
INTERNAL AUDIT DEPARTMENT

2018 ANNUAL REPORT

January 3, 2019

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
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**Internal Audit Department
2018 Annual Report**

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

January 3, 2019

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2018 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2018 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 policies and procedures, accountability and protection of Municipal assets and achievement of program results.

During 2018, the Internal Audit Department issued 7 Municipal audit reports, 3 Anchorage School District audit reports, and 10 sunset audit reports. In addition, the Internal Audit Department performed 15 Municipal special projects.

Michael Chadwick, CIA, CICA
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 Municipal Audit Committee. The certified public accounting firm of BDO USA, LLP 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 and recommendations and management's responses.

SCHEDULING OF AUDITS

The Director of Internal Audit prepares an annual audit plan at the beginning of each fiscal year, which is reviewed and endorsed by the Municipal Audit Committee, and approved by the Assembly and Mayor. 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

In addition, audits of the Anchorage School District are requested and authorized by the Anchorage School Board Finance Committee.

DISTRIBUTION OF AUDIT REPORTS

Municipal audit reports are distributed to the Mayor, each Municipal Assembly Member, and other appropriate Municipal personnel. Anchorage School District audit reports are distributed to the Anchorage School District.

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 710, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, e-mail: michael.chadwick@anchorageak.gov
3. Internal Audit Department Website: http://www.muni.org/departments/internal_audit

STAFFING OF THE INTERNAL AUDIT DEPARTMENT

Current staff members are:

Michael Chadwick, Director
Scott Lee, Principal Auditor
Dechen Dechen, Senior Auditor
Derek Reynolds, Senior Auditor
Dawn Brown, Anchorage School District Auditor
Jennifer Strickland, Audit Technician

The current department Director provides the Municipality with more than 23 years of auditing experience. The current audit staff provides the Municipality with a combined total of 24 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and Certified Internal Controls Auditor (CICA).

Government Auditing Standards Section 3.76 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. In addition, at least 20 of the 80 hours should be completed in each 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 2018 MUNICIPAL AUDIT REPORTS

2018 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	12/27/17	2017 Annual Report	Assembly
2018-01	02/22/18	Plan Review and Inspection Fees Revenue Distribution	Anchorage Fire Department
2018-02	04/12/18	Environmental Health Services Program Cash Controls	Health and Human Services
2018-03	05/10/18	Annual Municipal Procurement Card Review	Purchasing
2018-04	07/05/18	Municipal Take-Home Vehicles	Municipal Manager
2018-05	10/11/18	Spenard Recreation Center Cash Controls	Parks and Recreation
2018-06	10/11/18	Chugiak Volunteer Fire Department Cash Controls	Anchorage Fire Department
2018-07	12/28/18	Police and Fire Retiree Medical Trust 2-Year Review	Employee Relations Department

INDEX OF 2018 SCHOOL DISTRICT AUDIT REPORTS

2018 SCHOOL DISTRICT AUDIT REPORTS

NUMBER	DATE	REPORT NAME
ASD 2018-01	02/06/18	Procurement Card Purchases
ASD 2018-02	07/27/18	Addenda
ASD 2018-03	10/19/18	Student Nutrition Warehouse Inventory Controls

INDEX OF 2018 SUNSET AUDIT REPORTS

2018 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2018-S1	08/10/18	Americans with Disabilities Act Advisory Commission	Health and Human Services
2018-S2	08/10/18	Municipal Health and Human Services Commission	Health and Human Services
2018-S3	08/10/18	Senior Citizens Advisory Commission	Health and Human Services
2018-S4	08/10/18	Heritage Land Bank Advisory Commission	Real Estate
2018-S5	08/10/18	Municipal Airports Aviation Advisory Commission	Merrill Field Airport
2018-S6	08/10/18	Port Commission	Port of Alaska
2018-S7	08/10/18	Library Advisory Board	Anchorage Public Library
2018-S8	08/10/18	Public Transit Advisory Board	Public Transportation
2018-S9	08/10/18	Board of Building Regulation Examiners and Appeals	Development Services
2018-S10	08/14/18	Youth Advisory Commission	Office of the Mayor

