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# Internal Audit Department

## 2010 Annual Report

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January 6, 2011

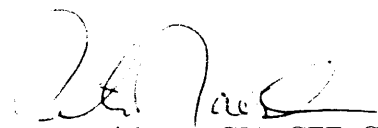
Honorable Mayor and Members of the Assembly:

Attached is the Office of Internal Audit (Internal Audit Department) 2010 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2010 internal audit activity and the portion of the Anchorage Municipal Code pertaining to the Internal Audit Department.

According to Anchorage Municipal Code 3.20.100, the primary focus of the Internal Audit Department is to provide the Assembly and the Mayor with objective information to assist them in determining whether government operations are adequately controlled; whether the required high degree of public accountability is maintained over public funds; and to improve the efficiency and effectiveness of Municipal government. To accomplish this, we perform audits to ensure the reliability and integrity of financial records, compliance with established policy and procedures, accountability and protection of Municipal assets and the achievement of program results.

During 2010, the Internal Audit Department issued 13 audit reports and performed 11 special projects.



Peter Raiskums, CIA, CFE, CGFM  
Director, Internal Audit

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## INTRODUCTION

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# INTRODUCTION

## DEFINITION OF AUDITING

Audit is a term used to describe procedures performed by an auditor in examining financial records, reviewing compliance with laws and regulations, assuring the efficiency and economy of operations, and evaluating the effectiveness in achieving program results.

The audit process includes an evaluation of internal controls, examination of financial and other data, review of management systems and programs, and recommendations for improvement.

Auditors are classified into two categories - internal auditors and external auditors.

**Internal Auditors** are employees of the Municipality of Anchorage. Emphasis is on determining whether the required high degree of public accountability is maintained and improving the efficiency and effectiveness of government operations and activities. To accomplish this, the auditors focus on accountability, internal controls and improving management efficiency. Although internal auditors are Municipal employees, the Municipal Code provides a framework for them to operate with complete independence.

**External Auditors** are not employees of the Municipality of Anchorage. External auditors perform, under contract, an annual audit of the financial records of the Municipality and the federal and state single audits. The emphasis is on the fairness of financial representations. The Municipal Assembly is responsible for the annual independent financial audit, annual federal single audit and annual state single audit of all Municipal accounts. The annual audits are overseen by the Audit Committee. The certified public accounting firm of Mikunda, Cottrell & Co. is currently the external auditor for the Municipality of Anchorage.

## AUDIT PROCEDURES

The Internal Audit Department performs audits in accordance with generally accepted government auditing standards, except for the requirement of an external peer review. A peer review is not performed due to budget constraints.

The audit process involves three phases: survey, field work, and reporting. Communication with auditees is an important part of all three phases.

**Survey** - Survey work consists of discussions with agency personnel, physical inspections, review of records, and sample tests of transactions. In addition, auditors obtain an understanding of internal controls significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation.

**Field Work** - During field work, the auditor plans and defines audit objectives, reviews and evaluates extensive data, documents findings, and develops recommendations for corrective action.

**Reporting** - At the end of field work, the results of the audit are communicated to officials at various levels of government. Findings and recommendations are presented in a draft report that is furnished to auditees for their review and response. The final audit report includes the auditor's findings, recommendations and management's responses, and is available to the public.

## **SCHEDULING OF AUDITS**

The Director of Internal Audit prepares an annual audit plan at the beginning of each fiscal year, which is approved by the Municipal Audit Committee. Input is solicited from the Municipal Assembly, the Mayor, and Administration officials. The audit plan may also be revised during the year to accommodate requests from the Municipal Assembly and the Administration. Criteria for scheduling audits include the following:

- Requests by the Municipal Assembly and Administration
- Potential for cost savings through more efficient, effective management
- Potential for increasing revenues
- Areas with a high risk of loss or misappropriation
- Suspected fraud or error
- Areas identified with weak internal controls or known problems
- Safeguarding and management of Municipal assets
- Issues identified by the external auditors

## **DISTRIBUTION OF AUDIT REPORTS**

Audit reports are distributed to the Mayor, each Municipal Assembly Member, the Municipal Manager, the Director of Management and Budget, the Chief Fiscal Officer, the respective Department Director, and other Municipal personnel as appropriate.

