

# INTERNAL AUDIT REPORT

2026-01

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Sullivan, Boeke, Dempsey Contract Compliance

Office of the Chief Administrative Officer

February 10, 2026

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

February 10, 2026

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2026-01, Sullivan, Boeke, Dempsey Contract Compliance, Office of the Chief Administrative Officer**. A summary of the report is presented below.

In accordance with the 2025 Audit Plan, we performed an audit of the Sullivan, Boeke, Dempsey Contract Compliance, Office of the Chief Administrative Officer. The objective of this audit was to determine if O'Malley Ice and Sports Center LLC (Contractor) was complying with the requirements of the management contract for George M. Sullivan Arena, Ben Boeke Ice Arena, and Dempsey Anderson Ice Arena. Specifically, we reviewed reports and documents required by the contract to determine completeness and on time submission. In addition, we reviewed operating budgets and expenditures from Contractor's financial system to determine if operating funds were only spent in accordance with the approved budget. Moreover, we reviewed Contractor's operating revenue to determine if ticket surcharges were properly accounted for, capital reserve account contributions and facility maintenance subsidies were paid to the Municipality of Anchorage, and if Contractor incentives were properly calculated. Finally, we reviewed insurance requirements, requirements for controlling Municipal property, and other pertinent contract requirements.

Our audit found that the Contractor failed to comply with the requirements of the management contract for Sullivan, Boeke, and Dempsey. Specifically, we found the Contractor has not submitted audited financials for Boeke and Dempsey since the start of the original contract in August 2022 and has not submitted audited financials for Sullivan since it was added in the revised contract in July 2023, and financial reports submitted to the Contract Administrator did not always match amounts in the Contractor's financial system. In addition, revenue incentives at Boeke and Dempsey were not properly calculated and appeared to be improperly paid, surcharges were not always collected for every ticketed event at Sullivan as required, and the Contractor did not always adhere to the contract requirements for the operating budget expenditures. Moreover, the Contractor has never submitted a yearly performance and payment bond as required by the contract, the Contractor completed repairs, renovations, and

purchases for Municipal facilities without the Contract Administrator's written approval, and the Contractor did not always adhere to contract reporting requirements. Furthermore, the Contractor has never performed or submitted an annual physical inventory of Municipal owned property at any of the facilities and has never submitted an annual written inventory to the Contract Administrator, the Contractor did not meet insurance requirements contained in the contract, and subcontracts and use agreements were not always provided or approved by the Contract Administrator as required. Finally, quarterly facility maintenance subsidies were not provided to the Municipality as required, and the Contractor has not sent the Contract Administrator the 2024-2025 budget year's quarterly five percent gross revenue contributions for the Sullivan capital reserve account as required.

There were 14 findings in connection with this audit. Management was responsive to the findings and recommendations.

Alden P. Thern

A handwritten signature in cursive script, appearing to read "Alden P. Thern".

Director, Internal Audit



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

February 10, 2026

**Internal Audit Report 2026-01**  
**Sullivan, Boeke, Dempsey Contract Compliance**  
**Office of the Chief Administrative Officer**

**Introduction.** The Ben Boeke (Boeke) and Dempsey Anderson (Dempsey) Ice Arenas are facilities that each house two ice rinks, multiple locker rooms, maintenance areas, office spaces, and concession areas. The George M. Sullivan Arena (Sullivan) is a multi-use facility with an Olympic-size ice rink and an insulated floor covering for basketball, concerts, and trade shows. O'Malley Ice and Sports Center LLC (Contractor) has operated and managed Boeke and Dempsey through a management contract with the Municipality of Anchorage (Municipality) since August 22, 2022. A revised contract was signed on July 21, 2023, which added operation and management of Sullivan. The contract has been amended once on October 10, 2023, with Amendment No. 1 adding language to clarify the net revenue calculations, termination terms, and changes to the contract's scope of services. Under the contract, the Contractor is expected to operate and maintain the three facilities using operating revenue from ticketed events and facility rentals. The Contractor remits to the Municipality's Facility Maintenance Division a quarterly facility maintenance subsidy from Boeke and Dempsey for minor repairs and maintenance, a yearly incentive revenue share for all three facilities if revenues are higher than costs, and a five percent quarterly contribution to capital reserve accounts maintained and administered by the Municipality for capital projects, major maintenance and repairs. The contract is administered by a Principal Administrative Officer (Contract Administrator) in the Office of the Chief Administrative Officer.

