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# INTERNAL AUDIT DEPARTMENT

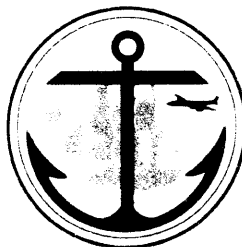
## 2011 ANNUAL REPORT

January 5, 2012

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MUNICIPALITY OF ANCHORAGE  
Internal Audit Department  
632 W 6th Avenue, Suite 600  
P.O. Box 196650  
Anchorage, Alaska 99519-6650  
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# Internal Audit Department

## 2011 Annual Report

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# MUNICIPALITY OF ANCHORAGE



Office of the Internal Auditor  
632 W. 6<sup>th</sup> Ave., Suite 600

Phone: 907-343-4438  
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*Mayor Dan Sullivan*

January 5, 2012

Honorable Mayor and Members of the Assembly:

Attached is the Office of Internal Audit's (Internal Audit Department) 2011 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2011 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 2011, the Internal Audit Department issued 14 audit reports, 3 sunset audit reports and performed 12 special projects.

A handwritten signature in black ink, appearing to read "Peter Raiskums".

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 46 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 25 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 3.76 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 2011 AUDIT REPORTS**

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## 2011 AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>REPORT NAME</b>	<b>DEPARTMENT</b>
	01/06/11	2011 Annual Report	
2011-01	02/14/11	Kronos Workforce Time Keeper	Municipal Light and Power
2011-02	02/23/11	Online Payment System	Anchorage Police Department
2011-03	03/10/11	2010 Parts, Tires and Lubricants Inventory	Public Works
2011-04	03/23/11	2010 Parts, Fuel and Lubricants Inventory	Public Transportation
2011-05	03/29/11	Cash Register Controls	Finance
2011-06	05/03/11	Municipal Payroll	Finance
2011-07	05/16/11	Office of the Ombudsman	Ombudsman
2011-08A	07/11/11	Annual Municipal Procurement Card Review	Purchasing
2011-09	07/12/11	Kincaid Outdoor Center Cash Controls	Parks and Recreation
2011-10	09/13/11	Anchorage Senior Center	Health and Human Services
2011-11	09/13/11	Enhanced 911 Surcharge	Anchorage Police Department
2011-12	09/26/11	Proximity Card Access Control System	Anchorage Water and Wastewater Utility
2011-13	11/29/11	Community Health Service Division Billing and Collection Follow-Up	Health and Human Services
2011-14	11/30/11	Chugiak-Eagle River Senior Center	Health and Human Services

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## **INDEX OF 2011 SUNSET AUDIT REPORTS**

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## 2011 SUNSET AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>COMMISSION</b>	<b>DEPARTMENT</b>
2011-S1	08/15/11	Watershed and Natural Resources Advisory Commission	Community Development
2011-S2	08/15/11	South Central Clean Air Authority Commission	Health and Human Services
2011-S3	08/15/11	Mountain View Community Recreation Center Advisory Commission	Parks and Recreation

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## **INDEX OF 2011 SPECIAL PROJECTS**

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## 2011 SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/10/11	Review of Change Order 1 to the City Electric, Inc. Contract	Administration
03/11/11	Analysis of Parking Garage Passes	Administration
06/02/11	CPR Card Program	Administration
06/30/11	Standby Pay	Administration
07/22/11	Lidia Selkregg Chalet Cash Controls	Administration
08/16/11	Plumbers & Pipefitters, Local 367 Cost Validation	Administration
08/19/11	Shift Differential Calculation	Administration
08/26/11	Plumbers & Pipefitters, Local 367 Proposed Contract	Administration
09/06/11	Five Year Average CPI-U	Administration
11/23/11	Girdwood Board of Supervisors	Assembly
11/30/11	ML&P Plant Records	Administration
12/28/11	Anchorage Police Department Canine Drug Transfer	Administration

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**EXECUTIVE SUMMARIES FROM**

**2011 AUDIT REPORTS**

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February 14, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-01, Kronos Workforce Time Keeper, Municipal Light & Power**, 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 Kronos Workforce Time Keeper system used by Municipal Light & Power. The objective of this audit was to determine whether the Kronos time keeping system had been properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. 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. In addition, we reviewed development of pay rules, access profiles, and disaster recovery procedures.

