

# INTERNAL AUDIT REPORT

2023-06

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Harry J. McDonald Memorial Center

Parks and Recreation Department

November 08, 2023

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**Harry J. McDonald Memorial Center**  
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**Introduction.** The Harry J. McDonald Memorial Center (Center) is a facility that houses an Olympic size ice rink, a multi-use turf field, two lane walking/jogging track, and two community meeting rooms. The Center is owned by the Municipality of Anchorage (Municipality) and managed by Fire Lake Arena Management, Inc. (Contractor), a non-profit company formed in 1983 solely to manage the Center since 1984. The initial contract between the Municipality and the Contractor was agreed on January 2011, and was effective through December 31, 2015. The contract has been amended several times. Amendment No. 1, which added language to safeguard performance of the Contractor was agreed on May 20, 2011, and Amendment No. 2 which extended the contract through December 31, 2020, was agreed on December 8, 2015. Amendment No. 3 which incorporated the recommendations from Internal Audit Report 2016-05, dated September 29, 2016, was agreed on February 18, 2017. The contract was expired and lapsed between January 1, 2021, thru May 10, 2023. Finally, Amendment No. 4 which extended the contract through December 31, 2023, was signed on May 10, 2023. According to the contract and its amendments, the Contractor assumed responsibility for all aspect of the Center's operations, scheduling, marketing promotion, ticket sales, revenue collection, costs accounting, and maintenance. The contract is administered by the Eagle River/Chugiak Parks and Recreation Division.

**Objective and Scope.** The objective of this audit was to determine if the Contractor complied with the contract requirements. Specifically, we reviewed the contract to determine the pertinent contract requirements for the Center's operations. We also interviewed the Center's staff, as well as Parks and Recreation management, and Eagle River/Chugiak Parks and Recreation Division 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 reasonable basis for our findings and conclusions based on our audit objectives.

**Overall Evaluation.** The Municipality of Anchorage and the Contractor did not have a contract at the time of this audit. Due to lack of audit criteria (i.e., Contract requirements) at the time of this audit, an audit of contract compliance was not possible.

## **FINDING AND RECOMMENDATION**

### **1. Contract Compliances Unauditable Due to Lack of Current Contract.**

- a. Finding.** The Municipality of Anchorage and the Contractor did not have a contract at the time of this audit. Specifically, the contract between the Municipality and the Contractor was expired on December 31, 2020, and at the time of the audit, the contract had not been renewed. The contract between the Municipality and the Contractor was required to be competitively bid through a Request for Proposal (RFP) process by December 31, 2020. However, attempting to develop, bid, award, and execute new contract through the RFP process during the COVID-19 pandemic would have been impacted and skewed by the COVID-19 related adversities and unknowns associated with it including the duration of the crisis. To address the issue, on October 27, 2020, the Anchorage Assembly passed Assembly Memorandum 623-2020, As Amended, allowing the Municipality and the Contractor to enter contract extension for up to three additional one-year renewal option period by mutual consent of both parties. However, the contract extension did not take place. According to Eagle River/Chugiak Parks and Recreation Division staff, directives were given from Parks and Recreation Department management to the staff to not manage the contract. However, the staff was not able to provide any evidence of such directives were given by the management. Due to lack of audit criteria (i.e., Contract

requirements) at the time of this audit, an audit of contract compliance was not possible.

- b. **Recommendation.** None. After the audit was announced in April 2023, the Municipality and the Contractor agreed to a contract extension through December 31, 2023. However, the Assembly should consider allowing the contract to be extended for an additional one-year extension and consider requesting another contract compliance audit to assess the Contractor's performance before the RFP process begins.
- c. **Management Comments.** Not Required.
- d. **Evaluation of Management Comments.** Not Required.

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

Audit Staff:  
Scott Lee