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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE

3086 FEDERAL OFFICE BUILDING 909 FIRST AVENUE  
SEATTLE, WASHINGTON 98104

GAO 00370

JAN 22 1973

Mr. Donald P. Hodel  
Administrator  
Bonneville Power Administration AGC 00465  
P.O. Box 3621  
Portland OR 97208

Dear Mr. Hodel

We have completed our annual financial audit of the Federal Columbia River Power System (FCRPS) for the fiscal year ended June 30, 1972. Our review included an examination of the Bonneville Power Administration's (BPA) accounting records and practices. The primary purpose of this work was to provide us with a basis for evaluating the reasonableness and propriety of BPA's financial statements.

While BPA's administrative procedures and controls were deemed adequate for financial statement purposes, we are bringing the following items to your attention. These matters were discussed with members of your staff.

UNANALYZED PLANT COSTS

In our letter to the Administrator dated May 5, 1972, we pointed out that a total of about \$303 million of unanalyzed plant costs was recorded in the BPA accounts as of June 30, 1971. The Administrator agreed in his response to our letter that the amount of unanalyzed plant was undesirable and stated that every effort would be made to reduce this balance. The total for unanalyzed plant increased to more than \$328 million by June 30, 1972, an increase of about \$25 million.

In view of BPA's earlier response, we would appreciate being advised of any plans BPA has made or of any actions taken to resolve this problem.

POWER BILLINGS--INTERNAL CONTROLS

Our testing of internal controls for the wholesale power billings and the related accounting function disclosed a need to strengthen the control in several areas as discussed below.

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1. Account classification errors were noted which originated in the "Power Billing Unit." Most errors were being detected and corrected by the Accounting Section, but some escaped review and were posted erroneously. There is a need for the Accounting Section and the Power Billing Unit to jointly establish procedures which will provide improved controls over the classification process to ensure accurate posting of revenues to the proper accounts.
2. There is no formal reconciliation between the power bills prepared and the power bills paid. If the information copy of the wholesale power bill fails to reach the Accounting Section and the customer fails to pay the power bill, there is no routine process that would require a follow-up to collect the money that is due BPA. The Power Billing Unit does not have collection responsibility. The Accounting Section has the responsibility but would not have any information on the bill that was issued. While we recognize that the probability of errors of this nature occurring is low, we suggest that BPA examine this matter and consider the need for improved controls.
3. We noted several problems relating to lack of written procedures for preparation and verification of power bills and delays in bill preparation. These as well as some other problems related to BPA power billing procedures were discussed in detail in a November 29, 1972, report to the Administrator issued by the Office of Survey and Review, Department of the Interior. DLG 05484

YEAR-END CLOSING OF BOOKS

The Assistant Administrator for Administrative Management and his staff agreed to our proposal that the books for fiscal year 1973 be closed by August 15 in order to expedite completion of the financial audit. This earlier closing date should be beneficial to both BPA and us in our joint efforts toward a timely report.

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

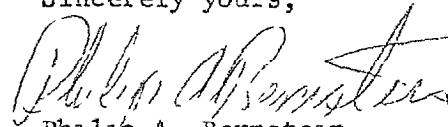
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Mr. Donald P. Model

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Thank you for the cooperation extended to us by your staff during the course of this review. We would appreciate receiving your comments on the matters discussed above.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Philip A. Bernstein".

Philip A. Bernstein  
Regional Manager

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