**Objective and Scope.** The objective of this audit was to determine if the Contractor was complying with the requirements of the management contract for Sullivan, Boeke, and Dempsey. Specifically, we reviewed reports and documents required by the contract to determine completeness and on time submission. In addition, we reviewed operating budgets and expenditures from the Contractor's financial system to determine if operating funds were only spent in accordance with the approved

budget. Moreover, we reviewed the Contractor's operating revenue to determine if ticket surcharges were properly accounted for, capital reserve account contributions and facility maintenance subsidies were paid to the Municipality, and if Contractor incentives were properly calculated. Finally, we reviewed insurance requirements, requirements for controlling Municipal property, and 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 found that the Contractor failed to comply with the requirements of the management contract for Sullivan, Boeke, and Dempsey. Specifically, we found the Contractor has not submitted audited financials for Boeke and Dempsey since the start of the original contract in August 2022 and has not submitted audited financials for Sullivan since it was added in the revised contract in July 2023, and financial reports submitted to the Contract Administrator did not always match amounts in the Contractor's financial system. In addition, revenue incentives at Boeke and Dempsey were not properly calculated and appeared to be improperly paid, surcharges were not always collected for every ticketed event at Sullivan as required, and the Contractor did not always adhere to the contract requirements for the operating budget expenditures. Moreover, the Contractor has never submitted a yearly performance and payment bond as required by the contract, the Contractor completed repairs, renovations, and purchases for Municipal facilities without the Contract Administrator's written approval, and the Contractor did not always adhere to contract reporting requirements. Furthermore, the Contractor has never performed or submitted an annual physical inventory of Municipal owned property at any of the facilities and has never submitted an annual written inventory to the Contract Administrator, the Contractor did not meet insurance requirements contained in the contract, and subcontracts and use agreements were not always provided or approved by the Contract Administrator as required. Finally, quarterly facility maintenance subsidies were not provided to the Municipality as required, and the Contractor has not sent the Contract Administrator the 2024-2025 budget year's quarterly five percent gross revenue contributions for the Sullivan capital reserve account as required.

In addition to the Management Comments, we received for our findings and recommendations, Management also provided the following information:

“The current Administration became aware of O’Malley Ice and Sports Center LLC’s non-compliance with its contracts in 2025. As outlined below, several attempts were made to bring the Contractor into compliance but were incompletely successful. The Contractor has indicated to the Administration, among other things, that it cannot and will not comply with the obligation in the contract to assume responsibility for paying utility costs at the Sullivan Arena and has expressed interest in renegotiation. Mindful that immediate termination of the Contractor would also affect all users of the facilities, the Administration has issued the Contractor a formal notice of default and intends to launch a new request for proposals (RFP) process for management of the arenas.

“While any contractor should be complying with foundational obligations to follow contract provisions; pay the Municipality required capital deposits; provide audited financials, required bonds, insurance endorsements, annual budgets, and operating plans and policies; and to comply with procurement, subcontracting and asset-tagging rules, the economic reality is the legacy contracting framework for at least the Sullivan Arena may no longer be viable, as the facility may only be able to operate with a significant subsidy. The last year the prior contractor reported an operating profit for the Sullivan was 2015; even before COVID, the facility was losing several hundred-thousand dollars annually.

**George M. Sullivan Sports Arena Yearly (Net Operating Loss)/Net Profit**

| <i>Year</i> | <i>Total Actual Net Profit/(Loss)</i> |
|-------------|---------------------------------------|
| 2020        | (\$311,799)                           |
| 2019        | (\$288,299)                           |
| 2018        | (\$287,689)                           |
| 2017        | (\$386,551)                           |
| 2016        | (\$588,999)                           |
| 2015        | \$27,572                              |
| 2014        | \$22,301                              |
| 2013        | \$81,970                              |
| 2012        | \$154,032                             |
| 2011        | \$231,380                             |

|      |            |
|------|------------|
| 2010 | \$167,873  |
| 2009 | \$416,408  |
| 2008 | \$129,061  |
| 2007 | \$394,390  |
| 2006 | \$351,835  |
| 2005 | \$551,862  |
| 2004 | \$307,182  |
| 2003 | (\$49,942) |

“This does not excuse the Contractor’s inappropriate retention of revenue incentives, its refusal to assume its contractual responsibility for utility payments, or its failure to remit facility-maintenance deposits. But it does suggest that it simply may not be possible for any contractor to operate the Sullivan functionally as in the era before the construction of the UAA Alaska Airlines Center (2014) and the departure of the Alaska Aces ECHL Hockey (2017).

