
INTERNAL AUDIT DEPARTMENT

2002 ANNUAL REPORT

January 10, 2003

MUNICIPALITY OF ANCHORAGE

Internal Audit Department
632 W 6th Avenue, Suite 600
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Anchorage, Alaska
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OFFICE OF INTERNAL AUDIT

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Internal Audit Department 2002 Annual Report

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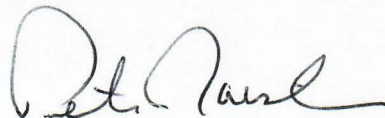
January 10, 2003

Honorable Mayor and Members of the Anchorage Municipal Assembly:

Attached is the Internal Audit Department 2002 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2002 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 black 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

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, LLP is currently the external auditor for the Municipality of Anchorage. The Department of Assembly is the contract administrator for the external auditor.

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, 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 audit report 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. 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 Management and Budget Director, the Chief Fiscal Officer, the respective Department Director, and other Municipal personnel as appropriate.

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

1. Serial section of the Z J Loussac Public Library, 3600 Denali Street, Anchorage, Alaska
2. Municipality of Anchorage, Internal Audit Department, 632 West 6th Avenue, Suite 600, PO Box 196650, Anchorage, Alaska 99519-6650, telephone (907) 343-4438, fax (907) 343-4370, e-mail: WWIA@ci.anchorage.ak.us

STAFFING OF THE INTERNAL AUDIT DEPARTMENT

Current staff members are:

Peter Raiskums, Director
Michael Chadwick, Principal Auditor
Ellen Luellen, Auditor
Robyn Fuqua, Auditor
Robbin Grubbs, Audit Technician

The current department Director provides the Municipality with more than 38 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 14 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and Certified Government Financial Manager (CGFM).

Governmental Auditing Standards require that each auditor acquire 80 hours of continuing education every two years. Of these 80 hours, 24 must be in subjects directly related to the government environment and to government auditing. The courses taken by the audit staff to fulfill this requirement keep the auditors up to date with the latest auditing techniques and aware of current audit issues required by government auditing standards.

INDEX OF 2002 AUDIT REPORTS

2002 AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
2002-1	01/10/02	2001 Operations Warehouse Inventory	Municipal Light & Power
	01/22/02	2001 Annual Report	
2002-2	02/22/02	Procurement Card Program	Purchasing Department
2002-3	02/22/02	2001 Parts Inventory	Public Transportation Department
2002-4	03/14/02	2001 Parts, Tires and Lubricants Inventory; Fleet Services Division	Facility and Fleet Management
2002-5	05/02/02	Vehicle Maintenance	Port of Anchorage
2002-6	06/20/02	TriData Follow-up Review	Anchorage Fire Department
2002-7	06/20/02	Anchorage Convention and Visitors Bureau	Cultural and Recreational Services
2002-8	07/12/02	First Five Year Review of Operation of Police & Fire Retiree Medical Funding Program; Executive Director, Police & Fire Retiree Medical Trust	Employee Relations Department
2002-9	07/12/02	Knox Box Program	Anchorage Fire Department
2002-10	09/25/02	Customer Service Cash Control Procedures	Anchorage Water and Wastewater Utility
2002-11	09/30/02	Utility Charges to Municipality for Operation of Pools, Anchorage School District	Cultural and Recreational Services

INDEX OF 2002 SPECIAL PROJECTS

2002 SPECIAL PROJECTS

DATE	SUBJECT NAME	DEPARTMENT
01/17/02	Blue Cross Premiums	Employee Relations
03/26/02	Expenditures of Municipal Funds	Chief Fiscal Officer
04/02/02	Police & Fire Retiree Participant Statements for 4 th Quarter 2001	Employee Relations
04/10/02	Police & Fire Retiree Participant Statements January 2002	Employee Relations
04/10/02	Police & Fire Retiree Participant Statements February 2002	Employee Relations
04/16/02	Auction of DWI/Forfeiture Vehicles	Anchorage Police Department
05/08/02	Police & Fire Retiree Participant Statements, March 2002	Employee Relations
05/21/02	Police & Fire Retiree Participant Statements for April 2002	Employee Relations
06/18/02	2001 Municipal Travel	Municipal Wide
07/12/02	Teamsters Local 959 Contract Cost Validation	Municipal Assembly
08/08/02	DWI Forfeiture Vehicles	Anchorage Police Department
08/20/02	IBEW, AFL/CIO Local No. 1547 Contract Cost Validation	Municipal Assembly
08/21/02	Procurement Card Rebates	Purchasing Department
09/19/02	Police & Fire Retiree Participant Statements for May, June, July & August 2002	Employee Relations
10/01/02	Professional Services Contract with Eberhardt & Associates or Bus Advertisement	Public Transportation Department

