
INTERNAL AUDIT DEPARTMENT

2005 ANNUAL REPORT

January 17, 2006

MUNICIPALITY OF ANCHORAGE

Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
<http://www.muni.org/audit>



INTERNAL AUDIT DEPARTMENT

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Internal Audit Department 2005 Annual Report

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January 17, 2006

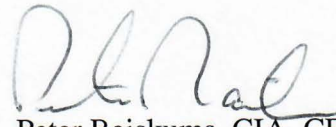
Honorable Mayor and Members of the Anchorage Municipal Assembly:

Attached is the Office of Internal Audit (Internal Audit Department) 2005 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2005 internal audit activity and the portion of the Anchorage Municipal Code pertaining to the Internal Audit Department.

According to Anchorage Municipal Code 3.20.100, the primary focus of the Internal Audit Department is to provide the Anchorage Municipal Assembly and the Mayor with objective information to assist them in determining whether government operations are adequately controlled; whether the required high degree of public accountability is maintained over public funds; and to improve the efficiency and effectiveness of Municipal government. 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.

During 2005, the Internal Audit Department issued 14 audit reports and performed 7 special projects.



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, reviewing compliance with laws and regulations, assuring the efficiency and economy of operations, and evaluating the effectiveness in achieving program results.

The audit process includes an evaluation of internal controls, examination of financial and other data, review of management systems and programs, and recommendations for improvement.

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

Internal Auditors are employees of the Municipality of Anchorage. Emphasis is on determining whether the required high degree of public accountability is maintained and 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. The emphasis is on the fairness of financial representations. The Municipal Assembly is responsible for the annual independent financial audit, annual federal single audit and annual state single audit of all Municipal accounts. The annual audits are overseen by the Audit Committee. The certified public accounting firm of KPMG, LLP is currently the external auditor for the Municipality of Anchorage.

AUDIT PROCEDURES

The Internal Audit Department performs audits in accordance with generally accepted government auditing standards, except for the requirement of an external peer review. A peer review is not performed due to budget constraints.

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

Survey - Survey work consists of discussions with agency personnel, physical inspections, review of records, and sample tests of transactions. In addition, auditors obtain an understanding of internal controls significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation.

Field Work - During field work, the auditor plans and defines audit objectives, reviews and evaluates extensive data, documents findings, and develops recommendations for corrective action.

Reporting - At the end of field work, the results of the audit are communicated to officials at various levels of government. 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, and is available to the public.

SCHEDULING OF AUDITS

The Director of Internal Audit prepares an annual audit plan at the beginning of each fiscal year, which is approved by the Municipal Audit Committee. Input is solicited from the Municipal Assembly, the Mayor, and Administration officials. 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 weak internal controls or known problems
- Safeguarding and management of Municipal assets
- Issues identified by the external auditors

DISTRIBUTION OF AUDIT REPORTS

Audit reports are distributed to the Mayor, each Municipal Assembly Member, the Municipal Manager, the Director of Management and Budget, the Chief Fiscal Officer, the Director of Economic and Community Development, 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. The Municipal 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: raiskumspw@muni.org
3. Internal Audit Department Website: <http://www.muni.org/audit>

STAFFING OF THE OFFICE OF INTERNAL AUDIT

Current staff members are:

Peter Raiskums, Director
Michael Chadwick, Principal Auditor
Birgit Arroyo, Sr. Auditor
Terry Burton, Sr. Auditor
Robbin Grubbs, Audit Technician

The current department Director provides the Municipality with more than 41 years of auditing experience. The current audit staff provides the Municipality with a combined total of approximately 16 years of auditing experience. Professional certifications held by department personnel include: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Financial Manager (CGFM), and Certified Internal Controls Auditor (CICA).

Government Auditing Standards Section 3.45 requires that each auditor complete, every two years, at least 80 hours of continuing professional education that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any one year of the two-year period. The courses taken by audit staff to fulfill this requirement help keep them up-to-date with the latest auditing techniques and aware of current audit issues.

