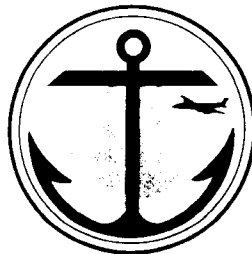

INTERNAL AUDIT DEPARTMENT

2012 ANNUAL REPORT

January 15, 2013

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



INTERNAL AUDIT DEPARTMENT
Peter Raiskums, CIA, CFE, CGFM
Director
Phone: (907) 343-4438
Fax: (907) 343-4370
E-Mail: raiskumspw@muni.org

Internal Audit Department

2012 Annual Report

TABLE OF CONTENTS

Director's Letter	2
Introduction.....	3 - 6
Index of 2012 Audit Reports.....	7 - 8
Index of 2012 Sunset Audit Reports.....	9 - 10
Index of 2012 Special Projects	11 - 12
Executive Summaries from 2012 Audit Reports	13 - 25
Executive Summaries from 2012 Sunset Audit Reports.....	26 - 37
Anchorage Municipal Code 3.20	38 - 42

MUNICIPALITY OF ANCHORAGE



Internal Audit Department
632 W. 6th Ave., Suite 600

Phone: 907-343-4438
Fax: 907-343-4370

Mayor Dan Sullivan

January 15, 2013

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2012 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2012 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 2012, the Internal Audit Department issued 11 audit reports, 11 sunset audit reports and performed 5 special projects.



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

INTRODUCTION

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 and recommendations and management's responses.

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 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
3. Internal Audit Department Website: http://www.muni.org/departments/internal_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 47 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 28 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.

INDEX OF 2012 AUDIT REPORTS

2012 AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/05/12	2011 Annual Report	
2012-01	02/09/12	National Pollution Discharge Elimination System Permit	Anchorage Water and Wastewater Utility
2012-02	03/08/12	2011 Parts, Tires and Lubricants Inventory	Public Works
2012-03	03/08/12	2011 Parts, Fuel and Lubricants Inventory	Public Transportation
2012-04	04/18/12	Uniform and Entry Way Mat Rental Contract	Anchorage Water and Wastewater Utility
2012-05	05/10/12	Bradley Lake Hydroelectric Project	Municipal Light and Power
2012-06	06/19/12	Incentive Pay Plans	Employee Relations
2012-07	06/19/12	Police and Fire Retiree Medical Trust Two-Year Review	Employee Relations
2012-08	09/13/12	Annual Municipal Procurement Card Review	Purchasing
2012-09	10/29/12	Environment Services Division Cash Controls	Health and Human Services
2012-10	12/20/12	Real Property Exemptions	Finance
2012-11	12/28/12	Customer Service Division Refund Controls	Anchorage Water and Wastewater Utility

INDEX OF 2012 SUNSET AUDIT REPORTS

2012 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2012-S1	08/15/12	Anchorage Community Diversity Advisory Commission	Employee Relations
2012-S2	08/15/12	Americans With Disabilities Act Advisory Commission	Health and Human Services
2012-S3	08/15/12	Municipal Health and Human Services Commission	Health and Human Services
2012-S4	08/15/12	Senior Citizens Advisory Commission	Health and Human Services
2012-S5	08/15/12	Youth Advisory Commission	Parks and Recreation
2012-S6	08/15/12	Heritage Land Bank Advisory Commission	Heritage Land Bank
2012-S7	08/15/12	Municipal Airports Aviation Advisory Commission	Merrill Field Airport
2012-S8	08/15/12	Port Commission	Port of Anchorage
2012-S9	08/15/12	Library Advisory Board	Anchorage Public Library
2012-S10	08/15/12	Public Transit Advisory Board	Public Transportation
2012-S11	08/15/12	Board of Building Regulation Examiners and Appeals	Community Development

INDEX OF 2012 SPECIAL PROJECTS

2012 SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
02/07/12	Purchasing/Warehouse Department	Anchorage School District
05/17/12	Emission Program – Records Destruction	Administration
05/29/12	2011 Procurement Card Rebate	Administration
9/13/12	Performance Measures	Administration
9/26/12	2011 Municipal Travel	Administration

