

Municipality of Anchorage
Summary of Control Deficiencies
Fiscal Year 2023 Audit

MATERIAL WEAKNESSES		
MW-1; Finding 2023-001	Closure of Books and Records	The Municipality failed to perform closure of books and records in a timely manner after its fiscal year end. This resulted in delayed completion of reconciliations and final period-ending trial balances necessary for the production and issuance of annual financial reports. In addition, significant adjustments were required to the financial statements in order to properly present results after final reconciliations and adjustments were processed.
MW-2; Finding 2023-002	Level of Precision of Review	Adjustments were identified during the audit related to reconciliations performed by management in closing of the books and records. In addition, certain issues were identified as part of understanding internal controls over financial reporting. Overall reconciliation and review controls were not performed at a level of precision to detect errors in the following areas: <ul style="list-style-type: none"> • Proper reconciliation of modified and full accrual basis of accounting, including adjustments for presentation of balances for governmental-activities and duplications in trial balances for modified and full accrual accounts. • Significant changes to disclosures for cash and investments and capital assets, along with various internal consistency errors. • Grant revenues and related receivables, unearned revenues, and deferred inflows. • Identified errors in reconciliations for lease amortization, lease completeness (at Port of Alaska), accounts receivable reconciliations, and intergovernmental charges
MW-3; Finding 2023-003	Journal Entry Deficiency	Certain manual adjustments in the general ledger were not appropriately prepared, reviewed, and approved. During the year, a system design change was made that does not require review and approval of all journals. Adjustments were posted with improper review and approval, segregation of duties issues, and/or insufficient supporting documentation
MW-4; Finding 2023-004	Grant Reconciliations	BDO identified material inaccuracies in reconciliations and the related financial statements and underlying books and records for grant revenue, unearned grant revenue, grant receivables, and deferred inflows.
MW-5; Finding 2023-005	Capital Assets	Reconciliations and related details for construction in progress and capital asset schedules contained significant inaccuracies and required multiple revisions. Closure of construction in progress to capital assets of \$8.4 million were placed in service but did not have sufficient supporting documentation at the time the adjustment was made to support that construction had been completed. Disposals of capital assets of \$1.3 million were recorded without readily available support to document and approve the asset being removed from service.

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SIGNIFICANT DEFICIENCIES		
SD-1; Finding 2023-006	Purchasing Deficiencies	There were several items reported by Internal Audit where procurement activities did not comply with Municipality Policies & Procedures 48-16, Policy & Procedures 24-23 and the Municipality's Procurement Card Guide. Procurement card purchases were identified as having exceeded the single transaction limit, mandatory annual supply contracts were not always utilized, and supporting documentation was not always readily available or properly approved. In addition, a contract within Solid Waste Services division was entered into without the proper Municipal Manager signatory authority. Internal audit identified questionable or prohibited procurement card purchases and transactions amongst multiple departments for approximately \$386,811.
SD-2; Finding 2023-007	Monitoring of Restricted Cash	BDO identified an adjustment for \$1.95 million to restricted cash balances and related restricted net position. Restricted cash calculations were not performed nor reviewed on a periodic basis to ensure compliance with legal, legislative, and external restrictions.
SD-3; Finding 2023-008	Use of Fund Classifications	The Municipality does not have adequate controls in place to document cost coding is in line with GASB 54 requirements. During the year, a new form was created to document approval from various departments before any new fund is created. However, this does not address the risk of improper coding for expenditures within existing funds, which are typically approved by the Assembly prior to Controller Division review.

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CONTROL DEFICIENCIES		
CD-1 & 2	ITGC Deficiency: SAP - SOD for developer access to deploy changes to production	Four OIT personnel have access to development environment, roles and ability to make program changes, and also have access to deploy development changes to the production environment thereby creating a segregation of duties conflict. Program changes to SAP where access of developers and DBAs are not sufficiently segregated between development and production could introduce unauthorized changes. If access to these roles utilized to implement changes is not properly monitored, unauthorized change management events could go unnoticed. Mitigating controls include the OIT Change Management Policy which requires approval by the Change Management Board prior to developing, implementing, or deploying a change to the production environment.
CD-3	ITGC Deficiency: Database Password Policy for KABA, AFD TeleStaff, APD TeleStaff, TeleDriver, AWWU CIS	SQL database or Oracle database is utilized for the KABA, AFD TeleStaff, APD TeleStaff, TeleDriver, and AWWU CIS applications contain insufficient password policies could cause unauthorized access to the application database. OIT mitigating controls include a limited number of users that are required to utilize a privileged windows active directory user account to access the database servers. These accounts are configured with robust password policies to limit unauthorized access to these servers.
CD-4	ITGC Deficiency: User Access Reviews AFD TeleStaff, APD TeleStaff, TeleDriver, Tower Billing	User access reviews are typically performed on an ad hoc basis by IT personnel. Documentation to support implementation of user access reviews was not provided.
CD-5	ITGC Deficiency: Privileged User Access for AFD TeleStaff, TeleDriver, and Tower Billing	Users within the AFD TeleStaff, TeleDriver, and Tower Billing application have privileged, administrative level access within the application that are outside of the IT roles. These users are also approving time within the application (AFD TeleStaff and TeleDriver) or billing reconciliations (Tower Billing) and thus creating a segregation of duties. Mitigating controls exist for the review and approval of time by employee's supervisors and many additional levels throughout the payroll cycle. Tower Billing and SWS mitigating controls include review and approval of financial statements by the CFO and SWARC Board.
CD-6	ITGC Deficiency: Application Password Policies for AFD TeleStaff and TeleDriver	Password policies within the AFD TeleStaff and TeleDriver applications were insufficiently configured and enforced. Mitigating IT controls include requiring a network login and password that is appropriately configured and enforced to gain access to the application. In addition, business process mitigating controls exist for the review and approval of time by the employee's supervisor and many additional levels throughout the payroll cycle.