Based on our review, we determined that, overall the Kronos time keeping system was properly implemented and had proper controls in place to ensure that time was correctly entered and appropriately approved for use in PeopleSoft. However, the methodology used to develop payroll system pay rules was not well documented. In addition, our review of employee access profiles in Kronos showed that some employees were granted access that did not match their position levels.

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

February 23, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-02, Online Payment System, Anchorage Police 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 online payment system used by the Anchorage Police Department. The objective of this audit was to determine whether the Anchorage Police Department's online payment system had adequate controls and that payments were efficiently and properly processed. Specifically, we selected judgmental samples of online payments and tested supporting documents for accuracy. We also reviewed controls in the online payment system to prevent erroneous payments.

Based on our review, we determined that the Anchorage Police Department's online payment system could be improved to more efficiently and properly process payments. Specifically, the online payment system was not connected to the traffic ticket database that contained the defendants' ticket information to help ensure payments were correct. In addition, the Municipality's contract with Official Payments Corporation expired in June 2008 and has not been renewed.

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



March 10, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2010-03; 2010 Parts, Tires and Lubricants Inventory; Fleet Maintenance Section; Maintenance and Operations Division; Public Works 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 annual parts, tires and lubricants inventory at Fleet Maintenance. The objective of this audit was to determine if the year-end physical inventory was reasonably accurate and any adjustments necessary were properly entered into the PeopleSoft financial records.

The physical inventory resulted in a final valuation of \$355,574.86. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$56,592.86 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.

March 23, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-04; 2010 Parts, Fuel and Lubricants Inventory; Public Transportation 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 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 \$632,855.10. A net adjustment of \$59,247.93 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 \$190,082.40.

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

March 29, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-05, Cash Register Controls, Finance Department**, for your review. A brief summary of the report is presented below.

We have completed an audit of Cash Register Controls implemented by Anchorage Water and Wastewater Customer Service, Building Safety Customer Service, and Treasury Division. The objective of this audit was to determine whether proper cash controls were implemented for the use of PC based cash registers at these locations and if these controls complied with P&P 24-1. To accomplish our objectives we performed a risk analysis of the cash register system, observed the process for entering transactions into the cash register, reviewed detailed Video Journal tapes to identify incomplete and voided transactions, researched the incomplete and voided transactions, and reviewed cashier daily summary reports for completeness.

Based on our review, we determined that the cash register controls at Building Safety and Treasury need improvement. Specifically, the cash registers at Building Safety and Treasury permitted the cashiers to continue with a cash receipt transaction even though the transaction type had not been indicated. In addition, the Video Journal tape showing all cash register transactions was not printed or archived at Building Safety. Finally, a refund slip was not always used when giving a refund to a customer by Treasury and Building Safety cashiers.

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

May 3, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-06, 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 seven Municipal agencies (Office of Management and Budget, Facility Maintenance, Development Services, Planning, Treasury, Information Technology, and the Clerk's Office) for the time period of January through December 2010. Additionally, we reviewed compensatory time off procedures in various Departments. Finally, we reviewed call back pay and call back guarantees to determine if they were calculated correctly.

Based on our review, we determined that although call back pay and call back guarantees appeared to be reasonably accurate, our testing of various payroll transactions identified several weaknesses. Specifically, we found that supporting payroll documentation was not always completed or maintained for the payroll transactions that we tested at one Department. In addition, another Department did not compensate a non-represented employee for overtime when it was worked.

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

May 16, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-07, Office of the Ombudsman, Anchorage Assembly** for your review. A brief summary of the report is presented below.

We have completed a performance audit of the Office of the Ombudsman as of December 31, 2010. Review of calendar year 2010 activities was supplemented with statistical data from the last five years. Specifically, we reviewed selected citizen complaints in CityView to determine if the complaints were properly documented, resolved, and the citizens were properly notified of the resolution. In addition, we determined if CityView was used effectively to document and manage citizen complaints. Finally, we reviewed the annual report of activities required under AMC 2.60.160 to be prepared by the Ombudsman.

