
INTERNAL AUDIT DEPARTMENT

1997 ANNUAL REPORT

MUNICIPALITY OF ANCHORAGE

Office of Internal Audit
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OFFICE OF INTERNAL AUDIT

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Internal Audit Department
1997 Annual Report

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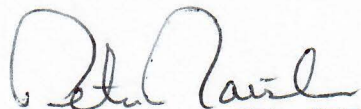
January 28, 1998

Honorable Mayor and Members of the Assembly:

Attached is the 1997 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 1997 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.


Peter Raiskums, CIA, CFE
Director, Internal Audit

INTRODUCTION

INTRODUCTION

DEFINITION OF AUDITING

An audit is a term used to describe procedures performed by an auditor in examining financial records and reviewing compliance with laws and regulations, assuring the efficiency and economy of operations, and evaluating the 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 Municipality of Anchorage. Emphasis is on providing the Assembly and the Mayor with objective information to determine whether the required high degree of public accountability is maintained and to assist management personnel in improving the efficiency and effectiveness of government operations and activities. To accomplish this, the auditors 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 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. 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

The Internal Audit Department performs audits in compliance with professional standards. Professional organizations that provide guidance and standards include the Comptroller General of the United States, the United States 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 that is furnished to auditees for their review and response. The final report of audit includes the auditor's findings, 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 also be revised during the year to accommodate requests from the Assembly and the Administration. Criteria for scheduling audits include the following:

- Rotation of audits 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, the 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 following locations: (1) the reference section of the Z J Loussac Public Library, 3600 Denali Street, Anchorage, Alaska; (2) the Municipality of Anchorage Website at: <http://www.ci.anchorage.ak.us>; or (3) the Internal Audit Department, 632 West 6th Avenue, Suite 300, Anchorage, Alaska, telephone (907) 343-4438, fax (907) 343-4370.

STAFFING OF THE INTERNAL AUDIT DEPARTMENT

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

INDEX OF 1997 AUDIT REPORTS

1997 AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
97-01	01-13-97	Private Development Program	AWWU
97-02	02-10-97	1996 Parts and Fuel Inventory	AWWU
97-03	02-10-97	1996 Parts and Fuel Inventory	ML&P
97-04	02-20-97	1996 Parts and Fuel Inventory	Property & Facility Mgt. - Fleet Services
97-05	02-27-97	Private Development Program	Public Works
97-06	03-10-97	Accounts Receivable	Merrill Field Airport
97-07	03-11-97	Non-Standard Payroll Procedures	Finance Department
97-08	03-27-97	Anchorage Right to Know Program	Anchorage Fire Dept.
97-09	03-27-97	1996 Parts and Fuel Inventory	Public Transportation Department
97-10	05-09-97	Procedures for Selecting Engineering Consultants	Port of Anchorage
97-11	05-22-97	Bradley Lake Hydroelectric Project Alaska Energy Authority Charges	ML&P
97-12	06-18-97	Friends of the Library	Cultural & Recreational Services
97-13	07-03-97	Municipal Traffic Fines Collected by the State of Alaska Traffic Court	Anchorage Police Department
97-14	09-02-97	Purchasing Procedures Follow-up Audit	Anchorage Parking Authority
97-15	09-25-97	Billing and Collection	AWWU
97-16	10-03-97	Billing and Collecting for Emergency Medical Services	Anchorage Fire Dept./ Finance Dept.
97-17	10-29-97	Cash Control Procedures Follow-up Audit	Anchorage Parking Authority

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1997 SPECIAL PROJECTS

DATE	SUBJECT NAME	DEPARTMENT
01-13-97	Bradley Lake Construction Fund	ML&P
01-15-97	CEA Bradley Lake Dispatch Services FY 96	ML&P
05-09-97	Police & Fire Retiree Medical Statements Assistance	Police & Fire Retirement
06-26-97	Review of 401(k) Savings Plan	Other
09-23-97	Private Development Program Follow-up Review	Public Works
10-06-97	JTPA Desk Reviews	Health & Human Services
10-21-97	Year 2000 Project	Management Information Systems Department
11-13-97	Permitting Process	Public Works
11-20-97	Eklutna Transition Agreement/MEA Billing & Accounting	ML&P

EXECUTIVE SUMMARIES



OFFICE OF THE INTERNAL AUDITOR

January 13, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-01

Private Development Program

Anchorage Water and Wastewater Utility

We have completed an audit of the Private Development Program at Anchorage Water and Wastewater Utility. The objective of this audit was to determine the adequacy of procedures and controls for private development at Anchorage Water and Wastewater Utility. This included verifying compliance with Anchorage Municipal Code Chapter 21.87 "Subdivision Agreements" and Chapter 24.20 "Improvement of Public Places." The audit was conducted in accordance with generally accepted government auditing standards and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of August through October 1996.

