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# INTERNAL AUDIT DEPARTMENT

## 2013 ANNUAL REPORT

January 9, 2014

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MUNICIPALITY OF ANCHORAGE  
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INTERNAL AUDIT DEPARTMENT  
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# Internal Audit Department

## 2013 Annual Report

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January 9, 2014

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2013 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2013 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 2013, the Internal Audit Department issued 9 Municipal audit reports, 2 Anchorage School District audit reports, 6 sunset audit reports and performed 24 Municipal special projects and 2 Anchorage School District special projects.

A handwritten signature in black ink, appearing to read "Peter Raiskums". The signature is fluid and cursive, with a long horizontal stroke at the end.

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 BDO USA, LLP 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

In addition, audits of the Anchorage School District are requested and authorized by the Anchorage School Board Budget and Audit Committee.

## **DISTRIBUTION OF AUDIT REPORTS**

Municipal audit reports are distributed to the Mayor, each Municipal Assembly Member, and other appropriate Municipal personnel. Anchorage School District audit reports are distributed to the Anchorage School District.

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/departments/internal\\_audit](http://www.muni.org/departments/internal_audit)

## **STAFFING OF THE INTERNAL AUDIT DEPARTMENT**

Current staff members are:

Peter Raiskums, Director  
Michael Chadwick, Principal Auditor  
Scott Lee, Senior Auditor  
Rasa Kazaitis, Senior Auditor  
Brenda Peña, Anchorage School District Auditor  
Chris Moore, Audit Technician

The current department Director provides the Municipality with more than 49 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 33 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Public Accountant (CPA), 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 2013 MUNICIPAL AUDIT REPORTS**

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## 2013 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/15/13	2012 Annual Report	
2013-01	01/31/13	Information Technology Business Continuity Plan Follow-UP	Information Technology
2013-02	02/14/13	Workers' Compensation Claims Processing Contract Compliance	Risk Management
2013-03	02/28/13	South Central Alaska Power Project	Municipal Light and Power
2013-04	03/19/13	2012 Parts, Fuel and Lubricants Inventory	Public Transportation
2013-05	04/16/13	Community Health Services Division Billing and Collection Follow-up	Health and Human Services
2013-06	08/05/13	Customer Service Division Cash Controls	Anchorage Water and Wastewater Utility
2013-07	09/12/13	Business Personal Property Tax	Finance
2013-08	11/21/13	Chugiak Volunteer Fire Department – Fiscal Internal Controls	Anchorage Fire Department
2013-09	12/23/13	Customer Information System	Municipal Light and Power

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## **INDEX OF 2013 SCHOOL DISTRICT AUDIT REPORTS**

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## 2013 SCHOOL DISTRICT AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>REPORT NAME</b>
ASD 2013-01	06/03/2013	Addenda
ASD 2013-02	11/27/2013	Cash Controls

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## **INDEX OF 2013 SUNSET AUDIT REPORTS**

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## 2013 SUNSET AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>COMMISSION/BOARD</b>	<b>DEPARTMENT</b>
2013-S1	08/15/13	Urban Design Commission	Community Development
2013-S2	08/15/13	On-Site Wastewater System Technical Review Board	Community Development
2013-S3	08/15/13	Anchorage Community Development Authority Board of Directors	Anchorage Community Development Authority
2013-S4	08/15/13	Bidding Review Board	Purchasing
2013-S5	08/15/13	Arts Advisory Commission	Mayor
2013-S6	08/15/13	Municipal Women's Commission	Health and Human Services

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## **INDEX OF 2013 MUNICIPAL SPECIAL PROJECTS**

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## 2013 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/04/13	Teamsters Local 959 Contract Wage Reopener Cost Validation	Assembly
01/18/13	Federation of Community Councils, Inc	Assembly
05/03/13	Plumbers and Pipefitters Local 367 Collective Bargaining Agreement	Assembly
06/06/13	2012 Procurement Card Rebate	Administration
06/25/13	Police and Fire (Gentile) Health Benefit Payments	Administration
08/27/13	Average Factored Rate by Union as of 8/26/2013	Administration
08/29/13	Summary of Total Estimated Cost of IBEW- Mechanics Contract Changes	Administration
09/04/13	TeleStaff / Kronos / PeopleSoft Time Entry Reconciliation	Administration
09/13/13	Summary of Total Estimated Cost of Local 302 – Operating Engineers	Administration
09/13/13	Summary of Total Estimated Cost of Local 71	Administration
09/16/13	Summary of Total Estimated Cost of IBEW-Mechanics	Administration
09/25/13	Summary of Total Estimated Cost of Plumbers	Administration
09/26/13	Summary of Total Estimated Cost of IBEW	Administration
10/16/13	Summary of Total Estimated Cost of Teamsters	Administration
10/16/13	Summary of Total Estimated Cost of AMEA	Administration
10/21/13	Assistance to the Municipal Attorney's Office	Administration
10/30/13	Teamsters 2014 Estimated Health Cost Increase	Administration
10/30/13	Updated Summary of Total Estimated Cost of AMEA	Administration

