
INTERNAL AUDIT DEPARTMENT

2019 ANNUAL REPORT

January 9, 2020

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
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INTERNAL AUDIT DEPARTMENT
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Internal Audit Department 2019 Annual Report

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

January 9, 2020

Honorable Mayor and Members of the Assembly:

Attached is the Internal Audit Department 2019 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2019 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 2019, the Internal Audit Department issued 10 Municipal audit reports, 2 Anchorage School District audit reports, and 7 sunset audit reports. In addition, the Internal Audit Department performed 16 Municipal special projects. Finally, we attended 61 Anchorage Police Department events and provided more than 360 hours of support to the External Auditors.

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
Derek Reynolds, Senior Auditor
Dalton Benson, Senior Auditor
Dawn Brown, Senior Auditor (Anchorage School District)
Jennifer Strickland, Audit Technician

The current department Director provides the Municipality with more than 24 years of auditing experience. The current audit staff provides the Municipality with a combined total of 17 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA) and Certified Internal Controls Auditor (CICA).

Government Auditing Standards Section 4.16 requires that each auditor complete, every two years, at least 80 hours of continuing professional education. 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 56 of the 80 hours should be in subjects that directly enhance the auditor's professional expertise to perform audits. 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 2019 MUNICIPAL AUDIT REPORTS

2019 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/03/19	2018 Annual Report	Assembly
2019-01	01/17/19	Real Property Exemptions	Finance
2019-02(A)	03/27/19	Eklutna Water Diversion Payments	Municipal Light and Power
2019-03	04/11/19	Purchase Orders Under \$5,000	Purchasing
2019-04	04/25/19	2018 Parts, Fuel, and Chemicals Inventory	Anchorage Water and Wastewater Utility
2019-05	04/25/19	Accounts Receivable	Finance
2019-06	05/23/19	Annual Municipal Procurement Card Review	Purchasing
2019-07	08/09/19	Information Technology Business Continuity Plan	Office of Information Technology
2019-08	08/30/19	Northeast Community Center	Parks and Recreation
2019-09	12/17/19	Street Light Billing	Maintenance and Operations
2019-10	12/20/19	Girdwood Fire Department – Cash/Fiscal Controls	Anchorage Fire Department

INDEX OF 2019 SCHOOL DISTRICT AUDIT REPORTS

2019 SCHOOL DISTRICT AUDIT REPORTS

NUMBER	DATE	REPORT NAME
ASD 2019-01	04/24/19	Student Nutrition Cafeteria Cash Controls
ASD 2019-02	10/03/19	Fee Waivers

INDEX OF 2019 SUNSET AUDIT REPORTS

2019 SUNSET AUDIT REPORTS

NUMBER	DATE	COMMISSION/BOARD	DEPARTMENT
2019-S1	08/09/19	Urban Design Commission	Planning
2019-S2	08/09/19	On-Site Water and Wastewater Technical Review Board	Development Services
2019-S3	08/09/19	Chugiak-Eagle River Advisory Board	Municipal Clerk
2019-S4	08/09/19	Bidding Review Board	Purchasing
2019-S5	08/09/19	Arts Advisory Commission	Mayor
2019-S6	08/09/19	Municipal Women's Commission	Anchorage Health
2019-S7	08/09/19	Housing, Homeless, and Neighborhood Development Commission	Anchorage Health

