
INTERNAL AUDIT DEPARTMENT

1995 ANNUAL REPORT

MUNICIPALITY OF
ANCHORAGE
P.O. Box 196650
Anchorage, Alaska
99519-6650



OFFICE OF INTERNAL AUDIT
Peter Raiskums, CIA
Director
(907) 343-4438

Internal Audit Department 1995 Annual Report

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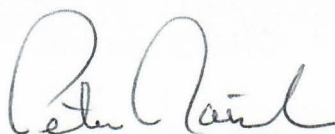
February 8, 1996

Honorable Mayor and Members of the Assembly:

Attached is the 1995 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 1995 internal audit activity and the portion of the Anchorage Municipal Code pertaining to the Internal Audit Department.

The primary focus of the Internal Audit Department is to assist the Mayor and the Assembly to ensure that proper accountability is maintained over public funds and to improve the efficiency and effectiveness of Municipal government within the constraints of the Anchorage Municipal Code. To accomplish this we perform audits to ensure the reliability and integrity of financial records, compliance with established policy and procedures, accountability and protection of Municipal assets, and the achievement of program results.

A handwritten signature in dark ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA
Director, Internal Audit

INTRODUCTION

INTRODUCTION

DEFINITION OF AUDITING

An audit is a term used to describe procedures performed by an auditor in examining financial reports and reviewing compliance with laws and regulations, efficiency and economy of operations, and effectiveness in achieving program results.

An auditor evaluates internal controls, examines financial and other data, verifies and evaluates management systems and programs, and recommends improvements.

Auditors are classified into two categories - internal auditors and external auditors.

Internal Auditors are employees of the organization being audited. Emphasis is on assisting management and the Assembly in the proper discharge of their duties. To accomplish this, they focus on accountability, internal controls and on 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 organization being audited. The external auditor performs, under contract, an annual audit of the financial records of the Municipality and the Federal and State single audits. Their emphasis is on the fairness of financial representations. The certified public accounting firm of KPMG Peat Marwick is currently the external auditor for the Municipality of Anchorage.

AUDIT PROCEDURES

Work of the Internal Audit Department is performed in compliance with professional standards. Professional organizations that provide guidance and standards include the Comptroller General of the United States, the U.S. Office of Management and Budget, the American Institute of Certified Public Accountants (AICPA), and the Institute of Internal Auditors (IIA).

The audit process involves four phases: survey, field work, reporting and follow-up. Communication with auditees is an important part of all four phases.

Survey - To determine whether an area warrants a detailed examination. Survey work consists of discussions with agency personnel, physical inspections, review of records, and sample tests of transactions.

Field Work - To review and evaluate extensive data, document findings, and develop recommendations for corrective action.

Reporting - To compile and organize results of all survey and field work. Findings and recommendations are presented in a draft report, which is furnished to auditees for their

review and response. The final report of audit includes the auditor's findings and recommendations, and management's responses.

Follow-up - To determine whether management action was taken and whether the action corrected the deficiency.

SCHEDULING OF AUDITS

An annual audit plan is prepared at the beginning of each fiscal year. Input is solicited from the Assembly, the Mayor, administration officials, external auditors, and staff members. About 75% of available staff time is scheduled in advance. The audit plan may be revised to accommodate requests from the Assembly and the Administration. Criteria for scheduling audits include the following:

- Rotation of audit schedule among Municipal Departments
- Interest expressed by the Assembly or Administration
- Issues identified by the external auditors
- Areas identified with problems
- Potential for increasing revenues
- Potential for cost savings through more efficient, effective management
- Safeguarding and management of Municipal assets
- High risk of Municipal liability
- Suspected fraud or error

DISTRIBUTION OF AUDIT REPORTS

Internal Audit reports are distributed to the Mayor, each Assembly Member, the Municipal Manager, Operations Manager, the respective Department Director, the Chief Fiscal Officer and other appropriate Municipal personnel.

Copies of reports are available to the public at the Internal Audit Department, City Hall, 632 W. 6th Avenue, Suite 300, Anchorage, Alaska, telephone (907) 343-4438, and fax (907) 343-4370.

STAFFING OF THE INTERNAL AUDIT DEPARTMENT

Five professional audit staff members and a part-time office associate work with the Director. All auditors have academic degrees and/or professional certification, and extensive audit experience.

