

INTERNAL AUDIT REPORT

2023-07

Contract/Grant Management Controls

Anchorage Health Department

December 5, 2023

MUNICIPALITY OF ANCHORAGE
Office of Internal Audit
632 W 6th Avenue, Suite 710
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



OFFICE OF INTERNAL AUDIT
Scott Lee
Acting Director
Phone: (907) 343-4438
E-Mail: scott.lee@anchorageak.gov



MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

December 5, 2023

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2023-07 Contract/Grant Management Controls, Anchorage Health Department**. A summary of the report is presented below.

In accordance with the 2023 Audit Plan, we performed an audit of the Contract/Grant Management Controls at the Anchorage Health Department. The objective of this audit was to determine if there were adequate management controls in place for administration of the Anchorage Health Department contracts and grants, and associated transactions. Specifically, we selected haphazard samples of purchase orders and selected a judgmental sample of invoices from September 17, 2021, to August 8, 2022, to determine if purchases were appropriate and properly approved. In addition, we reviewed invoices provided by Anchorage Health Department staff.

Our review found that Anchorage Health Department management contracted vendors for supplies and services that were not always properly authorized with available funds. As a result, the Anchorage Health Department received invoices that could not be paid.

There is one finding in connection with this audit. Management comments were responsive to the audit finding and recommendation.

Scott Lee



Acting Director, Internal Audit



MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

December 5, 2023

Internal Audit Report 2023-07
Contract/Grant Management Controls
Anchorage Health Department

Introduction. The Anchorage Health Department (Department) "...is responsible for protecting the public health and safety through programs in disease prevention, abatement of air, noise and water pollution, substance misuse, individual, family and community health and sanitation. The department is also responsible for providing social programs in such areas as day care, housing, community development, older persons and handicapped persons, and safe cities." To support these responsibilities, the Department contracts with vendors for supplies and services, and selects nonprofit organizations that meet certain needs within the community to receive grants. For example, the Department has contracted with vendors to provide hotel rooms, security, and meals for COVID-19 homeless sheltering operations. The Anchorage Health Department Director manages the overall day-to-day operations and personnel of the Department, including approving purchase requests and Department expenditures.

Objective and Scope. The objective of this audit was to determine whether there were adequate management controls in place for administration of Department contracts and grants, and associated transactions. To accomplish our objective, we selected haphazard samples of Department purchase orders (POs) and selected a judgemental sample of invoices from September 17, 2021, to August 8, 2022, to determine if purchases were appropriate and properly approved. In addition, we reviewed invoices provided by Department staff.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was requested by the Assembly.

Overall Evaluation. Our review found that Department management contracted vendors for supplies and services that were not always properly authorized with available funds. As a result, the Department received invoices that could not be paid.

FINDING AND RECOMMENDATION

1. Expenditures Not Always Properly Authorized.

Finding. Anchorage Health Department management contracted vendors for supplies and services that were not always properly authorized with available funds. As a result, the Department received invoices that could not be paid. Specifically, in 2021 and 2022 Department management contracted different vendors for supplies and services for sheltering the homeless. However, when the Department received invoices totaling \$1,701,969, they could not be paid since the POs' period of performance for providing the supplies and services had expired, or the funds left on the POs were not enough to pay the invoices. For example, Department staff received an invoice on September 16, 2022, for \$613,049 for rooms and security at a hotel housing the homeless in July 2022. However, the PO only had remaining funds of \$99,898 and had expired.

In addition, Department staff received three invoices totaling \$337,741, for shelter management at a hotel for the period of July to September 2022. However, these invoices were not received by Department staff until October 2023, over a year after the services were provided, and insufficient funds remained to pay the invoices. Anchorage Health Department staff expressed that the previous Department Director told vendors to keep providing supplies and services and promised payments without POs being amended and authorizing funds.

Further, Department staff received two invoices on October 18, 2022, totaling \$213,486 to deliver food and drinks to a hotel housing the homeless for the periods of June and

July 2022. However, this PO had expired, and did not have enough funds to pay these invoices. In all the cases, the POs had to be amended to add a new period of performance but used funds from expired periods, as well as adding additional funds approved for COVID-19 related expenditures. Anchorage Municipal Code subsection 6.30.050 A., *Certification of appropriated funds required; status of certified sums*, states that:

“No contract, agreement or other obligation involving the expenditure of money shall be entered into, nor shall any ordinance, resolution or order for expenditure of money be passed by the assembly or be authorized by any officer of the municipality, unless the chief fiscal officer shall first certify to the assembly or to the proper officer, as the case may be, that the money required for such contract, obligation or expenditure was appropriated by the assembly to the credit of the fund from which it is to be drawn, and not appropriated for any other purpose; ordinances and resolutions making appropriations require no such certification and may be adopted and made effective at the assembly's discretion. Likewise, no officer of the municipality shall authorize commencement of work on any contract, agreement, or obligation without first having been notified of funding approval.”

Finally, in November 2022, Department staff received an invoice for \$3,040 for a purchase of cots in March 2022. However, Department staff were unaware of the purchase made months earlier, or the reasons the vendor was selected to provide the cots. According to Department staff, the previous Director made some service and purchase arrangements without following standard purchasing guidelines, and without staff's knowledge.

- b. **Recommendation.** The Director of Anchorage Health Department should ensure that contract services and supply purchases are properly authorized with certified funds.

- c. **Management Comments.** Management stated, “Management concurs with the recommendation that the Director of the Anchorage Health Department should ensure that contract services and supply purchases are properly authorized with certified funds. Management will work with department and municipal staff to ensure all funds utilized for services and purchases have certified funding before executing.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on November 1, 2023.

Audit Staff:
Dalton Benson