

INTERNAL AUDIT REPORT

2024-04

Key and Lock Controls
Operation and Maintenance Division
Anchorage Water and Wastewater Utility
May 09, 2024

MUNICIPALITY OF ANCHORAGE
Office of Internal Audit
632 W 6th Avenue, Suite 710
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



OFFICE OF INTERNAL AUDIT
Scott Lee
Acting Director
Phone: (907) 343-4438
E-Mail: scott.lee@anchorageak.gov



MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

May 09, 2024

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2024-04, Key and Lock Controls, Operations and Maintenance Division, Anchorage Water and Wastewater Utility**. A summary of the report is presented below.

In accordance with the 2023 Audit Plan, we performed an audit of the key and lock controls at the Operations and Maintenance Division of Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether adequate management controls are in place over Anchorage Water and Wastewater Utility's keys and locks. Our audit included a review of the *Key Authorization Form* records kept at the Anchorage Water and Wastewater's Operations and Maintenance Division for Anchorage Water and Wastewater Utility employees' currently issued keys to determine the compliances of key authorization, control, and custody requirements described in Anchorage Water and Wastewater Utility Operating Procedure 35-9, *Key Control*. We also interviewed the Anchorage Water and Wastewater staff and management.

Our review found that the controls over the management of the Anchorage Water and Wastewater Utility's Locks and Keys required improvements. Specifically, we found that keys were issued to employees without completing the Anchorage Water and Wastewater Utility key Authorization Forms as required by the Anchorage Water and Wastewater Utility Procedure 35-9, *Key Control*. In addition, we found that it was difficult to identify whether the current Anchorage Water and Wastewater Utility employees/contractors were in possession of keys and there was no guidance for establishing controls for the key issued to the contractors. Finally, we determined that the required actions for lost keys were not always performed or documented.

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

Scott Lee



Acting Director, Internal Audit



MUNICIPALITY OF ANCHORAGE
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Anchorage Water and Wastewater Utility

Introduction. The Anchorage Water and Wastewater Utility (AWWU) is responsible for providing safe and reliable water and wastewater services to the Municipality of Anchorage. AWWU's physical infrastructure includes a Headquarters facility (3000 Arctic Blvd.), an Operations and Maintenance (O&M) facility (325 E. 94th Ct.), two water treatment and three wastewater treatment facilities, water and sewer mains, laboratories, reservoirs, and other buildings.

At major AWWU facilities such as Headquarters and the O&M facility, some interior doors are equipped with an electronic proximity card access system. In other facilities or areas not equipped with an electronic proximity card access system, security is maintained using physical locks and keys. According to AWWU Operating Procedure 35-9, *Key Control* (AWWU Procedure), it states that "it is the Utility's intent to maintain security and access to facilities while safeguarding the personal safety of employees and visitors, to protect Utility property, and avoid expenses due to theft, vandalism, and/or excessive re-keying of locks." The AWWU Procedure further describes the AWWU's policies and processes to control AWWU locks and keys.

Objective and Scope. The objective of this audit was to determine whether adequate management controls are in place over AWWU's key and lock policies. Our audit included a review of the *Key Authorization Form* records kept at the AWWU's O&M Division for AWWU employees' currently issued keys to determine the compliances of key authorization, control, and custody requirements described in AWWU Procedure. We also interviewed the AWWU staff and management.

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.

Overall Evaluation. Our review found that the controls over the management of the AWWU's locks and keys required improvements. Specifically, we found that keys were issued to employees without completing the AWWU Key Authorization Forms as required by the AWWU Procedure 35-9. In addition, we found that it was difficult to identify whether the current AWWU employees/contractors were in possession of keys and there was no guidance for establishing controls for the key issued to the contractors. Finally, we determined that the required actions for lost keys were not always performed or documented.

FINDINGS AND RECOMMENDATIONS

1. **Keys Issued to Employees Without Completing the Key Authorization Form.**

- a. **Finding.** Our review found that keys were issued to employees without completing the AWWU Key Authorization Forms as required by AWWU Procedure. Specifically, our review of the 226 current AWWU Key Authorization Forms (AWWU Procedure 35-9, Attachment A) found that 47 (21%) were missing the authorization signatures of the Division Key Manager and/or the Facility Key Manager. In addition, two of the Key Authorization Forms were illegible and missing all the information necessary (such as the employee signature and/or printed name, and employee ID number) to tell who the key(s) were issued to in the first place.