2002 SPECIAL PROJECTS

10/15/02	Operating Engineers Local 302 Contract Cost Validation	Municipal Assembly
11/19/02	Police & Fire Retiree Participant Statements for September & October 2002	Employee Relations
12/13/02	1 st Quarter Fiscal Year 2003 Pool Utility Charges	Cultural and Recreational Services
12/30/02	E-911 Surcharge Collected and APD Expenditure- January 1 through December 18, 2002	Office of Management & Budget/Anchorage Police Department

**EXECUTIVE SUMMARIES FROM
2002 AUDIT REPORTS**



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



January 10, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-1

2001 Operations Warehouse Inventory

Municipal Light and Power

As part of the 2001 Audit Plan, we observed the year-end inventory at the Municipal Light and Power Operations Warehouse. The objective of this audit was to determine if the Operations Division warehouse inventory was reasonably accurate. We observed the year-end physical inventory procedures, performed test counts, and verified the adjusting entries. 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 2001. The audit was requested by Municipal Light and Power management.

Based on our observations and test counts, it is our opinion that the physical inventory was reasonably accurate and the adjustments were properly entered into the financial records. The physical inventory resulted in a net adjustment of \$935.74 and a final parts value of \$2,817,979.01 for the Operations Division warehouse.



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



February 22, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-2

Procurement Card Program

Purchasing Department

As part of the 2001 Audit Plan, we have completed an audit of the Procurement Card Program that is administered by the Purchasing Department. The objective of this audit was to determine whether procurement card transactions initiated by Anchorage Water and Wastewater Utility and Municipal Light and Power personnel were in compliance with the draft Municipal Policy & Procedure (P&P) 48-16, Procurement Cards, and P&P 68-1, Employee Travel Approval, Travel Expense and Per Diem. Specifically, we reviewed all transactions initiated by the two utility General Managers and a sample of transactions initiated by the other utility employees during the period April through September 2001 to determine whether:

- ▶ the description of items purchased was accurately entered into PaymentNet,
- ▶ supervisory approval was made on-line within seven days,
- ▶ items prohibited by the P&P were purchased (airline tickets, professional services, gasoline, etc.),
- ▶ discounts were received when appropriate,
- ▶ travel and business meals purchased were in accordance with the P&P,
- ▶ transactions had been split to circumvent the \$2,500 transaction limit, and
- ▶ supporting documentation was filed in a central location.

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 November 2001.

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Procurement card transactions made by Anchorage Water and Wastewater Utility and Municipal Light and Power personnel generally complied with P&P's 48-16 and 68-1. In addition, all transactions made by the two General Managers were appropriate. Item descriptions were entered accurately, supervisory approval was generally timely, and supporting documentation was filed as required. However, travel expenses charged to procurement cards were not always documented properly on the travel expense reports. It was difficult to determine whether discounts were received at the time of purchase. Also, the \$2,500 transaction limit may be too low for some cardholders, resulting in some purchases being split to circumvent the transaction limit.



*George P. Wuerch,
Mayor*

Municipality of Anchorage

Internal Audit



February 22, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-3

2001 Parts Inventory

Public Transportation Department

As part of the 2001 Audit Plan, we have observed the year-end inventory at the Public Transportation Department. The objective was to determine if the year-end physical inventory was 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 during January 2002.

Based on our review, it is our opinion that the physical inventory was reasonably accurate and the adjustments were properly entered into the financial records. The physical inventory resulted in a final parts' valuation of \$330,100.05, with net adjustments of \$427.24 to increase the inventory subsystem and \$5,661.75 to decrease the PeopleSoft financial records.