EXECUTIVE SUMMARIES FROM

2012 AUDIT REPORTS

February 9, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-01, National Pollution Discharge Elimination System Permit, 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 National Pollution Discharge Elimination System Permit. The objective of this audit was to determine if there were sufficient internal controls to ensure the accuracy of reported data. Specifically, we selectively traced data from the monthly 2011 Discharge Monitoring Reports and the 2010 Annual Report to source documents to validate the reported quantities. In addition, we reviewed the Monitoring Program Plan and the Operation and Maintenance Plan to determine if Anchorage Water and Wastewater Utility complied with monitoring and reporting requirements.

Based on our review, we determined that Anchorage Water and Wastewater Utility's internal controls were generally sufficient to ensure compliance with the Permit's monitoring, recording, and reporting requirements. However, we found that procedures controlling Anchorage Water and Wastewater Utility's monitoring reports and Kinnetic Laboratories, Inc. supplied data did not always detect errors and omissions. Specifically, required monitoring activities were not always performed, data provided by Anchorage Water and Wastewater Utility did not always match supporting documents, and some supporting documents lacked required information. Finally, data provided by Kinnetic Laboratories, Inc. did not always match supporting documents.

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

March 8, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2012-02; 2011 Parts, Tires and Lubricants Inventory; Fleet Maintenance Section; Maintenance and Operations Division; Public Works Department**. A brief summary of the report is presented below.

In accordance with the 2011 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 \$355,751.84. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$13,036.76 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 8, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2012-03; 2011 Parts, Fuel and Lubricants Inventory; Public Transportation Department**. A brief summary of the report is presented below.

In accordance with the 2011 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 \$612,494.78. A net adjustment of \$1,976.80 was made to decrease PeopleSoft financial records to bring them in agreement with the physical count. The fuel and lubricants physical inventory resulted in a final valuation of \$186,062.64.

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

April 18, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-04, Uniform and Entry Way Mat Rental Contract, 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 uniform and mat rental contract. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility had proper internal controls over reviewing, authorizing, and issuing payment for uniform contract services. Specifically, we judgmentally selected a sample of paid invoices to determine whether the charges on the invoices for uniforms and entry way mats complied with the contract. We also reviewed the invoices to determine whether the types and quantities of uniforms currently issued to Anchorage Water and Wastewater Utility employees appeared reasonable. Finally, we interviewed appropriate Anchorage Water and Wastewater Utility staff to determine whether Anchorage Water and Wastewater Utility had an internal inventory system to track uniforms to ensure that Anchorage Water and Wastewater Utility only paid for uniforms actually provided by the Contractor, and retrieved issued uniforms from employees when they were terminated or transferred.

Based on our review, we determined that internal controls over reviewing, authorizing, and issuing payment for uniform contract services required strengthening. Specifically, the mandatory inventory was not conducted. In addition, the amounts billed by the Contractor and paid by Anchorage Water and Wastewater Utility for missing uniforms appeared excessive. Anchorage Water and Wastewater Utility also paid for uniforms that were not provided and the Contractor billed Anchorage Water and Wastewater Utility for entry way mats at a rate higher than the contract rate. Furthermore, the number of uniforms issued to some Anchorage Water and Wastewater Utility employees appeared to be excessive and the number and types of uniforms issued to Anchorage Water and Wastewater Utility employees

were inconsistent. Also, Anchorage Water and Wastewater Utility did not maintain their own inventory records to track the quantity and type of uniforms issued to employees. Finally, Anchorage Water and Wastewater Utility's termination checklist did not include issued clothing to ensure employees returned uniforms when employment terminated or they transferred to another plant location.

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

May 10, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-05, Bradley Lake Hydroelectric Project, Municipal Light and Power** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the Bradley Lake Hydroelectric Project. The objective of this audit was to determine whether the charges by Homer Electric Association during calendar year 2011 for the operation and maintenance of the Project were in compliance with the applicable agreements. Specifically, we reviewed all charges to Alaska Energy Authority by Homer Electric Association from January 1, 2011, to December 31, 2011.