AWWU Procedure 35-9, *Key Control*, sect. VII.B.2 states that the Division Key Manager "provides final approval on all requests for issuance of keys within his/her respective division." Section VII.B.3 also states that the Facility Key Manager "Utilizes the Key Authorization Form (Form) to issue keys to employees." The Key Authorization form provides individual signoffs for both the Division and Facility Key Managers to document fulfillment of these requirements. In addition, the Key

Authorization Form also provides a signoff for the employee to acknowledge receipt of the key, and to attest that they “have read and understand the above information and agree to the terms above and responsibilities of having a key issued to me.”

Inadequate or incomplete verification of prerequisites and improper issuance of keys may permit unqualified individuals to come into possession of keys, posing a risk to existing Municipal property, infrastructure, and/or personnel safety.

- b. **Recommendation.** The General Manager of AWWU should ensure that all requirements and instructions of AWWU Procedure are accurately followed to verify that all requirements are met and properly documented prior to the issuance of any keys.

- c. **Management Comments.** Management Stated that “AWWU Management concurs with this finding. To address the recommendations within the draft audit report, the Operations and Maintenance Division Director intends to conduct training with the Key Manager, Division and Facility Key Managers to increase compliance with AWWU Procedures 35-9. In addition, AWWU will add a printed name to the current form to address illegibility issues. AWWU will evaluate and potentially modify the key control procedures and forms as part of the future capital project.”

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

2. **Current Key Holders Record Not Accurate.**

- a. **Finding.** Our review found that it was difficult to identify whether the current AWWU employees/contractors were in possession of keys. During interviews AWWU staff stated that all hard-copy, hand-written Key Authorization Forms were kept in a three-

ring binder in random order in the O&M Superintendent's office. According to AWWU staff, there were no other means of record keeping for key issuance or key returns such as an online database or spreadsheet. In addition, there were no direct methods such as an employee termination check list or an electronic reminder to ensure that a specific employee leaving the AWWU or a contractor no longer with an active contract with AWWU was no longer in possession of any keys. As a result, there was no certain way to ensure that their terminated employee/contractor returned the keys issued to them upon termination of the employments/contracts. When asked how a supervisor or manager would know if a specific AWWU employee/contractor was in possession of any keys, AWWU staff stated that "he would have to come down to my office and manually look through the pages of the book." The staff also stated that he manually separated forms based on "my own knowledge of who is still here or not."

Moreover, there was a lack of consistency in how the staff used the Key Authorization form. For example, some Key Authorization Forms list more than one key, while other individuals had multiple forms randomly distributed within the book with no page numbers, requiring that every page in the book be examined (226 current forms at the time of our review).

AWWU Procedure 35-9, *Key Control*, section VII.D.4 instructs (all Divisions) to "Collect key(s) from employees or other users when they leave employment or no longer require keys." However, without an accurate or efficient way to comprehensively identify all current keyholders and all issued keys, this may not be possible to do with complete certainty.

Inaccurate or incomplete identification of active keyholders may hinder the successful return of all keys held by individuals. Furthermore, unauthorized retention and possession of keys by individuals no longer employed/contracted by AWWU may

pose a risk to existing AWWU property, infrastructure, and/or personnel safety.

- b. **Recommendation.** The General Manager of AWWU should consider developing efficient methods (such as an online database or spreadsheet) to identify all active keyholders accurately, efficiently, and comprehensively, ensuring the complete return of all issued keys.
- c. **Management Comments.** Management Stated that “AWWU Management concurs with this finding. To address the recommendations within the draft audit report, AWWU intends to create and maintain an Excell spreadsheet to identify all active keyholders accurately, efficiently, and comprehensively. AWWU will evaluate and improve the tracking process as part of the future capital project.”
- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

3. **Controls over Keys Issued to Contractors Need Improvement.**

- a. **Finding.** Our review of the 226 active Key Authorization Forms found 10 of the Key Authorization forms (5%) were used for keys issued to contractors. However, we determined that there was no guidance for establishing controls for keys issued to the contractors. Specifically, we found that the instructions of AWWU Procedure 35-9, *Key Control* and the Key Authorization Form (AWWU Procedure 35-9, *Key Control*, Attachment A) apply to employees only, not Contractors. In addition, the Key Authorization Form did not include Contractor specific information such as company name, contract number, contract description, detailed contact information, contract scope and duration, etc. As a result, such information was not collected or documented.