Copies of reports are available to the public at the following locations:

1. Serial section of the Z J Loussac Public Library, 3600 Denali Street, Anchorage, Alaska
2. The Municipal Internal Audit Department, 632 West 6th Avenue, Suite 600, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, fax (907) 343-4370, e-mail: [raiskumspw@muni.org](mailto:raiskumspw@muni.org)
3. Internal Audit Department Website: <http://www.muni.org/audit>

## **STAFFING OF THE OFFICE OF INTERNAL AUDIT**

Current staff members are:

Peter Raiskums, Director  
Michael Chadwick, Principal Auditor  
Scott Lee, Senior Auditor  
Jayi Schin, Senior Auditor  
Chris Moore, Audit Technician

The current department Director provides the Municipality with more than 45 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 21 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Financial Manager (CGFM), and Certified Internal Controls Auditor (CICA).

Government Auditing Standards Section 3.46 requires that each auditor complete, every two years, at least 80 hours of continuing professional education that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any one year of the two-year period. The courses taken by audit staff to fulfill this requirement help keep them up-to-date with the latest auditing techniques and current audit issues.

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## **INDEX OF 2010 AUDIT REPORTS**

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## 2010 AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>REPORT NAME</b>	<b>DEPARTMENT</b>
	01/13/10	2009 Annual Report	
2010-01	02/12/10	2009 Parts, Fuel & Lubricants Inventory	Public Transportation
2010-02	02/25/10	2009 Parts, Tires & Lubricants Inventory	Maintenance and Operations
2010-03	04/07/10	Municipal Payroll	Finance
2010-04	04/14/10	Girdwood Volunteer Fire Department Contract Compliance	Anchorage Fire Department
2010-05	05/06/10	Parking Garage Revenue Cash Controls	Anchorage Community Development Authority
2010-06	06/09/10	Chugiak Volunteer Fire Department Contact Compliance	Anchorage Fire Department
2010-07	06/09/10	Electronic Payroll Processing	Anchorage Water and Wastewater Utility
2010-08	09/02/10	Billings and Collections	Health and Human Services
2010-09	09/08/10	Women, Infants, and Children Nutrition Program	Health and Human Services
2010-10	09/27/10	Health Plan Claimed Dependents	Employee Relations
2010-11	11/15/10	Animal Care and Control Services Cash Controls	Health and Human Services
2010-12	12/02/10	Police and Fire Retiree Medical Trust	Employee Relations
2010-13	12/30/10	Customer Information System	Anchorage Water and Wastewater Utility



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## **INDEX OF 2010 SPECIAL PROJECTS**

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## 2010 SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/08/10	IBEW Mechanics Contract Cost Validation	Administration
01/27/10	2009 Parking Citation Revenue	Administration
03/22/10	2009 Municipal Travel	Administration
05/03/10	Project Management and Engineering Complaint	Assembly
05/18/10	Ambulance Billings	Administration
05/21/10	Review of Cell Phone/BlackBerry/iPhone/EVDO Costs	Administration
06/01/10	Bartlett Pool Utility Billing	Administration
06/16/10	2009 Procurement Card Rebate	Administration
08/31/10	Operating Engineers, Local 302 Contract Cost Validation	Administration
09/01/10	Transit Center Lease	Administration
10/05/10	Building Safety Division Complaint	Assembly

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**EXECUTIVE SUMMARIES FROM**

**2010 AUDIT REPORTS**

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February 12, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-01, Public Transportation Department, 2009 Parts, Fuel and Lubricants Inventory**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the annual inventory at Public Transportation. The objective of this audit was to determine if the year-end physical inventory of parts, fuel and lubricants was reasonably accurate and any adjustments necessary were properly entered into the financial records.

Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate. The parts physical inventory resulted in a final valuation of \$571,088.90. A net adjustment of \$16,252.49 was made to increase PeopleSoft financial records to bring them in agreement with the physical count. The fuel and lubricants physical inventory resulted in a final valuation of \$211,269.82.

There were no findings or recommendations in connection with this audit.

February 25, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-02; 2009 Parts, Tires and Lubricants Inventory; Fleet Maintenance Section; Facility and Fleet Maintenance Division; Maintenance and Operations Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the annual inventory at Fleet Maintenance Section, Facility and Fleet Maintenance Division, Maintenance and Operations Department. The objective of this audit was to determine if the year-end physical inventory of parts, tires and lubricants was reasonably accurate and any adjustments necessary were properly entered into the financial records.

