MASTER

**Debt Collection
Project Report**

May 1980

U.S. Department of Energy
Office of the Controller
Office of Financial Policy, Analysis and GAO Liaison

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EXECUTIVE SUMMARY

Background

In October 1979 the Office of Management and Budget initiated a review of debt collection within the Federal Government. The Department of Energy ranked 17th among Federal Agencies in the amount of credit outstanding as of September 30, 1978, and was requested to participate in the review and to prepare a report to OMB on DOE debt management activities by May 31, 1980.

A DOE Debt Collection Project Team was established under Controller leadership in November 1979. Based on a review of amounts of accounts receivable reported by DOE activities in the Financial Information System as of September 30, 1979, the team selected seven activities for review. These activities account for 89 percent of total DOE accounts receivable due from private individuals, corporations and non-Government activities. The seven activities are:

- Albuquerque Operations Office
- Bonneville Power Administration
- Chicago Operations and Regional Office
- Naval Petroleum Reserves, California
- Oak Ridge Operations Office
- Washington Financial Services Division
- Western Area Power Administration

The team visited each of these activities to collect data on the size, age and types of receivables managed and procedures for billing, aging and handling overdue accounts.

Accounts Receivable

As of September 30, 1979, DOE non-Federal accounts receivable totalled \$675.9 million. The major non-Federal accounts receivable on the basis of dollar value are those created as a result of the sale of uranium enrichment services to domestic and foreign power plants and research activities, those developed as a result of oil sales by the Naval Petroleum Reserves and those generated by the sale of power to public utility suppliers, investor owned utilities and industrial customers.

Assessment of DOE Debt Management

Various deficiencies exist at several of the DOE entities which are not consistent with good management practices in the performance of their debt collection functions. Also, the Debt Collection Project Team identified a wide variation in the procedures followed by DOE activities in the management of accounts receivable and similarly a wide variation in the effectiveness of the debt management functions.

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Summary of Findings

Interest and penalties are not being uniformly assessed on delinquent accounts. Activities are not following a uniform policy in the application of late charges. At some activities interest of 18 percent plus penalties are being assessed, while at others no charges are being made at all.

Delinquent account follow-up is not considered adequate, at all facilities. Identification and follow-up is sometimes sporadic due to the volume of transactions and the lack of automated systems and staff. However, aggressive follow-up programs are in effect at other DOE facilities.

There are no written procedures for the handling of payment deferral arrangements as well as no provision for Controller concurrence on sizable payment deferrals on accounts receivable.

Accounts receivable processes are not adequately documented at all facilities. Some activities lack written operating instructions and desk procedures. By the same token other facilities have very detailed procedures.

Continuing reviews of billing practices are not undertaken to determine if improvements may be implemented to maximize benefits to the Government. Although marked improvements have been achieved at some activities in shortening billing and payment periods, additional benefits may accrue to the Government through review of changing conditions, i.e., implementation of letter of credit financing of integrated contractors.

Many activities do not prepare aged schedules of receivables to assist in controlling delinquent accounts. At one activity aged schedules of accounts receivable by debtor cannot be compiled. However, a number of activities are in the process of implementing automated systems which will be better able to accumulate data to aid in the management of accounts receivable.

There have been few independent audits of accounts receivable functions. Two of the seven activities reviewed had no known audit reviews in the past several years. Although one activity had no active internal audit group, others had continuing reviews in process or plans to review some aspect of accounts receivable functions in the future.

Recommendations

The Debt Collection Report includes an action plan to correct identified deficiencies and improve accounts receivable management. Major recommendations include:

- o Publication of a DOE Management Order establishing uniform policies and procedures for management of credit activities.
- o Initiation of a systems review to identify alternatives for automation of accounts receivable management as appropriate.
- o Increasing the rate of interest charged on delinquent accounts receivable to an amount equal to or greater than the cost of borrowing money in the private sector.
- o Developing and conducting a training program for personnel involved in accounts receivable functions.
- o Developing staffing standards for the credit management function. Conducting a review of grade structure and numbers of personnel assigned to the accounts receivable function at major DOE activities. Adjusting staffing and grade structure as appropriate.
- o Initiation of an analysis to determine optimum billing periods for major types of DOE receivables. The optimum period should balance the cost of the collection effort against the cost of having the account outstanding.
- o Implementing a daily vice weekly billing cycle for billing for oil sales from the Naval Petroleum Reserves.
- o Revising the contract with Chevron (the Unit Partner at the Naval Petroleum Reserves) to provide for direct payment by Chevron to the operating contractor of Chevron's share of operating costs.
- o Conducting a follow-up review during March - April 1981 to determine progress in correcting problems identified.

TABLE OF CONTENTS

<u>CHAPTER</u>		<u>PAGE</u>
I	INTRODUCTION	
	o Background of OMB/DOE Collection Project	6
	o DOE Project Objectives	6
II	DOE DEBT COLLECTION MANAGEMENT	
	o Establishment of DOE	7
	o DOE Mission	7
	o Debt Collection Project Approach	7
	o DOE Policies and Procedures for Accounts Receivable Management	8
	o Accounts Receivable	9
	o Net Assessment of Accounts Receivable Management	10
	o Recommendations	12
III	ANALYSIS OF DOE DEBT COLLECTION PROGRAMS	
	o BONNEVILLE POWER ADMINISTRATION	13
	o Background	13
	o Summary of the Accounts Receivable Process	13
	- Aging of Accounts Receivable	13
	- Assessment of Penalties and Interest	13
	- Follow-up Collection Action	14
	- Uncollectible Accounts	14
	- Allowance for Uncollectibles	14
	- Delinquent Accounts	14
	- Default Actions	14
	- Referrals	14
	- Write-offs	15
	- Repossessable Assets	15
	- Processing of Receivables (Systems Analysis)	15
	- Credit Management Functions - Staffing and Costs	16
	- Audit Reviews	16
	- Other Matters	16
	o Appraisal of Debt Management Operations	17
	o Recommendations	17

CHAPTERPAGE

o WESTERN AREA POWER ADMINISTRATION	19
o Background	19
o Summary of the Accounts Receivable Process	19
- Aging of Accounts Receivable	19
- Assessment of Penalties and Interest	20
- Follow-up Collection Action	20
- Uncollectible Accounts	20
- Allowance for Uncollectibles	20
- Delinquent Accounts	21
- Default Actions	21
- Referrals	21
- Write-offs	21
- Repossessable Assets	21
- Processing of Receivables (Systems Analysis)	21
- Credit Management Functions - Staffing and Costs	21
- Audit Reviews	21
- Other Matters	22
o Appraisal of Debt Management Operations	22
o Recommendations	23
o OAK RIDGE OPERATIONS OFFICE	24
o Background	24
o Summary of the Accounts Receivable Process	24
- Aging of Accounts Receivable	24
- Assessment of Penalties and Interest	24
- Follow-up Collection Action	25
- Uncollectible Accounts	25
- Allowance for Uncollectibles	25
- Delinquent Accounts	25
- Default Actions	26
- Referrals	26
- Write-offs	26
- Repossessable Assets	26
- Processing of Receivables (Systems Analysis)	26
- Credit Management Functions - Staffing and Costs	27
- Audit Reviews	27
- Other Matters	28
o Appraisal of Debt Management Operations	28
o Recommendations	29

CHAPTERPAGE

o ALBUQUERQUE OPERATIONS OFFICE	32
o Background	32
o Summary of the Accounts Receivable Process	32
- Aging of Accounts Receivable	32
- Assessment of Penalties and Interest	32
- Follow-up Collection Action	33
- Uncollectible Accounts	33
- Allowance for Uncollectibles	33
- Delinquent Accounts	33
- Default Actions	33
- Referrals	34
- Write-offs	34
- Repossessable Assets	34
- Processing of Receivables (Systems Analysis)	34
- Credit Management Functions - Staffing and Costs	35
- Audit Reviews	35
- Other Matters	36
o Appraisal of Debt Management Operations	36
o Recommendations	36
o CHICAGO OPERATIONS AND REGIONAL OFFICE	41
o Background	41
o Summary of the Accounts Receivable Process	41
- Aging of Accounts Receivable	41
- Assessment of Penalties and Interest	42
- Follow-up Collection Action	42
- Uncollectible Accounts	42
- Allowance for Uncollectibles	42
- Delinquent Accounts	43
- Default Actions	43
- Referrals	43
- Write-offs	43
- Repossessable Assets	43
- Processing of Receivables (Systems Analysis)	44
- Credit Management Functions - Staffing and Costs	44
- Audit Reviews	44
- Other Matters	44
o Appraisal of Debt Management Operations	44
o Recommendations	45

CHAPTERPAGE

o WASHINGTON FINANCIAL SERVICES DIVISION	46
o Background	46
o Summary of the Accounts Receivable Process	46
- Aging of Accounts Receivable	46
- Assessment of Penalties and Interest	47
- Follow-up Collection Action	47
- Uncollectible Accounts	47
- Allowance for Uncollectibles	47
- Delinquent Accounts	47
- Default Actions	47
- Referrals	48
- Write-offs	48
- Repossessable Assets	48
- Processing of Receivables (Systems Analysis)	48
- Credit Management Functions - Staffing and Costs	48
- Audit Reviews	49
- Other Matters	49
o Appraisal of Debt Management Operations	49
o Recommendations	49
o NAVAL PETROLEUM RESERVES, CALIFORNIA	56
o Background	56
o Summary of the Accounts Receivable Process	57
- Aging of Accounts Receivable	57
- Assessment of Penalties and Interest	57
- Follow-up Collection Action	57
- Uncollectible Accounts	57
- Allowance for Uncollectibles	57
- Delinquent Accounts	57
- Default Actions	58
- Referrals	58
- Write-offs	58
- Repossessable Assets	58
- Processing of Receivables (Systems Analysis)	58
- Credit Management Functions - Staffing and Costs	59
- Audit Reviews	59
o Appraisal of Debt Management Operations	59
o Recommendations	60
IV COST ANALYSIS	62

CHAPTER

V

IMPLEMENTATION PLAN

VI

APPENDIX A

- o DOE Organization

APPENDIX B

- o Table 1 - Analysis of Accounts Receivable -
Sept. 30, 1979
- o Table 2 - Analysis of Accounts Receivable -
Sept. 30, 1978
- o Table 3 - Composite Aged Schedule of Non-Federal
Accounts Receivable - Activities Reviewed
Sept. 30, 1979
- o Table 4 - Composite Aged Schedule of Non-Federal
Accounts Receivable - Activities Reviewed
Sept. 30, 1978
- o Table 5 - Analysis of Accounts Receivable -
Non-Federal, Foreign vs. Non-Foreign
FY 1978 and 1979

INTRODUCTION

Background of OMB/DOE Collection Project

On May 3, 1979, President Carter established a Presidential Management Improvement Council to improve Federal management and program performance. This Council is staffed jointly by the Director, Office of Personnel Management and the Director, Office of Management and Budget. One of the Council's highest priorities is the current effort to improve Government debt collection practices and performance. To begin this effort, OMB requested on March 8, 1979 an initial report on debt collection management activities from all departments and agencies. Data in this report was used to identify agencies having the largest amount of credit outstanding. The Department of Energy ranked 17th in amount of credit outstanding. Based on this initial report, a sample group of agencies was selected to participate in a detailed review of collection practices. The objectives of this review were to:

- o Describe the universe of government receivables in terms of age, default rate, write-offs, types of borrowers, and legislative or regulatory authority.
- o Evaluate the effectiveness of the Federal Government in the management of receivables.
- o Ascertain whether government-wide systems problems exist in accumulating and reporting accurate and timely receivables data.
- o Identify and implement solutions to problems that are found.
- o Design and implement systems and reporting for monitoring future performance.

DOE Project Objectives

In response to OMB's request that the Department of Energy participate in the Debt Collection Project, DOE established a Debt Collection Project Team and began a thorough assessment of debt collection practices. DOE objectives were to:

- o Identify major purposes for which DOE accounts receivable are required.
- o Identify procedures and practices used to manage these receivables and assess their effectiveness.
- o Assess the ability of existing procedures, systems and resources to accommodate expanded sales, loan and grant programs anticipated in the future.
- o Develop recommendations and an action plan to correct any problems/deficiencies identified.
- o Obtain information on successful debt collection systems and procedures used by DOE activities and/or other Federal agencies which could be applied to improve DOE accounts receivable management.

DEPARTMENT OF ENERGY (DOE)
DEBT COLLECTION MANAGEMENT

Establishment of DOE

The Department of Energy was established by the Department of Energy Organization Act, approved August 4, 1977 (91 Stat. 569; 42 U.S.C. 7131), and effective October 1, 1977, pursuant to Executive Order 12009 of September 13, 1977. The Act consolidated the major Federal energy functions into one Cabinet-level Department, transferring to DOE all the responsibilities of the Energy Research and Development Administration; the Federal Energy Administration; the Federal Power Commission; and the Alaska, Bonneville, Southeastern and Southwestern Power Administrations, formerly components of the Department of the Interior, as well as the power marketing functions of the Department of the Interior's Bureau of Reclamation. Also transferred to DOE were certain functions of the Interstate Commerce Commission and the Departments of Commerce, Housing and Urban Development, the Navy, and the Interior.

DOE Mission

The Department of Energy provides the framework for a comprehensive and balanced national energy plan through the coordination and administration of the energy functions of the Federal Government. The Department is responsible for the research, development and demonstration of energy technology; the marketing of Federal power; energy conservation; the nuclear weapons program; regulation of energy production and use; pricing and allocation; and a central energy data collection and analysis program. Of primary concern to the Department are the promotion of consumer interests and the encouragement of competition in the energy industries, as well as the protection of the Nation's environment and the health and safety of its citizens. An Organization Chart and brief explanation of the DOE Headquarters and Field Activity Structure is included at Appendix A.

Debt Collection Project Approach

A DOE Debt Collection Project Team was established under Controller leadership in November 1979. Based on a review of amounts of accounts receivable reported by DOE activities in the Financial Information System as of September 30, 1979, the team selected seven activities for review. These activities account for 89% of total DOE accounts receivable due from private individuals, corporations and non-Government activities. The seven activities are:

- Albuquerque Operations Office
- Bonneville Power Administration
- Chicago Operations and Regional Office
- Naval Petroleum Reserves, California
- Oak Ridge Operations Office
- Washington Financial Services Division
- Western Area Power Administration

The team visited each of these activities to collect data on the size, age and types of receivables managed, procedures for billing, aging, handling overdue accounts and data on numbers and amounts over a five year period, 1975 - 1979.

The team also assessed the existing DOE policies and procedures for management of accounts receivable and evaluated how these policies were being implemented.

DOE Policies and Procedures for Accounts Receivable Management

Department of Energy (DOE) policies and procedures for management of accounts receivable are set forth in the DOE Accounting Practices and Procedures Handbook (DOE Order 2200.0) published in October 1979. This handbook provides a definition of accounts receivable, addresses but does not specify or explain methods of control over accounts receivable and provides procedures for collection of Federal claims and for handling uncollectible accounts. Procedures for collection of Federal claims provide for three written demands at thirty day intervals to be made upon a debtor unless response to a first or second demand indicates that further demand would be futile or unless prompt suit or attachment is required. The procedures also specify collection by offset, personal interview with the debtor, contact with the debtor's employing agency, suspension or revocation of debtor's license or other privileges, liquidation of collateral, collection by installment if debtor is unable to pay in one lump sum, exploration of compromise, agreement to forego interest as an inducement to voluntary payment and provision for documentation of all collection actions. The handbook also provides for suspension or termination of collection actions on claims which do not exceed \$20,000 if (a) the debtor cannot be located, (b) it becomes clear that the Government cannot collect or enforce collection of any significant sum, (c) the cost will exceed amount recoverable, (d) the claim is legally without merit, or e) the claim cannot be substantiated by evidence. Procedures specify that for claims against individuals all reasonable actions short of legal action should be taken. Claims amounting to less than \$600 should not be referred for enforced collection except where significant enforcement policy is involved. Legal action ordinarily will require evidence that (a) the debtor has assets that may be attached or (b) family income is sufficient to repay. The handbook also identifies procedures for referring a claim to the General Accounting Office or Department of Justice for collection. Finally the handbook establishes procedures for removing uncollectible accounts from the records.

