
INTERNAL AUDIT DEPARTMENT

2016 ANNUAL REPORT

January 12, 2017

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



INTERNAL AUDIT DEPARTMENT
Michael Chadwick, CIA, CICA
Acting Director
Phone: (907) 343-4438
Fax: (907) 343-4370
E-Mail: chadwickmb@muni.org

Internal Audit Department

2016 Annual Report

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

January 12, 2017

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2016 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2016 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 2016, the Internal Audit Department issued 7 Municipal audit reports, 3 Anchorage School District audit reports, 6 sunset audit reports and performed 13 Municipal special projects.

Michael Chadwick, CIA, 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 and Principal Auditor
Scott Lee, Senior Auditor
Rasa Kazaitis, Senior Auditor
Brenda Peña, Anchorage School District Auditor
Jennifer Strickland, Audit Technician

The current department Acting Director provides the Municipality with more than 21 years of auditing experience. The current audit staff provides the Municipality with a combined total of 23 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 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 2016 MUNICIPAL AUDIT REPORTS

2016 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/08/16	2015 Annual Report	
2016-01	02/24/16	Office of the Ombudsman Follow-up	Assembly
2016-02	05/12/16	Annual Municipal Procurement Card Review	Purchasing
2016-03	06/21/16	Work Orders Follow-up	Maintenance and Operations
2016-04	07/14/16	Anchorage Equal Rights Commission	Assembly
2016-05	09/29/16	Harry J. McDonald Memorial Center	Parks and Recreation
2016-06	12/06/16	Vendor Contracts: Compliance	Anchorage Water and Wastewater Utility
2016-07	12/06/16	Vendor Contracts: Payments	Anchorage Water and Wastewater Utility

INDEX OF 2016 SCHOOL DISTRICT AUDIT REPORTS

2016 SCHOOL DISTRICT AUDIT REPORTS

NUMBER	DATE	REPORT NAME
ASD 2016-01	04/15/16	Addenda Follow-Up
ASD 2016-02	07/21/16	Decentralized Student Activities
ASD 2016-03	10/27/16	Procurement Card Purchases

INDEX OF 2016 SUNSET AUDIT REPORTS

2016 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2016-S1	08/12/16	Urban Design Commission	Planning
2016-S2	08/12/16	On-Site Wastewater System Technical Review Board	Development Services
2016-S3	08/12/16	Anchorage Community Development Authority Board of Directors	Anchorage Community Development Authority
2016-S4	08/12/16	Bidding Review Board	Purchasing
2016-S5	08/12/16	Arts Advisory Commission	Mayor
2016-S6	08/12/16	Municipal Women's Commission	Health and Human Services

INDEX OF 2016 MUNICIPAL SPECIAL PROJECTS

2016 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/25/16	AMEA Contract Cost Validation	Assembly
03/31/16	AFD Phone and Internet Charges	Administration
04/07/16	2015 Municipal Travel	Assembly
05/25/16	Building Safety Survey Launch	Assembly
05/11/16	APD Forfeiture Fund	Assembly
05/23/16	APD Non-Rep Public Safety Pay Plan	Assembly
05/23/16	AFD Non-Rep Public Safety Pay Plan	Assembly
06/20/16	Operating Engineers, Local 302 Contract Cost Validation	Assembly
06/24/16	Municipal Overtime Analysis: 2011-2015	Administration
07/26/16	2015/2016 Procurement Card Rebate	Administration
08/10/16	September 2004 – July 2016: Number of Municipal Employees and Hourly Factored Pay Rate	Administration
08/29/16	Municipal Employee Statistics	Administration
10/18/16	Building Safety Survey Results: 5/10/16 – 9/30/16	Assembly

EXECUTIVE SUMMARIES FROM

2016 AUDIT REPORTS

February 24, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-01; Office of the Ombudsman Follow-Up; Anchorage Assembly**. 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 Office of the Ombudsman. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by the Office of the Ombudsman on the deficiencies contained in Internal Audit Report 2011-07. To accomplish our objective, we reviewed case statistics reports from CityView from the last five years. We also reviewed selected citizen complaints from 2015 to determine if the complaints were properly documented and resolved, and that citizens were properly notified with the resolutions. In addition, we reviewed the annual report of activities required by Anchorage Municipal Code (AMC) 2.60.160, *Reports*, prepared by the Ombudsman and determined if formal investigation reports were properly retained. Moreover, we determined if CityView was used effectively to document and manage citizen complaints. Finally, we determined if the Office of the Ombudsman had developed desk procedures.

