
INTERNAL AUDIT DEPARTMENT

2015 ANNUAL REPORT

January 8, 2016

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
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Internal Audit Department

2015 Annual Report

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

January 8, 2016

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2015 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2015 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 2015, the Internal Audit Department issued 11 Municipal audit reports, 2 Anchorage School District audit reports, 10 sunset audit reports and performed 15 Municipal special projects and 7 Anchorage School District special projects.

Michael Chadwick, CICA
Acting 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 Finance 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: chadwickmb@muni.org
3. Internal Audit Department Website: http://www.muni.org/departments/internal_audit

STAFFING OF THE INTERNAL AUDIT DEPARTMENT

Current staff members are:

Michael Chadwick, Acting 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 Acting Director provides the Municipality with more than 20 years of auditing experience. The current audit staff provides the Municipality with a combined total of 20 years of auditing experience. Professional certifications held by department personnel include: Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP) 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 each 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 2015 MUNICIPAL AUDIT REPORTS

2015 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/09/15	2014 Annual Report	
2015-01	03/03/15	Municipal Leases	Real Estate
2015-02	03/12/15	Annual Municipal Procurement Card Review	Purchasing
2015-03	04/02/15	Accounts Payable	Municipal Light and Power
2015-04	04/29/15	Front Counter Cash Controls	Anchorage Police Department
2015-05	06/24/15	Proximity Card Access Control System Follow-up	Anchorage Water and Wastewater Utility
2015-06	07/31/15	Mobile Home Repair Program: Grant Administration	Health and Human Services
2015-07	07/31/15	Mobile Home Repair Program: Compliance	Health and Human Services
2015-08	10/01/15	Anchorage Memorial Park Cemetery Follow-up	Health and Human Services
2015-09	11/17/15	Parking Garage Cash Controls Follow-up	Anchorage Community Development Authority
2015-10	12/10/15	Police and Fire Retiree Medical Trust Five-Year Review	Employee Relations
2015-11	12/15/15	Work Orders	Solid Waste Services

INDEX OF 2015 SCHOOL DISTRICT AUDIT REPORTS

2015 SCHOOL DISTRICT AUDIT REPORTS

NUMBER	DATE	REPORT NAME
ASD 2015-01	02/25/15	Procurement Card Purchases
ASD 2015-02	04/09/15	Student Nutrition Warehouse Inventory Controls

INDEX OF 2015 SUNSET AUDIT REPORTS

2015 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2015-S1	08/14/15	Americans With Disabilities Act Advisory Commission	Health and Human Services
2015-S2	08/14/15	Municipal Health and Human Services Commission	Health and Human Services
2015-S3	08/14/15	Senior Citizens Advisory Commission	Health and Human Services
2015-S4	08/14/15	Heritage Land Bank Advisory Commission	Real Estate
2015-S5	08/14/15	Municipal Airports Aviation Advisory Commission	Merrill Field
2015-S6	08/14/15	Port Commission	Port of Anchorage
2015-S7	08/14/15	Library Advisory Board	Anchorage Public Library
2015-S8	08/14/15	Public Transit Advisory Board	Public Transportation
2015-S9	08/14/15	Board of Building Regulation Examiners and Appeals	Community Development
2015-S10	08/14/15	Chugiak-Eagle River Advisory Board	Community Development

INDEX OF 2015 MUNICIPAL SPECIAL PROJECTS

2015 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
03/18/15	The Boutet Company, Inc Invoice Review	Administration
04/01/15	The Boutet Company, Inc Invoice Review – Detailed Information	Administration
04/27/15	APDEA Contract Cost Validation	Assembly
06/05/15	Review of Sullivan Sports Arena and Ben Boeke and Dempsey Anderson Ice Arenas	Administration
06/05/15	Special Study	Administration
06/15/15	Anchorage Museum Association Contracts	Assembly
06/23/15	Public Employees, Local 71	Assembly
07/13/15	IAFF Contract Cost Validation	Assembly
07/31/15	2014\2015 Procurement Card Rebate	Administration
08/20/15	2014 Municipal Travel	Assembly
08/31/15	Anchorage Police Department K-9 Drug Transfer	Administration
09/28/15	Anchorage Police Department K-9 Drug Modification	Administration
12/02/15	Centennial Celebration Funds	Administration
12/17/15	Centennial Celebration Funds – Additional Information	Assembly
12/29/15	Anchorage Police Department Converted Property	Administration