INDEX OF 2019 MUNICIPAL SPECIAL PROJECTS

2019 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
02/05/19	Vera Whole Health Assessment Incentive Cost Validation	Assembly
02/11/19	Port of Alaska Modernization Program	Administration
02/26/19	Building Safety Survey 2018 Results	Assembly
03/08/19	Vehicle/Equipment Usage Rate Study	Administration
03/12/19	Anchorage Fire Department Reorganization Plan International Association of Firefighters Administrative Agreement	Assembly
04/08/19	Eklutna Hydroelectric Project Water Usage and Power Production	Administration
05/14/19	Anchorage Municipal Employees Association, Inc. Contract Cost Validation	Assembly
05/29/19	2018/2019 Procurement Card Rebate	Administration
07/16/19	International Union of Operating Engineers, Local 302 Contract Cost Validation	Assembly
07/25/19	Homelessness Costs	Assembly
10/31/19	2018 Municipal Travel	Assembly/Administration
11/14/19	2018 Annual Audits Submittal (Convention Centers and Sports Arenas)	Administration
12/06/19	Public Notification Systems	Assembly
12/09/19	Plumbers and Steamfitters, Local 367 Contract Cost Validation	Assembly
12/09/19	Anchorage Municipal Employees Association, Inc. Health Contributions Cost Validation	Assembly
12/16/19	Information Technology Business Continuity and Disaster Recovery Plan Review	Assembly/Administration

**INDEX OF 2019 ANCHORAGE POLICE DEPARTMENT
EVENTS**

2019 ANCHORAGE POLICE DEPARTMENT EVENTS

The Office of Internal Audit assists the Anchorage Police Department's Evidence Section in certifying the proper disposal of found, abandoned, or forfeited property in accordance with Anchorage Municipal Code Chapter 7.25, *Disposition of Disposable Property*. Property certified for disposal includes drugs, bicycles, cash, guns, and items sent to auction. Specifically, drugs are incinerated; bicycles are donated to the YMCA for their annual bike auction; cash is deposited into Municipal accounts; and some guns are destroyed. In addition, other guns and items exceeding a fair market value of \$50 are transferred to the custody of the Municipal auction contractor. Proceeds from the auction are distributed into Municipal accounts. Below are the number of disposal events that the Internal Audit Department participated in with the Anchorage Police Department's Evidence Section.

2019 ANCHORAGE POLICE DEPARTMENT EVENTS	
NUMBER OF EVENTS	DISPOSAL EVENT
5	Auction Transfer
13	Bicycle Transfer
11	Cash Conversion
12	Drug Disposal Verification
12	Drug Incineration
5	Gun Transfer
3	Gun Disposal

**EXECUTIVE SUMMARIES FROM
2019 MUNICIPAL AUDIT REPORTS**

January 17, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-01, Real Property Exemptions, Property Appraisal Division, Finance Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of Real Property Exemptions. The objective of this audit was to determine if real property tax exemptions were properly administered. To accomplish our objective, we reviewed files for documentation to support the exemptions and tested selected exemptions for compliance with statutory requirements. Our audit did not include the Military Service Widow/Widower exemptions, since this exemption was recently implemented. Our audit concentrated on the following exemptions: Veterans Organizations, Community Purpose, Deteriorated Properties, Charter Schools, Residential, Senior Citizen/Disabled Veteran, and Nonprofit (religious, charitable, cemetery, hospital, and educational).

Overall, the Property Appraisal Division appears to have improved its administration of exemptions since our last audit in 2012. However, we found that further improvements can still be made. Specifically, some properties registered with the Municipality of Anchorage as “Vacation Rentals” may have incorrectly received senior citizen, disabled veteran and/or residential property tax exemptions because they had been rented or leased while the owner was absent. In addition, the Property Appraisal Division did not perform annual reviews of all exemptions as required by Anchorage Municipal Code section 12.05.045, *Assessor*. Moreover, nonprofit exemption files did not always contain sufficient documentation to support the decision to grant an exemption. Finally, some of the real property tax exemption application forms could be improved to help determine exemption eligibility and Municipal Policy and Procedure 24-18, *Processing Late Filed Applications for the Senior Citizen/Disabled Veterans Property Tax Exemption Program*, needs to be updated.