“Beyond particulars at issue in this audit, the Administration is generally placing a new emphasis on contract administration throughout the Municipality. The Purchasing Department has developed a new municipality-wide policy and procedure on the topic, which is currently working its way through the review and approval process and developed associated training modules.

“Last, working with the Legal Department, the Administration is reviewing and, where necessary, will be revising legacy contract forms to ensure the Municipality has leverage and mechanisms short of outright termination to ensure that funds are properly remitted.”

## **FINDINGS AND RECOMMENDATIONS**

### **1. Audited Financials Not Submitted.**

- a. Finding.** The Contractor has not submitted audited financials for Boeke and Dempsey since the start of the original contract in August 2022 and has not submitted audited financials for Sullivan since it was added in the revised contract in July 2023. Appendix A, Section 14 of the contract states that “Contractor will fund and provide an annual

audited financial report performed by a certified public accounting firm no later than December 1<sup>st</sup> following the end of the Contract anniversary.” Without audited financials, the financial information submitted to the Municipality has never been verified, increasing the risk of errors, fraud, and financial loss.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor completes and submits all annual financial audits of the facilities.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contract Administrator and the Chief Administrative Officer have both followed up with the Contractor requesting the submittal of audited financials for the Sullivan, Boeke and Dempsey Arenas on multiple occasions. The Contractor recently conveyed it is working with a CPA to complete the Sullivan Financial Audit first and will then submit the Boeke/Dempsey subsequently.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## 2. **Inconsistencies in Contractor’s Financial Records.**

- a. **Finding.** Financial reports submitted to the Contract Administrator did not always match amounts in the Contractor’s financial system. Specifically, when we reconciled the contract’s first-year, quarters 1-3, profit & loss reports for Boeke and Dempsey submitted to the Contract Administrator with the monthly profit & loss reports maintained in the Contractor’s financial system, we found the operating revenue and operating expense amounts did not always match. For example, from September 2022 through May 2023, the Contractor reported to the Contract Administrator a total income of \$706,237 and total operating expenses of \$508,396 at Boeke. However, the profit and loss for the same period on the Contractor’s financial system revealed an income of only \$704,462 and total operating expenses of \$525,675.



Part 1, Section 13 of the contract states that, “The Contractor shall establish and maintain a financial management system that: Provides accurate, current, and complete disclosure of all financial transactions relating to the Contract...” and “Effectively controls and accounts for all Municipal funds...” Alterations on financial statements without justification raise questions on the reliability and integrity of the Contractor’s financial reporting, and the actual financial standing of the facility is unclear. Although changes may occur between financial records, justification for the changes should be included and updated reports should be provided to the Contract Administrator. However, we found no explanation for the changes in the amounts reported.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor communicates any changes to the financial reports with justification and provides updated copies.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. So long as the present Contractor continues to manage any of the facilities, the Contract Administrator and Chief Administrative Officer will meet with the Contractor to review the financial reports submitted on a quarterly basis, line-item-by-line-item and discuss and reject and/or approve any changes at that time. The Contractor will be responsible for any corrections to the financials as instructed within five working days of any findings. The Chief Administrative Officer will review whether financial reports should be submitted monthly rather than quarterly to properly monitor financial activity at the arenas and initiate necessary amendments to the contract to effect any changes in reporting requirements.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Revenue Incentives Not Properly Calculated.**

- a. **Finding.** Revenue incentives at Boeke and Dempsey were not properly calculated and appeared to be improperly paid. Specifically, during our reconciliation of

monthly profit & loss reports provided from the Contractor's financial system, we found the incentives to be paid to the Contractor should have been much lower than what had been provided to the Contract Administrator. Amendment No. 1 of the contract outlines the proper way to calculate yearly Contractor incentives at Boeke and Dempsey as follows: The gross revenue of the facility, less the quarterly five percent of gross revenues capital reserve account contributions, less the Municipality's quarterly facility maintenance subsidies, less all other anticipated operating expenses, equals the subtotal for incentive calculations. If the subtotal is positive, the Contractor receives a \$15,000 a year management fee incentive. Then, if the subtotal is still positive, an incentive of 50% of net revenue is paid to the Contractor with the management fee and the other 50% of net revenue is paid to the Municipality with the capital reserve account contribution and the facility maintenance subsidy. The contract states that "Contractor Incentive (Does not apply until revenue exceeds costs)."

However, we found the Contractor had calculated incentives using the quarterly five percent gross revenue capital reserve account contributions and management fees as operating expenses, and did not account for facility maintenance subsidies. Upon further review, because of the condition in Finding #1, the Contractor did not calculate their incentives based on audited financials, bringing the accuracy of the calculations into question. The Contractor also incorrectly calculated their incentives by using amounts based on the 3rd quarter of each year instead of audited financials at the end of each year.

