
INTERNAL AUDIT DEPARTMENT

1998 ANNUAL REPORT

January 20, 1999

MUNICIPALITY OF ANCHORAGE

Office of Internal Audit

632 W 6th Avenue, Suite 300

P.O. Box 196650

Anchorage, Alaska

99519-6650



OFFICE OF INTERNAL AUDIT

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Internal Audit Department 1998 Annual Report

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January 20, 1999

Honorable Mayor and Members of the Anchorage Municipal Assembly:

Attached is the 1998 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 1998 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 Municipal 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", is positioned above the printed name and title.

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 Municipal 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 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 Municipal 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 Municipal Assembly and the Administration. Criteria for scheduling audits include the following:

- Requests by the Municipal Assembly and Administration
- Potential for cost savings through more efficient, effective management
- Potential for increasing revenues
- Areas with a high risk of loss or misappropriation
- Suspected fraud or error
- Areas identified with problems
- Safeguarding and management of Municipal assets
- Issues identified by the external auditors

DISTRIBUTION OF AUDIT REPORTS

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

Copies of reports are available to the public at the following locations:

1. Reference section of the Z J Loussac Public Library, 3600 Denali Street, Anchorage, Alaska
2. Municipality of Anchorage Website at: <http://www.ci.anchorage.ak.us>
3. Municipality of Anchorage, Internal Audit Department, 632 West 6th Avenue, Suite 300, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, fax (907) 343-4370, e-mail: raiskumspw@ci.anchorage.ak.us.

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 1998 AUDIT REPORTS

1998 AUDIT REPORTS			
NUMBER	DATE	REPORT NAME	DEPARTMENT
	01-28-98	1997 Annual Report	Internal Audit
98-01	01-08-98	Fixed Asset Inventory	General Government
98-02	01-12-98	Customer Service Cash Controls	Public Transportation Dept
98-03	02-06-98	Contract for Professional Services With Montgomery Watson	AWWU
98-04	02-13-98	1997 Parts Inventory	Property & Facility Mgt - Fleet Services
98-05	02-18-98	1997 Parts and Fuel Inventory	Public Transportation Dept
98-06	02-18-98	1997 Parts and Fuel Inventory	ML&P
98-07	02-19-98	1997 Parts and Fuel Inventory	AWWU
98-08	03-09-98	Municipal Payroll	Finance Department
98-09	03-17-98	Cash Control Procedures	Health & Human Services
98-10	05-21-98	Animal Control	Health & Human Services
98-11	06-22-98	Accounts Receivable	Solid Waste Services
98-12	09-08-98	ACCPAC Financial Accounting System	Anchorage Parking Authority
98-13	09-21-98	Community Development Block Grant Administration	Community Planning and Development
98-14	11-10-98	Non-Standard Payroll Procedures	Finance Department
98-15	12-23-98	Uniform Summons and Complaint Citation Process	Anchorage Police Department

INDEX OF 1998 SPECIAL PROJECTS

1998 SPECIAL PROJECTS

DATE	SUBJECT NAME	DEPARTMENT
01-27-98	1997 Expense Review - Area Wide	Purchasing Department
05-15-98	Review of City Hall Building Lease	Property & Facility Mgt
05-28-98	N.E. Turnagain Project Costs	Public Works
08-12-98	Fire Operations Division Staffing Review	Anchorage Fire Department
08-25-98	Status of Tiburon Project	Anchorage Police Department
08-28-98	Review of 1997 Police & Fire Retiree Medical Fund Statements	Police & Fire Retirement
08-30-98	Generation Inventory Procedures	ML&P
09-23-98	LINK Project	Health & Human Services
10-27-98	Muldoon Community Development Corporation (MCDC)	Community Planning & Development
11-12-98	System Control Flow Charts	Finance Department
	Assistance to the External Auditor - Annual Financial Audit	Finance Department

EXECUTIVE SUMMARIES



OFFICE OF THE INTERNAL AUDITOR

January 8, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-01

Fixed Asset Inventory

General Government

At the request of the Municipal Assembly, a physical inventory of General Government fixed assets (excluding land, buildings and capital improvements) has been completed. The inventory was performed by Internal Audit and each respective Agency Fixed Asset Custodian during 1996 and 1997. During the inventory, new bar-coded inventory tags were affixed to each asset and property records maintained by the Controller Division and each Agency were updated to reflect the results of the inventory.