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

March 27, 2019

Honorable Mayor and Members of the Assembly:

I present for your review **Amended Internal Audit Report 2019-02(A), Eklutna Water Diversion Payments, Municipal Light and Power**. The original report distributed March 21, 2019, has been amended to remove Finding 3 – Incorrect Rate Used for Bill Calculation. After the original report was published and distributed, Municipal Light and Power management provided documentation showing the correct tariff rate was used when calculating the March 2017 Anchorage Water and Wastewater billing for February water usage. The correct tariff rate used for billing is the rate effective at the time the billing is rendered according to Tariff Advice Letter No. 357-121. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of Eklutna Water Diversion Payments. The objective of this audit was to determine if monthly net energy depletion billings from Municipal Light and Power to Anchorage Water and Wastewater Utility were correctly calculated, applied, and administered. To accomplish our objective, our audit included reviewing meter calibration records, calculating equivalent electrical energy value and dollar amount, and applying appropriate regulatory tariff and cost of power adjustment rates. Our audit did not include evaluating the underlying contracts between Municipal Light and Power and Anchorage Water and Wastewater Utility, as this was beyond the authorized scope of the audit.

Our audit revealed that monthly net energy depletion billings from Municipal Light and Power to Anchorage Water and Wastewater Utility were not always correct. Specifically, Municipal Light and Power staff incorrectly accounted for power generated at the Eklutna Water Treatment Facility. Moreover, there was no record that the main water flow meter at the Eklutna Water Treatment Facility was calibrated in 2016, as required by the Agreement for Public Water Supply and Energy Generation from Eklutna Lake, Alaska, which requires annual calibration of water flow meters at Anchorage Water and Wastewater Utility's expense. Finally, Municipal Light and Power did not always submit bills to Anchorage Water and Wastewater Utility in a timely manner.

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

April 11, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-03, Purchase Orders Under \$5,000, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of Purchase Orders Under \$5,000. The objective of this audit was to determine whether there were sufficient internal controls in place for purchases under \$5,000 made with SAP-automated purchase orders. To accomplish our objective, our audit included a review of automated purchase orders processed by various departments in 2018. Specifically, we judgmentally selected transactions to ensure purchases were properly authorized, supported, and physically present for inspection, if goods were procured. In addition, we determined if SAP had adequate segregation of duties for purchases under \$5,000.

Our audit revealed that internal controls for purchases under \$5,000 made with SAP-automated purchase orders could be improved. Specifically, our review of selected purchases revealed 12 purchases totaling \$107,582 that appeared to be split into two or more smaller transactions to circumvent the \$5,000 single purchase order limit. Furthermore, there was a lack of segregation of duties regarding controls over automated purchase orders under \$5,000. Finally, our review found that there was no written policy and procedure for using the SAP-automated purchase order function for purchases under \$5,000.

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

April 25, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-04, 2018 Parts, Fuel, and Chemicals Inventory, Anchorage Water and Wastewater Utility**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the 2018 Parts, Fuel, and Chemicals Inventory. The objective of this audit was to determine the accuracy of Anchorage Water and Wastewater Utility's inventory records for parts, fuel, and chemicals. To accomplish our objective, we performed inventory counts based on random and judgmental samples at the King Street Operations and Maintenance Warehouse. We also inventoried chemicals at Anchorage Water and Wastewater Utility's Eklutna and Ship Creek Water Treatment Plants, and Anchorage Water and Wastewater Utility's Asplund and Eagle River Wastewater Treatment Plants. In addition, we inventoried fuel stored at Anchorage Water and Wastewater Utility's Arctic Boulevard, King Street, and Eklutna locations.

Our audit revealed that the parts inventory records for the King Street Operations and Maintenance Warehouse were reasonably accurate. Likewise, inventory records for chemicals at Anchorage Water and Wastewater Utility's Eklutna, Ship Creek, and Eagle River facilities were reasonably accurate. Similarly, fuel inventories at various facilities were reasonably accurate. However, our review found that 4 of 6 chemicals inventoried at the Asplund Wastewater Treatment Facility had discrepancies between the book balance and the inventory count.

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

April 25, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-05, Accounts Receivable, Finance Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of Municipal accounts receivable. The objective of this audit was to determine the methodology, effectiveness, and accuracy of the Municipality of Anchorage's accounts receivable functions and systems. This audit was limited to general government and did not include enterprise activities. To accomplish our objective, we reviewed selected invoices from an SAP accounts receivable aging report dated August 15, 2018, and selected credit memos processed in 2017 and 2018. In addition, we also judgmentally selected and reviewed delinquent personal property tax accounts, based on age and dollar value. Moreover, we reviewed if adequate internal controls were in place for the stand-alone billing systems used by the various municipal agencies. Finally, we reviewed adequacy of the policies and procedures and desk procedures where available, and followed up on previous accounts receivable audit findings.