The physical inventory resulted in a final valuation of \$383,478.39. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$3,570.31 was made to decrease PeopleSoft financial records to bring them in agreement with the physical count. Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate.

There were no findings or recommendations in connection with this audit.

April 7, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-03, Municipal Payroll, Finance Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Municipal payroll procedures. The objective of this audit was to determine whether payroll transactions were valid and supported by properly authorized documentation. Our audit included a review of judgmentally selected payroll transactions selected from six Municipal agencies (Fleet Maintenance Division, Traffic Department, Purchasing Department, Heritage Land Bank, Public Transportation Department and Controller Division) for the time period of January through December 2009. Additionally, we reviewed incentive pay and acting pay for accuracy and documentation to determine the adequacy of controls. Finally, we reviewed exemptions from the standard time sheet requirements to determine whether they were properly approved and current.

Our testing of various payroll transactions identified several weaknesses. Specifically, we found that time sheets and leave slips were not always signed by the employee and/or approved by the supervisor. In addition, required documentation was not found to support training hours at Fleet Maintenance. We also found that overtime was not always supported with written approved documentation. Furthermore, payroll specialists did not always use the correct override pay rate for shift differential pay and acting pay was paid at the wrong pay rate to non-represented employees at Public Transportation. Finally, the Traffic Department was using a time sheet that was not approved by the Chief Fiscal Officer.

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

April 14, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-04, Girdwood Volunteer Fire Department Contract Compliance, Anchorage Fire Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Girdwood Volunteer Fire Department, Anchorage Fire Department. The objective of this audit was to determine whether the Girdwood Volunteer Fire Department provided the services as required by the contract in the following areas: budgeting, expenditures, training, and response documentation.

The Girdwood Volunteer Fire Department provided fire protection and emergency medical services as required by the contract. In addition, they complied with staff training and response documentation requirements. However, the Girdwood Volunteer Fire Department did not maintain expenditure records in accordance with the contract. Moreover, the annual operating budget may not meet the contract's intent. Finally, the insurance clause in the contract required revision to clarify what insurance policies are required and who should provide them.

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

May 6, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-05, Parking Garage Cash Controls, Parking Services Department, Anchorage Community Development Authority**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the cash controls at the Parking Services Department, Anchorage Community Development Authority. The objective of this audit was to determine whether there were adequate controls in place over parking garage transactions and cash receipts. .

Cash controls at the Parking Services Department required improvement. For example, keys and note vaults used to hold cash in the parking machines could not be accounted for. Also, transaction registers in the parking machines could be reset by maintenance personnel who also had access to the cash vaults in the machines. Furthermore, cash receipts reported in the ScanNet system did not always agree with the amount of cash deposited and parking validator machines rented to businesses were not controlled. Moreover, parking access cards issued to Department employees were not controlled. Finally, the Department's cash handling and reconciliation policy drafted in 2005 had not yet been approved and implemented.

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



June 9, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-06, Chugiak Volunteer Fire Department Contract Compliance, Anchorage Fire Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Chugiak Volunteer Fire Department, Anchorage Fire Department. The objective of this audit was to determine whether the Chugiak Volunteer Fire Department provided the services as required by the contract in the following areas: budgeting, expenditures, training, and response documentation.

The Chugiak Volunteer Fire Department provided fire protection and emergency medical services as required by the contract. In addition, they complied with staff training and response documentation requirements. However, the Chugiak Volunteer Fire Department did not maintain expenditure records in accordance with the contract. Moreover, the budget for the Chugiak Volunteer Fire Department was not submitted to the Assembly for approval. Also, Chugiak Fire Service Area Funds were used for emergency medical services 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.

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

June 9, 2010

Honorable Mayor, Members of the Assembly, and Board of Directors of the Anchorage Water and Wastewater Utility:

I am pleased to present **Internal Audit Report 2010-07, Electronic Payroll Processing, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the electronic payroll processing program WorkTech Time at Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether WorkTech Time had proper controls in place to ensure that time and labor data were approved and entered correctly in PeopleSoft and the Maximo Asset Management system. Specifically, we judgmentally selected payroll transactions in 2010 to determine if employees' time sheets were electronically approved by the employees' supervisors and if the time and other payroll data were correctly transferred to PeopleSoft and the Maximo Asset Management system. In addition, we determined if earning code tables used in WorkTech Time matched the earning code tables in PeopleSoft.