The procedures in the Accounting Handbook do not specify several accounts receivable management practices which would significantly improve credit management at DOE Headquarters and field activities. These practices include:

- o Regular monthly aging reports of accounts receivable by debtor.
- o Uniform provisions for assessment of interest and penalties in sufficient magnitude to deter delinquent payment of accounts receivable.

- o Criteria for determining whether or not to grant credit and for determining optimum billing periods once credit is granted.
- o Criteria for deferral of payments.

Accounts Receivable

As of September 30, 1979, DOE non-Federal accounts receivable totaled \$675.9 million. The major non-Federal accounts receivable on the basis of dollar value are those created as a result of the sale of uranium enrichment services to domestic and foreign power plants and research activities, those created as a result of oil sales by the Naval Petroleum Reserves and those generated by the sale of power to public utility suppliers, investor owned utilities and industrial customers.

The following table displays revenues and non-Federal accounts receivable for these major income producing elements for FY 1978 and FY 1979.

<u>Income Producing Element</u>	<u>FY 1978</u>		<u>FY 1979</u>	
	<u>Revenues</u> (millions)	<u>Accounts Receivable</u> (millions)	<u>Revenues</u> (millions)	<u>Accounts Receivable</u> (millions)
Uranium Enrichment Services (Oak Ridge)	\$ 839	\$200	\$1,120	\$389
Oil Sales (Naval Petroleum Reserves)	492	30	719	93
Power Generation (Power Administrations)	702	60	750	113
Miscellaneous Sales (Defense Products, etc.)	<u>102</u>	<u>54</u>	<u>166</u>	<u>81</u>
Total	\$2,135	\$344	\$2,755	\$676

Non-Federal accounts receivable increased substantially from \$344 million as of September 30, 1978 to \$676 million as of September 30, 1979. This increase was primarily due to increases in the value of uranium enrichment services and in the value of oil sales from the Naval Petroleum Reserves. Also, the Western Area Power Administration recorded non-Federal receivables for the first time in FY 1979 and these were in excess of \$57 million. Delinquent accounts receivable (those overdue at least 30 days) for the facilities reviewed, increased from \$34 million or 13% in FY 1978 to \$124 million or 22% in FY 1979.

The Department has established allowances for uncollectible accounts representing 3 1/3% of total receivables in FY 1979. The major portion of this allowance account (\$21.8 million out of \$22.3 million) is comprised of receivables recorded by the Clinch River Breeder Reactor program which have been reserved as possibly uncollectible as a result of the decision to curtail the breeder reactor program. The receivables represent contributions due from the Project Management Corporation, agent for numerous utilities participating in the program.

Uncollectible accounts receivable have been minimal in FY 1978 and FY 1979. The Oak Ridge Operations Office experienced one debtor bankruptcy in which inventories and technology were recovered. Over the five year period FY 1975 - 1979 there were a total of eight referrals to GAO or the Department of Justice from the offices which account for 89% of DOE accounts receivable. These referrals were all under \$6,000 each except for one referral of \$12 million which arose as a result of a dispute between Chevron and the Government in the interpretation of a contract dealing with exploration, development and operation of lands within the Naval Petroleum Reserves. The basis of this dispute is Chevron's contention that their share of development costs of wells placed on a stand-by rather than productive basis are not to be paid by them until such wells are released to production. The Government believes payment is due when costs are incurred.

Write-offs of uncollectible accounts have averaged less than \$40,000 per year. There is no evidence that uncollectible accounts are not being written off promptly.

Net Assessment of Accounts Receivable Management

Just as there is a wide variation in the mission and programs of DOE activities which manage accounts receivable, there is a wide variation in the policies, procedures, management attention, resources and success of managing credit at these activities. For example, Bonneville Power Administration, the wholesale power marketing agency for 30 U.S. multi-purpose dams in the Columbia River Basin has an effective, sound system of credit management. In comparison, serious deficiencies in ability to manage accounts receivable exist at the Washington Financial Services Division (WFSD) which provides accounting services for DOE Headquarters and for several field activities and also prepares summary agency financial reports. The most significant deficiency is that the current software design makes no provision for debtor account number or billing date. This results in laborious manual effort to accumulate debtor account balances which cannot be compiled through automated means. In general, the Department of Energy could improve accounts receivable management.

Significant deficiencies include:

- o Lack of uniform Departmental policies and procedures on aging of accounts receivable, assessment of interest and penalties, granting of credit and relating billing periods to the cost of granting credit.

- o Lack of effective automated systems for accounts receivable processing and reporting.
- o Lack of a comprehensive training program and personnel staffing standards for the accounts receivable/credit management function.

In addition, certain DOE activities have individual problems related to the nature of their program, their customers and their existing contractual arrangements. The most significant of these problems occurred at the Oak Ridge Operations Office and the Naval Petroleum Reserves. At Oak Ridge, delinquent accounts receivable increased significantly from September 30, 1979 to the present, due to granting payment deferrals to power companies because of shortfalls in their operating funds. Interest at the rate of 12 percent per year is assessed on these overdue balances. Since 12 percent is considerably lower than the lending rate available commercially, it is to the advantage of power companies to defer payments rather than borrow from the private sector lending institutions. As of September 30, 1979 deferrals amounted to \$55 million. They had increased to \$74 million as of February 1980 with a potential for further increments. At the Naval Petroleum Reserves the substantial value of oil produced daily by the reserves creates a significant cost advantage for the Government if collections for the sale of this oil can be made as the oil is produced. Currently the NPR bills customers on a weekly basis. If this could be expedited to a daily basis the U.S. Treasury would have the advantage of several million dollars for a longer period of time. In addition the current NPR contract with Chevron (Unit Partner with DOE in operating the reserve) provides for the Government to pay all operating costs and then to bill Chevron for their share (20%). We could avoid a significant monthly receivable if the contract with Chevron were revised to provide for direct payment by Chevron of their share of the costs.

An area that does not have high visibility and is indirectly related to accounts receivable activity is that of the Loan Guaranty Programs. These programs have a potential to generate both accounts receivable and payable activity upon default by the party covered by each loan guaranty. Loan guarantees as of September 30, 1979 were \$14.3 million increasing as of January 1980 to \$43.4 million. The potential by year end may be in excess of a billion dollars. All current loans are with and serviced by private lending institutions.

Chapter III provides an evaluation of debt collection activities, accomplishments and deficiencies at each of the seven DOE activities surveyed.

Recommendations

Chapter V provides an action plan to correct identified deficiencies and improve accounts receivable management within DOE. Major recommendations include:

- o Publication of a DOE Management Order establishing uniform policies and procedures for management of credit activities.
- o Initiation of a systems review to identify alternatives for automation of accounts receivable management as appropriate.
- o Increasing the rate of interest charged on delinquent accounts receivable to an amount equal to or greater than the cost of borrowing money in the private sector.
- o Developing and conducting a training program for personnel involved in accounts receivable management.
- o Developing staffing standards for the credit management function. Conducting a review of grade structure and numbers of personnel assigned to the accounts receivable function at major DOE activities. Adjusting staffing and grade structure as appropriate.
- o Initiation of an analysis to determine optimum billing periods for major types of DOE receivables. The optimum period should balance the cost of the collection effort against the cost of having the account outstanding.
- o Implementing a daily vice weekly billing cycle for billing for oil sales from the Naval Petroleum Reserves.
- o Revising the contract with Chevron (the Unit Partner at the Naval Petroleum Reserves) to provide for direct payment by Chevron to the operating contractor of Chevron's share of operating costs.
- o Conducting a follow-up review during March - April 1981 to determine progress in correcting problems identified.

BONNEVILLE POWER ADMINISTRATION

BACKGROUND: The Bonneville Power Administration (BPA) is a wholesale power marketing agency for 30 U.S. multi-purpose dams in the Columbia River Basin and has been in operation since 1938. BPA owns the transmission facilities which supply half the Pacific Northwest's electric power needs. It services Oregon, Washington, Idaho, western Montana and parts of California, Nevada, Utah and Wyoming covering 300,000 square miles with a population of 7 million. BPA has approximately 160 customers which include 116 public systems, 8 investor owned utilities, 17 industrial customers, and 6 Federal agencies in the Pacific Northwest. Thirteen other customers are located outside the Pacific Northwest.

Power system revenues for FY 1979 were \$292 million, down from \$330 million in FY 1978. BPA is also involved in irrigation assistance and is obligated to repay the portion of construction costs, at Federal irrigation projects, which is beyond the ability of the irrigation water users to repay.

In October, 1974, BPA became a self-financing agency, which means that instead of depending on Congressional appropriations for funds, it can issue revenue bonds which will be sold to the U.S. Treasury to finance construction of its transmission system.

There are currently about 3500 employees of which 1100 are hourly rate employees. Of the total employees approximately 800 are engaged in engineering activities.

Accounts receivable are generated from the sale of power, computer service revenues and reproduction services. Total billed and unbilled accounts receivable due from the public at September 30, 1979 were \$21.7 million.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

Aged schedules of accounts receivable are prepared monthly, by customer and in the format requested by the Treasury Department and are reconciled to unpaid bills in the file. Any credit balance would usually be the result of an estimated payment exceeding a subsequent billing based on actual cost. A summary of the aged schedule of accounts receivable for FY 1975 through FY 1979 is presented in Schedule 1.

Assessment of Penalties and Interest

Assessment of penalties and interest are governed by the general rate provisions approved by the Federal Energy Regulatory Commission (FERC). Under the Project Act covering the BPA operations, authorization is provided for assessment of a late payment charge of 1/4% or \$50, whichever is greater, plus 1/20 of 1% daily interest (18% per annum). The date of the postmark on the envelope is the criteria used in making the determination of a late payment. Interest on penalties is assessed on overdue accounts. Interest accrued on delinquent accounts is not

recorded until collected. Interest and late charges collected for the past five fiscal years is as follows:

<u>FY</u>	<u>Amount</u>
1979	\$22,978
1978	11,107
1977	17,228
1976	24,799
1975	21,761

Follow-up Collection Action

Follow-up collection action is initiated on the 21st day subsequent to billing date, for power bills, and on the 31st day for other receivables. The amount of costs associated with past due collection effort during FY 1979 was estimated to be \$4,215.

Uncollectible Accounts

Accounts are considered uncollectible only after all available efforts are consummated to collect the account. The determination is made on a case by case basis. On other than power sales, receivables might be placed in litigation as soon as they exceed 90 days from billing date. Collection agencies are not employed. Collection effort usually involves dunning notices, telephone contacts and ultimately, referral to the Department of Justice. There are no internal written procedures governing this area.

Allowance for Uncollectibles

An allowance for uncollectible accounts has not been established since current circumstances do not warrant it.

Delinquent Accounts

Information for FY 1975 through 1979 is presented in Schedule 1.

Default Actions

There have been no known default actions involving foreclosures or repossessions during the period FY 1975 through FY 1979.

Referrals

There have been no referrals to GAO in the past five fiscal years. The only known referral to Department of Justice in recent years has been a case involving billings for damages to Government property for repairs amounting to less than \$5,000. The matter was referred to Justice who in turn referred the case back to BPA for resolution.

Write-offs

The amounts written off for FY 1975 through FY 1979 are as follows:

<u>FY</u>	<u>No. of Accounts</u>	<u>Amount</u>
1979	2	\$3,263
1978	2	702
1977	14	9,694
1976	7	7,326
1975	-0-	-0-

It should be noted that none of the write-offs in this period were power accounts.

Repossessable Assets

There are no repossessable assets associated with the receivables.

Processing of Receivables (Systems Analysis)

The Power Billing Unit computes the bill from readings made at 1100 metering points. Three different electrical factors are applied by an extensive series of contracts which cover almost every possible event. Net billing is used to offset credits and debits between customer and supplier. Also, contractual arrangements call for certain payments to the Washington Public Power Supply System which are applied against payments due to Bonneville. The customers have 20 days to pay their bills to BPA.

The Power Billing Unit sends copies of the bills to the Accounting Department for subsequent entry into their control system. If a customer has not paid within 20 days of billing, then a flat charge of 1/4% is applied with 1/20% added each day until payment is made (18% annual interest rate). If there is a dispute in a bill it is returned to the Power Billing Unit for ultimate determination as to appropriateness. The amount is still retained in the system as unpaid until either a settlement is reached or a court decision has been rendered. Listings are made of bill payments and the status of accounts on a weekly basis.

Bills are entered daily into the computer and the status of each account is available on that basis. If discrepancies are noted, then Accounting contacts the customer or the Power Billing Unit to ascertain corrective actions. Generally, the overdue accounts are not in the Power Billing area but rather represent civil or administrative actions resulting from the normal course of operations (e.g. - Automobile accident destroying property of BPA).

For other than power bills: Dunning letters are sent and followed up by phone calls. Legal action may be instituted for large claims over \$1,000 as determined by the Chief, Financial Management Branch. For power bills in dispute, court action normally follows operational level negotiation. BPA could offset power to the customer if necessary to obtain payment.

Credit Management Function - Staffing and Costs

The Chief, Financial Management Branch is responsible for the credit management function at the BPA. The Administrator of BPA is the only one empowered to sign contracts with power companies, whereas, program personnel are empowered to bind BPA on non-power contracts. After execution of the contracts, credit management functions are under the cognizance of the Financial Management Branch. The credit management function is comprised of the power billing units staffed by twelve people and a fiscal accounting group of five people responsible for collections, deposits, analysis and reports.

An estimate of current annual costs of operating the billing and credit function at BPA is \$435,191. Of this amount \$327,867 is direct costs and \$107,324 is for overhead and administration.

Changes instituted in the last five years include the automation of numerous accounts receivable functions, the revision of penalty rate provisions, the adoption of provisions to assess interest, the reduction of the billing cycle from 30 to 20 days and the institution of estimated billing procedures. Management would like to see a further automation of the billing procedures.

Audit Reviews

An Office of Audit was established in December 1978, to perform internal audits. Procedural audits are performed by the project review staff. Any requests for major reviews of specific areas would be addressed to the Inspector General's Office.

Annual audits are performed by Coopers & Lybrand. These audits include a review of the BPA operations as a part of the Federal Columbia River Power System.

Other Matters

In FY 1980 BPA will become involved in a weatherization project that may significantly impact its current operations. The plan is currently in its formative stages and provides for the granting of interest free loans to weatherize homes to conserve energy. A draft contract to be entered into between BPA and 12 selected utilities has been sent to the Secretary of Energy, OMB and Department of Justice for review and approval. This pilot program limits expenditures to \$7 million or 24 months, whichever comes first. The loans granted to the homeowners would be secured by liens placed on the property to be weatherized. The repayment of such loans could be deferred until such time as the property is sold. It is noted that BPA does not at this time generate loans receivable as part of its activities. This program could conceivably involve a sizeable increase in the volume of transactions related to the accountability required, to guarantee recovery of funds expended.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

The Bonneville Power Administration has a sound effective system of accounts receivable management. Effective segments of this system include:

- o The monthly preparation of formal aged schedules of accounts receivable by debtor. Schedules are reconciled to bills on file.
- o An aggressive follow-up system for pursuing delinquent accounts and an effective system for assessing interest and penalties to deter delinquency. Of course the ability to shut off power if a customer falls behind in payments encourages prompt payment.
- o A credit management function that is well staffed with trained personnel. Personnel responsible for billing are in a separate organization from those responsible for collection and accounting.
- o Annual audits of BPA operations performed by an independent CPA firm.

