

Municipality
of
Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

June 30, 1995

Internal Audit Report 95-12
Anchorage Senior Center
Health and Human Services

Introduction. Health and Human Services contracts out the management and operation of the Anchorage Senior Center with Anchor-Age Center, Inc. (Contractor). The Contractor is a nonprofit corporation organized to provide community services to senior citizens in the Anchorage area. The Contractor receives partial funding through a contract with the Municipality who owns the facility in which the Contractor operates. They obtain additional funding through state grants, fund raising activities, in-house activities, and donations.

The Contractor has also established an Endowment Fund to allow the Anchorage Senior Center to become partially self-supporting in operating costs in the future. They manage this Fund under a trust agreement between the Contractor and Endowment Fund trustees. Interest from this Fund cannot be spent until the principal reaches \$2,000,000.

Scope. Our audit objective was to review the management and operation of the Anchorage Senior Center. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit was requested by the Administration.

Overall Evaluation. The Anchorage Senior Center was operated in compliance with the Municipal grant contract and sound management practices.

FINDINGS AND RECOMMENDATIONS

1. Budget Not Revised When Funding Decreased.

- a. **Finding.** Health & Human Services did not revise the 1994 contract budget when Municipal funding for the Anchorage Senior Center was reduced. This resulted in the contract budget being greater than the total amount of the contract. Therefore, we were unable to determine whether expenditures were in compliance with the contract budget.

- b. **Recommendation.** Health & Human Services should revise the contract budget whenever the grant award changes to provide an accurate and realistic document by which the Contractor may spend Municipal funds.

- c. **Management Comments.** Management concurred and stated, "The reduction to the original contract amount was done at mid-year and several efforts were made by the Senior Center in appeals to the Administration and Assembly to restore the funding. A contract amendment was executed in a timely manner that made the actual reduction and the amended budget was submitted by the contractor. The contract administrator failed to make the line item changes to correspond with the reductions. The contract was not overspent at the end of the year and stayed in line with the amount reduced. Appropriate attention to this detail will be done in the future should a reduction occur again."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Monthly Endowment Fund Statements Lacked Information.**

- a. **Finding.** Oversight of the Endowment Fund could be improved. Our discussions with Contractor management and review of the Monthly Endowment Fund Statements provided to the trustees revealed that transactions and performance were not tracked. The only information compiled was the monthly market value of the Fund. Due to market fluctuations, the transaction earnings and expenses could not be discerned nor could they be communicated to Anchorage Senior Center

members. Our analysis of Merrill Lynch statements revealed no problems with the Fund management. However, this could not be determined from the current statements provided to the trustees.

- b. **Recommendation.** To provide complete and open reporting of the Endowment Fund management and performance, the Contractor should consider revising the content and form of the Monthly Endowment Fund Statements.

- c. **Management Comments.** Management concurred and stated, "The format for reporting in the past was that which was recommended by the Investment Committee. Based on the recommendation of the Internal Auditor, consideration is being given to developing a new monthly reporting format that hopefully will be simplified and understandable to the Board and the membership of the Anchorage Senior Center Corporation. The recommended changes will be presented at the annual meeting of the Corporation in August 1995."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Food Service Controls Required Strengthening.**

- a. **Finding.** The controls over the food service operation could be improved. The Food Service Coordinator ordered and received food items and also performed the monthly inventory. Items taken from the store room for meal preparation were not documented to record daily usage. In addition, the Contractor accounted for the restaurant and the catering operations together, preventing the ability to assess the profitability or loss from each function. Without adequate internal controls and accounting, management personnel may not be able to respond to individual member concerns and questions.
- b. **Recommendation.** The Contractor should consider setting up a system to document daily food usage which could be used in the monthly physical inventory process to verify inventory changes. Further, the Contractor should consider separating the restaurant and catering operations.
- c. **Management Comments.** Management concurred and stated, "A similar finding and recommendation was made by Mikunda Cottrell during the annual agency audit in relation to the restaurant and catering operation. The following steps have been implemented:

"(1) A daily log of items taken from the store room is now being kept.

“(2) Procedures are being reviewed to track revenues and expenses for the restaurant and catering activities separately.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussions With Responsible Officials. The results of this audit were discussed with the appropriate personnel on June 07, 1995.



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