

---

---

# Internal Audit Department 2009 Annual Report

---

---

## TABLE OF CONTENTS

Director's Letter .....	2
Introduction.....	3 - 6
Index of 2009 Audit Reports.....	7 - 8
Index of 2009 Special Projects .....	9 - 10
Executive Summaries From 2009 Audit Reports .....	11 - 26
Anchorage Municipal Code 3.20 .....	27 - 31

January 13, 2010

Honorable Mayor and Members of the Assembly:

Attached is the Office of Internal Audit (Internal Audit Department) 2009 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2009 internal audit activity and the portion of the Anchorage Municipal Code pertaining to the Internal Audit Department.

According to Anchorage Municipal Code 3.20.100, the primary focus of the Internal Audit Department is to provide the Assembly and the Mayor with objective information to assist them in determining whether government operations are adequately controlled; whether the required high degree of public accountability is maintained over public funds; and to improve the efficiency and effectiveness of Municipal government. To accomplish this, we perform audits to ensure the reliability and integrity of financial records, compliance with established policy and procedures, accountability and protection of Municipal assets and the achievement of program results.

During 2009, the Internal Audit Department issued 15 audit reports and performed 16 special projects.

Peter Raiskums, CIA, CFE, CGFM  
Director, Internal Audit

---

---

## **INTRODUCTION**

---

---

# **INTRODUCTION**

## **DEFINITION OF AUDITING**

Audit is a term used to describe procedures performed by an auditor in examining financial records, reviewing compliance with laws and regulations, assuring the efficiency and economy of operations, and evaluating the effectiveness in achieving program results.

The audit process includes an evaluation of internal controls, examination of financial and other data, review of management systems and programs, and recommendations for improvement.

Auditors are classified into two categories - internal auditors and external auditors.

**Internal Auditors** are employees of the Municipality of Anchorage. Emphasis is on determining whether the required high degree of public accountability is maintained and improving the efficiency and effectiveness of government operations and activities. To accomplish this, the auditors focus on accountability, internal controls and improving management efficiency. Although internal auditors are Municipal employees, the Municipal Code provides a framework for them to operate with complete independence.

**External Auditors** are not employees of the Municipality of Anchorage. External auditors perform, under contract, an annual audit of the financial records of the Municipality and the federal and state single audits. The emphasis is on the fairness of financial representations. The Municipal Assembly is responsible for the annual independent financial audit, annual federal single audit and annual state single audit of all Municipal accounts. The annual audits are overseen by the Audit Committee. The certified public accounting firm of Mikunda, Cottrell & Co. is currently the external auditor for the Municipality of Anchorage.

## **AUDIT PROCEDURES**

The Internal Audit Department performs audits in accordance with generally accepted government auditing standards, except for the requirement of an external peer review. A peer review is not performed due to budget constraints.

The audit process involves three phases: survey, field work, and reporting. Communication with auditees is an important part of all three phases.

**Survey** - Survey work consists of discussions with agency personnel, physical inspections, review of records, and sample tests of transactions. In addition, auditors obtain an understanding of internal controls significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation.

**Field Work** - During field work, the auditor plans and defines audit objectives, reviews and evaluates extensive data, documents findings, and develops recommendations for corrective action.

**Reporting** - At the end of field work, the results of the audit are communicated to officials at various levels of government. Findings and recommendations are presented in a draft report that is furnished to auditees for their review and response. The final audit report includes the auditor's findings, recommendations and management's responses, and is available to the public.

## **SCHEDULING OF AUDITS**

The Director of Internal Audit prepares an annual audit plan at the beginning of each fiscal year, which is approved by the Municipal Audit Committee. Input is solicited from the Municipal Assembly, the Mayor, and Administration officials. The audit plan may also be revised during the year to accommodate requests from the Municipal Assembly and the Administration. Criteria for scheduling audits include the following:

- Requests by the Municipal Assembly and Administration
- Potential for cost savings through more efficient, effective management
- Potential for increasing revenues
- Areas with a high risk of loss or misappropriation
- Suspected fraud or error
- Areas identified with weak internal controls or known problems
- Safeguarding and management of Municipal assets
- Issues identified by the external auditors

## **DISTRIBUTION OF AUDIT REPORTS**

Audit reports are distributed to the Mayor, each Municipal Assembly Member, the Municipal Manager, the Director of Management and Budget, the Chief Fiscal Officer, the respective Department Director, and other Municipal personnel as appropriate.

