

# INTERNAL AUDIT REPORT

2025-07

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Harry J. McDonald Memorial Center  
Parks and Recreation Department

December 31, 2025

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**Municipality of Anchorage**  
Mayor Suzanne LaFrance

-Office of Internal Audit-

December 31, 2025

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2025-07, Harry J. McDonald Memorial Center, Parks and Recreation Department**. A summary of the report is presented below.

In accordance with the 2025 Audit Plan, we performed 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 made 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's compliance to the contract needs improvement. Specifically, the Contractor had deficiencies in recordkeeping and numerous inconsistencies within their financial records; incurred expenses not included in the original budget and made changes to the budget without obtaining prior approval from the Administrator; and paid end-of-year bonuses to employees despite being over their salary/wage budget and ending the fiscal year at a loss. In addition, the Contractor has yet to submit audited financial statements for fiscal years 2021 to 2024; is currently in a pending investigation involving a former employee related to alleged misappropriation of resources; and calculated retainage payments incorrectly and did not always track the payments in the annual budget. Moreover, the Contractor did not always submit annual budget proposals in a timely manner, has not adhered to the due dates for monthly submittals established by the Administrator, and engaged into a subcontract exceeding \$10,000 without prior written approval from the Administrator. Finally, the Contractor did not perform the annual inventory, resulting in some capitalizable assets remaining untagged, and has not submitted the required preventative maintenance plan due each year.

There were 11 findings in connection with this audit. Management was responsive to the findings and recommendations.

Alden P. Thern

  
Director, Internal Audit





-Office of Internal Audit-

December 31, 2025

**Internal Audit Report 2025-07**  
**Harry J. McDonald Memorial Center**  
**Parks and Recreation Department**

**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 current 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. Amendment No. 4 which extended the contract through December 31, 2023, was signed on May 10, 2023. Amendment No. 5 which extended the contract through December 31, 2024, was signed on January 19, 2024. Finally, Amendment No. 6 which extended the contract through "June 31, 2026"[sic], was signed on December 27, 2024. 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, cost accounting, and maintenance. The Contractor remits to the Municipality the Center's net profit and four percent (reduced from six percent in Amendment No. 3) of gross revenues. The Municipality deposits these funds into a capital reserve fund maintained by the Municipality. As of October 2025, the reserve account balance was \$519,651.20. The contract was administered by the Principal Administrative Officer and the Deputy Director (Administrators) at the Eagle River/Chugiak Parks and Recreation Division. Since the departure of the Deputy Director on September 27, 2024, and the Principal Administrative Officer on June 13, 2025, contract



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administration duties fell on the Acting Deputy Director. Through a restructuring of the department, the Acting Deputy Director became the Eagle River/Chugiak Parks & Recreation Manager (P&R Manager), and the Principal Administrative Officer position title changed to Senior Administrative Officer, with the latter position still vacant as of current.

**Objective and Scope.** The objective of this audit was to determine if the Contractor complied with the contract requirements from 2021 to current. Specifically, we reviewed to determine 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 retainage 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.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review due to budget constraints. We also developed and implemented a required quality management system. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Overall Evaluation.** Our audit revealed that the Contractor's compliance to the contract needs improvement. Specifically, the Contractor had deficiencies in recordkeeping and numerous inconsistencies within their financial records; incurred expenses not included in the original budget and made changes to the budget without obtaining prior approval from the Administrator; and paid end-of-year bonuses to employees despite being over their salary/wage budget and ending the fiscal year at a loss. In addition, the Contractor has yet to submit audited financial statements for fiscal years 2021 to 2024; is currently in a pending investigation involving a former employee related to alleged misappropriation of resources; calculated retainage payments incorrectly and did not always track the payments in the annual budget. Moreover, the Contractor did not always submit annual budget proposals in a timely manner, has not adhered to the due dates for monthly submittals established by the Administrator, and engaged into a subcontract exceeding \$10,000 without prior written approval

from the Administrator. Finally, the Contractor did not perform the annual inventory, resulting in some capitalizable assets remaining untagged, and has not submitted the required preventative maintenance plan due each year.