The overall procedures and controls at Anchorage Water and Wastewater Utility over the private development process were proper and in accordance with Anchorage Municipal Code. Specifically, the required documentation was maintained in the project files; plans were reviewed and approved in the time frame required; performance/warranty guarantees and project cost/warranty deposits were obtained from the developer when required; the appropriate construction and final inspections were performed; and projects were accepted and closed in a timely manner. In addition, our review of the private development reimbursable work order files revealed that Finance Division personnel had taken action to correct the findings contained in Internal Audit Report 95-17. However, we found several areas that required improvement. Specifically, proof of insurance submitted did not always meet Municipal Standard Specifications, plan approval by the Public Works Department was not always documented in the private development project file, documentation was not always available to support the value assigned to a deed of trust granted to the Municipality as a performance or warranty guarantee, and excess deposits were not always refunded to developers in the time frame required by Anchorage Municipal Code.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

February 10, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-02

1996 Parts and Fuel Inventory

Anchorage Water and Wastewater Utility

The objectives of this audit were to determine if the physical inventory count was reasonably accurate and correcting adjustments were properly entered into the financial records. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of inventory counts, accounting records and such other auditing procedures as we considered necessary in the circumstances.

Total inventory at Anchorage Water and Wastewater Utility at year-end was recorded at \$835,116. This included the value of the parts and materials, fuel, gravel, recycled asphalt and chemicals. The value of the inventory of parts and materials was based on a weighted average unit cost. A physical inventory of parts and materials was performed in September 1996 and the perpetual inventory records were adjusted to the physical count. Gravel and recycled asphalt inventories were measured in September 1996, fuel was measured in October 1996 and chemical inventories were measured at year end. Fuel, gravel, recycled asphalt, and chemical inventories were recorded at the most recent invoice prices. Adjusting journal entries were verified in January 1997. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate, and correcting adjustments were properly entered into the financial records. However, we noted that procedures over the chemicals were not adequate to ensure that they were accurately recorded at year-end. Although an adjusting journal entry has been processed to properly record the chemicals, procedures require strengthening to ensure that Anchorage Water and Wastewater Utility inventory is properly recorded at year-end in the future.

Management Comments were responsive to the audit finding and recommendation.



February 10, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-03

1996 Parts and Fuel Inventory

Municipal Light and Power

The objectives of this audit were to determine if the valuation and physical inventory counts of parts and fuel were reasonably accurate. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of inventory counts, accounting records and such other auditing procedures as we considered necessary in the circumstances.

Total December inventory at ML&P was recorded at \$3,515,373.24 which included parts and fuel. The value of the warehouse inventory was based on a weighted average unit cost. The audit was performed during November 1996 and adjusting entries were verified during December 1996. Fuel inventory was measured in November 1996 and valued at book cost. Based on the results of our review, we found the inventory to be fairly stated in all material respects.



February 20, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-04

1996 Parts and Fuel Inventory

Fleet Services Division

Department of Property & Facility Management

The objectives of this audit were to determine if the valuation and physical inventory counts of parts and fuel were reasonably accurate. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of inventory counts, accounting records and such other auditing procedures as we considered necessary in the circumstances.

Total inventory at Fleet Services at year-end was recorded at \$396,922.46 which included parts and fuel. The value of the parts inventory was based on a weighted average unit cost. The value of the fuel inventory was based on a national average pricing index. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate and proper adjusting entries were made.



OFFICE OF THE INTERNAL AUDITOR

February 27, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-05

Private Development Program

Public Works Department

At the request of the Administration, we have completed an audit of the Private Development Program at the Public Works Department. The objective of this audit was to determine the adequacy of procedures and controls for private development and to provide the Public Works Department management with recommendations to improve the administration of the subdivision agreement process. The audit focused on subdivision agreements entered into during 1996 wherever possible. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of August through November 1996.

