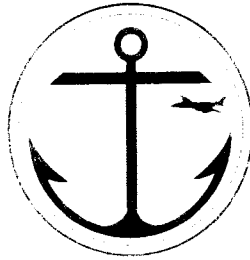


Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

March 4, 1999

Internal Audit Report 99-03 1998 Parts and Fuel Inventory Anchorage Water and Wastewater Utility

Introduction. The Municipality of Anchorage maintains an inventory of parts, 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 parts inventory. 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. We observed the year-end inventories at AWWU. The objective was to determine if the year-end physical inventories of parts, fuel, gravel, recycled asphalt and chemicals were reasonably accurate. Specifically, we performed random test counts, reviewed receipt and issue procedures, and verified that adjusting entries were processed.

Overall Evaluation. The inventory was recorded at \$863,436.63 as of December 31, 1998. This included the value of parts, fuel, gravel, recycled asphalt and chemicals. The value of the parts inventory 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 was performed in September 1998 and the perpetual inventory records were adjusted to the physical count. Fuel, gravel, recycled asphalt, and chemical inventories were measured in December 1998. Adjusting entries were verified during February 1999. Based on the results of the work performed, it is our opinion that the physical inventory was reasonably accurate and adjustments were properly entered into the financial records.

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

Audit Staff:
Lily Li