



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

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SEP 4 1975

Mr. J. Raymond Carroll
Coordinating Engineer
Architect of the Capitol

AT40003

Dear Mr. Carroll:

We reviewed the procedures followed by the Architect of the Capitol (Architect) in billing for steam sold to two Government agencies and a privately owned library. Our review was directed toward ascertaining if the rates being charged were sufficient to recover the costs of producing the steam sold. We also reviewed the status of the expansion being made to the chilled water system of the Capitol Power Plant which produces steam for heating and chilled water for air conditioning. We have no comments to make at this time concerning the expansion. We made our review pursuant to 31 U.S.C. 67.

Our review disclosed that (1) the billing rates for sale of steam are not sufficient to recover the costs of producing steam and (2) the quantity of steam sold to the Government Printing Office (GPO) is not being measured. We are recommending that the Architect periodically compute billing rates for steam sales during each year using current operating costs and production. Action is being taken to install a meter to measure the amount of steam used by GPO.

Our discussion of these matters is contained in the following sections.

BILLING RATES NOT SUFFICIENT
TO RECOVER COSTS OF PRODUCING
STEAM

The rate used by the Architect in billing for steam sold to two government agencies and a privately owned library does not recover the costs of producing steam. Our computations show that the Architect did not receive \$215,599 in receipts from the sale of steam.

The Architect produces steam in its central power plant to heat 12 buildings on Capitol Hill. In addition, the Architect sells steam to the GPO, the main city post office in Washington, D. C., and the Folger Shakespearean Library.

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We examined the method used by the Architect to bill its customers for steam sold to ascertain if the rates were high enough to recover the costs to produce steam. In order to recover the costs of steam sold, rates must be established in an amount that will equal the current costs of producing steam. Because the rate charged is lower than this amount, the Architect's power plant appropriation subsidizes the purchasers to the extent of the deficiency.

In establishing the rates used to bill for steam sold, the Architect computes the rate by using a prior year's costs and production. This rate is used for several years until a revision is made using the same method of computation.

The Architect sold steam at the rate of \$2.49 per 1,000 pounds (M-lbs.) during fiscal years 1974 and 1975. This rate was determined by dividing the cost allocated to producing steam during fiscal year 1973 amounting to \$2,077,175 by the amount of steam produced in fiscal year 1973 totalling 834,339 M-lbs.

We computed the cost of producing steam by using the fiscal year 1975 preliminary costs and production and the percentages used in fiscal year 1974 to allocate costs to steam production. Our computation shows that the cost is \$5.40 per M-lbs. for fiscal year 1975 as shown below.

<u>Expense</u>	<u>Total preliminary costs for fiscal year 1975</u>	<u>Percent allocated to steam</u>	<u>Allocated fiscal year 1975 steam cost</u>
Personnel compensation	\$1,233,905	80%	\$987,124
Personnel benefits	118,273	80	94,618
Electricity	4,304,874	20	860,974
Repairs	197,728	80	158,182
Supplies	72,536	80	58,028
Coal	1,295,426	100	1,295,426
Natural gas	30,235	100	30,235
Oil	<u>848,913</u>	<u>100</u>	<u>848,913</u>
Total	<u>\$8,101,890</u>		<u>\$4,333,500</u>
Steam produced in fiscal year 1975 (M-lbs.)			<u>801,352</u>
Cost per M-lbs.			\$ <u>5.40</u>

Our computations show that an additional amount of \$215,599 should have been collected on steam sales in fiscal year 1975 as follows.

Amounts which should have been billed for steam sales in fiscal year 1975 - 74,089	M-lbs. @ \$5.40	\$400,081
Amounts actually billed for steam sales in fiscal year 1975 - 74,089	M-lbs. @ \$2.49	<u>184,482</u>
Amount not billed		<u>\$215,599</u>

The Architect of the Capitol notified the two government agencies and the library on March 21, 1975, that the rate for steam sales in fiscal year 1976 will be \$3.70 per M-lbs. This rate was determined on the basis of operating costs and production for fiscal year 1974 and adding an additional \$.20 per M-lbs.

The use of costs and production of a prior year as a basis to bill for steam sold in a current year does not recover the current costs to produce steam. Since the data needed to make computations on a current basis is readily available, current costs of producing steam to be used as a basis for the billing rate of steam sold can be made periodically throughout the year.

Recommendation

We recommend that the billing rates for steam be determined periodically during each year using current operating costs and production as the basis for the computation.

STEAM SOLD TO GPO IS NOT MEASURED

The Architect does not have a meter in the line to measure the quantity of steam used by GPO. The Architect bills GPO for steam on the basis of quantities used as determined by GPO and reported monthly to the Architect. As a result the Architect does not have assurance that the amounts billed to GPO are accurate.

During fiscal year 1975, GPO reported to the Architect that a total of 38,791 M-lbs. of steam was used. The Architect billed GPO each quarter for the amount of steam used.

The billing for steam should be made on the basis of measured quantities of steam used. A primary means of measuring quantities of steam is by use of a steam meter. The amounts of steam used by the Architect's other two customers is measured by meters.

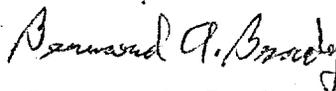
We were informed that a steam meter was ordered in March 1975 and will be installed by the Architect to measure the amount of steam used by GPO.

Since action has been taken to install a meter to measure the amount of steam used by GPO, we are not making a recommendation concerning this matter.

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We would appreciate being advised of the action you take in connection with these two matters. We appreciate the cooperation given our representatives during the review.

Sincerely yours,



Bernard A. Brady
Assistant Director