Copies of reports are available to the public at the following locations:

1. Serial section of the Z J Loussac Public Library, 3600 Denali Street, Anchorage, Alaska
2. The Municipal Internal Audit Department, 632 West 6th Avenue, Suite 600, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, fax (907) 343-4370, e-mail: [raiskumspw@muni.org](mailto:raiskumspw@muni.org)
3. Internal Audit Department Website: <http://www.muni.org/audit>

## **STAFFING OF THE OFFICE OF INTERNAL AUDIT**

Current staff members are:

Peter Raiskums, Director  
Michael Chadwick, Principal Auditor  
Scott Lee, Senior Auditor  
Jayi Schin, Senior Auditor  
Chris Moore, Audit Technician

The current department Director provides the Municipality with more than 45 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 18 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Financial Manager (CGFM), and Certified Internal Controls Auditor (CICA).

Government Auditing Standards Section 3.46 requires that each auditor complete, every two years, at least 80 hours of continuing professional education that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any one year of the two-year period. The courses taken by audit staff to fulfill this requirement help keep them up-to-date with the latest auditing techniques and current audit issues.

---

---

## **INDEX OF 2009 AUDIT REPORTS**

---

---

<b>2009 AUDIT REPORTS</b>			
<b>NUMBER</b>	<b>DATE</b>	<b>REPORT NAME</b>	<b>DEPARTMENT</b>
	01/29/09	2008 Annual Report	
2009-01	02/09/09	2008 Parts, Tires and Lubricants Inventory	Maintenance and Operations
2009-02	02/11/09	Purchasing Section	Anchorage Water and Wastewater Utility
2009-03	02/12/09	2008 Parts, Fuel and Lubricants Inventory	Public Transportation
2009-04	02/18/09	Asset Management	Eagle River/Chugiak Parks, Recreation and Community Development
2009-05	02/19/09	Child Care Licensing	Health and Human Services
2009-06	04/16/09	Anchorage Memorial Park Cemetery	Health and Human Services
2009-07	06/15/09	Child Care Assistance Program	Health and Human Services
2009-08	07/30/09	Information Technology Business Continuity Plan	Information Technology
2009-09	08/17/09	Annual Municipal Procurement Card Review	Purchasing
2009-10	08/24/09	Library Donations	Anchorage Public Library
2009-11	08/27/09	Accounts Payable Section	Anchorage Water and Wastewater Utility
2009-12	09/24/09	Municipal Payroll	Finance
2009-13	11/23/09	Fund 603, Medical and Dental Self-Insurance	Employee Relations
2009-14	12/14/09	Coins Can Count Program	Anchorage Water and Wastewater Utility
2009-15	12/17/09	Weatherization Assistance Program	Department of Neighborhoods



---

---

## **INDEX OF 2009 SPECIAL PROJECTS**

---

---

<b>2009 SPECIAL PROJECTS</b>		
<b>DATE</b>	<b>SUBJECT</b>	<b>RECIPIENT</b>
01/14/09	Cost/Savings for APD Contact Revision	Assembly
01/20/09	Cost of Correction to Appendix # 1 of the AMEA Contract	Assembly
04/14/09	IAFF Wage Concessions Cost Validation	Assembly
04/28/09	Teamster Wage Concessions Cost Validation	Assembly
04/29/09	2008 Municipal Travel	Assembly/Administration
05/12/09	Non-Represented Employee Furlough Cost Validation	Assembly
05/18/09	Operating Engineers Local 302 Cost Validation	Assembly
05/20/09	APDEA Cost Validation	Assembly
05/20/09	Teamsters Cost Validation	Assembly
06/03/09	Anchorage Municipal Employees Association (AMEA) Offer Validation	Assembly
06/04/09	2008 Procurement Card Rebate	Administration
07/07/09	Public Employees Local 71 Cost Validation	Assembly
07/16/09	Anchorage Senior Activity Center	Administration
07/20/09	Public Employees Local 71 Cost Validation	Assembly
08/05/09	Review of Sullivan Arena Financial Records	Administration
12/24/09	Internal Controls – Payroll and Benefits	Administration

---

---

## **EXECUTIVE SUMMARIES FROM 2009 AUDIT REPORTS**

---

---

February 9, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-01, Maintenance and Operations, Fleet Maintenance, 2008 Parts, Fuel and Lubricants Inventory** for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the inventory controls in place at Fleet Maintenance, Maintenance and Operations. The objective of this audit was to determine if the year-end physical inventory of parts, fuel and lubricants was reasonably accurate and any adjustments necessary were properly entered into the financial records.