## FINDINGS AND RECOMMENDATIONS

### 1. Deficiencies in Recordkeeping and Inconsistencies within Financial Records.

a. **Finding.** Our audit revealed deficiencies in recordkeeping and numerous inconsistencies within Contractor's financial records. When we started our review, we were provided the financial records in several file boxes. One box contained financial records prepared and provided to the Administrator by the Contractor and other boxes contained personal folders of the former Administrator for fiscal years 2021, 2022, 2024, and 2025. The box prepared by the Contractor contained file folders of various monthly reports between January 2022 to February 2025. However, some file folders did not contain the information as labeled. For example, file folders labeled "2022 Budget vs. Actual" and "2023 Budget vs. Actual" each contained a letter from the Contractor stating such documents were unable to be provided due to "no official annual budget uploaded or entered" into their accounting system for those years. More examples of incomplete data include 2024 profit & loss previous year comparison reports missing the previous year's data, and 2025 profit & loss budget vs actual reports missing budget amounts. We determined many of these reports were never provided to the Administrator by the Contractor as we state later in Finding 7 and 8 of this report.

In addition, inconsistencies were discovered when we reconciled reports from the file box prepared by the Contractor with the reports kept in the Administrator's personal folders that show the original printed date. For example, the balance sheet as of May 31, 2024, from the Administrator's folder showed a printed date of June 20, 2024, and reported \$429,438.87 in total assets. However, the Contractor's balance sheet for the same date printed on April 10, 2025, instead showed total assets as \$267,130.85,

resulting in a discrepancy of \$162,308.02. Another example, monthly net revenues on the September 2024 profit & loss year-to-date report from the Administrator's folder did not match the month-to-month net revenues on the 2024 profit & loss spreadsheet from the Contractor with one report showing a loss while the other reported profit. Below is a table outlining the discrepancies for the specific example.

2024 Net Revenues				
	P&L Budget vs Actual (maintained by Contractor)	September 2024 Profit & Loss YTD (maintained by Administrator)		Difference
January	\$ (1,798.98)	\$ (6,996.88)	\$	(5,197.90)
February	\$ (2,582.18)	\$ (7,345.68)	\$	(4,763.50)
March	\$ 15,034.66	\$ 28,416.79	\$	13,382.13
April	\$ 20,785.27	\$ 19,186.28	\$	(1,598.99)
May	\$ (17,862.97)	\$ (37,767.97)	\$	(19,905.00)
June	\$ (1,339.76)	\$ 3,716.17	\$	5,055.93
July	\$ (58,579.14)	\$ (50,986.60)	\$	7,592.54
August	\$ (83,804.72)	\$ (57,573.07)	\$	26,231.65
September	\$ 6,061.94	\$ 35,231.24	\$	29,169.30

Although changes may occur between financial records, justification for the changes should be included. However, we found no explanation for the numerous alterations, raising questions on the reliability and integrity of the Contractor's financial reporting and recordkeeping practices.

- b. **Recommendation.** The Administrator should ensure the Contractor maintains accurate monthly financial records and communicates any changes to financial records with proper justification and updated copies provided.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. As noted in the Introduction section of this report, the role of the Administrator changed hands on June 13, 2025. A new General Manager (GM) for the facility has been in place since August 2024. Full and complete records

have been submitted for the months June 2025 forward. The Administrator will work with General Manager through the end of the contract in June 2026 to ensure the proper monthly financial records are submitted.”

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

## 2. **Unapproved Expenditures and Changes to the Budget.**

- a. **Finding.** The Contractor incurred expenses not included in the original budget submitted to the Administrator and made changes to the budget without obtaining prior approval from the Administrator. For example, the year-end 2021 budget vs. actual reported \$5,893 in accrued vacation expenses for employees, \$904 in employee gifts, \$1,632 in recruiting expenses, and \$7,000 in moving expenses. These expenses were not found on the original budget, and our review found no justification provided for such expenses. In addition, when we compared the 2022 annual budget to the year-end budget vs actual, we identified adjustments made to budgeted amounts for 22 budget categories without the Administrator’s prior approval. The Contract states, “Supplemental or revised budgets for unanticipated revenues and expenses shall be submitted at least 30 days prior to the proposed effective date of any such budget.”
- b. **Recommendation.** The Administrator should ensure the Contractor obtains authorization from the Administrator prior to making any changes to the approved annual budget.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Administrator has implemented the practice of meeting with the General Manager on a biweekly basis and attending monthly FLAMI Board Meetings. This has aided in providing clear communication on the requirements of the budgeting procedure outlined in the Management Agreement,

including the requirement that budget changes that depart from approved annual budget need to be approved by the Administrator.”

