

February 18, 1998

**Internal Audit Report 98-06
1997 Parts and Fuel Inventory
Municipal Light and Power**

Introduction. The Municipality of Anchorage maintains an inventory of parts and fuel at Municipal Light and Power. The inventory was counted in November 1997 and the financial records were adjusted to the physical counts. Municipal Light and Power maintains their own inventory subsystem in addition to the Municipal Financial Information System's inventory subsystem. Fuel is expended during the year when purchased and recorded as inventory at year-end through a journal entry to the Municipal Financial Information System.

Scope. The objectives of this audit were to determine if the valuation and physical inventory counts of parts and fuel were reasonably accurate. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed in November 1997 and adjusting entries were verified during February 1998.

Overall Evaluation. The parts and fuel inventory at Municipal Light and Power was recorded at \$3,909,858.82 as of December 31, 1997. The value of the warehouse inventory was based on a weighted average unit cost. Fuel inventory was measured in January 1998 and valued at book cost. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate and proper adjusting entries were made.

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

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