RECOMMENDATIONS:

Bonneville Power Administration should study the use of increased automation in the billing process as a means to expedite the issuance of bills based on actual charges and eliminate or reduce the use of estimated bills. Also, automation may reduce the effort required in the training and supervising of billing personnel.

Schedule 1

Bonneville Power Administration
Aged Schedule of Accounts Receivable - Non-Federal
Fiscal Years Ending 1975-1979

Dollars (000's)	(%)	Total (Note)	Not Delinquent		Days Delinquent								Months Delinquent			
			(%)		1-30		31-90		91-180		181-360		12-24		Over 24	
					(%)		(%)		(%)		(%)		(%)		(%)	
FY 1979	(100.0)	\$3803	(85.8)	\$3261	(.1)	\$ 5	(10.8)	\$411	-	\$ -	(.1)	\$ 2	(.1)	\$ 5	(3.1)	\$115
FY 1978	(100.0)	3890	(96.0)	3735	(.1)	5	(.2)	6	(.2)	8	(.2)	7	(.3)	12	(3.0)	117
FY 1977	(100.0)	3412	(76.8)	2619	(18.0)	614	(1.0)	36	(.3)*	10*	(1.9)*	65*	(5.7)	194	(.7)	24
FY 1976	(100.0)	6192	(95.8)	5932	(1.0)	63	(.4)	23	(1.9)	118	(.1)	7	(.7)	44	(.1)	5
FY 1975	(100.0)	5502	(90.8)	4994	(.3)	14	(2.4)	133	(3.2)	174	(2.4)	137	(.8)	46	(.1)	4

* Credit

Accounts

FY 1979	(100.0)	96	(61.4)	59	(6.3)	6	(10.4)	10	(1.0)	1	(4.2)	4	(4.2)	4	(12.5)	12
FY 1978	(100.0)	79	(59.5)	47	(5.1)	4	(5.1)	4	(3.8)	3	(5.1)	4	(12.6)	10	(8.8)	7
FY 1977	(100.0)	107	(55.1)	59	(9.3)	10	(9.3)	10	(9.3)	10	(7.6)	8	(4.7)	5	(4.7)	5
FY 1976	(100.0)	172	(50.6)	87	(8.7)	15	(7.6)	13	(8.7)	15	(11.6)	20	(7.6)	13	(5.2)	9
FY 1975	(100.0)	166	(55.4)	92	(4.3)	7	(9.6)	16	(9.6)	16	(6.6)	11	(11.5)	19	(3.0)	5

Note: Represents billed receivables only. Billed and unbilled (accrued) receivables for fiscal years 1979 and 1978 are as follows:

	FY 1979 (000's)	FY 1978 (000's)
Billed	\$ 3803	\$ 3890
Unbilled	17916	29606
Total	<u>\$21719</u>	<u>\$33496</u>

WESTERN AREA POWER ADMINISTRATION

BACKGROUND: The Western Area Power Administration (WAPA) was established on December 21, 1977, pursuant to Section 302 of Public Law 95-91, the Department of Energy Organization Act, dated August 4, 1977.

WAPA is responsible for Federal electric power marketing and transmission in 15 Central and Western states encompassing a 1.3 million square mile geographical area. It is responsible for the sale and distribution of power to 457 customers consisting of cooperatives, municipalities, public utility districts, private utilities, Federal and state agencies, and irrigation districts, which provide service to millions of retail power customers in all or part of the States of California, Nevada, Montana, Arizona, Utah, New Mexico, Texas, North Dakota, South Dakota, Iowa, Colorado, Wyoming, Minnesota, Nebraska, and Kansas. WAPA is responsible for the operation and maintenance of about 15,764 miles of transmission lines, 211 substations, and various appurtenant power facilities in the above geographic area and also for construction and operation and maintenance of additional Federal transmission facilities that may be authorized in the future. Electric power marketed by WAPA is generated by the Bureau of Reclamation, Corps of Engineers, and the International Boundary and Water Commission in Texas, which operate 46 hydropower generating plants in this service area with a current installed generating capacity of 7,704,556 kilowatts. Additionally, WAPA markets the United States entitlement from the large Navajo coal-fired plant near Page, Arizona.

In carrying out the Federal power marketing program, the WAPA organization consists of a Headquarters Office located in Denver, Colorado, and five area offices located in Billings, Montana; Boulder City, Nevada; Denver, Colorado; Sacramento, California, and Salt Lake City, Utah. There are also six district offices which include 40 operation and maintenance field stations and one power system operations office.

WAPA, through its power marketing program, must secure revenues sufficient to meet the annual costs of operation and maintenance of the generating and transmitting facilities, to repay all of the power, investment with interest, and to repay that portion of the Government's irrigation investment which is beyond the water users capability.

The WAPA accounts receivable are generally from the sale of electric energy. Eighty-eight percent of sales are under long term contracts negotiated by area office contract managers. Total billed and unbilled accounts receivable due from the public at September 30, 1979 were \$57.4 million.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

Aging schedules and management level reports are not prepared to assist in the follow-up or control of delinquent accounts. The aging schedule shown below was prepared to provide data necessary for a one time Treasury report on the "Status of Accounts and Loans Receivable". Because the WAPA automated system does not accept the billing date or due date, aging schedules must be prepared manually.

Status Of Accounts Receivable

<u>As of 9/30/79</u>	<u>Accounts Receivable</u>
Not delinquent	\$37,173,033.61
1 - 30 days delinquent	3,991,171.74 <u>1/</u>
31 - 90 days delinquent	26,759.11
91 - 180 days delinquent	32,835.91
181 - 360 days delinquent	33,103.29
12 - 24 months delinquent	<u>235,680.06</u> <u>2/</u>
Sub-total	\$41,492,583.72
Unbilled Current Accounts	<u>15,862,376.09</u>
Total	\$57,354,959.81

1/ This amount consists of 29 accounts which are either under protest or have been collected subsequent to September 30, 1979.

2/ This amount as well as portions of the 31 - 90, 91 - 180, and 181 - 360 day delinquent accounts consists of three receivables plus monthly billings for interest that are currently in litigation.

Assessment of Penalties and Interest

Power sales contracts contain an interest clause which provides for assessment of interest on delinquent accounts. However, because of varied contract terms regarding bill periods and interest rates and the lack of complete contract files at WAPA Headquarters, there are no uniform procedures for charging and billing interest. Contract managers are responsible for charging of interest on some accounts while WAPA Headquarters accounting personnel handle others.

Follow-up Collection Action

Power marketing bills are prepared on a cyclical basis. Contractual terms govern the due date which in some cases allow up to 60 days for payment. An account is considered delinquent if not received by the due date. Notices (form letters) to delinquent customers are manually prepared but used infrequently. Timely action is generally taken to collect amounts from delinquent customers who, in the ordinary course of business, prepay for power purchased. However, in certain instances follow-up action is not immediately initiated.

Uncollectible Accounts

No effort has been made to determine when an account should be considered uncollectible.

Allowance for Uncollectibles

There has not been a review to determine if an allowance for uncollectibles should be established for amounts more than 90 days past due.

Delinquent Accounts

Delinquent accounts represented 134 accounts and amounted to \$4,319,550 or 10 percent of the outstanding billed receivables due from the public as of September 30, 1979. Of this amount \$3.8 million is in dispute pending litigation.

Default Actions

No default actions have occurred resulting in repossessions or foreclosure.

Referrals

There were no receivables referred to either GAO or the Department of Justice.

Write-offs

The accounting and finance function was assumed by WAPA in April 1979. There have been no write-offs by WAPA during the period April through September 1979.

Repossessable Assets

There are no repossessable assets associated with the receivables.

Processing of Receivables (Systems Analysis)

Each area office (Denver, Colorado; Billings, Montana; Boulder City, Nevada; Salt Lake City, Utah and Sacramento, California) prepares and distributes its own billings. The WAPA Headquarters Office records these billings and handles all collection activities. Except for Sacramento the area offices have automated capabilities to prepare bills.

Except for the Billings Area Office, each area office submits two copies of each bill to WAPA Headquarters for accounting and collection. The Billings office maintains a communications link with the WAPA Headquarters' computer and sends an automated billing schedule to WAPA.

Credit Management Functions - Staffing and Costs

The responsibility for credit management functions rests with the Chief, Finance and Accounting. There are approximately ten hours of effort per month expended at WAPA Headquarters towards this activity which primarily involves analysis and monitoring of collections, overdue bills and billing of penalties and interest. WAPA does not consider the time spent on this activity to be adequate and intends to expand their efforts of credit management in the near future.

WAPA Headquarters does not maintain cost records on the credit management activity and could not provide an estimate of operating cost for the April - September 1979 period.

Audit Reviews

There is no active internal audit group established for WAPA. Action has been initiated to establish a review group which will report directly to the Administrator, WAPA. Contractual services of a CPA are also being considered.

Other Matters

WAPA has no formal desk procedures to adhere to in managing the credit function. The automated system used, which is to be replaced in the near future, does not support effective receivables management. Management does feel that the new system will be enhanced with controls and report capabilities to offset current receivables management deficiencies.

Other than Billings, Montana, area office bills mailed to headquarters for updating accounts are not accompanied with a control total. A reconciliation between "power marketing production" and "accounting record of earnings" is performed for control of power sales and earnings.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

The Western Area Power Administration is a relatively new organization which was established on December 21, 1977 as a result of Public Law 95-91. It wasn't until April, 1979 that the finance function was transferred from the Water and Power Reserves Service and the debt collection activity was assumed by WAPA. It is recognized by WAPA management that their system for processing and managing accounts receivable needs improvement and necessary action is in process to develop collection procedures and to establish and refine controls over the debt collection activity. Major problem areas identified during the review include:

- o No aging schedule and management level reports are prepared to assist in the follow up or control of delinquent accounts.
- o There is no single point of responsibility for assessing interest and penalties on delinquent accounts. Interest terms vary from contract to contract.
- o There are no standard procedures followed on initiating follow-up action to collect delinquent accounts. Follow-up is done manually on a case by case basis.
- o There are no procedures for determining when an account should be considered uncollectible and no allowance has been established for uncollectible accounts.
- o Area offices submit copies of bills to WAPA Headquarters which Headquarters uses to update accounting records and to undertake collection action. These bills are not accompanied with a control total or summary to permit verification that all bills have been received. The same clerks receive bill copies and process collections creating the potential for fraud in the collection process.
- o There are no formal desk procedures to be used by accounts receivable clerks in managing the credit function.
- o There is no regular independent audit of the accounts receivable function.

RECOMMENDATIONS:

The Western Area Power Administration should proceed with efforts to develop standard policies and procedures for accounts receivable management. These procedures should provide for:

- o Regular monthly aging of accounts receivable by debtor in the Debt Collection Project categories and preparation of a formal monthly report on accounts receivable for Headquarters management.
- o Regular follow-up action on at least a monthly basis to attempt collection of delinquent accounts.
- o Establishment of criteria for determining when an account is uncollectible which includes provisions for referring accounts to GAO or the Department of Justice for collection.
- o Separation of responsibilities of bill processing and collection personnel.
Establishment of criteria for verifying totals reported to the accounting system.

In addition WAPA should initiate a regular audit of accounts receivable operations by an independent CPA firm or by an internal audit staff. Efforts should be initiated to standardize contract provisions on billing dates and terms, on assessment of interest and penalties to facilitate the billing process and ensure that delinquent debtors are penalized to deter future delinquency.

WAPA should also evaluate staffing of the accounts receivable functions, including number of personnel assigned, grade structure and training requirements to ensure proper staffing to perform credit management responsibilities.

Finally, WAPA should ensure that the new automated system being implemented has the capability to process data and provide reports necessary for effective accounts receivable management.

OAK RIDGE OPERATIONS OFFICE

BACKGROUND: The Oak Ridge Operations Office (OROO) is comprised of the Oak Ridge Field Office and eight integrated contractor entities as follows:

- Union Carbide Corp. - Nuclear Division
(handles Y-12, K-25, and Oak Ridge National Laboratory facilities)
- Union Carbide Corp. - Nuclear Division - Paducah, KY
- Oak Ridge Associated Universities
- Goodyear Atomic Corp.
- University of Tennessee
- University of Puerto Rico
- Rust Engineering Company
- National Lead of Ohio

OROO manages approximately 58% of the Department of Energy (DOE) non-Federal accounts receivable. These receivables arise from revenues that are generally derived from the sale of uranium enrichment services to domestic and foreign power plants and research activities. There are approximately 600 toll enriching contracts, which generate about 95 percent of the revenues, which are handled by the ORO field office. In addition, sales of isotopes are made to numerous hospitals and research centers. Other receivables are generated by sales of experimental livestock and services in plant and animal research. Total non-Federal accounts receivable were \$389.3 million as of September 30, 1979.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

Formal aged schedules of accounts receivable are not prepared by the operations field office. There is an automated analysis of accounts receivable which is cross referenced to a bill register. The follow-up folders serve as an aging schedule tool to review delinquent accounts. However, the automated report does not indicate the billing date. Only the date of the last action taken on the specific transaction is specified.

Integrated contractors are responsible for preparing their own aged schedules. In some cases the schedules reviewed had different aging intervals than those required by the Treasury. Schedules 1 and 2 provide summary aged schedules of accounts receivable for FY 1979 and FY 1978.

Assessment of Penalties and Interest

Interest is assessed on delinquent accounts. The authority to assess interest is contained in DOE pricing policy. Twelve percent is normally applied to delinquent accounts in accordance with terms of contracts. The amount of interest accrued in FY 1979 amounted to \$1,983,363 of which \$1,958,491 was collected. Accrued interest is recorded when assessed. Penalties are not assessed on delinquent accounts.

Follow-up Collection Action

Follow-up collection action is begun by the activity, subsequent to thirty days of initial billing, unless terms of the contract dictate otherwise. Dunning notices are sent as an initial reminder followed by additional reminders at periodic intervals of approximately every thirty days.

Uncollectible Accounts

An account is deemed to be uncollectible when all possible effort has been expended to collect it, and the legal staff of the operations office has exhausted all legal remedies available to them, with no success. The criteria are established on a case by case basis and subject to the final judgement of the operations office general manager. In the case of integrated contractors, their legal staffs must exhaust all available remedies prior to referring the account to the operations office legal staff for further disposition.

Allowance for Uncollectibles

An allowance for uncollectibles is established on the basis of judgmental decisions, coupled with guidance available in the DOE accounting manual. Integrated contractors make independent decisions, based on the procedures in their accounting manuals, which are reviewed and approved by DOE personnel. Any write-offs will be made with the concurrence of DOE legal personnel.

The methods for calculating allowances for accounts receivable of integrated contractors are reviewed by the contractor's internal audit staffs and by OROO's Office of Performance Evaluation. The on-site staff of the Inspector General reviews the accounts of the field office.

Allowances for uncollectibles are as follows:

<u>FY</u>	<u>Ending Balance</u>
1979	\$250,691
1978	303,924
1977	203,805

Delinquent Accounts

A summary of delinquent accounts by aged category for FY 1979 and FY 1978 is shown in Schedules 1 and 2. Almost all delinquencies are the result of payment deferrals of invoices rendered to power companies.

In FY 1979 Metropolitan Edison Company requested the deferral of \$19.4 million to cover current costs involved in the Three Mile Island incident cleanup and the loss of operational capability. In other cases, (Alabama Power Company - \$19,221,105, Jersey Central Power and Light Company - \$13,478,941 and Georgia Power Company - \$3,009,097), deferrals have been requested to cover a shortfall of operating funds resulting from rate increase requests not granted. Interest at the rate of 12% is being assessed on deferred amounts. This rate is considerably lower than the prime lending rate which has gone as high as 20% during the period these deferrals were requested. This difference creates an incentive for debtors to defer payments rather than borrow from private sector lending institutions.