The physical inventory resulted in a final valuation of \$361,692.64. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$2,524.03 was made to decrease PeopleSoft financial records to bring them in agreement with the physical count. Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate.

There were no findings or recommendations in connection with this audit.

February 11, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-02, Anchorage Water and Wastewater Utility, Purchasing Section**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the purchasing controls in place at Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility appropriately solicited competition for purchases and issued change orders in compliance with Anchorage Municipal Code and AWWU policies and procedures.

The AWWU Purchasing Section complied with the AMC Title 7 and AWWU policy and procedure requirements. Contracts and change orders were properly executed. However, we found that documentation contained in some contract and purchase order files could be improved. Specifically, we found that some contracts lacked evidence of Disadvantaged and Women's Business Enterprises (D/WBE) compliance. We also found that documentation for some sole source purchases was not always in the purchase order files.

We had two findings and made two recommendations to Anchorage Water and Wastewater Utility for corrective action. Management was responsive to the findings and concurred with the recommendations.

February 12, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-03, Public Transportation, 2008 Parts, Fuel and Lubricants Inventory** for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the inventory controls in place at Fleet Maintenance, Maintenance and Operations. The objective of this audit was to determine if the year-end physical inventory of parts, fuel and lubricants was reasonably accurate and any adjustments necessary were properly entered into the financial records.

Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate. The parts physical inventory resulted in a final valuation of \$522,253.58. A net adjustment of \$1,967.71 was made to decrease PeopleSoft financial records to bring them in agreement with the physical count. The fuel and lubricants physical inventory resulted in a final valuation of \$201,725.42.

There were no findings or recommendations in connection with this audit.

February 18, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-04, Asset Management, Eagle River/Chugiak Parks, Recreation and Community Development**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the fixed asset controls in place at Eagle River/Chugiak Parks, Recreation and Community Development. The objective of this audit was to determine if Eagle River/Chugiak Parks, Recreation and Community Development complied with P&P 24-13 for recording, inventorying and safeguarding fixed assets.

Generally, Eagle River/Chugiak Parks, Recreation, and Community Development complied with P&P 24-13. However, fixed asset records could be improved. Specifically, some fixed assets were not recorded in PeopleSoft and other fixed assets were coded to the wrong general ledger accounts.

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

February 19, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-05, Child Care Licensing, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of child care licensing at the Department of Health and Human Services. The objective of this audit was to determine whether Child Care Licensing staff enforced the requirements of Anchorage Municipal Code Title 16.55 for licensing and inspecting child care facilities.

Anchorage Municipal Code Title 16.55 requirements were not always enforced for child care facilities. Specifically, facility files did not always contain required documents and information, complaints were not resolved in a timely manner and the Anchorage Municipal Code had not been revised to comply with State of Alaska statutes. In addition, the policy and procedures manual was incomplete and did not properly reflect current business practices.

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



April 16, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-06, Anchorage Memorial Park Cemetery, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Anchorage Memorial Park Cemetery assigned to the Department of Health and Human Services. The objective of this audit was to perform a management review of the Cemetery's operations. Specifically, we evaluated procedures for grave site reservations, evaluated the provisions for the Perpetual Maintenance Non-Expendable Trust Fund (Perpetual Maintenance Fund), reviewed fees charged by the Cemetery, and reviewed procedures for billing maintenance costs to private tract holders. We also tested fixed asset records and reviewed cash control procedures.

Cemetery operations could be improved. For example, grave site reservations were not administered consistently and code requirements establishing the Cemetery Perpetual Maintenance Fund may need revision. In addition, Anchorage Municipal Code contains no provisions for reserving a niche in the columbarium wall and the Cemetery fee schedule contained in Anchorage Municipal Code does not include all of the fees currently charged. Finally, bills for annual maintenance costs for private tract owners were not consistently computed, fixed asset records were not accurate, and proper cash handling procedures were not followed by Cemetery staff.

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

June 15, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-07, Child Care Assistance Program, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Child Care Assistance Program at the Department of Health and Human Services. The objective of this audit was to determine whether Child Care Assistance Program staff complied with grant requirements, including determining client eligibility and maintaining required documentation in client files. Our audit included a random selection of 75 active client files and 37 closed client files from the current grant period. Specifically, we reviewed the files and electronic documents in the Integrated Child Care Information System to determine if applications for child care assistance were processed timely. We also reviewed each sampled file to determine if a family's contribution amount was calculated correctly based on the supporting documents.