The physical inventory revealed that property records were not accurate. Specifically, for reportable assets, approximately 2,000 items not on property records, valued at \$12.3 million, were found; and approximately 1,700 items that were on the property records, valued at \$15.7 million, could not be located. The total amount reported in the 1995 Municipal Comprehensive Annual Financial Report for general fixed assets (reportable) was \$49.6 million. We were not able to ascertain the amount of adjustment required for the nonreportable property records maintained by each agency. Reasons for the large inventory variances as well as specific problems encountered during the physical inventory are outlined in the audit report.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

January 12, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-02

Customer Service Cash Controls

Public Transportation Department

We have completed an audit of Customer Service Cash Controls at the Public Transportation Department. The objective of this audit was to determine whether the procedures and controls over cash, bus passes and tokens at Customer Service were adequate and in compliance with Anchorage Municipal Code and Municipal Policy and Procedure requirements. 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 January through July 1997. The audit was performed during July through September 1997.

Procedures and controls over cash, bus passes and tokens at Customer Service were not in compliance with Anchorage Municipal Code or Municipal Policy and Procedure requirements. Specifically, the following deficiencies were found: sales transactions were not always processed through the cash register; supervisory approval was not required for void transactions; safes containing cash and cash items were not locked at all times; all bus passes were not accounted for; accountability over ride guides, clips and laminates was not maintained; gift certificates were not adequately controlled; consignment forms were not always signed by the recipient; management approval of donations was not always documented; office security required strengthening; and employees had not attended mandatory cash handling training.

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



OFFICE OF THE INTERNAL AUDITOR

February 6, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-03

**Contract for Professional Services
With Montgomery Watson**

Anchorage Water and Wastewater Utility

At the request of the Municipal Assembly, we have completed an audit of the costs associated with the professional construction management services contract for the Anchorage Water and Wastewater Utility Loop Water Transmission Main Project Phases I, II and III. The objectives of this audit were to review the contract costs, contract administration, and compliance with contract provisions. Specifically, we reviewed the supporting documentation for the invoiced costs billed by Montgomery Watson through the period of October 31, 1997, and verified that the costs were allowable by the contract, were within Montgomery Watson's scope of services, and that the amounts billed were in compliance with the contract's standard billing rates. We also reviewed the adequacy of the review and approval procedures performed by the Anchorage Water and Wastewater Utility project manager over Montgomery Watson's submitted invoices. 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 October through December 1997.

Review and approval procedures performed by Anchorage Water and Wastewater Utility project management of the invoiced costs were generally adequate. However, Montgomery Watson was directed to start work prior to the contract effective date and some costs billed to the project were not within the scope of services, were not in compliance with the contract terms, and were not in compliance with the contract's standard billing rates.

Management comments are presented verbatim in the audit report.

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

February 13, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-04

1997 Parts Inventory

Fleet Services Division Property & Facility Management

We have completed an audit of the parts inventory at the Fleet Services Division, Property & Facility Management. The objective of this audit was to determine if the physical inventory of parts at the Fleet Services Division was 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 inventory counts, accounting records and such other auditing procedures as we considered necessary in the circumstances. Specifically, we observed the physical inventory, performed random test counts and verified adjusting entries. The inventory was observed in January 1998.

The parts inventory was recorded at \$399,362.96 as of December 31, 1997. The value of the parts 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.



February 18, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-05

1997 Parts and Fuel Inventory

Public Transportation Department

We have completed an audit of the parts and fuel inventory 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 1998 and adjusting entries were verified in February 1998.

The parts and fuel inventory at the Public Transportation Department was recorded at \$504,177.07 as of December 31, 1997. 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 the proper adjusting entries were made. Additionally, approximately 30 buses will be replaced with new buses at the end of 1998 or the beginning of 1999. Accordingly, we recommend that the Public Transportation Department budget for the expense associated with the deletion of the obsolete bus parts from the inventory as the amount could be fairly substantial.