Moreover, AWWU Procedure 35-9, *Key Control*, sect. VI.D states that the Key Manager “is responsible for controlling Utility keys for employees within his/her respective division.” Section VI.E states that the Division Key Manager “is responsible for determining which employees require keys and their level of access.” Section VII.D.3 directs all Divisions to “Utilize the Key Authorization Form (Attachment A) to issue keys to employees...” None of these requirements are applicable to non-employees working for an external entity under contract with AWWU.

Inadequate or incomplete collection of necessary Contractor specific information results in improper issuance of keys and may pose a risk to existing AWWU property, infrastructure, and/or personnel safety.

- b. **Recommendation.** The General Manager of AWWU should ensure that guidance for establishing controls for the key issued to the contractors is developed and implemented.

- c. **Management Comments.** Management Stated that “AWWU Management concurs with this finding. To address the recommendations within the draft audit report, AWWU will add information to the spreadsheet tracking discussed above to indicate if the key holder is a contractor or not, as well as indicate an anticipated contract end date. AWWU will also modify the existing key form to include similar information. The Operations and Maintenance Division Director will conduct training with the Engineering Division, Key Manager, Division and Facility Key Managers to address the collection of contractor keys. AWWU will evaluate and improve the contractor specific tracking and key collection process as part of the future capital project.”

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

4. **Required Actions for Lost Keys Not Always Performed or Documented.**

- a. **Finding.** Our review determined that the required actions for lost keys were not always performed or documented. The review of the 226 active Key Authorization Forms found that some Key Authorization forms (4%) were annotated as Lost. These annotations only consisted of a hand-written note on the form stating “Lost”, with no other indication or documentation that any other required actions for lost keys were taken, other than reissuance of the key.

AWWU Procedure 35-9, *Key Control*, section VI.F instructs (all Employees) to “Report lost or Stolen keys as soon as possible to his/her Key Manager or the Division Key Manager, as well as the Utility Safety Program Manager.” Section VII.B.1 also instructs Key Managers to report “lost or Stolen keys to the Division Key Manager and Utility Safety Program Manager” while section VII.D.2 directs (all Divisions) to “report lost or Stolen keys as soon as possible to: Support Maintenance at O&M, the Utility Safety Manager, and either the Facility Key Manager, the Key Manager, or the Division Key Manager as appropriate.” Finally, section VII.E directs (Employees) to “report lost or Stolen keys as soon as possible to: Support Maintenance at O&M, the Utility Safety Manager, and either the Facility Key Manager, the Key Manager, or the Division Key Manager as appropriate.”

In addition, section VII.D.5 states that (all Divisions) “May be financially responsible for the cost of key issuance and loss, as well as any rekeying or other work necessary to maintain security” while the Key Authorization Form declares that “Keyholders must report lost or Stolen keys as soon as possible to their Division Key Manager and to Support Maintenance. Support Maintenance **shall** assess charges for replacement of keys, re-keying, and emergency callouts, based upon the fee chart established by

Support Maintenance.” The employee then signs the form acknowledging this statement.

Due to lack of documentation for the actions taken after the keys were reported lost and change in key personnel for the AWWU’s key controls during our audit, we were not able to determine if any of the required actions for the lost key specified in the AWWU procedures were taken. The inability to determine performance of actions required for instances of lost keys potentially undermines the effectiveness of applicable management controls in the AWWU Procedure. These controls are designed to mitigate the consequences of key loss and incentivize individuals to exercise their responsibilities with care as key holders. Failure to properly respond in the case of a lost key may pose a risk to existing Municipal property, infrastructure, and/or personnel safety.

- b. **Recommendation.** The General Manager of AWWU should ensure that all actions required by AWWU Procedure for lost keys are completed and adequately documented.

- c. **Management Comments.** Management Stated that “AWWU Management concurs with this finding. To address the recommendations within the draft audit report, the future capital project will address procedures and actions associated with lost keys. Requirements within the existing procedures related to the rekeying of facilities are unrealistic due to the magnitude of the required effort and associated expense. AWWU’s intent is to implement technology, as part of the future capital project, that will mitigate the effort and expense of addressing lost keys. Until the capital project is implemented, we will address this with general training and the previously discussed spreadsheet tracking.”

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- 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 March 29, 2024.

Audit Staff:
Derek Reynolds
Scott Lee