The procedures and controls for private development at the Public Works Department were not adequate. Developers were not placed in default when the required public improvements were not constructed. The application process was not always followed and the plan review process was not always adequately documented. Deposits were not always collected as required. Authorization to start construction was given to developers before all required items had been received. The subdivision agreement files did not adequately document whether a performance guarantee was required and the value of deeds of trust accepted as a performance guarantee was not always determined. The Private Development Section was not actively working with developers to obtain all documentation required by the Subdivision Agreements before the projects could be placed into the warranty period. There was no effective system in place to track the current status of each subdivision agreement. Developers had free access to the Private Development Section offices during business hours without being required to make an appointment or being escorted into the area by an employee. In addition, the Public Works Department was maintaining roads within subdivisions that had not been placed in warranty.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

March 10, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-06

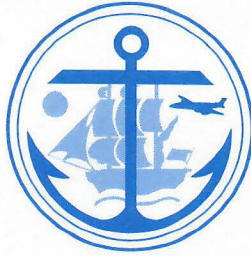
Accounts Receivable

Merrill Field Airport

The objectives of the audit were to determine the adequacy of internal controls and the accuracy of accounts receivable billings, to include whether accounts receivable had been established and were being maintained for all receivables and whether accounts receivable were properly billed, aged, and collected. In addition, we performed follow-up on the audit findings reported in Internal Audit Report 92-11 to determine whether corrective action had been taken. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of November through December 1996.

Accounts receivable at Merrill Field Airport had been properly established and were being maintained and billed in an accurate and timely manner. Action had been taken to correct all but one of the audit findings reported in Internal Audit Report 92-11. Specifically, supervisory review and reconciliation procedures had been implemented, delinquent notices were mailed out, accounts receivable were being aged, and uncollectible accounts were written off in accordance with Municipal guidelines. However, during the current audit, several areas were identified which require attention. Specifically, database access controls to the computer system required strengthening; off-site storage of system file back-up was not utilized; supervisory review procedures over credit transactions required strengthening; and controls over the collection of Medivac taxiway fees and fuel fees were not adequate.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

March 11, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-07

Non-Standard Payroll Procedures

We have completed an audit of the Non-Standard Payroll Procedures at the Anchorage Police Department, Anchorage Fire Department, Municipal Light and Power, Public Transportation Department, Fleet Services Division, Facility Maintenance Division and Street Maintenance Division. The objectives of this audit 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 was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of payroll records and such other auditing procedures as we considered necessary in the circumstances. The audited period was January through October 1996.

All organizations audited had been granted an exception to the standard payroll procedures. However, supervisory approval procedures were not proper for three of the organizations and leave slips were not always filled out by employees for one organization.

Management comments were responsive to the audit findings and recommendations.



March 27, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-08

Anchorage Right to Know Program

Anchorage Fire Department

At the request of the Municipal Fire Chief, we have completed an audit of the Anchorage Right to Know Program at the Fire Prevention Division of the Anchorage Fire Department. The objective of this audit was to determine the adequacy of procedures used to process Community Right to Know data and bill for the services. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of records and such other auditing procedures as we considered necessary in the circumstances.

Procedures used to process Community Right to Know data and bill for services were not adequate. Specifically, the Anchorage Municipal Code does not contain procedures nor requirements for administering the Community Right to Know Program. The CAMEO (Computer-Aided Management Emergency Operations) data base was not properly maintained, and current procedures used for annual Community Right to Know reporting required revision. Anchorage Municipal Code requirements for placards and Certificates of Compliance were not being followed. Billing procedures required strengthening and fees collected were not always used for the operation of the program as required by the Anchorage Municipal Code.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

March 27, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-09

1996 Parts and Fuel Inventory

Public Transportation Department

We observed the inventory process of parts and fuel at the Public Transportation Department. The objectives of this audit were to determine if the physical inventory counts of parts, fuel and lubricants at the Public Transportation Department were reasonably accurate and proper adjustments were made to the financial records. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The inventory was observed in January 1997 and adjusting entries were verified in February 1997.

