



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

*Rel. 9/2/83
ROT*



FEB 25 1971

Dear General Clarke:

We have completed a review of certain financial activities of the Missouri River Basin Integrated Projects consisting of the six main-stem projects of the Corps plus those projects of the Bureau of Reclamation within the Missouri River Basin that have been integrated for power operations. The overall results of our review will be covered in a separate report to the Congress.

During our review at the Corps' Omaha District Office, we noted several problem areas which we believe should be brought to your attention for appropriate corrective action. These matters--not to be included in our report to the Congress--were discussed with division and district office officials and are summarized below.

DEPRECIATION AND AMORTIZATION

The Omaha District Office included interest during construction on fee simple land costs in the base for computing depreciation and amortization although Engineering Regulation 37-2-10 states (chapter 8, page 69) that such interest will not be subject to depreciation or amortization. However, another section of the regulation (chapter 2, page 26) appears to conflict with the above requirement since it specifies that upon the retirement of fee simple land the interest during construction will not be transferred from plant but will be amortized over the life of the project. Division and district officials of the Corps agreed that there is a need for clarification of these regulations.

We were advised by staff members of the Federal Power Commission that interest during construction related to fee simple land costs should be included in the amortization base as has been done by the Omaha District Office. We recommend that the Corps' regulations be clarified concerning the accounting treatment of interest during construction on fee simple land costs.

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<p>DATE ISSUED</p> <p style="text-align: center;">FEB 25 1971</p>	
<p>NAME OF OFFICIAL FOR WHOSE SIGNATURE REPORT IS PREPARED</p> <p>Wilbur D. Campbell</p>	<p>TITLE</p> <p>Assistant Director</p>

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REMARKS

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