

INTERNAL AUDIT REPORT

2014-03

Fuel Revenue

Port of Anchorage

April 10, 2014

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Mayor Dan Sullivan

April 10, 2014

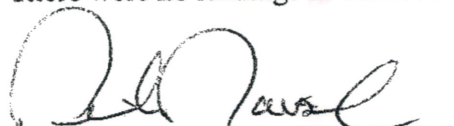
Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2014-03; Fuel Revenue; Port of Anchorage**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of the fuel revenue at the Port of Anchorage. The objective of this audit was to determine whether there were adequate controls in place to ensure the accuracy of the Port of Anchorage's billings for fuel wharfage and valve yard transfer fees to prevent loss of revenue.

Based on our review, we determined that there were adequate controls in place to ensure the accuracy of the Port of Anchorage's billings for fuel wharfage and valve yard transfer fees. Specifically, we found the billings were accurately prepared using correct tariff rates and supported with proper documents submitted by shippers and valve yard customers. In addition, we determined that the billings and payments were properly recorded in PeopleSoft.

There were no findings in connection with this audit.



Peter Raiskums, CIA, CFE, CGFM
Director, Internal Audit

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Introduction. According to the Port of Anchorage (Port) Terminal Tariff (Tariff), the Port assesses a charge (wharfage) against fuel carriers who export and import fuel over the Port's docks. According to the Tariff, the Port also assesses a charge (valve yard transfer fee) against the Port's valve yard users who transfer fuel through the Port's valve yard. Tariff rates were increased on January 1, 2011 from \$0.125 to \$0.135 per barrel for fuel wharfage and from \$0.031 to \$0.04 per barrel for valve yard transfer of fuel.

Objective and Scope. The objective of this audit was to determine whether there were adequate controls in place to ensure the accuracy of the Port's billings for fuel wharfage and valve yard transfer fees to prevent loss of revenue. To accomplish the audit objective, we interviewed the valve yard customers to determine how they track, record and report their usage to the Port, and determined if there were adequate controls in place to ensure the accuracy of the reports. We also reviewed the Port's fuel wharfage billings and valve yard transfer fee billings from 2011 to 2013 to determine whether the billing were accurately prepared using correct tariff rates and supported with proper documents submitted by the shippers and valve yard customers. Finally, we determined whether billings and payments were properly recorded in PeopleSoft.

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 February through March 2014. The audit was requested by the Port Administration.

Overall Evaluation. Based on our review, we determined that there were adequate controls in place to ensure the accuracy of the Port's billings for fuel wharfage and valve yard transfer fees. Specifically, we found the billings were accurately prepared using correct tariff rates and supported with proper documents submitted by shippers and valve yard customers. In addition, we determined that the billings and payments were properly recorded in PeopleSoft.

SUMMARY OF FINDINGS

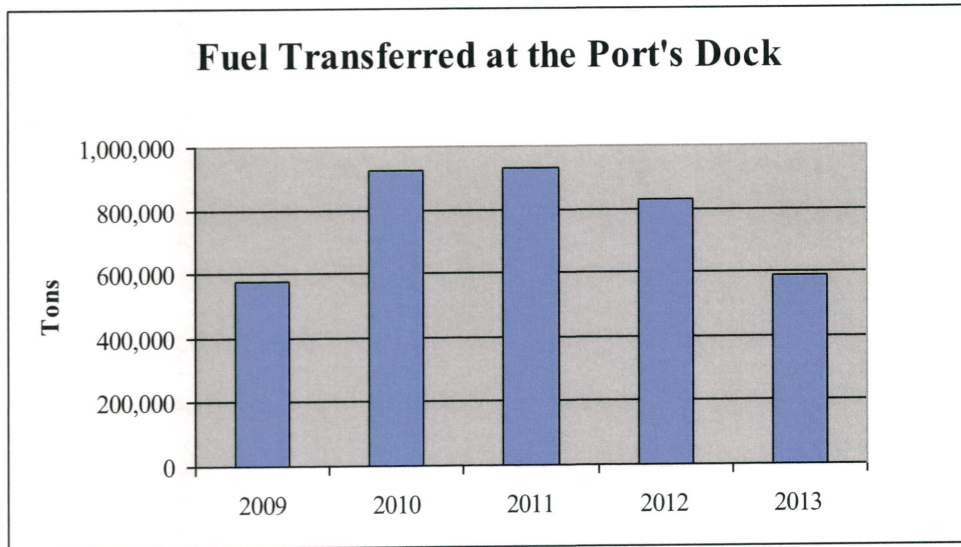
Revenue collected by the Port for fuel wharfage and valve yard transfer fees is directly related to the amount of fuel flowing through the Port. This was also found by Treasury Division staff as a result of an analysis of Port fuel revenue as concluded in their report to the Chief Fiscal Officer as follows:

