

# INTERNAL AUDIT REPORT

2022-09

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Uniform Rental Controls

Anchorage Water and Wastewater Utility

November 22, 2022

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MUNICIPALITY OF ANCHORAGE  
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MUNICIPALITY OF ANCHORAGE  
MAYOR DAVE BRONSON

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OFFICE OF 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



MUNICIPALITY OF ANCHORAGE  
MAYOR DAVE BRONSON

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OFFICE OF INTERNAL AUDIT

November 22, 2022

**Internal Audit Report 2022-09**  
**Uniform Rental Controls**  
**Anchorage Water and Wastewater Utility**

**Introduction.** The Municipality of Anchorage has a contract with AlSCO, Inc. (Contractor) to provide for the rental of a variety of industrial uniforms including coveralls, work shirts, pants, jackets, and lab coats. In addition, the Contractor provides sizing, laundry, repair or replacement, pick-up, and delivery services for the rented uniforms. The contract began on February 14, 2017, and expired on February 13, 2022. A new contract was awarded to the same Contractor effective June 1, 2022. Anchorage Water and Wastewater Utility's (AWWU) Operations and Maintenance Division (O&M) is the division designated for administering the contract on behalf of AWWU. In 2021, AWWU paid the Contractor \$19,585.

**Objective and Scope.** The objective of this audit was to determine whether AWWU had proper internal controls over reviewing, authorizing, and issuing payments for uniform contract services. Specifically, we reviewed the latest paid Contractor invoices to determine whether the charges for rental uniforms complied with the contract and if AWWU had paid the correct amounts for damaged uniforms. We also reviewed invoices and the Contractor's inventory list to determine whether the uniforms currently issued to employees complied with AWWU Operating Procedure 25-2, *Uniforms*. Finally, we interviewed appropriate AWWU staff regarding uniforms.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was requested by the Administration.

**Overall Evaluation.** Internal controls over reviewing, authorizing, and issuing payment for uniform contract services can be improved. Specifically, mandatory annual inventory records were not provided

to AWWU, and invoice records provided by the Contractor showed that 28 employees had more uniforms than allowed according to AWWU Operating Procedure 25-2. Furthermore, returned uniforms for two employees were not properly tracked to ensure that they were removed from billing records. Finally, AWWU staff did not always inform the Contractor when staff work locations changed.

## FINDINGS AND RECOMMENDATIONS

### 1. Results of Mandatory Annual Inventories Not Provided.

- a. **Finding.** Mandatory annual inventory records were not provided to AWWU. AWWU Operating Procedure 25-2 states that “The O&M Director ensures a [sic] uniform audit or inventory is completed every 12 months and at other times as specified in the Uniform Contract.” We asked AWWU for the results of inventories performed in 2019, 2020, and 2021. We discovered that no inventory was performed in 2020 and that the Contractor was unable to provide to AWWU the results of the 2019 and 2021 inventories when requested. A similar finding was noted in Internal Audit Report 2012-04.

The Contractor did provide an unverified inventory listing showing the number of uniforms issued to each employee, but without information such as when an item was first issued. Although the unverified inventory list was provided, there was no assurance that it was correct since the results of the annual inventory were not provided to AWWU. As a result, invoices were sometimes paid without having complete information. For example, although inventory results were not provided, we found that an invoice was still paid at the full contract price for a damaged lab coat without accounting for depreciation and the date it was first placed into service as required by the contract.

- b. **Recommendations.** The AWWU General Manager should ensure that the Contract Administrator obtains the results of the required inventories to ensure Contractor

payments are correct. If the Contractor is unable to provide an accurate and verifiable inventory list, then AWWU should develop its own inventory list.

