

March 1, 2006

Internal Audit Report 2006-5
2005 Grant Fund Utilization
Finance Department

Introduction. The Municipality of Anchorage receives State and Federal grants that fund various programs and projects, such as air quality monitoring; seat belt enforcement; weatherization assistance; transit programs; child care assistance; and the Women, Infants and Children program. According to the Municipal Office of Management and Budget (OMB), from the period 2002 through 2005, the Municipality received 347 operating grants totaling \$138,413,006.

Objective and Scope. The objective of this audit was to determine whether State and Federal operating grant funds received by the Municipality during 2002 through 2005 have been used for the intended purpose. Specifically, we determined the grants that had been received, the stated purpose of each grant, the time of performance requirements, the amount of grant funds expended, if the funds were expended for the proper purpose and in the proper time frame, and if any grants had to be returned for lack of use. We judgementally sampled 20 operating grants with an unexpended balance of at least \$5,000.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of August through September 2005. The audit was requested by the Administration.

Overall Evaluation. Our review of grant funds indicated they were generally used for the intended purpose. However, we found there was no central oversight of grants to ensure all funds received

were utilized during the grant period and requests for reimbursement were submitted timely for all work performed.

FINDING AND RECOMMENDATION

1. No Central Oversight of Grants.

- a. Finding.** There was no central oversight of grants received by the Municipality to ensure funds were fully and accurately spent. Although OMB established grant account codes on PeopleSoft, they had no other responsibility for grants. In addition, the Controller Division's Grant Accounting Section accounted for grant funds based upon the information they had received from grant administrators, but had no authority to ensure grant funds were fully and accurately spent. Finally, employees without previous grant administration experience or training were often asked to administer grants. As a result, \$536,443 was lost from eight grants. One of these grants was a reimbursable grant for highway safety officer training. Although the work was completed, the Anchorage Police Department did not request a reimbursement of \$17,726. In addition, the Anchorage Fire Department did not seek reimbursement for some work done on a \$280,000 reimbursable grant for the Metropolitan Medical Response System. Specific information for each of these eight grants is provided in the table below.

GRANT FUNDS NOT FULLY UTILIZED/REIMBURSED

Department	Grant Name	Grant Award	Grant Funds Not Fully Utilized/ Reimbursed
Anchorage Police Department	Tobacco Sales Enforcement	\$101,000	\$53,327
Anchorage Police Department	Seat Belt Enforcement	\$102,000	\$12,676
Anchorage Police Department	Highway Safety Officer Training	\$17,726	\$17,726
Anchorage Police Department	Prescription Drug Enforcement	\$38,835	\$19,589
Planning Department	Coastal Impact Assistance Program	\$603,869	\$62,178
Planning Department	Wetlands Program Development	\$59,250	\$58,088
Anchorage Fire Department	Metropolitan Medical Response System (MMRS)	\$280,000	\$280,000
Health and Human Services	Homeland Security	\$224,964	\$32,859
TOTALS:		\$1,427,644	\$536,443

- b. Recommendation.** The Administration should implement quarterly reporting of grant fund expenditures to assist management in tracking the use and expenditure of grant funds. The reports should be submitted to the respective Department Managers and Executive Manager. The report should be utilized to ensure grant funds are being fully utilized with explanations for any exceptions being provided by the respective departments.
- c. Management Comments.** Management stated, “Management concurs with the finding and the Controller Division Grants section will create and implement a

quarterly grant summary reporting system to provide grant utilization information to department and executive directors.”

- 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.

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