



City of Unalaska, Alaska

Federal Single Audit Reports
Year Ended June 30, 2022

City of Unalaska, Alaska

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City of Unalaska, Alaska

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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*

The Honorable Mayor, Members of the City Council
City of Unalaska, Alaska

We have audited, in accordance with the 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 City of Unalaska, Alaska (the City), which comprise the City's financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2023. Our report includes a reference to other auditors who audited the financial statements of the Unalaska City School District, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 was for the limited purpose described in the first paragraph of this section 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 were not identified. We and the other auditors identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
October 4, 2023



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3601 C Street, Suite 600
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Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Mayor, Members of the City Council
City of Unalaska, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Unalaska’s, Alaska (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion for Each Major Federal 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; 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 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 each major federal program. Our audit does not provide a legal determination of the City’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 City’s federal programs.

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'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's compliance with the requirements of the each major federal 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's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City'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'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.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004, 2022-005 and 2022-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Other Matter - Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the City's discretely presented component unit, the Unalaska City School District (the District), which expended \$777,632 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2022. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of the District because the District engaged other auditors to perform an audit of compliance.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004, 2022-005 and 2022-006 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 4, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

Anchorage, Alaska
October 4, 2023

City of Unalaska

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Sub- recipients	Total Federal Expenditures
Department of Treasury				
Passed through the State of Alaska Department of Commerce and Economic Development COVID 19 - Coronavirus Relief Fund	21.019	20-CRF-216	\$ -	427,251
Passed through the State of Alaska Department of Commerce and Economic Development COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	AK0137	-	1,113,290
Total Department of Treasury			-	1,540,541
National Endowment for the Humanities Institute of Museum and Library Services				
Passed through the State of Alaska Department of Education and Early Development Grants to States	45.310	EASY22-056	-	6,000
Grants to States	45.310	ILC22-013	-	1,163
Total Assistance Listing 45.310			-	7,163
Total National Foundation on the Arts and Humanities			-	7,163
Department of Health and Social Services Center for Disease Control and Prevention				
Passed through the State of Alaska Department of Health and Social Services Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	C0621-570-L	-	6,132
Total Department of Health and Social Services			-	6,132
U.S Department of Commerce National Oceanic and Atmospheric Administration				
Passed through the State of Alaska Department of Military and Veterans Affairs Meteorologic and Hydrologic Modernization Development	11.467	20NOAA-GY21	-	122,380
Total Department of Health and Social Services			-	122,380
Total Expenditures of Federal Awards			\$ -	\$ 1,676,216

See accompanying notes to the Schedule of Expenditures of Federal Awards

City of Unalaska, Alaska

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Unalaska, Alaska (the City) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Reporting Entity

The City of Unalaska, Alaska for purposes of the schedule of expenditures of federal awards, includes all the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an Amendment of GASB Statement No. 14*. It does not include the component unit of the City of Unalaska, the Unalaska City School District. This component unit also receives federal awards, but separately satisfies the audit requirements of the Uniform Guidance, if applicable.

4. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Unalaska, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

Assistance Listing

<i>Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds	U.S. Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

City of Unalaska, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

Section II - Financial Statement Findings

<u>Finding 2022-001</u>	Grant Revenue Reconciliations - Material Weakness in Internal Control Over Financial Reporting
<i>Criteria</i>	<i>Government Auditing Standards</i> states that management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.
<i>Condition</i>	Reconciliations and related details provided on grant revenue and deferred revenue contained material inaccuracies.
<i>Cause</i>	Internal controls were not established to ensure that grant revenue was recorded based on expenditures during the year. In addition, internal controls were not established to ensure that cash receipts were accurately reconciled to deferred revenue.
<i>Effect or potential effect</i>	BDO identified a material adjustment to grant revenue in the Coronavirus Relief Special Revenue Fund and a material adjustment to deferred revenue in the Water Enterprise Fund.
<i>Recommendation</i>	Management should prepare a close schedule and perform timely reconciliations with appropriate grant revenue and deferred revenue details that agree to the reconciliations. Management should ensure reconciliations are performed accurately and reviewed in a timely manner. Applicable accounts should be reconciled, and necessary adjusting entries recorded, at least quarterly.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding. Management plans to prepare a close schedule and timely perform reconciliations with grant revenue and deferred revenue details.
<u>Finding 2022-002</u>	Sales Tax Revenue Recognition - Material Weakness in Internal Control Over Financial Reporting
<i>Criteria</i>	<i>Government Accounting Standards Board Statement 54 (GASBS 54)</i> states that the General Fund should be used to account for and report all financial resources not accounted for in another fund. Special revenue funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects (GASBS 54, paragraphs 29 - 30).

