


# MUNICIPALITY OF ANCHORAGE

## MEMORANDUM

---

DATE: December 14, 2022

TO: Municipal Audit Committee

FROM: Director, Internal Audit 

SUBJECT: Joe Gerace – Audit Scoping

At your request, we have performed a cursory review of some of Mr. Gerace's activities to help determine if an audit of any of these activities should be considered. This review did not include activities related to Municipal personnel matters. The review's scope covered the period from September 17, 2021, to August 9, 2022, the period of Mr. Gerace's Municipal employment. However, depending on the documents being reviewed, we did look at some activities beyond his termination date. For example, activities occurring prior to his termination, but invoiced after his departure. To perform this review, we conducted interviews and reviewed relevant documents such as SAP records. Below is a summary of our results that can be used when considering if additional audit work is necessary.

### **Invoices**

Anchorage Health Department (AHD) staff expressed frustration when invoices were received but the purchase orders (POs) had expired or had insufficient funds to pay the vendors. For example, according to AHD staff some vendors demanded to be paid but staff were unsure what to do since the services had not been authorized with approved POs. In addition, there was no assurance that AHD staff had verified that the services were properly provided since they did not know that some of these vendors were providing services. For example:

- *Invoiced Transactions Without Proper POs* – Anchorage Health Department staff received invoices totaling \$1,380,375 from seven different vendors where POs for these vendors had either expired or had insufficient funds to pay the vendors. For example, AHD received from the Aviator Hotel an invoice totaling \$613,049 for the period covering July 1, 2022, to July 31, 2022. The invoice was received in August 2022. The PO had remaining funds of \$99,898 but had expired on June 30, 2022. In this case, the contract was amended and a new line item was added to the PO using funds approved by the Assembly in July 2022 “. . . for ongoing

COVID-19 emergency shelter services including labor, supplies, professional services, mass care and other expenses required to preserve and protect the public safety, health and welfare from COVID-19 for an estimated period of performance of July 1, 2022, through September 30, 2022.”<sup>1</sup>

- *Invoice Transactions Approved by Mr. Gerace* - During Mr. Gerace’s tenure at AHD he approved 614 transactions totaling \$12,496,550. Of these transactions, 289, totaling \$170,420, were made without an existing or current PO. However, not all transactions required a PO. Specifically, we found the following:
  - Thirty-nine (39) transactions, totaling \$40,982, consisted primarily of medical/lab supplies, temporary employment services, and a few other miscellaneous transactions. It appeared that some of these transactions should have been applied against a PO.
  - Two hundred thirty-five (235) transactions, totaling \$87,256, were for utility payments that did not require a PO.
  - Fourteen (14) transactions totaling \$42,179 for rent, housing or shelter assistance provided under emergency shelter grants. These transactions did not require a PO.
  - One (1) transaction was a reimbursement that did not require a PO.

One of the limitations of internal controls is management’s ability to override or circumvent established policies and procedures. If not corrected or used appropriately, management override can limit the effectiveness of internal controls. Specifically, our review of invoices and interviews with AHD staff suggested that Mr. Gerace obligated the Municipality prior to having the vendors’ work authorized through proper contracting processes. However, according to AHD staff that we talked to, they had not identified fraud, but expressed a general sentiment of poor management and a lack of adequate communication.

### **Procurement Card**

Mr. Gerace’s procurement card (P-Card) activity showed 28 transactions totaling \$10,627. These P-Card transactions were approved by one of three separate individuals at AHD. In other words,

---

<sup>1</sup>See Assembly Resolution 2022-208(S-1), As Amended.



Mr. Gerace did not approve his own transactions. The transactions appeared to be for legitimate business purposes, except for one transaction. Specifically, when reconciling some of Mr. Gerace's P-Card transactions after his departure AHD staff identified a \$106 transaction for "3 uniform shirts for response team." Policy and Procedure 24-23, *Disallowed Purchases*, prohibits the purchase of personal clothing unless permitted by a labor agreement. Finally, Mr. Gerace did not attend P-Card training. Below is a listing of all of Mr. Gerace's P-Card transactions.

<u>Merchant Name</u>	<u>Transaction Amount</u>	<u>Transaction Notes</u>
RTT LOGISTICS	\$1835.00	RTT LOGISTICS LLC 3469952856001 Storage and transportation of 28,000 At Home Covid-19 Antigen test kits. Further delivery to multiple locations. Had 19 plus pallets of test kits and unable to safely store them at AHD
WWW.GVMLED.COM	\$475.00	GVM - 3561427253001 - 31324 - AV Equipment for PIO - 04/07/2022
B&H PHOTO 800-606-6969	\$1732.22	B&H Photo Video 3563000174001 - 1081873871 - AV Supplies for PIO - 04/07/2022
AMZN MKTP US*1A3FN0GQ1	\$43.79	AMAZON.COM - 3563000175001 - 112-6246494-2921803 - Tripod Carrying Case for PIO - 04/07/2022
CANON DIRECT	\$715.97	CANON - 3565943379001 - 151184053 - Camera and Lens for PIO - 04/07/2022
OFFICEMAX/DEPOT 6159	\$43.78	OFFICE DEPOT - 3606320778001 -Specialized flash drive to get pics and info off iphone for a FOIA problem
THE HOME DEPOT #8940	\$314.10	HOME DEPOT 3659683658001 Lock was procured to secure a supply room, lock was not needed and was returned. Room was being entered by unauthorized 99Plus1 workers.
REI.COM 800-426-4840	\$999.80	REI 3662714786001 additional tents to meet demand at campground
BIG RAY'S SEWARD HWY	\$108.87	BIG RAYS 3664089438001 Safety Vest for Campground OPS and set of coveralls for decon of contaminated clothing and client
THE HOME DEPOT #8940	-\$314.10	HOME DEPOT 3665568498001 Return of electronic door lock for supply room door, to prevent theft of client personal items
REI #16 ANCHORAGE	\$399.92	REI 3665568499001- Tent purchase after donated tents supply exhausted because demand by clients at the campground exceeded on hand quantities.
WAL-MART #4359	\$166.70	WALMART6 3668561222001 Tent purchase, after demand for tents exceeded demand by clients at the campground.
WM SUPERCENTER #2070	\$840.00	WALMART 3668561223001 Tent purchase after donated tents exceeded demand by clients at the campground
REI.COM 800-426-4840	\$49.99	REI 3667026658001- Tent purchase after donated tents supply exhausted because demand by clients at the campground exceeded on hand quantities
REI.COM 800-426-4840	\$449.91	REI 3667026659001- Tent purchase after donated tents supply exhausted because demand by clients at the campground exceeded on hand quantities
NORTHERN SECURITY SUPP	\$125.95	NORTHERN SECURITY 3668561224001 Rechargeable Lantern/Flashlight for Night OPS in Campground
FASTENERS AND FIRE EQU	\$245.27	FASTNERS & FIRE EQUIPMENT 3672121761001 1 of 2 Water Fire Extinguishers for the Cent Campground Operations. Mounted in ATV in campground
GRAINGER	\$179.24	GRAINGER 3672121766001 2 of 2 Water Fire Extinguishers for the Cent Campground Operations. Mounted in Campground Office

