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**Internal Audit Department  
2008 Annual Report**

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January 29, 2009

Honorable Mayor and Members of the Anchorage Municipal Assembly:

Attached is the Office of Internal Audit (Internal Audit Department) 2008 Annual Report for your review and information.

This report includes background information on the audit profession, a summary of the 2008 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 2008, the Internal Audit Department issued 13 audit reports and performed 20 special projects.

Peter Raiskums, CIA, CFE, CGFM  
Director, Internal Audit

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## **INTRODUCTION**

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## **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.

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**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.

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**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 Mikunda, Cottrell & Co. is currently the external auditor for the Municipality of Anchorage.

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### **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.

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**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.

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**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](mailto: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  
Scott Lee, Sr. Auditor  
Jayi Schin, Sr. Auditor  
Chris Moore, Audit Technician

The current department Director provides the Municipality with more than 40 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 current audit issues.

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## **INDEX OF 2008 AUDIT REPORTS**

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## 2008 AUDIT REPORTS

| NUMBER  | DATE     | REPORT NAME   | DEPARTMENT                               |
|---------|----------|---|--|
|         | 01/15/08 | 2007 Annual Report  |  |
| 2008-1  | 02/27/08 | 2007 Parts, Fuel and Lubricants Inventory   | Public Transportation                    |
| 2008-2  | 03/13/08 | Maximo Work Order System, Facility Maintenance  | Maintenance and Operations               |
| 2008-3  | 03/18/08 | 2007 Parts, Tires and Lubricants Inventory, Fleet Maintenance, Facility and Fleet Maintenance | Maintenance and Operations               |
| 2008-4  | 03/20/08 | Controls Over Checks Received by Mail   | Finance                                  |
| 2008-5  | 04/22/08 | Bradley Lake Hydroelectric Project  | Municipal Light and Power                |
| 2008-6  | 04/23/08 | Municipal Payroll   | Finance                                  |
| 2008-7  | 05/01/08 | Child Care Assistance Program   | Health and Human Services                |
| 2008-8  | 05/22/08 | Cash Control Procedures   | Eagle River/Chugiak Parks and Recreation |
| 2008-9  | 7/17/08  | 2007 Procurement Card Program   | Purchasing                               |
| 2008-10 | 8/13/08  | Preferential Use Agreement  | Port of Anchorage                        |
| 2008-11 | 10/22/08 | Reimbursable Work Orders  | AWWU                                     |
| 2008-12 | 10/27/08 | Building Safety Division Cash Controls  | Development Svs Department               |
| 2008-13 | 12/02/08 | Solid Waste Services Cash Controls  | Solid Waste Services                     |

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**INDEX OF 2008 SPECIAL PROJECTS**

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## 2008 SPECIAL PROJECTS

| DATE                      | SUBJECT NAME  | DEPARTMENT                           |
|---------------------------|---|--------------------------------------|
| 01/01/08                  | 2007 Chemical Inventory                               | Anchorage Water & Wastewater Utility |
| 01/02/08                  | 2007 Municipal Travel                                 | Finance                              |
| 01/22/08                  | Mountain View Community Patrol Grant                  | Municipal Assembly                   |
| 01/29/08                  | Port Capital Assets                                   | Finance                              |
| 02/12/08<br>&<br>02/22/08 | Teamsters Local 959 Contract Cost Validation          | Municipal Assembly                   |
| 03/24/08                  | IBEW, Local 1547, Contract Cost Validation            | Municipal Assembly                   |
| 03/24/08                  | Operating Engineers Contract Cost Validation          | Municipal Assembly                   |
| 4/17/08                   | Fire Inspection and EMS Billings                      | AFD                                  |
| 7/11/08                   | Parking Garage Cash Controls                          | ACDA                                 |
| 08/06/08                  | Public Employees Local 71 Contract Cost Validation    | MAS                                  |
| 8/20/08                   | 2007 Procurement Card Rebate                          | PUR                                  |
| 08/29/08                  | Operating Engineers Contract Cost Validation          | MAS                                  |
| 09/09/08                  | Validation of Communications Contract Inventory (ACS) | PUR                                  |
| 10/15/08                  | Library Cash Controls                                 | Library                              |
| 11/24/08                  | IBEW Contract Cost Validation                         | Assembly                             |
| 11/24/08                  | AMEA Contract Cost Validation                         | Assembly                             |
| 12/08/08                  | Review of Administrative Compliance with AMC 3.70.130 | Assembly                             |
| 12/12/08                  | APDEA Contract Cost Validation                        | Assembly                             |
| 12/12/08                  | IAFF Contract Cost Validation                         | Assembly                             |
| 12/23/08                  | Port Convention Revenue Control                       | Port                                 |

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**EXECUTIVE SUMMARIES FROM  
2008 AUDIT REPORTS**

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February 27, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-1**  
**2007 Parts, Fuel and Lubricants Inventory**  
**Public Transportation Department**

As part of the 2008 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 2008.