INDEX OF 2005 AUDIT REPORTS

2005 AUDIT REPORTS

NUMBER	DATE	REPORT NAME	DEPARTMENT
	02/08/08	2004 Annual Report	
2005-1	02/09/05	2004 Parts, Tires and Lubricants Inventory; Fleet Services Section; Facility and Fleet Maintenance Division	Maintenance and Operations
2005-2	03/22/05	2004 Parts, Fuel and Chemicals Inventory	Anchorage Water & Wastewater Utility
2005-3	03/22/05	2004 Municipal Payroll Review	Finance
2005-4	03/22/05	Annual Municipal Procurement Card Review	Purchasing
2005-5	04/04/05	2004 Parts Inventory	Municipal Light and Power
2005-6	04/11/05	Cash Controls of Parking Garage Revenue	Anchorage Community Development Authority
2005-7	04/12/05	2004 Parts, Fuel and Lubricants Inventory	Public Transportation
2005-8	05/19/05	Police and Fire Retiree Medical Trust Five- Year Review	Employee Relations
2005-9	08/25/05	Traffic Citation Revenue	Anchorage Police
2005-10	09/15/05	Safety Procedures and Records	Port of Anchorage
2005-11	09/22/05	Municipal Leases	Heritage Land Bank
2005-12	10/12/05	Fuel Controls	Municipal Light and Power
2005-13	11/23/05	Billing Process	Anchorage Fire
2005-14	12/27/05	Planning Fee Revenue	Planning

INDEX OF 2005 SPECIAL PROJECTS

2005 SPECIAL PROJECTS

DATE	SUBJECT NAME	DEPARTMENT
01/06/05	Paint and Sign Shop 2004 Inventory	Public Transportation
05/12/05	YEA Contract for Hilltop	Economic & Community Development
05/13/05	January - December 2004 Police & Fire Retiree Participant Statement Review	Police & Fire Retirement
07/08/05	2004 Procurement Card Rebate	Purchasing
08/12/05	Street Vendors	Municipal Assembly
09/07/05	Cost Analysis of the Anchorage School District Proposed Labor Contract	Mayor
10/06/05	Museum Feasibility Study	Finance

**EXECUTIVE SUMMARIES FROM
2005 AUDIT REPORTS**



Mayor Mark Begich

Office of the Internal Auditor

February 9, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-1

2004 Parts, Tires and Lubricants Inventory Fleet Services Section Facility and Fleet Maintenance Division

Maintenance and Operations Department

As part of the 2004/2005 Audit Plan, we have observed the inventory of parts, tires and lubricants at the Fleet Services Section of the Facility and Fleet Maintenance Division, Maintenance and Operations Department. The objective of this audit was to determine if the year-end physical inventory of parts, tires, and lubricants was reasonably accurate and adjustments were properly entered into the financial records. Specifically, we observed the year-end inventory, performed inventory counts based on random, haphazard, and judgmental samples, and verified that adjusting entries were processed accurately.

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 2004 through February 2005.

Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate. The physical inventory resulted in a final inventory valuation of \$333,311.72. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$933.28 was made to decrease the PeopleSoft records to the physical count.



Municipality of Anchorage

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Mayor Mark Begich

Office of the Internal Auditor

March 22, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-2

2004 Parts, Fuel and Chemicals Inventory

Anchorage Water and Wastewater Utility

As part of the 2004/2005 Audit Plan, we have observed the inventory of parts, fuel and chemicals at Anchorage Water and Wastewater Utility. The objective of this audit was to determine the accuracy of Anchorage Water and Wastewater Utility's inventory records for parts, gravel, recycled asphalt, chemicals and fuel. Specifically, we inventoried 86 randomly selected items in the King Street Operations Warehouse and all chemicals at both the Eklutna and Ship Creek Water Treatment Plants. We also reviewed the methods used for measuring fuel inventories and attempted to reconcile the on-hand quantities with the quantities reflected in the Maximo system for the Arctic and King Street locations in addition to the Eklutna Water Treatment Plant.