The Department has made improvements in administering the Child Care Assistance Program since our previous audit in May 2008. The Department implemented two of the five findings and partially implemented three findings from our 2008 audit report. However, there are still areas that need to be improved. Specifically, this audit disclosed that Child Care Assistance Program staff did not always calculate income correctly. In addition, the specified application process was not always followed, including continuing problems with timely action on submitted applications and incomplete in-home care documentation.

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

July 30, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-08, Information Technology Business Continuity Plan, Information Technology Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Information Technology Business Continuity Plan for the Information Technology Department. The objective of this audit was to determine if a comprehensive plan had been developed and tested to ensure the continuity of operations in the event of a disaster. Specifically, we determined whether the Information Technology (IT) Department had identified the critical systems that must be continued without interruption in the event of a disaster, if systems and other resources required to support the critical services had been identified, and if a plan was updated as new systems and applications are developed and implemented. We did not include distributed computer hardware and software at Anchorage Water and Wastewater Utility, Municipal Light and Power, Anchorage Police Department, and so forth.

The Municipality does not have a business continuity plan in the event of a disaster. We found that a business continuity disaster recovery plan had not been developed and implemented. As a result, the Municipality could face a variety of problems such as loss of critical data, inability to pay vendors, and penalties if it fails to pay employees on time. In addition, the handling and storage of back-up data tapes could be improved.

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

August 17, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-09, Annual Municipal Procurement Card Review, Purchasing Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Municipal Procurement Card Program. The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding P-Card use. Specifically, we reviewed purchases for selected transactions to ensure compliance with P&P 48-16.

Most of the P-Card purchases reviewed complied with P&P 48-16. However, some purchases may not be for official Municipal business such as food, retirement plaques, flowers, and office water. Moreover, our review of P-Card purchases revealed some charitable donations to non-Municipal agencies. In addition, we found some purchases were split to circumvent the maximum \$2,500 single transaction limit. Finally, most agency heads complied with P&P 48-16; however, we found some instances of questionable or prohibited purchases such as flowers, gasoline for Municipal vehicles, various lunches, and food.

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

August 24, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-10, Library Donations, Anchorage Public Library**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Library Donations received by the Anchorage Public Library. The objective of this audit was to determine whether donations were properly accounted for and used for the purpose specified. Our audit included a review of donations from 2007 through 2009 and a review of the Anchorage Public Library's donation policy and procedures. Furthermore, we reviewed records to verify donations were processed, tracked, and accounted for properly.

The Anchorage Public Library has not always properly accounted for donations made for specific purposes. For example, procedures had not been implemented to ensure monetary donations were spent in accordance with the donors' wishes. As a result, 15 of 16 donations received between 2007 and 2009 specifying a specific purpose had not been satisfied at the time of the audit. In addition, controls over monetary donations received by mail need to be strengthened.

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

August 27, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-11, Accounts Payable Section, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Accounts Payable Section of Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether vendor payments were for valid Municipal purchases, supported by valid invoices, made to valid merchants, and were properly approved. To test the account payable process, we tested a random sample of 84 payments and a judgmental sample of 10 payments. We also reviewed applicable policies and procedures to ensure compliance.

Accounts Payable procedures were generally satisfactory. Vendor payments were valid and properly supported. However, we found that vendor payments were not always made timely. We found that 11 of 94 (11.7%) payments reviewed were made 33 to 400 days after the invoice was received.

There was one finding with a recommendation in connection with this audit. Management was responsive to the finding and concurred with the recommendation.

September 24, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-12, Municipal Payroll, Finance Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Municipal payroll procedures. The objective of this audit was to determine whether payroll transactions were valid and supported by properly authorized documentation. Our audit included a review of judgmentally selected payroll transactions selected from six Municipal departments (Library, Parks and Recreation Department, Information Technology Department, Department of Law, Department of Health and Human Services, and the Property Appraisal Division of the Finance Department) for the time period of January through December 2008 to determine if payroll transactions were supported by an approved time sheet and the required supporting documentation. We also reviewed and verified all acting pay transactions for 2008.