Default Actions

In FY 1978, U.S. Nuclear Corporation went into bankruptcy. At the time, the account receivable was stated as being \$1,133,775. Inventories of \$365,170 were recovered and technology valued at an estimated cost of \$150,000 was transferred to Atomics International, thus resulting in a loss of \$618,605.

Referrals

Three accounts totalling \$4,987 were referred to GAO and two accounts for \$458 were referred to the Department of Justice in FY 1979.

Write-offs

The amount written-off in FY 1979 amounted to \$136,827. These write-offs were made entirely by integrated contractors, as follows:

Union Carbide	\$ 24,674
Goodyear Atomic	71,892
National Lead of Ohio	39,957
Unexplained Difference	<u>304</u>
	<u>\$136,827</u>

Repossessable Assets

Sales of enriched uranium, isotopes and experimental livestock could result in repossessable assets.

Processing of Receivables (Systems Analysis)

OROO maintains an automated system to prepare billings. Billings are prepared within one working day of shipments. Shipment data are collected automatically and confirmed by telephone and a subsequent

transaction report. To ensure that all shipments are billed, reconciliations are performed between billings and monthly shipping reports. Although products are universally priced, special variations require manual processing. Because of this, only 50% of all bills are prepared automatically.

All bills (manual and automated) are maintained in one numerically sequenced Bill Register. Bill data is coded into the General Ledger via ADP transcription sheets. A monthly accounts receivable report is prepared on which is shown the date of the last action taken on an account and not the billing date.

Each bill requests that payments be made in accordance with the Treasury Financial Communication System, by wire transfer to the Federal Reserve Bank of New York. Checks received by mail are forwarded to the Federal Reserve Bank in Nashville, Tennessee.

Credit Management Functions - Staffing and Costs

The responsibility for credit management functions at this facility rest with the Director of Finance.

There is 1 1/2 staff years of effort dedicated full time to the handling of accounts receivable related activities. These include the maintaining of the bill register and open invoice files, preparation of bills, review of delinquent files and follow-up effort. An additional half a staff year is spent on billing and follow-up with certain specific integrated contractors. Integrated contractors normally handle their own credit functions.

Statistics are not kept on the cost of operating a credit management function. It is estimated that the current cost of operating the credit management function at the ORO Field Office is approximately \$31,000 for direct labor and an additional 15% or \$4,650 for indirectly related costs totalling \$35,650.

Integrated contractors do not delegate their credit functions to others. The operations field office becomes involved in the credit functions of integrated contractors only to the extent of enforcing DOE regulations, ensuring that procedures are in compliance with DOE criteria and reviewing reports and other submissions rendered.

Audit Reviews

Internal audits of integrated contractors are conducted by the Office of Performance Evaluation. Reports are then rendered to the operations office general manager for action. The operations of the field office are reviewed by the DOE Office of the Inspector General whose most recent review was performed in early 1979.

Other Matters

As of September 30, 1979 there were four deferred sales contracts with receivable balances amounting to \$33,397,451. Of these balances \$6,333,847 are due within the next fiscal year and the remainder of \$27,063,604 in subsequent years. These receivables have been improperly classified as current loans receivable in reports made to the U.S. Treasury, although they are recorded as accounts receivable in the DOE Financial Information System.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

The Oak Ridge Operations Office and its integrated contractors need to improve management of accounts receivable. The major areas of concern are:

- o Delinquent accounts in excess of \$55 million, as of September 30, 1979 were generated as a result of payment deferrals granted to power companies involved in the Three Mile Island incident, or whose rate increase requests were denied. These companies were advised that their contracts would not be terminated but interest, at the rate of 12 percent, would be assessed on amounts deferred.
- o Subsequent follow-up disclosed, that as of February 20, 1980, the deferred amounts had increased to \$74 million and additional requests for payment deferrals were being received, including some from foreign debtors.
- o Penalties on late payments are not assessed.
- o There is no consistency in the contractor's aging periods for the preparation of accounts receivable aging schedules.
- o Computer systems have no provision for a billing date in the software program and therefore computer generated aging schedules cannot be prepared.
- o Receivables from deferred sales agreements have been improperly classified as loans receivables.
- o There are no written procedures for handling deferred sales agreements in the Departmental Accounting Practices and Procedures Handbook.
- o The cost of administering debt management operations, including write-offs is not available.

RECOMMENDATIONS:

- o The current interest rate of 12 percent is considerably lower than the prime lending rate which serves to create an incentive for debtors to defer payments rather than borrow from private lending institutions. A policy should be established to allow for periodic interest rate changes which would be based on commercial lending rates effective at the time of change, which would discourage such deferral requests. Each request for deferral should be considered on the basis of serving the best interests of the Government at the time.
- o Contractual provisions should be negotiated to provide flexibility in the assessment of late charges or penalty to cover the burden of additional administrative costs resulting from delinquency.
- o Consideration should be given for including billing dates as part of the software package for preparing a computer generated accounts receivable aging schedule.
- o Loans receivable resulting from deferred sales should be reclassified to accounts receivable.
- o All transactions of a unique nature should be documented and incorporated in the Accounting Practices and Procedures Handbook.
- o A study should be performed which will establish duties and identify costs of activities involved in the debt management functions.

Schedule 1

Oak Ridge Operations Office
Aged Schedule of Accounts Receivable - Non-Federal
September 30, 1979

Reporting Activity		Total	Not Delinquent	Days Delinquent				Months Delinquent		Unaged
				1-30	31-90	91-180	181-360	12-24	Over 24	
Dollars (000's)	(%)									
Oak Ridge Operations - Field Office	(98.3)	\$382771	\$300506	\$29387	\$23945	\$27874	\$ 48	\$ 923	\$ 33	\$ 55(*)
Union Carbide (Y-12, K-25, ORNL)	(1.2)	4650	3353	287	302	117	310	22	259	
Union Carbide - Paducah	(.1)	368	357	9	-	2	-	-	-	
Oak Ridge Associated Universities	(.1)	377	218	2	3	2	84	68	-	
Goodyear Atomic Corp.	(.2)	568	348	24	12	132	41	7	4	
University of Tennessee	(-)	80	80	-	-	-	-	-	-	
University of Puerto Rico	(.1)	299	108	78	38	75	-	-	-	
Rust Engineering Co.	(-)	7	7	-	-	-	-	-	-	
National Lead of Ohio	(-)	151	36	6	-	-	-	101	8	
Total	(100.0)	\$389271	\$305013	\$29793	\$24300	\$28202	\$ 483	\$ 1121	\$ 304	\$ 55(*)
Percent		100.0	78.4	7.7	6.2	7.2	.1	.3	.1	-
(*) Travel Advances										
Accounts	(%)									
Oak Ridge Operations Field Office	(20.7)	283	203	23	24	18	7	1	7	
Union Carbide (Y-12, K-25, ORNL)	(52.7)	719	379	150	66	100	13	7	4	
Union Carbide - Paducah	(1.9)	26	10	8	-	7	-	1	-	
Oak Ridge Associated Universities	(2.6)	35	20	4	4	3	1	3	-	
Goodyear Atomic Corp.	(13.3)	182	59	51	20	13	14	12	13	
University of Tennessee	(.1)	2	2	-	-	-	-	-	-	
University of Puerto Rico	(6.7)	92	50	11	11	20	-	-	-	
Rust Engineering Co.	(.9)	12	12	-	-	-	-	-	-	
National Lead of Ohio	(1.1)	15	9	2	1	-	-	1	2	
Total	(100.0)	1366	744	249	126	161	35	25	26	
Percent		100.0	54.5	18.2	9.2	11.8	2.6	1.8	1.9	

Schedule 2

Oak Ridge Operations Office
Aged Schedule of Accounts Receivable - Non-Federal
September 30, 1978

Reporting Activity			Not Delinquent	Days Delinquent				Months Delinquent		Unaged
	Total			1-30	31-90	91-180	181-360	12-24	Over 24	
Dollars (000's)	(%)									
Oak Ridge Operations - Field Office	(96.5)	\$193679	\$183807	\$ 9653	\$ 5	\$ 11	\$ 4	\$ 4	\$ 107	\$ 88(*)
Union Carbide (Y-12, K-25, ORNL)	(2.3)	4587	3629	476	72	63	51	2	294	
Union Carbide - Paducah	(.3)	620	589	-	31	-	-	-	-	
Oak Ridge Associated Universities	(.2)	421	336	54	1	-	8	22	-	
Goodyear Atomic Corp.	(.5)	962	717	28	24	39	30	64	60	
University of Tennessee	(-)	22	22	-	-	-	-	-	-	
University of Puerto Rico	(.1)	214	77	56	28	53	-	-	-	
Rust Engineering Co.	(-)	6	6	-	-	-	-	-	-	
National Lead of Ohio	(.1)	194	60	4	1	101	10	38	-	
Total	(100.0)	\$200705	\$189223	\$10271	\$ 162	\$ 267	\$ 103	\$130	\$ 461	\$ 88(*)
Percent		100.0	94.3	5.1	.1	.1	.1	.1	.2	-

(*) Travel Advances

Accounts	(%)									
Oak Ridge Operations - Field Office	(5.0)	77	54	9	4	3	2	2	3	
Union Carbide (Y-12, K-25, ORNL)	(59.1)	915	409	284	79	54	80	1	8	
Union Carbide - Paducah	(15.3)	237	220	1	14	-	2	-	-	
Oak Ridge Associated Universities	(1.8)	28	11	9	2	1	2	3	-	
Goodyear Atomic Corp.	(10.7)	166	59	27	17	16	17	10	20	
University of Tennessee	(.1)	1	1	-	-	-	-	-	-	
University of Puerto Rico	(4.9)	76	47	8	5	16	-	-	-	
Rust Engineering Co.	(.6)	10	10	-	-	-	-	-	-	
National Lead of Ohio	(2.5)	39	26	5	2	1	1	4	-	
Total	(100.0)	1549	837	343	123	91	104	20	31	
Percent		100.0	54.0	22.2	7.9	5.9	6.7	1.3	2.0	

ALBUQUERQUE OPERATIONS OFFICE

BACKGROUND: The principal mission of the Albuquerque Operations Office (ALO) is the development and production of nuclear weapons and comprises ten installations in eight states. In addition to the Headquarters office, ALO's prime contractors for the weapons program include the University of California, Sandia Corporation, Rockwell International, Monsanto Research Corporation, General Electric Company, Mason & Hanger-Silas Mason Co., Inc., Bendix Corporation and Zia Company.

In addition to its weapons work, ALO has field responsibility for developing radio-isotopic thermoelectric generation (RTG) power sources for space exploration and remote terrestrial applications.

Also, in the non-weapons field, ALO engages in reimbursable projects totaling some \$170 million annually which support the needs of other Government agencies.

The majority of work performed creates other Federal agency, inter-office and intra-office receivables. Employee travel advances, foreign sales, and refunds receivable make up the balance of receivable amounts. ALO's annual operating budget and construction costs total approximately \$1.4 billion. Non-Federal accounts receivable totaled \$8.1 million as of September 30, 1979.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

ALO Headquarters Federal Agency Receivables and Travel Advances Aging Reports are prepared by the automated system. Other accounts receivable aging reports are manually prepared when needed; however, they are not used as a mechanism to control collections. These collections are controlled through balance sheet analysis and review of the accounts.

A summary of aged accounts receivable for FY 1978 and 1979, based on submission from ALO Headquarters and the integrated contractors, is attached as Schedules 2 and 3 of this report.

Assessment of Penalties and Interest

ALO has authority to assess interest on delinquent accounts at 1 percent per month; however, none has been assessed with the exception of Monsanto Research Corporation who collected the following amounts:

<u>FY</u>	<u>Amount</u>
1979	\$ 805
1978	670
1977	639
1976	113
1975	1,685

ALO Headquarters has stated that it does not assess interest on delinquent accounts since the delinquencies are primarily due to problems in costs reported to ALO for billings to debtors. The delays are more the result of requesting additional information than an attempt to avoid payment.

Follow-up Collection Action

ALO Headquarters sends manually prepared dunning letters to delinquent account customers at 30 day intervals and follows-up with telephone calls (documented). If Sandia has not received payment within the prescribed time period, a collection effort ensues as follows: a) sends a second copy of bill; b) after 15 days, sends a letter; c) after an additional 15 days sends a registered letter; and d) telephone, etc. Collection officers and the legal department personnel pursue the collections on outstanding delinquent customers. To reduce the possibility of losses on refunds receivable, ALO and Sandia offset amounts due as refunds against amounts owed.

Uncollectible Accounts

Delinquent accounts which are more than 120 days past due are considered uncollectible by headquarters. Sandia does not consider accounts as uncollectible as long as there may be a reasonable chance of collection.

Allowance for Uncollectibles

ALO Headquarters has not experienced any significant accounts receivable write-offs in approximately ten years. No allowance for uncollectibles has been provided for FY 1979. Sandia's management feels that the loss experience over past years does not warrant the establishment of an allowance for uncollectible accounts. The remaining integrated contractors with the exception of the Zia Company do not have allowances established as of FY 1979.

Allowances for ALO Headquarters and the Zia Company for the past five years are as follows:

<u>FY</u>	<u>ALO-HQ.</u>	<u>Zia</u>
1979	\$ -0-	\$2,219
1978	9,809	2,233
1977	9,809	2,243
1976	5,068	2,243
1975	7,659	2,243

Delinquent Accounts

Schedules 2 and 3 provide information of delinquencies by aged categories.

Default Actions

There have been no known default actions involving foreclosures or repossessions during the period covering fiscal years 1975 through 1979.

Referrals

No accounts have been referred to GAO or Justice in the past five fiscal years.

Write-offs

ALO uses a dollar limit in administering its bad debt write-off procedures. The required procedures are:

- a. That efforts to collect be documented.
- b. That a DOE/ALO official approve the discontinuance of collection effort in accordance with the following guidelines:
  - (1) \$5,000 and under - contracting officer/area manager with the advice and concurrence of ALO Chief Counsel
  - (2) Over \$5,000 - Financial Management Division (FMD) Director with the advice and concurrence of the ALO Chief Counsel.

The following amounts were written off by ALO Headquarters and its integrated contractors for the periods reflected:

	<u>FY 1978</u>	<u>FY 1979</u>
ALO Headquarters	\$ -0-	\$9,809
Bendix	-0-	618
General Electric	-0-	430
Mason & Hanger	-0-	11
Monsanto	-0-	-0-
Rockwell	-0-	-0-
Sandia	205	2,425
University of California	-0-	798
Zia	23	3,877

Repossessable Assets

There are little or no repossessable assets associated with the generation of receivables.

Processing of Receivables (Systems Analysis)

A review of the ALO Headquarters office indicates that the accounts receivable function constitutes a very minor portion of the total accounting operations. Because of the low volume of receivables a manual system is used to prepare collection notices and follow-up on delinquent accounts. The billings which are manually prepared number 10 to 12 per month. The accounts receivable process is not adequately documented.

A review was also made of Sandia Laboratories, an integrated contractor of the ALO complex. Non-Federal receivables constitute a minor portion of total receivables. The accounts receivable system is automated and is in compliance with DOE and GAO guidelines. Collection letters and records are kept manually. Accounts receivable are frequently offset by accounts payable. This tactic is employed successfully due to the continuing business nature of most vendors.

