INTERNAL AUDIT REPORT

2026-05

Transfer of Responsibilities Agreement

Municipal Manager

August 20, 2026

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

August 20, 2026

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2026-05, Transfer of Responsibilities Agreement, Municipal Manager.** A summary of the report is presented below.

In accordance with the 2026 Audit Plan, we completed an audit of the Transfer of Responsibilities Agreement, Municipal Manager. The objective of this audit was to determine whether Transfer of Responsibilities Agreement requiring an exchange of funds from the State to the Municipality to cover ongoing costs were properly administered. Specifically, we selected samples of the active Transfer of Responsibilities Agreement files and reviewed them to ensure they contained the appropriate documentation and determined if the Transfer of Responsibilities Agreements were properly set up in SAP. In addition, we reviewed if Transfer of Responsibilities Agreement expenditures were accurately tracked to ensure Transfer of Responsibilities Agreement award amounts covered the actual costs incurred by the Municipality.

Our audit found, in general, most Transfer of Responsibilities Agreements were properly administered. However, we identified some areas of improvement. Specifically, we found there is no central repository or management agency for all Transfer of Responsibilities Agreements in the Municipality, and Transfer of Responsibilities Agreements are not clearly defined within the Municipality. As a result, it is difficult to identify with certainty how many Transfer of Responsibilities exist within the Municipality. Finally, we found some Transfer of Responsibilities Agreement costs were not properly tracked. As a result, it is difficult to determine if the Transfer of Responsibilities Agreement revenue is sufficient to cover anticipated expenses to maintain financial sustainability.

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

Alden P. Thern

Director, Internal Audit

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

August 20, 2026

Internal Audit Report 2026-05
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Introduction. The Municipality of Anchorage (Municipality) and the State of Alaska (State) are responsible for designing, building, and maintaining various projects within their respective jurisdictions. For example, the State of Alaska Department of Transportation and Public Facilities (DOT &PF) is responsible for some Rights-of-Way and transportation facilities within the boundaries of the Municipality, and to the extent that DOT&PF has a responsibility to administer Federal Highway Administration funds for projects within the boundaries of the Municipality, these jurisdictions can overlap. Usual areas of overlap include Funding, Transfers of Responsibilities, Intergovernmental and Public Review, and Construction Management.

Because of these overlaps, the State and Municipality may mutually decide to transfer or exchange all or part of the responsibility to design, construct, operate and/or maintain a facility or project. To document any transfer of funds and/or reallocation of responsibilities between the State and Municipality, the parties enter into a Transfer of Responsibilities Agreement (TORA). After reviewing Anchorage Assembly documents, it was revealed the Assembly appropriated $17,179,185 for 47 separate TORA projects from January 2021 to December 2025. Examples include the Anchorage Metropolitan Area Transportation Solutions (AMATS) Traffic Counts, AMATS Non-Motorized Safety Campaign, and Transit Marketing and Rideshare TORAs.

Objective and Scope. The objective of this audit was to determine whether TORAs requiring an exchange of funds from the State to the Municipality to cover ongoing costs were properly administered. Specifically, we selected samples of the active TORA files and reviewed them to ensure they contained the appropriate documentation and determined if the TORAs were properly set up in

SAP. In addition, we reviewed if TORA expenditures were accurately tracked to ensure TORA award amounts covered the actual costs incurred by the Municipality.

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 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, in general, most TORAs were properly administered. However, we identified some areas of improvement. Specifically, we found there is no central repository or management agency for all TORAs in the Municipality, and TORAs are not clearly defined within the Municipality. As a result, it is difficult to identify with certainty how many TORAs exist within the Municipality. Finally, we found some TORA costs were not properly tracked. As a result, it is difficult to determine if the TORA revenue is sufficient to cover anticipated expenses to maintain financial sustainability.

FINDINGS AND RECOMMENDATIONS

1. No Central Repository or Management Agency for TORAs.

a. Finding. During our review, we found there is no central repository or management agency for all the TORA in the Municipality. Instead of having a central repository or management agency for TORA, various Departments/Agencies are individually managing TORAs. Specifically, the Traffic Engineering Department was managing AMATS Traffic Count TORA, AMATS Traffic Control Signalization TORA, and AMATS Non-Motorized Safety Campaign TORA. The Planning Department was managing various other AMATS TORAs. The Public Works Administration Section managed TORAs for the Project Management and Engineering and Public Works Departments. The Public Transportation Department was managing the Transit Marketing and Rideshare TORA. Finally, the Anchorage Health Department was managing Air Quality Public Awareness and Business Awareness Education Campaign TORAs.

Having a central repository or management agency for contracts and projects is important because it creates structure, consistency, and control. It also ensures a single source of truth, stronger internal controls and compliance, better risk management, improved transparency and accountability, efficiency and time savings, improved data for decision-making, better vendor and stakeholder management, along with supporting audits and record-keeping.

b. **Recommendation.** Municipal Manager should develop and implement a centralized system for cataloging all active TORAs within the Municipality.

c. **Management Comments.** Management stated, "Management agrees that TORAs should be properly administered and associated costs should be appropriately tracked. To that end, management is particularly working to identify the subset of TORAs that require special, or active management, such as the traffic-signals TORA which is the subject of finding 3.

