

ARMY CORPS OF ENGINEERS

Better Data Needed on Water Storage Pricing

Why GAO Did This Study

The Corps is to implement the water storage provisions of the Water Supply Act of 1958 at Corps' projects, such as reservoirs, across the United States. Under the act, the Corps enters into agreements with M&I water users, such as local water utilities, for storage space in the projects. As part of these agreements, the Corps includes the terms of repayment to cover the cost to construct, operate, and maintain the project.

GAO was asked to review the Corps' process for setting M&I water storage agreement prices. Among other objectives, this report examines (1) what is known about the variability of these prices and (2) M&I water users' and stakeholders' views on water storage prices and how the Corps sets M&I water storage prices. GAO reviewed the M&I water storage agreement data stored in OMBIL and assessed the reliability of the data, in part, by comparing information in agreements with data in OMBIL and interviewed Corps officials in headquarters and the Kansas City, Savannah, and Tulsa districts and a nongeneralizable sample of 26 M&I water users and 14 stakeholders such as industry groups, all selected for such factors as number of storage agreements.

What GAO Recommends

GAO recommends that the Corps systematically review and correct its data on M&I water storage agreements and develop policy and guidance for conducting such reviews; and collect and analyze data on the time it takes to complete reallocation agreements. The agency concurred with the recommendations.

View [GAO-17-500](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

What GAO Found

Based on GAO's review of the U.S. Army Corps of Engineers' (Corps) municipal and industrial (M&I) water storage agreement data stored in the Operations and Maintenance Business Information Link (OMBIL) database and discussions with agency officials, GAO could not determine the extent to which storage prices varied because Corps' data were not sufficiently reliable for such an analysis. Specifically, some data contained errors or were missing, and inconsistencies existed in how some data were recorded in OMBIL. Corps officials said that they do not systematically review the data, such as regularly tracing data in OMBIL back to the originating agreement to ensure the data are accurate. Instead, Corps officials said they conducted a limited quality control review of the M&I water storage agreement data in OMBIL but have not resolved all the errors they identified to help ensure complete and accurate information, as called for by federal standards for internal control. Without systematically reviewing and correcting the data in OMBIL, the Corps and users of the information may not have access to reliable M&I water storage agreement data. Corps officials also said they do not currently have plans to systematically review the M&I water storage agreement data in OMBIL because the agency does not have a policy and implementing guidance requiring review of the data, which is inconsistent with federal internal control standards. Without developing a policy and implementing guidance on how staff should systematically review and correct M&I water storage agreement data, the Corps will continue to have issues with the reliability of the data. While GAO could not determine the extent of variability in prices, Corps officials and M&I water users and stakeholders said that M&I water storage agreement prices vary. Agency officials identified factors that may contribute to the variation, including a project's original construction costs and the year the M&I water storage agreement was signed, given that inflation may increase prices charged for storage.

Many M&I water users GAO interviewed were generally satisfied with the Corps' M&I water storage pricing process. However, many M&I water users and stakeholders also highlighted concerns with their water storage agreements, primarily the length of time it took to complete the process for establishing agreements that reassign storage at existing projects from one use, such as hydropower generation, to use for M&I water supply. For example, one M&I water user GAO interviewed said it took the Corps 16 years to finalize its study for the water user's storage request and in that time the community faced a drought that jeopardized the ability to meet water storage needs of a local power plant. Corps officials could not provide estimates of the time it takes to complete the process because the agency does not systematically track this information. Under federal standards for internal controls, management should design control activities to achieve objectives and respond to risks. Such activities include promptly recording all transactions to maintain their relevance and value to management in controlling operations and making decisions. Without collecting and analyzing data on the length of time it takes to complete the process, the Corps does not have the information to identify areas that may hinder its ability to complete the water storage pricing process in a timely manner.