OFFICE OF THE INTERNAL AUDITOR

February 18, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-06

1997 Parts and Fuel Inventory

Municipal Light and Power

We have completed an audit of the parts and fuel inventory at 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 accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed in November 1997 and adjusting entries were verified during February 1998.

The parts and fuel inventory at Municipal Light and Power was recorded at \$3,909,858.82 as of December 31, 1997. The value of the warehouse inventory was based on a weighted average unit cost. Fuel inventory was measured in December 1997 and valued at book 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.



OFFICE OF THE INTERNAL AUDITOR

February 19, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-07

1997 Parts and Fuel Inventory

Anchorage Water and Wastewater Utility

We have completed an audit of the parts and fuel inventory at 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 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 \$839,162.14. This included the value of the parts and materials, fuel, gravel, recycled asphalt and chemicals. The value of the inventory of the parts and materials was based on a weighted average unit cost. Fuel, gravel, recycled asphalt and chemical inventories were valued at the most recent invoice price. A physical inventory of parts and materials was performed in September 1997 and the perpetual inventory records were adjusted to the physical count. Fuel was measured in September 1997, gravel and recycled asphalt inventories were measured in August 1997, and chemicals were measured in December 1997. Adjusting entries were verified during February 1998. 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.



OFFICE OF THE INTERNAL AUDITOR

March 9, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-08

Municipal Payroll

Finance Department

We have completed an audit of Municipal Payroll at the Finance Department. The objectives of this audit were to determine whether selected payroll transactions were accurate, properly supported and in compliance with the Anchorage Municipal Code and Municipal Policy and Procedures requirements. 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 audit period was from January through October 1997.

Selected payroll transactions were generally accurate. However, they were not always properly approved or in compliance with Anchorage Municipal Code and Municipal Policy and Procedures requirements. Overtime transactions and manual payroll checks were not always properly approved, terminated employees were not inactivated in the payroll system at the time of termination, and payroll guidelines did not address the completion of leave adjustment forms.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

March 17, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-09

Cash Control Procedures

**Environmental Services Division
Community Health Services Division
Health and Human Services Department**

We have completed an audit of cash control procedures at the Environmental Services and Community Health Services Divisions of the Health and Human Services Department. The objective of this audit was to determine whether cash control procedures at the Environmental Services Division and Community Health Services Division were adequate and in compliance with Municipal Policy and Procedure 24-1, Collecting, Securing, Depositing and Reporting Cash. 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 December 1997. The audit was part of the 1997 audit plan.

Cash control procedures were generally satisfactory in the Environmental Services Division. However, cash controls required strengthening in the Community Health Services Division. Cashier Daily Summary Reports were not always sent daily to the Finance Department, Treasury Division, payments received through the mail were not processed daily, physical security over cash required strengthening and supervisory cash counts were not performed.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

May 21, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-10

Animal Control

Health and Human Services

At the request of the Administration, we have completed an audit of the Animal Control contract. The objectives of this audit were to determine the accuracy of monthly reporting, review adoption procedures, determine compliance with response times required by the contract, determine whether positions required by the contract were filled, and evaluate cash management procedures. 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 February and March 1998.

The first eight months of operation of the Animal Control Center by the new contractor, Allvest, Inc., had not resulted in complete implementation of the contract. The Contract Administrator provided a six-month grace period from assessing penalties for noncompliance with the contract. At the end of the grace period, several tasks still had not been completed, such as finalizing and implementing policies and procedures, and fully staffing all positions. Our audit disclosed incomplete and inaccurate reporting, incomplete adoption procedures, undocumented response times, and unsatisfactory cash control procedures.

Management stated, "We wish to express our appreciation to the audit staff for the time, energy and hard work expended in this audit. We especially appreciated the professionalism of the audit staff in their conduct of this long and demanding audit."

Management comments were responsive to the audit findings and recommendations.



June 22, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-11

Accounts Receivable

Solid Waste Services

In accordance with the 1998 Audit Plan, we have completed an audit of the accounts receivable at Solid Waste Services. The objectives of this audit were to determine the adequacy of internal controls over accounts receivable and whether accounts receivable were being billed in an accurate and timely manner. 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 April through May 1998.