<u>Merchant Name</u>	<u>Transaction Amount</u>	<u>Transaction Notes</u>
WM SUPERCENTER #4359	\$215.64	WALMART - 3676250382001 - Rope, tarps and supplies for rain and weather. Items requested by community partners
THE HOME DEPOT #8940	\$20.10	THE HOME DEPOT - 3676250383001 - Parts to repair cots/tents
ALASKA SERIGRAPHICS	\$106.00	SERIGRAPHICS 3691343800001 3 uniform shirts for response team
AMERICAN SAFETY AND HE	\$50.00	American Safety & Health aka HSI - Training Instructor Confirmation 2020 - INV 1631553
AMERICAN SAFETY AND HE	\$100.00	AMERICAN SAFETY & HEALTH aka HSI - Training material ACLS Digital Resources Kit, INV 4964897
AMERICAN SAFETY AND HE	\$302.17	AMERICAN SAFETY & HEALTH aka HSI - 3711602386001 - BLS Program pkg, INV 1631576
WAL-MART #2071	\$224.20	WALMART - 3713293330001 - CENTENNIAL CAMPGROUND - Tents - Ref# 221700673134
SQ *ELITE TOWING AND R	\$811.20	ELITE TOWING 3713293331001 Transporting of Willscot Mobile Office 20' Conex INV 22-14344
WM SUPERCENTER #4359	\$368.04	WALMART - 3713293332001 - CENTENNIAL CAMPGROUND - Tents, Ref # 1042000314
ALASKA INDUSTRIAL HARD	\$28.49	ALASKA INDUSTRIAL HARDWARE - 3713293333001 - RESPONSE - Centennial Campground - Calipers Tool - INV 13608094-00

**Mass Care Site Supervisor (Contracted Staff Person)**

On October 24, 2021, a resource request was submitted for a “Mass Care Site Supervisor.” The resource request asked for a specific individual, by name, from LeMay Engineering & Consulting, Inc. It is our understanding that asking for a specific individual, by name, was typical for these types of requests. According to the resource request, position responsibilities included:

- “• Oversees all COVID-19 congregate shelter sites;
  - The Sullivan Arena (capacity up to 400 persons) . . .
- Coordinates and communicates with contracted on-site managers and vendors at designated congregate shelter sites . . .
- Other duties include, but not limited to:
  - Serves as Contractor/Vendor oversight to ensure vendors are abiding by terms set forth in each support contract . . .
  - Verify shelters are in safe, working order
  - Request and validate maintenance in the buildings are [sic] complete . . .
  - Approve invoices for payment and keep track of invoices
  - Attend meeting as required”

The requested individual provided a resume with few details. For example, in the resume’s experience section two previous jobs were listed. The first job listed was a store manager

position with “J S Marketing Inc.”<sup>2</sup> from September 2015-2020, with a few listed details. The second job listed was “Visit Healthcare March 2021 to present.” Under this job the resume included “Scheduled 300+ employees and managers over 5 sites”, “Data entry, set up sites, schedule sites” and “Mobile teams coordinator 80,000.” In the education section a high school and a vocational school were listed, with no attendance dates.

We reviewed a haphazard sample of the Mass Care Site Supervisor’s time cards from November 2021 through February 2022. These time cards showed 512 hours charged at an hourly rate of \$41.13 paid to LeMay Engineering & Consulting Inc. Of these hours, 439 were charged to “Staff Meeting” and 64 were not charged to anything, i.e. unknown.<sup>3</sup> The individual was “demobilized” on August 15, 2022.

### **Other Comments**

During our review we were made aware of other matters regarding Mr. Gerace such as:

- Creation of a hostile and unstable work environment (staff being fired/leaving),
- A general demeanor of unprofessionalism,
- Allegedly administering vaccines without proper qualifications, and
- Appeared to lack an understanding/adherence to proper contract/grant processes and administration.

---

<sup>2</sup>According to information from the Alaska Department of Commerce, Community, and Economic Development, Mr. Gerace was the “Director, President, Secretary, Shareholder, Treasurer” of J&S Marketing, Inc.

<sup>3</sup>The few time cards/invoices we looked at had some errors that we did not research due to the limit scope of this review.