“Between 2003 and 2012, the total amount of petroleum passing through the Port of Anchorage declined about 27%. During the same period, the total consumption of jet fuel in Alaska also declined about 27%. Anchorage International Airport is the largest airport in the state and uses about 58 times more fuel than the Fairbanks airport, so the statewide jet fuel consumption numbers likely track fuel use at the Anchorage airport.

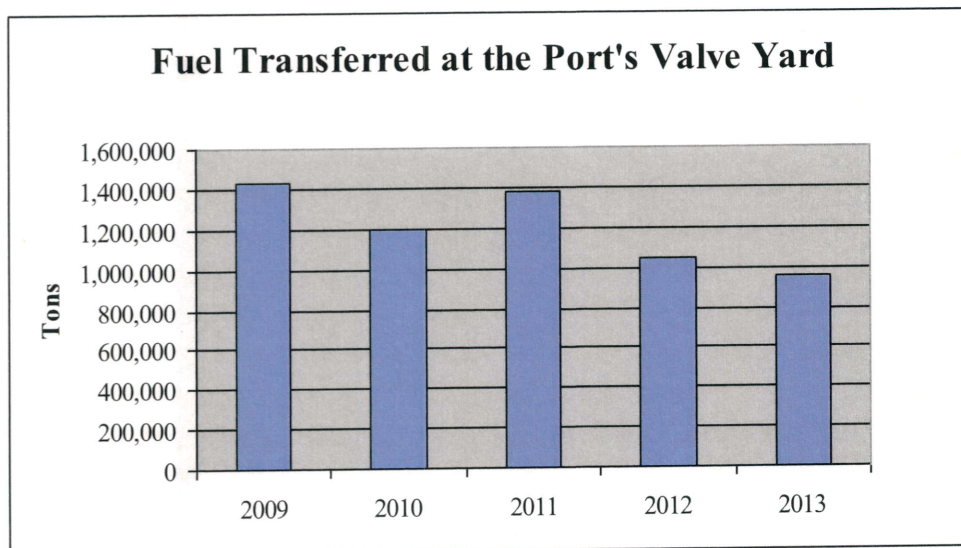
Over the last two years, from 2010 to 2012, the total amount of all types of fuel dispensed at the Anchorage International Airport declined about 17%. During the same two years, the total amount of petroleum passing through the Port of Anchorage declined about 11%.”

To help understand fuel revenue at the Port, we asked Port staff and customers to provide fuel related information. In response, the following information was provided.

The below graphs show the amount of fuel passing through the Port's dock and valve yard has decreased the last two years.

