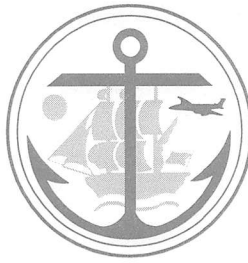


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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

May 22, 1997

Internal Audit Report 97-11
Bradley Lake Hydroelectric Project
Alaska Energy Authority Charges
Municipal Light and Power

Introduction. We were requested by Municipal Light & Power (ML&P) and the Bradley Lake Project Management Committee to perform an audit of charges to the Bradley Lake Hydroelectric Project (Project) by the Alaska Energy Authority (AEA), formerly known as the Alaska Power Authority (APA).

According to APA's Management Plan released in 1984, APA chose to take a different approach to managing the Bradley Lake Project than it had for previous projects. This approach required providing more staff to manage and oversee the Project for increased control over costs and increased coordination of scheduling tasks for the successful and timely completion of the Project. A total of \$17,939,474 was charged by APA/AEA to the Project from fiscal year 1982 through June 30, 1996. This was 5.5% of total Project costs and approximately 20% of APA/AEA's agency costs during this period.

Scope. The objective of our audit was to determine whether costs charged to the Project by APA/AEA were within the scope of the Project. Specifically:

1. We reviewed the procedures used by APA/AEA to process Project expenditures.
2. We reviewed the list of contracts charged to the Project by APA/AEA to determine whether they were within the scope of the Project.

3. We selectively reviewed the description and amount of expenditures charged to the Project by APA/AEA through June 30, 1996, for reasonableness and applicability to the Project.
4. We summarized APA/AEA's charges by fiscal year and budget category.

Summary of Findings. Based on our limited tests and selective review of records, we found no instances where the costs charged to the Project by APA/AEA were outside the scope of the Project. Charges to the Project by APA/AEA were generally processed through the State of Alaska Statewide Accounting System. Costs were then reimbursed to APA/AEA by the Trustee from the Construction Fund after certification that the costs were proper. The charges from fiscal year 1982 through June 30, 1996, consisted of the following:

Operating Costs: executive office, accounting and administration, Bradley Lake Project, operations and engineering, and program development (see Attachment A for a schedule of costs by year) - **\$12,389,467**

Services Costs: consulting, legal services, risk management, land rights, Automated Maintenance Management System, financial and economic analysis, insurance, auditing, bond counsel, Project Management Committee, turbine and governor tests, stream gauging and other - **\$2,208,953**

Miscellaneous Contract: Bradley Lake Board of Consultants, Disputes Review Board, hydraulic data collection, legal services, seismic monitoring, stream gauging, various animal habitat studies and other - **\$3,341,054**

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Discussion With Responsible Officials. The results of this audit were discussed with responsible officials on March 25, 1997.

Audit Staff:
Amy McCollum

Operating Costs Charged To Bradley Lake Project By APA/AEA

	Personal Services	Travel	Contractual	Supplies & Materials	Equipment & Machinery	Interest Paid on Retention	Sale of Bid Packages	Other	TOTAL
FY82	8,659	2,223	26	367	3,500	0	0	0	\$14,775
FY83	1,052	4,303	10,932	4,408	6,988	0	0	0	\$27,683
FY84	77,684	12,232	43,825	4,730	52,900	0	0	0	\$191,371
FY85	201,270	20,590	14,564	2,315	4,655	0	0	0	\$243,394
FY86	646,291	48,392	133,532	9,658	24,290	0	0	0	\$862,163
FY87	744,122	53,307	211,528	9,463	12,831	0	0	0	\$1,031,251
FY88	955,932	70,992	265,497	14,509	12,457	86,143	(17,625)	0	\$1,387,905
FY89	1,172,487	113,581	317,447	22,351	110,556	0	(36,960)	0	\$1,699,462
FY90	1,037,883	139,584	213,227	9,168	36,726	4,518	(26,559)	0	\$1,414,547
FY91	1,242,974	165,134	264,526	48,212	22,612	749	0	81,673	\$1,825,880
FY92	1,427,715	72,670	304,511	67,526	2,973	661,649	0	98,785	\$2,635,829
FY93	457,281	46,537	56,523	46,641	208,770	0	0	(66,682)	\$749,070
FY94	152,785	3,128	3,238	94	48,805	0	0	125,734	\$333,784
FY95	28,450	148	6,058	0	0	0	0	0	\$34,656
FY96	3,053	0	35,509	0	2,405	0	0	0	\$40,967
Accounting Adjustments									(\$103,270)
TOTAL	\$8,157,638	\$752,821	\$1,880,943	\$239,442	\$550,468	\$753,059	(\$81,144)	\$239,510	\$12,389,467