
INTERNAL AUDIT DEPARTMENT

2014 ANNUAL REPORT

January 9, 2015

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
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INTERNAL AUDIT DEPARTMENT
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Internal Audit Department
2014 Annual Report

TABLE OF CONTENTS

Director's Letter	2
Introduction.....	3 - 6
Index of 2014 Municipal Audit Reports.....	7 - 8
Index of 2014 School District Audit Reports	9 - 10
Index of 2014 Sunset Audit Reports.....	11 - 12
Index of 2014 Municipal Special Projects.....	13 - 14
Index of 2014 School District Special Projects	13 - 16
Executive Summaries From 2014 Municipal Audit Reports.....	13 - 24
Executive Summaries From 2014 School District Reports	13 - 28
Executive Summaries From 2014 Sunset Reports.....	13 - 32
Anchorage Municipal Code 3.20	13 - 37

MUNICIPALITY OF ANCHORAGE



Internal Audit Department
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Mayor Dan Sullivan

January 9, 2015

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2014 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2014 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 2014, the Internal Audit Department issued 7 Municipal audit reports, 3 Anchorage School District audit reports, 3 sunset audit reports and performed 13 Municipal special projects and 3 Anchorage School District 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 Municipal 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
3. Internal Audit Department Website: 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 50 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 37 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.

INDEX OF 2014 MUNICIPAL AUDIT REPORTS

2014 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/09/14	2013 Annual Report	
2014-01	03/04/14	2013 Parts, Fuel and Lubricants Inventory	Public Transportation
2014-02	04/03/14	Accounts Payable	Finance
2014-03	04/10/14	Fuel Revenue	Port
2014-04	04/29/14	Work Orders	Public Works
2014-05	06/09/14	Annual Municipal Procurement Card Review	Purchasing
2014-06	09/04/14	Levy Upon Connection Assessment	Anchorage Water and Wastewater Utility
2014-07	10/21/14	Police and Fire Retiree Medical Trust Two-Year Review	Employee Relations

INDEX OF 2014 SCHOOL DISTRICT AUDIT REPORTS

2014 SCHOOL DISTRICT AUDIT REPORTS

NUMBER	DATE	REPORT NAME
ASD 2014-01	02/24/14	Special Activity Agreements
ASD 2014-02	09/04/14	Decentralized Student Activity Disbursements
ASD 2014-03	10/30/14	Decentralized Student Activity Cash Collections

INDEX OF 2014 SUNSET AUDIT REPORTS

2014 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2014-S1	08/15/14	Public Safety Advisory Commission	Anchorage Fire Department
2014-S2	08/15/14	Housing and Neighborhood Development Commission	Health and Human Services
2014-S3	08/15/14	Watershed and Natural Resources Advisory Commission	Community Development

INDEX OF 2014 MUNICIPAL SPECIAL PROJECTS

2014 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/14/14	Operating Engineers, Local 302 Contract Cost Computations	Assembly
01/13/14	Anchorage Police Department Employees Association	Assembly
01/13/14	International Association of Firefighters	Assembly
03/03/14	IACP APD Recommendation Follow-up	Administration
04/22/14	Teamsters Local 959 Collective Bargaining Agreement	Assembly
05/01/14	Anchorage Municipal Employees Association Collective Bargaining Agreements	Assembly
05/19/14	Plumbers and Pipefitters, Local 367 Collective Bargaining Agreements	Assembly
06/19/14	2013 Municipal Travel	Assembly
06/24/14	International Brotherhood of Electrical Workers Local 1547	Assembly
06/25/14	Assistance to the Municipal Attorney's Office	Administration
07/14/14	2013/2014 Procurement Card Rebate	Administration
11/21/14	Wage and Hour (Payroll Errors) Grievance Resolution	Administration
12/16/14	International Brotherhood of Electrical Workers Local 1547 - Technicians	Assembly

INDEX OF 2014

SCHOOL DISTRICT SPECIAL PROJECTS

2014 SCHOOL DISTRICT SPECIAL PROJECTS

DATE	SUBJECT
07/21/14	Secondary School Cash Collections
08/14/14	Student Registration Cash Controls
08/26/14	Capital Funds Transfer Authorization

EXECUTIVE SUMMARIES FROM

2014 AUDIT REPORTS

March 4, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-01; 2013 Parts, Fuel and Lubricants Inventory; Public Transportation Department**. A brief summary of the report is presented below.