The physical inventory resulted in a final valuation of \$665,517.55. A net adjustment of \$27,009.66 was made to increase PeopleSoft financial records to bring them in agreement with the physical count. Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate.

March 13, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-2**

**Maximo Work Order System  
Facility Maintenance**

**Maintenance and Operations**

As part of the 2007/2008 Audit Plan, we have completed an audit of the Maximo work order system at Facility Maintenance, Maintenance and Operations. The objective of this audit was to determine whether work was scheduled and tracked through Maximo and whether labor and materials were properly recorded in Maximo. Our audit included a sample of 185 work orders. We also reviewed 26 work orders that had no labor hours nor material charges.

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 through October 2007.

The Facility Maintenance Section has not used Maximo effectively to schedule and track work orders, labor charges, and material charges. Specifically, there was not a comprehensive preventive maintenance plan for facilities, labor hours posted to work orders in the Maximo system were not always accurate or supported by approved employee time cards, and material charges posted to work orders in the Maximo system were not always accurate or supported by approved invoices. Finally, the Maximo system was not used effectively to schedule required facility maintenance and close out completed work orders.

March 18, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-3**

**2007 Parts, Tires and Lubricants Inventory**

**Fleet Maintenance**

**Facility and Fleet Maintenance**

**Maintenance and Operations**

As part of the 2007/2008 Audit Plan, we have observed the inventory of parts, tires and lubricants at Fleet Maintenance. 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 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 2007 through February 2008.

Based on our inventory observation, it is our opinion that the physical inventory was reasonably accurate. However, we did find that controls could be improved for tracking the tire inventory. The physical inventory resulted in a final inventory valuation of \$393,479.82. The value of the inventory was based on a weighted average unit cost. A net adjustment of \$178.34 was made to decrease the PeopleSoft records to the physical count.

March 20, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-4**  
**Controls Over Checks Received by Mail**  
**Finance Department**

As part of the 2008 Audit Plan, we have completed a cash control audit of checks received by mail at the Finance Department. The objective of our audit was to determine the adequacy of controls over checks received through the mail. Specifically, we evaluated current procedures contained in Municipal policies and procedures and the Anchorage Municipal Code. We also reviewed and tested the procedures used to process payments received through the mail at the Treasury Division and the Employee Relations Department.

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 2008.

Controls over checks received through the mail required strengthening. Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*, did not adequately prescribe control procedures for processing and accounting for checks received through the mail. Procedures at the Treasury Division and Employee Relations Department did not provide a record of checks received through the mail. As a result, checks could be lost or misappropriated without detection.

April 22, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-5**

**Bradley Lake Hydroelectric Project**

**Municipal Light and Power**

As part of the 2008 Audit Plan, we have completed an audit of the Bradley Lake Hydroelectric Project at Municipal Light and Power. The objective of this audit was to determine whether the charges during fiscal year 2007 for the operation and maintenance of the Bradley Lake Hydroelectric Project by Homer Electric Association were in compliance with the applicable agreements. Our review included a review of charges made by Homer Electric Association from July 1, 2006, to June 30, 2007.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of November through December 2007. The audit was requested by the Administration.

Generally, the operation and maintenance expenditures made by Homer Electric Association in fiscal year 2007 to the Bradley Lake Hydroelectric Project were in compliance with the applicable agreements. However, our review of selected Bradley Lake Hydroelectric Project operation and maintenance expenditures revealed over \$30,000 in questionable expenditures. Also, Homer Electric Association did not always segregate Bradley Lake Hydroelectric Project expenditures, and Homer Electric Association staff did not code helicopter usage to the correct budget account.

April 23, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

### **Internal Audit Report 2008-6**

#### **Municipal Payroll**

#### **Finance Department**

As part of the 2008 Audit Plan, we have completed an audit of Municipal payroll procedures. The objective of this audit was to determine whether payroll transactions were valid and supported by properly authorized documentation. Our audit included a review of judgmentally selected payroll transactions for the time period of January through December 2007, selected from six Municipal departments: Employee Relations Department, the Port of Anchorage, Street Maintenance Division, the Anchorage Police Department, Solid Waste Services, and the Anchorage Fire Department. Specifically, we determined if payroll transactions were accurate, were based on appropriate supporting documentation, and complied with applicable policies and procedures for selected payroll cycles. Additionally, we reviewed 401(k) and 457 deductions for accuracy and reviewed standby pay, callback pay, and Municipal take-home vehicle documentation. Finally, we reviewed if exemptions from the standard time card requirements were properly approved and current.

