

INTERNAL AUDIT REPORT

2025-05

Grant Processing

Controller Division

Finance Department

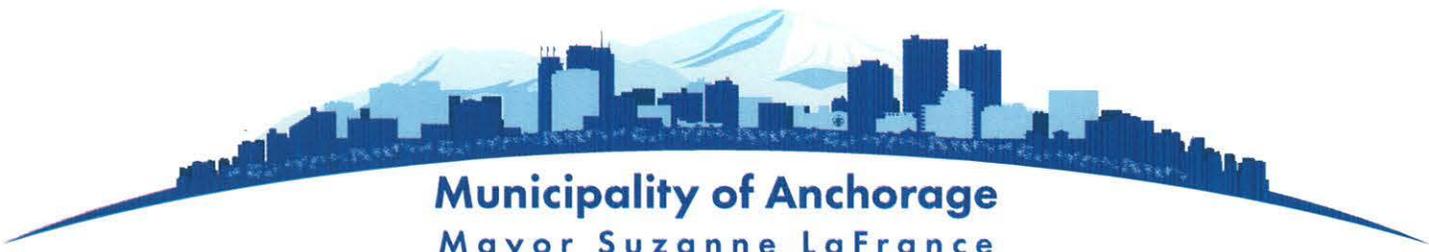
October 1, 2025

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Municipality of Anchorage
Mayor Suzanne LaFrance

-Office of Internal Audit-

October 1, 2025

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2025-05, Grant Processing, Controller Division**. A summary of the report is presented below.

In accordance with the 2025 Audit Plan, we performed an audit of Grant Processing. The objective of this audit was to determine whether the processing of grants at the Anchorage Health Department, the Public Transportation Department, and the Office of Emergency Management complied with their grant contracts and Municipal Policies and Procedures. Specifically, we reviewed selected grant reporting periods for multiple Anchorage Health Department, Public Transportation Department, and Office of Emergency Management grants to determine the timeliness, accuracy, and completeness of grant financial reporting. In addition, we analyzed if written grant processing procedures, policies, and training were adequate.

Overall, based on our review, we found the processing of grants at the Anchorage Health Department, the Public Transportation Department, and the Office of Emergency Management needs to be improved. Specifically, our review found that amounts in grant reporting documents did not always match, and grant reporting records were not always maintained by Grant Accounting staff. In addition, Grant Accounting did not always provide department staff with grant reporting documents to review in a timely manner, and Office of Emergency Management staff circumvented grant reporting requirements. Moreover, financial reporting to the Grantor was not always completed on time, and grant training provided to Municipal departments was not sufficient. Finally, Grant Accounting lacks comprehensive written Policies and Procedures or desk manuals to adequately and accurately determine the roles and responsibilities of department staff on grant processes, and the Office of Emergency Management lacks internal written procedures or desk manuals determining the roles and responsibilities of staff in grant processing.

There were eight findings in connection with this audit. Management comments were responsive to each audit finding and recommendation.

Alden P. Thern



Director, Internal Audit





Municipality of Anchorage
Mayor Suzanne LaFrance
-Office of Internal Audit-

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Introduction. The Municipality of Anchorage (Municipality) receives grants from the Federal Government and the State of Alaska which are administered by Municipal department staff who ensure compliance with grant agreement terms, approve grant expenditures, and submit progress reports. The Controller Division (Controller) Grant Accounting Section is responsible for monitoring the overall financial accounting and reporting of all Municipality grants. Grant Accounting currently has four budgeted staff: a Finance Supervisor and three Senior Staff Accountants. The Controller provided information on three of the largest recipients of grants in the Municipality for 2024: the Anchorage Health Department (AHD) with 49 active grants and \$14,214,722 in grant funds awarded, Public Transportation Department (PTD) with 31 active grants and \$3,191,311 in grant funds awarded, and the Office of Emergency Management (OEM) with 10 active grants and \$1,124,030 in grant funds awarded.

Objective and Scope. The objective of this audit was to determine whether the processing of grants at AHD, PTD, and OEM complied with their grant contracts and Municipal Policies and Procedures (P&P). Specifically, we reviewed selected grant reporting periods for multiple AHD, PTD and OEM grants to determine the timeliness, accuracy, and completeness of grant financial reporting. In addition, we analyzed if written grant processing procedures, policies, and training were adequate.