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



March 14, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-4

2001 Parts, Tires and Lubricants Inventory

Fleet Services Division Facility and Fleet Management

As part of the 2001 Audit Plan, we observed the year-end inventory at Fleet Services Division, Facility and Fleet Management. The objective was to determine if the year-end physical inventory was reasonably accurate. Specifically, we performed random test counts and verified that adjusting entries were processed. 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 recorded at \$366,154.41 as of December 31, 2001. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$82,538.80 was made to increase the PeopleSoft records to adjust the records to the physical count. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate.



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



May 2, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-5

Vehicle Maintenance

Port of Anchorage

As part of the 2002 Audit Plan, we have completed an audit of vehicle maintenance at the Port of Anchorage. The objective of this audit was to evaluate the vehicle and heavy equipment maintenance program at the Port of Anchorage. Specifically, we determined if all repair and maintenance were documented, if preventive maintenance was accomplished, if the purchase of parts and fuel was properly controlled, and if tools and shop equipment were accounted for. 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 December 2001 through January 2002.

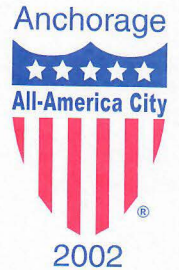
Vehicles and equipment were generally maintained in a good condition. However, vehicle maintenance records were not automated, preventive maintenance was not scheduled as required, and fuel was not properly controlled.



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



June 20, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-6

TriData Follow-up Review

Anchorage Fire Department

As part of the 2002 Audit Plan, we have completed a follow-up review at the Anchorage Fire Department of the TriData report, "A Review of the Anchorage Fire Department," dated July 2000. The objective of this audit was to determine the status of the recommendations contained in the TriData report. 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 Fire Department records and such other procedures as we considered necessary in the circumstances. The audit was performed during the period of April through May 2002. The audit was requested by the Administration.

Management action has been completed on 68 of the 126 recommendations contained in the TriData report. Management action is partially completed for 18 recommendations. Action has not yet been taken for 15 recommendations. Management did not concur with 25 recommendations and does not plan to take any further action.

Management action taken to date has resolved many of the problems identified by TriData. We did not observe the interpersonal conflict that was reported in the TriData report during our follow-up audit. Even though the scope of work for the original management audit requested specific actions that could result in measurable dollar savings, TriData's recommendations and resulting management action have required considerable costs to implement.



*George P. Wuerch,
Mayor*

Municipality of Anchorage

Internal Audit



June 20, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-7

Anchorage Convention and Visitors Bureau

Cultural and Recreational Services

As part of the 2002 Audit Plan, we have completed an audit of the Contract for Professional Services with the Anchorage Convention and Visitors Bureau. The Contract Manager is Cultural and Recreational Services. The objective of this audit was to review Contract compliance and evaluate program performance. 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 January through March 2002 and was requested by the Administration.

Overall, the Anchorage Convention and Visitors Bureau has complied with the requirements of the Contract and was working to promote tourism in Anchorage. There were, however, several issues that we feel should be brought to management's attention. The Contract did not contain specific and measurable performance measures. Bed Tax funds were used to pay for expenses that may not be appropriate with Municipal funds, such as various employee fringe benefits. The Anchorage Convention and Visitors Bureau does not utilize fund accounting as required by the Contract. Also, Bed Tax revenue was used to purchase fixed assets.

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George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



July 12, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-8

First Five Year Review of Operation of Police & Fire Retiree Medical Funding Program

Executive Director, Police & Fire Retiree Medical Trust Employee Relations Department

As part of the 2002 Audit Plan, we have completed an audit of the Police and Fire Retiree Medical Funding Program. The objective of this audit was to review the operation of the Police and Fire Retiree Medical Funding Program, including the amount of the initial monthly contribution made by the Municipality. 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 2002. The audit was requested by the Assembly in response to the five year review requirement.

