

# MUNICIPALITY OF ANCHORAGE



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**Internal Audit Report 2010-06**  
**Chugiak Volunteer Fire Department Contract Compliance**  
**Anchorage Fire Department**

**Introduction.** Since 2007, the Municipality of Anchorage (Municipality) has contracted with the Chugiak Volunteer Fire and Rescue Company, Incorporated (Contractor), a non-profit corporation, for providing fire protection services and emergency medical services (EMS) within the Chugiak Fire Service Area. The contract is administered by the Fire Chief of the Anchorage Fire Department (Administrator) or his designee. In 2009, the Municipality made direct payments of \$836,250 to the Contractor to provide services. According to the Contractor's website, the Contractor provides fire protection and EMS response to an area of approximately 50 square miles and a population around 14,000. The Chugiak Fire Service Area Board of Supervisors, consisting of three individuals, has duties and responsibilities including overseeing the provisions of fire services in the Chugiak Fire Service Area, and preparing and submitting an annual budget to the municipal administration and the Assembly for approval.

**Objective and Scope.** The objective of this audit was to determine whether the Contractor provided the services as required by the contract. Specifically, we reviewed the following areas for contract compliance: budgeting, expenditures, training, and response documentation.

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 in March 2010. The audit was requested by the Administration.

**Overall Evaluation.** The Contractor provided fire protection and emergency medical services as required by the contract. In addition, the Contractor complied with staff training and response documentation requirements. However, the Contractor did not maintain expenditure records in accordance with the contract. Moreover, the budget for the Contractor was not submitted to the Assembly for approval. Also, Chugiak Fire Service Area Funds were used for EMS operations, violating Section 5.E of the contract. Finally, the insurance clause in the contract required revision to clarify what insurance policies are required and who should provide them.

**Management Comment.** Management stated, “Both AFD and Chugiak Volunteer Fire Department (CVFD) extend a sincere thank you to Internal Audit for reviewing the Chugiak Fire Department Contract at our request. The management audit has been discussed with Chief Bartley of the Chugiak Volunteer Fire Department. Both AFD and CVFD are in agreement on amending terms of the contract as recommended by Internal Audit. Comments below are responses to the Draft Report per MPP 4-1.”

## **FINDINGS AND RECOMMENDATIONS**

### **1. Expenditure Records Not Maintained in Accordance With the Contract.**

- a. Finding.** The Contractor did not provide copies of expenditure records to the Administrator as required by Section 5.B of the contract. In addition, the Contractor did not provide an itemized account of all EMS expenses for each quarter on or before the 30 days following the end of the preceding calendar quarter as required by Section 5.E of the contract.
- b. Recommendation.** The Contract Administrator should ensure that required expenditure records are provided by the Contractor, or revise the contract.

- c. **Management Comments.** Management stated, “Concurrence. AFD has already met with CFD [Contractor] to discuss the findings of the contract and a revision to the contract in terms of expenditure records required for submittal. This will be completed by August 30, 2010.”
  - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
2. **Budget Not Submitted for Approval.**
- a. **Finding.** The budget for the Contractor was not submitted to the Assembly for approval as required by Section 5.D of the contract and Anchorage Municipal Code 27.20.090, *Chugiak Fire Service Area board of supervisors*. However, it was included in the Anchorage Fire Department’s annual budget as a single line item.
  - b. **Recommendation.** The Contract Administrator should ensure that the Contractor’s budget is submitted to the Assembly for approval.
  - c. **Management Comments.** Management stated, “Concurrence. The relationship of the annual budget approval process between the Chugiak Board of Supervisors and AFD does not follow what is written in the contract. AFD will amend the contract provisions. This will be completed by August 30, 2010.”
  - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Fire Funds Used to Fund EMS.**

- a. **Finding.** Chugiak Fire Service Area funds were used for EMS operations, violating Section 5.E of the contract. Section 5.E states that “Chugiak Fire Service Area fire protection funds shall not be used to fund Areawide EMS.” Specifically, in 2008, the contractor used \$8,499 from the fire service area fund for EMS expenses. When AFD reimbursed the Contractor for the \$8,499, the funds were placed into the 2009 EMS fund instead of reimbursing the fire service area fund.
- b. **Recommendation.** The Contract Administrator should ensure that the Contractor does not use Chugiak Fire Service Area fire protection funds for Areawide EMS services.
- c. **Management Comments.** Management stated, “Concurrence. AFD and Chugiak will make sure this does not happen in the future.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **The Contract’s Insurance Clause Requires Revision.**

- a. **Finding.** The insurance clause in the contract required revision. The clause requires the Municipality to provide the various insurance policies with the Contractor bearing the cost. However, according to the Municipality’s Risk Manager, the Municipality only provides the All Risk Property Policy with a \$100,000 per occurrence deductible and Workers’ Compensation and Employer’s Liability policy. The Contractor is currently purchasing other required insurance.

- b. **Recommendation.** The Contract Administrator should revise the contract regarding the various required insurance policies to specify what insurance is required, who will provide the policies, and who will pay for them.
  
- c. **Management Comments.** Management stated, “Concurrence. In 2009, Insurance requirements were discussed in a series of meetings between the Chugiak and Girdwood Fire Departments, AFD, the MOA Risk Manager and the MOA Purchasing Director. Similar to the Girdwood contract, the contract will be reviewed and amended to make sure the final agreed upon insurance requirements and payment allocation is reflected in the contract terms. This will be completed by August 30, 2010.”
  
- 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.

Audit Staff:  
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