Based on our review, we determined proper controls were in place to ensure that time and labor data were approved and entered correctly in PeopleSoft and the Maximo Asset Management system. Specifically, we found employees' time sheets were electronically approved by the employees' supervisors and time and other payroll data were correctly transferred to PeopleSoft and the Maximo Asset Management system. We also found earning code tables used in WorkTech Time matched the earning code tables in PeopleSoft.

We made no recommendations in connection with this audit.

September 2, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-08, Billings and Collections, Community Health Services Division, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of billing and collection procedures by the Community Health Services Division, Department of Health and Human Services. The objective of this audit was to determine whether the Division's billing and collection procedures for accounts receivable were effective. Specifically, we reviewed the procedures and selected and reviewed aged accounts receivable to determine whether appropriate collection actions had been taken.

The Division's billing and collection procedures for accounts receivable could be improved. We found that the Division's current practice is to bill third party payers one time with no follow-up billing if full payment or response is not received. In addition, clients who had received services were not always billed and the Division did not send delinquent accounts receivable to a collection agency. Moreover, delinquent accounts receivable were not always transferred to a suspense account and the accounts receivable aging report contained both credit and debit entries, distorting the accounts receivable total. Furthermore, payment plans established between the Division and clients were not always monitored. Finally, controls over cash and accounts receivable were not properly segregated, the Division's Insight system, which is used to manage accounts receivable, was not authorized by the Chief Fiscal Officer, and the Division did not have a written policy and procedure to verify a client's income.

There were nine findings with recommendations in connection with this audit. Management comments were responsive to the audit findings and recommendations.

September 8, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-09, Women, Infants, and Children Nutrition Program, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Women, Infants, and Children Nutrition Program, Department of Health and Human Services. The objective of this audit was to determine whether Health and Human Services staff complied with the grant requirements in administering the Women, Infants, and Children Nutrition Program. Specifically, we determined whether client eligibility was determined correctly, if required documentation was in client files, if the application for the Women, Infants, and Children Nutrition Program was processed timely, and if food warrant vouchers were properly issued. Our audit included a random sample of 40 client files from the current grant period.

Based on our review, we determined that Women, Infants, and Children Nutrition Program staff generally complied with the State of Alaska requirements in administering the grant. Specifically Women, Infants, and Children Nutrition Program staff correctly determined client eligibility, processed applications in a timely manner, and properly issued food warrant vouchers. However, required documentation was not always found in the client files. For example, the Family Information application and the Notification of Termination were not always documented in the client files.

There was one finding with a recommendation in connection with this audit. Management was responsive to the finding and concurred with the recommendation.

September 27, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-10, Health Plan Claimed Dependents, Employee Relations Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Health Plan Claimed Dependents, Employee Relations Department. The objective of this audit was to determine whether dependents listed by health plan participants met the eligibility requirements and were included accurately in the data base provided to the claims administrator for claims processing. Specifically, we determined whether employee files maintained by the Municipality contained all required documentation concerning dependent eligibility, whether the information provided to the claims administrator for claims processing was accurate and current, and whether disability status of dependents was adequately documented. We statistically selected a random sample of employees and reviewed the documentation for all dependents. In addition, we looked at employees with disabled dependents over 23 years old.

Based on our review, we determined that dependents listed as health plan participants in the claims administrator's database were not always adequately supported by proper documentation. In addition, employees were not required to recertify their dependents after initial enrollment in the health plan. Finally, employee files did not contain proper documentation to support disability coverage for those over the age limit of 23 years old.

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

November 15, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-11, Animal Care and Control Services Cash Controls, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Animal Care and Control Services Cash Controls, Department of Health and Human Services. The objective of this audit was to determine whether Animal Care and Control had adequate controls in place over cash and credit transactions, and if these controls complied with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count, verified that deposits were made timely and were properly recorded in the Municipality's general ledger, and reviewed Cashier Daily Summary Reports for completeness.