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 months of December 2004 and January 2005. The audit was requested by the Administration.

Based on our test counts, the inventory records for the Operations Warehouse were reasonably accurate. In addition, inventory records for chemicals at Eklutna and Ship Creek Water Treatment Plants were reasonably accurate. However, the on-hand quantities of fuel did not reconcile with the quantities reflected in the Maximo system. The fuel at the Eklutna refueling site was not included in Anchorage Water and Wastewater Utility's fuel inventory. In addition, the annual inventories of fuel at all vehicle refueling sites and recycled asphalt and gravel were not being performed, as required by Anchorage Water and Wastewater Utility's Policy and Procedure 105-2, Operation & Maintenance Division Annual Inventory.

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Community, Security, Prosperity



Municipality of Anchorage

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Mayor Mark Begich

Office of the Internal Auditor

March 22, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-3

2004 Municipal Payroll Review

Finance Department

As part of the 2004 Audit Plan, we have completed an audit of Municipal payroll. The objective of this audit was to determine whether payroll transactions were valid and were supported by properly authorized documentation. This audit included a review of payroll transactions for the time period of January through June 2004. Specifically, we judgementally selected more than 580 time sheets and appropriate backup documentation, such as leave slips, overtime requests and prior period adjustments, from various departments and verified their accuracy. We also verified dependent care contributions and reimbursements. In addition, we tested payroll clerk access to the PeopleSoft Human Resources system to determine if access was properly authorized and appropriate. Moreover, we reviewed court leave and military training leave for 2003 and 2004 to determine if court pay and military pay were properly recovered. Finally, we followed-up on previous audit findings to determine if audit recommendations had been implemented.

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 September 2004 through January 2005. The audit was requested by the Administration.

Overall, selected payroll transactions were valid and biweekly payrolls were processed on time providing pay to the Municipal workforce. However, we found that deductions for military and court pay were not always made and that meal periods and meal allowances were incorrectly applied. In addition, we identified several dependent care deductions that were not supported by appropriate backup documentation. Moreover, we found that payroll records were not always properly completed, approved, or maintained. Finally, our audit revealed that the Payroll Clerk's Manual is outdated and payroll training is inadequate.



Mayor Mark Begich

Office of the Internal Auditor

March 22, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-4

Annual Municipal Procurement Card Review

Purchasing Department

As part of the 2004/2005 Audit Plan, we have completed an audit of the Municipal Procurement Card Program. The objective of this audit was to determine if Procurement Card holders are adhering to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of Procurement Card transactions from January through December 16, 2004. Specifically, we reviewed purchase and vendor descriptions for selected transactions to ensure purchases complied with Municipal Policy and Procedure 48-16, MOA Procurement Card. In addition, we judgementally selected and visited 22 different Municipal locations to verify that Procurement Card documentation is properly maintained according to Municipal Policy and Procedure 48-16.

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 2004 through January 2005. The audit is required by Municipal Policy and Procedure 48-16, Section 7f(1).

Our review revealed that most Procurement Card purchases complied with Municipal Policy and Procedure 48-16. However, some employees did not always follow Procurement Card policies and procedures or made questionable purchases with their Procurement Cards. Violations included fuel for Municipal vehicles and purchasing items available on a mandatory Annual Supply Contract. Questionable purchases included items such as lunches for meetings, birthday cakes, retirement plaques, balloons, flowers, charges for overweight baggage, and office water. Our review also revealed a variety of questionable donations to organizations such as the Anchorage Heart Association and the Chugiak Grad Blast. Finally, our review revealed that four departments did not properly maintain Procurement Card documentation.