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

3. **Bonuses Paid Despite Reporting a Net Loss.**

- a. **Finding.** In 2023 and 2024, the Contractor paid end-of-year bonuses to employees despite being over the salary/wage budget and ending the fiscal year at a loss. Part-time employees and those employed less than six months received gift cards ranging between \$20 to \$50, and full-time employees received cash bonuses ranging from \$100 to \$3,000. However, Appendix B Section 1.B of the contract states, “the Contractor may be entitled to an incentive fee based on Net Operating Income as may be negotiated by the Municipality and Contractor if the Facility ever produces an audited year end net profit.” From 2021 to current, the Contractor only reported net profit for fiscal year 2022 and did not provide financial audits since 2021 as reported in Finding 4 below. In 2024, \$8,600 in bonuses were paid to full-time employees despite reporting \$90,025.41 over the salary/wage budget and ending the year at a loss of \$67,687.87. In 2023, the total amount of bonuses was \$10,100; the budget and actual figures for salary/wage expense and the net profit/loss was not able to be determined however, due to not being able to locate the original 2023 annual budget and the financial reporting for this period was incomplete. In 2021, the Contractor reported \$71,066 over the salary/wage budget and ended the year at a loss of \$61,984; however, we were unable to determine if bonus payouts contributed to the variance due to it being consolidated within the salary/wage budget category and the current management was unable to access payroll records for this period. When asked what criteria was used to approve such bonuses, the GM stated monthly profit & loss statements; December’s bank statement; employee write-up and merits; and employee work reviews were submitted and reviewed by the Contractor’s Board to determine

the amounts. However, we did not find any evidence of justification or reasonings these bonuses were submitted to the Administrator and approved.

- b. **Recommendation.** The Administrator should ensure bonuses and other incentives are negotiated with the Administrator and only considered when the facility yields net profit at year-end. In addition, employee bonuses should have its own dedicated line item on the annual budget for transparency.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Administrator and the Contractor have discussed the year-end bonus procedure. The Contractor had intended to pay 2025 holiday bonuses in the same manner as previous years. The Contractor has elected to table 2025 year-end bonuses until they can be awarded in a manner that conforms with the requirements of the Management Agreement.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Annual Financial Audits Not Submitted.**

- a. **Finding.** The Contractor has yet to submit audited financial statements for fiscal years 2021, 2022, 2023, and 2024. Appendix A Section 10.F.2 of the contract states, “The Contractor shall prepare and submit in writing . . . an annual financial audit performed by a certified public account. . . The audit will be due to the Administrator no later than April 1<sup>st</sup> of each year.” According to the GM, the delay of financial audit submissions were caused by several circumstances including the 2021 financial audit being rejected by the former Administrator for containing errors, poor recordkeeping by previous managers, multiple turnovers within management, transitioning to another audit firm due to the initial one being sold, discovery of a former employee’s alleged financial misconduct, and general communication between the former GM

and former Administrator deteriorating as they “did not share a functional working relationship.”

In addition, after reviewing the 2020 and 2021 financial audits, we identified multiple inconsistencies between the two reports. For example, the 2020 financial audit reported \$224,172 in total assets and \$189,836 in total liabilities for fiscal year 2020; however, the 2021 financial audit reported \$204,065 in total assets and \$169,729 in total liabilities for the same year, resulting in a discrepancy of \$20,107 and no explanation for the change provided. Another example, the 2021 financial statement reported \$57,500 in account receivables and \$4,791 in prepaid expenses at year end. However, the balance sheet as of December 31, 2021, instead showed \$57,820.30 in account receivables and \$26,263 in prepaid expenses. When questioned about the inconsistencies, the GM assured a corrected report is in progress along with audits for remaining fiscal years. Due to the delay, the remittance owed to the Municipality of \$29,887.86 indicated in the 2022 year-end profit & loss report that has yet to be confirmed by the financial audit, has not been submitted to the Municipality.