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CONTROL DEFICIENCIES, continued		
CD-7	ITGC Deficiency: Termination of Access	There are no formal offboarding procedures for terminating access to the TeleDriver application. The Dispatch Operations Supervisor terminates access upon request and no formal documentation is retained. Mitigating controls exist for revoking access to the user's network credentials upon termination. In addition, business process controls exist for the review and approval of time by the employee's supervisor and many additional levels throughout the payroll cycle.
CD-8	ITGC Deficiency: AWWU CIS - SOD for developer access to deploy changes to production	AWWU OIT personnel have access to development environment, roles and ability to make program changes, and also have access to deploy development changes to the production environment thereby creating a segregation of duties conflict. Program changes to AWWU CIS where access of developers and DBAs are not sufficiently segregated between development and production could introduce unauthorized changes. If access to these roles utilized to implement changes is not properly monitored, unauthorized change management events could go unnoticed. Mitigating controls include the OIT Change Management Policy which requires approval by multiple IT personnel and the control owner prior to developing, implementing, or deploying a change to the production environment.
CD-9	Accuracy of Payroll	We identified errors in which employees were paid amounts that did not accurately reflect the time worked. Central Payroll did not perform reviews at a level of precision that would detect and correct errors on a timely basis.
CD-10	Payroll Reconciliations	Tax deposit submission review forms were not all signed by the payroll manager. Manager confirmed her approval during discussions, but acknowledged there was insufficient documentation of review and approval. Payment of the tax does require two approvers within the system.
CD-11	Cash Control Procedures	Internal audit identified deficiencies in cash controls at Solid Waste Services and Clinics. Cash deposits were not made daily and unscheduled cash counts were not performed. Cash journals were not completed correctly or timely and supporting documentation was not always recorded properly. We recommend the Municipality consider Internal Audit recommendations for improvement in this area.
CD-12	Office of the Mayor Language Access Policy	Internal audit found that current programs around language access policies may not be effective, and that information regarding these programs and feedback mechanisms were inadequate or not established.
CD-13	WIC Program	Internal audit determined that required documentation was not retained in participant files for the Women, Infants, and Children program. We recommend the Municipality perform a self-review of all program files to ensure proper compliance.

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CONTROL DEFICIENCIES, continued		
CD-14	AWWU Key and Lock Controls	An internal audit review of AWWU security procedures determined that controls over key security were not followed. We recommend the Municipality consider Internal Audit recommendations for improvement in this area.
CD-15	Review of Commitments and Contingencies	Policies and procedures at the MOA do not ensure that the Municipality's evaluation of existing or pending legal claims for their probability of outcome is communicated in a timely manner with the Controller Division for inclusion in the financial statements. The current procedures in place, wherein the Controller and Assistant Controller work with legal at year end to assess the MOA's legal reserve does not involve appropriate stakeholders at the MOA at the correct time (Department of Law). BDO was unable to obtain a listing of claims from the Controller Division in a reasonable amount of time following the closure of books and records for 2023, indicating that there is insufficient communication between the departments. As a result, the MOA's policies and procedures are insufficient for ensuring a sufficient legal reserve is accrued and assessed for reasonableness in accordance with GASB 62.
CD-16	Internal Service Fund Recovery	BDO identified that the internal service funds' charges for services provided to the MOA are insufficient in recovering actual costs incurred for provided services. The insufficient charges result in the funds running at a deficit. Additionally, a \$30 million payable from the IT ISF to the General Fund remains on the books, with no repayments made during 2023.
CD-17	AHD Child-Care Licensing Program	Internal Audit identified potential noncompliance for the AHD Child-Care Licensing Program with regards to due dates for inspections and investigations.
CD-18	Review and Approval of IBNR Calculations	Internal audit identified that self insurance rates were not properly adjusted and excluded considerations of ML&P claims; self insurance rates not calculated by Risk Management, lack of defined control owners within Risk Management; workers comp processing due dates not always met
CD-19	Rates Approved by Assembly	The Airport rate per square foot charged has not yet been updated in individual agreements to match the rate approved by the Assembly. We recommend the Municipality document rationale or subsequent approval when a charge does not conform with approved rates.
CD-20	Traffic Engineering Inventory	Internal Audit found that the Traffic Engineering Department did not have a an appropriately functioning inventory system. We suggest that the Municipality considered Internal Audit recommendations for improvement in this area.