The parts and fuel inventory at the Public Transportation Department was recorded at \$494,445 as of December 31, 1996. The value of the inventory was based on a weighted average unit cost. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate and proper adjusting entries were made.

Management comments were responsive to the audit findings and recommendations.



May 9, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-10

Procedures for Selecting Engineering Consultants

Port of Anchorage

At the request of the Administration, we have completed an audit of Procedures for Selecting Engineering Consultants at the Port of Anchorage. The objective of this audit was to determine whether proper procedures were followed in selecting engineering consultants for professional services contracts as prescribed in Anchorage Municipal Code Title 7 and the Municipal Purchasing Requestors Guide. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. Specifically, we reviewed documentation and procurement procedures for five engineering contracts processed during January 1995 through May 1997. The audit was performed during April and May 1997.

Proper procedures were followed in selecting engineering consultants for the Port of Anchorage. Requests for proposal were prepared and distributed to engineering firms on the Master List maintained by the Purchasing Department as well as advertised in the newspaper. All proposals were evaluated by an independent evaluation committee and contracts were awarded based on the evaluation results and subsequent successful negotiations.



May 22, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-11

**Bradley Lake Hydroelectric Project
Alaska Energy Authority Charges**

Municipal Light and Power

At the request of Municipal Light and Power and the Bradley Lake Project Management Committee, we have completed an audit of charges to the Bradley Lake Hydroelectric Project (Project) by the Alaska Energy Authority, formerly known as the Alaska Power Authority. The objective of our audit was to determine whether costs charged to the Project by the Alaska Power Authority/Alaska Energy Authority (APA/AEA) were within the scope of the Project. Specifically: we reviewed the procedures used by APA/AEA to process Project expenditures; we reviewed the list of contracts charged to the Project by APA/AEA to determine whether they were within the scope of the Project; we selectively reviewed the description and amount of expenditures charged to the Project by APA/AEA through June 30, 1996, for reasonableness and applicability to the Project; and we summarized APA/AEA's charges by fiscal year and budget category.

Based on our limited tests and selective review of records, we found no instances where the costs charged to the Project by APA/AEA were outside the scope of the Project. Charges to the Project by APA/AEA were generally processed through the State of Alaska Statewide Accounting System. Costs were then reimbursed to APA/AEA by the Trustee from the Construction Fund after certification that the costs were proper.



OFFICE OF THE INTERNAL AUDITOR

June 18, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-12

Friends of the Library

Cultural and Recreational Services

At the request of the Administration, we have completed an audit of the Friends of the Library, a not-for-profit organization. The objective of this audit was to determine whether the Friends of the Library was providing a benefit to the Municipal Library and was meeting the objectives of the Letter of Agreement. Specifically, we reviewed the type and amount of support that was being provided to the Municipal Library, we reviewed the Letter of Agreement for adequacy, and we analyzed the financial condition of the Friends of the Library. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit period was calendar year 1996.

During 1996, the Friends of the Library provided the Municipal Library \$23,000 in monetary contributions, \$3,600 of in-kind contributions, and other non-monetary services. In addition, the Friends of the Library was generally meeting the objectives of the Letter of Agreement. However, the Letter of Agreement could be improved to more clearly delineate the type and extent of benefit that is expected to be provided to the Municipal Library. See Attachment 1 of the Internal Audit Report for a schedule of revenue and expenditures for 1996.

Management comments were responsive to the audit finding and recommendation.



OFFICE OF THE INTERNAL AUDITOR

July 3, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-13

**Municipal Traffic Fines
Collected by the State of Alaska Traffic Court**

Anchorage Police Department

At the request of the Administration, we have completed an audit of Municipal traffic fines collected by the State of Alaska Traffic Court. The objective of this audit was to determine whether the fines were remitted back to the Municipality timely and in the proper amount. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during April and May 1997.

Municipal traffic fines collected by the State of Alaska Traffic Court were remitted to the Municipality timely and in the proper amount. Our sample of citations revealed that payments were accurately deposited to Municipal accounts within one week of receipt. However, the payments represented only 23% of the 80 citations sent to the State of Alaska Traffic Court in our sample. The other citations had either been dismissed (45%), were pending court action (23%), or been assessed a penalty and were delinquent (9%). Further, according to State of Alaska Traffic Court personnel, warrants had not been issued since March 1996. We also found that traffic citations were not always issued in accordance with Anchorage Municipal Code provisions.