**2013 MUNICIPAL SPECIAL PROJECTS**  
**(continued)**

<b>DATE</b>	<b>SUBJECT</b>	<b>RECIPIENT</b>
11/27/13	2012 Municipal Travel	Assembly
12/02/13	Plumbers and Pipefitters, Local 367 Letter of Agreement Cost Computations	Assembly
12/02/13	Teamsters Letter of Agreement Cost Computations	Assembly
12/02/13	IBEW – Mechanics Contract Cost Computations	Assembly
12/03/13	Public Employees, Local 71 Contract Cost Computations	Assembly
12/03/13	AMEA Letter of Agreement Cost Computations	Assembly



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**INDEX OF 2013**

**SCHOOL DISTRICT SPECIAL PROJECTS**

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## 2013 SCHOOL DISTRICT SPECIAL PROJECTS

<b>DATE</b>	<b>SUBJECT</b>
10/08/13	Student Registration Cash Controls
11/20/13	Average Weekly Hours for Special Activity Agreements

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**EXECUTIVE SUMMARIES FROM**

**2013 AUDIT REPORTS**

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January 31, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-01, Information Technology Business Continuity Plan Follow-Up, Information Technology Department** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed a follow-up audit of the Information Technology Business Continuity Plan. The objective of this audit was to conduct a follow-up audit to determine the effectiveness of corrective actions taken by the Information Technology Department on the deficiencies contained in Internal Audit Report 2009-08. Specifically, we determined whether the Information Technology Department had developed a business continuity/disaster recovery plan.

Based on our review, we determined that management action taken in response to the 2009 audit did not fully correct the findings. Our follow-up audit revealed that action taken by Information Technology Department personnel had corrected one of the two deficiencies. However, we found that the Information Technology Department still had not developed a business continuity plan to facilitate the recovery of business operations in case of a disaster.

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

February 14, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-02, Workers' Compensation Claims Processing Contract Compliance, Risk Management 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 workers' compensation claims processing contract. The objective of this audit was to determine whether Carl Warren & Company complied with the contract requirements for claim adjusting services. Specifically, we selected a total of 40 worker's compensation claims and reviewed the claim files for contract compliance. We also selected five older workers' compensation claims to determine why they were still open. In addition, we reviewed the resumes and licenses for Carl Warren & Company staff working on Municipal claims to ensure they had the required work experience and were licensed with the State of Alaska. Moreover, we tested if Carl Warren & Company submitted the required reports and made timely payments on claims in accordance with Alaska Statutes. Finally, we followed up on prior audit findings contained in Internal Audit Report 2007-10.

Based on our review, we determined that, overall, claims were actively managed by Carl Warren & Company, claims appeared to be subrogated when appropriate and files contained detailed claim notes and plans of action to bring claims to a timely conclusion. For the five older claims we reviewed, we found they were still open because workers' compensation payments were still being made. However, Carl Warren & Company did not always establish initial reserves in a timely manner. In addition, Carl Warren & Company did not always contact the employee, employer, and medical facility when a claim was received. Moreover, Carl Warren & Company did not always make diary entries. Finally, recorded interviews were not always performed and employee position descriptions were not always provided to treating physicians.

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

February 28, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-03, South Central Alaska Power Project, Municipal Light & 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 South Central Alaska Power Project. The objective of this audit was to determine whether charges to Municipal Light & Power for the development and construction of the South Central Alaska Power Project were in compliance with the terms of the Participation Agreement. We also analyzed Chugach Electric Association, Inc.'s overhead calculation to determine if it was in accordance with the Participation Agreement.

Based on our review and analysis, we determined that the charges Chugach Electric Association, Inc. billed to Municipal Light & Power for the development and construction of the South Central Alaska Power Project and overhead calculation complied with the terms of the Participation Agreement. During our review we found several minor discrepancies. None of these discrepancies had a material effect on the charges by Chugach Electric Association, Inc.

There were no findings in connection with this audit.

March 19, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2013-04; 2012 Parts, Fuel and Lubricants Inventory; Public Transportation Department**. A brief summary of the report is presented below.

In accordance with the 2012 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 physical parts inventory resulted in a final valuation of \$744,374.61. A net adjustment of \$25,192.94 was made to increase the PeopleSoft records to bring them in agreement with the physical count. The fuel inventory resulted in a final valuation of \$108,631.53. An adjustment of \$39,002.41 was made to increase the PeopleSoft records to bring them in agreement with the physical inventory. The lubricants inventory resulted in a final valuation of \$97,289.22. An adjustment of \$19,144.30 was made to decrease the PeopleSoft records to bring them in agreement with the physical inventory.