Credit Management Functions - Staffing and Costs

The equivalent effort devoted to credit management functions at various locations is as follows:

ALO Headquarters	-	1 employee
General Electric	-	1 employee
Mason & Hanger	-	1 employee
Rockwell	-	1/20 employee
Sandia	-	1 employee
University of California	-	2 1/2 employees
Zia	-	3 employees

Bendix does not have specific people assigned to the functions although various accounting and legal personnel become involved as required. Monsanto also uses four people on a part-time sporadic basis.

The average cost per account of the debt management function is as follows:

ALO Headquarters	\$100.00
Mason & Hanger	39.74
Monsanto	3.57
Rockwell	5.00
Sandia	10.00
University of California	46.20
Zia	22.00

Bendix stated that costs were minimal and General Electric said cost estimates were unavailable.

Average annual cost of collection activity related to delinquent accounts:

Bendix	\$ 270
Mason & Hanger	500
Monsanto	1,800
Rockwell	310
Zia	1,200

General Electric stated costs of collecting delinquent accounts were unknown.

Audit Reviews

There have been no known reviews of ALO's debt management activities in the past several years with the exception of an internal audit of Sandia's travel advances by auditors of its parent company (Western Electric).

Other Matters

The current automated system is to be replaced by the newly contemplated Financial Operating System (FOS) which is projected to become operative in October 1981.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

Management of accounts receivable at the ALO and by integrated contractors working for ALO is adequate. ALO and at least one of its integrated contractors (Sandia) use an offset technique to apply accounts payable against accounts receivable for the same supplier or customer. Because of the continuing nature of transactions with the same vendors and customers this has been an effective technique and has expedited collection actions.

Major deficiencies identified at Albuquerque are as follows:

- o Because of the comparatively small number of non-Federal accounts receivable (10 to 12 per month) ALO does not prepare aging schedules except on an as needed basis. These schedules are manually prepared and are not used as a mechanism to control collections. In addition, Sandia Laboratories prepares aged schedules quarterly not monthly.
- o With the exception of one integrated contractor, interest has not been assessed on delinquent accounts.
- o There are no uniform staffing standards for the accounts receivable function. There is a wide variation among ALO and its integrated contractors in the number of personnel assigned and the cost of the debt management function.

RECOMMENDATIONS:

Albuquerque Operations Office should undertake the following actions to improve accounts receivable management.

- o Notwithstanding the small number of non-Federal receivables, aging schedules should be prepared monthly and used as a management tool. ALO Headquarters should coordinate with its integrated contractors so that aging schedules may be standardized in the Debt Collection Project format and prepared monthly.
- o Interest should be assessed on all delinquent payments.
- o A review should be made to determine why billings are being contested and corrections made of any recurring deficiencies identified.
- o A staffing study of the accounts receivable functions should be performed to determine number and grade structure of personnel required. The study should also assess the reasons for variations in the cost per account of managing receivables among ALO Headquarters and its integrated contractors. Any procedures identified which are particularly effective and/or reduce management costs should be considered for adoption by other activities.

- o ALO should ensure that the new automated accounting system planned for implementation in FY 1981 include an accounts receivable module which provides such features as preparation of aging schedules, automated billings and assessment of interest on delinquent accounts.

Schedule 1

ALBUQUERQUE OPERATIONS OFFICE
SUMMARY OF ACCOUNTS RECEIVABLE BALANCES - NON-FEDERAL
INTEGRATED CONTRACTORS

FISCAL YEARS ENDING 1975-1979

Reporting Activity	FY 1975		FY 1976		FY 1977		FY 1978		FY 1979	
	Number of Accounts	Balance	Number of Accounts	Balance	Number of Accounts	Balance	Number of Accounts	Balance	Number of Accounts	Balance
Bendix	14	\$ 68742	19	\$ 79185	15	\$ 56234	16	\$ 44682	27	\$2853039
General Electric	49	20922	114	43931	94	76593	75	40319	118	120318
Mason & Hanger	48	9171	20	10542	25	28273	26	14152	50	27285
Monsanto	65	194013	84	147930	81	161508	27	175728	42	584144
Rockwell	13	142965	12	58835	13	202787	16	186772	31	269980
Sandia	112	574780	112	247205	112	661334	120	460523	159	837039
Univ. of Calif.	793	298623	501	219508	560	470885	557	287643	594	637013
Zia	53	199664	52	199124	63	483819	55	478689	61	469805
<u>Total Contractors</u>	<u>1147</u>	<u>\$1508880</u>	<u>914</u>	<u>\$1006260</u>	<u>963</u>	<u>\$2141433</u>	<u>892</u>	<u>\$1688508</u>	<u>1081</u>	<u>\$5798623</u>

Schedule 2

Albuquerque Operations Office (ALO)
Aged Schedule of Accounts Receivable - Non-Federal
September 30, 1979

Reporting Activity	Total	Not Delinquent	Days Delinquent				Months Delinquent		Unaged
			1-30	31-90	91-180	181-360	12-24	Over 24	
<u>Dollars (000's)</u>	(%)								
ALO - HQ	(13.7)	\$ 1115	\$ 809	\$ 93	\$ 121	\$ 92	\$ -	\$ -	\$ -
Bendix	(35.1)	2853	2810	-	1	-	2	-	40
General Electric	(1.5)	120	43	61	-	1	4	10	1
Mason & Hanger	(.3)	27	13	1	1	11	1	-	-
Monsanto	(7.2)	584	460	85	34	2	1	2	-
Rockwell	(3.3)	270	269	-	-	1	-	-	-
Sandia	(10.3)	837	731	82	5	8	4	-	7
University of Calif.	(7.8)	637	407	29	98	10	91	1	1
ZIA	(5.8)	470	446	1	2	-	3	6	12
Unaged Accounts	(15.0)	1222							1222
Total	(100.0)	\$ 8135	\$ 5988	\$ 352	\$ 262	\$ 125	\$106	\$ 19	\$ 61
Percent	100.0	73.6	4.3	3.2	1.6	1.3	.2	.8	15.0
<u>Accounts</u>	(%)								
ALO - HQ	(.8)	8	5	-	1	2	-	-	-
Bendix	(2.6)	27	5	-	6	2	5	1	8
General Electric	(11.2)	118	54	9	13	17	19	3	3
Mason & Hanger	(4.8)	50	25	8	2	8	7	-	-
Monsanto	*	-	-	-	-	-	-	-	-
Rockwell	(2.9)	31	29	-	-	2	-	-	-
Sandia	(15.2)	159	105	21	18	9	2	1	3
University of California	(56.7)	594	513	27	33	13	6	1	1
ZIA	(5.8)	61	20	6	4	2	7	11	11
Total	(100.0)	1048	756	71	77	55	46	17	26
Percent	100.0	72.1	6.8	7.3	5.3	4.4	1.6	2.5	

*Not Available

Schedule 3
ALBUQUERQUE OPERATIONS OFFICE (ALO)
AGED SCHEDULE OF ACCOUNTS RECEIVABLE - NON-FEDERAL
September 30, 1978

Reporting Activity	Total	Not Delinquent	Days Delinquent				Months Delinquent		Unaged
			1-30	31-90	91-180	181-360	12-24	Over 24	
Dollars (000's)	(%)								
ALO - HQ	(1.2)	\$ 51	\$ 6	\$ 45	\$ -	\$ -	\$ -	\$ -	\$
Bendix	(1.1)	45	4	-	1	-	-	40	
General Electric	*								
Mason & Hanger	(.3)	14	13	-	1	-	-	-	
Monsanto	(4.3)	176	141	7	17	11	-	-	
Rockwell	*								
Sandia	(11.1)	461	326	119	6	2	1	6	
Univ. of Calif.	(7.0)	288	101	149	24	6	5	3	
Zia	(11.6)	479	254	187	2	-	2	33	1
Unaged Accounts	(63.4)	2626							2626
TOTAL	(100.0)	\$4140	\$845	\$507	\$ 51	\$ 19	\$ 8	\$ 37	\$2626
PERCENT		100.0	20.4	12.3	1.2	.5	.2	.9	63.4
Accounts	(%)								
ALO - HQ	(.8)	6	4	1	-	1	-	-	
Bendix	(2.1)	16	4	-	1	2	-	9	
General Electric	*								
Mason & Hanger	(3.3)	26	21	1	2	1	1	-	
Monsanto	*								
Rockwell	*								
Sandia	(15.4)	120	72	33	5	4	3	1	2
Univ. of Calif.	(71.4)	557	489	23	26	12	5	2	-
Zia	(7.0)	55	21	10	11	-	2	5	6
TOTAL	(100.0)	780	611	68	45	20	11	8	17
PERCENT		100.0	78.3	8.7	5.8	2.6	1.4	1.0	2.2

*Aging Not Available

CHICAGO OPERATIONS AND REGIONAL OFFICE

BACKGROUND: The Chicago Operations and Regional Office (CORO) serves a multi-function in the field of energy research. Work is performed in the areas of fossil, nuclear, solar energy and in studies of bio-medical and environmental impacts of energy production through more than 2000 contracts with many business, industrial, educational and non-profit organizations. The Manager/Regional Representative has direct managerial authority over five integrated contractors - Ames Laboratory, Argonne National Laboratory, Brookhaven National Laboratory, Fermi National Accelerator Laboratory and the University of Rochester. Each integrated contractor is a separate reporting entity and performs independently in the management of its accounts receivable operations.

Accounts receivable are generated as the result of overpayments, furnishing of Government and integrated contractor materials, services and lodging, Federal telephone services provided to contractors and equipment returned by the Government. Non-Federal accounts receivable totaled \$7.6 million on September 30, 1979.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

The aging of accounts receivable is not included in CORO's procedures for managing credit. Aging schedules are prepared only upon request and must be prepared manually. The automated system in existence is not designed to provide this type of reporting. Data received from integrated contractors reveals that aging reports are used as a regular tool to manage their credit functions. However, the aging reports received were manually prepared and did not, in some cases, segregate public from Federal accounts.

Based on available information the following statistics were developed as of September 30, 1979.

Reporting Entity	<u>Receivables</u>	
	<u>Total</u> (000's)	<u>Public</u> (000's)
CORO	\$13,398	\$2,259
Ames Laboratory	86	48
Argonne Laboratory	3,818	2,217
Brookhaven Laboratory	1,725	1,553
Fermi Laboratory	1,313	1,295
University of Rochester	<u>236</u>	<u>236</u>
Totals	\$20,576	\$7,608

Ames and Fermi were aged as follows:

	<u>Ames</u> (000's)	<u>Fermi</u> (000's)
Not delinquent	\$47.1	\$1,043.3
1-30 days	.2	129.0
31-90 days	-	94.1
91-180 days	.3	16.1
181-360 days	-	8.8
12-24 months	-	1.1
over 24 months	-	2.8
Total	\$47.6	\$1,295.2

Assessment of Penalties and Interest

Neither interest nor penalty fees are charged on delinquent amounts.

Follow-up Collection Action

Accounts are considered delinquent when more than 30 days past due. Follow-up action is initiated routinely by the integrated contractors once the account is considered delinquent. Follow-up action by CORO, on delinquent accounts, is performed as resource time permits. Collection effort takes the form of second statements, letters and telephone calls.

Uncollectible Accounts

Accounts are considered uncollectible only after all reasonable efforts to collect them have failed. Commercial credit agencies are not used to collect past due accounts.

Allowance for Uncollectibles

The method of calculating the allowance account has not been reviewed for materiality or fairness. An allowance is not set up until there is a reason to believe an account will become uncollectible.

The balance of the Allowance for Uncollectible Accounts for the fiscal years ended 1975 through 1979 is as follows:

<u>FY</u>	<u>Balance</u>
1979	\$12,532
1978	12,532
1977	13,911
1976	15,567
1975	12,256

Net increases (decreases) to the allowance account were:

<u>FY</u>	<u>Balance</u>
1979	\$ -0-
1978	(1,379)
1977	(1,656)
1976	3,311

Delinquent Accounts

Summary data on the number and amount of delinquent non-Federal accounts is not readily available.

Default Actions

There have been no default actions resulting in repossessions or foreclosures for the fiscal years 1975 through 1979.

Referrals

One account in the amount of \$2,500 was referred to GAO during the period FY 1975 through FY 1979. No accounts have been referred to Department of Justice.

Write-offs

Amounts written-off during the period 1975 through 1979 totalled \$16,030 for the following facilities:

CORO	None
Ames Laboratory	None
Argonne Laboratory	\$ 3,761 (26 accounts)
Brookhaven Laboratory	1,645 (2 accounts)
Fermi Laboratory	10,624 (13 accounts)
University of Rochester	None

Write-offs are not normally due to bankruptcy, although it has been the reason in some instances. Write-offs by integrated contractors most frequently occur for the following reasons:

- (1) Defective and/or unacceptable equipment returned to vendors with no refund made by the vendor for the return.
- (2) Unpaid charges for use of the integrated contractor's lodging facilities.

Repossessable Assets

There have been no repossessions in the period covering fiscal years 1975 through 1979.

Processing of Receivables (Systems Analysis)

CORO does not have an automated accounting system. CORO personnel have access to a mini-computer and to the computer maintained by Argonne National Laboratory (an integrated contractor) but these systems do not provide data required for effective accounts receivable management.

An account receivable is established when billing information is provided to the Financial Control and Reports Branch. A formal entry is prepared to recognize an unbilled receivable. A bill is then prepared and a formal entry recorded to change the "unbilled" to a billed receivable. The outstanding receivables are put in an "unpaid" folder. No regular review of this folder is made. As checks are received a formal entry is prepared and the bill is removed from the unpaid folder and filed.

Credit Management Functions - Staffing and Costs

The responsibility for the credit management function (accounts receivable) at CORO rests with the Chief, Financial Controls and Reports Branch. It is estimated that there is 1 3/4 staff years effort currently expended in the accounts receivable area. One full time person is involved with billings and various others contribute to miscellaneous other details.

The average cost per account to maintain the accounts receivable function at the various facilities has been estimated to be as follows:

CORO	\$ 4.30
Ames Laboratory	40.00
Argonne Laboratory	9.25
Fermi Laboratory	20.40

Audit Reviews

There have been no known audit reviews of the debt management areas in recent years. It is now contemplated that one person will be assigned to analysis and reconciliations in the accounts receivable area at CORO.

Other Matters

Varied accounting systems are being reviewed by the operations office to alleviate current systems problems. CORO representatives indicated that the new system, when implemented, will contain features necessary to promote good credit management.

APPRAISAL OF THE DEBT MANAGEMENT OPERATIONS:

Significant deficiencies exist in the management of accounts receivable at the CORO as follows:

- o Aged schedules of accounts receivable are not used as a management tool in the debt collection process. Such schedules are only prepared when a specific request is made and then they must be prepared manually because the automated system is not designed to accumulate and present the data in the required format.

- o Interest charges are not levied on delinquent accounts.
- o Follow-up effort on pursuing delinquent accounts is on a sporadic basis as time permits.
- o The average cost of processing accounts receivable appears to range rather widely between different locations of the CORO complex.

RECOMMENDATIONS:

- o CORO should give appropriate attention to the installation of an automated system that will accommodate the aging of accounts receivable, prepare billings and accumulate other data that may be relative to the debt management function.
- o Adequate personnel should be dedicated to the follow-up of delinquent accounts.
- o Interest on delinquent accounts should be assessed, recorded and collected without further delay.
- o A review of the average cost of processing accounts receivable should be undertaken to determine the reason for the wide range in cost per account processed at the different integrated contractors under the CORO cognizance. Any practices instituted by these contractors should be adopted if they are effective and have been instrumental in the reduction of costs.

