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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
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SEATTLE, WASHINGTON 98109

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GAO 00370

Major General Richard E. McConnell
Division Engineer
North Pacific Division
U.S. Army Corps of Engineers
210 Custom House
Portland, Oregon 97209

AGC 00793

1 FEB 1974

Dear General McConnell

We have completed our review of the accounts and accounting procedures for the Corps of Engineers projects included in the Federal Columbia River Power System (FCRPS) for the fiscal year ended June 30, 1973. Our review, which included an evaluation of administrative procedures and controls, was directed toward determining the reasonableness and propriety of the project financial statements submitted by the North Pacific Division (NPD) to the Bonneville Power Administration (BPA) for consolidation and inclusion in the fiscal year 1973 FCRPS financial statements. The review included a detailed account analysis of selected projects and a general analysis of others.

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Although the administrative procedures and accounting controls generally were adequate, we found some matters that needed corrective action. These matters, which are commented on below, have been informally discussed and resolved with pertinent District officials.

a Our general analysis of the financial statements for the Dworshak Project showed that the interest on the Federal investment appeared to be in error by about \$500,000. Upon rechecking the computations, Walla Walla District personnel determined that the interest had been understated by about \$538,000, mainly because one month's interest during construction had been omitted.

b The financial statements for the Dworshak Project were originally changed to eliminate an interim negative cost allocation to navigation. The revised statements (issued October 31, 1973) submitted to BPA for consolidation showed a \$42.9 million allocation to navigation, whereas our general analysis indicated that the allocation probably should

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have been closer to \$9 million. Officials at the Walla Walla District subsequently determined that the correct allocation to navigation should be \$9.1 million. This resulted in increasing the allocation to power by \$33.6 million.

c. The balance sheet for the Lower Granite Project showed a \$218,000 figure under the line item "Contributions in Aid of Construction." When we inquired into the makeup of this item, Walla Walla District officials told us that the item should not have been included in the power statements because the item was related to work on levees for the city of Lewiston, Idaho.

Corrected statements were prepared by the Walla Walla District for the Dworshak and Lower Granite Projects.

2. While we were visiting the Alben Falls Project, project personnel told us that a new sewage treatment plant for about \$89,000 had been placed in service during fiscal year 1973. The financial statements on hand during our visit showed no additions to the plant, but a 29 percent increase over last year in maintenance expense. Subsequent followup at the Seattle District showed that the capital improvement had been expensed rather than capitalized. Seattle District officials told us that an adjustment will be made in fiscal year 1974.

Our letters to the Corps, issued after the fiscal year 1971 and 1972 FCRPS audits, pointed out a need for more stringent supervisory review of each project's statements submitted to BPA for consolidation. Errors noted this year indicate that the supervisory review could be further strengthened.

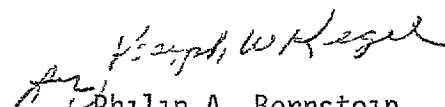
In addition to the items commented on above, we reported separately to the Division Comptroller on October 10, 1973, our views on the need to impute GSA rental costs of \$625,000 and \$529,000 for fiscal years 1972 and 1973.

A copy of this letter is being sent to the Engineer Comptroller and to the District Engineer at the Portland, Seattle, and Walla Walla Districts.

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We wish to acknowledge the courtesy and cooperation extended to our representatives during this review and the prompt action in making the necessary accounting adjustments and revisions of the fiscal year 1973 financial statements. Your comments and advice as to final action on item 2 above will be appreciated. We shall be glad to work with your District personnel, should you so desire, to suggest methods for a more effective supervisory review.

Sincerely yours,


Philip A. Bernstein
Regional Manager

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