Management action corrected and significantly improved all of the issues identified in Internal Audit Report 2011-07. Our follow-up audit revealed that action taken by the Office of the Ombudsman corrected all six of the deficiencies. However, the Office of the Ombudsman did not always post notices in the public areas of buildings owned or leased by the Municipality or the Anchorage School District, informing citizens of their rights and protections.

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

May 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-02, Annual Municipal Procurement Card Review, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2016 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 Procurement Card purchases made from January 1, 2015, to December 31, 2015. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16, Policy Procedure 24-23, and the Procurement Card Guide. In addition, our audit included an assessment of controls and risks regarding the overall Procurement Card process.

Based on our review, it is our opinion that, overall, most employees complied with Municipal policies and procedures regarding the use of Procurement Cards. However, there were ineffective controls regarding Municipal cellular telephone usage and the corresponding bill payments with Procurement Cards. In addition, Amazon Prime memberships were sometimes purchased by individual Procurement Card holders belonging to the same Municipal departments and even the same offices; and there were some instances of questionable Procurement Card purchases. Moreover, PaymentNet configurations need further improvement; the Employee Relations Department did not inform the Procurement Card Program Administrator of employee terminations; and Procurement Cards of terminated employees were not always returned to the Procurement Card Program Administrator in a timely manner and sometimes were not returned at all. Finally, some Procurement Card transactions were not timely reviewed and approved in PaymentNet and some Procurement Card transactions in PaymentNet did not contain adequate descriptions of the purchases.

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

June 21, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-03, Work Orders Follow-up, Fleet Maintenance Section, Maintenance and Operations Department**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed a follow-up audit of the work orders at the Fleet Maintenance Section of the Maintenance and Operations Department. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by Fleet Maintenance on the deficiencies contained in Internal Audit Report 2014-04. To accomplish this objective, we tested 105 selected work orders and scanned the remaining work orders from January 2015 through May 1, 2016. In addition, we performed other procedures to evaluate accountability for parts issued to Street Maintenance; appropriateness of cost capitalization, correctness of job codes, and reasonableness of labor hours in capital work orders; sufficiency of work order repair notes; cancelation of work orders with no charges; timeliness of closing work orders; and adequacy of segregation of duties in the work order process.

Our follow-up audit revealed that actions taken by Fleet Maintenance management corrected all ten of the deficiencies identified in Internal Audit Report 2014-04.

July 14, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-04, Anchorage Equal Rights Commission, Anchorage Assembly**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed an audit of the Anchorage Equal Rights Commission. The objective of this audit was to determine the overall operational effectiveness and efficiency of Anchorage Equal Rights Commission's operations, including personnel resources. However, according to a December 17, 2015, legal opinion issued by the Office of the Municipal Attorney, Internal Audit staff was not permitted access to Anchorage Equal Rights Commission's investigative case files and any records or statistical reports that would disclose the identity of the parties and/or the contents of investigative files. This scope limitation impacted Internal Audit's ability to assess Anchorage Equal Rights Commission's operational effectiveness and efficiency of its operations.

To accomplish our objective, we reviewed Anchorage Equal Rights Commission's past and present staffing levels and budgets to determine if there were any significant changes that would impact its operations. We also reviewed personnel files of the Anchorage Equal Rights Commission's staff to determine if they met the minimum job qualifications. In addition, our audit included a review of meeting minutes, and the appointment and attendance of Anchorage Equal Rights Commission Commissioners. Finally, we reviewed the case statistics reports from Time Matters to determine if cases received by Anchorage Equal Rights Commission were resolved in a timely manner as required by the applicable Anchorage Municipal Code.

Based on our review, some operational improvements are needed at the Anchorage Equal Rights Commission. Specifically, the Anchorage Equal Rights Commission did not always resolve complaints in a timely manner. In addition, two commissioners failed to attend two-thirds of the regular meetings within any 12-month period from January 2014 through March 2016. Finally, our audit revealed transparency issues with some of Anchorage Equal Rights Commission's activities.

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

September 29, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-05, Harry J. McDonald Memorial Center, Parks and Recreation Department**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed an audit of the Harry J. McDonald Memorial Center, Parks and Recreation Department. The objective of this audit was to determine if Fire Lake Arena Management, Inc. (Contractor) was in compliance with the contract requirements. Specifically, we determined if the Contractor submitted its budget and expenditures for approval; if the Contractor was in compliance with the contract's insurance and bond requirement; if the Contractor provided reports and documents required by the contract; if the Contractor paid reserve account payments to the reserve account required by the contract; if the Contractor was in compliance with the contract's requirement for controlling properties; and if the Contractor was in compliance with other pertinent contract requirements.