Our audit revealed that management of the Municipality of Anchorage's SAP accounts receivable could be improved. In addition, accounts receivable found in some stand-alone billing systems could be better managed and some stand-alone billing systems used by Municipal agencies were not approved by the Chief Fiscal Officer as required by Policy and Procedure 24-21, *Customer Setup, Billing, and Managing PeopleSoft Accounts Receivable*. Moreover, some accounts receivable were not recorded in the Municipality of Anchorage's general ledger and departments using the SAP accounts receivable billing system did not always process and submit billing paperwork as required by Policy and Procedure 24-21. Furthermore, Treasury did not always process invoices in accordance with the requirements of Policy and Procedure 24-21 and the Anchorage Fire Department did not bill for 2018 false alarms until January 2019. Additionally, Policy and Procedure 24-21 needs to be revised. Finally, delinquent personal property taxes were not managed as required by Operating Instruction 3-8, *Personal Property Tax Collection*.

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

May 23, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-06, Annual Municipal Procurement Card Review, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2019 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 Policy and Procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2018, to December 31, 2018. 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.

Our audit revealed that most employees adhered to Municipal Policy and Procedures regarding the use of Procurement Cards. However, our review of calendar year 2018 Procurement Card transactions revealed some instances of questionable and prohibited purchases. Examples of these purchases include a coffee brewer and related accessories, satellite television subscriptions, commercial airfare for an itinerary change and a seat upgrade fee, neoprene seat covers from Hawaii for some Municipal vehicles, a non-business-related personal fitness trainer certification, food for staff lunches, retirement plaques, retirement badge plates, business cards, artwork for a Christmas card, and Christmas cards. In addition, transactions were sometimes split to circumvent the cardholder's single transaction limit.

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

August 8, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-07, Information Technology Business Continuity Plan, Office of Information Technology**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of the Information Technology Business Continuity Plan. The objective of this audit was to determine if a comprehensive business continuity plan has been developed and tested to ensure the Municipality of Anchorage's continuity of operations in the event of a disaster. To accomplish our objective, we determined whether the Office of Information Technology had identified the critical systems that must be continued without interruption in the event of a disaster, if systems and other resources to support the critical services had been identified, and if a plan was updated as new systems and applications were 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, etc.

Our audit revealed that the Municipality of Anchorage has not fully developed and implemented a business continuity plan in the event of a disaster. A similar condition was reported in previous Internal Audit Report 2009-08 and Internal Audit Report 2013-01.

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

August 30, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-08, Northeast Community Center, Parks and Recreation Department**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of the Northeast Community Center. The objective of this audit was to determine whether the Northeast Community Center Board and the Boys and Girls Clubs - Alaska had complied with the grant contract requirements. To accomplish our objective, we determined whether grant funds were spent only for grant purposes, reviewed expenditures and budgets, and reviewed Northeast Community Center operations, procedures, and records.

Our audit revealed that Administration of the Northeast Community Center grant could be improved. Specifically, awarding of the grant could be simplified. In addition, when the current sub-contract between the Northeast Community Center Board and the Boys and Girls Clubs - Alaska was submitted to the Parks and Recreation Department in December 2016, there was no indication the sub-contract was reviewed by the Municipality or received written approval before execution. Finally, the Northeast Community Center Board did not monitor the Boys and Girls Clubs - Alaska to ensure:

- Written approval was received from the Parks and Recreation Department before engaging in certain activities.
- They obtained three competitive price quotes for purchases.
- Grant funds were not used on unauthorized expenditures.
- An inventory list of items purchased with Municipal grant funds was maintained.

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

December 17, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-09, Street Light Billing, Maintenance and Operations Department**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of Street Light Billing to the Maintenance and Operations Department. The objective of this audit was to determine if monthly flat-rated street light billings to the Municipality of Anchorage by Municipal Light and Power and Chugach Electric Association were correct. To accomplish our objective, we reviewed engineering drawings, records, and geographic information system databases of street light installations within the Municipality of Anchorage, as well as customer service records and approved tariffs used for billing calculations. Records examined for flat-rated street light billings roughly covered the period of January 2017 through June 2019.