WASHINGTON FINANCIAL SERVICES DIVISION

BACKGROUND: The Washington Financial Services Division (WFSD) is responsible for handling the following areas:

- Headquarters General Ledger
- Nine Regional Offices (Excludes the Chicago Regional Office which reports through the Chicago Operations Office)
- Two Travel Offices (Germantown, Maryland and Washington, D.C.)
- Two Naval Petroleum Reserve (NPR) Offices (Elk Hills, California and Casper, Wyoming)
- Commercial accounts for reimbursable work

The recorded accounts receivable are generated from the sale of oil by the NPR facilities, cost recoveries from the NPR operating contractor, fees from the issuance of permits and licenses by the Federal Energy Regulatory Commission (FERC), charges for reproduction and other services rendered by the various segments of DOE including the Public Information Office, and travel advances. Total accounts receivable due from the public at September 30, 1979 were \$117.0 million.

WFSD does not perform any credit functions for NPR. Its involvement is limited to receipt of input data from NPR for incorporation into the Financial Information System.

NPR debt collection practices are addressed in a separate report as a result of the subsequent review of the activities conducted at the Elk Hills, California facility.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

A total of unaged accounts receivable by balance sheet code can be obtained from The Financial Information System (FIS) for the fiscal years 1976 through 1979. (See Schedule 1).

Formal aged schedules by individual debtor are not routinely prepared. Agings by bill number and selective agings by debtor are performed manually but not on a regular basis. Also aging of travel advances are prepared for specific informational purposes. Aged summaries of accounts receivable are attached as Schedule 2 through 5 of this report. Schedule 4 does not age delinquent accounts in categories beyond 90 days and Schedule 5 is as of June 30, 1978 not September 30, 1978.

The current automated system used by WFSD cannot provide information on accounts receivable by debtor. There is no provision for debtor account number or billing data in the software design. The system is designed to accommodate only the transaction number and month of entry into the system.

Transactions are not grouped by debtor account. Each account may be comprised of numerous transactions.

Assessment of Penalties and Interest

Procedures call for the assessment of interest at 12 percent (one percent per month), 30 days after billing. Since automated print-outs indicate only the transaction entry date and not the billing date, any invoice paid in a month subsequent to the billing may escape assessment of interest on unpaid balances up to 30 days. If a bill remains unpaid for more than two months, then interest is assessed retroactive to the due date.

Simple interest is assessed on delinquencies in the first 12 months. Delinquencies beyond that period have interest applied to the interest accumulated in the first twelve month period.

The amount of interest charges assessed have been negligible. In the past the practice has been to charge interest only on late payments involving services for toll enrichment.

Follow-up Collection Action

Follow-up collection action is initiated when an account is deemed to be delinquent, usually within 60 days of billing.

Uncollectible Accounts

An account is deemed to be uncollectible when all means to collect the outstanding balance have been exhausted, including all available legal remedies.

Allowance for Uncollectibles

Provisions have been made to establish an allowance for uncollectible accounts in the accounting system, but there were no entries made to the account through fiscal year 1979. WFSD has placed a total of \$406 in the allowance account through April 1980.

The criteria that would be used to determine allowances for uncollectibles would be based on past loss experience. However, there have been no loss determinations made. Since aged schedules of accounts receivable by debtor account are not compiled, they cannot be used as a basis for determination of such an allowance.

Delinquent Accounts

Total number of delinquent accounts aggregated by debtors cannot be readily obtained since the automated system does not provide for debtor account number. Information prior to FY 1979 was not immediately available.

Default Actions

There were no default actions resulting in repossessions or foreclosures in the period, fiscal years 1975 - 1979.

Referrals

There are no accounts receivable referred to either GAO or the Department of Justice in the fiscal years 1975 through 1979.

Write-offs

There were no write-offs in the fiscal years 1975 through 1979.

Repossessable Assets

There are no repossessable assets associated with the generation of accounts receivable. (The exception is the sale of oil from the NPR which is addressed in a separate report.)

Processing of Receivables (Systems Analysis)

The following information is taken from Section 2.3 (Accounts Receivable) of the Arthur Young and Company report dated January 28, 1980, "Draft Review and Documentation of WFSD Accounting Systems": "The current processing of accounts receivable is essentially a manual operation. The main process which utilizes ADP is the generation of a listing of transactions by Allotment Fund Code, Balance Sheet Code, and Bill Number. The report does not reflect the aging of receivables. The review indicates that annual accounts receivable result from FERC licensed hydro-electric projects. There are approximately 850 of these projects which account for \$4.5 million in receivables annually. The processing of this type of receivable is performed manually and involves many entries. It is also noted that these are the only known receivables on which penalties other than interest are assessed for late payment. The process for miscellaneous receivables is to assign a unique bill number for each bill and place these in an open bill file in sequential order. As payments are received, the bill files are reviewed for outstanding invoices which are delinquent and these are forwarded for the processing of dunning notices."

Credit Management Functions - Staffing and Costs

WFSD is responsible for billing, accounts receivable and collection accounting. The Chief, Washington Accounts and Report Branch is responsible for credit management at WFSD. However, this responsibility does not extend to accounts receivable generated by NPR, FERC, and the Regional Offices. Credit checks are normally performed in the field by program offices.

There are currently one full time and several part-time persons devoted to keypunch, review, dunning and analyzing accounts receivable. The above equates from four to five staff years of effort, excluding time spent by the branch chief.

Statistics are not kept on the cost of maintaining a credit function, however, it has been estimated that such costs would probably be about \$129,812. This estimate does not include the cost of needed accounts receivable system revision. The estimated cost of aging accounts receivable in the format required by the debt collection project would cost as much as \$41,500 per aging.

Audit Reviews

The review of accounts receivable was last performed by the Office of the Inspector General (OIG) and a report rendered in March of 1979. The report cited various deficiencies noted during the review and also made recommendations to rectify the problems discussed. The Director, Office of Finance and Accounting indicated his basic concurrence with the report and the initiation of action in the related areas to correct the cited problems. A follow-up review was recently begun by the OIG to determine the extent to which such corrections were made.

Other Matters

A new system which is to be used to manage travel advances will become operational on or about May 1, 1980 and the remainder of a new accounts receivable system will become operational October 1, 1980.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

Serious deficiencies exist in the ability of the Washington Financial Services Division to manage accounts receivable. These deficiencies have been recognized by Headquarters and WFSD management, and actions have begun to build a new automated accounting system for WFSD to correct prior system problems. Initial emphasis has been directed toward bringing a new travel system on line followed by a pay and personnel module and a front end administrative control of funds system. Plans are to implement these improvements not later than October 1, 1980.

In developing the accounts receivable module for the new system, WFSD should insure that the new system and accompanying changes in procedures for processing/managing accounts receivable are designed to correct the following deficiencies:

- o Data on amounts owed by debtor and the age of amounts owed is not readily available. Summaries can only be made by a lengthy manual process.
- o Aged schedules of accounts receivable by debtor are not prepared on a monthly basis and submitted to WFSD management.
- o Provisions for assessment of penalties as well as interest have not been established.
- o Aggressive follow-up action to collect delinquent accounts is not taken.

RECOMMENDATIONS:

The management of debt collection should be given high priority in the overall accounting improvement effort being undertaken at WFSD. The software program developed for the accounts receivable module of the new automated accounting system should include the capability to summarize and age accounts receivable by debtor and provide monthly reports to WFSD management.

In addition, WFSD should establish detailed desk procedures for processing and managing accounts receivable. These procedures should provide for:

- o Assessment of interest and penalties on overdue accounts on a monthly basis.
- o Aggressive follow-up action to collect delinquent accounts.
- o Use of offset or initiation of revocation action on debtors licenses if appropriate to collect overdue accounts.
- o Determination of uncollectible accounts and establishment of an adequate allowance for uncollectibles.
- o Verification of automated records against bills in the files.

WFSD should also evaluate staffing of the credit management function to ensure that an adequate number of personnel at appropriate grades are assigned and that personnel are well trained.

Schedule 1

WASHINGTON FINANCIAL SERVICES DIVISION
ACCOUNTS RECEIVABLE BALANCES
FY 1976 - FY 1979

Source: Financial Information Systems Reports

<u>FY</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>TOTAL</u>
1976	\$6,008,584	\$ 10,492,496	\$ 16,501,080
1977	\$2,563,790	\$ 1,609,350	\$ 4,173,140
1978	\$2,325,686	\$ 41,674,741	\$ 44,000,427
1979	\$3,188,174	\$116,980,108	\$120,168,282 (1)

(1) Includes \$93,241,606 in Naval Petroleum Reserves Receivables.

FY 1975 not available in the Financial Information System.

Schedule 2
WASHINGTON FINANCIAL SERVICES DIVISION
AGED SCHEDULE OF ACCOUNTS RECEIVABLE - NON-FEDERAL
September 30, 1979

Balance Sheet Code	Description Dollars	Total	Not Delinquent	Days Delinquent				Months Delinquent		
				1-30	31-90	91-180	181-360	12-24	Over 24	Unaged
1433	DOE Refunds - Other	\$ 19011469 1676883	\$ 7819772	\$2930255	\$1626712	\$2136870	\$4042026	\$448395	\$ 7439	\$ - 1676883
1432	DOE Refund - Employees	4953								4953
1442	DOE Reimbursables - Other	6953	-	-	-	-	-	6895	58	-
1443	DOE Reimbursables - Foreign	15336	-	-	-	-	-	-	15336	-
1451	DOE Travel Advances	2201760								2201760
1452	DOE Other - Misc. Receipts	93497162 565592	93241606	27096	189419	9674	11893	17424	50	- 565592
	TOTAL	\$116980108	\$101061378	\$2957351	\$1816131	\$2146544	\$4053919	\$472714	\$22883	\$4449188
	PERCENT	100.0	86.4	2.5	1.6	1.8	3.5	.4	-	3.8
	Number of Items									
1433		(2) 5766 (1) 781	20	459	2490	1780	914	70	33	- 781
1442		(2) 6						5	1	
1443		(2) 1							1	
1452		(2) 6713 (1) 649	30	1371	1420	2341	1548	2	1	- 649
	TOTAL	13916	50	1830	3910	4121	2462	77	36	1430
	PERCENT	100.0	.3	13.2	28.1	29.6	17.7	.6	.2	10.3

(1) Transaction Items
(2) Billing Items

Schedule 3

WASHINGTON FINANCIAL SERVICES DIVISION
 NAVAL PETROLEUM RESERVES
 AGED SCHEDULE OF ACCOUNTS RECEIVABLE - 9/30/79

<u>Location</u>	<u>Total</u>	<u>Not Delinquent</u>	<u>Days Delinquent</u>				<u>Months Delinquent</u>	
			<u>1-30</u>	<u>31-90</u>	<u>91-180</u>	<u>181-360</u>	<u>12-24</u>	<u>Over 24</u>
<u>Dollars</u>								
Casper, Wyoming	\$ 1543431	\$ 1543431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Elk Hills, California	91698175	79075683	-	320157	1321086	604423	1730452	8646374
TOTAL (Note 1)	<u>\$93241606</u>	<u>\$80619114</u>	<u>\$ -</u>	<u>\$320157</u>	<u>\$1321086</u>	<u>\$604423</u>	<u>\$1730452</u>	<u>\$8646374</u>
PERCENT	<u>100.0</u>	<u>86.5</u>	<u>-</u>	<u>.3</u>	<u>1.4</u>	<u>.6</u>	<u>1.9</u>	<u>9.3</u>
<u>Accounts</u>								
Casper, Wyoming	2	2	-	-	-	-	-	-
Elk Hills, California	23	23	-	1	1	1	1	1
TOTAL	<u>25</u>	<u>25</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
PERCENT	<u>(Note 2)</u>							

NOTE (1) - Total Amount of \$93,241,606 Shown as Not Delinquent on WFSD Lead Aged Schedule.

(2) - Percent Not Computed. Detailed Information Does Not Crossfoot to Total.

Schedule 4

WASHINGTON FINANCIAL SERVICES DIVISION
 REGIONAL AND TRAVEL
 AGED SCHEDULE OF ACCOUNTS RECEIVABLE - 9/30/79

Bureau or Fund Name	Total	Not Delinquent	Days Delinquent		
			1-30	31-90	Over 90
Region I - Boston	\$ 15108	\$ 10374	\$ 2251	\$ -	\$ 2483
Region II - New York	15249	8649	-	6069	531
Region III - Philadelphia	77968	42417	4826	3574	27151
Region IV - Atlanta	23210	22760	450	-	-
Region VI - Dallas	484888	484888	-	-	-
Region VII - Kansas City	36522	36522	-	-	-
Region VIII - Denver	35933	-	10758	7700	17475
Region IX - San Francisco	65777	62787	600	250	2140
Region X - Seattle	5213	523	770	1920	2000
Subtotal Regions	\$ 759868	\$ 668920	\$ 19655	\$ 19513	\$ 51780
Travel Advances (Other Than Regions)	1572071	352252	200000	300000	719819
Miscellaneous Credits	(130179)	(57005)	(12263)	(17835)	(43076)
TOTAL	<u>\$2201760</u>	<u>\$ 964167</u>	<u>\$207392</u>	<u>\$301678</u>	<u>\$728523</u>
PERCENT	<u>100.0</u>	<u>43.8</u>	<u>9.4</u>	<u>13.7</u>	<u>33.1</u>

Number of Transactions 9300

NOTE: The Above Information Was Developed By The Regions And Travel.

Schedule 5
WASHINGTON FINANCIAL SERVICES DIVISION
AGED SCHEDULE OF ACCOUNTS RECEIVABLE - NON-FEDERAL
June 30, 1978

Balance Sheet Code	Description	Total	Not Delinquent	Days Delinquent				Months Delinquent		
				1-30	31-90	91-180	181-360	12-24	Over 24	Unaged
	<u>Dollars</u>									
1433	DOE Refunds - Other	\$ 4234386	\$ 3969534	\$ 21706	\$ 122727	\$ 2527	\$ 7258	\$ 110634	\$ -	\$ -
1432	DOE Refunds - Employees	4982								4982
1442	DOE Reimbursables - Other	11485	1825	-	8424	-	1135	101	-	-
1443	DOE Reimbursables - Foreign	15336	-	-	-	-	-	-	15336	-
1451	DOE Travel Advances	1940678								1940678
1452	DOE Other - Misc. Receipts	3833521	2746078	15581	246135	825727	-	-	-	-
	Miscellaneous Small Transactions (Unaged)	187479								187479
	Increase - June/Sep.	555133								555133
	TOTAL	\$ 10783000	\$ 6717437	\$ 37287	\$ 377286	\$ 828254	\$ 8393	\$ 110735	\$ 15336	\$ 2688272
	PERCENT	100.0	62.3	.3	3.5	7.7	.1	1.0	.2	24.9
	<u>Number of Items</u>									
1433	DOE Refunds - Other	68	24	4	7	7	19	7	-	-
1442	DOE Reimbursables - Other	9	2	-	2	-	2	3	-	-
1443	DOE Reimbursables - Foreign	1	-	-	-	-	-	-	1	-
1452	DOE Other - Misc. Receipts	110	66	26	2	16	-	-	-	-
	Miscellaneous Small Transactions (Unaged)	163	-	-	-	-	-	-	-	163
	TOTAL	351	92	30	11	23	21	10	1	163
	PERCENT	100.0	26.2	8.5	3.1	6.6	6.0	2.9	.3	46.4

NAVAL PETROLEUM RESERVES, CALIFORNIA (NPRC)

BACKGROUND: The NPRC consists of Naval Petroleum Reserve (NPR) No. 1 and 2. NPR-1 (Elk Hills) is located approximately 35 miles west of Bakersfield, California and was established by President Taft in 1912 under an Executive Order setting aside 38,073 acres of public lands with the intent of ensuring a supply of oil for the Navy. Production was first obtained in 1919 from a well drilled by Standard Oil Company of California (SOCAL). In 1942 President Roosevelt signed an Executive Order increasing the reserve to its present size of 46,095 acres. In 1944 a Unit Plan Contract was entered into with Chevron, U.S.A., Inc. (then SOCAL) for exploration, development and operation of all Unit lands within the reserve. The Government owns approximately 80% of the Reserve and Chevron owns the remaining 20%.