Our audit revealed that the Contractor had not complied with some of the contract's requirements. Specifically, the Contractor did not remit to the Municipality the 2013 and 2015 net profits, did not always timely submit monthly reserve account payments, and had not performed an annual inventory, tagged property with Municipal asset tags, nor submitted a current inventory listing to the Municipality. In addition, the Contractor did not obtain prior written approval from the Municipality for some expenditures that were not contained in the approved budget, paid professional services in excess of \$10,000 without prior written approval from the Municipality, and did not always comply with the contract's subcontracting requirements. Finally, the Contractor did not submit to the Municipality an annual operating budget for approval by July 1 of the preceding calendar year, incorrectly recorded a barter transaction in their financial system, and the Contractor's current comprehensive/general liability, excess liability, and commercial automobile liability policy did not contain a waiver of subrogation against the Municipality.

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

December 6, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-06, Vendor Contracts: Compliance, Anchorage Water and Wastewater Utility**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed an audit of Vendor Contracts: Compliance at the Anchorage Water and Wastewater Utility. The objective of this audit was to determine vendor contract compliance with Anchorage Municipal Code Title 7, *Purchasing and Contracts and Professional Services*. To accomplish this objective, we judgmentally selected six vendor contracts and reviewed documents pertaining to these contracts, their amendments, and corresponding invoice charges.

Our audit revealed that although Anchorage Water and Wastewater Utility generally complied with Anchorage Municipal Code Title 7, some improvements are needed. For example, five out of eight subcontractors employed under six vendor contracts did not comply with the Office of Equal Opportunity's Contract Compliance Program. In addition, project cost overruns not related to landscape architecture were charged to a landscaping vendor contract instead of amending a purchase order that would have required Assembly approval. Finally, one of six vendor contracts contained charges for services performed before the vendor contract begin date.

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

December 6, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2016-07, Vendor Contracts: Payments, Anchorage Water and Wastewater Utility**. A brief summary of the report is presented below.

In accordance with the 2016 Audit Plan, we have completed an audit of Vendor Contracts: Payments at the Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether payments under vendor contracts were appropriate. To accomplish this objective, we judgmentally selected six vendor contracts and reviewed 145 invoices that were issued under 48 Notices to Proceed from mid-2013 through mid-2016. In addition, we evaluated the Notice to Proceed process and the adequacy of the associated documentation.

Our audit revealed Anchorage Water and Wastewater Utility needs to improve its oversight of vendor payments. Specifically, during our review, we identified a payment for services not performed for one contract and labor overcharges for two of the six vendor contracts. In addition, billing backup for some of the invoices was inadequate and the Notice to Proceed process lacked transparency due to insufficient documentation or documentation that was not produced in a timely manner during the Notice to Proceed process. Finally, Anchorage Water and Wastewater Utility had no internal standard operating procedure regarding the allowability of charges to the project before the Scope of Work was created.

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

EXECUTIVE SUMMARIES FROM

2016 SCHOOL DISTRICT AUDIT REPORTS

April 15, 2016

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2016-01; Addenda Follow-Up; Anchorage School District**. A brief summary of the report is presented below.

We have completed a follow-up audit of the Anchorage School District's Addenda. The objective of this follow-up audit was to determine the effectiveness of corrective action taken by the Anchorage School District on the deficiencies contained in ASD Internal Audit Report 2013-01. To accomplish our objective, we reviewed controls and compliance with the administration of addenda throughout the Anchorage School District. In addition, we conducted site visits and interviewed Anchorage School District staff. We also examined supporting documents that were used to initiate the addenda payments and reviewed addenda payments to determine compliance with the Insight Addendum User Guide. Finally, we judgmentally selected 73 addenda payments to review consistency in documentation and payment amounts. The scope of our review was addenda transactions processed during FY 2014-15.

Based on our review, it is our opinion that management action taken by the Anchorage School District in response to the 2013 audit report improved some of the identified issues. Our follow-up audit revealed that action taken by management was effective for 1 of 5 deficiencies, partially effective for 3 of 5 deficiencies, and not effective for 1 of 5 deficiencies. We found that further management action is still required. Specifically, addenda were not always supported by backup documentation or signed addenda forms. In addition, we identified instances where addenda for similar duties were still paid at different hourly rates and amounts than those specified in the Insight Addendum User Guide and approval hierarchies in IFAS allowed staff to create and approve addenda by using similar permissions granted to principals and department supervisors. Moreover, we identified 780 of 15,345 (5%) addenda transactions where descriptions were not entered as required by the Insight Addendum User Guide. Finally, addenda payments were paid to some hourly employees for non-coaching related duties, signature stamps were sometimes used to approve addenda forms, and some addenda payments were approved by schools and departments early and some payments were approved late.

There were five follow-up findings and three new findings in connection with this audit. Management was responsive to the findings and recommendations.

