	72,696	449,153	1,720,626	4,336,231
Total by PFC:		10,264,134	2,615,605	457,888	740,889	72,696	449,153	1,720,626	4,336,231
Total PFC Disbursements:			2,615,605	457,888	740,889	72,696	449,153	1,720,626	4,336,231
Net Increase (Decrease) in Cash			1,030,473	(405,745)	(646,907)	23,636	(305,044)	(1,334,060)	(303,587)
Cash balance, beginning			-	1,030,473	624,728	(22,179)	1,457	(303,587)	-
Cash balance, ending			\$ 1,030,473	\$ 624,728	\$ (22,179)	\$ 1,457	\$ (303,587)	\$ (1,637,647)	\$ (303,587)

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2021

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

***Financial Statements***

Type of auditor’s report issued: 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

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2021

**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

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:                    Internal controls over purchasing at Bartlett Regional Hospital (the Hospital) were not sufficiently designed and implemented to ensure that physical assets purchased with credit cards, including artwork, furnishings, equipment, IT assets, and gift cards were tracked and safeguarded. Tested credit card, employee reimbursement, and travel purchases were not adequately supported, nor was the business purpose of transactions sufficiently documented in some cases.

The Hospital's current written policies and procedures are not sufficiently designed to respond to the risks to the Hospital, nor are they representative of current practices.

Context:                      In many instances in the documentation we reviewed, credit card purchases, or employee reimbursement, including reimbursement for travel, did not provide sufficient audit evidence to conclude on the appropriateness of costs. Asset purchases, such as artwork, furnishings, IT equipment, and gift cards, in certain instances, when purchased with credit cards, did not provide enough evidence to conclude that the assets were purchased for a valid business purpose. The pool of costs not sufficiently documented are not material to the financial statements; however, the weaknesses in internal controls could allow for undetected error or fraud.

We observed many of the Hospital's finance policies and procedures are outdated and do not represent actual current practices. The existing policies and current practices do not adequately address the risks to the Hospital. We specifically observed that the credit card and travel policy is several years old and is not being followed, and policies over other key areas, such as gift card usage and purchase of IT equipment, do not exist.

Effect (or potential):      Without sufficient internal controls over the Hospital's purchasing processes, risk significantly increases that errors and fraud, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause:                        Turnover at the Hospital during the past several years has resulted in deferral of updating policies and procedures, as it has not been a top priority. Lack of clear 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

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM  
Year Ended June 30, 2021

documentation to support the business purpose of certain financial transactions.

Recommendation: Management and the Hospital Board should complete a formal evaluation of the risks and controls associated with the purchasing cycle, as well as all other financial functions. In response to the identified risks and evaluation of existing or missing controls, updates, development and implementation of controls to mitigate the risks of the Hospital should be completed and documented. The evaluation of risks and related controls for each significant financial function should be completed on a pre-scheduled basis, with exceptions to the schedule when changes occur to the risks or practices.

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 2021.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – PFC PROGRAM  
Year Ended June 30, 2021

**FINANCIAL STATEMENT FINDINGS**

None reported for fiscal year 2020.

**PFC PROGRAM FINDINGS AND QUESTIONED COSTS**

None reported for fiscal year 2020.



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City & Borough of Juneau  
Corrective Action Plan  
Year Ended June 30, 2021

#### **FINANCIAL STATEMENT FINDINGS**

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

**Name of Contact Person:** Sam Muse, Controller

**Corrective Action:** Bartlett will reduce the number of credit cards outstanding to ensure each card can receive a proper review and reconciliation each month. All purchases - other than those that must be purchased through a credit card - are to follow the Purchase Order process. Additionally, Bartlett will hire a Supply Chain consultant to perform an outside review of the Materials Management/Purchasing Department; this consultant will develop new processes and policies for the entire Bartlett Regional Hospital (BRH) organization. Finally, oversight of the purchasing process will be moved under the direction of the Chief Financial Officer.

**Proposed Completion Date:** Reduction of credit cards will be completed no later than May 1, 2022. The review of Materials Management process will be completed by an outside supply chain consultant by July 15th.