Internal controls over accounts receivable were good and accounts receivable were maintained in an accurate and timely manner. Rates for collection services were billed in the amounts and time frame prescribed by the Anchorage Municipal Code and adjustments to customers' accounts were properly supported and authorized. In addition, collection procedures for bad debt collection were proper. However, we found that some of the fees charged were not always consistent with or included in the Anchorage Municipal Code.

Management comments were responsive to the audit finding and recommendation.



September 8, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-12

ACCPAC Financial Accounting System

Anchorage Parking Authority

In accordance with the 1998 Audit Plan, we have completed an audit of the ACCPAC Financial Accounting System at the Anchorage Parking Authority. The objective of this audit was to review the adequacy of the Anchorage Parking Authority's new computerized financial accounting system controls. 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 review of documentation and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the month of July 1998. The audit was requested by the Administration.

Controls relating to the ACCPAC system were not adequate to protect computer equipment and accounting data from loss due to damage, misuse or destruction. ACCPAC security including user groups had not been activated, allowing users to log onto ACCPAC without a password. In addition, network controls did not prevent anyone from logging onto ACCPAC and working with the financial records. Backup procedures were not adequate to re-create the system, and procedures for payroll, bank reconciliations and general ledger processing had not been documented.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

September 21, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-13

**Community Development Block Grant Administration
Community Planning and Development**

In accordance with the 1998 Audit Plan, we have completed an audit of the Community Development Block Grant Administration at Community Planning and Development. The objective of this audit was to determine whether the Housing and Community Development Division was administering Community Development Block Grant capital projects in accordance with applicable United States Department of Housing and Urban Development guidelines contained in Title 24 Code of Federal Regulations Part 570 "Community Development Block Grants" (Entitlement Program). Specifically, we reviewed project eligibility, project monitoring procedures and project expenditures for compliance with federal requirements. Our review of project eligibility was for capital projects approved for funding from the 1997/1998 entitlements. Our review of capital projects for evidence of monitoring, expenditure test work, and documentation requirements was for both 1997/1998 capital projects and seven 1996 capital projects funded with 1995 and 1996 entitlements. 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 1998. The audit was requested by the Assembly.

Projects approved for funding from 1997/1998 entitlements were for eligible types of activities of the Community Development Block Grant program based on proposed descriptions of the project provided by the sub-recipients as part of the Request for Proposal Process. However, procedures for monitoring sub-recipient compliance with United States Department of Housing and Urban Development regulations and contract requirements required strengthening. Further, in 1998, some grant funds were disbursed to sub-recipients in advance, which was not an allowable method of disbursement. We also found that some project expenditures were not always properly supported.

Management comments were responsive to the audit findings and recommendations.



OFFICE OF THE INTERNAL AUDITOR

November 10, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-14

Non-Standard Payroll Procedures

In accordance with the 1998 Audit Plan, we have completed an audit of Non-Standard Payroll Procedures. 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 exception procedures were being followed. In conjunction with determining whether the approved compensating controls were being followed, and as applicable, we tested compliance with the requirements of Municipal Policy and Procedures 24-10, "Approval and Retention of Employee Time and Attendance Records," and Municipal Policy and Procedure 40-9, "Documenting and Approving Overtime." 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 August 1998.

The Chief Fiscal Officer had granted an exception to the seven organizations that were not following standard payroll procedures. In general, all organizations were following the approved exception procedures and Municipal Policy and Procedure 24-10 and 40-9 requirements. However, with the implementation of the PeopleSoft system in 1999, all current exceptions to the standard payroll procedures will need to be reviewed for applicability and necessity.



OFFICE OF THE INTERNAL AUDITOR

December 23, 1998

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 98-15

Uniform Summons and Complaint Citation Process

Anchorage Police Department

In accordance with the 1998 Audit Plan, we have completed an audit of the Uniform Summons and Complaint Citation Process at the Anchorage Police Department. The objective of this audit was to evaluate procedures and controls over citations. Specifically, we reviewed procedures and controls for safeguarding, storing, issuing, tracking and recording citations, and collecting fines. 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 1998.

Procedures and controls over the citation process required improvement. The Citation Tracking System was not current and was not reconciled periodically; the Anchorage Police Department established a policy not to process citations that are missing the original citation; State of Alaska surcharges were not always collected; and controls over collecting, depositing and recording citation fines required strengthening.

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))”