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District of Columbia Auditor

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Audit of the People's Counsel Agency Fund for Fiscal Year 1999

August 14, 2001

EXECUTIVE SUMMARY

PURPOSE

Pursuant to D.C. Code, Section 34-912 (a)(6), and Public Law 93-198, Section 455, the District of Columbia Auditor conducted an audit of the financial activities of the Office of the People's Counsel (OPC) agency fund for fiscal year 1999.

CONCLUSION

The Auditor's review of revenue deposited to the Office of the People's Counsel agency fund for fiscal year 1999 indicated that OPC collected \$142,625 in public utility assessments that were deposited into the OPC agency fund and recorded in the District's SOAR system.

During fiscal year 1999, the Office of the People's Counsel disbursed \$415,637.58 from the agency fund for expenses and \$67,000 in utility refunds. The Auditor successfully reconciled \$142,625 in utility assessment deposits to and \$482,637.58 in disbursements from the agency fund to SOAR and OPC's Fiscal Year 1999 balance sheet ledger.

PURPOSE

Pursuant to D.C. Code, Section 34-912(a)(6), and Public Law 93-198, Section 455, the District of Columbia Auditor conducted an audit of the financial activities of the Office of the People's Counsel (OPC) agency fund for fiscal year 1999.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to:

1. verify deposits to and disbursements from the Office of the People's Counsel agency fund for fiscal year 1999;
2. determine whether expenses charged to OPC's agency fund were supported by adequate documentation and whether the expenses were reasonable and necessary as required by D.C. Code, Section 34-912;
3. determine whether expense vouchers were properly reviewed and approved by appropriate OPC officials before payment; and
4. determine the amount of refunds to public utilities that were processed against OPC's agency fund.

The audit covered OPC's agency fund receipts, expenditures, and refunds for fiscal year 1999.

To accomplish the audit objectives, the Auditor reviewed public utility deposits to OPC's agency fund and reconciled the deposits to the District's System of Accounting and Reporting (SOAR). SOAR reflects all financial activity processed against OPC's agency fund during fiscal year 1999. The audit team also reconciled deposits made to OPC's agency fund to confirmation statements provided by Potomac Electric Power Company (PEPCO), Washington Gas, and Verizon, formerly Bell Atlantic-DC.

The audit team interviewed OPC's chief financial officer and senior accounting and disbursing analyst, in addition to officials from PEPCO, Washington Gas, and Verizon concerning their deposits to OPC's agency fund.

The audit was performed in accordance with generally accepted auditing standards for governmental agencies and included such tests of the accounting records as were deemed necessary under the circumstances.

BACKGROUND

Pursuant to D.C. Law 5-153, "The Utility Regulatory Assessment Clarification Act of 1984," the Office of the People's Counsel was established as an independent agency of the District of Columbia Government. Pursuant to D.C. Code, Section 34-804(a), the Office of the People's Counsel ". . . shall be a party, as of right, in any investigation, valuation, revaluation, or proceeding of any nature by the Public Service Commission [PSC] or concerning any public utility operating in the District of Columbia."

Also, pursuant to D.C. Code, Section 34-804(d), the People's Counsel:

- (1) Shall represent and appeal for the people of the District of Columbia at hearings of the [PSC] and in judicial proceedings in the District of Columbia courts when these proceedings and hearings involve the interests of users of the products of or services furnished by public utilities under the jurisdiction of the [PSC];
- (2) May represent and appeal for the people of the District of Columbia at proceedings before related federal regulatory agencies and commissions and federal courts when those proceedings involve the interests of users of the products of or services furnished by public utilities under the jurisdiction of the [PSC];
- (3) May represent and appear for petitioners appearing before the [PSC] for the purpose of complaining in matters of rates or services;

- (4) May investigate independently, or within the context of formal proceedings before the [PSC], the services given by, the rates charged by, and the valuation of the properties of the public utilities under the jurisdiction of the [PSC]; and
- (5) May develop means to otherwise assure that the interests of the users of the products of or services furnished by public utilities under the jurisdiction of the [PSC] are adequately represented in the course of proceedings before the [PSC], federal or District of Columbia courts, or federal regulatory agencies and commissions involving those interests, including public information dissemination, consultative services, and technical assistance.