INDEX OF 2018 MUNICIPAL SPECIAL PROJECTS

2018 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/11/18	Anchorage Fire Department Out of Service Area Billing	Administration
02/06/18	Municipal Assistance Provided to Alaskan AIDS Assistance Association	Assembly
02/08/18	Building Safety Survey 2017 Results	Assembly
02/20/18	Vera Whole Health Assessment Incentive Cost Validation	Assembly
03/14/18	Election by Mail Controls	Assembly
05/02/18	Municipal Boards and Commissions	Assembly
05/16/18	2017 Parts, Fuel and Chemicals Inventory	Administration
07/12/18	Centennial Campground Surprise Cash Count	Administration
07/24/18	Anchorage Police Department K-9 Drug Disposal	Administration
07/27/18	2017/2018 Procurement Card Rebate	Administration
08/13/18	Election Tabulation Observation	Assembly
08/20/18	Public Employees Local 71	Assembly
08/31/18	Public Transportation's Missing Cash Receipts: Deposits for February 16, 2018, and April 27, 2018	Administration
10/29/18	2017 Municipal Travel	Assembly
11/07/18	Port of Alaska Modernization Program Funding	Administration

**EXECUTIVE SUMMARIES FROM
2018 MUNICIPAL AUDIT REPORTS**

February 22, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-01, Plan Review and Inspection Fees Revenue Distribution, Fire Prevention Division, Anchorage Fire Department**. A brief summary of the report is presented below.

In accordance with the 2017 Audit Plan, we have completed an audit of Plan Review and Inspection Fees Revenue Distribution for the Fire Prevention Division. The objective of this audit was to determine whether the Building Safety Division allocated revenue correctly to the Anchorage Fire Department for fire plan reviews and associated inspections. To accomplish our objective, we tested 48 commercial building permits from 2016 to August 2017 related to fire plan reviews and fire inspections and the supporting payment documentation.

Our audit revealed that the Anchorage Fire Department did not receive all of the revenue associated with fire inspections. Specifically, Building Safety Division staff did not allocate to the Anchorage Fire Department prepaid revenue collected for fire inspections. In addition, Fire Inspectors did not always submit timesheets with their inspection reports and Building Safety Division staff did not always accurately allocate fire inspection fees to the Anchorage Fire Service Area. Finally, Building Safety Division staff did not have complete or readily available information for some permits involving fire plan reviews and associated inspections.

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

April 12, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-02, Environmental Health Services Program Cash Controls, Administration Division, Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Environmental Health Services Program Cash Controls for the Administration Division. The objective of this audit was to determine whether the Environmental Health Services Program had proper cash controls in place and if these controls were in compliance with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count, verified that calendar year 2017 deposits were properly recorded in PeopleSoft and in Systems, Applications, and Products, and whether proper supporting documentation was maintained. We also verified calendar year 2017 invoices and Noise Permit payments that were processed in the Traffic Department for proper allocation of the fees.

Our audit revealed that the Environmental Health Services Program had controls in place to ensure that cash was properly collected, secured, deposited, and reported. However, with the implementation of Systems, Applications, and Products, the Municipal Treasurer needs to update Policy and Procedure 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide. In addition, we did not have a finding regarding cashier/supervisor training that should be provided by Treasury Division staff since this same issue was addressed in our December 7, 2017, Internal Audit Report 2017-12. In that report, the Treasury Division acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and Systems, Applications, and Products go-live. In addition, the Treasury Division stated that "Once SAP has stabilized and the defects have lessened, Treasury is committed to providing a fresh round of training specific to P&P 24-1 in conjunction with the new SAP system."

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

May 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-03, Annual Municipal Procurement Card Review, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Procurement Card Program. The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2017, to December 31, 2017. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16, Policy and Procedure 24-23, and the Procurement Card Guide.

Based on our review, it is our opinion that, overall, most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, our review of calendar year 2017 Procurement Card transactions revealed some instances of questionable or prohibited purchases. Examples of these purchases include food for staff lunches, Christmas trees and lights, items for a retirement party (food, barbeque grills, and propane tanks), appliances (i.e. microwave ovens and a toaster), gifts for employees, and satellite television subscriptions. In addition, transactions were sometimes split to circumvent the cardholder's single transaction limit. Finally, our review found that the Municipality issued more Procurement Cards than are likely operationally necessary.

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

July 5, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-04, Municipal Take-Home Vehicles, Municipal Manager**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of Municipal Take-Home Vehicles. The objective of this audit was to determine if there were sufficient controls over Municipal take-home vehicles. Specifically, we reviewed approvals of all Municipal take-home vehicles, monthly usage reports, emergency/call-out records, and the Central Payroll Office's reporting of take-home vehicles.

