

February 18, 1998

Internal Audit Report 98-05
1997 Parts and Fuel Inventory
Public Transportation Department

Introduction. The Municipality of Anchorage maintains an inventory of parts, fuel and lubricants at the Public Transportation Department. A physical inventory is performed annually and the financial records are adjusted to the physical counts. The Public Transportation Department maintains their own inventory subsystem.

Scope. The objectives of this audit were to determine if the physical inventory counts of parts, fuel and lubricants at the Public Transportation Department were reasonably accurate and proper adjustments were made to the financial records. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The inventory was observed in January 1998 and adjusting entries were verified in February 1998.

Overall Evaluation. The parts and fuel inventory at the Public Transportation Department was recorded at \$504,177.07 as of December 31, 1997. The value of the inventory was based on a weighted average unit cost. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate and the proper adjusting entries were made. Additionally, approximately 30 buses will be replaced with new buses at the end of 1998 or the beginning of 1999. Accordingly, we recommend that the Public Transportation Department budget for the expense associated with the deletion of the obsolete bus parts from the inventory as the amount could be fairly substantial.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:
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