By way of background, TORAs come in a variety of different forms. Many, such as the TORAs listed below, are processed through AMATS and renewed on at least a four-year cycle; because these TORAs are project-specific (involving particular Planning-Department efforts, for example) or are for specific procurements (M&O purchases magnesium chloride through annual Arterial Roadway Dust Control TORA) costs are regularly "trued up" and/or the MOA only spends up to the allocated amounts:

AR #	Project Name	Amount	Department
2021-63	Arterial Roadway Dust Control	$173,732.36	M&O
2022-34	Arterial Roadway Dust Control	$173,532.03	M&O
2023-83	Arterial Roadway Dust Control	$84,270.99	M&O

2024-94	Arterial Roadway Dust Control	$85,727.31	M&O
2025-95	Arterial Roadway Dust Control	$87,521.83	M&O
2026-37	Arterial Roadway Dust Control	$85,509.08	M&O
		$690,293.60	**M&O Total**
2021-177	AMATS 2050 MTP	$181,900.79	Planning
2021-245	AMATS TSMO	$432,176.97	Planning
2022-73	AMATS U-MED District TDM Study	$13,152.08	Planning
2022-102	AMATS Safety Plan Grant	$138,914.37	Planning
2022-103	AMATS 2050 MTP	$96,569.30	Planning
2023-48	AMATS Downtown Street Engineering Study	$513,155.44	Planning
2023-71	AMATS Regional Household travel Survey	$559,805.93	Planning
2023-90	AMATS Recreational Trails Plan Update	$379,219.45	Planning
2023-208	AMATS Complete Street Plan Grant	$423,131.17	Planning
2024-2	AMATS Regional Household travel Survey	$4,368.96	Planning
2024-3	AMATS Climate Action Grant	$382,496.17	Planning
2024-4	AMATS Recreational Trails Plan Update	$3,276.72	Planning
2024-8	AMATS Downtown Street Engineering Study	$4,004.88	Planning
2024-372	AMATS Climate Action Grant	$4,653.12	Planning
2024-384	AMATS Downtown Street Engineering Study	$5,675.88	Planning
2024-386	AMATS Complete Street Plan Grant	$4,421.83	Planning
2024-387	AMATS Recreational Trails Plan Update	$4,653.93	Planning
2024-388	AMATS Regional Household travel Survey	$6,191.88	Planning
2025-34	AMATS Congestion Management Process Plan Update	$258,162.45	Planning
2025-305	AMATS Complete Street Plan Grant	$423,131.17	Planning
		$3,839,062.49	**Planning Total**
2021-402	Transit Marketing and Rideshare	$861,131.67	PTD
2023-22	Transit Marketing and Rideshare	$933,033.89	PTD
2023-321	Transit Marketing and Rideshare	$1,409,602.27	PTD
2023-398	Transit Marketing and Rideshare	$1,361,494.63	PTD
2024-371	Transit Marketing and Rideshare	$1,935,196.18	PTD
2025-381	Transit Marketing and Rideshare	$1,397,368.05	PTD
		$7,897,826.69	**PTD Total**
2021-51	AMATS Traffic Count	$540,221.21	Traffic Engineering
2021-52	AMATS Traffic Control Signalization	$312,269.30	Traffic Engineering
2022-33	AMATS Traffic Count	$545,802.44	Traffic Engineering
2022-56	AMATS Traffic Control Signalization	$346,485.09	Traffic Engineering

2023-84	AMATS Traffic Count	$530,907.23	Traffic Engineering
2023-86	AMATS Traffic Control Signalization	$337,083.96	Traffic Engineering
2023-157	AMATS Non-Motorized safety Campaign	$84,270.99	Traffic Engineering
2023-413	AMATS Non-Motorized safety Campaign	$85,727.31	Traffic Engineering
2023-414	AMATS Traffic Count	$596,971.05	Traffic Engineering
2024-69	AMATS Traffic Control Signalization	$364,512.07	Traffic Engineering
2025-7	AMATS Traffic Count	$126,943.12	Traffic Engineering
2025-10	AMATS Non-Motorized Safety Campaign	$87,930.71	Traffic Engineering
2025-155	AMATS Traffic Control Signalization	$348,491.48	Traffic Engineering
2025-385	AMATS Non-Motorized Safety Campaign	$129,457.50	Traffic Engineering
2025-386	AMATS Traffic Count	$314,928.65	Traffic Engineering
		$4,752,002.11	**Traffic Engineering Total**
		$17,179,184.89	**Grand Total**

Agreements reflecting state responsibilities devolved to the Health Department, such as those listed below, operate similarly.