Pursuant to the Unit Plan Contract each partner shares in the allocation of costs and of production to the extent of each partner's percentage of ownership. Since World War II, production was maintained at a level of 3,000 barrels per day, sufficient for testing and field maintenance. On April 5, 1976, the President signed Public Law 94-258 (the Naval Petroleum Reserves Production Act of 1976) which called for the development of NPR-1, to its maximum efficient rate. Also, Public Law 95-91 transferred jurisdiction over NPR-1 to the Department of Energy on October 1, 1977.

The responsibility for management, development, operation, maintenance and other activities at the reserve are carried out by an operating contractor as directed by the Director - NPRC and/or the Operating Committee. The Operating Committee, established under the Unit Plan Contract consists of one Government member and one Chevron member, each having an equal vote. The Government initially funds all activities at the Reserves and is reimbursed by Chevron for its share of costs. The operating costs are billed in entirety to the Government in accordance with the Operating Agreement between Williams Brothers Engineering Company (WBEC) and the Government. WBEC, the current operating contractor, is a wholly owned subsidiary of Resource Sciences Corporation. The current contract will expire at the end of fiscal year 1980, however, WBEC has been recently selected as the operating contractor for the ensuing five year period.

When NPR-1 was set aside for the Navy in 1912, oil had not yet been discovered. Since the amount of oil on NPR-1 was unknown, the United States Geological Survey recommended that a second reservation - Buena Vista Hills - be set aside. President Taft created NPR-2 by Executive Order, in 1912. In 1912 President Harding transferred administration of NPR-2 to the Secretary of the Interior who leased all the Government lands in NPR-2 to private operations. Administration of all NPR-2 was transferred to DOE October 1, 1977. NPR-2 which is checker-boarded by lands owned by various private parties. Current production is predominantly "stripper" in nature with most of the reservoirs underlying NPR-2 having been depleted. Most of the known productive acreage underlying the Government lands in the Reserves have been leased.

Accounts receivable result from sales of oil, liquid petroleum, gas products and waste water, produced by the reserve, and from Chevron for its share of operating costs. Total accounts receivable as of September 30, 1979 were \$91.7 million.

SUMMARY OF THE ACCOUNTS RECEIVABLE PROCESS:

Aging of Accounts Receivable

Total accounts receivable balances for FY 1975 through FY 1979 are presented in Schedule 1. Accounts receivable are aged only when requested. Receivables are reconciled monthly to opening balances, sales, collections and closing balances. The total of subsidiary accounts must agree with the accounts receivable control account.

Assessment of Penalties and Interest

Current contracts do not provide for the assessment of penalties. Interest on delinquent accounts for oil sales was provided for prior to February 1, 1980, on delinquencies over 30 days and, subsequent to that date, on delinquencies over 7 days.

Follow-up Collection Action

A tickler file is maintained to show dates that payments are due. When an account is deemed overdue a "cure" letter is sent by certified mail, return receipt requested. NPR contracts stipulate a requirement for financial statements prior to award and the arrangement for letters of credit to be placed with a bank to cover possible defaults by the contractor. If payment is not satisfied in the prescribed time, action upon the debtor's letter of credit is taken. Settlements have always been made before execution of this procedure was necessary.

Uncollectible Accounts

Accounts receivable resulting from oil sales are never considered uncollectible because they are secured by letters of credit.

Allowance for Uncollectibles

There is no provision made for uncollectible accounts.

Delinquent Accounts

There have been no delinquent accounts resulting from oil sales since the open-up of production of the Reserve on July 3, 1976. However, a major dispute has arisen between Chevron and the Government in the interpretation of the provisions of the Unit Plan Contract. Chevron contends that their share of developmental costs of wells placed on a stand-by rather than productive basis are not to be paid by them until such wells are released to production. The Government believes payment is due when costs are incurred. The amount due the Government is in excess of \$12 million and is currently being litigated. Interest is being billed to Chevron on the disputed amounts. It is the timing of the payment that is in dispute and not the costs billed. Interest accrued on the delinquent amounts would be recovered if the contract interpretation is in favor of the Government. Because of the uncertainty of the outcome such accrued interest has not been recorded on the NPR's financial records.

Default Actions

The disputes with Chevron on amounts owed for their share of operating costs (\$12,437,001 represented by 23 invoices) are the only items considered in default.

Referrals

There have been no referrals to either GAO or the Department of Justice in the period FY 1976 through FY 1979, with the exception of the disputed receivables with Chevron which are being litigated by NPR and Department of Justice legal personnel.

Write-offs

There have been no accounts written off in the period FY 1976 through FY 1979.

Repossessable Assets

Sales of crude oil and related products are repossessable but it is doubtful that in the eventuality of default, repossession would be pursued.

Processing of Receivables (Systems Analysis)

Oil production is processed through metering points which account for the number of barrels produced. The meters commence running when metering tickets are inserted and automatically stop when the tickets are removed, indicating the number of barrels processed. The tickets are withdrawn approximately every seven days and are simultaneously forwarded to the testing laboratory with oil samples from the current production run represented by the tickets. The laboratory performs various tests which will determine deductions from gross production for basic sediment and water content present in the oil. The run tickets are then forwarded to the billing department where the various allocation computations are performed to appropriately bill eighteen oil companies which share in differing proportions of the production. The billings are telegraphically submitted with payment terms being seven days from receipt of the bill. Payments are to be received at the U.S. Treasury, Washington, D.C. through the Federal Reserve Bank of New York.

Production of Liquid Petroleum Gas products are a lesser adjunct to the production of crude oil. The billing process is different in that bills of lading are the basis for invoicing which is prepared manually and mailed by certified mail, return receipt requested.

The summary transactions involving receivables are forwarded to the Washington Financial Services Division in Germantown, Maryland for inclusion in the Financial Information System.

Credit Management Function - Staffing and Costs

Credit management at NPRC is the responsibility of the Director, NPRC.

There are two full time and three part-time persons devoted to the accounts receivable function. The total effort expended is equivalent to approximately 2 1/2 staff years.

Statistics relating to the cost of operating the credit function are not maintained or readily ascertainable. However, it is estimated that the annual costs would amount to approximately \$42 thousand.

Audit Reviews

The last review performed of the receivables/collection function by outside auditors was completed October 5, 1979 by the DOE Office of the Inspector General (OIG). The final report has not as yet been issued.

APPRAISAL OF DEBT MANAGEMENT OPERATIONS:

Improvements could be made in the management of accounts receivable at the Naval Petroleum Reserves. Significant problems include:

- o No formal aged schedule of accounts receivable is prepared on a regular basis for use as a management tool.
- o There are no uniform policies and procedures for assessment of interest and penalties.
- o There is currently no automated system to process, bill and report the status of accounts receivable.
- o Although the seven day billing period reflects a commendable effort to reduce the length of time, substantial amounts earned by the Government through oil sales are allowed to remain uncollected. The large dollar value of oil sales in addition to current high interest rates applicable to outstanding debt argue for a further reduction in the billing/collection cycle to a daily basis. To indicate the magnitude of the dollars involved, consider that for 14 invoices for crude oil production amounting to \$21,399,209, the period of elapsed time from date of production to due date of payment ranged from 10 to 38 days. Interest accrued on this amount would total \$11,770 per day. Given a 20% interest rate, \$55 per day would accrue for each \$100,000 in unbilled receivables.
- o The Government may have created an unnecessary receivable by providing for Chevron to reimburse the Government for its share of NPR operating cost. Provision for direct payment by Chevron of its share of operating costs could eliminate a substantial receivable.

RECOMMENDATIONS:

NPR should undertake the following actions to improve accounts receivable management:

- o Begin regular, monthly preparation of aged schedules of accounts receivable for use as a management tool.
- o Implement uniform procedures for assessment and accrual of interest and penalties on overdue accounts.
- o Ensure that the automated system being installed to replace the manual billing system can accommodate automated billing on a daily basis, can accommodate expansion of sales by the NPR, can provide data to prepare monthly aging schedules of accounts receivable by debtor and can accommodate billing of interest and penalties on overdue accounts.
- o Evaluate the cost of increased effort required to accommodate a daily billing cycle for oil produced by the reserve. Compare this cost with the cost to the Government of not having the use of oil sale revenues for the longer time period created by the seven day or more billing cycle. Implement a daily billing cycle if feasible.
- o Evaluate the feasibility of revising the Chevron Unit Plan Contract and the NPR Operating Contract to provide for direct payments by Chevron of its share of operating costs. Implement if feasible.
- o Evaluate staffing of the credit management/accounts receivable function to ensure that adequate numbers of personnel at appropriate grades are assigned.

Schedule 1

Naval Petroleum Reserves - California
Aged Schedule of Accounts Receivable - Non-Federal
Fiscal Years Ending 1975-1979

Dollars (000's)	(%)	Total	(%)	Not Delinquent	Days Delinquent				Months Delinquent						
					1-30	31-90	91-180	181-360	12-24	Over 24					
					(%)	(%)	(%)	(%)	(%)	(%)		(%)			
FY 1979	(100.0)	\$91698	(86.2)	\$79076	\$ -	(.4)	\$ 320	(1.4)	\$1321	(.7)	\$ 604	(1.9)	\$ 1731	(9.4)	\$ 8646
FY 1978	(100.0)	30892	(65.0)	20079	(1.0)	294	(1.4)	430	(.7)	232	(2.8)	854	(29.1)	9003	-
FY 1977	(100.0)	31840	(72.3)	23015	(1.4)	453	(2.5)	781	(7.1)	2265	(16.7)	5326	-	-	-
FY 1976	(100.0)	8983	(99.2)	8908	-	1	-	1	(.8)	73	-	-	-	-	-
FY 1975	(100.0)	64	(100.0)	64	-	-	-	-	-	-	-	-	-	-	-
<u>Accounts</u>															
FY 1979	(100.0)	37	(83.8)	31	-	(5.4)	2	(2.7)	1	(2.7)	1	(2.7)	1	(2.7)	1
FY 1978	(100.0)	31	(70.9)	22	(6.5)	2	(6.5)	2	(6.5)	2	(6.5)	2	(3.1)	1	-
FY 1977	(100.0)	40	(72.5)	29	(7.5)	3	(7.5)	3	(7.5)	3	(5.0)	2	-	-	-
FY 1976	(100.0)	27	(88.9)	24	(3.7)	1	(3.7)	1	(3.7)	1	-	-	-	-	-
FY 1975	(100.0)	1	(100.0)	1	-	-	-	-	-	-	-	-	-	-	-

COST ANALYSIS

There is no staffing or cost pattern among DOE activities that can be used as a composite measurement or standard of performance for the credit management function.

The following schedule indicates the varieties of staffing patterns at some of the DOE activities.

<u>Location</u>	<u>Number of Equivalent Personnel or Effort</u>
- Albuquerque Operations Office	1
- Bonneville Power Administration	17
- Chicago Operations and Regional Office	1 3/4
- Naval Petroleum Reserves - California	2 1/2
- Oak Ridge Operations Office	1 1/2
- Washington Financial Services Division	4 - 5
- Western Area Power Administration	10 hours per month

In some cases personnel are fully dedicated to the functions of the credit management area, in others their efforts are on an as needed basis.

The cost of operating the credit management function has also shown a wide range as indicated below:

	<u>Annual Cost</u>
Bonneville Power Administration	\$435,191
Naval Petroleum Reserves	42,000
Oak Ridge Operations Office	35,650
Washington Financial Services Division	129,812

The costs differ widely as a result of several factors. The number of invoices generated may vary from less than 10 per month to several hundred. The dollars represented by these invoices also differ considerably. Invoices for reproduction services are in some cases less than five dollars and those for uranium enrichment services or oil sales may amount to several million dollars for each invoice.

The cost of follow-up collection activity is also diverse among DOE activities. Four facilities indicated that either there were no costs involved or that such estimate could not be made. Information received from Albuquerque showed that the annual costs of pursuing delinquent accounts among its integrated contractors ranged from \$270 at Bendix to \$1,800 at Monsanto.

Bonneville Power Administration stated that their annual cost was estimated at \$4,215.

As indicated by the foregoing information a composite presentation would be difficult to calculate and would not serve a meaningful purpose. The data submitted and the lack of information at many of the locations, surfaced the need for the accumulation and use of such data for debt management purposes in the future.

IMPLEMENTATION PLAN

<u>Action Item</u>	<u>Start Date</u>	<u>Complete Date</u>
Develop and promulgate for comment a DOE Management Order establishing uniform policies and procedures for management of credit activities	Underway	Sept 30, 1980
Publish Final Order	Sept 30, 1980	Dec 31, 1980
Revise the Accounting Handbook to provide regular monthly aging of accounts receivable by debtor, assessment of interest and penalties in sufficient magnitude to deter delinquent payment of accounts receivable and determination of optimum billing periods	Underway	Dec 31, 1980
Initiate a systems review to identify alternatives to automate management of accounts receivable	May 31, 1980	Sept 30, 1980
Develop implementation plan for selected alternatives	Sept 30, 1980	Dec 31, 1980
Obtain approval for application of interest charges on delinquent accounts which are equal to or greater than the cost of borrowing money in the private sector	Underway	July 31, 1980
Implement new policy for interest charges	July 31, 1980	Continuing
Develop staffing standards for accounts receivable functions. Review current staffing and adjust if necessary - review grade structure and adjust if necessary. Establish performance criteria.	May 31, 1980	Dec 31, 1980
Initiate an analysis to establish optimum billing periods for major types of DOE receivables. Optimum period should balance cost of collection effort against cost of having account outstanding.	May 31, 1980	July 31, 1980
Develop/revise Management Orders which establish policies and procedures for DOE grants and loan guarantee programs to specify credit evaluation/risk assessment procedures to be followed in evaluating applications received under these programs	Underway	Dec 31, 1980

<u>Action Item</u>	<u>Start Date</u>	<u>Complete Date</u>
Provide immediate guidance to all DOE activities to initiate preparation of monthly aging schedules of accounts receivable in Debt Collection Project categories	Underway	June 30, 1980
Include an item in the DOE accounting assistance visit program to assist activities and integrated contractors in correctly identifying, recording, reporting and managing accounts receivable	Immediately	Continuing
Establish an FMIP Objective to improve accounts receivable management	May 31, 1980	Oct 1, 1980
Request BPA to develop briefing on their accounts receivable management and present to other DOE activities	May 31, 1980	Sept 30, 1980
Develop a training program for personnel assigned responsibility for accounts receivable management. Ensure that all accounts receivable clerks receive training in basic policies and procedures of accounts receivable management and that training includes an opportunity to relate basic principles to the particular programs and problems at the trainee's activity. Develop a summary program for senior management personnel to clarify DOE objectives, and trainee's responsibilities in managing accounts receivable and resolve individual questions/problems.	May 31, 1980	Nov 30, 1980
Conduct training effort	Nov 30, 1980	Continuing
Revise the billing cycle at NPR to incorporate daily vice weekly billings for oil sales.	Underway	Dec 1980
Revise the Unit Partner Contract with Chevron to provide for direct payments by Chevron to the NPR operating contractor for Chevron's share of operating costs.	Underway	Dec 1980
Conduct follow-up visits to seven activities visited under Debt Collection Project to determine progress in correcting problems identified	March 1981	April 1981

APPENDIX A

DOE Organization

The Secretary, Deputy Secretary, and Under Secretary are the three principal officers of the Department. They are responsible for the overall planning, direction, and control of departmental activities. Supporting DOE in matters of Department-wide scope are crosscutting staff offices, including the offices of the Assistant Secretaries for Policy and Evaluation, and International Affairs; the General Counsel; the Chief Financial Officer; the Inspector General; the Director of Administration; the Director of Procurement and Contracts Management; the Controller; the Director of the Office of Equal Opportunity; the Office of Hearings and Appeals; and the Board of Contract Appeals.