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SCHOOL DISTRICT SPECIAL PROJECTS

2015 SCHOOL DISTRICT SPECIAL PROJECTS

DATE	SUBJECT
02/05/15	Addenda Analysis
06/16/15	Fees and Waivers
07/27/15	Class Fee Summary
07/31/15	School Supplies
08/10/15	2015 Student Registration Cash Controls
10/14/15	IFAS Approval Hierarchies
12/02/15	Contract Modification Funding

EXECUTIVE SUMMARIES FROM

2015 AUDIT REPORTS

March 3, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-01; Municipal Leases; Real Estate Department**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of Municipal leases managed by the Real Estate Department. The objective of this audit was to determine if general government leases were properly executed and monitored to ensure that they were current and that payments were received in accordance with the leases. Specifically, we identified general government leases managed by the Real Estate Department and reviewed them to determine if there were adequate controls regarding lease management. In addition, we contacted other Municipal Departments to identify general government leases managed by them and reviewed those leases to determine if they were properly monitored by the responsible Municipal Departments.

Based on our review, it is our opinion the administration of general government leases needs improvement. Specifically, Anchorage Municipal Code was not current regarding responsibility over lease administration. The Real Estate Department did not have adequate controls to track leases and lease payments. Eight of 47 leases we reviewed had expired, but the lessees were still using the properties and penalty clauses were not always enforced. In addition, insurance requirements found in the lease agreements were not always enforced and 14 of 45 leases requiring insurance did not have a current insurance certificate in the lease file. Also, lease agreements were not always properly amended; lease rates were not always adjusted for some leases as required in the lease agreements; and cash receipts were not always deposited daily. Finally, the Real Estate Department did not have procedures for managing leases.

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

March 12, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-02; Annual Municipal Procurement Card Review; Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Procurement Card program. The objective of this audit was to whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2014 to December 31, 2014. 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 Card Guide.

Based on our review, it is our opinion that, overall, most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, our review of Procurement Card transactions during 2014 revealed some instances of questionable or prohibited purchases. Examples of these purchases include ice for an employee's retirement party, a retirement gift, office art work, business cards, and food for employee training and lunch meetings. In addition, our review also found that some Procurement Card holders used their Procurement Cards to purchase meals while they were traveling.

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

April 2, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-03; Accounts Payable; Municipal Light and Power**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of Accounts Payable at Municipal Light and Power. The objective of this audit was to determine whether Municipal Light and Power vendor payments were properly approved, adequately supported with proper documentation, and timely made to legitimate, approved vendors. We judgmentally selected from the PeopleSoft records a sample of 66 accounts payable disbursements and traced them to the supporting documentation. We also tested the selected items for any indication of noncompliance with Policy and Procedure 24-19, *Processing Accounts Payable Documents in PeopleSoft*, and Policy and Procedure 24-23, *Disallowed Purchases*.

Based on our review, it is our opinion that all tested payments were properly approved, adequately supported with proper documentation, and made to legitimate, approved vendors. However, invoices were not always date stamped upon initial receipt at some ML&P locations. In addition, the invoice received date was not recorded in PeopleSoft for invoices processed by ML&P as required by Accounts Payable Summarized Procedures.

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

April 29, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-04; Front Counter Cash Controls; Anchorage Police Department**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of the front counter cash controls at the Anchorage Police Department. The objective of this audit was to determine whether adequate cash controls were in place over the traffic citations and cash receipts processed by the Anchorage Police Department's Records Section and to ensure that all funds received were deposited properly. Specifically, we judgmentally selected a sample of 205 traffic citations and 50 Cashier Daily Summary Reports. We tested them for compliance and accuracy, and traced the corresponding deposit amounts to PeopleSoft records. Our audit also included a surprise cash count.