- b. Recommendation.** The Administrator should ensure the Contractor submits annual financial audit statements to the Administrator no later than April 1<sup>st</sup> of each year in accordance with the contract. In addition, the Administrator should ensure the Contractor remits a check to the reserve account for the net operating income amount upon confirmation by the 2022 financial audit report.
- c. Management Comments.** Management stated, “Management concurs with the finding and recommendation. The inconsistent delivery of monthly financial reports noted earlier in this report has made it more challenging to complete the outstanding annual audit process for past years. With the current monthly reporting being resolved, the Administrator has directed the Contractor to focus on completing the audit for 2025 for the April 1, 2026, deadline. Once that is completed, the Contractor has been directed to focus on the missing prior years’ audits. Upon confirmation of the 2022

financial audit report, the Administrator will ensure that the proper check is deposited in the reserve account.”

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

**5. Alleged Financial Misconduct by Contractor's Employee.**

- a. **Finding.** During our audit, the Center's management informed us of a pending investigation involving a former employee related to alleged misappropriation of resources. The allegations include irregularities in payroll, corporate card expenditures, misuse of funds from facility-hosted events, and reregistering the financial system under their own personal account to manipulate data. A police report was filed, and the investigation is ongoing. According to the Center's management and the police report, the total potential financial impact was estimated to be \$18,822.64 when it was reported; however, the exact amount remains unconfirmed pending the outcome of the investigation. Due to the pending investigation and poor financial recordkeeping, the full scope and financial impact could not be determined during this audit. Nevertheless, the allegations and subsequent investigation highlight vulnerabilities in the Contractor's internal controls over its finances. Had the required annual financial audit been performed and submitted, the audit would have likely detected financial anomalies or at least deterred the alleged financial misconduct. However, as previously stated in Finding 1, the financial audits are still pending and hasn't been submitted since 2021.
- b. **Recommendation.** The Administrator should ensure the Contractor implements a policy requiring detailed receipts for all corporate card purchases, with monthly statements reviewed and signed off by a supervisor. The Administrator should ensure the Contractor submits the required financial audits no later than April 1<sup>st</sup> of each year.

- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contractor’s initial reporting of the alleged financial misconduct to APD and the MOA corresponded with the start of the current General Manager’s tenure. The discovery of the alleged misconduct was due, in part, to the Contractor implementing a more transparent and accountable financial/purchase reconciliation procedure. The opportunity to discuss any concerns about the purchase reconciliation process is provided by the bi-weekly meetings between the Administrator and the General Manager.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## 6. Retainage Payments Calculated Incorrectly and Not Tracked.

- a. **Finding.** Our audit revealed that the Contractor calculated retainage payments incorrectly and did not always track the payments in the annual budget. Specifically, we found retainage checks from 2021, 2022, June of 2025, and July of 2025 were calculated at 4% of gross revenue which included utility reimbursements received from the Municipality. However, the contract defines gross revenues as “the total income or revenue, regardless of its source, received by the Contractor from all sales or rentals under this contract...” Therefore, Municipal contributions should not be used to calculate the retainage amount since they were neither from sale or rental. In addition, retainage checks for September 2023 through April 2024 and March 2025 were calculated at 4% of total deposits reported on monthly bank statements of their operating account rather than the monthly gross revenue reported on the profit & loss statement. When we inquired about the incorrect calculation methods, the GM stated they had questioned the inclusion of reimbursements to the former Parks & Recreation Director at the time, but the former Director deferred the questions to an eventual meeting that would take place after the financial audits were submitted or at the conclusion of this audit. Regarding calculating off bank deposits, the GM explained that due to past tampering of financial data, calculations were based off total deposits

reported on bank statements as they “provided an accurate record of money collected.” However, total deposits are not an accurate representation of gross revenue as they can be inflated by collections received for a prior month’s account receivable or deflated by revenue earned but not yet collected, resulting in either overpayment or underpayment. Compounded with the alleged financial misconduct reported and the financial audits still pending, we could not determine whether the Contractor overpaid or underpaid the retainage amounts as there is no assurance of the revenue on their monthly reports being accurate.