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

April 16, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2013-05; Community Health Services Division Billing and Collection Follow-up; Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed a follow-up audit of the Community Health Services Division Billing and Collection. The objective of this audit was to determine the effectiveness of corrective action taken by the Department of Health and Human Services on the deficiencies contained in Internal Audit Report 2011-13. Specifically, we reviewed billing and collection procedures, reviewed accounts receivable reports, and evaluated internal controls over client billing and payment collection during the year 2012.

Based on our observation, it is our opinion management action corrected the majority of the issues identified in Internal Audit Report 2011-13. Our follow-up audit revealed that action taken by Department of Health and Human Services personnel corrected three of the four deficiencies. However, unpaid client bills were still not being sent to collection agencies.

Management was responsive to the follow-up finding and recommendation.



August 5, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-06, Customer Service Division Cash Controls, Anchorage Water and Wastewater Utility** for your review. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of Customer Service Division Cash Controls. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility 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*. To accomplish our objective, we performed a surprise cash count, verified that deposits were made timely, and reviewed Cashier Daily Summary Reports for completeness.

Internal controls over cash were generally adequate. Deposits were made timely and Cashier Daily Summary Reports were generally accurate. However, none of Anchorage Water and Wastewater Utility's cashiers and supervisors had received mandatory training in the last several years. In addition, we found that Anchorage Water and Wastewater Utility staff did not report the reportable cash overages and shortages to the Internal Audit Department and the Treasury Division.

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

September 12, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-07, Business Personal Property Tax, Property Appraisal Division, Finance Department** for your review. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of Business Personal Property Tax, Property Appraisal Division. The objective of this audit was to determine if business personal property returns were properly processed, audited, and if taxable businesses were identified and assessed. Specifically, we reviewed the Property Appraisal Division's audit function and determined if the discovery methodology was adequate to ensure that all taxable personal properties were discovered and included in the tax rolls. We selected a sample of businesses to determine if tax returns were timely filed and if late filing penalties were properly applied, if applicable. Furthermore, we reviewed and determined if exemptions granted to business personal property complied with statutory requirements. We also reviewed the Property Appraisal Division's policy and procedures manual to determine if staff complied with the procedures. Finally, we reviewed Property Appraisal Division's training records to determine if staff received adequate training specific to processing, valuing, and auditing business personal property tax returns. This audit did not include mobile homes.

Generally, training appeared to be adequate; however, the processing and auditing of business personal property tax returns as well as the identification and assessment of taxable businesses need improvement. Specifically, Property Appraisal Division's audit function was based on cursory reviews instead of audits substantiated by appropriate documentation to support findings and adjustments. Adjustments were not always properly approved and adjustments to business property values were not always properly supported. In addition, businesses with a mailing address outside of Anchorage were excluded from the discovery process. Furthermore, small businesses with an original assessed value under \$20,000 were not always reevaluated to determine if they were still exempt from taxation. Finally, the Business Personal Property Assessment Return form used by businesses to submit the required personal property data was confusing and Anchorage Municipal Code did not authorize personal property exemptions for a community purpose.

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

November 21, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-08, Chugiak Volunteer Fire Department – Fiscal Internal Controls, Anchorage Fire Department** for your review. A brief summary of the report is presented below.

At the request of the Municipal Audit Committee, we have completed an audit of the Chugiak Volunteer Fire Department fiscal internal controls. The objective of this audit was to determine whether Chugiak Volunteer Fire and Rescue Company, Incorporated, had proper fiscal internal controls. Specifically, we reviewed 2013 expenditures to determine if they were valid, supported by invoices from valid merchants, and were properly approved. In addition, we determined if the duties of check writing, approval, reconciliation and approval were properly segregated.

Fiscal controls at the Chugiak Volunteer Fire and Rescue Company required strengthening. Specifically, there was a lack of segregation of duties between purchasing, paying, reconciling and approving activities. We also found that bank and credit card statements were not reconciled in a timely manner. Debit and credit card transaction were not reviewed and approved by the Board of Supervisors. Credit card statements were not paid timely resulting in finance charges and late payment fees. Finally, the check authorization policy was not always followed.

There were six findings resulting from this audit. Management was responsive to the findings and recommendations.

December 23, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-09, Customer Information System, Municipal Light and Power** for your review. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of the Customer Information System used by Municipal Light and Power. The objective of this audit was to determine whether Municipal Light and Power had proper procedures and controls to ensure that customers were properly billed and accounts receivable were properly collected and deposited. Specifically, we selected and reviewed monthly statements to determine if billing categories and rates complied with the Municipal Light and Power Tariff. We reviewed whether customers receiving services were properly billed. In addition, we selected and reviewed aged accounts receivable to determine whether appropriate collection actions were taken. We also reviewed whether Municipal Light and Power handled customer deposits in compliance with the Municipal Light and Power Tariff.