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Mayor Mark Begich

Office of the Internal Auditor

April 4, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-5

2004 Parts Inventory

Municipal Light and Power

As part of the 2004/2005 Audit Plan, we have observed the inventory of parts at Municipal Light and Power. The objective of this audit was to determine the accuracy of the Operations Warehouse inventory records. Specifically, we inventoried 76 randomly selected items from the Inventory Stock Master 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 accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of December 2004 through January 2005. The audit was requested by the Administration.

Inventory records at the Operations Warehouse were not totally accurate. Further, there was no policy and procedure for performing the perpetual inventory. In addition, we found access to the warehouse was not restricted to warehouse personnel only.



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Mayor Mark Begich

Office of the Internal Auditor

April 11, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-6

Cash Controls of Parking Garage Revenue

Anchorage Community Development Authority

As part of the 2005 Audit Plan, we have completed a cash control audit of Anchorage Community Development Authority parking garage revenue. The objective of this audit was to determine whether there were adequate controls in place over parking garage transactions and cash receipts. Specifically, we reconciled parking validations, traced cash receipts to daily deposits, and observed parking attendant activities. We also reviewed ScanNet (an automated parking system) system management reports to determine whether the reports were used by supervisory personnel to monitor various parking garage transactions and cash receipts. 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 2004 through February 2005. The audit was requested by the Administration.

Controls over parking garage transactions and cash receipts could be improved. Our audit found several ways a parking attendant could open the parking garage gates without receiving or requiring payment. Further, we found the physical security of Anchorage Community Development Authority facilities could be improved.



Mayor Mark Begich

Office of the Internal Auditor

April 12, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-7

2004 Parts, Fuel and Lubricants Inventory

Public Transportation Department

As part of the 2004/2005 Audit Plan, we have observed the inventory of parts, fuel and lubricants at the Public Transportation Department. The objective of this audit was to determine if the year-end physical inventory of parts, fuel and lubricants was reasonably accurate and adjustments were properly entered into the financial records. Specifically, we observed the year-end inventory, performed an inventory count based on random and judgmental samples, and verified that adjusting entries were accurately 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 audit was performed during the period of January 2005.

The physical inventory resulted in a final valuation of \$535,560.91. A net adjustment of \$33,605.59 was made to bring the PeopleSoft financial records in agreement with the physical count. Department personnel indicated that they are researching the differences between PeopleSoft financial records and GEMS records. Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate.



Mayor Mark Begich

Municipality of Anchorage

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Office of the Internal Auditor

May 19, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-8

Police and Fire Retiree Medical Trust Five-Year Review

Employee Relations

As part of the 2005 Audit Plan, we have completed a five-year review of the Police and Fire Retiree Medical Trust program. The objective of this audit was to perform the second five-year (January 1, 2000, through December 31, 2004) review of the operation of the Police and Fire Retiree Medical Trust Program as required by Anchorage Municipal Code 3.87. Specifically, we reviewed the operation of the Program to determine whether it was being operated in compliance with Anchorage Municipal Code 3.87, including the accuracy of monthly trust contributions and participant transactions. 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 through March 2005. The audit was requested by the Assembly.

The Police and Fire Retiree Medical Trust Program was being operated in compliance with Anchorage Municipal Code 3.87. Trust contributions had been properly adjusted annually for the National Medical Consumer Price Index. However, Employee Relations Records and Benefits Section personnel had not ensured that medical premiums were accurately paid for participants enrolled in the Municipal health insurance plans.

According to the Plan Administrator, as of December 31, 2004, there were 225 participants in the Police and Fire Retiree Medical Program with another 193 active members that will be eligible for the program upon retirement.

Starting in 2004, program participants became eligible to enroll in the Municipality's flexible insurance plans. This allowed the participants to pick from a variety of active insurance plans ranging in cost from \$780.33 to \$1,022.21 a month.

