



United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, CA 95825-1898

IN REPLY REFER TO:

MP-3400
WTR-1.00

JUN 04 2014

Subject: Historical Reconciliation and Billing for Central Valley Project (CVP) Water Contractors with an Abnormal Advance Account Balance

Dear Water Contractor:

Through previous correspondence, the Bureau of Reclamation (Reclamation) has notified CVP water contractors of the status of the on-going historical reconciliation process for contractor monthly advance accounts, as well as, the intended treatment of contractor accounts with abnormal balances.

Reclamation has two financial systems that interface to record contractor water and CVP mitigation and restoration fund charges. The Bureau of Reclamation Water Operations and Record Keeping System (BORWORKS) collects water delivery information, and the Federal Business Management System (FBMS) tracks financial information, including customer advance payments. At the end of each month, the two systems interface to post contractor water charges and CVP mitigation and restoration fund charges.

As part of this process, individual contractor monthly advance accounts are checked for sufficient funding to pay the monthly charges that are to be posted. In Reclamation's legacy Federal Financial System (FFS), if sufficient funds were not available in a contractor's advance account, an abnormal balance was created. An abnormal balance indicates that there is either an error in the recording of a contractor's water charges, or an underpayment of water charges.

In November 2013, Reclamation transitioned from its old FFS system to the new FBMS system. The new FBMS system will not allow contractor monthly advance accounts to create an abnormal balance. As a result, all contractor monthly advance accounts with abnormal balances have to be reconciled to identify the cause for the abnormal balance. This reconciliation is necessary to ensure that contractor charges are correct and that Reclamation has received payment for all appropriate charges.

The purpose of this letter is to provide information regarding:

- The number of CVP water contractors with abnormal balances,
- Reclamation's process for recovering any underpaid monthly charges, and
- Treatment of abnormal balances in FBMS.

CVP Water Contractors with Abnormal Balances

Currently, there are 100 long-term CVP water contractors with abnormal balances in their advance account. Of the 100 contractors, 25% have abnormal balances less than \$1,000; 64% have abnormal balances between \$1000 and \$100,000; and 11% have abnormal balances greater than \$100,000.

Reclamation's Process for Recovering any Underpaid Charges

If you are among the 100 CVP water contractors with an abnormal balance in your advance account, you will be receiving a historical reconciliation package in the mail within the next 60 days that will identify:

- The month and year that water charges may have been underpaid,
- The total amount due to Reclamation, and
- Remittance instructions for payment.

Each contractor who receives a historical reconciliation package will be allowed 60 days to review and verify any amounts identified as underpaid. Reclamation is committed to helping contractors through this process, and we will make ourselves available to answer any questions that you may have. Additionally, we are willing to meet one-on-one with individual contractors if requested.

Only those contractors with an abnormal balance in their monthly advance account will receive a historical reconciliation package. If you do not receive a historical reconciliation package, this means that your monthly advance account currently has sufficient funding to pay for your monthly water charges. Any other concerns regarding contractor account balances will be addressed separately from the abnormal balance reconciliation effort.

Treatment of Abnormal Balances in FBMS

As previously mentioned, the new FBMS system has embedded internal controls to prevent abnormal monthly advance account balances from occurring. Therefore, receivables will be created in FBMS for those contractors who have abnormal balances per their historical reconciliation. Receivables will not be created until after contractors have had a full 60 day period to review and verify any amounts due. If no response is received from a contractor after a 60 day period, a receivable will be created in FBMS and a bill will be sent. Contractors will have 30 days from the date of the bill to pay the amount due. If not paid within 30 days, interest and penalties will be applied as appropriate until the bill is paid in full.

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In the future, for each month that a contractor's monthly advance account does not have sufficient funding to pay current charges, a receivable will be created and a bill will be sent. The Reclamation Project Act of 1939, Section 9 (c), requires CVP water contractors to pay two months in advance for anticipated water deliveries. This legislation, as well as the terms of the water service contract, authorizes Reclamation to ensure proper collection of water charges.

If you have any questions regarding historical reconciliations, abnormal advance accounts, or the billing process, please contact Ms. Anne Brafford at 916-978-5368, abrafford@usbr.gov, or by TTY utilizing the Federal Relay System 800-877-8339.

Sincerely,

A handwritten signature in black ink that reads "Autumn Wolfe". The signature is written in a cursive style with a large initial 'A' and a long, sweeping underline.

**Autumn Wolfe
Acting Regional Financial Manager**