Finally, budget proposals for fiscal years 2025 and 2026, as well as budget vs actuals for fiscal years 2024 and 2025, were found to not include retainage payments. According to the GM, retainage payments were not tracked on budget spreadsheets because it is a future liability not paid in the current period. However, the contract requires the Contractor to include reserve account payments as part of the annual budget. Appendix A Section 1.B of the contract states, “The operations plans will include a forecast of anticipated events for the subject year, including Reserve Account payments...” Not accounting for a substantial expense can lead to inaccurate budget projections, financial misrepresentation, and increased risk of failing budget objectives.

- b. **Recommendation.** The Administrator should ensure retainage payments are calculated at 4% of gross revenue from sales or rentals. Income not generated from sales should be tracked separately under a category such as “Other Income.” The Administrator should ensure the Contractor includes retainage payments in their annual budget in accordance with the contract.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. Retainage payments of 4% of gross revenues were part of the 2026 budget submitted by the Contractor and approved by the Administrator. Likewise, income not generated from sales was indicated as “Other Income” in the approved 2026 Budget.”

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

7. **Annual Budget Proposals Not Submitted in a Timely Manner.**

- a. **Finding.** The Contractor did not submit annual budget proposals in a timely manner. Specifically, the Contractor submitted their 2022 budget proposal on December 20, 2021 (172 days late), 2023 budget proposal on February 6, 2023 (220 days late), and 2025 budget proposal on July 3, 2024 (2 days late). Appendix A Section 1.B of the contract states, “Operation budgets will be submitted in writing yearly for approval by the Municipality no later than July 1 of the preceding calendar year.” The delay of budget submissions constricts the time available for Administrators to properly analyze and debate the budget, potentially resulting in insufficient scrutiny and unchecked allocations.
- b. **Recommendation.** The Administrator should ensure the Contractor submits annual budget proposals to the Administrator no later than July 1 of the preceding calendar year in accordance with the contract.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The approved 2026 McDonald Center budget was submitted by the Contractor before July 1st and approved by the Administrator before October 15th, as required by the Management Agreement.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## **8. Monthly Reporting and Submittal Requirements Not Met.**

- a. Finding.** The Contractor has not adhered to the due dates for monthly submittals established by the Administrator. According to Appendix A Section 10.F of the contract, the Contractor must prepare and submit monthly statements of income and expenses in a format approved by the Administrator, and other reports as requested. The Administrator required the following items due by the 20<sup>th</sup> after the end of every prior month: balance sheet, profit & loss, budget vs. actual year-to-date, accounts receivable aging summary, accounts payable aging summary, cashflow statement, utility invoice, utility bill copies, and retainage check. However, our analysis revealed monthly reports, and other required items were often late, incomplete, or missing entirely. Examples of late submittals include October and November 2022 financials (submitted January 17, 2023), all 2023 utility invoices (batched and submitted December 15, 2023), and numerous retainage checks that were consistently past due. In 2021, there were four retainage payments submitted past the due date, ten in 2022, four in 2023, seven in 2024, and five in 2025. The longest number of days a retainage payment was submitted late was 143 days in 2022. Examples of missing submittals include the 2022 and 2023 cash flow statements; aging summaries for accounts receivable and payable from 2022 and 2023; complete financial reports for February-March 2022 and September-December 2023; and utility bill copies for 2021 and 2023. When questioned about the missing submittals, the GM explained that a former employee had privately reregistered the accounting system under their personal account, preventing the current management access to records prior to 2024. In response, the facility transitioned to a new cloud-based system at the end of 2023. The discontinuation of the old system allowed the recovery of some data; however, the accuracy and integrity of retrieved information could not be verified due to possible tampering.
- b. Recommendation.** The Administrator should ensure the Contractor submits monthly reports and other required submittals by the 20<sup>th</sup> after the end of every month as established by the Administrator.

- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. As discussed previously, monthly reporting by the Contractor has been occurring as required since June 2025 and will continue according to the Management Agreement to end of the Contract in June 2026.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**9. Subcontract Engagement Without Prior Written Approval.**

- a. **Finding.** The Contractor engaged into a subcontract exceeding \$10,000 without prior written approval from the Administrator. Specifically, the Contractor entered into a contract with an accounting firm for financial auditing services. The cost was estimated to be between \$15,000 to \$17,000 for each fiscal year audited and the GM signed the engagement letter on May 30, 2025. Part I Section 9.A of the contract states, “. . . the Administrator shall be notified and provided copies and shall approve in writing any subcontract exceeding Ten Thousand Dollars (\$10,000) prior to the entry of any such agreement.” However, when we asked for correspondence of approval, the Contractor did not provide any and the P&R Manager was unaware of the contract.
- b. **Recommendation.** The Administrator should ensure the Contractor notifies and obtains written approval from the Administrator prior to entering any subcontract exceeding \$10,000 in accordance with the contract.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. All work to be performed by subcontractors is discussed as part of the biweekly meeting between the General Manager and the Administrator. Any work exceeding \$10,000 will be approved in writing by the Administrator.”

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

**10. Annual Inventory was Not Performed and Capitalizable Assets Not Tagged.**

a. **Finding.** Our audit revealed the Contractor did not perform an annual inventory and some capitalizable assets were not issued tags as required by the contract. According to the current inventory list submitted to the Administrator on October 1, 2025 (31 days after the contract required submission date of August 31), the last item tracked was a laptop acquired on January 1, 2024. However, we identified several items purchased after this date but not found on the list including multiple pieces of office furniture totaling \$9,141 acquired in March and April of 2024, and two television monitors totaling \$1,019.96 acquired in February 2025. In addition, when we compared the current list to the previous year's, they were found to be identical, indicating the list has not been updated since January 1, 2024. When questioned why items purchased after January 1, 2024, were missing from the inventory list, the GM stated that the previous GM did not inform her of the list being incomplete when she assumed the management position in July 2024. However, the two television monitors were acquired in 2025, which falls under the current GM's management period. Moreover, from a list of assets purchased for \$1,000 or more, we identified seven items that met the capitalization threshold (\$1,000 for computer hardware and \$5,000 for equipment) but had not been issued tags for Municipal fixed assets. Untagged items include \$18,397.50 skate sharpener, \$24,558.88 scissor lift, \$1,536 compact computer desktop, \$1,599.99 laptop, \$12,318.21 paint cart, \$7,216.15 lawn edger and \$5,000 turf groomer. Part 1 Section 10.B of the contract states, "Equipment purchased by the Contractor with Gross Revenues or other Municipal funds associated with the Facility shall be the sole property of Anchorage marked and inventoried as such with a copy of the inventory forwarded to the Administrator annually by August 31." Without an annual inventory and proper asset tagging, Municipal assets are at risk of theft, fraud, and misuse.

- b. **Recommendation.** The Administrator should develop an inventory and tagging procedure for tracking of all Municipal-owned property and ensure the Contractor implements the procedure to comply with the contract requirements.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. As noted in the findings, the current General Manager was not properly informed about the property inventory procedures at the beginning of their tenure. The Administrator will continue to work with General Manager to ensure that a comprehensive inventory is completed before the end of the Contract in 2026, including all the items noted in this audit report. All new property acquired by the Contractor will be inventoried according to proper municipal procedures.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## **11. Preventative Maintenance Plan Not Submitted.**

- a. **Finding.** The Contractor has not submitted the required preventative maintenance plan that is due every year. Appendix A Section 7.B of the contract states, “Contractor shall prepare annually by September 30 and maintain a preventative maintenance plan”. This annual plan is critical for identifying issues before they escalate into costly repairs and for extending the facility’s operational lifespan. The P&R Manager confirmed that no written plans from previous years were available, and the absence of such plans have been a major oversight for many years.
- b. **Recommendation.** The Administrator should ensure the Contractor prepares and submits a preventative maintenance plan annually by September 30 in accordance with the contract.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Administrator and the General Manager have taken

steps to address the long-standing deficiencies noted in this finding. This includes meeting with the MOA Operations and Maintenance Department Director to discuss the procedures and documentation that are in place at other municipal facilities. A draft Preventative Maintenance Plan has been created that addresses weekly, monthly, quarterly, semi-annual, and annual tasks that need to be completed to extend the life of the facility. This plan formalizes many of the operational tasks performed by the Contractor and will be in place in 2026 well before the end of the current Contract.”

- 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 November 19, 2025.

Audit Staff:  
Kevin Song