City of Unalaska, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

<i>Condition</i>	Sales Tax Revenue is reported under the General Fund and the 1% Sales Tax Special Revenue Fund. However, management recorded an amount of sales tax in the Bed Tax Special Revenue Fund that was material to the opinion unit in which the Bed Tax Special Revenue Fund is classified.
<i>Cause</i>	A business entity used a bed tax reporting form to report its sales tax revenue to the City during 2022. Because the entity used the incorrect form, the City recorded the tax revenue in the Bed Tax Special Revenue Fund, rather than the General Fund and 1% Sales Tax Special Revenue Fund. The amount of sales tax incorrectly recorded as proceeds in the Bed Tax Special Revenue Fund was material to the fund's opinion unit.
<i>Effect or potential effect</i>	BDO identified a material adjustment to bed tax revenue in the Bed Tax Special Revenue Fund.
<i>Recommendation</i>	Management should establish internal controls to ensure that proceeds of special revenue sources and general revenue sources are recorded accurately in the applicable fund.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding. Management will establish internal controls to ensure that proceeds of special revenue sources and general revenue sources are recorded accurately in the applicable fund.

Finding 2022-003 **Governmental Accounting Standards Board Statement 87 (GASBS 87) - Material Weakness in Internal Control Over Financial Reporting**

<i>Criteria</i>	GASBS 87 states that a lessee should measure the lease liability at the present value of payments expected to be made during the lease term. A lessee additionally should measure a lease asset as the sum of, among other criteria, the amount of the initial measurement of the lease liability (GASBS 87, paragraphs 21 and 30). Leases should be recognized using and measured using the facts and circumstances that existed at the beginning of the period of implementation (GASBS 87, paragraph 94).
<i>Condition</i>	As part of its initial implementation of GASBS 87 to account for the City's two leases in the Port and Harbors Enterprise Fund, management failed to measure the lease liability using the facts and circumstances that existed at the beginning of the period of implementation of GASBS 87. Management measured its lease liability and lease asset (ROU Asset) by discounting future payments based on a payment amount that was significantly lower than the applicable payment amount at the beginning of the period of implementation.
<i>Cause</i>	Internal controls were not established to ensure that lease amortization schedules were accurate and reflected up-to-date inputs to initially measure the lease liability and ROU asset applicable to the Port and Harbors Fund.

City of Unalaska, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

<i>Effect or potential effect</i>	BDO identified a material adjustment to the initial measurement of lease liability and ROU Asset recorded in the Ports and Harbors Enterprise Fund as a result of management’s use of the incorrect future payment to measure the lease liability and ROU asset.
<i>Recommendation</i>	Management should prepare a close schedule and perform reconciliations with appropriate lease amortization schedules that agree to the lease agreements. Management should ensure reconciliations are performed accurately and reviewed in a timely manner. Applicable schedules should be reconciled, and necessary adjusting entries recorded, at least quarterly.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding. Management will prepare a close schedule and timely perform reconciliations with appropriate lease amortization schedules that agree to the lease agreements.

Section III - Federal Award Findings and Questioned Costs
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Finding 2022-004	Timely Submission of Financial Reports - Material Weakness in Internal control over Financial Reporting and Material Noncompliance
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<i>Agency Program Award No. Award Year</i>	U.S. Department of Treasury ALN: No. 21.027 Coronavirus State and Local Fiscal Recovery Funds - COVID-19 AK0137 2022
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<i>Criteria or Specific Requirement</i>	2 CFR subtitle A Chapter II part 200 subpart F section 200.512 states that “(1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.”
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<i>Condition</i>	The Federal data collection form and reporting package were not filed on time.
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<i>Cause</i>	There were limited personnel resources at the City to assist in the timely completion of the City’s audit.
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<i>Effect or potential effect</i>	Federal funds could potentially be expended on unallowable activities and for unallowed costs, and outside the period of performance.
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<i>Questioned Costs</i>	None.
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<i>Context</i>	The Form SF-SAC is due nine months after the fiscal year-end. The form for the fiscal year ended June 30, 2022 was filed late.
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<i>Recommendation</i>	The City should prepare for its fiscal year audit before year end to ensure that it is able to assist in the execution of the audit.
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City of Unalaska, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

Views of responsible officials and planned corrective actions Management agrees with the finding. The City recently hired a Finance Director and is working to fill the Controller position. Being fully staffed will assist in the timely completion of the City's audit.

Finding 2022-005 **Procurement, Suspension, and Debarment - Material Weakness in Internal Control and Material Noncompliance**

Agency U.S. Department of Treasury
Pass-through Entity State of Alaska Department of Commerce, Community, and Economic Development
Program ALN: No. 21.027 Coronavirus State and Local Fiscal Recovery Funds - COVID-19
Award No. AK0137
Award Year 2022

Criteria or Specific Requirement In accordance with 2 CFR section 200.320, the City is required to have and use documented procurement policies consistent with the standards of the CFR for any method of procurement used in the acquisition of property or services required under the American Rescue Plan Act.