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 2007 through January 2008. The audit was requested by the Administration.

Our testing of various payroll transactions identified several weaknesses. Specifically, the Anchorage Fire Department's payroll procedures did not comply with standard Municipal payroll procedures. As a result, some Anchorage Fire Department employees have received significant overpayments. In addition, some Municipal employees who received standby pay totaling \$122,291

in 2007 were never called back to work. Moreover, we found that the Anchorage Police Department's payroll process lacked basic internal controls to prevent errors in their payroll system. We also found that the Anchorage Police Department, Solid Waste Services, Street Maintenance, and the Port of Anchorage did not always maintain or complete appropriate documentation for payroll transactions, such as overtime approval and leave authorization. Furthermore, policies and procedures did not exist to ensure that 457 and 401(k) deduction amounts were accurate and approved payroll exception procedures were not current. Finally, the Office of Management and Budget failed to maintain the master list of Municipal take-home vehicles and also failed to maintain the master list of vehicle authorization letters.

May 1, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-7**

**Child Care Assistance Program**

**Health and Human Services**

As part of the 2008 Audit Plan, we have completed an audit of the Child Care Assistance Program at Health and Human Services. The objective of this audit was to determine whether Child Care Assistance Program staff were complying with grant requirements, including determining client eligibility and maintaining required documentation in client files. Our audit included a random selection of 93 active client files. Specifically, we reviewed the files and electronic documents in the Integrated Child Care Information System to determine if appropriate actions were taken timely on applications. We also reviewed each sampled file to determine if a family's contribution amount was calculated correctly based on the supporting documents.

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 2007 through January 2008. The audit was requested by the Administration.

Child Care Assistance Program staff did not always comply with applicable provisions of the State of Alaska's Child Care Assistance Policy and Procedure Manual issued in April 2007. Specifically, client income was not always calculated correctly, the specified application process was not always followed, and client files did not always contain State-required backup documentation. Additionally, formal monitoring review of case files had not been conducted by management since February 2007, and State-approved forms were not always used to determine client eligibility.

May 22, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

### **Internal Audit Report 2008-8**

#### **Cash Control Procedures**

#### **Eagle River/Chugiak Parks and Recreation**

As part of the 2008 Audit Plan, we have completed a cash control audit at Eagle River/Chugiak Parks and Recreation. The objective of this audit was to determine whether Eagle River/Chugiak Parks and Recreation had proper cash controls in place, and if these controls were in compliance with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed surprise cash counts, reviewed cashier daily summary reports for completeness, and verified that deposits were made timely. We also inventoried bus passes, permits, swim passes and swim tickets, and traced sold items to cash register transactions. Finally, we reviewed records of attendance for annual Municipal cash handling training and verified that all cashiers attended the training.

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 2008. The audit was requested by the Assembly.

Cash control procedures at Eagle River/Chugiak Parks and Recreation were generally satisfactory and complied with Municipal Policy and Procedure 24-1. However, unscheduled supervisory cash counts were not performed for two cashiers on a regular basis and none of the results were reported to Cash Management for those unscheduled cash counts that were performed.

July 17, 2008

Honorable Mayor and Members of the Assembly:

The attached report is submitted for your review.

**Internal Audit Report 2008-9**

**2007 Procurement Card Program**

**Purchasing Department**

As part of the 2008 Audit Plan, we have completed an audit of the Procurement Card Program for 2007. The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2007, to December 31, 2007. Specifically, we reviewed purchases for selected transactions to ensure compliance with 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 December 2007 through January 2008. The audit is required by Municipal Policy and Procedure 48-16, Section 7(f)1.

Most of the Procurement Card purchases reviewed complied with Municipal Policy and Procedure 48-16. However, some purchases appeared questionable such as holiday decorations, coffee-related items, flowers and a gift basket, retirement plaques, and gold foiled business cards. Moreover, our review of Procurement Card purchases revealed a variety of questionable donations to non-Municipal agencies. In addition, we found some purchases were split to circumvent the maximum \$2,500 single transaction limit. Furthermore, some purchases by agency heads appeared questionable such as flowers, gasoline for Municipal vehicles, various lunches, and food. Finally, controls over reconciling and approving Procurement Card transactions need improvement.

August 13, 2008

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2008-10, Preferential Use Agreements, Port of Anchorage**, for your review. A brief summary of the report is presented below.