Grant	Duration	FY27	Authority
Public Health Emergency Preparedness	Renewal 1x year/Competitive every 5 yrs	$566,825.00	AS 47.050.015
Special Supplemental Nutrition Program for Women, Infants, & Children	Renewal 1x year/Competitive every 3 yrs	$1,401,960.30	AS 47.050.015
Air Quality Public & Business Awareness Education Grant	Renewal 1x/Non-competitive every 3-4 yrs	$283,976.54	DOT&PF Catalog of Federal Domestic Assistance 20.205
Community Safety & Development	Renewal 1x year/Non-competitive every 5 yrs	$2,571,477.00	42 U.S.C. § 5302(a)(4) & 42 U.S.C. § 5306(a)(4)
Child Care Licensing	Renewal 1x year/8 year fiscal cycles	$1,350,000.00	AS 47.32.030
Aging & Disability Resource Center	Renewal 1x year/Competitive every 3 yrs	$213,681.00	AS 47.050.015

Public Health Nursing	Renewal 1x year/Competitive every 3 yrs	$2,769,210.00	AS 47.050.015
HIV/AIDS	Renewal 1x year/Competitive every 4 years	$114,470.00	AS 47.050.015
Teen & Unintended Pregnancy Prevention	Renewal 1x year/Competitive every 3 yrs	$100,000.00	AS 47.050.010(13)
Human Services Community Matching Grant	Renewal 1x year/Competitive every 4 years	$796,380.35	AS 29.60.620
	Grand Total	**$10,167,980.19**	

Meanwhile, in some cases, TORAs involve no transfer of funds at all—AWWU has voluntarily taken on winter-road maintenance of Eklutna Lake Road from the Old Glenn to the Treatment Facility because the state categorized it as a "lower priority (recreational access)" route, and AWWU historically had challenges getting staff to and from the plant during inclement weather.

While all TORA agreements are currently listed in the "central repository" of the annual budget and the Municipality's SAP accounting system, management agrees that a centralized system involving categorization to ensure that TORA costs and revenue amounts are regularly validated would be valuable."

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

2. **TORAs Not Clearly Defined.**

a. **Finding.** Transfer of Responsibility Agreements were not clearly defined within the Municipality. Specifically, we found the term "TORA" is being used interchangeably with "Grant". As a result, combined with the condition identified in Finding 1 of this audit report, it would be difficult to determine with certainty how many TORAs exist within the Municipality and which agency was managing them. In addition, when we requested the TORAs being managed by the respective Departments, we were provided with documents titled "Transfer of Responsibilities Agreement", and "Memorandum of

Agreement". Moreover, we found other TORA document titled "Memorandum of Understanding" and "Maintenance Agreement".

While both TORAs and grants share some similarities, they are not the same. Specifically, a Grant involves minimal ongoing involvement by the funding agency (if it's not a cooperative agreement), and the grantee has latitude in how to achieve project goals, subject to general conditions and agreed upon outcomes. In contrast, a TORA, more akin to a contract, delegates operational authority rather than awarding funds based strictly on a public purpose. An identical finding was reported in the Internal Audit Report 2021-01, *Transfer of Responsibility Agreements*.

b. **Recommendation.** The Municipal Manager should develop and communicate a clearly stated definition of TORA to be used throughout the Municipality.

c. **Management Comments.** Management stated, "While management does not understand the decision to title an agreement a "TORA" (vs. an MOU or MOA or Grant) to have any substantive legal effect, management will standardize nomenclature and ensure that TORAs are labeled as such when they are submitted for Assembly consideration and approval."

d. **Evaluation of Management Comments.** Management comments partially concurred with the audit finding and recommendation.

3. Some TORA Costs Not Tracked.

a. **Finding.** Some TORA costs were not properly tracked. Specifically, the Traffic Engineering department did not track the actual cost of electricity used to operate the traffic signals the Municipality became responsible for under a TORA between the Municipality and the State. Despite the TORA being agreed upon in 2005 and was last amended in 2006, management assumed the annual Consumer Price Index adjustment to the fixed payment would be sufficient to cover the utility expenses. However, without actual tracking of the real cost, it is difficult to determine. The Municipality may have paid the utility (i.e. electricity) expenses that should have been paid by the

State through TORA. In government accounting, management is fundamentally responsible for ensuring projected revenue is sufficient to cover anticipated expenses to maintain financial sustainability. This involves statutory budget planning, strategic revenue optimization, and maintaining fiscal compliance to meet public service obligations without excessive deficits. A similar finding was reported in the Internal Audit Report 2021-01.

b. **Recommendation.** The Municipal Manager should require the Traffic Engineering Department to track actual expenditures related to TORAs including utility costs to determine if expenditures exceed revenues available from the TORA.

c. **Management Comments.** Management stated, "Management agrees that costs and payments should be tracked. Utility costs and payments are currently tracked by Public Works Administration (not Traffic Engineering). This information is granular to the specific traffic signal. However, because of the CPI approach in the TORA used for adjusting the revenue to MOA, management believes it would be beneficial to examine the TORA agreement to ensure to the extent practical that the TORA funding in the Signal TORA is at the appropriate level. Traffic Engineering will also assess and estimate whether revenues received through the Signals TORA is sufficient to cover maintenance and operations costs associated with operating the subject equipment, traffic-signal hardware, signage and striping, school zones, and streetlights. At the conclusion of that process, we will initiate discussions with ADOT as needed."

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 June 30, 2026.

Audit Staff:
Scott Lee