Our testing of various payroll transactions identified several weaknesses. Specifically, we found that time sheets, leave slips, and overtime request forms were not always signed by the employee and/or approved by the supervisor. Some leave taken by employees was not entered into the payroll system. In addition, we found 14 Municipal employees who accrued leave in excess of the limits specified in AMC 3.30.152, Annual leave accrual, and union contracts. We also found that acting pay was incorrectly applied, processed, and approved. Furthermore, the Information Technology Department was using a time sheet that was not approved by the Chief Fiscal Officer. Finally, payroll specialists need to be better instructed on how work hours are recorded on time sheets.

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

November 23, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-13, Fund 603, Medical and Dental Self-Insurance, Employee Relations Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of Internal Service Fund 603 which is a Risk Management fund used to account for money received from other Municipal funds to pay for the costs of self-insurance claims. The objective of this audit was to determine whether expenses charged to the Fund were consistent with the Fund's stated purpose and in accordance with accepted accounting procedures.

We found that expenses charged to Fund 603 were not consistent with the Fund's stated purpose and the Municipality's accounting standards. Specifically, costs for personnel services, tuition and registration, lodging, and postage were charged to the fund.

We made one recommendation to the Chief Financial Officer in coordination with Employee Relations and the Office of Management and Budget. Management was responsive to the finding and concurred with the recommendation.



December 14, 2009

Honorable Mayor, Members of the Assembly, and Board of Directors of the Anchorage Water and Wastewater Utility:

I am pleased to present **Internal Audit Report 2009-14, Coins Can Count Program, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Coins Can Count Program. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility had proper documentation to support the enrollment of customers in the Coins Can Count Program, if collected payments are correctly calculated and applied to the appropriate account for donation purposes, and if controls were in place to deter misappropriation of funds.

We found that Coins Can Count Program payments were correctly calculated and applied to the appropriate accounts. However, some customer requests to enroll in the Coins Can Count Program were not always processed and enrollment was not always adequately documented.

We made one recommendation in connection with this audit. Management was responsive to the finding and concurred with the recommendation.

December 17, 2009

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2009-15, Weatherization Assistance Program, Department of Neighborhoods**, for your review. A brief summary of the report is presented below.

In accordance with the 2009 Audit Plan, we have completed an audit of the Weatherization Assistance Program. The objective of this audit was to determine if the Weatherization Assistance Program complied with grant requirements and if the Weatherization Assistance Program was administered according to grant intent and goals. Our audit included a comprehensive review of 38 Weatherization Assistance Program client files, selected both randomly and judgmentally from 2008 and 2009, and an inventory count of Weatherization Assistance Program tools and materials. In addition, we tested controls over fixed assets and inventory.

We found that the Department of Neighborhoods did not always comply with the grant agreement and the Weatherization Assistance Program was not always administered according to grant intent and goals. For example, the time spent by Weatherization Assistance Program staff to process applications and complete the weatherization work appeared to be excessive. In addition, applicants' priority was elevated to emergency status without proper verification. We also found that the application used to apply for weatherization services did not meet the minimum requirements specified in the Weatherization Manual. Moreover, client files were often incomplete, labor hours and expenditures were not always properly recorded, and client files were not properly secured to prevent unauthorized access and ensure confidentiality of client information. Finally, the inventory systems used to track materials, supplies, tools, and equipment had some control and accountability problems.

We made eight recommendations in connection with this audit. Management was responsive to the findings and concurred with the recommendations.

---

---

## **ANCHORAGE MUNICIPAL CODE 3.20**

---

---

## **ANCHORAGE MUNICIPAL CODE 3.20**

### **“3.20.100 Office of internal audit established; staff.**

- A. There is established an office of internal audit to provide the assembly and the mayor with objective information to assist them in determining whether government operations are adequately controlled and whether the required high degree of public accountability is maintained.
1. The office of internal audit shall meet generally accepted government audit standards with regard to independence.
  2. The director of internal audit shall be appointed by the mayor with concurrence of a majority vote of the assembly.
  3. The director of internal audit may be dismissed by the mayor only for cause shown, and only with concurrence of a majority of the assembly.
  4. The director of internal audit shall be a person able to manage a professional audit staff, analyze financial records and evaluate operations for economy, efficiency and program results.
  5. The director of internal audit shall be either a certified internal auditor or a certified public accountant.
  6. The director of internal audit shall not be actively involved in partisan political activities or the political affairs of the municipality.
  7. The director of internal audit shall interact with the municipal audit committee to ensure maximum coordination between the needs of the assembly and the mayor in the development and execution of the annual audit plan.
- B. The director of internal audit shall have such assistants and employees as are necessary to perform all required duties.