INDEX OF 1995 AUDIT REPORTS

1995 AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPT
95-01	01-12-95	1994 Parts & Fuel Inventory	ML&P
95-02	02-09-95	Controls Over Cash	APD
95-03	02-10-95	1994 Parts & Fuel Inventory	AWWU
95-04	03-02-95	1994 Parts & Fuel Inventory	Transit/P&FM
95-05	03-14-95	Controls Over Fuel Usage	AWWU
95-06	03-30-95	Controls Over Cash	Transit
95-07	04-07-95	Controls Over Parts & Tools	SWS
95-08	04-24-95	Transportation Inspection Program	Operations Manager
95-09	06-08-95	Anchorage Parking Authority	N/A
95-10	06-30-95	Federation of Community Councils	Municipal Clerk
95-11	06-30-95	Anchorage Neighborhood Health Center	HHS
95-12	06-30-95	Anchorage Senior Center	HHS
95-13	08-04-95	Follow-Up Audit	APD
95-14	08-16-95	Anchorage Memorial Park Cemetery	PW
95-15	09-22-95	Bradley Lake Power Sales Agreement	ML&P
95-16	10-13-95	Non-Standard Payroll Procedures	Finance
95-17	10-19-95	Reimbursable Work Orders	AWWU
95-18	11-09-95	Private Enforcement Actions	Municipal Attorney
95-19	12-22-95	Bradley Lake Project Operation & Maintenance Agreement	ML&P

INDEX OF 1995 SPECIAL PROJECTS

1995 SPECIAL PROJECTS

DATE	SUBJECT NAME	DEPT
03-17-95	Financial Impact of the JCC Proposed Contracts	N/A
08-08-95	JTPA Desk Reviews	HHS
08-15-95	Vehicle/Equipment Usage Rate Study	ML&P
08-17-95	Preferential Use Agreement Record Verification	Port
09-01-95	Paint and Sign Shop Inventory	PW
12-20-95	Engineering Overhead Study	ML&P

EXECUTIVE SUMMARIES



January 12, 1995

Executive Summary

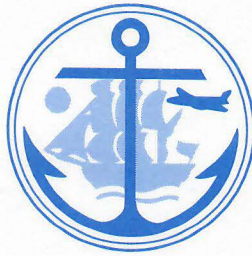
**Internal Audit Report 95-01
1994 Parts and Fuel Inventory
Municipal Light and Power**

Honorable Mayor and Members of the Assembly:

We observed the inventory process of parts and fuel at Municipal Light and Power.

Scope: Our audit objectives were to determine if the physical inventory of parts and fuel was reasonably accurate and correcting adjustments were properly entered in the financial records. The audit included tests of inventory counts, accounting records, and such other auditing procedures as we considered necessary in the circumstances.

Summary of Findings: The physical inventory of parts and fuel was reasonably accurate and all adjusting entries were made as required. Total inventory at Municipal Light and Power was recorded at \$3,299,295 as of November 1994. This included the value of the warehouse inventory and fuel. The value of the warehouse inventory was based on a weighted average unit cost. Fuel inventory was measured as of the inventory date and valued at the most recent invoice price.



February 9, 1995

Executive Summary

**Internal Audit Report 95-02
Controls Over Cash
Anchorage Police Department**

Honorable Mayor and Members of the Assembly:

We have completed an audit of cash in the Property and Evidence Section and the Detective Division at the Anchorage Police Department.

Scope: The objective of this audit was to determine whether cash was properly controlled and safeguarded within the Property and Evidence Section and the Detective Division. The audit included tests of Anchorage Police Department records and such other tests as considered necessary in the circumstances. The audit was requested by the Assembly.

Summary of Findings: Cash brought into the Property and Evidence Section was treated the same as all other property for record keeping purposes. No system was in place to segregate the storage of cash from other property. As a result, we were unable to perform a physical inventory and ensure that all cash was on hand and properly accounted for within the Property and Evidence Section. There was no system in place to suspense cash signed out of the Property and Evidence Section. Property in the Property and Evidence Section, including cash, had not been inventoried. In addition, cash was not always disposed of in accordance with Anchorage Municipal Code requirements.

Overall Management Comments: Management stated, "The Department appreciates the expertise and efforts of the internal auditor and his staff in assisting our efforts to improve the efficiency and operation of the Property and Evidence Section. The Department also appreciates the auditors approval of the cash controls used by the Drug Enforcement Section. The Department will continue to work with the auditor to identify better methods of operation and improvements to procedures."

