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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20541



CIVIL DIVISION

JUN 30 1971

Dear Mr. Watt:

In July 1970, we requested the Commissioner's comments on our draft report on the improvements needed in the financial management and the reporting on the Metropolitan Area Sanitary Sewage Works Fund (Potomac Interceptor Sewer).

In our draft report, we proposed that the Commissioner require that the accounting procedures be improved so as to accurately record, within the formal accounts of the Interceptor Fund, the assets, liabilities, revenues, and operating expenses on the accrual basis. With respect to the D.C. Sanitary Sewage Works Fund, we proposed that he require that similar accounting improvements be made so that the proportionate share of the District's sewerage facilities' operating expenses chargeable to the Interceptor user jurisdictions may be reliably determined and that these expenses may be compared to revenue due from the jurisdictions.

We also proposed that budgetary data reported to the Congress include a full disclosure of the results of the Interceptor's operations and of the financial condition of the Interceptor Fund. Additionally, we proposed that such data include a rate and loan repayment analysis showing historical rates, operating costs, and loan repayments as well as future years' projected rates, estimated operating costs, and estimated loan repayments through the final loan-repayment year.

By letter dated September 17, 1970, the Director, Office of Budget and Executive Management, District of Columbia Government, commented on our draft report. He stated that, subsequent to the completion of our review, action had been taken to revise accounting procedures within the Department of Sanitary Engineering so as to record, in the accounts of the Interceptor Fund and the D.C. Sanitary Sewage Works Fund, operating costs which will be in agreement with detailed cost account data.

The Director stated also that, as soon as possible after the resubmission to the Comptroller General of the District's statement of accounting principles and standards, the District will revise procedures to account for the Interceptor Fund so that statements of financial condition and operating results may be prepared.

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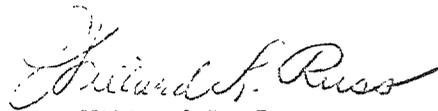
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By letter dated March 15, 1971, the Comptroller General advised the Chairman, Subcommittee on the District of Columbia, Committee on Appropriations, United States Senate, that the District had substantially completed a statement of accounting principles and standards. The Comptroller General also advised the Chairman that, after the District's statement has been approved, the General Accounting Office intends to cooperate with the District in the preparation of an accounting system design. The Comptroller General stated that the design submission must demonstrate that (1) the system will be able to produce the financial information needed by management (2) an appropriate account structure has been developed, and (3) the planned accounting processes will result in the timely recordation of accurate and complete information.

In view of the above, we do not plan to pursue our assignment further at this particular time. When the District has had a revised accounting system in operation, we will consider again reviewing the effectiveness of the financial management and reporting aspects of the Interceptor.

We wish to acknowledge the cooperation extended to our representatives during the performance of the review of the Interceptor.

Sincerely yours,



Willard L. Russ
Assistant Director

The Honorable Graham W. Watt
Assistant to the Commissioner
of the District of Columbia