

# NEWS

FROM

## WASHINGTON PUBLIC POWER SUPPLY SYSTEM

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Page 1 of 2

### AUDITORS COMPLETE REVIEW OF WPPSS PROCEDURES

Allegations of "mismanagement" in Washington Public Power Supply System (WPPSS) change order procedures are "insignificant," an accounting firm which reviewed the procedures has reported.

WPPSS ordered the audit review after a former employee alleged that change order procedures were being violated; that some change orders were made illegally under state law and that WPPSS was being overcharged on some change orders because of estimating errors.

The employee had been discharged by WPPSS last summer. His allegations were made subsequent to his discharge.

The firm of Coopers and Lybrand, a certified public accounting firm which has offices worldwide, reviewed the allegations, interviewed WPPSS personnel, studied the procedures and checked supporting documents for approximately 50 change orders specified in the allegations.

"A careful evaluation of our detailed findings leads us to the over-all conclusions that where our findings support some of (the) allegations, these findings are relatively insignificant as they relate to the total scope and cost of the project," the accounting firm reported.

Most of the findings relate to "housekeeping" procedures on relatively insignificant change orders, the report added.

In reviewing the allegations of overcharges, the study found that any overcharges would have been recovered by WPPSS in the renegotiated change orders.

"These change orders, in most cases were only partially paid prior to the time they were renegotiated. The percentage of completion method is employed for

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making progress payments to contracts and is based on work actually performed and not on work authorized. Additionally, retainages were withheld by WPPSS on progress payments until the contract work is completed and accepted," the report said.

The accounting firm also found that all of the change orders reviewed were "substantially within the confines of good business practice used on major construction projects" and that there was no evidence that the total project cost was increased through any of the "housekeeping" deficiencies found.

Many of the change orders studied were initiated prior to an improved project management procedure system which went into effect in 1977. "Therefore, it is unrealistic to expect the pre-1977 change orders to be in strict conformance with the newly implemented procedures," the report said.

On the allegation of illegal change orders, the accounting firm found that the delegation of authority to approve and execute change orders is well documented and there were no instances where the contract change order approval was not in accordance with WPPSS written procedures.

"Contract change orders which we reviewed for compliance with delegated authority procedures and Executive Committee resolution were found to be in compliance with the procedures and the resolution," the report said.

The accounting firm recommended strengthening of the internal WPPSS audit staff and preparation of audit programs directed toward the auditing of third party construction contracts. The need for such a program was independently identified by WPPSS staff and actions have been taken to implement this effort.

"Based upon the work carried out in this study, we believe that the WPPSS management is taking the correct steps toward building the organization, procedures and control necessary for the proper construction management of (its) nuclear power effort," the report concluded.

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