Evaluation of Management Comments: Management comments were generally responsive to the audit findings and recommendations in this report.



February 10, 1995

Executive Summary

**Internal Audit Report 95-03
1994 Parts and Fuel Inventory
Anchorage Water and Wastewater Utility**

Honorable Mayor and Members of the Assembly:

We have observed the inventory process of parts and fuel at the Anchorage Water and Wastewater Utility.

Scope: Our audit objectives were to determine if the physical inventory count of parts and fuel was reasonably accurate and correcting adjusting entries were properly entered in the financial records. The audit included tests of inventory counts, accounting records, and such other auditing procedures as we considered necessary in the circumstances.

Summary of Findings: Total inventory at Anchorage Water and Wastewater Utility was recorded at \$628,215 as of September 1994. This included the value of the warehouse inventory, fuel, gravel and recycled asphalt. The value of the warehouse inventory was based on a weighted average unit cost. Fuel, gravel and recycled asphalt inventories were measured as of the inventory date and valued at the most recent invoice price. Based on the results of the work performed, we found that some inventory items were not included in the inventory count, maintained on the perpetual inventory records, or recorded in the inventory account. In addition, there was inadequate security over the outside warehouse items.



March 2, 1995

Executive Summary

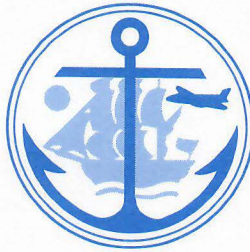
**Internal Audit Report 95-04
1994 Parts and Fuel Inventories
Transit Department
Department of Property & Facility Management**

Honorable Mayor and Members of the Assembly:

We observed the inventory process of parts and fuel at the Transit Department and the Fleet Services Division of the Department of Property and Facility Management.

Scope: Our audit objectives were to determine if the physical inventory counts of parts and fuel at the Transit Department and the Fleet Services Division of the Department of Property and Facility Management were reasonably accurate and correcting adjustments were properly entered in the financial records. The audit included tests of inventory counts, accounting records, and such other auditing procedures as we considered necessary in the circumstances.

Summary of Findings: The parts and fuel inventories were recorded at \$465,681.41 for the Transit Department and \$493,354.06 for the Fleet Services Division of the Department of Property and Facility Management as of December 31, 1994. The value of the inventories was based on a weighted average unit cost. Based on the results of the work performed, it is our opinion that the physical inventories were reasonably accurate, and correcting adjustments were properly input into the financial records.



March 14, 1995

Executive Summary

**Internal Audit Report 95-05
Controls Over Fuel Usage
Anchorage Water and Wastewater Utility**

Honorable Mayor and Members of the Assembly:

We have completed an audit of the controls over fuel usage at the Anchorage Water and Wastewater Utility.

Scope: Our audit objective was to determine whether fuel at Anchorage Water and Wastewater Utility was properly controlled and documented. The audit included tests of accounting and fuel records and such other procedures as we considered necessary in the circumstances. The audit period was October 1993 through September 1994.

Summary of Findings: Controls over fuel at Anchorage Water and Wastewater Utility required strengthening. Specifically, invoices for bulk fuel purchases were not properly certified, bulk fuel was not properly inventoried, fuel purchases and issues were not always properly entered into the vehicle fuel reporting system, and Anchorage Water and Wastewater Utility did not have a written policy and procedure for the receipt, issuance and control of fuel nor for the input of fuel transactions into the vehicle fuel reporting system.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations in this report.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

March 30, 1995

Executive Summary

Internal Audit Report 95-06 Controls Over Cash Transit Department

Honorable Mayor and Members of the Assembly:

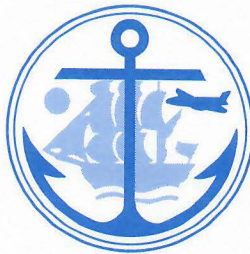
We have completed an audit of the controls over cash at the Transit Department.

Scope: Our audit objective was to determine the adequacy of controls over cash, bus passes and tokens. The audit included tests of accounting records and such other procedures as we considered necessary in the circumstances. The audit period was January through August 1994. The audit was requested by the Transit Department.