Each public utility is authorized to charge rates that will permit a fair rate of return (or profit) on capital in exchange for the right to conduct business in the District of Columbia. Utilities must apply to the PSC for a change in rates or regulatory treatment. The PSC sets public utility rates and otherwise regulates utilities through a formal legal process in which the affected public utility, the Office of the People's Counsel, and other interested parties have an opportunity to present their case. As noted earlier, the People's Counsel is the only statutory party of right in public utility cases filed with the PSC.

FINDINGS

DEPOSITS TO AND EXPENDITURES FROM THE OFFICE OF THE PEOPLE'S COUNSEL AGENCY FUND FOR FISCAL YEAR 1999

As previously noted, D. C. Code, Section 34-912, permits the Office of the People's Counsel to assess utilities for regulatory and litigation expenses associated with retaining technical and legal consultants to perform work required by proceedings before the PSC. The Office of the People's Counsel develops an estimate of expenses necessary to carry out its work in each proceeding before the PSC. The PSC must first review and approve OPC's estimate before it orders a public utility to deposit sufficient funds into OPC's agency fund to cover its estimated expenses. Upon receipt of deposits from a public utility, OPC awards contracts to consultants to perform work as stated in the contract. Consultants submit monthly invoices to the Office of the People's Counsel for payment. OPC officials are required to review consultants' invoices and, if appropriate, prepare vouchers to pay for services rendered.

Summary of OPC's Agency Fund Receipts, Expenditures, and Refunds for Fiscal Year 1999

Table I summarizes OPC's agency fund receipts, expenditures, and refunds for fiscal year 1999.

TABLE I

**Office of the People's Counsel Agency Fund
Statement of Receipts, Expenditures, and Refunds For
The Fiscal Year Ending September 30, 1999**

Beginning Balance (10/01/98)	\$ 867,419.37
Receipts	142,625.00
Expenditures	<415,637.58>
Refunds to Utilities	<67,000.00>
Ending Balance (09/30/99)	\$ 527,406.79

Source: Office of the D C Auditor

As of October 1, 1998, the beginning balance in OPC's agency fund was \$867,419.37. According to the Auditor's analysis, receipts of \$142,625, less disbursements of \$415,637.58, and refunds to the utilities totaling \$67,000, resulted in a fiscal year 1999 ending balance of \$527,406.79. The ending balance is a reserve balance to be used for authorized expenses pertaining to ongoing case activity.

Fiscal Year 1999 Public Utility Revenue Deposits to OPC's Agency Fund

The Auditor found that OPC's fiscal year 1999 public utility assessments declined in relation to fiscal year 1998 by approximately 34% and approximately 89% in relation to fiscal year 1997. In fiscal year 1997, OPC assessed public utilities a total of \$1,322,310. During fiscal year 1998, OPC utility assessments declined to \$214,850, and in fiscal year 1999, the assessments declined further to \$142,625. OPC officials stated that the two-year decline was due in large part to the low number of formal cases filed with the PSC during fiscal years 1998 and 1999, and the continuation of formal cases filed in prior fiscal years for which public utility revenue had already been assessed and deposited.

The audit team reconciled revenue deposits of \$142,625 to D.C. Treasury deposit tickets, SOAR financial reports, confirmation statements provided by the public utilities, and to OPC's Fiscal Year 1999 Annual Report, which was submitted to the Mayor and the Council of the District of Columbia.

Table II presents fiscal year 1999 utility assessment deposits made by PEPCO and Washington Gas. (See Appendix I for a brief description of each formal case.)

