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# INTERNAL AUDIT DEPARTMENT

## 2022 ANNUAL REPORT

January 6, 2023

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MUNICIPALITY OF ANCHORAGE  
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# Office of Internal Audit

## 2022 Annual Report

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**MUNICIPALITY OF ANCHORAGE**  
**MAYOR DAVE BRONSON**

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**OFFICE OF INTERNAL AUDIT**

January 6, 2023

Honorable Mayor and Members of the Assembly:

Attached is the Office of Internal Audit's 2022 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2022 internal audit activity and the portion of the Anchorage Municipal Code pertaining to the Office of Internal Audit.

According to Anchorage Municipal Code section 3.20.100, *Office of internal audit established; staff*, the primary focus of the Office of Internal Audit 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 reliability and integrity of financial records, compliance with established policies and procedures, accountability and protection of Municipal assets, and achievement of program results.

During 2022, the Office of Internal Audit issued 11 Municipal audit reports, 1 Anchorage School District audit report, and 5 Municipal sunset audit reports. In addition, the Office of Internal Audit performed 16 Municipal special projects. Finally, we supported 52 Anchorage Police Department events.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

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# INTRODUCTION

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# 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 Office of Internal Audit 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 the Office 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 Office of Internal Audit, 632 West 6th Avenue, Suite 710, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, e-mail: [michael.chadwick@anchorageak.gov](mailto:michael.chadwick@anchorageak.gov)
3. Office of Internal Audit Website: [http://www.muni.org/departments/internal\\_audit](http://www.muni.org/departments/internal_audit)

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

Current staff members are:

Michael Chadwick, Director  
Scott Lee, Principal Auditor  
Derek Reynolds, Senior Auditor  
Dalton Benson, Senior Auditor  
Meredith Basdaras, Senior Auditor (Anchorage School District)  
Albert Dordan, Audit Technician

The current Director of the Office of Internal Audit provides the Municipality with more than 27 years of auditing experience. The current audit staff provides the Municipality with a combined total of over 23 years of auditing experience. Professional certifications held by office 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, Government Auditing Standards Section 4.17 requires that 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.

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## **INDEX OF 2022 MUNICIPAL AUDIT REPORTS**

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## 2022 MUNICIPAL AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	01/07/22	2021 Annual Report	Assembly
2022-01	02/02/22	Performance Measures	Office of Management and Budget
2022-02	04/28/22	Sole Source Purchases	Purchasing
2022-03	06/09/22	Coins Can Count Program	Anchorage Water and Wastewater Utility
2022-04	07/29/22	Chemicals Inventory	Anchorage Water and Wastewater Utility
2022-05	08/18/22	Chugiak-Eagle River Senior Center Contract Compliance	Anchorage Health Department
2022-06	08/23/22	Prompt Vendor Payment Discounts	Finance
2022-07	10/11/22	Library Donations Follow-Up	Library
2022-08	11/03/22	Annual Municipal Procurement Card Review	Purchasing
2022-09	11/22/22	Uniform Rental Controls	Anchorage Water and Wastewater Utility
2022-10	11/30/22	Front Counter Cash Controls	Anchorage Police Department
2022-11	12/15/22	Alaska Permanent Capital Management Company Contract	Finance

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**INDEX OF 2022 ANCHORAGE SCHOOL DISTRICT  
AUDIT REPORTS**

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**2022 ANCHORAGE SCHOOL DISTRICT AUDIT  
REPORTS**

<b>NUMBER</b>	<b>DATE</b>	<b>REPORT NAME</b>
ASD 2022-01	09/02/22	Procurement Card Purchases

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# **INDEX OF 2022 MUNICIPAL SUNSET AUDIT REPORTS**

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## 2022 MUNICIPAL SUNSET AUDIT REPORTS

<b>NUMBER</b>	<b>DATE</b>	<b>COMMISSION/BOARD</b>	<b>DEPARTMENT</b>
2022-S1	08/12/22	Urban Design Commission	Planning
2022-S2	08/12/22	On-Site Water and Wastewater Technical Review Board	Development Services
2022-S3	08/12/22	Arts Advisory Commission	Mayor
2022-S4	08/12/22	Municipal Women's Commission	Anchorage Health Department
2022-S5	08/12/22	Housing, Homeless and Neighborhood Development Commission	Anchorage Health Department

