

INTERNAL AUDIT REPORT

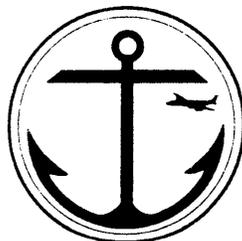
2011-10

Anchorage Senior Center

Department of Health and Human Services

September 13, 2011

MUNICIPALITY OF ANCHORAGE
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Mayor Dan Sullivan

September 13, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-10, Anchorage Senior Center, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Anchorage Senior Center. The objective of this audit was to determine whether Anchor-Age Center, Inc. has complied with the contract to operate the Anchorage Senior Center. Specifically, we determined whether Anchor-Age Center, Inc. provided reports and documents required by the contract; whether grant funds were spent only for grant purposes; and whether services and programs were provided as required by the contract.

Based on our review, we determined that Anchor-Age Center, Inc. has generally complied with the 2011 contract. However, the Quarterly Program Activity Report providing an update on the Anchorage Senior Center's goals and objectives was not always complete and accurate. In addition, Anchor-Age Center, Inc. did not maintain a current equipment and property inventory as required by the contract. Finally, Anchor-Age Center, Inc. hired three subcontractors without obtaining written approval from the Municipality.

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

A handwritten signature in black ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA, CFE
Director, Internal Audit

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Internal Audit Report 2011-10
Anchorage Senior Center
Department of Health and Human Services

Introduction. The Department of Health and Human Services has a contract to manage and operate the Anchorage Senior Center (Center) with Anchor-Age Center, Inc. (Contractor). The Contractor is a nonprofit corporation whose mission "...is to enhance the quality of life of seniors by managing a well-equipped facility with a skilled staff who promote fitness, health and social interaction in a wide range of activities and services." The Contractor receives partial funding through a contract with the Municipality who owns the Center. The total cost of the contract in 2011 was \$486,760 and provided funding for utilities, partial funding for six positions, and full funding for five positions. The Contractor is required to raise additional funds necessary to operate the Center.

Objective and Scope. The objective of this audit was to determine whether the Contractor has complied with the contract to operate the Center. Specifically, we determined whether the Contractor provided reports and documents required by the contract; whether grant funds were spent only for grant purposes; and whether the contractor has provided services and programs required by the contract.

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 June through July 2011. The audit was requested by the Administration.

Overall Evaluation. The Contractor has generally complied with the 2011 contract. However, the Quarterly Program Activity Report providing an update on the Center's goals and objectives was not

complete and accurate. In addition, the Contractor did not maintain a current equipment and property inventory as required by the contract. Finally, the Contractor hired three subcontractors without obtaining written approval from the Municipality.

FINDINGS AND RECOMMENDATIONS

1. Quarterly Reporting Needs Improvement.

- a. **Finding.** The Quarterly Program Activity Report providing an update on the Center’s goals and objectives was not complete and accurate. In addition, evaluation tools used to measure some of the goals had not always been developed.
- *Some Data Inaccurate* – The status of six of the 15 goals was not accurately reported. It appears that the Contractor reported the stated quarterly goal instead of the actual amounts.

<u>Goal</u>	<u>Reported</u>	<u>What Should Have Been Reported</u>
Administer on-site food bank program for 250 low income seniors. ^{Note}	200	712
Provide on-site health screening for 100 seniors with 25 reporting an increased ability to monitor their condition.	25	27
Offering four wellness activities.	4	10
Outreaching to at least one new community partner each quarter.	3	4

<u>Goal</u>	<u>Reported</u>	<u>What Should Have Been Reported</u>
Increasing the membership roster by at least 50 each quarter.	50	150
Engaging in community functions to inform the community about services and activities of the Center.	2	13

Note: This goal also stated that meals were to be provided to at least 190 unique individuals each quarter. This number was never measured.

Source: Quarterly Program Activity Report and data provided by the Contractor.

- *Some Reported Data Unverifiable* – Data reported was not verifiable because required testing had not been performed or data obtained for three of the 15 goals. The three goals were:

<u>Goal</u>	<u>Reported</u>	<u>Comments</u>
Administer fitness test to measure improvement of 50 seniors.	50	No pre-testing or post-testing was conducted.
Extend services and outreach to minority and low income seniors to increase membership in these groups by 10 percent each quarter, or 25 members each quarter.	25	Center staff assumed goal was met and recorded 25. Staff provided no backup data for number.

<u>Goal</u>	<u>Reported</u>	<u>Comments</u>
Provide opportunities for seniors to join and participate in social groups and clubs with 100 seniors per quarter reporting an improvement of their socialization skills by joining new programs or services.	4	No system established to readily identify new members of social groups and clubs.

Source: Reported number taken from the Quarterly Program Activity Report.

- *Evaluation Tools Not Developed* – Evaluation tools have not been developed for four of the 15 goals to help determine program success. Two of these goals were suppose to be reported in the Quarterly Program Activity Report, but were not reported since no surveys were developed. The goals were:
 - ▶ Conduct a service satisfaction survey for two monthly support groups that focused on health topics.
 - ▶ Conduct a service satisfaction survey for 20 seniors participating in activities such as healing touch, meditation, therapeutic massage, yoga, pedicures, and dental checks.