Based on our review, we found that the Ombudsman's Office was not very efficient or well organized. For example, during the last five years, the number of unresolved cases increased significantly. In addition, our review of selected 2010 case files found that many did not have sufficient information in the hard copy case files and/or in CityView. We were also unable to find copies of any formal investigation reports completed by the Ombudsman's Office. Moreover, the Ombudsman's Office did not always prepare an annual report and did not ensure that the 2009 annual report was accurate. The Ombudsman's Office also did not have desk procedures to provide direction to staff on how to address the Ombudsman's Office's various activities. Finally, CityView lacked some basic reporting functions to readily provide management information to help manage citizen complaints.

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

July 11, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Amended Internal Audit Report 2011-08(A), Annual Municipal Procurement Card Review, Purchasing Department** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Municipal Procurement Card Program. The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2010, to December 31, 2010. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16 and Policy and Procedure 24-23.

Overall, employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. In addition, we noted that disallowed purchases have declined over the last several years. However, our review of Procurement Card transactions during 2010 revealed some instances of questionable or prohibited purchases. Examples of these purchases include food for employee lunch meetings, Christmas cards, parking tickets, business cards, and detailing of municipal vehicles. We have also noted that items such as cameras, tools, and mobile communication devices continue to be purchased year after year, sometimes in large quantities.

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

July 12, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-09, Kincaid Outdoor Center Cash Controls, Parks and Recreation Department** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Kincaid Outdoor Center Cash Controls. The objective of this audit was to determine if the Kincaid Outdoor Center had proper cash controls in place and if these controls were in compliance with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Our audit included a surprise cash count and a review of cash controls. In addition, we selected a sample of cash receipts and reviewed backup documentation for compliance and accuracy. Finally, we reviewed permit and class documentation to determine if the Kincaid Outdoor Center had properly accounted for revenue.

Based on our review, we determined that cash control procedures at the Kincaid Outdoor Center were generally satisfactory and revenue was properly accounted for. However, the safe key and combination were not properly secured and a \$100 change fund was short \$22.

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

September 13, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-10, Anchorage Senior Center, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Anchorage Senior Center. The objective of this audit was to determine whether Anchor-Age Center, Inc. has complied with the contract to operate the Anchorage Senior Center. Specifically, we determined whether Anchor-Age Center, Inc. provided reports and documents required by the contract; whether grant funds were spent only for grant purposes; and whether services and programs were provided as required by the contract.

Based on our review, we determined that Anchor-Age Center, Inc. has generally complied with the 2011 contract. However, the Quarterly Program Activity Report providing an update on the Anchorage Senior Center's goals and objectives was not always complete and accurate. In addition, Anchor-Age Center, Inc. did not maintain a current equipment and property inventory as required by the contract. Finally, Anchor-Age Center, Inc. hired three subcontractors without obtaining written approval from the Municipality.

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



September 13, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-11, Enhanced 911 Surcharge, Anchorage Police Department** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Enhanced 911 Surcharge. The objective of this audit was to determine whether the Enhanced 911 surcharge revenue was used for eligible expenses according to the Anchorage Municipal Code and the Alaska State Statutes. As part of this audit we reviewed Enhanced 911 expenses at both the Anchorage Police Department and the Anchorage Fire Department. We also compared expenses to revenue to determine whether the \$1.50 surcharge is appropriate.

Based on our review, we determined that Enhanced 911 surcharge revenue has not always been used to pay for eligible expenses. For example, some communication costs charged to the Enhanced 911 revenue may not be appropriate because they were not for the maintenance or operation of the Enhanced 911 system. In addition, Enhanced 911 revenue left over at year end was closed out to fund balance instead of reserved to cover allowable Enhanced 911 expenses. Finally, our audit revealed that the current \$1.50 surcharge may be excessive since revenue in each of the last four years has exceeded costs.