Our audit revealed that internal controls over take-home vehicles could be improved. Specifically, take-home vehicle monthly usage reports were not always submitted and reported to the Central Payroll Office and employees with take-home vehicles were not always approved as required by Policy and Procedure 76-3. In addition, the Municipality of Anchorage may have more take-home vehicles than needed to meet its operational needs and the Office of Management and Budget needs to enhance its process to receive and maintain a complete master file list of vehicle authorization letters, and review, analyze and maintain copies of monthly reports and letters of justification. Finally, three Anchorage Water and Wastewater Utility employees living outside of Municipal boundaries were assigned take-home vehicles, and Policy and Procedure 76-3 for Municipal take-home vehicles could be improved.

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

October 11, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-05, Spenard Recreation Center Cash Controls, Parks and Recreation Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Spenard Recreation Center Cash Controls. The objective of this audit was to determine if proper cash controls were in place at the Spenard Community Recreation Center and if these controls were in compliance with Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count and reviewed the Spenard Community Recreation Center's cash controls. In addition, we reconciled judgmentally selected deposits from 2017 and 2018 with the Municipality of Anchorage's financial systems (PeopleSoft and SAP), and reviewed the supporting documentation for compliance and accuracy. We also reviewed and verified invoices and payments for vendor/instructor contracts to determine if the Spenard Community Recreation Center had properly accounted for class revenue. Finally, we reviewed the fee schedule used by the Spenard Community Recreation Center against the fees approved by the Anchorage Assembly.

Our audit revealed that cash controls at the Spenard Community Recreation Center need improvement. Specifically, the Spenard Community Recreation Center's cashiers were not always granted roles in SAP related to their job functions. In addition, cash control procedures were not always in compliance with Policy and Procedure 24-1. We did not include a finding regarding cashier/supervisor training that should be provided by Treasury Division staff since this same issue was addressed in Internal Audit Reports 2017-12 and 2018-02. In these reports, Treasury acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and SAP go-live. Finally, we did not include a finding that Policy and Procedure 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide, should be updated because of the implementation of SAP. This issue was addressed in our April 12, 2018, Internal Audit Report 2018-02. At the time of this audit, Policy and Procedure 24-1 had not yet been updated.

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

October 11, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-06, Chugiak Volunteer Fire Department Cash Controls, Anchorage Fire Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Chugiak Volunteer Fire Department Cash Controls. The objective of this audit was to determine whether the Chugiak Volunteer Fire and Rescue Company, Incorporated had adequate internal controls over its funds. To accomplish our objective, we reviewed the Chugiak Volunteer Fire and Rescue Company, Incorporated's expenditures from January 2017 through June 2018 to determine if they were for valid purchases for its operational needs, supported by valid invoices, made to valid merchants, properly approved, and reconciled in the Chugiak Volunteer Fire and Rescue Company, Incorporated's financial system. In addition, we assessed if the Chugiak Volunteer Fire and Rescue Company, Incorporated had adequate segregation of duties for expending its funds.

Our audit revealed that although the Chugiak Volunteer Fire and Rescue Company, Incorporated had improved cash controls since our previous audit in 2013, cash controls could further be strengthened. Specifically, there was a lack of segregation of duties regarding controls over accounts payable. Moreover, the Chugiak Volunteer Fire and Rescue Company, Incorporated's Check Authorization Policy was not always followed. Furthermore, there was a lack of internal controls over purchases made by directly debiting the Chugiak Volunteer Fire and Rescue Company, Incorporated's checking account and over purchases made with a credit card. Finally, controls over the Chugiak Volunteer Fire and Rescue Company, Incorporated's funds need improvement and the Chugiak Volunteer Fire and Rescue Company, Incorporated commingled funds with its Fire and emergency medical services operations fund and its "Junior Firefighter" fund.

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

December 28, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-07, Police and Fire Retiree Medical Trust 2-Year Review, Employee Relations Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Trust 2-Year Review of the Employee Relations Department. The objective of this audit was to perform the fifth two-year review of the administrative costs and enrollment and payment records for members purchasing health insurance through the Municipality of Anchorage as required by Anchorage Municipal Code subsection 3.87.070B. Specifically, we evaluated trust administrative costs incurred from October 2016 to September 2018, and reviewed enrollment and payment records.