Summary of Findings: Controls over cash, bus passes and tokens in the Customer Services Section were not always adequate.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations in this report.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

April 07, 1995

Executive Summary

Internal Audit Report 95-07 Controls Over Parts and Tools Solid Waste Services

Honorable Mayor and Members of the Assembly:

We have completed an audit of the controls over parts and tools at Solid Waste Services.

Scope: Our audit objective was to determine the adequacy of procedures and controls over parts and tools in the Vehicle Maintenance Section at Solid Waste Services. The audit period was January 1994 through February 1995. The audit included tests of accounting records and such other procedures as we considered necessary in the circumstances.

Summary of Findings: Controls over parts and tools required strengthening. Specifically, inventory records were not always accurate and records were not maintained for all shop tools owned by Solid Waste Services.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations in this report.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

April 24, 1995

Executive Summary

Internal Audit Report 95-08 Transportation Inspection Program

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Transportation Inspection Program.

Scope: Our audit objective was to perform a management audit of the Transportation Inspection Program. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit period was January 1994 through February 1995. The audit was requested by the Assembly.

Summary of Findings: Management of the Transportation Inspection Program required improvement. Anchorage Municipal Code Title 11 required revision to clarify duties, responsibilities and functional placement of the program. A new Drug and Alcohol Testing Program had not been implemented. Many of the required functions were not properly performed.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations in this report.



June 08, 1995

Executive Summary

**Internal Audit Report 95-09
Anchorage Parking Authority**

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Anchorage Parking Authority.

Scope: Our audit objective was to determine whether the Parking Authority was in compliance with the competitive bidding processes of Anchorage Municipal Code Title 7. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit included purchases made during 1994 and was requested by the Administration.

Summary of Findings: The Parking Authority was not always in compliance with the competitive bidding processes prescribed by Anchorage Municipal Code Title 7.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations in this report.



June 30, 1995

Executive Summary

**Internal Audit Report 95-10
Federation of Community Councils
Municipal Clerk**

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Federation of Community Councils.

Scope: Our audit objectives were to determine whether the grant agreement was properly written, the grant was properly administered by the Municipality, and to obtain information regarding expenditures of Municipal grant funds. The audit was requested by the Assembly.

Summary of Findings: The wording of the grant agreement was not clear, grant administration could be improved and, in our opinion, services could be provided to the community councils at less cost than through the current contract.

Evaluation of Management Comments: Management comments were not totally responsive to the audit findings and recommendations.



June 30, 1995

Executive Summary

**Internal Audit Report 95-11
Anchorage Neighborhood Health Center
Health and Human Services**

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Anchorage Neighborhood Health Center.

Scope: Our objective was to determine whether the Anchorage Neighborhood Health Center performed services in compliance with the Municipal grant agreement for fiscal year 1995. The audit included tests of accounting records and such other procedures as we considered necessary under the circumstances. This audit was requested by Health and Human Services as a result of problems identified during monitoring visits to the Anchorage Neighborhood Health Center.

Summary of Findings: The Anchorage Neighborhood Health Center performed services generally in compliance with the Municipal grant agreement. However, the financial management system was not in compliance with the grant requirements and grant reports for expenditures and program performance were not always accurate.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

June 30, 1995

Executive Summary

Internal Audit Report 95-12 Anchorage Senior Center Health and Human Services

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Anchorage Senior Center.

Scope: Our audit objective was to review the management and operation of the Anchorage Senior Center. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit was requested by the Administration.

Summary of Findings: The Anchorage Senior Center was operated in compliance with the Municipal grant contract and sound management practices.

Evaluation of Management Comments: Management comments were responsive to the audit findings and recommendations.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

August 04, 1995

Executive Summary

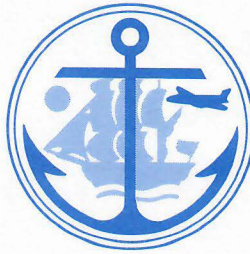
Internal Audit Report 95-13 Follow-Up Audit Anchorage Police Department

Honorable Mayor and Members of the Assembly:

We have completed a follow-up audit of the Anchorage Police Department Drug and Cash Controls.

Scope: Our audit objectives were to conduct a follow-up audit at the Anchorage Police Department to determine the status of the findings identified in Internal Audit Reports 94-17 and 95-02; and to determine the extent and effectiveness of management action taken to correct the reported deficiencies. The audit included tests of Anchorage Police Department records and such other procedures as we considered necessary in the circumstances. The audit was performed in July 1995.