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.

Overall Evaluation. The processing of grants at AHD, PTD, and OEM needs to be improved. Specifically, our review found that amounts in grant reporting documents did not always match, and grant reporting records were not always maintained by Grant Accounting staff. In addition, Grant Accounting did not always provide department staff with grant reporting documents to review in a timely manner, and OEM staff circumvented grant reporting requirements. Moreover, financial reporting to the Grantor was not always completed on time, and grant training provided to Municipal departments was not sufficient. Finally, Grant Accounting lacks comprehensive written P&Ps or desk manuals to adequately and accurately determine the roles and responsibilities of department staff on grant processes, and OEM lacks internal written procedures or desk manuals determining the roles and responsibilities of staff in grant processing.

FINDINGS AND RECOMMENDATIONS

1. Grant Reporting Document Amounts Did Not Always Match.

- a. Finding.** Amounts in grant reporting documents did not always match. Specifically, we found 27 of 81 (33%) reporting periods reviewed did not have matching grant reporting documents. For example, a quarterly reporting period for a grant had none of the amounts in the grant reporting documentation matching: grant reporting documents signed by department staff had a cumulative total of \$10,434,696, Municipal financial system supporting documents had a cumulative total of \$10,791,272, and a Grantor reporting system entry had a cumulative total of \$9,960,905. As another example, a quarterly reporting period for a grant had none of the amounts in the grant reporting documentation matching: grant reporting

documents signed by department staff had a cumulative total of \$11,366,314, a Municipal financial system supporting documents had a cumulative total of \$10,686,919, a Grantor reporting document had a cumulative total of \$11,630,958, and a Grantor reporting system entry had a cumulative total of \$11,631,708. According to Grant Accounting staff, all grant reporting documents should match what is reported to the Grantor. Municipal P&P 24-9, *Grant Accounting*, states that the Municipality "...shall promote proper uses of grant funds, recordkeeping, and grant reporting that is timely, complete, and accurate."

b. Recommendation. The Controller should instruct Grant Accounting to always ensure all grant reporting document amounts match their submission to the Grantor.

c. Management Comments. Management stated, "The Controller Division concurs. Reconciliation protocols and supervisory review will be implemented to ensure reporting documents, SAP records, and Grantor submissions agree before submission.

Estimated Completion: Q4 FY2025"

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

2. Grant Reporting Records Not Always Maintained.

a. Finding. Grant reporting records were not always maintained by Grant Accounting staff. Specifically, we found 22 of 81 (27%) reporting periods reviewed were missing some grant reporting documentation: 18 grant reporting periods were missing the correspondence dates when grant reporting documents were received by department staff to review, and four were missing supporting documents. Municipal P&P 24-9

states that “Grant Accounting will maintain a file for each active grant...Any correspondence, including grant billings and correspondence with the grantors clarifying grant terms or other questions, will be maintained in the file.”

- b. **Recommendation.** The Controller should ensure Grant Accounting staff maintain all grant reporting records and correspondence with other Municipal staff.

- c. **Management Comments.** Management stated, “The Controller Division concurs. A new file structure will be created in the Controller Division Finance drive, and where necessary, in MuniWide shared files with OEM and other departments, to ensure complete and consistent record retention.
Estimated Completion: December 31, 2025”

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

3. **Grant Reporting Review Due Dates Not Always Met.**

- a. **Finding.** Grant Accounting did not always provide department staff with grant reporting documents to review in a timely manner. Specifically, 18 of 81 (22%) reporting periods reviewed did not follow current Grant Accounting procedures and provide grant reporting documents to department staff to review at least seven business days before the reporting due date. For example, a grant report had a due date of July 30, 2024; however, the grant reporting documents were not received by department staff until July 31, 2024, one business day past the due date instead of seven business days before the due date. In addition, a grant report had a due date of April 10, 2024; however, the grant reporting documents were not received by department staff until April 9, 2024, only one business day before the due date

instead of seven business days before the due date.

Moreover, in 6 of 81 (7%) grant reporting periods, the department staff did not always sign grant reporting documents within 48 hours of being received. All grant reporting documents to be signed by the departments state that "...all expenditure certifications must be returned within 48 hours." For example, grant reporting documents were received from Grant Accounting on January 10, 2024, but were not signed by department staff until January 23, 2024, nine business days later.

