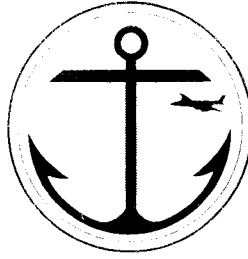


Municipality of Anchorage



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George P. Wuerch, Mayor

OFFICE OF THE INTERNAL AUDITOR

August 30, 2001

Internal Audit Report 2001-5 Anchorage Senior Center Health and Human Services

Introduction. The Health and Human Services (H&HS) department contracts the management and operation of the Anchorage Senior Center (ASC) with Anchor-Age Center, Inc. (Contractor), a non-profit corporation that was established to manage the ASC. The Municipality of Anchorage (Municipality) owns the facility and has historically provided partial funding of the operations through a grant. The Contractor received a three-year, \$2.2 million Federal grant through the Administration on Aging that started in late 2000 to assist with operations of the center. An 8,600 square foot expansion of the facility is planned at the end of 2001. Municipal funds, along with income from operations and fund-raising, will be used to cover the cost of the expansion.

Scope. The objective of this audit was to review the management and operation of the ASC. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June and July 2001. The audit was requested by the Mayor.

Overall Evaluation. The Contractor has been operating the facility in a manner consistent with their mission. The Contractor works to provide a central meeting place for seniors, promote a healthy lifestyle for seniors and assist in making seniors aware of the various services provided by the community and the ASC. However, the management agreement (contract) with the Contractor expired at the end of 2000 and the Contractor has been operating in accordance with the provisions of the expired agreement. Contract administration files were not being fully maintained and several problems were found involving internal controls over cash, donations and kitchen supplies.

FINDINGS AND RECOMMENDATIONS

1. Current Contract Not in Place for the Operation of the ASC.

- a. **Finding.** The management agreement for the operation of the ASC had expired at the end of 2000. A letter issued by the Director of H&HS in March 2001 extended the contract until December 2001. However, only the Purchasing Officer has the authority to extend and approve Municipal contracts in accordance with Anchorage Municipal Code (AMC) Title 7. As a result, there was not a current contract in place for the operation of the ASC. We would like to point out that no Municipal funds have been paid for the Contract during 2001 since the Contractor received the \$2.2 million Federal grant for the operation of the ASC. We were told that the Municipality planned to use the funds that were appropriated for the operation of the ASC for the 8,600 square foot expansion of the facility.
- b. **Recommendation.** A new management agreement should be implemented in accordance with AMC Title 7.
- c. **Management Comments.** Management stated, "We concur. However, it should be noted that the decision to operate without a management agreement was a purposeful one, given the unusual nature of the circumstances surrounding the funding for ASC's expansion. This decision was made based upon an assumption, borne out in this audit, that ASC would continue to operate, "in a manner consistent with its stated mission." The long positive partnership between the MoA and AnchorAGE, Inc. gave management every reason to have confidence that the strictures of the previous agreement would be followed until the expansion funds issues could be clarified and included in a new contract.

"In a response to these findings, the AnchorAGE Board's Executive Committee wrote (8/21/01-see attached) that, [We] "have kept in contact with the contract administrator and also have submitted reports as recommended in the 2000 contract."

"Currently, multiple Municipal Departments are working on the ASC expansion funding issue. DHHS and Public Works are in the planning stages of a fund transfer to facilitate the use of the Municipal ASC contribution for the expansion.

"Based upon suggestions to balance out the need for a current management agreement and ASC's need to move forward with its expansion, DHHS will institute two separate agreements: one for the use of the Municipal funds and one for the programmatic elements of the Anchorage Senior Center. The latter agreement will be finished first, given that it will closely mirror past ASC/MoA agreements. The funding agreement can be accomplished as soon as the details of the relationship between Public Works and ASC can be clearly defined."