- c. **Management Comments.** Management stated, “AWWU Management concurs with this finding. Concerning the inventory audit, AWWU will be holding Also to quarterly audits detailed in the new contract and any issues concerning these will be forward to Purchasing. Also, the O&M Admin staff have created an inventory list to track pickups/deliveries and issuances/deliveries. This inventory list will be updated weekly and used for verifying the accuracy of the contractor’s invoices before payment.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

2. **Excessive Uniforms.**

- a. **Finding.** Invoice records provided by the Contractor showed that 28 employees had more uniforms than allowed according to AWWU Operating Procedure 25-2. As a result, AWWU paid about \$109 in additional costs each month. For example, invoice records showed one employee was issued 12 coveralls, but the maximum number allowed for the position was six coveralls. In another example, invoice records showed an employee was issued nine coveralls, but the maximum number of coveralls allowed for the position was two coveralls. AWWU staff could not explain why the Contractor’s invoice records showed more uniforms than allowed for these employees.
- b. **Recommendation.** The AWWU General Manager should ensure that the Contract Administrator obtains the results of the annual inventory to verify that the correct number of uniforms are issued to employees according to AWWU Operating Procedure 25-2.

- c. **Management Comments.** Management stated “AWWU Management concurs with this finding. O&M Admin staff will verify invoices match our inventory and organizational charts before payment is made. The inventory should be reviewed weekly to make sure no issuances are above the allowable amount in the P&P 25-2. If there are discrepancies to invoices, the Admin staff will remove them from the invoice and contact the uniform contractor to correct the invoice before payment. If there is over issuances to employees, the Admin staff will return the overage.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Uniforms Not Always Removed from Billing Records.**

- a. **Finding.** Returned uniforms for two employees were not properly tracked to ensure that they were removed from billing records. Specifically, invoice records showed that one employee was issued 12 coveralls. This employee left AWWU on March 25, 2022. According to the Contractor’s uniform return form, AWWU returned nine coveralls to the Contractor on April 11, 2022. However, the Contractor continued to invoice AWWU for all 12 coveralls. AWWU staff could not explain why only nine coveralls were returned and why they continued to pay for 12 coveralls. In another case, invoice records showed that one employee was issued six coveralls. This employee left AWWU on August 27, 2019. However, these uniforms were not returned to the Contractor and AWWU continued to be invoiced. AWWU staff stated that this was a miscommunication and an oversight on their part.
- b. **Recommendation.** The AWWU General Manager should ensure the Contract Administrator properly monitors the return of rental uniforms when an employee leaves AWWU and verifies that invoices reflect the return of uniforms to the Contractor.

- c. **Management Comments.** Management stated, “AWWU Management concurs with this finding. O&M Admin staff will verify invoices match our inventory and organizational chart before payment is made. If there are discrepancies, the Admin staff will remove them from the invoice and contact the uniform contractor to correct the invoice before payment.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Contractor Not Always Told of Work Location Changes.**

- a. **Finding.** AWWU staff did not always inform the Contractor when staff work locations changed. As a result, uniforms were not always delivered to the proper work locations. Specifically, one staff changed work locations on January 11, 2021, and another staff changed work locations on February 21, 2022. However, AWWU staff was not able to find any evidence that the Contractor was notified of these work location changes. In addition, another AWWU staff stated that there was no set procedure to notify the contractor of work location changes. According to AWWU Operating Procedure 25-2, “The O&M Administrative Staff works with employees to ensure the proper number of uniforms are delivered to the various facilities where employees work. . . .”
- b. **Recommendation.** The AWWU General Manager should ensure the Contract Administrator coordinates with the Contractor so that uniforms are delivered to the correct locations.
- c. **Management Comments.** Management stated, “AWWU Management concurs with this finding. O&M Admin staff will verify invoices match our inventory and organizational chart before payment is made. A process for transfers has been created to initiate a return of the transferred employee’s uniforms and then a new issuance of those

uniforms will be done to the new workgroup. During audits, O&M Admin staff will also verify employee's locations.”

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

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on September 21, 2022.

Audit Staff:  
Dalton Benson