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

September 26, 2011

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 2011-12, Proximity Card Access Control System, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Proximity Card Access Control System at Anchorage Water and Wastewater Utility. The objective of this audit was to determine if the proximity card access control system adequately controlled facility access. Specifically, we selected and reviewed employees' and contractors' proximity card authorization forms and compared them to a card holder report generated by the proximity card access control system to determine if the cards were properly issued and managed in compliance with the policies and procedures. We also determined if Anchorage Water and Wastewater Utility had sufficient internal controls in place to prevent unauthorized use of the cards.

Based on our review, we determined that procedures used to issue and control the proximity cards required strengthening. Specifically, access privileges programmed for each proximity card did not always agree with the approved authorization form. Employee proximity cards were not always returned or deactivated upon termination of employment. Also, proximity cards issued to contractors were not always returned when projects were completed. Finally, there was a lack of supervisory and management oversight of the proximity card access control system and the proximity card policy and procedure could be improved.

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

November 29, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-13, Community Health Service Division Billing and Collection Follow-Up, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Community Health Service Division Billing and Collection Follow-Up. The objective of this audit was to conduct a follow-up audit to determine the effectiveness of corrective action taken by the Department of Health and Human Services on the deficiencies contained in Internal Audit Report 2010-08. Specifically, we reviewed billing and collection procedures, reviewed selected accounts receivable, examined Explanation of Benefits forms, and evaluated internal controls over client billing and payment collection.

Based on our review, we determined that management action taken in response to the 2010 audit significantly improved the majority of the issues identified. Our follow-up audit revealed that action taken by Department of Health and Human Services personnel has corrected five of the nine deficiencies. However, we found that further management action is still required to improve follow-up of aged billings, the use of collection agencies for unpaid bills, segregation of duties and documentation of client income for determining charges for clinic services.

Management was generally responsive to the follow-up findings and recommendations.

November 30, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-14, Chugiak-Eagle River Senior Center, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Chugiak-Eagle River Senior Center. The objective of this audit was to determine whether Chugiak Senior Citizens, Inc. has complied with the contract to operate the Chugiak-Eagle River Center. Specifically, we determined whether Chugiak Senior Citizens, Inc. provided reports and documents required by the contract; whether grant funds were spent only for grant purposes; and whether Chugiak Senior Citizens, Inc. has provided services and programs required by the contract.

Based on our review, we determined that Chugiak Senior Citizens, Inc. has generally complied with the current contract. However, Chugiak Senior Citizens, Inc. did not submit an annual operating budget to the Contract Administrator for approval by January 30<sup>th</sup> of each year. In addition, Chugiak Senior Citizens, Inc. did not maintain a current equipment and property inventory as required by the contract. Moreover, Chugiak Senior Citizens, Inc. hired a subcontractor without obtaining written approval from the Contract Administrator. Also, Chugiak Senior Citizens, Inc.'s procedure for the selection of a subcontractor did not cover indemnity. Finally, Chugiak Senior Citizens, Inc. did not pay the required first \$1,000 for a major repair that exceeded \$1,000.

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

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**EXECUTIVE SUMMARIES FROM**

**2011 SUNSET AUDIT REPORTS**

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August 15, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2011-S1, Watershed and Natural Resources Advisory Commission, Community Development Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Watershed and Natural Resources Advisory Commission.

The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Watershed and Natural Resources Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

The Watershed and Natural Resources Advisory Commission will sunset on October 14, 2011 unless reauthorized by the Assembly.

August 15, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2011-S2, South Central Clean Air Authority Commission, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the South Central Clean Air Authority Commission.

The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the South Central Clean Air Authority Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

The South Central Clean Air Authority Commission will sunset on October 14, 2011 unless reauthorized by the Assembly.

August 15, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2011-S3, Mountain View Community Recreation Center Advisory Commission, Parks and Recreation Department**, for your review.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Mountain View Community Recreation Center Advisory Commission.

The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Mountain View Community Recreation Center Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

The Mountain View Community Recreation Center Advisory Commission will sunset on October 14, 2011 unless reauthorized by the Assembly.



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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))”