Our audit revealed that the Retiree Medical Funding Program for Police Officers and Firefighters operations generally complied with Anchorage Municipal Code chapter 3.87. Specifically, enrollment and payment records were found to be accurate for members purchasing health insurance through the Municipality of Anchorage. In addition, administrative costs charged to fund 713000, Police and Fire Retirees Medical Expendable Trust, from October 2016 through September 2018, appeared reasonable. However, the Controller Division staff had not made journal entries in the Municipality's financial system to record Police and Fire Retirees Medical Expendable Trust activities, for both 2018 expenditures and 2018 revenues. In addition, although the Employee Relations Department provided to the Police and Fire Retiree Medical Trust members the municipal insurance premium rates, these rates were not calculated as required by Anchorage Municipal Code subsection 3.87.050E.

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

**EXECUTIVE SUMMARIES FROM
2018 SCHOOL DISTRICT AUDIT REPORTS**

February 6, 2018

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2018-01; Procurement Card Purchases; Anchorage School District**. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Procurement Card Purchases. The objective of this audit was to determine whether cardholders adhered to the Anchorage School District's policies and procedures regarding Procurement Card use. To achieve our objective, we reviewed purchases made from July 1, 2016, to September 30, 2017. Specifically, we reviewed purchases of 427 judgmentally selected transactions to ensure compliance with the Procurement Card Procedures.

Overall, most employees complied with Anchorage School District policies and procedures regarding the use of Procurement Cards. However, our review of Procurement Card transactions revealed some prohibited purchases and instances of questionable purchases. In addition, transactions were sometimes split to circumvent the \$2,500 single transaction limit, documentation for Procurement Card purchases was not always maintained, and there were instances of missing or inaccurate descriptions of Procurement Card purchases. Moreover, Procurement Card purchases were not always allocated to the appropriate Business Plus account code within three business days of the transaction date and were not always approved on the US Bank website. Furthermore, some donations were made with Procurement Cards to agencies not on the Anchorage School District's Charitable Giving list and disputed transaction procedures were not always followed. Finally, Amazon Prime memberships were sometimes purchased by individual Procurement Card holders at the same location, and charges were sometimes made to Procurement Cards after an employee's termination date.

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

July 27, 2018

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2018-02; Addenda; Anchorage School District**. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Addenda. The objective of this audit was to determine if addenda payments were consistently and properly administered throughout the Anchorage School District. We also determined whether grant-funded addenda payments and work complied with the scope of the grants. To achieve our objective we conducted site visits and interviewed Anchorage School District staff. In addition, we judgmentally selected 161 addenda from the Anchorage School District's timekeeping systems (54 addenda from Insight and 107 addenda from EmpCenter) representing 20 schools and departments and examined supporting documents that were used to initiate the addenda transactions. Furthermore, we reviewed the selected addenda for consistency in payment amounts. The scope of our review was addenda transactions processed from July 2016 through December 2017.

Based on our review, we found that, although grant-funded addenda payments and work complied with the scope of the grants, addenda payments were not always consistently and properly administered throughout the Anchorage School District. Specifically, procedures for processing addenda were not always followed and duties in EmpCenter were not always properly segregated. In addition, we identified four instances of addenda being paid when not due and addenda for similar duties were sometimes paid at different hourly rates and amounts. Finally, lump-sum addenda payments for non-coaching duties were sometimes made to hourly employees and EmpCenter did not contain readily available reports regarding addenda activities.

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

October 19, 2018

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2018-03; Student Nutrition Warehouse Inventory Controls; Anchorage School District**. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Student Nutrition Warehouse Inventory Controls. The objective of this audit was to determine the adequacy of internal controls for the receiving, storing, issuing, and accounting of items in the Student Nutrition Department Warehouse. To achieve our objective, we interviewed Student Nutrition Department staff to identify internal controls and responsibilities for managing inventory. We also conducted our own inventory of selected items and reviewed inventory adjustments.

Based on our review, we found that inventory controls and procedures at the Student Nutrition Department Warehouse need improvement. Specifically, on-hand inventory balances in OneSource were not accurate. In addition, food safety procedures were not always followed in the Student Nutrition Department Warehouse and expiration dates were not always used to manage the items stored in the warehouse. Furthermore, while some organizational improvements had been made in the dry storage area, the freezer was not properly organized and personal goods were not always segregated from warehouse inventory. Finally, the warehouse location field in OneSource was not used to record where items were located, the food warehouse was not secured to prevent unauthorized access, and the warehouse lacked adequate written standard operating procedures.