Based on our review, we determined that Animal Care and Control generally complied with Municipal Policy and Procedure 24-1 and had well organized documentation to support cash deposits. However, Animal Care and Control staff did not always send Cashier Daily Summary Reports to Treasury on a daily basis, unscheduled supervisory cash counts were not performed, checks were not always endorsed immediately upon receipt, and cashiers and their supervisors had not attended cash handling and reporting training since 2008.

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

December 2, 2010

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-12, Police and Fire Retiree Medical Trust, Employee Relations Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Trust. The objective of this audit was to perform the third five-year (January 1, 2005, through December 31, 2009) review of the operation of the Police and Fire Retiree Medical Trust as required by AMC 3.87.070.A and the first two year review of administrative costs and enrollment and payment records for members purchasing health insurance through the Municipality as required by AMC 3.87.070.B. Specifically, we reviewed the operation of the Police and Fire Retiree Medical Trust to determine whether it was being operated in compliance with AMC 3.87, including the accuracy of monthly trust contributions and participant transactions. In addition, we evaluated trust administrative costs and reviewed enrollment and payment records.

Based on our review, we determined that, overall the Police and Fire Retiree Medical Trust operations complied with AMC 3.87. Trust contributions were properly adjusted annually for the MCPI. However, costs other than those required for a professional administrative generalist were charged to Fund 213: Police/Fire Retirees Medical Administration. Moreover, our review of Fund 713: Police and Fire Retirees Medical Expendable Trust, revealed a variety of purchases that appeared questionable and there was a lack of segregation of duties regarding control over the expenditure of Trust funds, which has been corrected. In addition, the 2009 revision to AMC 3.87 for police and fire retirees participating in the Police and Fire Retiree Medical Trust did not identify a funding source. Finally, the AMC for the Police and Fire Retiree Medical Trust may require revision.

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

December 30, 2010

Honorable Mayor, Members of the Assembly, and Board of Directors of the Anchorage Water and Wastewater Utility:

I am pleased to present **Internal Audit Report 2010-13, Customer Information System, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the Customer Information System at Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether proper procedures and controls were in place to ensure customers were properly billed and account receivables were properly collected and deposited. Specifically, we selected and reviewed monthly statements to determine if billing categories and rates complied with the Anchorage Water and Wastewater Utility Tariffs. We reviewed whether customers receiving services were properly billed. In addition, we selected and reviewed aged accounts receivable to determine whether appropriate collection actions had been taken. We also reviewed whether customer deposits were handled in compliance with the Anchorage Water and Wastewater Utility Tariffs.

Based on our review, we determined that the Division generally had proper procedures and controls to ensure customers were properly billed and account receivables were properly collected and deposited. We also found that customer deposits were handled in compliance with the tariff. However, an incorrect meter rate was used in Customer Suite resulting in a total overcharge of \$10,014 since January 2010 to some customers. In addition, Division staff added the Regulatory Cost Charge to non-recurring water charges in 18 of 19 service orders we reviewed. Finally, Anchorage Water and Wastewater Utility did not reconcile the plant database to the Customer Suite database.

We made three recommendations in connection with this audit. Management was responsive to the findings and concurred with the recommendations.



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**ANCHORAGE MUNICIPAL CODE 3.20**

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## **ANCHORAGE MUNICIPAL CODE 3.20**

### **“3.20.100 Office of internal audit established; staff.**

- A. There is established an office of internal audit to provide the assembly and the mayor with objective information to assist them in determining whether government operations are adequately controlled and whether the required high degree of public accountability is maintained.
1. The office of internal audit shall meet generally accepted government audit standards with regard to independence.
  2. The director of internal audit shall be appointed by the mayor with concurrence of a majority vote of the assembly.
  3. The director of internal audit may be dismissed by the mayor only for cause shown, and only with concurrence of a majority of the assembly.
  4. The director of internal audit shall be a person able to manage a professional audit staff, analyze financial records and evaluate operations for economy, efficiency and program results.
  5. The director of internal audit shall be either a certified internal auditor or a certified public accountant.
  6. The director of internal audit shall not be actively involved in partisan political activities or the political affairs of the municipality.
  7. The director of internal audit shall interact with the municipal audit committee to ensure maximum coordination between the needs of the assembly and the mayor in the development and execution of the annual audit plan.
- B. The director of internal audit shall have such assistants and employees as are necessary to perform all required duties.