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## **INDEX OF 2022 MUNICIPAL SPECIAL PROJECTS**

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## 2022 MUNICIPAL SPECIAL PROJECTS

DATE	SUBJECT	RECIPIENT
01/28/22	Building Safety Survey 2021 4 <sup>th</sup> Quarter Results	Administration
02/16/22	Validation of Eklutna October 1, 2021, Fluoridation Data	Administration
03/07/22	Anchorage Municipal Employees Association, Inc. Contract Cost Validation	Assembly
03/18/22	Union Bank Leave Usage	Administration
05/18/22	2021/2022 Procurement Card Rebate	Administration
06/15/22	Alaska Native Heritage Center 2021 Arts Grant	Administration
07/18/22	International Union of Operating Engineers, Local 302 Contract Cost Validation	Assembly
08/01/22	Building Safety Survey 2022 – First Half of Year	Administration
08/03/22	Petro Star Petroleum Wharfage	Administration
09/01/22	MacDonald Center Grant	Assembly
09/09/22	Bus Pass Destruction	Administration
09/29/22	Plumbers and Steamfitters: Costing of First and Last Best Offers	Administration
10/14/22	2022 BOO at the Beach Purchases	Administration
10/20/22	Substance Abuse Cost Impact to the MOA	Administration
11/29/22	Bus Pass Destruction	Administration
12/14/22	Joe Gerace – Audit Scoping	Administration and Assembly

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**INDEX OF 2022 ANCHORAGE POLICE DEPARTMENT  
EVENTS**

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## 2022 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 designated 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 events where the Office of Internal Audit verified, with staff from the Anchorage Police Department’s Evidence Section, items to be disposed.

<b>2022 ANCHORAGE POLICE DEPARTMENT EVENTS</b>	
<b>NUMBER OF EVENTS</b>	<b>DISPOSAL EVENT</b>
4	Auction Transfer
6	Bicycle Transfer
12	Cash Conversion
12	Drug Disposal Verification
12	Drug Incineration
4	Gun Transfer
2	Gun Disposal

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**EXECUTIVE SUMMARIES FROM  
2022 MUNICIPAL AUDIT REPORTS**

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February 2, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-01, Performance Measures, Office of Management and Budget**. A summary of the report is presented below.

In accordance with the 2021 Audit Plan, we have completed an audit of Performance Measures. The objective of this audit was to determine whether the “Performance. Value. Results.” performance measures reported on the Municipality’s website were achieving the intended purpose of the “Performance. Value. Results.” Initiative. To accomplish our objective, we reviewed the performance measure reports for the first and second quarters of 2021, from a judgmentally selected group of ten departments/divisions (referred to as “department(s)” in this report) consisting of: Anchorage Water and Wastewater Utility, Development Services, Property Appraisal, Health, Maintenance and Operations, Port of Alaska, Project Management and Engineering, Purchasing, Solid Waste Services, and Traffic Engineering. We then reviewed and determined if the “Performance. Value. Results.” reports submitted by the selected departments could be adequately verified with supporting data. Additionally, we sought to determine if the performance measures submitted by all municipal departments communicated to the public how well a department was doing in providing core/direct services. Finally, we determined if all departments were properly reporting performance measures, and if these measures had stated targets to help the readers understand if the department’s key accomplishment goals were met.

Some of the performance measures reported on the Municipality of Anchorage’s website for the “Performance. Value. Results.” Initiative need improvement. Specifically, several departments’ “Performance. Value. Results.” reports did not contain required performance measures or contained performance measures that were missing information, missing targets, and/or did not provide meaningful information. Moreover, some “Performance. Value. Results.” reports we reviewed from selected departments were incomplete or contained various errors. Furthermore, website usage metrics provided by the Office of Information Technology showed low viewing numbers for the “Performance. Value. Results.” reports, which may indicate minimal usage of the “Performance. Value. Results.” Initiative by the public. Finally, oversight of the “Performance. Value. Results.” Initiative needs to be re-examined.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

April 28, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-02, Sole Source Purchases, Purchasing Department**. A summary of the report is presented below.