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

**EXECUTIVE SUMMARIES FROM
2018 SUNSET AUDIT REPORTS**

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S1, Americans With Disabilities Act Advisory Commission, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Americans With Disabilities Act Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Americans With Disabilities Act Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Assembly should consider reauthorizing the Americans With Disabilities Act Advisory Commission until January 2019. The Americans With Disabilities Act Advisory Commission is fully staffed. However, the term for one Americans With Disabilities Act Advisory Commission member expired on October 14, 2017, but this member continues to serve on the Americans With Disabilities Act Advisory Commission. In addition, the Assembly should consider holding a work session with the Americans With Disabilities Act Advisory Commission to discuss its role and recent activities to help determine if the Americans With Disabilities Act Advisory Commission should be reauthorized beyond January 2019.

The Americans With Disabilities Act Advisory Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S2, Municipal Health and Human Services Commission, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Municipal Health and Human Services Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Health and Human Services Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Municipal Health and Human Services Commission be reauthorized.

The Municipal Health and Human Services Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S3, Senior Citizens Advisory Commission, Department of Health and Human Services**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Senior Citizens Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Senior Citizens Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Senior Citizens Advisory Commission be reauthorized.

The Senior Citizens Advisory Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S4, Heritage Land Bank Advisory Commission, Real Estate Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Heritage Land Bank Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Heritage Land Bank Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Heritage Land Bank Advisory Commission be reauthorized.

The Heritage Land Bank Advisory Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S5, Municipal Airports Aviation Advisory Commission, Merrill Field Airport**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Municipal Airports Aviation Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Airports Aviation Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Municipal Airports Aviation Advisory Commission be reauthorized.

The Municipal Airports Aviation Advisory Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S6, Port Commission, Port of Alaska**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Port Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Port Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Port Commission be reauthorized. The Port Commission is staffed with seven of the required nine members. However, the terms for four Port Commission members expired on October 14 in 2015, 2016, and 2017 (two Port Commission members), but these members continue to serve on the Port Commission.

The Port Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S7, Library Advisory Board, Anchorage Public Library**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Library Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Library Advisory Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Library Advisory Board be reauthorized.

The Library Advisory Board will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S8, Public Transit Advisory Board, Public Transportation Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Public Transit Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Public Transit Advisory Board should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Public Transit Advisory Board be reauthorized. The Public Transit Advisory Board is staffed with eight of the required nine members. However, the terms for two Public Transit Advisory Board members expired on October 14, 2017, but these members continue to serve on the Public Transit Advisory Board. One of these Public Transit Advisory Board members had a pending resignation and the other Public Transit Advisory Board member had a reappointment pending Assembly approval.

The Public Transit Advisory Board will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 10, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S9, Board of Building Regulation Examiners and Appeals, Development Services Department**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Board of Building Regulation Examiners and Appeals. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Board of Building Regulation Examiners and Appeals should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Board of Building Regulation Examiners and Appeals be reauthorized.

The Board of Building Regulation Examiners and Appeals will sunset on October 14, 2018, unless reauthorized by the Assembly.

August 14, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2018-S10, Youth Advisory Commission, Office of the Mayor**, for your review. A brief summary of the report is presented below.

In accordance with Assembly Ordinance Number 2011-64(S-1), Section 14, we have performed a sunset audit of the Youth Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Youth Advisory Commission should be reauthorized. Our audit included a review of meeting minutes, resolutions and agendas, and member authorization and participation.

Based on our review of meeting minutes, resolutions, and attendance records, we recommend that the Youth Advisory Commission be reauthorized for one year, with another sunset audit at that time. Although the Youth Advisory Commission appeared active, it did not regularly record meeting minutes with associated attendance. For meeting minutes that were provided to us, in most instances they did not include attendance records or indicate if minutes were approved. In addition, in mid-July 2018, we reviewed Youth Advisory Commission members and found that the Youth Advisory Commission was staffed with 5 of the required 15 members, with the term of one member having expired on October 14, 2016. On July 31, 2018, the Anchorage Assembly approved nine individuals to serve on the Youth Advisory Commission and reappointed the individual whose term had expired.

The Youth Advisory Commission will sunset on October 14, 2018, unless reauthorized by the Assembly.

ANCHORAGE MUNICIPAL CODE CHAPTER 3.20

ANCHORAGE MUNICIPAL CODE CHAPTER 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 reference— Independent audit, § 13.10.

Cross reference— Principal executive personnel, boards and commissions, § 1.35.010.”

“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.

(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; AO No. 2015-23(S), § 4, 3-24-15)”

“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.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 2015-23(S), § 5, 3-24-15)”

“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.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S); AO No. 2015-23(S), § 6, 3-24-15)”