Summary of Findings: Appropriate corrective action was taken by the Anchorage Police Department in devising and implementing new procedures to correct the deficiencies noted in Internal Audit Reports 94-17 and 95-02.



August 16, 1995

Executive Summary

**Internal Audit Report 95-14
Anchorage Memorial Park Cemetery
Public Works Department**

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Anchorage Memorial Park Cemetery.

Scope: Our audit objective was to perform a management review of the Anchorage Memorial Park Cemetery operations. Accordingly, the audit included tests of records and such other procedures as we considered necessary in the circumstances. The audit included transactions during 1992 through 1994. The audit was requested by the Director of Public Works.

Summary of Findings: The Anchorage Memorial Park Cemetery was found to be well maintained and provided good service to the public. However, we noted several deficiencies as follows. An endowment fund had not been established for perpetual maintenance. The fee structure did not include all costs and Intergovernmental Charges to the Anchorage Memorial Park Cemetery were excessive. Contract administration for maintenance and burial services required improvement. All graves did not contain a permanent marker. Further, the Anchorage Municipal Code does not specify whether the Anchorage Memorial Park Cemetery should be operated as a tax supported Municipal facility or be self-supporting through the collection of fees and a trust/endowment fund when burial fees will no longer be collected. Currently, the Anchorage Memorial Park Cemetery is supported through a combination of fees and tax revenue. The intent for financial support should be determined and incorporated into the Anchorage Municipal Code.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

September 22, 1995

Executive Summary

Internal Audit Report 95-15 Bradley Lake Power Sales Agreement Municipal Light and Power

Honorable Mayor and Members of the Assembly:

We have completed an audit of the costs and settlement of damages resulting from the 1993 airplane accident associated with the Bradley Lake Project.

Scope: At the request of Municipal Light and Power, we performed a review and analysis of the costs and settlement of damages resulting from the February 1993 airplane accident associated with the Bradley Lake Project. The objective of the audit was to determine whether Municipal Light and Power, along with the remaining participating utilities (Participants) had been assessed the proper amounts.

Summary Of Findings: Based on our review and analysis of costs resulting from the airplane accident, it is our opinion that a total of \$24,599.99 was overcharged to the Participants. Workers' compensation insurance reimbursements received by the Alaska Energy Authority had not been allocated to the Participants offsetting the salary expense charged. According to correspondence from the State of Alaska, Department of Administration, Division of Risk Management, insurance claim recoveries are still in negotiation and will not likely be settled in the near future.

Evaluation of Management Comments: Management comments were responsive to the audit finding and recommendation.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

October 13, 1995

Executive Summary

Internal Audit Report 95-16 Non-Standard Payroll Procedures

Honorable Mayor and Members of the Assembly:

We have completed an audit of Non-Standard Payroll Procedures at the Anchorage Police Department, Anchorage Fire Department, Municipal Light and Power, Transit Department, Fleet Services Division, Facility Maintenance Division, and Street Maintenance Division.

Scope: Our audit objectives were to determine whether the seven organizations that were not following standard payroll procedures had been granted an exception by the Chief Fiscal Officer and whether the approved compensating controls were being followed. The audit included tests of payroll records and such other procedures as we considered necessary in the circumstances. The audit period was July 1994 through May 1995.

Summary of Findings: All organizations audited had been granted an exception to the standard payroll procedures. The approved compensating controls were generally being followed to control time cards and payroll transactions by most of the organizations. However, the approved exception procedures at the Anchorage Police Department were not always followed.

Evaluation of Management Comments: Management comments were responsive to the audit finding and recommendation.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

October 19, 1995

Executive Summary

Internal Audit Report 95-17 Reimbursable Work Orders Anchorage Water and Wastewater Utility

Honorable Mayor and Members of the Assembly:

We have completed an audit of Reimbursable Work Orders at Anchorage Water and Wastewater Utility.

Scope: Our audit objective was to determine whether reimbursable work orders were properly established, maintained, billed and closed. The audit included tests of accounting records and such other procedures as we considered necessary in the circumstances.

Summary of Findings: Reimbursable work orders were not always properly established, maintained, billed and closed. Costs for preliminary surveys, plans and investigations associated with water and sewer improvement districts were incorrectly categorized as reimbursable work. Overhead charges were not applied timely to reimbursable work orders and deposits were not always collected and maintained in compliance with the Anchorage Municipal Code. Private development projects were not always billed timely.

