



George P. Wuerch,
Mayor

Municipality of Anchorage

Internal Audit



September 30, 2002

Internal Audit Report 2002-11
Utility Charges to Municipality for Operation of Pools
Anchorage School District
Cultural and Recreational Services

Introduction. On July 1, 2001, the Anchorage School District (ASD) and the Department of Cultural and Recreational Services (C&RS) entered into an Intra-Agency Memorandum of Understanding regarding the operation, management, maintenance, and budget allocation for the pools associated with the six high schools in the Anchorage area as follows:

“Utility expenses for the Pools and related facilities, including electric, gas, heat and water, will be the responsibility of C&RS. Quarterly billings will be generated by ASD based upon meter readings. C&RS agrees to pay invoices within 30 days of postmark. Prior to July 1, 2001, ASD will have all related facilities separately metered at ASD’s expense.”

The ASD had separate meters installed on each of the six pools for a total cost of around \$350,000. In addition, the ASD has contracted with Siemens Building Technologies, Inc. in Anchorage to maintain and read the meters for around \$18,000 a year. These meter readings are the source for the billings sent to the Municipality of Anchorage (Municipality) for reimbursement for the swimming pool utility costs.

Scope. The objective of this audit was to determine the proper amount that should have been billed for utility costs for the six pools during the period July 1, 2001, through June 30, 2002. Specifically, all ASD utility bills for the pools were listed and traced to amounts billed for electricity, water/sewer, and gas to source documents consisting of actual utility company invoices, ASD meter statements, or other documents referenced by the ASD. In those instances where the ASD had estimated utility

charges due to a lack of information, an average rate was used to more accurately estimate what the true costs should be. To arrive at the average rate, a ratio was computed using the utility costs derived from those periods where meter information was available just for the pool as compared to the utility cost for the entire school. This ratio or percentage was then applied to those periods where actual meter readings for the pool were not available.

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 during the period of July through September 2002 and was requested by the Administration.

Summary of Findings. The ASD billed the Municipality \$473,450.11 for utility costs for the six swimming pools for the 12-month period ending June 30, 2002. Based on our computations and projections for those periods where costs were estimated, the proper amount for the utility costs should be \$378,197.69.

Total Utilities 2001-2002				
	Size of Pool	ASD Billing Amount	Audit Amount	Overcharge
Bartlett	486,000	\$114,932.62	\$108,543.30	\$6,389.32
Chugiak	285,000	\$43,536.41	\$21,042.84	\$22,493.57
Dimond	285,000	\$79,751.60	\$52,642.11	\$27,109.49
East	285,000	\$75,376.07	\$60,705.38	\$14,670.69
Service	300,000	\$60,078.64	\$58,795.30	\$1,283.34
West	238,000	\$99,774.77	\$76,468.76	\$23,306.01
Totals		\$473,450.11	\$378,197.69	\$95,252.42

The difference of \$95,252.42 resulted from a variety of reasons. The largest difference was due to the use of estimates for utility costs by the ASD during periods when specific meters were not installed or operational. Due to a lack of better information, projections were made using the Bartlett pool as the basis. We were able to use actual costs from the specific meters to make our estimates of utility costs during periods when specific meters were not in use. Other errors noted were the use of wrong meters, wrong utility rates, and so forth. The ASD bill also included \$5,195.11 during the period October through December 2001 for a metering service charge which was not allowed by the memorandum of understanding. The following graph illustrates who meters each utility for all six of the pools.

	Electric	Water/Sewer	Heat-Gas
Bartlett	ML&P-Direct Billed	AWWU/Septic-Direct Billed	Aurora-ASD Metered
Chugiak	MEA-ASD Metered	AWWU/Septic-ASD Metered	Aurora-ASD Metered
Dimond	Chugach-ASD Metered	AWWU/Sewer-ASD Metered	Aurora-Direct Billed
East	ML&P-ASD Metered	AWWU/Sewer-ASD Metered	Aurora-ASD Metered
Service	Chugach-ASD Metered	AWWU/Sewer-Commercial Rate	Aurora-ASD Metered
West	ML&P-ASD Metered	AWWU/Sewer-ASD Metered	Aurora-ASD Metered

Based upon our review, the Municipality can reasonably rely on utility billings if they are based upon the specific ASD meters that have been installed on each pool, as long as the ASD accurately uses the meter readings in their billing.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on September 19, 2002.

Audit Staff:
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