- b. **Recommendation.** The Controller should ensure Grant Accounting staff provide departments with grant reporting documents to review at least seven business days before the due date and ensure department staff sign grant reporting documents within 48 hours of receipt.

- c. **Management Comments.** Management stated, "The Controller Division concurs. Automated reporting calendars will be implemented, and departments will be required to return signed certifications within established deadlines to ensure timeliness."
Estimated Completion: January 2026

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

4. **Grant Reporting Requirements Circumvented.**

- a. **Finding.** The Office of Emergency Management staff have circumvented grant reporting requirements. Specifically, an individual grant's reporting from January 2024 to October 2024 was completed monthly by OEM staff directly to the Grantor

and was not reviewed or signed by Grant Accounting staff or the Controller prior to submission. Municipal P&P 24-9 states that “A certification of the report will be signed by the preparer and the grant administrator and will be forwarded with the report package to Grant Accounting for review. The Controller will review and sign all grant financial reports and billings, whether prepared by the grantee agency or by Grant Accounting.”

b. Recommendation. The Controller should ensure all Municipal departments do not circumvent documented grant reporting requirements.

c. Management Comments. Management stated, “The Controller Division concurs. OEM and all Municipal departments will be required to follow updated procedures that mandate routing reports through the Controller Division for review and certification.

Estimated Completion: Immediate (in effect August 2025)”

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

5. Grant Reports Not Always Submitted in a Timely Manner.

a. Finding. Financial reporting to the Grantor was not always completed on time. Specifically, we found 5 of 81 (6%) reporting periods reviewed did not have financial reports submitted to the Grantor by the due dates. For example, a grant report was due to the Grantor on October 30, 2023, but the grant report was not completed until December 4, 2023, 24 business days later. As another example, a grant report was due to the Grantor on October 20, 2024, but the grant report was not completed until January 8, 2025, 53 business days later. The Controller’s Division document, “Grant

Guidelines: Departmental Responsibilities”, states that the “Controller Division processes and submits reports per grant agreement requirements.”

- b. **Recommendation.** The Controller should instruct Grant Accounting to ensure all grant financial reports are completed and submitted on time.
 - c. **Management Comments.** Management stated, “The Controller Division concurs. Cross-training and a monitoring dashboard will be implemented to improve timeliness of report submissions and reduce late reporting risks. *Estimated Completion: December 2025*”
 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
6. **Grant Training Not Sufficient.**
- a. **Finding.** Grant training provided to Municipal departments was not sufficient. Specifically, we found that although Grant Accounting had multiple SAP grant training modules available on the Municipality’s online training platform, it was not enforced to be completed by department grant staff and none of the Grant Accounting staff had completed the training themselves. In addition, we found both new and longtime employees in department grant administration positions had not been assigned the training modules. Moreover, although there is monthly training being conducted by OMB staff for the Municipal financial system’s Funds Management module, we found there was no training being conducted by Grant Accounting for department grant administration, the Municipal financial system’s Grants Management module, and its corresponding grant reports.

Our review also found that currently there are no training requirements for Grant Accounting and department grant staff to follow in Municipal P&P 24-9. However, the Controller Division and the Finance Department are required by other Municipal Finance P&Ps to coordinate similar training. For example, MOA P&P 24-1, *Collecting, Securing, Depositing, and Reporting Cash*, states that "...at least annually, all cashiers and their supervisors attend training sessions conducted by the Finance Department/Treasury Division on cash handling and reporting procedures..." As another example, MOA P&P 24-21, *Customer Setup, Billing, and Managing Accounts Receivable*, states that "The Controller Division shall: On a periodic basis, coordinate with Treasury Division to provide training in the SAP A/R module documents and processes to department billing specialists."