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

2. **Contract Administrator did Not Maintain Current File on the Contractor.**

- a. **Finding.** The contract administrator has not maintained current files containing required reports for 2001 as outlined in the 2000 contract. The following reports were not in the contract administrator's files:

- 1) 1st quarter 2001 financial statements
- 2) A complete inventory listing
- 3) Comprehensive Board packets for all of the monthly meetings of 2001
- 4) A copy of the accountant's contract

- 5) A copy of the 2001 fidelity bond
- 6) 1st quarter 2001 progress report on the five-year plan submitted in 2000

- b. **Recommendation.** The contract administrator should maintain current files to ensure that the ASC is being operated properly.
- c. **Management Comments.** Management stated, "We concur. The contract administrator will maintain current files to ensure that ASC is continuing to be operated in a manner consistent with ASC's mission."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Controls Were Inadequate to Monitor High Dollar Value In-Kind Donations.**

- a. **Finding.** Controls were not in place to track the status of high dollar value in-kind donations. No inventory or central record was maintained to track the status, or to document the final disposition of items to insure against their loss. During our audit, the Contractor implemented a new form for documenting the receipt of in-kind donations. The forms are pre-numbered, require two staff signatures for higher dollar value items, contain an area to list the status of the donated item, and will be restricted as to how many individuals may issue the forms.
- b. **Recommendation.** The contract administrator should encourage that in-kind donations are properly documented and controlled.
- c. **Management Comments.** Management stated, "We concur. The contract administrator will encourage that in-kind donations are properly documented and controlled."

"In response to this finding and the suggestions from Internal Audit staff, ASC has already developed a new numerical donation form and procedures that are being implemented to provide these controls (see attached 8/21/01 ASC letter). Once in place, DHHS will ask Internal Audit to review and make comments or further recommendations as to adequacy and intent."

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

4. **Weak Cash Controls Existed.**

- a. **Finding.** Cash Controls at the ASC were inadequate in several areas of operations:

- 1) Pre-numbered receipts issued by the accounting clerk for collecting cash and preparing deposits were not reconciled by the accountant. No effort was made to account for voided, lost or destroyed receipts.
- 2) Checks were disbursed with only one authorized board officer signature instead of two signatures as required by ASC policy.
- 3) Pull-tab inventory sheets were not reconciled against the previous weeks' inventory sheets to verify that all pull-tabs were accounted for.

- b. **Recommendation.** The contract administrator should encourage the Contractor to strengthen cash controls by implementing procedures to include reconciling the pre-numbered receipts prepared by the accounting clerk on a periodic basis. Procedures should also be developed for verifying each check contains the required signatures prior to distribution. In addition, pull-tab inventory should be reconciled against the

prior weeks' inventory listing in order to verify that the beginning inventory for each week ties to the prior weeks' ending inventory.

- c. **Management Comments.** Management stated, "We concur. The contract administrator will encourage the contractor to strengthen cash controls as suggested.

"ASC has already taken steps to address this finding. These include:

- Receipts being put in numerical order
- All disbursed checks being double-checked for the required signatures
- Each pull tab receipt being reconciled, dated, notated, and copied to the accountant."

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

5. **Lack of Segregation of Duties Existed Within the Kitchen Operations.**

- a. **Finding.** Sufficient separation of duties did not exist in the kitchen operations to ensure against the misappropriation of inventory items. The Food Service Manager performed all ordering, receipt and verification of ordered items, as well as conducted the routine inventory of items. The lack of separation of duties, in addition to the decreased number of times a year inventory is performed, weakens the controls over kitchen inventory. This finding was contained in Internal Audit Report 95-12, dated June 30, 1995.
- b. **Recommendation.** The contract administrator should discuss the situation with the Contractor and devise a plan to effectively monitor the activities of the kitchen. For example, another member of the kitchen staff may assist with the receipt of deliveries or perform test counts of inventory items once inventory is completed to verify the original count.

- c. **Management Comments.** Management stated, "We concur. The contract administrator, along with Internal Audit staff, discussed this situation with the contractor and offered suggestions to address this finding.

"ASC has requested (see attached 8/21/01 ASC letter) that, along with at least one other administrative staff member, the contract administrator (or his/her MoA representative) and the Board President be present to observe the monthly/quarterly inventory."

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

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 15, 2001.

Audit Staff:
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