In accordance with the 2013 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 \$958,731.36. A net adjustment of \$11,846.74 was made to decrease the PeopleSoft records to bring them in agreement with the physical count. The fuel inventory resulted in a final valuation of \$110,710.80. An adjustment of \$2,079.27 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 \$64,939.29. An adjustment of \$32,349.93 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 3, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-02, Accounts Payable, Finance Department**. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of accounts payable. The objective of this audit was to determine whether vendor payments were properly approved, adequately supported with proper documentation, and made timely to legitimate, approved vendors.

Based on our observation, it is our opinion that all tested payments were properly approved, adequately supported with proper documentation, and made to legitimate, approved vendors. However, payments to vendors were not always made timely, invoices received by departments were not always entered into PeopleSoft in a timely manner, and invoices were not always forwarded to departments in a timely manner.

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

April 10, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-03; Fuel Revenue; Port of Anchorage**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of the fuel revenue at the Port of Anchorage. The objective of this audit was to determine whether there were adequate controls in place to ensure the accuracy of the Port of Anchorage's billings for fuel wharfage and valve yard transfer fees to prevent loss of revenue.

Based on our review, we determined that there were adequate controls in place to ensure the accuracy of the Port of Anchorage's billings for fuel wharfage and valve yard transfer fees. Specifically, we found the billings were accurately prepared using correct tariff rates and supported with proper documents submitted by shippers and valve yard customers. In addition, we determined that the billings and payments were properly recorded in PeopleSoft.

There were no findings in connection with this audit.

April 29, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-04, Work Orders, Fleet Maintenance Section, Maintenance and Operations Division, Public Works Department**. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of the work orders at the Fleet Maintenance Section of the Public Works Department. The objective of this audit was to determine whether all of the parts and labor used on vehicles were properly recorded in the work orders and the vehicle master files.

Based on our observation, it is our opinion that the recording in the work orders and the vehicle master files of parts and labor used on vehicles needs improvement. Specifically, there was a lack of accountability for parts issued to the Street Maintenance Section to be installed into vehicles and equipment by Street Maintenance Section personnel. Additionally, parts were issued out of the Fleet Maintenance Section parts room for equipment at Street Maintenance Section, but were not always installed on the equipment. Moreover, costs were not always properly capitalized in capital work orders and operational work orders we reviewed. Likewise, incorrect job codes were sometimes entered into capital work orders, labor hours in some capital work orders reviewed appeared excessive, and repair notes were not always entered in work orders. Furthermore, most work orders we reviewed, having no part and no labor charges, were closed instead of cancelled and some capital work orders were not closed in a timely manner. Finally, there was a lack of segregation of duties in Fleet Maintenance Section's Parts Department and Fleet Maintenance Section had no formal written policies or procedures regarding the work order process.

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

June 9, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-05, Annual Municipal Procurement Card Review, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2014 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, 2013, to December 31, 2013. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16, Policy and Procedure 24-23, and the Procurement Guide.

Based on our observation, it is our opinion that, overall, most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, Procurement Card transaction descriptions were sometimes incomplete in PaymentNet. In addition, similar to prior years, authority to approve Procurement Card transactions was not properly configured in the Procurement Card system.

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

September 4, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-06, Levy Upon Connection Assessment, Anchorage Water and Wastewater Utility**. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of the levy upon connection assessment. The objective of this audit was to determine if Anchorage Water and Wastewater Utility had proper procedures and controls to ensure that levy upon connection assessments for new water and sewer services to properties were properly prepared.

Based on our review, the processing of levy upon connection assessments could be improved. Specifically, levy upon connection rolls were not always processed in a timely manner. In addition, a comprehensive policy and procedure for levy upon connection assessments had not been developed. Finally, Anchorage Water and Wastewater Utility staff did not properly record liens with the State of Alaska Department of Natural Resources Recorder's Office.

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

October 21, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-07, Police and Fire Retiree Medical Trust Two-Year Review, Employee Relations Department**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Trust. The objective of this audit was to perform the third 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 Police and Fire Retiree Medical Trust administration costs incurred from January 2013 to June 2014 and reviewed enrollment and payment records.

Based on our review, the Retiree Medical Funding Program for Police Officers and Firefighters generally 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 Expendable Trust, from January 2013 through June 2014 generally appeared reasonable. We did find that the organizational placement of the administrator needs to be clarified and some Retiree Medical Funding Program for Police Officers and Firefighters exemptions in Anchorage Municipal Code require further review.

