

February 19, 1998

Internal Audit Report 98-07
1997 Parts and Fuel Inventory
Anchorage Water and Wastewater Utility

Introduction. The Municipality of Anchorage maintains an inventory of parts and materials, fuel, gravel, recycled asphalt and chemicals at the Anchorage Water and Wastewater Utility (AWWU). AWWU uses the Municipal Financial Information System's inventory subsystem for the inventory of parts and materials. Fuel, gravel, recycled asphalt and chemicals are 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 physical inventory count was reasonably accurate and correcting adjustments were properly entered into 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.

Overall Evaluation. Total inventory at AWWU at year-end was recorded at \$839,162.14. This included the value of the parts and materials, fuel, gravel, recycled asphalt and chemicals. The value of the inventory of the parts and materials was based on a weighted average unit cost. Fuel, gravel, recycled asphalt and chemical inventories were valued at the most recent invoice price. A physical inventory of parts and materials was performed in September 1997 and the perpetual inventory records were adjusted to the physical count. Fuel was measured in September 1997, gravel and recycled asphalt inventories were measured in August 1997, and chemicals were measured in December 1997. Adjusting entries were verified during February 1998. Based on the results of the

Internal Audit Report 98-07
1997 Parts and Fuel Inventory
Anchorage Water and Wastewater Utility
February 19, 1998

work performed, it is our opinion that the physical inventory was reasonably accurate and correcting adjustments were properly entered into the financial records.

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

Audit Staff:
Alice Jensen