- b. Recommendation.** The Controller should ensure all Municipal grant staff complete existing online platform training, including the Grant Accounting staff, and develop further grant process training for all Municipal grant staff.
- c. Management Comments.** Management stated, "The Controller Division concurs. All grant staff will be required to complete SAP training modules, and supplemental training will be developed on grant lifecycle and compliance requirements. *Estimated Completion: March 2026 for SAP modules; July 2026 for supplemental training*"
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

7. **Lack of Comprehensive Policies and Procedures for Processing Grants.**

- a. **Finding.** Grant Accounting lacks comprehensive written P&Ps or desk manuals to adequately and accurately determine the roles and responsibilities of department staff on grant processes. Specifically, Grant Accounting's current practices have not been sufficiently documented in written policies outlining roles and responsibilities of department staff in grant administration, processing, and reporting. For example, the Controller document, "Grant Guidelines: Departmental Responsibilities", outlines basic department responsibilities during the life cycle of a grant. However, this document lacks important reporting timelines and procedures for Municipal department grant staff to follow in administering, processing, and reporting of grants. As another example, there are no written processes or procedures to identify the need for grant training, who receives the training, and what topics should be in the grant training. If written training processes existed, the condition in Finding #6 could have been avoided.

As a further example, Grant Accounting staff require review and certification of grant expenditures to be signed by department staff and returned within 48 hours to allow adequate processing time for the reporting to the Grantor. However, this practice is not a formal written policy and is only briefly mentioned in the internal "Certification of Grant Billing" form. As a final example, there are no formal written policies to reflect requirements to return signed grant reporting documents to Grant Accounting at least 5 business days before the due date of reporting to the Grantor. Instead, the only guidance is a 2002 Controller Memorandum titled "Timely Grant Reporting" that states, "In order for grant reports to be processed prior to their due dates, grant reports must be received by Grant Accounting five working days before they are due. This allows time for the grant reporting documents to route through the Controller Division's review process and for the grant report(s) and letterhead to be signed by

the Controller.” If written processes and policies do not exist, institutional knowledge is lost with the departure of staff, inconsistent practices among staff and/or departments can increase the risk of errors, and they cannot train new staff effectively.

b. Recommendation. The Controller should ensure that Grant Accounting creates and implements detailed written policies that reflect current practices covering the entire grant process.

c. Management Comments. Management stated, “The Controller Division concurs. To formalize practices and promote consistency, a comprehensive Grant Accounting Policy and Procedures Manual will be developed and implemented. This manual will establish standardized responsibilities, processes, and procedural guidelines applicable across departments, while allowing for operational flexibility within each department’s structure.

Estimated Completion: Draft by March 2026; Final adoption by July 2026”

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

8. Office of Emergency Management Lacks Policies and Procedures.

a. Finding. The Office of Emergency Management lacks internal written procedures or desk manuals determining the roles and responsibilities of staff in grant processing. Specifically, we asked OEM staff to provide any internal written grant processes or procedures; however, OEM staff were only able to provide three draft documents that had not yet been completed.

In contrast, AHD and PTD staff had written workflow documents of their grant lifecycles with staff task responsibility and time frames for completion.

- b. **Recommendation.** The Controller should collaborate with the Director of OEM to ensure staff complete and implement detailed internal written procedures and desk manuals for the grant process.

- c. **Management Comments.** Management stated, “The Controller Division concurs. OEM will contribute to the development of desk manuals that align with the MuniWide policy framework. Their input—alongside that of other departments—will help enhance clarity and support a smooth implementation. While collaborative feedback will be welcomed, the expectations and procedural standards will remain consistent across all Municipal departments to ensure uniformity and accountability.
Estimated Completion: February 2026”

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

OTHER PERTINENT INFORMATION

Controller Division staff did not readily provide consistent grant information necessary for effective grant management. For example, we asked for a list of all 2024 active grants with their expenditure amounts for AHD, PTD, and OEM. However, when reviewing a list from Grant Accounting staff, we noticed some grants not on the Controller’s active grant list. In addition, we asked the Controller for a report of awarded grant funding for AHD, PTD, and OEM in 2024. Again, some grants were not on the active grant list previously received from the Controller. When asked about the inconsistencies in the grant lists, the Controller expressed distrust in the Grants Management module entries and stated they could not run one report for all the grants from individual departments in the Municipal financial

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system, and grants would have to be pulled individually to create an overall list. Inconsistencies in Municipal financial system grant data makes it difficult to validate if provided information is accurate.

Management responded to our other pertinent information and stated, “The Controller Division concurs. Interim reconciliations between department lists and the Controller’s master list will be performed quarterly, and SAP system enhancements will be requested in the FY2026 budget process.

Estimated Completion: Interim controls Q4 2025; Budget proposal FY2026”.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 29, 2025.

Audit Staff:
Dalton Benson