July 21, 2016

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2016-02, Decentralized Student Activities, 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 Decentralized Student Activities. The objective of this audit was to determine if decentralized student activity funds were consistently and effectively managed and controlled throughout the District according to its policies and procedures. To achieve our objective, we judgmentally selected cash receipts and deposits to ensure funds were deposited and accounted for properly. We also reviewed disbursement and account adjustments to determine if they were properly supported. In addition, we reviewed bank reconciliations, raffle ticket activity, and evaluated the effectiveness of internal controls. The scope of our review consisted of decentralized transactions processed during the 2014-15 school year.

Improvements are needed to better account for decentralized student activity funds. Specifically, decentralized student activity accounts were not consistently and adequately managed at the school level; actual cash and checks deposited at the bank did not always match what was collected by three schools; cash was not always deposited timely; and cash receipt numbers were not always accounted for in Datateam Activities Accounting Pro or were not on file. Moreover, raffle ticket activity was not always documented at one high school, and receipt and disbursement transactions for a high school raffle account were not accounted for in Datateam Activities Accounting Pro. In addition, some questionable reimbursements were paid to District personnel from student activity funds; adjustments in Datateam Activities Accounting Pro were not always documented by signed fund transfer forms or adjustment journals; and disbursements were not always consistently documented and initiated as required by the Activity Manual. Furthermore, some schools made donations to organizations that were not on the approved Anchorage School District Charitable Giving Campaign list, nor were they approved by the appropriate Instructional Division Executive Director. Finally, end of year balances in some principals' accounts were not always transferred back to the general student activity accounts and completed bank reconciliations were not always timely submitted to the Accounting Department.

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

October 27, 2016

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2016-03; Procurement Card Purchases; Anchorage School District**. 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 District's policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from July 1, 2015, to March 31, 2016. Specifically, we reviewed purchases of 335 judgmentally selected transactions to ensure compliance with the Procurement Card Procedures. We also reviewed the process for deactivating Procurement Cards for terminated cardholders.

Overall, the controls over Procurement Cards have improved since our previous audit. However, our review of Procurement Card transactions from July 1, 2015, to March 31, 2016, revealed some instances of questionable and prohibited purchases. Examples of questionable purchases included food and gifts for staff and prohibited purchases included gift cards. In addition, documentation for Procurement Card purchases was not always maintained and some Procurement Card purchases were not always approved in the US Bank website. Moreover, Procurement Card purchases were not always allocated to the appropriate Integrated Financial Administrative Solution account code within three business days of the transaction and some transactions were split to circumvent the \$2,500 single transaction limit. Finally, some Procurement Cards were not deactivated timely when cardholders were terminated.

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

EXECUTIVE SUMMARIES FROM

2016 SUNSET AUDIT REPORTS

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S1, Urban Design Commission, Planning Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Urban Design Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Urban Design Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Urban Design Commission be reauthorized. Our sunset audit revealed that revised Anchorage Municipal Code (AMC) Title 21, Land Use Planning, effective January 1, 2014, does not contain language regarding the Commission's composition or the number of members, which was inadvertently omitted. Staff in the Office of Economic and Community Development are currently working on revising Title 21 to include language regarding the Commission's composition and number of members.

The Urban Design Commission will sunset on October 14, 2016, unless reauthorized by the Assembly.

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S2, On-Site Wastewater System Technical Review Board, Development Services Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the On-Site Wastewater System Technical Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the On-Site Wastewater System Technical Review Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the On-Site Wastewater System Technical Review Board be reauthorized.

The On-Site Wastewater System Technical Review Board will sunset on October 14, 2016, unless reauthorized by the Assembly.

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S3, Anchorage Community Development Authority Board of Directors, Anchorage Community Development Authority**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Anchorage Community Development Authority Board of Directors. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Anchorage Community Development Authority Board of Directors should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Anchorage Community Development Authority Board of Directors be reauthorized.

The Anchorage Community Development Authority Board of Directors will sunset on October 14, 2016, unless reauthorized by the Assembly.

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S4, Bidding Review Board, Purchasing Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Bidding Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Bidding Review Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of Board meeting audio recordings, resolutions, and attendance records, we recommend that the Bidding Review Board be reauthorized.

The Bidding Review Board will sunset on October 14, 2016, unless reauthorized by the Assembly.

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S5, Arts Advisory Commission, Mayor's Office**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Arts Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Arts Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

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

The Arts Advisory Commission will sunset on October 14, 2016, unless reauthorized by the Assembly.

August 12, 2016

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2016-S6, Municipal Women's Commission, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Municipal Women's Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Women's Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Municipal Women's Commission be reauthorized.

The Municipal Women's Commission will sunset on October 14, 2016, 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)”