During the last five years, the Municipality contributed a total of \$7.5 million to the prefunding program as required by Anchorage Municipal Code 3.88.020.C. The 2004 contribution was \$1.8 million. During 2004, program participants received into their Health Reimbursement Arrangement accounts a monthly trust contribution of \$534.19, \$582.48 or \$633.96, as appropriate. These monthly contributions were adjusted each year for the National Medical Consumer Price Index, as required. Additionally, on May 27, 2004, the Board of Trustees adopted Resolution 2004-1 stating, "Effective July 1, 2004, through December 31, 2004, the Trust will allocate up to \$200.00 per month to the premium account of those individuals that are paying out of pocket for their health insurance premiums." As a result, 76 participants received a total of \$73,100.11 during 2004.



Mayor Mark Begich

Office of the Internal Auditor

August 25, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-9

Traffic Citation Revenue

Anchorage Police Department

As part of the 2005 Audit Plan, we have completed an audit of traffic citation revenue at the Anchorage Police Department. The objective of this audit was to evaluate the adequacy of the traffic citation revenue collection process from the time of issuance to final disposition of the citation. We also evaluated the reasonableness of the amount budgeted for citation revenue. Specifically, we identified demographic categories for traffic citations and attempted to determine the percentage of tickets in each category. Also, we analyzed the budget methodology to identify issues concerning the budgeting process and compared budgeted amounts to actuals for 1999 to 2004. In addition, we identified the computer systems involved in the traffic citation process, determined the purpose of each system, and attempted to obtain basic citation statistics.

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 through June 2005. The audit was requested by the Administration.

The Anchorage Police Department's budgeting and collection process for traffic citations needs improvement. The budget for traffic citation revenue was not supported by traffic citation data because comprehensive statistical information was not available regarding traffic citations. In addition, the Anchorage Police Department's process for collecting traffic citation revenue was not timely and penalties were not assessed to unpaid traffic citations. Finally, the Anchorage Police Department did not maintain one computer system or data base that tracked traffic citations from date of issue to final disposition.



Municipality of Anchorage

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Mayor Mark Begich

Office of the Internal Auditor

September 15, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-10

Safety Procedures and Records

Port of Anchorage

As part of the 2005 Audit Plan, we have completed an audit of safety procedures and records at the Port of Anchorage (Port). The objective of this audit was to determine the adequacy of operational safety procedures and records at the Port. Specifically, we reviewed 2000 through 2003 incident/accident reports, 2002 through 2004 Occupational Safety and Health Administration (OSHA) logs, safety meeting reports, Municipal loss reports, as well as OSHA regulations, Anchorage Municipal Code, Municipal Policies and Procedures, and job descriptions. We also conducted interviews with Port, Terminal Operator and Municipal personnel, and documented safety hazards for three days with digital photography. 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 other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 2005. The audit was requested by the Port Administration.

The Port did not have an effective and comprehensive safety program. Specifically, the personal protective equipment policy was not enforced, there was no officially designated safety officer, an OSHA required workplace hazard assessment report had not been prepared, and the Port safety and health manual was not complete. In addition, the Terminal Operator Permits did not address safety roles and responsibilities. We also did not find any recent documentation indicating accident investigations, cause analysis and prevention methods. During the course of our audit, we noted and documented numerous safety violations at the Port. We also did not find a record of any visits by the Municipal Safety Director to the Port. The Port Maintenance Shop does conduct monthly safety meetings and has a good safety record of one OSHA recordable injury per year for 2002 thru 2004.



Municipality of Anchorage

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Mayor Mark Begich

Office of the Internal Auditor

September 22, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-11

Municipal Leases

Heritage Land Bank

As part of the 2005 Audit Plan, we have completed an audit of Municipal leases. The objective of this audit was to review general government leases. Specifically, we contacted Municipal departments to develop a list of general government leases. We also reviewed all leases where the Municipality was the lessor to test for timely and correct payments. Finally, we judgementally selected 41 leases to determine compliance with rent adjustment clauses.

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 June 2005. The audit was requested by the Administration.