In accordance with the 2008 Audit Plan, we have completed an audit of tonnage reports submitted by Horizon Lines of Alaska and Totem Ocean Trailer Express, Inc. as required by their respective Preferential Use Agreements. The objective of this audit was to determine the accuracy of the tonnage reports used to bill wharfage charges paid to the Port of Anchorage.

We found that reports submitted by Horizon Lines of Alaska and Totem Ocean Trailer Express, Inc. were not always accurate. Horizon Lines of Alaska did not pay wharfage on nonrevenue cargo and did not always accurately report the weight of U.S. Mail. Totem Ocean Trailer Express, Inc. did not include Alaskans for Litter Prevention and Recycling (ALPAR) shipments in their tonnage reports. In addition, wharfage was based on the shipper's declared weights on the original bill of lading for southbound cargo because there are no scales at the Port of Anchorage. We also found that Horizon Lines of Alaska did not use the reporting format prescribed by the Port to report tonnage.

We made five recommendations to the Port of Anchorage for corrective action. Management concurred with all five recommendations to improve the accuracy of tonnage reports.

Peter Raiskums, CIA, CFE  
Director, Internal Audit

October 22, 2008

Honorable Mayor, Members of the Assembly and Board of Directors of the Anchorage Water and Wastewater Utility:

I am pleased to present **Internal Audit Report 2008-11, Reimbursable Work Orders, Anchorage Water and Wastewater Utility**, for your review. A brief summary of the report is presented below.

In accordance with the 2008 Audit Plan, we have completed an audit of reimbursable work orders billed to the State of Alaska and Anchorage School District by Anchorage Water and Wastewater Utility. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility was charging all reimbursable costs under agreements with the State and to determine if Anchorage Water and Wastewater Utility complied with the contract requirements specified in the Memorandums of Understanding with the Anchorage School District. Specifically, we reviewed the billing details and support documents for 50 judgmentally selected State reimbursable work orders and 4 Anchorage School District Memorandums of Understanding.

We found that, generally, reimbursable expenses were properly billed. However, we did note some areas that require improvement. Specifically, work was performed without the State's authorization for 17 of 50 work orders. In addition, Finance Division personnel did not always bill the correct party responsible for the reimbursable payment. Moreover, incorrect billing categories and/or incorrect overhead rates were used to calculate project costs, and work orders were sometimes kept open even though the work was complete. Finally, documentation required by the Memorandums of Understanding with the Anchorage School District was not always provided and accounting errors were not always corrected.

We made six recommendations to Anchorage Water and Wastewater Utility for corrective action. Management concurred with all six recommendations.

Peter Raiskums, CIA, CFE  
Director, Internal Audit

October 27, 2008

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2008-12, Building Safety Division Cash Controls, Development Services Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2008 Audit Plan, we have completed an audit of the cash controls in place at the Building Safety Division, Development Services Department. The objective of this audit was to determine whether the Building Safety Division had proper cash controls in place, and if these controls were in compliance with Municipal Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing and Reporting Cash..

We found that, generally, cash controls were satisfactory. However, we did identify some non-compliance issues with P&P 24-1. For example, we found that unscheduled cash counts were not performed, the cashier training class was not attended, and some deposits and reconciliations were not performed timely. In addition, the number of Division employees who performed cashiering duties was excessive. Finally, cash documentation with customers' credit card payment information was placed in an open unsecured area.

We made three recommendations to the Development Services Department for corrective action. Generally, management concurred with the three recommendations.

Peter Raiskums, CIA, CFE  
Director, Internal Audit

December 2, 2008

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2008-13, Solid Waste Services Cash Controls**, for your review. A brief summary of the report is presented below.

In accordance with the 2008 Audit Plan, we have completed an audit of the cash controls in place at Solid Waste Services. The objective of this audit was to determine whether Solid Waste Services had proper cash controls in place over cash and credit transactions, and if these controls were in compliance with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*.

We found that cash controls at Solid Waste Services could be improved. Specifically, cash handling procedures did not always comply with the requirements of P&P 24-1. For example, we found that Solid Waste Services accounts receivable need to be better managed. For example, accounts receivable were not written-off in a timely manner, effective collection actions were not employed to ensure refuse disposal services were promptly paid and accounts receivable policies and procedures need to be updated.

We had five findings and made seven recommendations to Solid Waste Services for corrective action. Management was responsive to the findings and concurred with the recommendations.

Peter Raiskums, CIA, CFE  
Director, Internal Audit

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**ANCHORAGE MUNICIPAL CODE 3.20**

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## **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))”