Programs requiring large budget outlays are the responsibility of the Director of Energy Research and the six program Assistant Secretaries (Resource Applications, Conservation and Solar Energy, Environment, Defense Programs, Fossil Energy, and Nuclear Energy).

The Department's organization also includes the Economic Regulatory Administration, the Energy Information Administration, and the Federal Energy Regulatory Commission, which is an independent regulatory organization within the Department.

In addition to headquarters components, the Department has an extensive field structure which plays an integral part in the implementation and management of departmental projects and programs.

Field Activities

Attachment A shows the field organization of DOE. A description of the functions and responsibilities of major organizations is as follows:

Ten Regional Representatives

The Secretary is represented in each of the ten standard Federal regions by Regional Representatives, whose duties include speaking for the Secretary in all regional DOE activities; working with the State Governors to establish Regional Energy Advisory Boards; ensuring the effectiveness of regional outreach programs, including Department interaction with business, labor and consumer groups and their appropriate involvement in DOE decision making; providing feedback on the regional impact of DOE policies and programs; and performing assigned non-regulatory activities in regional planning, conservation, energy resource development, and energy data collection.

Regional Regulatory Programs

The Department of Energy's regional allocation and compliance program is conducted in Regional Compliance Offices under the supervision and direction of the Administrator, Economic Regulatory Administration, and with the legal support of the General Counsel's field staff. These programs are separate from the outreach and other activities of the Regional Representatives.

Operations Offices

The Operations Offices provide a formal link between Department Headquarters and the field laboratories and other operating facilities. The primary function of these offices is to administer contracts and manage programs and projects as assigned from the Headquarters.

Laboratories and Research and Development Facilities

Programs carried out in the Department's laboratories and research and development facilities range from the most fundamental research in the physical and life sciences to the most advanced goal-oriented design and development plans in nuclear and alternative energy technologies and nuclear weapons. These facilities include:

- Argonne National Laboratory
- Ames Laboratory
- Bates Linear Accelerator Facility
- Bettis Atomic Power Laboratory
- Brookhaven National Laboratory
- Center for Energy and Environmental Research
- Comparative Animal Research Laboratory
- Davis Radiobiology Laboratory
- Environmental Measurements Laboratory
- Fermi National Accelerator Laboratory
- Franklin McLean Memorial Institute
- Hanford Engineering Development Laboratory
- Idaho National Engineering Laboratory
- Inhalation Toxicology Research Institute
- Knolls Atomic Power Laboratory
- Laboratory of Nuclear Medicine and Radiation Biology
- Lawrence Berkeley Laboratory
- Lawrence Livermore Laboratories
- Liquid Metal Engineering Center
- Los Alamos Scientific Laboratory
- MSU Plant Research Laboratory
- New Brunswick Laboratory
- Notre Dame Radiation Laboratory
- Oak Ridge Associated Universities
- Oak Ridge National Laboratory
- Pacific Northwest Laboratory
- Princeton Plasma Physics Laboratory
- San Francisco Laboratory of Radiobiology
- Sandia Laboratories
- Savannah River Ecology Laboratories
- Savannah River Laboratory
- Shippingport Atomic Power Station
- Solar Energy Research Institute
- Stanford Linear Accelerator Center
- University of Rochester Biomedical Laboratory
- University of Utah Radiobiology Laboratory

Eight Production Facilities

Beside the Hanford Production Operations, Idaho Chemical Processing Plant, and the Savannah River Plant, DOE has a nuclear materials production complex which includes three gaseous diffusion plants (at Oak Ridge, Tennessee; Paducah, Kentucky; and Portsmouth, Ohio) and two feed materials processing plants (at Fernald and Ashtabula, Ohio).

Five Power Marketing and Transmission Administrations

The Federal government markets electric power through the Western Area, Bonneville, Southwestern, Southeastern, and Alaska Power Administrations. These Administrations sell electricity produced at dams that are constructed and operated by the Army Corps of Engineers and/or the Bureau of Reclamation.

Seven Reserves

Reserves are identified quantities of oil-in-place that are considered to be recoverable or producible under current economic conditions.

DOE has jurisdiction over the Strategic Petroleum Reserve, three Naval Petroleum Reserves, and three Naval Oil Shale Reserves.

Two Special Project Offices

DOE maintains two special project offices: The Clinch River Breeder Reactor Project Office and the Fast Flux Test Facility Project Office.

Weapons Facilities

The Albuquerque Operations Office supervises the weapons production system, including work done at the following facilities: Mound (Dayton, Ohio) Plant, Kansas City Plant, Rocky Flats Plant, Pantex (Amarillo) Plant, Pinellas Plant. The Savannah River Production Facility reports to the Savannah River Operations Office, which in turn reports to the Assistant Secretary for Defense Programs. The Y-12 Plant is a weapons facility which is managed by the Oak Ridge Operations Office, with the Albuquerque Office providing management oversight and coordination. These facilities are supported by the laboratories which are controlled by the Assistant Secretary for Defense Programs.

Five Energy Technology Centers (ETC's)

The ETC's are used primarily for fossil energy research. The five ETC's are Morgantown Energy Technology Center (West Virginia), Pittsburgh Energy Technology Center (Pennsylvania), Bartlesville Energy Technology Center (Oklahoma), Grand Forks Energy Technology Center (North Dakota), and Laramie Energy Technology Center (Wyoming). Management oversight and coordination for these centers is provided by the Energy Technology Office of the Fossil Energy Staff.

69

Department of Energy Organization

Table 1
Department of Energy
Analysis of Accounts Receivable
September 30, 1979
(Dollars in 000's)

<u>Reporting Activity</u>	<u>Public Accounts</u>	<u>Uncollectible Accounts</u>	<u>DOE Travel Advances</u>	<u>Gross Non-Federal Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Non-Federal Receivables</u>	<u>Federal Accounts</u>	<u>Net Realizable Receivables</u>
Alaska Power	\$ 451	\$ -	\$ -	\$ 451	\$ -	\$ 451	\$ 3	\$ 454
Albuquerque	7966	-	169	8135	(2)	8133	83631	91764
Bonneville Power	21719	-	-	21719	-	21719	6178	27897
Chicago	7478	13	117	7608	(13)	7595	12968	20563
Clinch River	-	21847	2	21849	(21847)	2	-	2
Grand Junction	113	-	20	133	-	133	11	144
Idaho	898	12	-	910	(12)	898	16794	17692
Nevada	6938	2	15	6955	(2)	6953	13194	20147
Oak Ridge	389216	-	55	389271	(251)	389020	70692	459712
Pitts. Naval Reactors	958	3	4	965	(3)	962	9166	10128
Richland	2582	146	38	2766	(144)	2622	7588	10210
San Francisco	5494	-	233	5727	(3)	5724	22280	28004
Savannah River	561	2	25	588	(2)	586	1358	1944
Schenectady Naval Reactors	1112	-	4	1116	-	1116	13850	14966
South East Power	3725	-	-	3725	-	3725	1121	4846
South West Power	29620	-	34	29654	-	29654	-	29654
Strategic Petroleum Reserve	-	-	28	28	-	28	423	451
Washington Fin. Ser. Division	114778	-	2202	116980	-	116980	3188	120168
Western Power	57355	-	-	57355	-	57355	-	57355
	<u>\$650964</u>	<u>\$22025</u>	<u>\$2946</u>	<u>\$675935</u>	<u>\$(22279)</u>	<u>\$653656</u>	<u>\$262445</u>	<u>\$916101</u>

Table 2
Department of Energy
Analysis of Accounts Receivable
September 30, 1978
(Dollars in 000's)

<u>Reporting Activity</u>	<u>Public Accounts</u>	<u>Uncollectible Accounts</u>	<u>DOE Travel Advances</u>	<u>Gross Non-Federal Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Non-Federal Receivables</u>	<u>Federal Accounts</u>	<u>Net Realizable Receivables</u>
Alaska Power	\$ 265	\$ -	\$ 1	\$ 266	\$ -	\$ 266	\$ 43	\$ 309
Albuquerque	3959	10	171	4140	(12)	4128	54693	58821
Bonneville Power	33496	-	-	33496	-	33496	2173	35669
Chicago	4297	13	88	4398	(13)	4385	9636	14021
Clinch River	-	21847	2	21849	(21847)	2	-	2
Grand Junction	93	-	9	102	-	102	29	131
Idaho	737	17	29	783	(17)	766	12341	13107
Nevada	3556	1	16	3573	(1)	3572	15389	18961
Oak Ridge	200617	-	88	200705	(304)	200401	19107	219508
Pitts. Naval Reactors	542	-	-	542	-	542	18241	18783
Richland	1954	130	46	2130	(130)	2000	4747	6747
San Francisco	3382	-	144	3526	(3)	3523	14144	17667
Savannah River	1134	-	32	1166	-	1166	612	1778
Schenectady Naval Reactors	247	-	1	248	-	248	8466	8714
South East Power	3637	-	-	3637	-	3637	1176	4813
South West Power	22113	-	34	22147	-	22147	-	22147
Strategic Petroleum Reserve	-	-	-	-	-	-	-	-
Washington Fin. Serv. Division	39734	-	1941	41675	-	41675	2326	44001
Western Power	-	-	-	-	-	-	6468	6468
	<u>\$319763</u>	<u>\$22018</u>	<u>\$2602</u>	<u>\$344383</u>	<u>\$(22327)</u>	<u>\$322056</u>	<u>\$169591</u>	<u>\$491647</u>

Table 3

Department of Energy
Composite Aged Schedule of Non-Federal Accounts Receivable
Activities Reviewed
September 30, 1979

Reporting Activity	Total	Not Delinquent	Days Delinquent				Months Delinquent		Unaged
			1-30	31-90	91-180	181-360	12-24	Over 24	
(Dollars in 000's)									
Albuquerque	\$ 8135	\$ 5988	\$ 352	\$ 262	\$ 125	\$ 106	\$ 19	\$ 61	\$ 1222
Bonneville (1)	3803	3261	5	411	-	2	5	119	-
Chicago (2)	7608	1091	129	94	16	9	1	3	6265
Naval Petroleum Reserve - Calif.	91698	79076	-	320	1321	604	1731	8646	-
Oak Ridge	389271	305013	29793	24300	28202	483	1121	304	55
Washington Financial Service (3)	23080	9363	2957	1816	2147	4054	473	23	2247
Western Power (1)	41493	37173	3991	27	33	33	236	-	-
Total	<u>\$565088</u>	<u>\$440965</u>	<u>\$37227</u>	<u>\$27230</u>	<u>\$31844</u>	<u>\$ 5291</u>	<u>\$3586</u>	<u>\$9156</u>	<u>\$ 9789</u>
Accounts - The below accounts are only representative of the aged accounts above, excluding the unaged.									
Albuquerque	1048	756	71	77	55	46	17	26	
Bonneville	96	59	6	10	1	4	4	12	
Chicago	-	-	-	-	-	-	-	-	
Naval Petroleum Reserve	37	31	-	2	1	1	1	1	
Oak Ridge	1366	744	249	126	161	35	25	26	
Washington Financial Service	12486	50	1830	3910	4121	2462	77	36	
Western Power	-	-	-	-	-	-	-	-	
Total	<u>15033</u>	<u>1640</u>	<u>2156</u>	<u>4125</u>	<u>4339</u>	<u>2548</u>	<u>124</u>	<u>101</u>	

(1) Represents billed receivables only. Unbilled (accrued) receivables of \$17,916,285 for Bonneville and \$15,862,376 for Western Power have been excluded.

(2) Aging includes Ames and Fermi Labs only.

(3) NPR which normally reports through WFSD is presented separately for purposes of this schedule.

Table 4

Department of Energy
Composite Aged Schedule of Non-Federal Accounts Receivable
of Activities Reviewed
September 30, 1978

Reporting Activity	Total	Not Delinquent	Days Delinquent				Months Delinquent		Unaged
			1-30	31-90	91-180	181-360	12-24	Over 24	
(Dollars in 000's)									
Albuquerque	\$ 4140	\$ 845	\$ 507	\$ 51	\$ 19	\$ 8	\$ 37	\$ 47	\$ 2626
Bonneville (1)	3890	3735	5	6	8	7	12	117	-
Chicago (2)	4398	-	-	-	-	-	-	-	4398
Naval Petroleum Reserve - Calif. (4)	30892	20079	294	430	232	854	9003	-	-
Oak Ridge	200705	189223	10271	162	267	103	130	461	88
Washington Fin. Serv. (3)(4)	10783	6717	37	377	828	8	111	15	2690
Total	<u>\$254808</u>	<u>\$220599</u>	<u>\$ 11114</u>	<u>\$1026</u>	<u>\$1354</u>	<u>\$ 980</u>	<u>\$ 9293</u>	<u>\$ 640</u>	<u>\$ 9802</u>
Accounts - The below accounts are only representative of the aged accounts above,excluding the unaged.									
Albuquerque	780	611	68	45	20	11	8	17	
Bonneville	79	47	4	4	3	4	10	7	
Chicago	-	-	-	-	-	-	-	-	
Naval Petroleum Reserve	31	22	2	2	2	2	1	-	
Oak Ridge	1549	837	343	123	91	104	20	31	
Washington Financial Service	188	92	30	11	23	21	10	1	
Total	<u>2627</u>	<u>1609</u>	<u>447</u>	<u>185</u>	<u>139</u>	<u>142</u>	<u>49</u>	<u>56</u>	

(1) Represents billed receivables only. Unbilled (accrued) receivables of \$29,605,552 for Bonneville have been excluded.

(2) Chicago aged accounts up to 90 days only, therefore their statistics have not been presented.

(3) WFSD's aging report is as of 6-30-78

(4) NPRC which normally reports through WFSD is presented separately for purposes of this schedule.

Table 5

Department of Energy
Analysis of Accounts Receivable - Non-Federal
Foreign vs. Non-Foreign FY 1979 and 1978

(Dollars in 000's) Reporting Activity	September 30, 1979			September 30, 1978		
	Total Non-Federal Receivables	Foreign Accounts	Non-Foreign Accounts	Total Non-Federal Receivables	Foreign Accounts	Non-Foreign Accounts
Alaska Power	\$ 451	\$ -	\$ 451	\$ 266	\$ -	\$ 266
Albuquerque	8135	81	8054	4140	23	4117
Bonneville Power	21719	-	21719	33496	-	33496
Chicago	7608	42	7566	4398	40	4358
Clinch River	21849	-	21849	21849	-	21849
Grand Junction	133	-	133	102	-	102
Idaho	910	-	910	783	-	783
Nevada	6955	5804	1151	3573	2782	791
Oak Ridge	389271	172113	217158	200705	130157	70548
Pittsburgh Naval Reactors	965	-	965	542	-	542
Richland	2766	-	2766	2130	-	2130
San Francisco	5727	-	5727	3526	-	3526
Savannah River	588	-	588	1166	527	639
Schenectady Naval Reactors	1116	-	1116	248	-	248
South East Power	3725	-	3725	3637	-	3637
South West Power	29654	-	29654	22147	-	22147
Strategic Petroleum Reserve	28	-	28	-	-	-
Washington Fin. Serv. Div.	116980	15	116965	41675	15	41660
Western Power	57355	-	57355	-	-	-
	<u>\$675935</u>	<u>\$178055</u>	<u>\$497880</u>	<u>\$344383</u>	<u>\$133544</u>	<u>\$210839</u>