Based on our review, it is our opinion that cash controls at Anchorage Police Department's Records Section require strengthening. Specifically, overages and shortages were not always calculated correctly in the Cashier Daily Summary Reports. In addition, the Records Section's cash handling practices did not always comply with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Moreover, the computer systems used to process citations and corresponding payments were not fully integrated to facilitate the tracking of citations from issuance to payment. Furthermore, the number of Records Section clerks who performed cashiering duties was excessive. Finally, the Municipality's Treasury Division has not provided cash handling training for several years.

There were five findings in connection with this audit. The Anchorage Police Department was responsive to the findings and recommendations. The Treasury Division was partially responsive to the finding and recommendation.

June 24, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-05; Proximity Card Access Control System Follow-Up; Anchorage Water and Wastewater Utility**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed a follow-up audit of Proximity Card Access Control System at the Anchorage Water and Wastewater Utility. The objective of this audit was to conduct a follow-up audit to determine the effectiveness of corrective actions taken by Anchorage Water and Wastewater Utility on the deficiencies contained in Internal Audit Report 2011-12. Specifically, we selected and reviewed both Anchorage Water and Wastewater Utility employees' and contractors' proximity card authorization forms and compared them to the card holder report generated by the Proximity Card Access System to determine if the cards were properly issued and managed in compliance with Policy and Procedure 25-1. We also reviewed whether Anchorage Water and Wastewater Utility had sufficient internal controls in place to prevent unauthorized use of the cards.

Based on our review, it is our opinion that management action taken in response to the 2011 audit report did not improve a majority of the issues identified. Our follow-up audit revealed that action taken by Anchorage Water and Wastewater Utility personnel was partially effective for 2 of 6 deficiencies and ineffective for 4 of 6 deficiencies. We found that further management action is still required. Specifically, access privileges programmed for each proximity card did not always agree with the approved authorization form and employee proximity cards were not always returned upon termination of employment. Also, proximity cards issued to contractors were not always returned when projects were completed. Moreover, there was a lack of supervisory and management oversight of the Card System and the proximity card Policy and Procedure could be improved. Finally, the proximity card authorization form was not always completed when cards were issued to Anchorage Water and Wastewater Utility employees and contractors.

There were six follow-up findings and one new finding in connection with this audit. Anchorage Water and Wastewater Utility was responsive to the findings and recommendations.

July 31, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-06; Mobile Home Repair Program: Grant Administration; Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Mobile Home Repair Program's grant administration at the Department of Health and Human Services. The objective of this audit was to determine whether the Mobile Home Repair Program was administered effectively and efficiently by the Department of Health and Human Services. To accomplish the objective, we reviewed project files for all five completed mobile home repair projects.

Based on our review, it is our opinion that the administration and monitoring of the Subrecipient Agreement needs improvement. Specifically, environmental reviews conducted by the Department of Health and Human Services appeared to exceed federal requirements and the Department of Health and Human Services asked Rural Alaska Community Action Program, Inc. to perform work outside the scope of the Subrecipient Agreement.

There were two findings in connection with this audit. The Department of Health and Human Services was responsive to the findings and recommendations.

July 31, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-07; Mobile Home Repair Program: Compliance; Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Mobile Home Repair Program's compliance at the Department of Health and Human Services. The objective of this audit was to determine whether Rural Alaska Community Action Program, Inc. had complied with the scope of work specified in the Subrecipient Agreement. To accomplish the objective, we reviewed project files for all five completed mobile home repair projects.

Based on our review, it is our opinion that Rural Alaska Community Action Program, Inc. had not complied with some of the Subrecipient Agreement's requirements. Specifically, Rural Alaska Community Action Program, Inc. did not meet the goal of completing 10 mobile home repairs by December 31, 2014. In addition, for all five of the tested projects, rehabilitation construction contracts were not executed by Rural Alaska Community Action Program, Inc.; Rural Alaska Community Action Program, Inc. did not check subcontractors for debarment; and Rural Alaska Community Action Program, Inc. did not submit to the Municipality of Anchorage contracts for review and approval.