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

EXECUTIVE SUMMARIES FROM

2014 SCHOOL DISTRICT AUDIT REPORTS

February 24, 2014

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2014-01, Special Activity Agreements, 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 Special Activity Agreements. The objective of this audit was to determine if Special Activity Agreement hiring procedures and payments were consistently and properly administered throughout the District. We also determined whether grant funded Special Activity Agreement payments and work complied with the scope of the grants. To achieve our objective we interviewed District staff to determine the roles and responsibilities in the Special Activity Agreement process. Additionally, we reviewed 213 Special Activity Agreement transactions. Specifically, we randomly selected 80 Special Activity Agreement transactions from 45 schools, departments and programs, and examined supporting documents that were used to initiate, approve, and pay the Special Activity Agreement duties. Finally, we judgmentally selected 133 Special Activity Agreement transactions to identify any duties that appeared frequent and routine in nature.

Based on our review, we found that payments appeared to be properly administered and complied with the scope of the grants. However, Special Activity Agreement hiring procedures need improvement. Specifically, there were no clear written policies or procedures to establish the appropriate uses for Special Activity Agreements. In addition, hiring units did not always obtain Human Resource's approval prior to having temporary Special Activity Agreement employees begin work. In addition, Interested Person Reports were not always submitted to HR prior to temporary Special Activity Agreement employees beginning their work duties. We also found that temporary Special Activity Agreement employees sometimes worked continuously throughout the year, often performing routine duties, and exceeded the 90 work-day rule. Finally, Payroll's guidelines for processing Special Activity Agreements appear outdated and incorrect.

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

September 4, 2014

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2014-02, Decentralized Student Activity Disbursements, Anchorage School District** for your review. A brief summary of the report is presented below.

We have completed an audit of disbursements from the Anchorage School District's decentralized student activity funds. The objective of this audit was to determine the adequacy of internal controls over disbursements from student activity funds, and whether disbursements complied with Anchorage School District policies and procedures. To achieve our objective we selected disbursement transactions from 23 schools with decentralized accounts. We also selected adjustments from decentralized accounts to determine if they were properly supported. The scope of our review consisted of decentralized disbursements processed during the 2013-13 school year.

Based on our review, we found that improvements are needed to better account for disbursements from student activity funds. For example, questionable gift card purchases were made using student activity funds and some schools made donations to organizations that were not approved by the Superintendent or his designee. In addition, schools did not always obtain and document three quotes for purchases over \$2,500. Moreover, end of year balances in some principals' accounts were not always transferred back to the general student activity accounts and disbursements were not always consistently documented and initiated, as required by the Student Activity Funds Accounting Manual. Finally, the process to document disbursement was not consistent at the 23 schools we visited.

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

October 30, 2014

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2014-03, Decentralized Student Activity Cash Collections, Anchorage School District** for your review. A brief summary of the report is presented below.

We have completed an audit of cash collections from the Anchorage School District's decentralized student activity funds. The objective of this audit was to identify and present decentralized student activity cash collection statistics and to determine if the schools' process to account for cash collections was consistent with Anchorage School District policies and procedures. To achieve our objective we visited 23 schools with decentralized accounts and interviewed Anchorage School District staff. We obtained decentralized cash collections data for the past five years, from fiscal year 2008-09 through fiscal year 2012-13, to identify trends. In addition, we reviewed bank reconciliations and raffle ticket activity.

Based on our review, we found that improvements are needed to better account for cash collections in decentralized accounts. For example, some funds maintained in the decentralized student activity accounts were not consistent with the definition of student activity funds. In addition, some Datateam Activities Accounting Pro (AA Pro) reports contained inaccurate totals and omitted data, bank reconciliations were not always submitted to the Accounting department, and decentralized student activity cash collections were not always accounted for in AA Pro. Finally, one high school conducted a raffle in fiscal year 2012-13 using an expired gaming permit and documentation was missing for some raffle ticket sales.

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

EXECUTIVE SUMMARIES FROM

2014 SUNSET AUDIT REPORTS

August 15, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2014-S1, Public Safety Advisory Commission, Anchorage Fire 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 Safety Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Public Safety 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 Public Safety Advisory Commission be reauthorized.

The Public Safety Advisory Commission will sunset on October 14, 2014 unless reauthorized by the Assembly.

August 15, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2014-S2, Housing and Neighborhood Development 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 Housing and Neighborhood Development Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Housing and Neighborhood Development 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 Housing and Neighborhood Development Commission be reauthorized.

The Housing and Neighborhood Development Commission will sunset on October 14, 2014 unless reauthorized by the Assembly.

August 15, 2014

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2014-S3, 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.

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

The Watershed and Natural Resources Advisory Commission will sunset on October 14, 2014 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 reference: 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))”