Evaluation of Management Comments: Management comments were generally responsive to the audit finding and recommendation.



November 9, 1995

Executive Summary

Internal Audit Report 95-18 Private Enforcement Actions

Honorable Mayor and Members of the Assembly:

We have completed an audit of private enforcement actions brought under Assembly Ordinance 93-124 (S3).

Scope: Our audit objective was to determine the effectiveness and efficiency of private enforcement actions brought under Assembly Ordinance 93-124 (S3). The audit included tests of records and other procedures as we considered necessary in the circumstances. The audit was required by Assembly Ordinance 93-124 (S3).

Summary of Findings: In our opinion the private enforcement action program has not been effective. Since April of 1994, only five private enforcement actions were filed with the Code Enforcement Officer and Administrative Hearings Officer. Hearings were scheduled and held for three of the five complaints. The other two complaints, which dealt with quasi-institutional facilities, were dismissed by agreement of the parties and resolved by other means. In contrast, from April 1994 through August 1995 Code Enforcement received more than 1,700 other code enforcement complaints. Although resources were increased in Code Enforcement and the Administrative Hearings Office was established during this time frame, these increases were not solely for the purpose of handling private enforcement actions. The Administrative Hearings Office handled more than 2,000 DWI and Title 14 cases during this time frame. Therefore, evaluating whether resources were used in the most efficient manner for private enforcement actions was difficult to determine since the same resources were used to perform other functions. Although a survey of citizens was not performed, we believe there are a variety of reasons why more private enforcement actions have not been filed. These reasons include citizens not knowing that the program exists, not wanting to confront the alleged violator, and not wanting to risk the loss of up to \$1,100.

Our review of the five private enforcement actions revealed that all were not processed timely. Specifically, Code Enforcement personnel did not initiate service on the five complaints within 10 days of the complaint being filed as required by the Anchorage Municipal Code. Further, the then incumbent Administrative Hearings Officer did not issue final orders for 2 of the 3 applicable complaints within 45 days of the hearing as required by the Anchorage Municipal Code.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

December 22, 1995

Executive Summary

Internal Audit Report 95-19 Bradley Lake Project Operation & Maintenance Agreement Municipal Light and Power

Honorable Mayor and Members of the Assembly:

We have completed an audit of the Operation and Maintenance Agreement for the Bradley Lake Project.

Scope: At the request of Municipal Light and Power and the Bradley Lake Project Management Committee, we performed a review and verification of the charges by Homer Electric Association, Inc. for the operation and maintenance of the Bradley Lake power generation facility for fiscal year 1995. The objective of the audit was to determine whether the charges were in compliance with the Operation and Maintenance Agreement for the Bradley Lake Project.

Summary of Findings: Based on our review and testing, it is our opinion that the operation and maintenance charges for fiscal year 1995 were reasonable and in compliance with the Operations and Maintenance Agreement for the Bradley Lake Project.

ANCHORAGE MUNICIPAL CODE 3.20

ANCHORAGE MUNICIPAL CODE 3.20

3.20.100 Office of Internal Audit.

- 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 Anchorage;
 7. The Director of Internal Audit shall interact with the municipal audit committee to assure 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. (Adapted from AO 77-359, am AO 79-27, AO 80-5, AO 88-70(S)).

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 3.20.110, 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 3.20.110 A., 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 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.
- K. This section shall not apply to the Anchorage Telephone Utility or its Board of Directors unless otherwise agreed by the Anchorage Telephone Utility. (Adapted from AO 77-359, am AO 79-27, AO 88-70(S), AO 91-173(S)).

3.20.120 Responsibilities of the Administration.

- 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 non-concurrence 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.
- C.** This section shall not apply to the Anchorage Telephone Utility or its Board of Directors unless otherwise agreed by the Anchorage Telephone Utility. (AO 77-359, am AO 79-27, AO 88-70(S), AO 91-173(S)).

3.20.130 Access to Municipal Information.

- 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 subsection 3.90.020C of this code;
 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.
- B.** This section shall not apply to the Anchorage Telephone Utility or its Board of Directors unless otherwise agreed by the Anchorage Telephone Utility. (Adapted from AO 77-359, am AO 79-27, AO 88-70(S), AO 91-173(S)).