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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

3086 FEDERAL OFFICE BUILDING 909 FIRST AVENUE
SEATTLE, WASHINGTON 98104

MAR 4 1971

Mr. Henry R. Richmond, Administrator
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208

Dear Mr. Richmond:

We have examined the Bonneville Power Administration (BPA) accounting records and practices in connection with our annual financial audit of the Federal Columbia River Power System (FCRPS) for the fiscal year ended June 30, 1970. Our review, completed in November 1970, was directed toward determining the reasonableness and propriety of BPA's financial statements included in the fiscal year 1970 consolidated FCRPS financial statements. Our review included an evaluation of administrative procedures and controls and such tests of financial transactions as we considered necessary.

We are pleased to report that we found administrative procedures and controls to be adequate. We are also pleased to report that certain matters discussed in the following paragraphs were mutually resolved as a result of discussions with your staff, except as noted.

Financial Statement Adjustments

Your staff adjusted the financial statements for the following matters disclosed by our audit.

1. The balance sheet line items Trust Funds and Trust Fund Advances were overstated by \$1,429,000 due to inclusion of a sub-account twice. Adjustments were made to reduce the account balances.
2. The balance sheet line item Other Assets and Deferred Charges included \$750,000 of expired contract option costs charged to the Celilo-Mead DC line, construction of which has been indefinitely deferred. After discussing these costs we agreed to write them off against Accumulated Net Revenues.
3. Other Assets and Deferred Charges was also overstated by \$109,000 as a result of charging this account rather than the Transfers to Federal Agencies account with the cost of certain material and equipment transferred to Southwestern Power Administration. Appropriate adjustments were made.

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Other Items

1. In our fiscal year 1969 exchange of letters, we questioned a quality increase granted to a Bureau of Commercial Fisheries' employee in January 1966. On December 18, 1970, we received a letter from the Director of the National Marine Fisheries Service in Washington, D.C., which stated that he believed the payroll action was proper. We have discussed this matter with our attorneys and plan to take a formal exception to this item.
2. BPA officials have advised us that the written agreements and proper accounting entries to record a June 1970 power exchange transaction (whereby BPA delivered energy, surplus to Cominco Limited, to the Los Angeles Department of Water and Power) will be completed in February 1971. During our audit we noted that the accounting section was not provided with a formal agreement or other satisfactory supporting information to properly record this transaction. Although a transaction of this type may sometimes be necessary before any formal written agreements are prepared supporting it, we believe that appropriate memorandums in lieu of formal agreements should be provided the accounting sections so that the transactions may be properly recorded.
3. As provided for in the Secretary of Interior's Order No. 2929 issued on January 29, 1970, and subsequent guidelines, BPA will apply a new interest rate beginning in fiscal year 1971. The initial rate is 4-7/8 percent. According to the Secretarial Order and the guidelines the new interest rate policy applies to any Corps or Bureau construction initiated after January 29, 1970. We understand that discussions are being held between Department of Interior and Corps officials at Washington on the implementation of this policy.
4. During our review we discussed with BPA officials the need for disclosure in the notes to the financial statements of BPA's commitments resulting from agreements signed as part of the Columbia Storage Power Exchange and Canadian Treaty, and the hydro-thermal power program planned for the Pacific Northwest. As a result of these discussions, BPA officials agreed to include these items in the notes.

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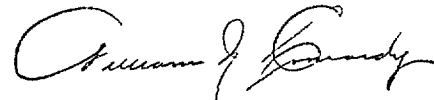
A copy of this letter is being sent to the Director, Office of Survey and Review, Department of the Interior.

Mr. Henry R. Richmond

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We wish to acknowledge the courtesy and cooperation given our representatives during this review. Your comments and advice as to final action taken on these matters will be appreciated.

Sincerely yours,



William N. Conrardy
Regional Manager

cc: Director, Office of Survey and Review,
Department of the Interior

BEST DOCUMENT AVAILABLE