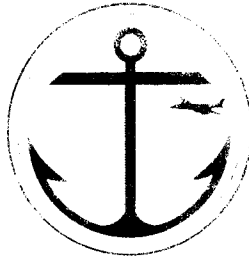


Municipality of Anchorage



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Kick Mjystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

March 16, 2000

Internal Audit Report 2000-1 1999 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. A year-end inventory was conducted by ML&P personnel in November 1999 for the Operations Warehouse and monthly cycle counts were performed by ML&P personnel for the Generation Warehouse. Financial records were adjusted to the physical counts. The Operations Division inventory is maintained on the PeopleSoft Inventory module. 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 reviewed the monthly cycle count procedures performed by the Generation 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 a review of the monthly cycle count process and supporting documentation for the inventory counts, reviewed receipt and issue procedures, and performed random test counts of the year-end inventory balances.

Overall Evaluation. The parts and fuel inventory at ML&P was recorded at \$11,956,638.84 as of December 31, 1999. This consisted of \$2,899,233.40 of parts in the Operations Division warehouse,

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\$8,150,237.18 of parts in the Generation Division warehouse and \$907,168.26 in fuel in the Generation Division. The warehouse inventories were valued at the weighted average unit cost of the items and fuel inventory was valued at book cost. 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.

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