The other two goals are to be reported later in the year. However, we question how they will be reported since evaluation tools have not been fully developed. The goals are:

- ▶ Seventy-five percent of those attending recreational and cultural opportunities or classes report positive outcomes and enrichment in their lives.

- ▶ Seventy-five percent of those attending educational classes such as financial management and computer classes or labs report an enhancement of their personal development skills, knowledge and learning in technology and other educational fields.

- b. **Recommendation.** The Contract Administrator should require that Quarterly Program Activity Reports are prepared accurately and completely.

- c. **Management Comments.** Management concurred and stated, “The quarterly activity report providing an update on the senior center’s goals and objectives was developed in collaboration with the Executive Director and Board of Directors in response to the Request for Proposal issued by the Purchasing Department for FY11. The stated goals and objectives closely follow the overall scope of work as proposed by Anchorage-Age, Inc. The goals and objectives are a performance tool to assist the Contractor and DHHS in its overall work to maintain a fully functioning senior center as defined by the National Council on Aging (NCOA).

“Due to the finding on data being underreported, unverifiable and evaluation tools not developed, the Contract Administrator proposes the following:

- a) “Upon receipt of 3rd and 4th quarter reports, the Senior Services Coordinator will meet with Contractor and review data upon which reported numbers are based. Contractor will be required to submit an updated report for any areas where data is found to be inaccurate.

- b) “For numbers on which reported data is unverifiable, the Contractor will provide a written response as to reason testing had not been performed or data

not able to be obtained. This response will be due within two weeks of DHHS' request.

- c) "The Contractor will provide a written response regarding the lack of evaluation tools. Based on this response the Senior Services Coordinator and Contractor will determine need and/or effectiveness of evaluation tools as they relate to the overall programs and services and provide recommendations for future implementation.
- d) "The Senior Services Coordinator will meet with the Contractor's Executive Director during the 4th quarter of the current contract to review goals and objectives and develop goals and objectives for FY12 reflecting activities found in the contract's scope of work."

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

2. **Inventory Needs Improvement.**

- a. **Finding.** The Contractor did not maintain a current equipment and property inventory as required by the contract. Section 9.C, *Equipment*, of the contract states:

"The Grantee shall maintain current inventories of all Municipal equipment and property and all Grantee equipment and property, with an original fair market value greater than FIVE HUNDRED DOLLARS (\$500) and/or expected to have a useful life exceeding one (1) year . . . These inventories shall include an accurate description of each item, the date purchased or

acquired, the original purchase price or original fair market value, the source of funds used to purchase the Municipal equipment and property and the Grantee equipment and property, and information on whether it is owned by the Municipality, the Grantee or others.”

Our review revealed the current inventory lacked the following information:

- Date purchased or acquired
- Original purchase price or original fair market value
- Fund source used to purchase the equipment/property
- Information on whether it is owned by the Municipality, the Contractor, or others.

b. **Recommendation.** The Contract Administrator should ensure that the Contractor maintain a current inventory list containing all required information as required by Section 9.C of the contract.

c. **Management Comments.** Management concurred and stated, “Based on audit findings regarding lack of adequate inventory as required by the contract the Contract Administrator proposes the following:

- a) “Clarify language in contract with Contractor by developing contract amendment language consistent with Municipal operating policies and procedures within two weeks of submission of this audit response. Based on the substitute language agreed upon by Contractor a completed inventory will be submitted to DHHS by December 1, 2011.

b) “Contract Administrator will complete and maintain an inventory of items purchased through a State of Alaska capital grant (AR 2010-216(S)/AM 412-2010) using DHHS procedures by November 1, 2011. Purchases completed after that date will be inventoried within two weeks of receipt by the senior center.”

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

3. **Subcontractors Hired Without the Municipality’s Written Approval.**

a. **Finding.** The Contractor hired three subcontractors without obtaining written approval from the Municipality. For example, the Contractor hired a fitness instructor on February 14, 2011 without obtaining written approval from the Municipality. Appendix A, 3.1, *Overview*, of the contract states that “The Grantee may, where identified and with written approval by the Municipality, sub-contract services related to the management and operations of the Senior Center.”

In addition, the Contractor did not have written procedures for the selection of subcontractors. Part I, Section 13.C, *Assignment and Subcontracts*, of the contract also states that “The grantee shall have established written procedures for the selection of a subcontractor that comply with requirements of Part I, Section 14.” - which deals with indemnity.

b. **Recommendation.** The Contract Administrator should ensure that the Contractor obtains written approval and establishes written procedures for selection of a subcontractor.

- c. **Management Comments.** Management concurred and stated, “Based on audit findings that indicate the Contractor has hired three subcontractors without obtaining written approval the Contract Administrator proposes the following:
- a) “Contractor shall submit to the Contract Administrator a written policy and procedure for the selection of subcontractors within 30 days of submission of this audit response. Policy and procedure shall be in compliance with Part I Section 13 of the contract.
 - b) “A written request for contractor services will be submitted by Contractor to the Grant Administrator identifying all current subcontractors within two weeks of submitting the above mentioned policy and procedure.
 - c) “All future subcontracts must be approved by the Contract Administrator prior to execution of any subcontract. The Contract Administrator shall monitor all subcontractor contracts during the annual on site monitoring visit beginning in FY12.”
- 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 July 25, 2011.

Audit Staff:
Scott Lee