In addition, for the first two years of the contract with Boeke and Dempsey, the Contractor paid themselves a 50% profit share incentive for the calculated subtotal being positive for \$63,106 for Boeke and \$98,872 for Dempsey, totaling \$161,978. However, our reconciliation indicated the incentive amounts for three contract years should have only been \$14,280.32 for Boeke and \$28,584 for Dempsey, totaling \$42,866.

Finally, for the first three years of the contract, the Contractor paid themselves quarterly management fees for revenue exceeding costs, equaling \$45,000 for Boeke and \$45,000 for Dempsey, totaling \$90,000. However, these management fees should have been paid yearly after audited financials had been released, and our reconciliation of the Contractor's monthly profit & loss reports indicated that costs exceeded revenues on some years and the management fees should only have been paid for one year at \$15,000 for Boeke and two years at \$30,000 for Dempsey, totaling \$45,000.

Overall, we estimate the Contractor overpaid themselves for Boeke and Dempsey incentives by \$164,112. We were not able to accurately determine Sullivan incentives since they had not always collected or separated ticket surcharge revenues as noted in Finding #4.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor properly calculates incentives based on audited financials and pays proper incentives based on those calculations.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. So long as the present Contractor continues to manage any of the facilities, the Contract Administrator and Chief Administrative Officer will meet with the Contractor to review the financial reports submitted on a quarterly basis, line-item-by-line-item and discuss and reject and/or approve any changes at that time. The Contractor will be responsible for any corrections to the financials as instructed within five working days of any findings. The Chief Administrative Officer will review whether financial reports should be submitted monthly rather than quarterly to properly monitor financial activity at the arenas and initiate necessary amendments to the contract to effect any changes in reporting requirements."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

#### **4. Ticket Surcharge Requirements Not Always Met.**

- a. **Finding.** Surcharges were not always collected for every ticketed event at Sullivan as required. Specifically, according to the Contractor's financial system, ticket surcharges collected from April 2024 to July 2025 totaled \$111,687 and had only been collected for three types of events: a comedy show, a hockey legends event, and hockey games. However, there were multiple other ticketed events held in Sullivan including a car show, Alaska Fighting Championship arena fights, a dinosaur exhibit, and a food festival, but no surcharge revenue had been recorded in the Contractor's financial system for any of these events. In addition, the Contractor has not separated out the portion owed to the Municipality from the surcharges collected and has yet to send the Municipality surcharge revenues. As a result, there was a substantial loss of revenue for both the Municipality and the Contractor, and we were unable to accurately determine actual revenues for Sullivan.

Appendix A, Section 4 of the contract and Anchorage Municipal Code (AMC) Title 10 requires that every ticketed event in Sullivan must impose two additional surcharges for every ticket sold to be collected from every customer at the time of purchase: one surcharge of \$0.50 on all tickets that is considered operating revenue for the Sullivan; and one surcharge of \$0.50 if the ticket is under \$10.00 or \$1.00 if the ticket is over \$10.00 for the Municipality.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor collects the required surcharges on every ticketed event at Sullivan, separates those revenues between the Municipality and the Contractor, and sends the Municipality their required revenue portion.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. The Contract Administrator reiterated the ticket-surcharge requirement to the Contractor and the Contractor assured it was complying. The Chief Administrative Officer and Contract Administrator followed up with the Contractor requesting any ticket surcharge owed based on the AMC Title 10 mandate that was

incorporated into the contract. To ensure the Contractor is complying with this contractual requirement, the Contract Administrator and Chief Administrative Officer will include ticket surcharge oversight as part of the quarterly financial report review meeting with the Contractor. A spreadsheet template with formulas created by the Office of the Chief Administrative Officer will be provided to the Contractor to use to track all ticketed events and applicable surcharges for the Sullivan Arena to ensure accurate distribution of funds, reporting and collections. If the Contractor fails to provide the MOA with its portion of the ticket surcharges collected, the MOA will send a notice to a collection agency or avail itself of other remedies.”

