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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
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SEATTLE, WASHINGTON 98109

GAO 00370

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Donald P. Hodel, Administrator
Bonneville Power Administration A 600465
P O Box 3621
Portland, Oregon 97208

1 FEB 1974

Dear Mr. Hodel

DLC 00073

We have completed our audit of the Federal Columbia River Power System financial statements for the fiscal year ended June 30, 1973. Our review included an examination of the Bonneville Power Administration's (BPA) accounting records and practices as a basis for evaluating the reasonableness and propriety of its financial statements.

Although we concluded BPA's administrative procedures and controls are generally adequate, we want to bring the following items to your attention. These matters were discussed with members of your staff.

AUTOMATIC DATA PROCESSING--
INTERNAL CONTROLS

Our review of internal controls for the automatic data processing system showed a need to strengthen controls to assure that computer resources are used for only authorized jobs.

Current procedure allows jobs to be submitted for processing either by keypunched control cards or directly, through remote computer terminals. In both instances, the control card or the "log-in" procedures identify a user, his organization, account code and application code. The proper combination of these is reportedly checked by the computer and a job rejected when an identifier is incorrect.

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A daily report, called the "day-file," identifies the information obtained from the control cards or "log-in" procedures. We understand these reports are not now being reviewed to determine whether only authorized jobs are being processed.

We did not specifically try to identify any unauthorized use during our review. However, the potential for unauthorized use exists since the proper combination of account/organization/application codes is not difficult to obtain.

As a safeguard against unauthorized processing, you may want to review a sample of jobs processed through the computer as recorded on the day file.

FINANCIAL STATEMENTS ADJUSTMENTS

1. Our review showed that \$7.2 million of provisional sales were properly included in the BPA Balance Sheet as Special Funds, but were also included as Other Assets and Deferred Charges and as Other Deferred Credits. Accounts in support of the latter two Balance Sheet items had been established to meet new monthly reporting requirements of the Treasury Department, and the BPA Accounting Manual provides that they be eliminated from FCRPS reporting. The elimination entry had not been made when the FCRPS statements were prepared.

After discussing this matter with BPA officials an adjusting entry was made for FCRPS statement purposes.

2. The Balance Sheet line item Construction Work in Progress had been overstated and Other Assets and Deferred Charges understated as a result of a \$335,000 credit balance in the Washougal Material Yard clearing account. BPA's Accounting Principles and Standards provide that the principal objective of a clearing account is to charge current users with their applicable portion of the current cost and thus maintain the clearing accounts at near zero balance.

BPA officials agreed that \$335,000 was sufficiently significant to warrant the year-end adjustment they made for statement purposes after we discussed this matter. They stated that large clearing account balances at year end would be reviewed and cleared when necessary.

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3 At year end BPA normally makes an adjusting entry for checks written but not yet delivered, debiting Unexpended Funds and crediting Accounts Payable. We noticed this year that checks for \$44,000 written by the Disbursing Officer in San Francisco on June 28 and 29 and in transit to the Branch of Land on June 30, 1973, had not been included in the adjusting entry.

After we brought this matter to the attention of BPA officials a corrected adjusting entry was made.

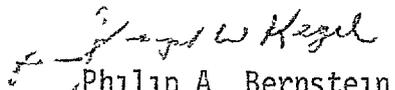
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A copy of this letter is being sent to the Director, Office of Survey and Review, Department of the Interior.

We wish to acknowledge the courtesy and cooperation given our representatives during this review. We especially appreciate the excellent computer programming help you gave us during this audit to computerize the consolidated and individual project statements. This additional audit tool will benefit future years as well and will help us keep the total audit cost as low as possible. We also appreciate the effective cooperation on the part of the Financial System Staff in the statement and footnote preparations.

Your comments and advice as to final action on the unresolved item will be appreciated.

Sincerely yours,


Philip A. Bernstein
Regional Manager

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