Management comments were responsive to the audit finding and recommendation.



September 2, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-14

Purchasing Procedures Follow-up Audit

Anchorage Parking Authority

At the request of the Administration, we have completed a follow-up audit of purchasing procedures at the Anchorage Parking Authority. The objective of this audit was to determine whether the Anchorage Parking Authority has followed the proper procedures for the procurement of goods and services for the years 1995 through June 30, 1997, and to determine whether corrective action has been taken on the audit findings reported in the Internal Audit Report 95-09, dated June 8, 1995. All 13 contracts were reviewed from 1995 through June 1997. In addition, we reviewed 68 vendors from 1995 and 64 vendors from 1996 that had received more than \$5,000 in payments during the year. We also reviewed 53 vendors from 1997 that had received more than \$2,500. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 1997.

The "APA Purchasing Policy and Procedure" was revised in November 1995 as recommended in Internal Audit Report 95-09 and clearly communicated the procedures and actions required for a competitive bidding process as described by Anchorage Municipal Code Title 7. However, even though the use of a competitive bidding process did increase in 1997, the condition reported in Internal Audit Report 95-09 has not been totally corrected. Specifically, we found that goods and services were not always procured through a competitive process and the competitive bidding process was not always documented. In addition, our review of the overall propriety of the selected purchases revealed that some purchases were of questionable nature.

Management comments were responsive to the audit finding and recommendation.



September 25, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-15

Billing and Collection

Anchorage Water and Wastewater Utility

We have completed an audit of billing and collection procedures at the Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether billing and collection procedures were adequate and in compliance with Anchorage Water and Wastewater Utility policy. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of May through July 1997.

Billing and collection procedures were generally satisfactory. We did find that deposits were not always collected as required, late payment fees were not collected for accounts paid by credit cards, adjustments to customer accounts were not always approved by a supervisor and the collection agency contract did not specify the recovery of collection costs.

Management comments were generally responsive to the audit findings and recommendations.



October 3, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-16

Billing and Collecting for Emergency Medical Services

Anchorage Fire Department and Finance Department

At the request of the Administration, we have completed an audit of billing and collecting procedures for emergency medical services at the Anchorage Fire Department and the Finance Department. The objective of this audit was to determine whether emergency medical services were properly billed and collected. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of May through July 1997.

In general, emergency medical services were properly billed and collected. However, information on pre-hospital medical reports was not always complete. The Indian Health Service was not notified of the ambulance transport within the required time frame for applicable patients. Claims were not always filed with the Indian Health Service for applicable patients. In addition, current collection procedures did not always result in timely collection actions.

Management comments were generally responsive to the audit findings and recommendations.



October 29, 1997

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 97-17

Cash Control Procedures Follow-up Audit

Anchorage Parking Authority

At the request of the Municipal Audit Committee, we have completed a follow-up audit of Cash Control Procedures at the Anchorage Parking Authority. The objective of this audit was to determine the adequacy of cash control procedures at the Anchorage Parking Authority and to follow-up on the prior audit findings reported in Internal Audit Report 96-08, dated August 2, 1996. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of July through August 1997.

Cash controls have improved in some areas previously identified in Internal Audit Report 96-08 while other areas still required improvement. Written cash handling procedures still did not include all cash handling functions and were not consolidated into one formal written policy and procedure. The physical security of cash and related items had improved, although cash was not always properly secured at the parking garages. Cash receipts were not always deposited timely although the percent of untimely deposits had decreased significantly. Cashiers had received cash handling training as recommended in the prior audit.

Management comments were responsive to the audit findings and recommendations.

ANCHORAGE MUNICIPAL CODE 3.20

ANCHORAGE MUNICIPAL CODE 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(s) –Independent audit, § 13.10.

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.
- K. This section shall not apply to the Anchorage Telephone Utility or its Board of Directors unless otherwise agreed by the Anchorage Telephone Utility.

(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)

3.20.120 **Responsibilities of the 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 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 No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))

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.

B. This section shall not apply to the Anchorage Telephone Utility or its Board of Directors unless otherwise agreed by the Anchorage Telephone Utility.

(AO No. 77-359; AO No. 79-27; AO No. 88-70(S); AO No. 91-173(S))