Based on our review, the operation and maintenance expenditures made by Homer Electric Association in calendar year 2011 to the Project were in compliance with the applicable agreements.

There were no findings in connection with this audit.

June 19, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-06, Incentive Pay Plans, Employee Relations** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the Incentive Pay Plans. The objective of this audit was to determine if the various Programs were properly managed, monitored, and supported by appropriate documentation. Specifically, we reviewed documentation to determine whether Program requirements were successfully completed, including enrollment timeliness, safety meeting attendance, and quarterly reviews.

Based on our review, the Anchorage Police and Fire Departments properly administered and monitored their respective Performance Pay Incentive Programs ensuring that all employees satisfactorily met all requirements before receiving the appropriate pay increase. In addition, participants in Local 71's Performance Step Program generally complied with program requirements. However, Employee Relations had not ensured that the various performance incentive programs at the other Departments were managed and monitored according to the contracts. Specifically, we found that most Departments did not effectively manage and monitor the incentive Programs.

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

June 19, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-07, Police and Fire Retiree Medical Trust Two-Year Review, Employee Relations Department** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Trust. The objective of this audit was to perform the second two-year review of the administrative costs and enrollment and payment records for members purchasing health insurance through the Municipality as required by Anchorage Municipal Code 3.87.070.B. Specifically, we evaluated trust administration costs incurred in 2011 and reviewed enrollment and payment records.

Based on our review, we determined that, overall Police and Fire Retiree Medical Trust operations complied with Anchorage Municipal Code 3.87. Specifically, enrollment and payment records were found to be accurate for members purchasing health insurance through the Municipality. In addition, administrative costs charged to Fund 713: Police and Fire Retirees Medical Administration in 2011 appeared reasonable. A schedule of the administrative costs is provided in the Appendix. We did find that some Police and Fire Retiree Medical Trust exemptions in Anchorage Municipal Code may require further review and the organizational placement of the professional administrative generalist needs to be clarified.

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

September 13, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-08, Annual Municipal Procurement Card Review, Purchasing Department** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the 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, 2011, to December 31, 2011. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16 and Policy and Procedure 24-23.

Based on our review, we determined that, overall most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, our review of Procurement Card transactions during 2011 revealed some instances of questionable or prohibited purchases. Examples of these purchases include food for employee lunch meetings, microwave ovens, a four burner gas barbeque grill, a park rental for an employee picnic, picture frames, parking tickets, business cards, gasoline, and an AARP membership. We also noted that items such as cameras, tools, and mobile communication services and devices continue to be purchased year after year, sometimes in large quantities. In addition, some transactions were split to circumvent the \$2,500 single transaction limit. Finally, the purchase of food items for board and commission meetings is unclear and authority to approve Procurement Card transactions was not always properly carried out or configured in the Procurement Card system.

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

October 29, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-09, Environmental Services Division Cash Controls, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the Environmental Services Division Cash Controls. The objective of this audit was to determine whether the Environmental Services Division had proper cash control procedures in place, and if these controls were in compliance 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 reviewed cashier daily summary reports for completeness.

Based on our review, we determined that Environmental Services Division's cash controls could be improved. Specifically, supervisors did not perform unscheduled cash/check counts and reconciliations, unused change and petty cash funds were not returned to the Treasury Division, and cash register keys were kept in an unlocked drawer and were not secured. Finally, noise permit fees were not always collected.

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

December 20, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-10, Real Property Exemptions, Property Appraisal Division, Finance Department** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of Real Property Exemptions maintained by the Property Appraisal Division. The objective of this audit was to determine if real estate property tax exemptions were properly administered. Our audit included reviewing files for documentation to support the exemption and testing selected exemptions for compliance with statutory requirements. Our audit did not include Residential, Senior Citizens, and Disabled Veteran Property Tax Exemption Programs.