Condition Personnel at the City of Unalaska, acting under the local emergency in effect for FY22 did not follow procurement policies consistent with 2 CFR 200.320 for small purchases in FY22.

Cause The City of Unalaska relaxed procurement policies per Resolution 2020-16 passed by the City Council on March 18, 2020. The relaxed procurement policies were not consistent with procurement policies per 2 CFR 200.320.

Effect or potential effect The City was not in compliance with 2 CFR section 200.320 during 2022. Goods and services procured by the City under the program may not be the most cost-effective or appropriate for the City.

Questioned Costs None.

Context We tested the procurement for one sample selected in FY22. BDO was unable to obtain documentation for rate or quote solicitation for the selected sample and upon inquiry, identified that procurement policies at the City were relaxed during FY22.

Recommendation Procurement policies should be updated and documented so that they are at least as restrictive as the policies required per the Code of Federal Regulation.

Views of responsible officials and planned corrective actions Management agrees with the finding. Management will review procurement policies and update as needed to ensure they are at least as restrictive as the policies required per the Code of Federal Regulation.

City of Unalaska, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

<u>Finding 2022-006</u>	Procurement, Suspension, and Debarment - Material Weakness in Internal Control and Material Noncompliance
<i>Agency</i>	U.S. Department of Treasury
<i>Pass-through Entity</i>	State of Alaska Department of Commerce, Community, and Economic Development
<i>Program</i>	ALN: No. 21.027 Coronavirus State and Local Fiscal Recovery Funds - COVID-19
<i>Award No.</i>	AK0137
<i>Award Year</i>	2022
<i>Criteria or Specific Requirement</i>	Internal control policies should be established to document that an entity with which the City plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded for covered transactions under the Uniform Guidance.
<i>Condition</i>	The City did not retain documentation that vendors were not debarred, suspended, or otherwise disbarred.
<i>Cause</i>	During FY22, the City did not have internal control policies in place to ensure that adequate documentation was maintained over vendors with which the City entered into covered transactions.
<i>Effect or potential effect</i>	The lack of documentation can impede the City's management to monitor compliance with the requirement.
<i>Questioned Costs</i>	None.
<i>Context</i>	Auditor were unable to verify internal controls over sampled procurements because no documentation was retained. Auditor verified that the vendor was not suspended or disbarred.
<i>Recommendation</i>	We recommend that management retain evidence of review that prospective vendors and suppliers are not on the suspension and debarment list for covered transactions under Uniform Guidance.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding. Management will retain evidence of review that prospective vendors and suppliers are not on the suspension and debarment list for covered transactions under Uniform Guidance.



CORRECTIVE ACTION PLAN

Management Contact Person

William Homka, City Manager
(907) 581-1602
bhomka@ci.unalaska.ak.us

2022-001: Grant Revenue Reconciliations – Material Weakness in Internal Control Over Financial Reporting

- Management plans to prepare a close schedule and timely perform reconciliations with grant revenue and deferred revenue details. On a quarterly basis Management will ensure reconciliations are accurate and timely, reconciling applicable accounts and recording necessary adjusting entries.
- Anticipated completion: December 2023

2022-002: Sales Tax Revenue Recognition – Material Weakness in Internal Control Over Financial Reporting

- Management will establish internal controls to ensure that proceeds of special revenue sources and general revenue sources are recorded accurately in the applicable fund.
- Anticipated completion: December 2023

2022-003: Governmental Accounting Standards Board Statement 87 (GASB 87) – Material Weakness in Internal Control Over Financial Reporting

- Management will prepare a close schedule and timely perform reconciliations with appropriate lease amortization schedules that agree to the lease agreements. On a quarterly basis Management will ensure reconciliations are accurate and timely, reconciling applicable schedules and recording necessary adjusting entries.
- Anticipated completion: December 2023

2022-004: Timely Submission of Financial Reports – Material Weakness in Internal control over Financial Reporting and Noncompliance

- The City recently hired a Finance Director and is working to fill the Controller position. Being fully staffed will assist in the timely completion of the City's audit.
- Anticipated completion: December 2023

CITY OF UNALASKA
43 Raven Way - P.O. Box 610
Unalaska, Alaska 99685
Telephone (907) 581-1251



CORRECTIVE ACTION PLAN, CONTINUED

2022-005: Procurement, Suspension, and Debarment – Material Weakness in Internal Control and Material Noncompliance

- Management will review procurement policies and update as needed to ensure they are at least as restrictive as the policies required per the Code of Federal Regulation.
- Anticipated completion: December 2023

2022-006: Procurement, Suspension, and Debarment – Material Weakness in Internal Control and Material Noncompliance

- Management will retain evidence of review that prospective vendors and suppliers are not on the suspension and debarment list for covered transactions under Uniform Guidance.
- Anticipated completion: December 2023