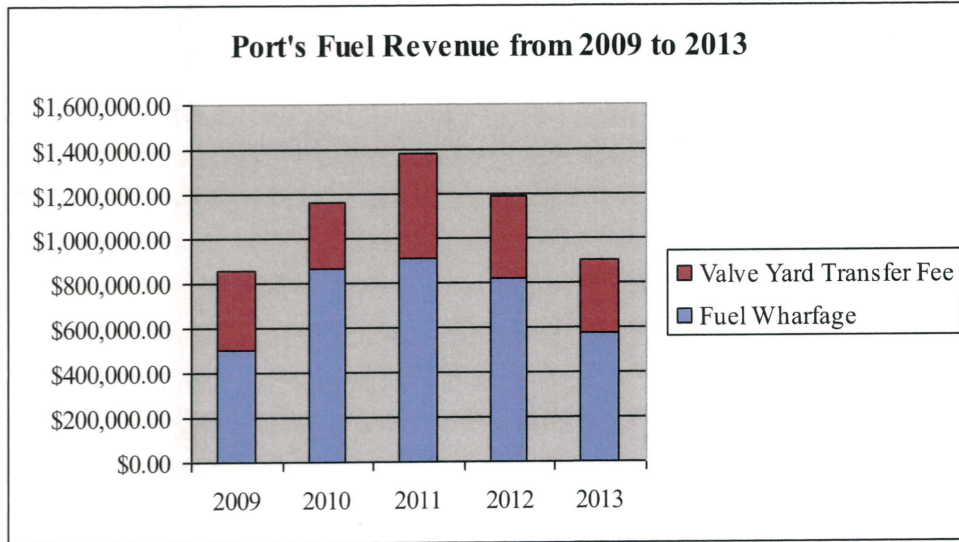


Source: Port of Anchorage



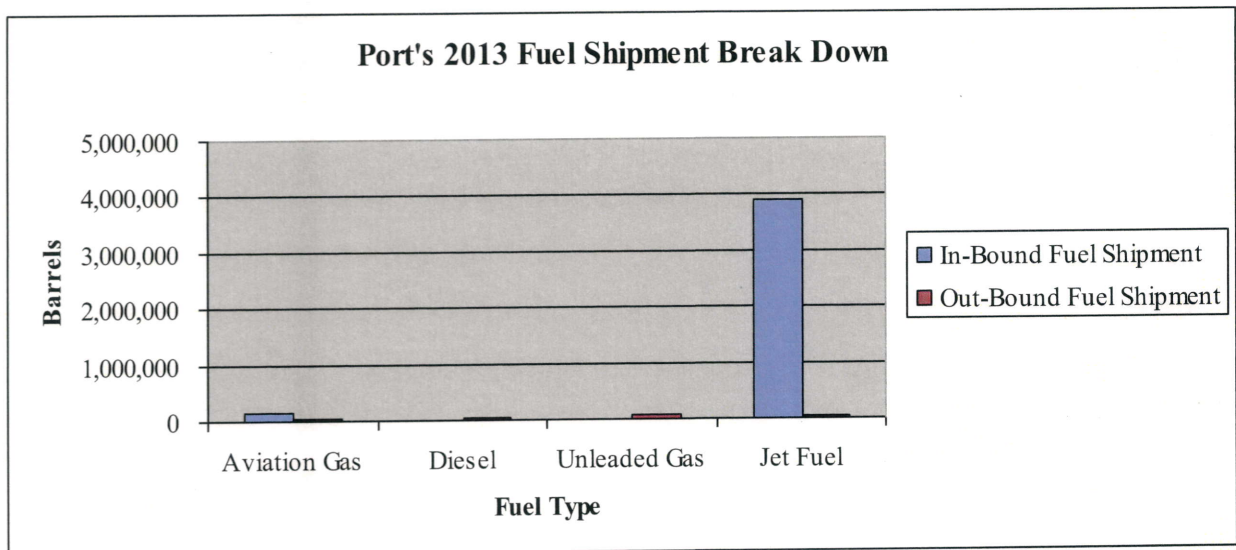
Source: Port of Anchorage

Accordingly, during the last two years fuel related revenue has been decreasing.



Source: PeopleSoft Financial System

Finally, the next graph shows the Port's 2013 fuel shipment break down by fuel types for both in-bound and out-bound shipments. It should be noted that approximately 93% of the fuel passing through the Port in 2013 was in-bound jet fuel.



Source: Port of Anchorage

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on April 3, 2014.

Audit Staff:
Scott Lee