In accordance with the 2021 Audit Plan, we have completed an audit of Sole Source Purchases. The objective of this audit was to determine whether the Purchasing Department had established and followed adequate controls to ensure sole source purchases were appropriate. Our audit included a review of all sole source purchases reported on Assembly Information Memorandums from January 2019 through August 2021 to determine if the purchases exceeded \$30,000. In addition, we selected random samples of sole source purchases reported on Assembly Information Memorandums and Assembly Memorandums and judgmental samples of purchase orders from January 2019 through August 2021 to determine if sole source purchases were properly identified, accurately reported, and had reasonable justifications. Moreover, we evaluated if there was adequate transparency in the sole source purchasing process.

The Purchasing Department needs to improve some controls over sole source purchases. Specifically, sole source purchases were not always approved/reported as required and departments did not always adequately justify their decision to contract with a sole source provider. In addition, when reviewing sole source justification memorandums, we noted that there were no requirements stating what a sole source justification memorandum should include. Finally, public notification of the intent to award sole source purchase contracts can be improved and some of the reporting requirements for sole source purchases could be strengthened.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

June 9, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-03, Coins Can Count Program, Anchorage Water and Wastewater Utility**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of the Coins Can Count Program. The objective of this audit was to determine whether the Anchorage Water and Wastewater Utility had proper documentation to support the enrollment of customers in the Coins Can Count Program, if collected payments were calculated correctly and applied to the appropriate account for donation purposes, if controls were in place to deter the misappropriation of funds, and if eligibility was determined properly to participate in the Coins Can Count Program. Specifically, we tested a random selection of 55 Anchorage Water and Wastewater Utility customer accounts that were enrolled to donate to the Coins Can Count Program from January 2010 through January 2022 to determine if participation in the Coins Can Count Program was adequately supported. In addition, we reviewed 43 Anchorage Water and Wastewater Utility customer accounts that had requested to enroll in the Coins Can Count Program from January 2018 to February 2022 using an online enrollment form to determine if customers had been enrolled when the enrollment request was received. Moreover, we reviewed Anchorage Water and Wastewater Utility's financial data to determine if Coins Can Count Program funds were properly managed and reconciled. Finally, we reviewed Coins Can Count Program documents and conducted interviews with Anchorage Water and Wastewater Utility staff and Anchorage Health Department staff.

We found that the Coins Can Count Program payments were correctly calculated and applied to the appropriate accounts. However, the Aging and Disability Resource Center can improve its Coins Can Count Program evaluation criteria to help ensure that Coins Can Count Program assistance is provided to those most in need. Moreover, application information was shared in the Alaska Homeless Management Information System even though the opt-out form had been completed requesting that the data not be shared with other parties having access to the Alaska Homeless Management Information System. Finally, some customer requests to enroll to donate to the Coins Can Count Program were not adequately supported.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

July 29, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-04, Chemicals Inventory, Anchorage Water and Wastewater Utility**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed a chemicals inventory at Anchorage Water and Wastewater Utility. The objective of this audit was to determine the accuracy of Anchorage Water and Wastewater's inventory records for chemicals. Specifically, we performed inventory chemical counts at Anchorage Water and Wastewater Utility's Eklutna and Ship Creek Water Treatment Facilities and at its Asplund and Eagle River Wastewater Treatment Facilities.

Based on our test counts, inventory records at Anchorage Water and Wastewater Utility's Eklutna and Ship Creek Water Treatment Facilities and at its Asplund and Eagle River Wastewater Treatment Facilities matched the chemical inventory records in Maximo and SAP, and no adjustment was required. In addition, management action taken by Anchorage Water and Wastewater Utility personnel corrected the deficiency noted in Internal Audit Report 2021-07.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 18, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-05, Chugiak-Eagle River Senior Center Contract Compliance**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of the Chugiak-Eagle River Senior Center Contract Compliance. The objective of this audit was to determine whether Chugiak Senior Citizens, Inc. complied with the contract requirements to operate the Chugiak-Eagle River Senior Center. To accomplish our objective we reviewed annual, quarterly, and monthly reports submitted by Chugiak Senior Citizens, Inc. to the Anchorage Health Department for the period covering January 2021 to March 2022 to determine completeness and timeliness of submission. We also reviewed 2022 insurance documents, compared 2021 contract budget categories to actual expenditures, reviewed subcontracts, reviewed maintenance and repair invoices, and reviewed the Leaseholder Improvement Reserve Account requirements.