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

5. **Operating Budget Expenditure Requirements Not Always Met.**

- a. **Finding.** The Contractor did not always adhere to the contract requirements for the operating budget expenditures. Specifically, the Contractor incurred expenses at Boeke and Dempsey not included in the 2023-2024 original operating budgets submitted to the Contract Administrator, and did not submit budget revisions or receive written approval from the Contract Administrator for additional expenses. We found the Contractor exceeded the Boeke 2023-2024 operating budget in 17 of 28 (61%) budgeted expense categories and exceeded the Dempsey 2023-2024 operating budget in 16 of 27 (59%) budgeted expense categories. According to the Contract Administrator, there was never a revised operating budget submitted or approved in writing. Appendix A, Section 1 of the contract states, “Supplemental or revised Operating Plans and Budgets shall be submitted to provide for unanticipated, events and associated revenues and expenses. The MOA shall approve or disapprove the submission by the Contractor in writing.”

In addition, the Contractor spent 2023-2024 operating funds on non-budgeted expenses without the Contract Administrators approval. Specifically, according to the Contractor’s financial system, the Contractor spent Boeke 2023-2024 operating funds on eight non-budgeted expense categories totaling \$105,727. Moreover, the Contractor

also expended Dempsey 2023-2024 operating funds on five non-budgeted expense categories totaling \$182,018. Part 1, Section 11 of the contract states, “In connection with its performance under this Contract the Contractor shall not make expenditures other than as provided in line items of the approved annual operating budget.”

Finally, the Contractor exceeded 110% of the total facility operating costs in the Boeke and Dempsey 2023-2024 budgets without written approval. Specifically, the Boeke 2023-2024 operating budget listed \$581,769 in expenses, however, the Contractor’s financial system indicated \$911,089 in expenses, exceeding the budget by 157%. In addition, the Dempsey 2023-2024 operating budget listed \$646,073 in expenses, however, the Contractor’s financial system indicated \$1,017,280 in expenses, exceeding the budget by 154%. Appendix A, Section 1 of the contract states, “The Contractor shall not, without prior written approval from the Administrator, incur in any budget year, obligations for Facilities Operating Costs in excess of One Hundred Ten Percent (110%) of the amount for Total Facility Operating Costs in the approved operations budget...”

- b. **Recommendation.** The Contract Administrator should ensure the Contractor adheres to contract requirements regarding the operating budget.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The contract specifies a due date for submittal of Annual Operating Budgets and Plans by July 1<sup>st</sup> of each year. Although the 2023-2024 Budgets for Boeke and Dempsey were approved to be submitted later in August 2023 due to the date of when the amended and restated contract was signed on July 21, 2023, to add the Sullivan, specific changes to it were not approved in writing by the Administrator. Any changes to the operating budget will be required to be submitted in writing and discussed and initially approved or disapproved by the Contract Administrator with final approval or disapproval by the Chief Administrative Officer.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**6. Performance and Payment Bond Never Submitted.**

- a. **Finding.** The Contractor has never submitted a yearly performance and payment bond as required by the contract. Specifically, since the start of the contract in August 2022, the Contractor has never acquired or submitted proof of a payment and performance bond to the Contract Administrator. Appendix A, Section 14 of the contract states that “For each year of the Contract term, Contractor shall supply to the Administrator, in a form reasonably acceptable to the Administrator, a performance and payment bond to be negotiated to protect against loss due to the inability or refusal of Contractor to perform under this Contract. Contractor shall provide evidence to the Administrator of its having obtained such bond immediately upon execution of the Contract and no later than thirty (30) days before the beginning of each Contract year thereafter.” Without a performance and payment bond, the Municipality is not protected in the event of non-performance or non-payment of the Contractor, increasing financial and legal liability.
- b. **Recommendation.** The Contract Administrator should ensure the Contractor submits a yearly performance and payment bond as required.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The MOA Purchasing Department has a routine procedure for securing performance and payment bonds for contracts. The Contract Administrator does not possess the expertise or authority to negotiate a performance bond amount. That amount should have been established in coordination with Purchasing prior to the execution of the contract. To remedy this, the CAO has conferred with Purchasing and the MOA Legal Department to establish a bond amount. This performance and payment bond established amount for all three arenas has been requested from the Contractor.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