There were four findings in connection with this audit. The Department of Health and Human Services was responsive to the findings and recommendations.

October 1, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-08; Anchorage Memorial Park Cemetery Follow-up; Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed a follow-up audit of the Anchorage Memorial Park Cemetery at the Department of Health and Human Services. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by the Anchorage Memorial Park Cemetery on the deficiencies contained in Internal Audit Report 2009-06. Specifically, we evaluated provisions in the Revocable Use Permits and procedures for grave site reservations and cancelations. We also tested fees collected for Anchorage Memorial Park Cemetery services performed and maintenance charges billed to the private tract owners and the Revocable Use Permit holders. Finally, we assessed the accuracy of fixed asset records and the adequacy of cash control procedures.

Based on our review, it is our opinion that the Department of Health and Human Services' action taken in response to the 2009 audit report improved some of the identified issues. Our follow-up audit revealed that action taken by Anchorage Memorial Park Cemetery personnel was effective for 2 of 7 deficiencies and partially effective for 5 of 7 deficiencies. We found that further management action is still required. Specifically, inconsistencies between Anchorage Municipal Code and actual practice were identified regarding the recertification of grave site reservations. In addition, the Anchorage Memorial Park Cemetery fee schedule in Anchorage Municipal Code 25.60.065 still did not include all of the fees currently charged and the current method to calculate maintenance charges for tract owners did not reflect documented procedures written in 1999. Moreover, fixed asset records were not accurate and staff did not follow proper cash handling procedures. Finally, Revocable Use Permits were not always administered properly and imposed different financial obligations.

There were seven follow-up findings and two new findings in connection with this audit. The Department of Health and Human Services was responsive to the findings and recommendations.

November 17, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-09; Parking Garage Cash Controls Follow-up; Parking Services Department; Anchorage Community Development Authority**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed a follow-up audit of the Parking Garage Cash Controls at the Anchorage Community Development Authority. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by the Anchorage Community Development Authority on the deficiencies contained in Internal Audit Report 2010-05. To accomplish our objective, we reviewed controls over the parking machine keys, note vaults, and safes. We also traced cash receipts to daily deposits and determined if discrepancies between Element reports and actual deposits were properly investigated and documented. In addition, we determined if the parking validation program was properly administered according to applicable contracts and if there was sufficient control over the validators. Finally, we determined whether there were adequate controls over parking garage access cards.

Based on our review, it is our opinion that the Anchorage Community Development Authority's action taken in response to the 2010 audit report improved many of the identified issues. Our follow-up audit revealed that action taken by Anchorage Community Development Authority personnel was effective for 3 of 5 deficiencies and partially effective for 2 of 5 deficiencies. We found that further management action is still required. Specifically, the validation program was not always properly administered and parking garage access cards issued to employees were still not properly controlled

There were five follow-up findings in connection with this audit. The Anchorage Community Development Authority was responsive to the findings and recommendations.

December 10, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-10, Police and Fire Retiree Medical Trust Five-Year Review, Employee Relations Department**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Trust. The objective of this audit was to perform the fourth five-year (January 1, 2010, through December 31, 2014) review of the operation of the Retiree Medical Funding Program for Police Officers and Firefighters as required by Anchorage Municipal Code 3.87.070.A. Specifically, we reviewed the operation of the Retiree Medical Funding Program for Police Officers and Firefighters to determine whether it was being operated in compliance with Anchorage Municipal Code 3.87, including the accuracy of monthly trust contributions and participant transactions.

Based on our review, the Retiree Medical Funding Program for Police Officers and Firefighters was operated in compliance with Anchorage Municipal Code 3.87. Trust contributions were properly adjusted annually for the Medical Consumer Price Index. Moreover, we found that members' individual health reimbursement agreement accounts were properly credited with the correct monthly contribution amount matching the members' class. However, our review found that the calculations of the 2014 and 2015 monthly surplus distribution amounts for the "deferred vested" members were not correct.

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

December 15, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-11, Work Orders, Solid Waste Services**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Work Orders at Solid Waste Services. The objective of this audit was to determine whether the parts, labor, and service charges for vehicle maintenance and repairs were properly reflected in the Solid Waste Services work order system. To accomplish the objective we conducted a parts inventory count, traced charges to the work orders, and reviewed selected work orders.