Overall, the Police and Fire Retiree Medical Funding Program is operating as intended. The Police/Fire Retiree Medical Liability Fund (313) has been funded each year as specified by the actuarial study, with the contribution split between Areawide General Fund (101), Anchorage Fire Service Area Fund (131), and Anchorage Metro Police Service Area Fund (151). Additionally, funds in Fund 313 are currently being properly appropriated to make the monthly contributions to the Expendable Police and Fire Retiree Medical Trust Fund (713). A misunderstanding in prior years regarding monthly contributions from Fund 313 has resulted in an Interfund Payable to the General Fund of \$1,933,995 at the end of 2001 as well as possible inaccurate contribution rates in the actuarial study. The misunderstanding was pointed out to the Executive Director, Police and Fire Retiree Medical Trust, in 2001 by Internal Audit and the contributions are now properly made out of fund 313 instead of the General Cash Pool. The current monthly insurance premiums exceed the contribution rate for all four tiers. We also found no evidence that funds have been clearly designated for the \$9.8 million balloon contribution in 2006.

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George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



July 12, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-9

Knox Box Program

Anchorage Fire Department

As part of the 2002 Audit Plan, we have completed an audit of the Knox Box Program at the Anchorage Fire Department. The objective of this audit was to evaluate the procedures and controls over the Knox Box Security System. 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 June 2002. The audit was requested by Administration.

Overall, the Fire Prevention Division of the Anchorage Fire Department has established adequate controls and procedures for the Knox Box Security System. There were, however, several issues requiring improvement. The Knox Box keys held in the Fire Prevention Division were not adequately secured. Further, we could not verify the number of master and sub-master keys that the Fire Prevention Division said they had acquired from the Knox Company. Knox Box actions were not documented on the Fire/EMS reports. Dispatch personnel were not monitoring or documenting the status of the Knox Box keys once the key was released. All map books did not contain Knox Box locations. Finally, we found a general lack of knowledge of the Knox Box PPI 900-23 by some Fire Department personnel.

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George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



September 25, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-10

Customer Service Cash Control Procedures

Anchorage Water and Wastewater Utility

As part of the 2002 Audit Plan, we have completed an audit of the Customer Service cash control procedures at Anchorage Water and Wastewater Utility. The objective of this audit was to evaluate the procedures and controls at the Customer Service Division, Credit and Collection Section. 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 2002. The audit was requested by the Administration.

Although Anchorage Water and Wastewater Utility has established proper cash controls and procedures for the Customer Service Division, there are several issues requiring improvement and adherence to Municipal Policies and Procedures. The cashier and relief cashier have knowledge of each other's passwords. The keys to the safe and cash change drawer are kept in the supervisor's office in an unlocked drawer. In addition, we could not find evidence that the supervisor performs monthly "unscheduled" cash/check counts on each cashier's drawer. Further, not all cashiers have received annual cash training in accordance with Municipal Policy and Procedure 24-1. Cashiers have a large number of voided transactions and are allowed to void transactions without supervisory approval. Finally, access to the customer service area, including the cashier's office, is restricted by a half-door with only a sliding lock. During the performance of this audit, Credit and Collection Section personnel took immediate steps to resolved several of the audit findings prior to the issuance of this report.

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George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



September 30, 2002

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2002-11

Utility Charges to Municipality for Operation of Pools Anchorage School District

Cultural and Recreational Services

As part of the 2002 Audit Plan, we have completed an audit of the utility charges to the Municipality of Anchorage for the operation of the Anchorage School District pools. The objective of this audit was to determine the proper amount that should have been billed for utility costs for the six pools during the period July 1, 2001, through June 30, 2002. Specifically, all Anchorage School District utility bills for the pools were listed and traced to amounts billed for electricity, water/sewer, and gas to source documents consisting of actual utility company invoices, Anchorage School District meter statements, or other documents referenced by the Anchorage School District. In those instances where the Anchorage School District had estimated utility charges due to a lack of information, an average rate was used to more accurately estimate what the true costs should be. To arrive at the average rate, a ratio was computed using the utility costs derived from those periods where meter information was available just for the pool as compared to the utility cost for the entire school. This ratio or percentage was then applied to those periods where actual meter readings for the pool were not available. Based on our computation, the proper amount for the utility costs for the 12-month period should be \$378,197.69 which is \$95,252.42 less than originally billed by the Anchorage School District.

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 September 2002 and was requested by the Administration.

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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 references: 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 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 nonconcurrence 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))”