Overall, Municipal Light and Power had good procedures and controls to ensure that customers were accurately billed and accounts receivable were properly collected and deposited. However, the customer deposit requirement did not comply with the Municipal Light and Power Tariff.

There was one finding resulting from this audit. Management was responsive to the finding and recommendation.

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

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**EXECUTIVE SUMMARIES FROM**

**2013 SCHOOL DISTRICT AUDIT REPORTS**

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June 3, 2013

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2013-01, Addenda, Anchorage School District** for your review. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Addenda. The objective of this audit was to determine if addenda payments were consistently and properly administered throughout the District. We also determined whether grant funded addenda payments and work complied with the scope of the grants. To achieve our objective we conducted site visits and interviewed District staff. In addition, we randomly selected 80 addenda from 48 schools and departments and examined supporting documents that were used to initiate the addenda transaction. Finally, we judgmentally selected addenda to review consistency in payment amounts. The scope of our review was addenda transactions processed during the 2011-12 school year.

Based on our review, we found that although grant funded addenda payments and work complied with the scope of the grants, addenda payments were not always consistently and properly administered throughout the District. Specifically, there were no written policies or procedures for establishing, initiating, and documenting addenda. In addition, addenda payments could not always be verified or were not correct and addenda payments for similar duties were sometimes paid at different rates. Moreover, IFAS passwords were shared among staff. Finally, IFAS did not have complete or readily available information regarding addenda activities.

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

November 27, 2013

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2013-02, Cash Controls, Anchorage School District** for your review. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Cash Controls. The objective of this audit was to determine the adequacy of controls over funds collected for student activities and school fees, and whether receipts were properly recorded in the financial systems. To achieve our objective we conducted surprise cash counts at 12 judgmentally selected schools and interviewed District staff. In addition, we judgmentally selected cash receipt transactions and deposit packets from each selected school to determine if cash sources were documented and accounted for properly. The scope of our review consisted of cash receipt transactions processed during the 2012-13 school year for the 12 selected schools, and did not include student nutrition money or online payments.

Based on our review, we found cash controls at the District need improvement. Our review revealed that teachers and cash handlers did not always provide receipts to students or parents upon payment for various fees. In addition, cash handling procedures did not always comply with the requirements of the IFAS (Integrated Financial and Administrative Solution) Cash Handling User Guide and the Student Activity Funds Accounting Manual and manual receipts were not always accounted for properly. Moreover, it appeared that cash was not always deposited timely and exceeded the daily on hand limit of \$1,500, and cash handling duties were not always segregated. Finally, decentralized checking accounts used by some schools may not be needed, transactions for identical items were sometimes entered in both the IFAS system and in AA Pro (Datateam Activities Accounting Pro), and an incorrect parking permit fee was used in the student handbook.

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

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**EXECUTIVE SUMMARIES FROM**

**2013 SUNSET AUDIT REPORTS**

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August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S1, Urban Design 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 Urban Design Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Urban Design 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 Urban Design Commission be reauthorized.

The Urban Design Commission will sunset on October 14, 2013 unless reauthorized by the Assembly.

August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S2, On-Site Wastewater System Technical Review Board, 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 On-Site Wastewater System Technical Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the On-Site Wastewater System Technical Review 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 On-Site Wastewater System Technical Review Board be reauthorized.

The On-Site Wastewater System Technical Review Board will sunset on October 14, 2013 unless reauthorized by the Assembly.

August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S3, Anchorage Community Development Authority Board of Directors, Anchorage Community Development Authority**, 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 Development Authority Board of Directors. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Anchorage Community Development Authority Board of Directors 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 Development Authority Board of Directors be reauthorized.

The Anchorage Community Development Authority Board of Directors will sunset on October 14, 2013 unless reauthorized by the Assembly.

August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S4, Bidding Review Board, Purchasing 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 Bidding Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Bidding Review 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 Bidding Review Board be reauthorized.

The Bidding Review Board will sunset on October 14, 2013 unless reauthorized by the Assembly.

August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S5, Arts Advisory Commission, Mayor's Office**, 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 Arts Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Arts 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 Arts Advisory Commission be allowed to sunset and not be reauthorized.

The Arts Advisory Commission will sunset on October 14, 2013 unless reauthorized by the Assembly.

August 15, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2013-S6, Municipal Women's 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 Women's Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Women's 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 Women's Commission be allowed to sunset and not be reauthorized.

The Municipal Women's Commission will sunset on October 14, 2013 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))”