(AO No. 77-359; AO No. 79-27; AO No. 80-5; AO No. 88-70(S))

**Charter references:** Independent audit, § 13.10.”

### **“3.20.110 Responsibilities of the director of internal audit.**

- A. No later than January 31 of each year, the director of internal audit shall:
1. Prepare a draft annual audit plan;

2. Submit the draft plan to municipal audit committee members for review and comment; and
3. Finalize the plan and submit it to the municipal audit committee for final review and endorsement.

The audit plan shall be the official list of audits to be conducted by internal audit during the year. Additionally, the director of internal audit may revise the audit plan during the year to include other appropriate audits, which are consistent with the responsibilities specified in Section 3.20.100, and promptly submit the revisions to municipal audit committee members for review and comment and then to the mayor and assembly for approval. Except for audits such as cash and inventory audits where, based on the professional judgment of the director of internal audit, prior notification may hinder the effectiveness of the audit, no audit to be added to the annual audit plan as a revision may commence until the audit plan is revised and approved per this subsection.

- B. In addition to those audits contained in the annual audit plan outlined in subsection A of this section, audits may also be undertaken at the direction of the mayor or a majority of the assembly. The mayor will notify the assembly through an assembly information memorandum (AIM) or other appropriate means prior to commencement of such audits.
- C. The director of internal audit shall cooperate with federal and state auditors and independent auditors so that the desirable audit coverage is provided and audit effort may be coordinated.
- D. The director of internal audit shall have responsibility to conduct expanded scope audits of all municipal departments, agencies, authorities and activities to independently determine whether:
  1. There are adequate internal administrative and accounting control systems in place and that they are functioning as intended;
  2. Activities and programs being implemented have been authorized by the assembly, the mayor or this Code;
  3. Activities and programs are being conducted in a manner contemplated to accomplish the objectives intended by the assembly, the mayor or this Code;
  4. Activities or programs efficiently and effectively serve the purpose intended by the assembly, the mayor or this Code;
  5. Activities and programs are being conducted and funds expended in compliance with applicable laws;
  6. Revenues are being properly collected, deposited and accounted for;

7. Resources, including funds, property and personnel, are adequately safeguarded, controlled and used in a lawful, effective and efficient manner;
  8. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the programs and activities; and
  9. During the course of audit work, there are any indications of fraud, abuse, conflict of interest or illegal acts.
- E. Audits shall be conducted in accordance with generally accepted government auditing standards.
- F. In all matters relating to the audit work, the director of internal audit and the audit staff must be free from personal and external impairments to independence and shall maintain an independent attitude and appearance.
- G. The director of internal audit shall present conclusions, findings and recommendations, along with verbatim responses from the administration, in a written audit report.
- H. The written audit report shall be promptly presented simultaneously to the mayor and the assembly.
- I. Copies of final audit reports of the office of internal audit shall be available for public inspection during regular business hours.
- J. The duties of the director of internal audit under this section shall not be construed to replace or relieve the responsibility of any other person.
- K. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 95-165(S-1), § 2, 10-3-95)”

**“3.20.120 Responsibilities of administration when deficient conditions disclosed by audit.**

- A. The administration shall:
1. Plan or implement corrective action in response to reported deficient conditions within 30 days of receiving a draft internal audit report disclosing the conditions;
  2. Submit to the director of internal audit a written response stating concurrence or nonconcurrence with the audit findings and action taken or planned under subsection A

of this section to correct the reported deficiencies, suitable for verbatim inclusion in the final report of audit; and

3. If the response under subsection B of this section describes a plan of action, submit to the director of internal audit a second report promptly upon implementing the plan.
- B. This section shall not authorize the public disclosure of material that is confidential or privileged under federal, state or local law, or material the public disclosure of which otherwise would constitute an unwarranted invasion of personal privacy.
- C. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))”

**“3.20.130 Access to municipal information by office of internal audit.**

- A. In the performance of their duties under Section 3.20.110, the director of internal audit and internal audit staff are authorized to have full, free and unrestricted access to:
  1. All public records, as defined in Section 3.90.020;
  2. All activities of the municipal government;
  3. All municipal property;
  4. All municipal personnel; and
  5. All policies, plans and procedures and records pertaining to expenditures financed by municipal funds.
- B. This section shall not apply to the Anchorage Telephone Utility or its board of directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))”