(AO No. 77-359; AO No. 79-27; AO No. 80-5; AO No. 88-70(S))

**Charter references:** Independent audit, § 13.10.”

### **“3.20.110 Responsibilities of the director of internal audit.**

- A. No later than January 31 of each year, the director of internal audit shall:

1. Prepare a draft annual audit plan;
2. Submit the draft plan to municipal audit committee members for review and comment; and
3. Finalize the plan and submit it to the municipal audit committee for final review and endorsement.

The audit plan shall be the official list of audits to be conducted by internal audit during the year. Additionally, the director of internal audit may revise the audit plan during the year to include other appropriate audits, which are consistent with the responsibilities specified in Section 3.20.100, and promptly submit the revisions to municipal audit committee members for review and comment and then to the mayor and assembly for approval. Except for audits such as cash and inventory audits where, based on the professional judgment of the director of internal audit, prior notification may hinder the effectiveness of the audit, no audit to be added to the annual audit plan as a revision may commence until the audit plan is revised and approved per this subsection.

- B. In addition to those audits contained in the annual audit plan outlined in subsection A of this section, audits may also be undertaken at the direction of the mayor or a majority of the assembly. The mayor will notify the assembly through an assembly information memorandum (AIM) or other appropriate means prior to commencement of such audits.
- C. The director of internal audit shall cooperate with federal and state auditors and independent auditors so that the desirable audit coverage is provided and audit effort may be coordinated.
- D. The director of internal audit shall have responsibility to conduct expanded scope audits of all municipal departments, agencies, authorities and activities to independently determine whether:
  1. There are adequate internal administrative and accounting control systems in place and that they are functioning as intended;
  2. Activities and programs being implemented have been authorized by the assembly, the mayor or this Code;
  3. Activities and programs are being conducted in a manner contemplated to accomplish the objectives intended by the assembly, the mayor or this Code;
  4. Activities or programs efficiently and effectively serve the purpose intended by the assembly, the mayor or this Code;
  5. Activities and programs are being conducted and funds expended in compliance with applicable laws;
  6. Revenues are being properly collected, deposited and accounted for;

7. Resources, including funds, property and personnel, are adequately safeguarded, controlled and used in a lawful, effective and efficient manner;
  8. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities; and
  9. During the course of audit work, there are any indications of fraud, abuse, conflict of interest or illegal acts.
- E. Audits shall be conducted in accordance with generally accepted government auditing standards.
- F. In all matters relating to the audit work, the director of internal audit and the audit staff must be free from personal and external impairments to independence and shall maintain an independent attitude and appearance.
- G. The director of internal audit shall present conclusions, findings and recommendations, along with verbatim responses from the administration, in a written audit report.
- H. The written audit report shall be promptly presented simultaneously to the mayor and the assembly.
- I. Copies of final audit reports of the office of internal audit shall be available for public inspection during regular business hours.
- J. The duties of the director of internal audit under this section shall not be construed to replace or relieve the responsibility of any other person.
- K. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 95-165(S-1), § 2, 10-3-95)”

**“3.20.120 Responsibilities of administration when deficient conditions disclosed by audit.**

- A. The administration shall:
1. Plan or implement corrective action in response to reported deficient conditions within 30 days of receiving a draft internal audit report disclosing the conditions;
  2. Submit to the director of internal audit a written response stating concurrence or nonconcurrence with the audit findings and action taken or planned under subsection A

of this section to correct the reported deficiencies, suitable for verbatim inclusion in the final report of audit; and

3. If the response under subsection B of this section describes a plan of action, submit to the director of internal audit a second report promptly upon implementing the plan.

B. This section shall not authorize the public disclosure of material that is confidential or privileged under federal, state or local law, or material the public disclosure of which otherwise would constitute an unwarranted invasion of personal privacy.

C. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))”

**“3.20.130 Access to municipal information by office of internal audit.**

A. In the performance of their duties under Section 3.20.110, the director of internal audit and internal audit staff are authorized to have full, free and unrestricted access to:

1. All public records, as defined in Section 3.90.020;
2. All activities of the municipal government;
3. All municipal property;
4. All municipal personnel; and
5. All policies, plans and procedures and records pertaining to expenditures financed by municipal funds.

B. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))”