7. **Repairs, Renovations, and Purchases Completed without Written Approval.**

- a. **Finding.** The Contractor completed repairs, renovations, and purchases for Municipal facilities without the Contract Administrator's written approval. Specifically, the Contractor provided the Contract Administrator with a requested reimbursement spreadsheet totaling \$217,418 in operating fund expenditures that outlined various major and minor repairs, renovations, and purchases for Sullivan completed in 2024. However, we determined that \$163,246 of the major renovations, repairs, and purchases should have received written approval by the Contract Administrator using funds from the capital reserve account contributions as required by the contract. The Contractor had also not utilized AMC Title 7 procurement procedures to ensure best prices were obtained. In addition, we determined that \$19,311 of minor maintenance and repairs should have involved Facility Maintenance as outlined in the contract.
- b. **Recommendation.** The Contract Administrator should ensure the Contractor does not conduct unauthorized repairs, renovations or purchases for Municipal facilities without prior written approval and coordination with Facility Maintenance as required by the contract.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. The Contract Administrator and Chief Administrative Officer on multiple occasions conveyed to the Contractor verbally and in writing that Title 7 procurement rules must be abided by particularly when capital reserve funding managed by the MOA is to be utilized, and the MOA is bound by Title 7 procurement rules and was not in a position to agree to reimburse the Contractor for expenses incurred outside of the Title 7 rules absent Assembly approval. The Contractor claimed to incur the unauthorized expenses to make the Sullivan Arena operational and code compliant for events and performances. Once the request for reimbursement was received from the Contractor, the Contract Administrator further instructed the Contractor to cease making purchases and incurring expenses without approval, and to abide by Title 7 rules. The MOA to date has not reimbursed the Contractor for these unauthorized expenses."



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

8. **Responsibility for Utility Payments Not Accepted.**

- a. **Finding.** The Contractor has not accepted responsibility for utility payments at Sullivan as required. Specifically, the Contractor was required by the contract to begin paying for electric, natural gas, water, and sewer at Sullivan on August 1, 2025. However, the Contractor has refused to accept the transfer of the utilities into their name, and as of November 30, 2025, the Municipality has incurred \$127,445 in Sullivan utility costs that should have been paid from operating revenue by the Contractor as required by the contract for Boeke and Dempsey.
- b. **Recommendation.** The Contract Administrator should ensure the Contractor accepts responsibility for utility payments as required.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contractor stated it cannot absorb the utility costs imposed by the contract as of August 1, 2025, and has not signed the utility-transfer letters for electric and gas provided by the Contract Administrator, nor provided payment for utility costs as requested by the Chief Administrative Officer and Contract Administrator. The Contract Administrator and Chief Administrative Officer continue to work with the Contractor to find a solution to this issue.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

9. **Reporting Requirements Not Always Met.**

- a. **Finding.** The Contractor did not always adhere to contract reporting requirements. As a result, the Contract Administrator does not have the required information to see if the

Contractor is properly managing the facilities. Specifically, we found the Contractor did not submit the following reports and documents:

- *Operations Plan and Budget* – The Contractor has not submitted the 2024-2025 operations plans and budgets for Boeke and Dempsey and has not submitted the 2023-2024 and 2024-2025 operations plan and budget for Sullivan.
- *Budget to Actuals* – The Contractor has never submitted a quarterly budget to actuals for any of the facilities.
- *Combined Reports* – The Contractor has never submitted a quarterly combined report for any of the facilities.
- *Statement of Income and Expenses* – The Contractor did not always submit a quarterly statement of income and expenses report for the facilities. Specifically, the Contractor has only submitted 20 of 32 (63%) statements of income and expenses.
- *Balance Sheet: Assets vs Liabilities* – The Contractor has never submitted a quarterly balance sheet for any of the facilities.
- *Alcohol Policy* – The Contractor has not submitted an alcohol policy for the Sullivan.
- *Parking Control Policy* – The Contractor has not submitted a parking control policy for Boeke or Dempsey.
- *Emergency Plan* - The Contractor has not submitted an Emergency Plan for Boeke or Dempsey.

In addition, we found some documents were submitted past the due dates in the contract. Specifically:

- *Operations Plan and Budget* – The Contractor submitted their operations plan and budget for Boeke and Dempsey 2023-2024 on August 22, 2023, instead of before the contract due date of June 1, 2023. In addition, the Boeke and Dempsey 2025-2026 operations plan and budget was submitted on July 22, 2025, instead of before the contract due date of July 1, 2025. Finally, the

Sullivan 2025-2026 operations plan and budget was submitted on August 1, 2025, instead of before the contract due date of July 1, 2025.

- *Alcohol Policy* – The Contractor submitted the alcohol policy for Boeke on April 2, 2024, instead of before the due date of October 1, 2022.

Moreover, we found incorrect financial reports were sometimes submitted to the Contract Administrator. Specifically, we found 18 of 20 (90%) quarterly statements of income and expenses were submitted to the Contract Administrator for incorrect fiscal quarters, with nine of those reports also submitted on an accrual basis instead of a cash basis as required by the contract. Furthermore, 2 of 20 (10%) quarterly statements of income and expenses were submitted showing only income and no expenses. Appendix A, Section 14 of the contract states that “The Contractor shall prepare quarterly statements of income and expenses on a cash basis...”