Our audit revealed that flat-rated street light billings to the Municipality of Anchorage need improvement. Specifically, the database used for Municipal Light and Power's flat-rated street light billing did not match the Municipal Light and Power Engineering Division's as-built records for the installed street lights. In addition, Municipal Light and Power's current tariff rates approved by the Regulatory Commission of Alaska for billing flat-rated street lights did not reflect the actual types of lights installed within its service area. Moreover, Chugach Electric Association and Municipal Light and Power billed the Municipality of Anchorage for street lights that did not exist, and the Municipality of Anchorage was billed, and paid for flat-rated street lights which illuminated State of Alaska Rights-of-Way. Finally, some street lights located outside of the Anchorage Roads and Drainage Service Area were paid by the Municipality of Anchorage using Anchorage Roads and Drainage Service Area funds.

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

December 20, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2019-10, Girdwood Fire Department Cash/Fiscal Controls, Anchorage Fire Department**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of the Cash/Fiscal Controls at the Girdwood Fire Department. The objective of this audit was to determine the adequacy of cash/fiscal controls at the Girdwood Fire Department. To accomplish our objective, we selected judgmental and haphazard samples from the Girdwood Fire & Rescue Incorporated's expenditures from January 2018 through June 2019 to determine if expenditures were appropriate for their operation, supported by valid invoices, properly approved, made to valid merchants, and reconciled to the Girdwood Fire & Rescue Incorporated's financial system. We also reviewed internal controls over deposits. Moreover, we assessed if Girdwood Fire & Rescue Incorporated had adequate segregation of duties for receiving and expending funds, and we reviewed out of service area calls. Finally, we performed a cursory review of payroll records to ensure that employees existed, but we did not review the accuracy of payroll transactions.

Our audit revealed that fiscal controls over Girdwood Fire & Rescue, Incorporated's funds need improvement. Specifically, there was a lack of segregation of duties regarding controls over funds. Moreover, there was a lack of internal controls over reimbursed expenditures to Girdwood Fire Department staff and members, and payments made directly to vendors were not always adequately supported. Furthermore, internal controls over deposits need improvement, Girdwood Fire & Rescue, Incorporated did not properly maintain expenditure records, and some management reports were not readily available. In addition, Girdwood Fire & Rescue, Incorporated had not submitted expenditure records to the Fire Chief of the Anchorage Fire Department or the Fire Chief's designee as required by the contract, comingled funds between its fire protection services and emergency medical services operations and its non-profit operations, appeared to make several questionable purchases, and expended some funds that were not part of the approved budget. Finally, Girdwood Fire & Rescue, Incorporated expended Municipal funds responding to fire protection services and emergency medical services service calls outside of the Girdwood Valley Service Area and lacked effective policies and procedures.

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

**EXECUTIVE SUMMARIES FROM
2019 SCHOOL DISTRICT AUDIT REPORTS**

April 24, 2019

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2019-01; Student Nutrition Cafeteria Cash 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 Cafeteria Cash Controls. The objective of this audit was to determine the adequacy of internal controls in collecting, recording and managing funds related to meal accounts. To achieve our objective, we visited nine schools where we observed operations, interviewed staff, and conducted surprise cash counts. We also interviewed Student Nutrition Department administration staff to identify internal controls and responsibilities, and reviewed policies and procedures.

Based on our review, internal controls over collecting, recording and managing funds related to meal accounts need improvement. Specifically, management of the Student Nutrition Department's accounts receivable needs improvement, refunds of prepaid meal accounts were not issued when accounts became inactive, and deposit bags were not kept secure prior to being deposited. Moreover, there were multiple software systems used at the Student Nutrition Department that did not provide adequate reporting for use by management and the Student Nutrition Department lacked many written policies and procedures.