Our audit revealed that management of the contract can be improved. Specifically, the amount paid to Chugiak Senior Citizens, Inc. exceeded the amount submitted for reimbursement by \$3,242. Moreover, Chugiak Senior Citizens, Inc. did not always comply with some of the contract's financial information reporting requirements and did not satisfy one of the contract's insurance requirements. Furthermore, Chugiak Senior Citizens, Inc. did not comply with contract requirements regarding the Leaseholder Improvement Reserve Account. Finally, the Municipality of Anchorage paid for some maintenance and repair expenses that were not its responsibility.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 23, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-06, Prompt Vendor Payment Discounts, Finance Department**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of Prompt Vendor Payment Discounts. The objective of this audit was to determine why prompt vendor payment discounts were not successfully realized by the Municipality of Anchorage. Our audit included a review of seventy-five judgmentally selected vendor invoices from January 1 to December 31, 2021, from six agencies: Anchorage Health Department, Maintenance Operations – Streets, Maintenance and Operations – Facilities, Public Works, Emergency Operations Center, and the Anchorage Police Department. Specifically, we reviewed the transactions to determine the reason(s) the payments did not fall within the period of the available prompt vendor payment discounts.

Our audit revealed that additional steps can be taken to help ensure that the Municipality of Anchorage takes advantage of prompt vendor payment discounts. Specifically, our review of selected invoices from 2021 revealed instances where vendor invoices were not processed timely to claim the available prompt vendor payment discounts. Moreover, lost prompt vendor payment discounts were over reported in SAP for some of the invoices that we reviewed. Finally, P&P 24-19 needs to be updated.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit



October 11, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-07, Library Donations Follow-Up, Anchorage Public Library**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of Library Donations Follow-Up. The objective of this audit was to determine the effectiveness of corrective action taken by the Anchorage Public Library on Finding 2 contained in Internal Audit Report 2017-10. To accomplish our objective, we reviewed the “Agreement Among the Municipality of Anchorage, the Anchorage Public Library and the Anchorage Library Foundation”, interviewed Anchorage Public Library staff, reviewed job descriptions, and examined other relevant documents.

Our follow-up audit of Finding 2 in Internal Audit Report 2017-10 revealed that management action taken by the Anchorage Public Library was partially effective in correcting the deficiency. Although an agreement was entered into between the Anchorage Public Library and the Anchorage Library Foundation, we found that the “Agreement Among the Municipality of Anchorage, the Anchorage Public Library and the Anchorage Library Foundation” could be strengthened.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

November 3, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-08, Annual Municipal Procurement Card Review, Purchasing**. A summary of the report is presented below.

In accordance with the 2022 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, 2021, to December 31, 2021. 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.

Overall, most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, our review of calendar year 2021 Procurement Card transactions revealed some instances of questionable or prohibited purchases. Examples of questionable purchases included cable/satellite television subscriptions, online yoga membership subscriptions, a fitness trainer course, expensive brand-named jackets, plastic utensils and paper plates for employee use, massage guns, Apple TV streaming devices, appliances such as microwave ovens, a water dispenser, coffee makers, a toaster and toaster oven, and \$4,771 of supplies for an epoxy table making project. Examples of prohibited purchases included balloons, a barbeque grill part, water, baked goods, retirement badges, retirement plaques, artwork, and fuel. In addition, it appeared that transactions were sometimes split to circumvent cardholders' single transaction limits and some Procurement Card transactions did not contain an adequate description of the purchases. Finally, some Procurement Card purchases were made without using mandatory annual supply contracts and the Municipality of Anchorage issued more Procurement Cards than were likely required for operational needs.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

November 22, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-09, Uniform Rental Controls, Anchorage Water and Wastewater Utility**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of the Uniform Rental Controls at the Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility had proper internal controls over reviewing, authorizing, and issuing payments for uniform contract services. Specifically, we reviewed the latest paid AlSCO, Inc. invoices to determine whether the charges for rental uniforms complied with the contract and if Anchorage Water and Wastewater Utility had paid the correct amounts for damaged uniforms. We also reviewed invoices and AlSCO, Inc.'s inventory list to determine whether the uniforms currently issued to employees complied with Anchorage Water and Wastewater Utility Operating Procedure 25-2, *Uniforms*. Finally, we interviewed appropriate Anchorage Water and Wastewater Utility staff regarding uniforms.