Based on our review, we found that although Solid Waste Services management recently made some improvements to the work order process, additional improvements are needed. Specifically, the parts supply at year-end was not reported in the financial statements because parts were expensed at the time of purchase rather than recorded as inventory (asset). In addition, parts inventory records in the work order system contained discrepancies and access to the parts inventory was not limited to the personnel in charge of the parts. Moreover, discrepancies between parts inventory records in the work order system and the physical parts inventory were written off without supervisory approval by the individuals in charge of the parts using regular work orders. Finally, monthly charges for guaranteed repair and maintenance contracts were not consistently entered into the work order system, there was a lack of segregation of duties when processing some work orders, and Solid Waste Service had no formal written Policies and Procedures regarding the work order process.

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

EXECUTIVE SUMMARIES FROM

2015 SCHOOL DISTRICT AUDIT REPORTS

February 25, 2015

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2015-01, Procurement Card Purchases, 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 Procurement Card Purchases. The objective of this audit was to determine whether cardholders adhered to the Anchorage School District's policies and procedures regarding Procurement Card use. We also determined whether purchases were for official Anchorage School District business. This was our first audit of Procurement Card purchases. Our audit included a review of purchases made from July 1, 2013 to June 30, 2014.

The Procurement Card program needs improvement. Our review of Procurement Card transactions revealed instances of questionable purchases including some prohibited purchases, purchases that were not always approved, and purchases made with Procurement Cards that were not always allocated to the appropriate account code within three business days. We also found that documentation for the purchases was not always maintained, users did not always record the description of their purchases and some descriptions did not adequately describe the items purchased. Further, procedures did not require detailed receipts for Procurement Card purchases made during official travel when per diem was paid and did not include supervisory responsibilities for approval of purchases. Finally, mandatory Procurement Card training had not always been provided to employees with Procurement Cards.

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

April 9, 2015

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2015-02, Student Nutrition Warehouse Inventory 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 Student Nutrition Warehouse Inventory Controls. The objective of this audit was to determine the adequacy of internal controls for receiving, storing, issuing, and accounting of items in the Student Nutrition warehouse. To achieve our objective we interviewed Student Nutrition staff to identify internal controls and responsibilities for managing inventory. We also conducted our own inventory of selected items and reviewed inventory adjustments processed from January 1, 2014 to December 19, 2014. Additionally, we evaluated the process to discard warehouse inventory items and the reasonableness of user privileges in OneSource.

Inventory controls and procedures at the Student Nutrition warehouse need improvement. Specifically, the warehouse was not properly organized and the warehouse location field in OneSource was not used. Moreover, items were not always entered into OneSource timely, inventory records were inaccurate, discarded food items were not always accurately categorized, and expiration dates and par levels were not used to manage inventory items. Also, OneSource user access did not always appear reasonable, the warehouse lacked adequate procedures, warehouse security did not prevent unauthorized access, and personal employee goods were comingled with warehouse inventory.

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

EXECUTIVE SUMMARIES FROM

2015 SUNSET AUDIT REPORTS

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S1, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S2, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S3, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S4, Heritage Land Bank Advisory Commission, Real Estate 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 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S5, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S6, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S7, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S8, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S9, 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, 2015 unless reauthorized by the Assembly.

August 14, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2015-S10, Chugiak-Eagle River Advisory 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 Chugiak-Eagle River Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Chugiak-Eagle River 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 Chugiak-Eagle River Advisory Board be reauthorized for one year with another sunset audit at that time. In addition, the Assembly should consider transferring Chugiak-Eagle River Advisory Board staffing responsibilities from the Community Development Department to another department such as the Municipal Clerk's Office.

The Chugiak-Eagle River Advisory Board will sunset on October 14, 2015 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.

(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; AO No. 2015-23(S), § 4, 3-24-15)”

“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.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 2015-23(S), § 5, 3-24-15)”

“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.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 2015-23(S), § 6, 3-24-15)”