Finally, we found the Contractor had submitted the 2022-2023 operating budget combining both Boeke and Dempsey. As a result, we were unable to differentiate between each facility’s individual operating budgets or perform a reconciliation of their expenses. Appendix A, Section 1 of the contract states “The Contractor shall prepare and submit proposed operations budgets annually for each year of operation of the Contract.”

- b. **Recommendation.** The Contract Administrator should ensure the Contractor adheres to all contract reporting requirements.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contract Administrator and Chief Administrative Officer will meet in person with the Contractor to review all required financial reports on a quarterly basis, to ensure all reports are received in a timely manner. The Contract Administrator will rekey all financial reporting information received from the Contractor into a Budget to Actuals template based on the approved budget for comparison purposes to ensure no unauthorized changes to the budget structure have been made, and to ensure no unauthorized expenses have been incurred. Budget to

Actuals for Boeke and Dempsey Arenas for Q1 September 2025 through November 2025 have been received from the Contractor.”

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

10. **Annual Inventory Never Performed and Capitalizable Assets Not Tagged.**

- a. **Finding.** Our audit revealed the Contractor has never performed or submitted an annual physical inventory of Municipal owned property at any of the facilities and has never submitted an annual written inventory to the Contract Administrator. We performed a physical inventory at each facility with the Contractor and Contract Administrator; however, we were unable to locate multiple tagged assets contained in the asset lists provided to the Contractor in Appendix C of the contract. According to the Contract Administrator, they had never received a written inventory performed by the Contractor to update the contract asset lists. Appendix A, Section 10 of the contract states, “Contractor will be required to complete and submit no later than December 31st of each year a physical inventory of all MOA-owned property...” Finally, Appendix A, Section 18 of the contract states, “Contractor shall control and account for all property belonging to the Municipality of Anchorage and shall maintain a current inventory of property at the Arenas. Said inventory shall be submitted in writing to Administrator no later than May 1st annually.”

In addition, we found three capitalizable assets were not issued Municipal asset tags as required. Specifically, during our review of expenses for the Sullivan, we found the Contractor acquired an LED Visual Display Wall for \$37,844, and two laptop computers for \$1,299 and \$1,399. Although the Contractor provided a reimbursement list with possible items that may need asset tags, they did not provide documentation or formally request asset tags for the proper items. Part 1, Section 9 of the contract states, “Equipment purchased by the Contractor with contract funds shall be the sole property of Anchorage marked and inventoried as such with a copy of the inventory forwarded to

the Administrator.” Without an annual inventory and proper asset tagging, Municipal asserts are at risk for theft, fraud, and misuse.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor performs and submits annual inventories and has received and affixed Municipal tags for capitalizable assets.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contractor Administrator did meet with the Contractor to review old equipment stored at the Sullivan for possible surplus and provided an inventory form to fill out and return items found. A follow up by the Contract Administrator should have been conducted to ensure all inventory was reported and tagged in a timely manner. Although the Contractor did note (on a spreadsheet it developed as part of a request to be reimbursed) that equipment it had purchased outside of contractual provisions and Title 7 procurement rules required asset tags (i.e. the LED Visual Display), the Contractor never followed up to obtain the tags. To rectify this, the Contract Administrator has provided lists of inventory items to the Contractor for all three arenas and requested an annual inventory be conducted along with surplus instructions and that asset tags need to be assigned to any new assets reported.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## 11. **Insurance Requirements Not Met.**

- a. **Finding.** The Contractor did not meet insurance requirements contained in the contract. As a result, the Municipality has an increased risk of insurance liability at the facilities. Specifically, we found the Contractor has not met the following requirements:
  - Commercial Automobile Liability did not include Owned autos.
  - Commercial General Liability excluded Medical Payments.

- Crimes policy did not appear to include coverage for both Contractors employees and sub-contractors.
- Cyber/Privacy Liability Insurance did not appear to include coverages for all requirements.
- The Municipality was not listed as Additional Insured on Cyber, Crimes, Excess Liability or Liquor Liability policies.
- A Waiver of Subrogation was not included for the Excess Liability coverage.