Based on our review, we determined that internal controls over reviewing, authorizing, and issuing payment for uniform contract services can be improved. Specifically, mandatory annual inventory records were not provided to the Anchorage Water and Wastewater Utility, and invoice records provided by AlSCO, Inc. showed that 28 employees had more uniforms than allowed according to Anchorage Water and Wastewater Utility Operating Procedure 25-2. Furthermore, returned uniforms for two employees were not properly tracked to ensure that they were removed from billing records. Finally, Anchorage Water and Wastewater Utility staff did not always inform AlSCO, Inc. when staff work locations changed.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

November 30, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-10, Front Counter Cash Controls, Anchorage Police Department**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of front counter cash controls at the Anchorage Police Department. The objective of this audit was to determine whether adequate cash controls were in place over cash receipts and traffic citations processed by the Records Section and ensure that all cash receipts were deposited daily as required by Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing, and Reporting Cash*. Our audit included a review of thirty-four judgmentally selected Anchorage Police Department cash journal SAP records from May 2021 to April 2022. Specifically, we compared the electronic SAP records to the supporting hard copy daily cash drawer summary reports and corresponding bank deposit paperwork to determine the accuracy of the data and timeliness of the deposits.

Although cash controls at the Anchorage Police Department's Records Section have improved since our previous audit in 2015, additional measures are needed to further strengthen cash controls. Specifically, the Records Section's cash handling practices did not always comply with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing, and Reporting Cash*, regarding the daily deposit of cash receipts, the performance of unscheduled cash counts and reconciliations for cashiers, and attendance at annual mandatory cash handling and reporting training. Finally, the computer systems used to process citations and corresponding payments (accounts receivable) were not fully integrated to facilitate the tracking of citations from issuance to payment.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

December 15, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-11, Alaska Permanent Capital Management Company Contract, Finance Department**. A summary of the report is presented below.

As requested by the Mayor, we have completed an audit of the Alaska Permanent Capital Management Company Contract. The objectives of this audit were to determine if the Alaska Permanent Capital Management Company's contract went through proper approval processes according to applicable Anchorage Municipal Code, if internal controls can be enhanced to ensure transparency, and if payments were made according to contract requirements. To accomplish our objectives, we reviewed the documents used to report the contract's procurement. We also reviewed payment authorizations and support for the 2022 fee calculations and determined if a sampling of fees paid to Alaska Permanent Capital Management Company were calculated correctly and payments were made according to contract terms. Finally, we reviewed reports and Investment Advisory Commission meeting minutes regarding the contract and the Alaska Permanent Capital Management Company to determine if internal controls were sufficient to ensure transparency.

Based on our audit objectives, we had no findings to report. We determined that the contract was properly approved, was reported to the Anchorage Municipal Assembly and the Investment Advisory Commission, and fees were correctly calculated and paid.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

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**EXECUTIVE SUMMARIES FROM  
2022 ANCHORAGE SCHOOL DISTRICT AUDIT  
REPORTS**

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September 2, 2022

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2022-01, Procurement Card Purchases, Anchorage School District**. A 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. Our audit included a review of purchases made from March 1, 2021, to February 28, 2022. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with the Procurement Card User Manual.

Overall, most employees complied with Anchorage School District policies and procedures regarding the use of Procurement Cards. However, conditional purchases were not always approved prior to the purchases being made and transactions were sometimes split to circumvent the \$2,500 single transaction limit. In addition, personal purchases using the Procurement Card were not always reimbursed. Moreover, our review of Procurement Card transactions revealed some prohibited purchases and we found five instances of donations being made with Procurement Cards to agencies not included on the Anchorage School District's Charitable Giving Campaign list or not approved by the appropriate Instructional Division Senior Director. Finally, Procurement Card purchases were not always approved within seven business days, as required by the Procurement Card User Manual, and Amazon Prime memberships were sometimes purchased by individual Procurement Card holders belonging to the same school and even the same offices.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit

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**EXECUTIVE SUMMARIES FROM  
2022 MUNICIPAL SUNSET AUDIT REPORTS**

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August 12, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Sunset Audit Report 2022-S1, Urban Design Commission, Planning Department**. A 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 documents pertaining to matters such as meeting agendas, meeting minutes, resolutions, member authorization, and member participation.