Overall, the majority of exemptions granted by the Property Appraisal Division were properly administered. However, the administration of some of the exemptions could be improved. Specifically, we found that the Property Appraisal Division did not perform annual reviews of all exemptions and exemption files did not always contain sufficient documentation to support the decision to grant an exemption. Finally, the approvals for late filings did not comply with Anchorage Municipal Code.

There were three findings in connection with this audit. Management was partially responsive to one of the findings and recommendations and unresponsive to the other two.

December 28, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-11, Customer Service Division Refund Controls, Anchorage Water and Wastewater Utility** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of Customer Service Division Refund Controls. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility had proper internal controls in place over refunds. Specifically, we selected and reviewed refund checks issued and deposits released and applied to customers' accounts to determine if the refunds were justified, the refund amounts were correct, and the refunds were issued in a timely manner in compliance with Tariffs No.122 and 126. In addition, we also determined if unclaimed deposits were properly processed and sent to the State of Alaska in compliance with Tariffs No.122 and 126. Finally, we reviewed Anchorage Water and Wastewater Utility's controls over check stock and signature stamps.

Internal controls over refunds were generally adequate. However, we found that hydrant meter deposits were not issued in a timely manner and Anchorage Water and Wastewater Utility Policy and Procedure 31-4, *Customer Information System Refunds*, does not agree with Tariffs No. 122 and 126 regarding refunds. In addition, interest amounts accrued on customers' deposits were not always paid correctly.

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

EXECUTIVE SUMMARIES FROM

2012 SUNSET AUDIT REPORTS

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S1, Anchorage Community Diversity Advisory Commission, Employee Relations 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 Anchorage Community Diversity Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Anchorage Community Diversity Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Anchorage Community Diversity Advisory Commission be allowed to sunset and not be reauthorized.

The Anchorage Community Diversity Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S2, Americans With Disabilities Act Advisory 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 Americans With Disabilities Act Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Americans With Disabilities Act Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Americans With Disability Advisory Commission be reauthorized.

The Americans With Disabilities Act Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S3, Municipal Health and Human Services 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 Municipal Health and Human Services Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Health and Human Services Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Municipal Health and Human Services Commission be reauthorized.

The Municipal Health and Human Services Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S4, Senior Citizens Advisory 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 Senior Citizens Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Senior Citizens Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Senior Citizens Advisory Commission be reauthorized.

The Senior Citizens Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S5, Youth Advisory Commission, Parks and Recreation 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 Youth Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Youth Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Youth Advisory Commission be allowed to sunset and not be reauthorized.

The Youth Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S6, Heritage Land Bank Advisory Commission, Heritage Land Bank**, 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 Heritage Land Bank Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Heritage Land Bank Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Heritage Land Bank Advisory Commission be reauthorized.

The Heritage Land Bank Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S7, Municipal Airports Aviation Advisory Commission, Merrill Field Airport**, 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 Municipal Airports Aviation Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Airports Aviation Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Municipal Airports Aviation Advisory Commission be reauthorized.

The Municipal Airports Aviation Advisory Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S8, Port Commission, Port of Anchorage** 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 Port Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Port Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Port Commission be reauthorized.

The Port Commission will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S9, Library Advisory Board, Anchorage Public Library** 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 Library Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Library Advisory Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Library Advisory Board be reauthorized.

The Library Advisory Board will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S10, Public Transit Advisory Board, Public Transportation 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 Public Transit Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Public Transit Advisory Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Public Transit Advisory Board be reauthorized.

The Public Transit Advisory Board will sunset on October 14, 2012 unless reauthorized by the Assembly.

August 15, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2012-S11, Board of Building Regulation Examiners and Appeals, 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 Board of Building Regulation Examiners and Appeals. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Board of Building Regulation Examiners and Appeals should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions and attendance records, we recommend that the Board of Building Regulation Examiners and Appeals be reauthorized.

The Board of Building Regulation Examiners and Appeals will sunset on October 14, 2012 unless reauthorized by the Assembly.

ANCHORAGE MUNICIPAL CODE 3.20

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))”