CITY OF PORT ANGELES
Clallam County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The City Should Comply With Federal OMB Circular A-87 And Document Source Of Equipment Rental Rates

The city charged the Environmental Protection Agency's (EPA) construction grants for Wastewater Treatment Works program (CFDA 66.418) for the use of city equipment in the construction of its wastewater treatment plant. These charges may not be allowable since they are based on rates which were not supported by adequate source documentation.

The U.S. Office of Management and Budget (OMB) in Circular A-87, *Cost Principles*, directs that charges to federal programs will be reasonable, allowable, allocable, and based upon source documentation.

As a result of the lack of adequate source documentation for the equipment rates, we question amounts charged to the EPA for equipment usage in the amount of $1,243.59.

The city personnel with responsibility for submitting the wastewater construction project billings to EPA were unaware of the lack of adequate supporting documentation for the equipment rates.

We recommend the city provide adequate source documentation to support rates charged for use of city equipment on all federal programs.

2. The City Should Improve Internal Controls Over Its Utility Accounts Receivables

Our review of the city's accounts receivables disclosed that the accounting staff has not reconciled the detailed accounts receivable report for the electric, water, wastewater, and solid waste utilities to the general ledger control accounts.

The reconciliation of detail reports to their general ledger accounts is essential for the safeguarding of assets and accurate reporting of the receivables and related revenues.

The lack of this reconciliation of the detail report to the control accounts exposes the city to the possibility of irregularities or errors occurring which might not be discovered in a timely manner.

In 1992, the city transferred its general ledger and its accounts receivable/utility billing systems to a new integrated financial management system. The city accounting staff has had difficulties in its attempts to reconcile the detail report to the general ledger control account since the implementation of this integrated system.

We recommend that the city improve internal control by assigning staff to devote the time necessary to reconcile the control account to the detail report. The city should thereafter assign responsibility to ensure that the control account is routinely reconciled to the detail report for each utility.