Based on our review of documents pertaining to matters such as meeting agendas, meeting minutes, resolutions, member authorization, and member participation, we recommend that the Urban Design Commission be reauthorized.

The Urban Design Commission will sunset October 14, 2022, unless reauthorized by the Assembly.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 12, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Sunset Audit Report 2022-S2, On-Site Water and Wastewater Technical Review Board, Development Services Department**. A 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 documents pertaining to matters such as meeting agendas, meeting minutes, presentations to the On-Site Water and Wastewater Technical Review Board, member authorization, and member participation.

Based on our review of documents pertaining to matters such as meeting agendas, meeting minutes, presentations to the On-Site Water and Wastewater Technical Review Board, member authorization, and member participation, we recommend that the On-Site Water and Wastewater Technical Review Board be reauthorized. Although the On-Site Water and Wastewater Technical Review Board is fully staffed, one On-Site Water and Wastewater Technical Review Board member had not attended any On-Site Water and Wastewater Technical Review Board meetings since being appointed within the last year. According to the Mayor's staff, in February 2022 the On-Site Water and Wastewater Technical Review Board member indicated that he was no longer interested in serving on the On-Site Water and Wastewater Technical Review Board. In an e-mail he was asked to confirm his resignation, but never did so.

The On-Site Water and Wastewater Technical Review Board will sunset October 14, 2022, unless reauthorized by the Assembly.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 12, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Sunset Audit Report 2022-S3, Arts Advisory Commission, Mayor's Office**. A 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 documents pertaining to matters such as meeting minutes, meeting agendas, topics discussed at Arts Advisory Commission meetings, member authorization, and member participation.

Based on our review of documents pertaining to matters such as meeting minutes, meeting agendas, topics discussed at Arts Advisory Commission meetings, member authorization, and member participation, we recommend that the Arts Advisory Commission be reauthorized. However, the Arts Advisory Commission did not always announce upcoming meetings, could not readily locate meeting minutes, and could not provide complete attendance records and meeting agendas.

The Arts Advisory Commission will sunset October 14, 2022, unless reauthorized by the Assembly.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 12, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Sunset Audit Report 2022-S4, Municipal Women's Commission, Anchorage Health Department**. A 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 documents pertaining to matters such as meeting agendas, meeting minutes, Municipal Women's Commission correspondence, member authorization, and member participation.

Based on our review of documents pertaining to matters such as meeting agendas, meeting minutes, Municipal Women's Commission correspondence, member authorization, and member participation, we recommend that the Municipal Women's Commission be reauthorized.

The Municipal Women's Commission will sunset October 14, 2022, unless reauthorized by the Assembly.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

August 12, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Sunset Audit Report 2022-S5, Housing, Homeless and Neighborhood Development Commission, Anchorage Health Department**. A 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 documents pertaining to matters such as meeting minutes, meeting agendas, resolutions, member authorization, and member participation.

Based on our review of documents pertaining to matters such as meeting minutes, meeting agendas, resolutions, member authorization, and member participation, we recommend that the Housing, Homeless and Neighborhood Development Commission be reauthorized. However, our review found that one member was absent from six regular meetings from January 2021 through December 2021. This member was not removed from the Housing, Homeless and Neighborhood Development Commission. Moreover, according to Housing, Homeless and Neighborhood Development Commission staff, the Housing, Homeless and Neighborhood Development Commission has struggled to maintain a quorum and retain members. Finally, the Housing, Homeless and Neighborhood Development Commission did not provide annual reports by June 1, 2021, and by June 1, 2022, to the Mayor and Assembly regarding the progress of the Anchorage plan to address homelessness as required by Anchorage Municipal Code subsection 4.60.260B.10.

The Housing, Homeless and Neighborhood Development Commission will sunset October 14, 2022, unless reauthorized by the Assembly.

Michael Chadwick, CIA, CICA  
Director, Internal Audit

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## **ANCHORAGE MUNICIPAL CODE CHAPTER 3.20**

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## 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)”