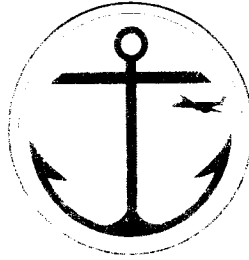


Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438
Fax: (907) 343-4370
<http://www.ci.anchorage.ak.us>

Rick Mustrom, Mayor

OFFICE OF THE CITY CLERK

March 4, 1999

Internal Audit Report 99-05 1998 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 (ML&P). A separate inventory is maintained for both the Operations Division and the Generation Division. The Generation Division inventory of parts was established in 1998 in an effort to control high value items specific to power generation. Inventories were conducted by ML&P personnel in October 1998 for the Generation Warehouse and in November 1998 for the Operations Warehouse and the financial records were adjusted to the physical counts. ML&P maintains their own inventory sub-system in addition to the Municipal Financial Information System's inventory subsystem for the Operations Division inventory. The Generation Division inventory is maintained on their maintenance management system, which contains an inventory function in addition to maintenance management. Fuel is recorded as inventory when purchased. Fuel usage is expensed monthly via journal entry to the Municipal Financial Information System.

Scope. We observed the year-end inventories at the Operations Division and Generations Division at ML&P. The objective was to determine if the year-end physical inventories were reasonably accurate. Specifically, for the Operations Division, we performed random test counts, reviewed receipt and issue procedures and verified that adjusting entries were processed. For the Generation Division, we performed periodic reviews of the process to establish the Generation inventory. This included a review of the adequacy of the written Generation Warehouse procedures, an overview of the inventory count procedures, a review of the supporting documentation for the inventory counts, which were performed in October, and a review of the monthly cycle count process.

Overall Evaluation. The parts and fuel inventory at ML&P was recorded at \$12,474,418 as of December 31, 1998. This consisted of \$3,731,380 of parts and fuel in the Operations Division warehouse inventory and \$8,743,038 of parts in the Generation Division warehouse inventory. The Operations warehouse inventory was valued at the weighted average unit cost of the items and fuel inventory was measured in December 1998 and valued at book cost. The initial Generation warehouse inventory was valued at the estimated original cost using industry standards to value the inventory. 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.

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

Audit Staff:
Amy McCollum