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

October 3, 2019

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2019-02; Fee Waivers; Anchorage School District**. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Fee Waivers. The objective of this audit was to determine the adequacy of controls over fee waivers and to verify if the family cap amount was applied correctly and consistently. To achieve our objective, we visited eighteen schools where we interviewed staff and reviewed waiver forms on file. We also interviewed Anchorage School District administration staff to identify controls and responsibilities, and reviewed policies and procedures. Finally, we judgmentally sampled 248 activity fee waivers and 90 class fee waivers from the Anchorage School District's financial management system, Business Plus, to review.

Based on our review, we found that controls over fee waivers need to be enforced and improved. Specifically, activity waiver eligibility was not always verified by school administrators and our review identified missing and incomplete waiver forms for activity and class fees. In addition, there were no written procedures for processing activity fee waiver applications and class fee waivers. Furthermore, fee waiver applications were not always submitted before the start date of the activity. Finally, the report used to determine the \$390 family cap amount was misleading and family cap amounts were not always reported in Business Plus.

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

**EXECUTIVE SUMMARIES FROM
2019 SUNSET AUDIT REPORTS**

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S1, Urban Design Commission, Planning 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 Urban Design Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Urban Design 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 Urban Design Commission be reauthorized. However, our sunset audit revealed that revised Anchorage Municipal Code Title 21, *Land Use Planning*, effective January 1, 2014, does not contain language regarding the Urban Design Commission's composition or the number of members. This same condition was reported in prior Sunset Audit Report 2016-S1.

The Urban Design Commission will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S2, On-Site Water and Wastewater Technical Review Board, 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 On-Site Water and Wastewater Technical Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the On-Site Water and Wastewater Technical Review 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 On-Site Water and Wastewater Technical Review Board be reauthorized. It should be noted that the term for one On-Site Water and Wastewater Technical Review Board member expired on October 14, 2018, but he continued to serve on the On-Site Water and Wastewater Technical Review Board. This Board member was reappointed on July 9, 2019.

The On-Site Water and Wastewater Technical Review Board will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S3, Chugiak-Eagle River Advisory Board, Municipal Clerk's Office**, 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 Chugiak-Eagle River Advisory Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Chugiak-Eagle River 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 Chugiak-Eagle River Advisory Board be reauthorized for one year, with another sunset audit at that time. Although the Board issued four resolutions, it did not have attendance records, meeting agendas, meeting minutes, and Board members were not properly appointed. Comments were requested from the Board Chair and Municipal Clerk and were considered in this report.

The Chugiak-Eagle River Advisory Board will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S4, Bidding Review Board, Purchasing 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 Bidding Review Board. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Bidding Review 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 Bidding Review Board be reauthorized. However, given the infrequent, yet important nature of these meetings, we recommend that the Bidding Review Board be reauthorized for five years instead of the typical three-year reauthorization.

The Bidding Review Board will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S5, Arts Advisory Commission, Mayor's Office**, 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 Arts Advisory Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Arts 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 Arts Advisory Commission be reauthorized.

The Arts Advisory Commission will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S6, Municipal Women's Commission, Anchorage Health 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 Municipal Women's Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Municipal Women's 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 Women's Commission be reauthorized.

The Municipal Women's Commission will sunset on October 14, 2019, unless reauthorized by the Assembly.

August 9, 2019

Honorable Mayor and Members of the Assembly:

I am pleased to present **Sunset Audit Report 2019-S7, Housing, Homeless, and Neighborhood Development Commission, Anchorage Health 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 Housing, Homeless, and Neighborhood Development Commission. The objective of this audit was to provide information to the Mayor and Assembly to assist them in determining if the Housing, Homeless, and Neighborhood Development 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 Housing, Homeless, and Neighborhood Development Commission be reauthorized. It should be noted that the term for one Housing, Homeless, and Neighborhood Development Commission member expired on October 14, 2016, but he continued to serve on the Housing, Homeless, and Neighborhood Development Commission. This Housing, Homeless, and Neighborhood Development Commission member was reappointed on July 23, 2019.

The Housing, Homeless, and Neighborhood Development Commission will sunset on October 14, 2019, 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)”