

INTERNAL AUDIT REPORT

2017-05

Chugiak-Eagle River Senior Center:
Contract Compliance

Department of Health and Human Services

March 23, 2017

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

March 23, 2017

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2017-05, Chugiak-Eagle River Senior Center: Contract Compliance, Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed a Contract Compliance audit of the Chugiak-Eagle River Senior Center. The objective of this audit was to determine whether Chugiak Senior Citizens, Inc. complied with the contract requirements to operate the Chugiak-Eagle River Senior Center. To accomplish our objective, we reviewed the monthly reports submitted by Chugiak Senior Citizens, Inc. to the Department of Health and Human Services from November 1, 2015, to October 30, 2016, as well as other reports required by the contract. We also reviewed other supporting documentation and evaluated other contractual clauses.

Based on our review, we determined that Chugiak Senior Citizens, Inc. has generally complied with the current contract. However, our review of the last 12 monthly reports revealed that the Chugiak Senior Citizens, Inc.'s reported performance was not measured against contractual goals and objectives. In addition, Chugiak Senior Citizens, Inc. did not comply with some of the financial information reporting requirements.

There were two findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

March 23, 2017

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Chugiak-Eagle River Senior Center: Contract Compliance Department of Health and Human Services

Introduction. The Department of Health and Human Services (Department) has contracted out the management and operation of the Chugiak-Eagle River Senior Center (Center) to Chugiak Senior Citizens, Inc. (Contractor). The Contractor is a non-profit corporation whose mission is “. . . to provide quality services and facilities to meet the needs of seniors in our community through effective stewardship and program development.” The Municipality of Anchorage (Municipality) owns the facilities¹, grounds, and parking lots of the independent living senior apartments complex and the assisted living complex, and has historically provided partial funding of the operations through a contract. The Contractor is required to raise additional funds necessary to operate the Center. The total contract cost in 2016 was \$320,000 and provided partial funding for various insurance payments, a nurse position, and supplies for a preventative health outreach program.

Objective and Scope. The objective of this audit was to determine whether the Contractor complied with the contract requirements to operate the Center. To accomplish our objective, we reviewed the monthly reports submitted by the Contractor to the Department from November 1, 2015, to October 30, 2016, as well as other reports required by the contract. We also reviewed other supporting documentation and evaluated other contractual clauses.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides

¹ The Contractor also manages a 20-unit affordable housing complex on the same property that was funded by the United States Department of Housing and Urban Development (HUD).

a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of December 2016 through January 2017. The audit was requested by the Administration.

Overall Evaluation. The Contractor has generally complied with the current contract. However, our review of the last 12 monthly reports revealed that the Contractor's reported performance was not measured against contractual goals and objectives. In addition, the Contractor did not comply with some of the financial information reporting requirements.

FINDINGS AND RECOMMENDATIONS

1. Performance Not Measured Against Goals and Objectives.

- a. **Finding.** Our review of the last 12 monthly reports revealed that the Contractor's reported performance was not measured against contractual goals and objectives. Section H.5 in Attachment 1 of the contract, *Scope of Services*, states that the Contractor must "Report information on the goal to conduct outreach activities. . ." on a quarterly basis. In addition, Attachment 2 of the contract, *Contract Goals and Objectives, Budget*, outlines the quarterly goals and objectives to be met and reported.

According to Center management, quarterly reporting was discontinued by a prior Contract Administrator. The current Contract Administrator was provided only with the monthly reports that the Contractor specifically produced for their Board of Directors' monthly meetings. However, none of the monthly reports presented information summarized in terms of quarters. In addition, none of the monthly reports identified which of the reported line items in the statistical section were actually related to the contractual goals. Accordingly, data presented in the monthly reports needed sorting, grouping, and summing to determine the progress in meeting quarterly contractual goals and objectives. In the past, the Contractor generated quarterly reports with the

progress towards goals being presented in the format specified by the contract. These quarterly reports presented progress towards goals for the corresponding quarters along with yearly cumulative totals with narratives next to each goal.

- b. **Recommendation.** The Contract Administrator should ensure that performance results are reported in a format that facilitates measurement against the goals and objectives stipulated in the contract.

- c. **Management Comments.** Management stated, “The Department agrees with Finding 1. This contract will be amended. The Contract Administrator is currently working with the Contractor to establish performance measurements that will comply with this recommendation. Report instructions will require that each performance measurement be restated, provide a numeric value associated with the measurement, followed by a brief narrative regarding activities taken to meet the measurement. The report will be reviewed by the Contract Administrator and any discrepancies will be resolved prior to the disbursement of additional grant funds.”

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

2. **Financial Reporting Needs Improvement.**

- a. **Finding.** The Contractor did not comply with some of the financial information reporting requirements. Our review of the last 12 monthly reports revealed that some of the income and expense statements were not reported or were reported late. Specifically:

- *Income and Expense Statements Not Reported* – Five of the twelve income and expense statements were never reported in the monthly reports or otherwise provided to the Contract Administrator.
- *Income and Expense Statements Reported Late* – The remaining seven income and expense statements were reported 12 to 102 days after the reporting deadline. However, according to the Contractor, it was difficult to compile all the prior monthly financial and other required information by the deadline stipulated in the contract.

According to Section G in Attachment 1 of the contract, “On a monthly basis by the twentieth (20th) day of each month, the Contractor shall submit an income and expense statement showing the previous month and year to date financial information by program and funding source.”

- Recommendation.** The Contract Administrator should ensure that monthly reporting is complete and timely as required by the contract or consider revising reporting deadlines in the contract.
- Management Comments.** Management stated, “The Department agrees with Finding 2. The contract will be amended to reflect quarterly reporting. As part of the quarterly report review process the Contract Administrator will review the performance and financial reports and resolve any issues in a timely manner. The report will include a signature section for the Contract Administrator to indicate that the reports were reviewed and approved. No funds will be disbursed without the Contract Administrator documenting evidence of approval.”
- Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on February 8, 2017.

Audit Staff:
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