In addition, we found the Contractor has been out of compliance with insurance policy requirements since at least October 2023.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor is in compliance with the contract's insurance requirements.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. While the renewal Certificates of Insurance did list the MOA as Additional Insured for General Liability, they did not cover other insurance requirements. Note, Liquor Liability is not required per contract. To remedy this, the Contract Administrator will consult the MOA Risk Manager for a review upon receipt of the annual Certificate of Insurance to ensure all insurance requirements and endorsements have been met."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

12. **Subcontracts and Use Agreements Not Always Signed, Submitted, or Approved.**

- a. **Finding.** Subcontracts and use agreements were not always provided or approved by the Contract Administrator as required. Specifically, we identified a total of 10 vendors performing services in the facilities and six organizations leasing facility space from the Contractor. However, 5 of 10 (50%) vendors did not have subcontracts provided for

review or approval by the Contract Administrator, and 3 of 6 (50%) organization's use agreements had not been provided to the Contract Administrator as required.

In addition, we identified 4 of 10 (40%) vendors did not have a signed subcontract, and 1 of 6 (17%) organizations did not have a signed use agreement. Without a written contract, there are no terms to enforce on compliance and payment issues.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor enters into written subcontracts and use agreements and provides copies to the Contract Administrator for review and/or approval.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. While not all the use agreements and subcontracts were provided to the Contract Administrator, the contract language states in Part I. Section 15.B that "every subcontract under which the Contractor delegates the provision of services shall be subject to review and approval by the Administrator before it is executed by the Contractor". It does not cite approval is mandatory nor does it address subcontracts for goods. Per Appendix A. Section 12, "Copies of all use agreements shall be provided to the Administrator upon execution". The Contract Administrator will ensure to follow up with the Contractor on a quarterly basis specifically seeking all copies of use agreements and subcontracts."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**13. Quarterly Facility Maintenance Subsidies Not Provided.**

- a. **Finding.** Quarterly facility maintenance subsidies were not provided to the Municipality as required. Specifically, we found the Contractor had not sent the Municipality's Facility Maintenance Division the required \$60,000 a year for both Boeke and Dempsey to help subsidize maintenance and repair duties since the beginning of the contract, September 2022 through August 2025. Instead, the

Contractor kept the facility maintenance subsidies as an allowance towards their own repairs of the facilities. As of August 31, 2025, the Contractor currently owes the Municipality \$360,000 in unpaid maintenance and repair subsidies for three contracted years.

- b. **Recommendation.** The Contract Administrator should ensure the Contractor sends the required facility maintenance subsidies to the Municipality each quarter.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contract Administrator directed the Contractor to provide the subsidies for facility maintenance and not treat the subsidy as an “allowance” for the Contractor to draw from to make repairs. Both the Contract Administrator and Chief Administrative Officer on multiple occasions asked in writing for the subsidies to be sent to the MOA and will again demand to be paid the unremitted funds.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**14. Capital Reserve Account Requirements Not Always Met.**

- a. **Finding.** The Contractor has not sent the Contract Administrator the 2024-2025 budget year’s quarterly five percent gross revenue contributions for the Sullivan capital reserve account as required. In addition, we found the capital reserve contributions received for Boeke and Dempsey had been issued for incorrect fiscal quarter time periods, and amounts did not match our reconciliation of monthly profit & loss statements from the Contractor’s financial system.

Finally, it appeared the Contractor had kept all capital reserve account contributions for Sullivan as renovation and repair reimbursements. Per a letter from the Contractor to the Contract Administrator in May 2025, “On August 5 of 2024, the first year of its contract, O’Malley reported in detail the expenditures for repairs and replacements that



it incurred to bring the facility into operations at that point. At that time the amount was \$191,000. As of the April 21, 2025, report to the MOA the amount had increased to about \$280,000. In a spirit of compromise and in the best interest of continuing the operations of the facility O'Malley proposes that this sum be recognized as an offset against other sums that might be due to the MOA under the contract including the five percent revenue reserve payment and the ticket surcharges. These charges are intended to cover costs for capital repairs and improvements to the facility.”

- b. **Recommendation.** The Contract Administrator should ensure the Contractor sends the required capital reserve account contributions for all facilities.
- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation. The Contract Administrator was not privy to the Contractor’s own financial system and relied on the reports provided by the Contractor. Further, the Contractor did not provide capital-reserve account contributions for the Sullivan while asking for reimbursement of expenses it incurred outside of Title 7. The Contract Administrator will again demand to be paid the unremitted funds.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## OTHER PERTINENT INFORMATION

Resources for contract administration do not appear to be sufficient. Specifically, the Municipality lacks comprehensive written policies and training for contract administration. When we spoke with senior management of the Purchasing Department, they expressed that Purchasing is working on a draft contract administration policy and procedure and a revised contract administration LITMOS online training module; however, these are not yet completed. Senior management also stated Purchasing does not perform any formal training for contract administrators.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on January 5, 2026.

Audit Staff:  
Dalton Benson