TABLE II
Office of the People's Counsel Agency Fund
Fiscal Year 1999 Public Utility Revenue Deposits

Public Utility Assessments	Amount Deposited	Date OPC Received Check	Date Deposited	Formal Case Number
PEPCO	\$ 110,725	06/29/99	07/15/99	945
Washington Gas	9,100	08/24/99	09/21/99	GT96-3
Washington Gas	22,800	08/24/99	09/21/99	GT97-1
Total Utility Deposits	\$142,625			

Source: Office of the People's Counsel/Chief Financial Officer

Fiscal Year 1999 Expenditures and Refunds Disbursed From OPC's Agency Fund

During fiscal year 1999, the Office of the People's Counsel processed 87 expense vouchers totaling \$415,637.58 and four refund vouchers totaling \$67,000 against the agency fund. The Auditor reconciled each expense and refund voucher to SOAR and to OPC's balance sheet ledger.

Approximately 93%, or \$386,542.95, of the total confirmed expenses paid by OPC during fiscal year 1999 were for services provided by attorneys, economist and engineer consultants, and certified public accountants. Seven percent, or \$29,094.63, of the confirmed expenses were for administrative costs which included copying, telephones, delivery services, and transportation. Based upon the Auditor's review of relevant documentation, OPC's agency fund expenditures appeared to be reasonable and necessary as required by D.C. Code, Section 34-912. Further, each expense and refund voucher was properly signed and approved for payment by authorized OPC officials.

CONCLUSION

The Auditor's review of revenue deposited to the Office of the People's Counsel agency fund for fiscal year 1999 indicated that revenue totaling \$142,625 was received by the Office of the People's Counsel and recorded in the SOAR.

During fiscal year 1999, the Office of the People's Counsel disbursed \$415,637.58 from the agency fund for expenses and \$67,000 in utility refunds. The Auditor successfully reconciled \$142,625 in utility assessment deposits to and \$482,637.58 in disbursements from the agency fund to SOAR and OPC's fiscal year 1999 balance sheet ledger.

Respectfully,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols", written in a cursive style.

Deborah K. Nichols,

District of Columbia Auditor

APPENDIX

APPENDIX I

OFFICE OF THE PEOPLE'S COUNSEL
Description of Formal Cases
In Which Public Utilities Made Deposits to
the OPC Agency Fund
During Fiscal Year 1999

<u>PEPCO</u>	
945	Investigation into electric services, market competition and regulatory policies.
<u>WASHINGTON GAS</u>	
GT96-3	In the matter of the application of Washington Gas for authority to establish a new rate schedule.
GT97-2	Application for the authority to amend capacity, assignment options, and implement other charges and adjustments.

AGENCY COMMENTS

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On July 6, 2001, the District of Columbia Auditor submitted a draft report for review and comment to the People's Counsel, Office of the People's Counsel and the Chief Financial Officer for the Office of the People's Counsel. Comments were received from the People's Counsel on July 18, 2001.

Comments received from the People's Counsel agreed with the Auditor's findings and are appended, in their entirety, to this final report.



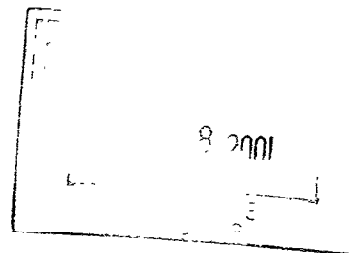
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Elizabeth A. Noël
People's Counsel

July 17, 2001

Deborah K. Nichols
District of Columbia Auditor
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Washington, D.C. 20005



Dear Ms. Nichols:

The Office of the People's Counsel of the District of Columbia appreciates the opportunity to comment on your draft audits of the Miscellaneous Trust Fund for fiscal years 1999 and 2000. As always, the Office welcomes your review of the management, financial and accounting practices applied to the Trust Fund. We are pleased to know the audit conclusions found no inconsistencies and that your office was able to successfully reconcile deposits to and disbursements from the Trust Fund. Much of the credit for the clean audits goes to OCFO-OPC's Chief Financial Officer, Irving Logan, and his staff.

I have no written comments to offer. I do not require an exit conference. Please contact me or have your staff contact Mr. Logan at 626.5133 if you have other concerns or issues.

Sincerely,

Elizabeth A. Noël
People's Counsel

cc: Irvin L. Logan

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