Our review revealed that the responsibility for lease administration was unclear and leases were not always administered properly. The administration of general government leases was decentralized to nine different Municipal departments, although Anchorage Municipal Code 25.10.030, *Powers and Duties of Department of Property and Facility Management*, assigns the administration of leases to Property and Facility Management. However, Anchorage Municipal Code 25.10.030 is outdated as, under current Municipal organization, this department has been replaced by Facility and Fleet Maintenance with the Real Estate Services function being transferred to the Heritage Land Bank.



Mayor Mark Begich

Municipality of Anchorage

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Office of the Internal Auditor

October 12, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-12

Fuel Controls

Municipal Light and Power

As part of the 2005 Audit Plan, we have completed an audit of fuel controls at Municipal Light and Power (ML&P). The objective of this audit was to determine the adequacy of controls over fuel inventory at ML&P's Plants #1 and #2. The audit included the review of 1999 through 2005 generation and fuel oil reports, the Policy and Procedures for fuel oil gauging, and the processes utilized for monitoring fuel consumption. We also reviewed a 2001 engineering report concerning the fuel measurement process at Plant #2, conducted interviews with ML&P personnel, documented the measurement process with on-site verification, and walked the fuel lines.

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 July through August 2005. The audit was requested by the Administration.

ML&P's controls over fuel inventory appear reasonably sound. However, our review revealed fuel consumed by the #5 prestart engine was not deducted from the inventory, thus overstating the record balance of fuel and decreasing the likelihood of a fuel leak. In addition, the spreadsheets utilized for inventory control contained errors that exacerbated their fuel discrepancy. Also, the ML&P Standard Operating Procedure for Fuel Oil Gauging (Procedure 45-2) did not contain the same gauging methodology as prescribed by the manufacturer of the equipment.



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Mayor Mark Begich

Office of the Internal Auditor

November 23, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-13

Billing Process

Anchorage Fire Department

As part of the 2005 Audit Plan, we have completed an audit of the billing process at the Anchorage Fire Department. The objective of this audit was to determine whether the Anchorage Fire Department properly and accurately billed for code enforcement, inspections, plan reviews, and false alarms. Specifically, we reviewed a random sample of fire inspections conducted during the period of January through June 2005, tested selected fire plan review fees and payments, and tested all false alarm records for 2004.

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 August 2005. The audit was requested by the Administration.

Our review revealed that plan reviews and false alarms were properly billed. However, the Fire Prevention Division can improve the billing process for code enforcement and inspections. Specifically, we found that fees for fire inspections were not always correctly calculated, Fire Inspection Notices did not always contain complete information for billing purposes, and incorrect mailing addresses have contributed to excessive write-offs of fire inspection fees. We also found that fire inspection fees were not billed timely and payments received by fire inspectors were not always deposited timely. Finally, supporting documentation was not always readily available, and the Fire Prevention Operation Manual had not been updated since December 1996.



Office of the Internal Auditor

December 27, 2005

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

Internal Audit Report 2005-14

Planning Fee Revenue

Planning Department

As part of the 2005 Audit Plan, we have completed an audit of Planning Department fee revenue. The objective of this audit was to determine if Planning Department fees were properly collected and allocated, and if the automated invoicing system worked as intended. Specifically, we reviewed the invoicing spreadsheet and the associated files to determine if the intended revenue management and reporting function had been met. In addition, we judgementally selected a sample of 48 transactions for 2005 to trace to payment records. Finally, we compared the Planning Department fee schedule to Title 21 and tested if all revenue was captured by the automated invoicing 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 September 2005. The audit was requested by the Administration.

Planning Department fees were generally collected and allocated to the correct accounts. However, the automated invoicing system was not used consistently and accurately. We also found duplicate transactions, and no mechanism for approval of voided transactions. Finally, our audit revealed that the automated invoicing system data had never been reconciled to PeopleSoft data and the Planning Department lacked standard operating procedures that reflected current policies and procedures.

ANCHORAGE MUNICIPAL CODE 3.20

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“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))”