

Municipality
of
Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

June 30, 1995

Internal Audit Report 95-10
Federation of Community Councils
Municipal Clerk

Introduction. The Federation of Community Councils was organized to provide technical and supportive services to community councils. These services include layout, printing and mailing services as well as supplies. To accomplish these tasks, the Municipality of Anchorage (Municipality) initially awarded the Federation of Community Councils \$115,000 through a grant agreement in 1994. An additional \$10,000 was awarded, resulting in a total of \$125,000 for 1994. The Federation of Community Councils also receives other sources of funding. The Municipal Clerk's Office is responsible for the administration of the grant.

Scope. Our audit objectives were to determine whether the grant agreement was properly written, the grant was properly administered by the Municipality, and to obtain information regarding expenditures of Municipal grant funds. The audit was requested by the Assembly.

Overall Evaluation. The wording of the grant agreement was not clear, grant administration could be improved and, in our opinion, services could be provided to the community councils at less cost than through the current contract.

FINDINGS AND RECOMMENDATIONS

1. The Grant Agreement Required Revision.

a. **Finding.** The grant agreement did not clearly communicate the method of payment nor the use of grant funds. Our review of the agreement revealed the following areas requiring revision:

1) **Part I Section 6, Compensation: Method of Payment.** This section specified two forms of payment -- reimbursement of actual expenses and advanced funding.

“A. ...Payment shall be in the form of a reimbursement for expenditures as described in B of this section.

“B. The Municipality shall reimburse the Grantee only for the Grantee’s expenditures which conform to Section 6.

“C. Subject to the Grantee’s satisfactory performance of all its obligations under this grant, the Municipality shall advance funds to the Grantee in accordance with the following schedule:

\$115,000.00 On or about the date this grant is executed.”

Based on this wording, the full amount of the grant was paid in advance without regard to performance or whether expenditures were allowable.

- 2) Appendix A. Section 7 of the grant agreement restricted expenditure of grant funds to line items in the grant budget at Appendix A. However, Appendix A was not included in the grant agreement resulting in no restriction on how the Federation of Community Councils could spend the grant funds.
- 3) Part II Section 1, Relationship of Parties. This section was already included in Part I Section 4.
- 4) Part II Section 10 Inspection and Retention of Records. Portions of this section were already included in Part I Section 11.

b. **Recommendation**. The Municipal Clerk should ensure that grant agreements are clear, concise and complete. Specifically, the agreement should clearly communicate the method of payment and the intended use of Municipal funds.

- c. **Management Comments.** Management stated, "While the wording of Part I, Section 6, may have become cumbersome over the years, it creates a clear picture of how the grantee is to be paid and how those funds are to be applied. It is clear the total amount of the grant is to be disbursed in advance of grant performance to provide working capital and is to be applied to allowable expenses. If the grantee misapplies funds, the municipality may seek return of the misapplied monies.

"Although Appendix A (1994 FCC Budget) was not attached to the agreement, a copy of the Federation of Community Council's 1994 budget was included in the grant file. Additionally, preliminary budget requests, which were submitted to the Assembly as part of the municipal budget process, were included in the file. The FCC submitted its budget in compliance with Part I, Section 7 thereby restricting use of grant funds. The audit makes no indication grant funds have been misspent.

"The grant agreement may be rewritten to eliminate redundancies. The assignment of the duty to "...ensure that grant agreements are clear, concise...." belongs to Department of Law not the Clerk. However, the method of payment is determined by the Assembly and that direction will be followed."

- d. **Evaluation of Management Comments.** Management comments were not totally responsive to the audit finding and recommendation. Municipal contracts should clearly communicate the services required, the amount and method of payment for the services, and include all required appendixes.

2. **Grant Not Properly Administered.**

- a. **Finding.** The grant was not properly administered. Our review of the grant file maintained by the Municipal Clerk's Office disclosed no evidence that all required services had been performed nor that the work performance of the Federation of Community Councils had been monitored. Per discussion with the individual assigned to administer the grant, the only duties assigned to her were the processing of the grant agreement and the payments. Our selected review of work performance in 1994 revealed that at least 2 of the 13 services listed in the scope of services had not been performed. In addition, not all of the requirements in the property management section of the grant agreement were performed.
- b. **Recommendation.** The Municipal Clerk should monitor the performance of the Federation of Community Councils to ensure

compliance with the grant requirements. All grant administration actions should be documented and maintained in the grant file.

- c. **Management Comments.** Management stated, "Better files will be maintained so monitoring can be verified by anyone seeking such information."

- d. **Evaluation of Management Comments.** Management comments were not totally responsive to the audit finding and recommendation. Maintaining better files is only a portion of grant administration. Monitoring the performance of the Federation of Community Councils to ensure compliance with the grant requirements should also be performed.

3. **Performance of Services.**

- a. **Finding.** In our opinion, the required services to community councils could be provided less costly than through the current contract. Although the Municipality has been dealing with budget decreases, the amount of annual funding to the Federation of Community Councils has increased from \$106,860 in 1989 to \$125,000 in 1994. Per information provided by the Federation of Community Councils regarding their 1994 expenditures, salaries comprised 62% of their total expenditures,

(see Schedule A for the full breakdown of the expenditures for 1994). One alternative could be through a Municipal position to provide support services to the community councils. For example, a Range 10N would cost approximately \$35,000 per year including benefits.

- b. **Recommendation.** Less costly alternative methods for providing support services to the community councils should be considered.

- c. **Management Comments.** Management stated, "This finding misses the mark and goes beyond the scope of the audit stated on page 1. The audit report does not evaluate whether FCC is performing services efficiently but rather states an opinion and makes an assumption of inefficiency.

"When the Assembly becomes dissatisfied with delivery of services by the FCC and directs the Clerk to investigate alternative methods, the Clerk will do so."

- d. **Evaluation of Management Comments.** Management comments were not totally responsive to the audit finding and recommendation. In our opinion, the Municipal Clerk should consider alternative methods for providing the services required in the grant agreement at the least cost to the Municipality.

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Discussions With Responsible Officials. The results of this audit were discussed with appropriate Municipal Officials on May 23, 1995.

A handwritten signature in black ink, appearing to read 'Peter Raiskums', with a stylized flourish at the end.

Peter Raiskums, CIA
Director, Internal Audit

Audit Staff:
Susan Colligan

Attachment

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1994 EXPENDITURES

Salaries & Benefits	\$81,103.14
Professional Services	\$1,900.00
Insurance	\$1,065.00
Rent	\$11,420.00
Equipment	\$5,522.25
Maintenance	\$2,134.95
Telephone	\$2,105.35
Supplies	\$23,372.53
Publications	\$801.10
Computer Software/Supplies	\$406.82
Miscellaneous	\$216.92
Total	\$130,048.06

SCHEDULE A