

DOCUMENT RESUME

02193 - [A1452457] (Restricted)

Audit of the Stationery Revolving Fund: Fiscal Year 1976.
GGD-77-35; B-114862. May 19, 1977. 6 pp. + 4 enclosures (4 pp.).

Report to Edmund L. Henshaw, Jr., House of Representatives:
Clerk of the House; by Robert P. Keller, Acting Comptroller
General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions
(801).

Organization Concerned: House of Representatives: Office Supply
Service.

Congressional Relevance: House Committee on House
Administration; House of Representatives: Clerk of the
House. Edmund L. Henshaw, Jr.

Authority: 2 U.S.C. 46b-1.

An audit of the Stationery Revolving Fund of the House of Representatives for the fiscal year ended June 30, 1976, indicated that there is a need for more effective inventory controls and improved purchase controls. Findings/Conclusions: The Office Supply Service did not reconcile its cash account with the House Finance Office control account during fiscal year 1976, but it did adopt a procedure in September 1976 for monthly reconciliations of the Revolving Fund cash account with the control account. Recommendations: The Office Supply Service stock clerks should properly document all merchandise exchanged with the Senate Stationery Store or with vendors, and such exchanges should require the prior approval of the Chief of the Office Supply Service. The stock clerks should also keep separate inventory cards for items stored in the Rayburn, Cannon, and Longworth storerooms and use transfer slips to document merchandise transfers. Procedures should be adopted for recording all high-volume items on inventory cards and recording receipt and issuance of these items as for other stockroom merchandise. The Chief of the Office Supply Service should designate one employee to establish a filing system for controlling credit requests. This employee should review the file at the end of each month and send a followup letter for all requests outstanding for 30 days, asking for either credit or a check for the amount of the credit. He should notify the vendor on all requests outstanding for 60 days that the requested credit will be applied to the vendor's next invoice. (SC)

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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**

**Audit Of The Stationery
Revolving Fund
Fiscal Year 1976**

House of Representatives

MAY 19, 1977

GGD-77-35

2457

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-114862

The Honorable Edmund L. Henshaw, Jr.
Clerk of the House of Representatives

Dear Mr. Henshaw:

We have audited the Stationery Revolving Fund of the House of Representatives for the fiscal year ended June 30, 1976, pursuant to your request dated June 14, 1976.

GENERAL COMMENTS

The Stationery Revolving Fund, established by the act of July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service under the jurisdiction of the Clerk of the House of Representatives, subject to rules and regulations of the Committee on House Administration.

Funds appropriated to the House of Representatives for Members' stationery allowances are transferred to the Stationery Revolving Fund. At present, each Member's account is credited with an allowance of \$6,500 at the beginning of each session of the Congress. A pro rata amount is provided for incoming Members serving less than a full session.

The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies at cost (exclusive of salaries and other operating expenses incurred in operating the revolving fund). Purchases by Members are charged against their stationery allowance accounts. Purchases by committees, departments, and officers must be approved by the Chairman, Committee on House Administration. The Stationery Revolving Fund is reimbursed for such purchases.

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The Office Supply Service keeps a basic stock inventory of most frequently used items and provides special order service for certain other items. The Office Supply Service salesroom is in the Longworth House Office Building with an adjacent accounting room and separate stockroom. Two smaller stockrooms are in the Cannon and Rayburn House Office Buildings, and a warehouse containing bulk paper and envelopes is in House Office Building Annex #2.

Our comments on improving certain Office Supply Service activities follow. Problems identified in our review were discussed with Office Supply Service management during our audit.

MORE EFFECTIVE INVENTORY CONTROLS NEEDED

Need to restrict access to storerooms

Our report, "Audit of the Stationery Revolving Fund, Fiscal Year 1975" (GGD-76-53, dated Feb.-19, 1976), noted weak control of access to the stockroom.

Our latest review showed that unrestricted access was still causing inventory control problems. We examined a sample of 25 perpetual inventory cards and found that 13 had incorrect balances. We believe this was caused primarily by the way merchandise was checked out of the stockroom to the sales floor. When a customer requested an item unavailable on the sales floor, the sales clerk obtained the item from the stockroom. The inventory clerk was to list items taken from the stockroom on a checkout sheet near the stockroom door and then transcribe the listed items to perpetual inventory cards. If the sales clerk failed to tell the inventory clerk about a withdrawal, the balance on the inventory card would not be adjusted. Also, if the sales clerk improperly described the item, an entry could be made on the wrong inventory card.

Commenting on our preliminary report, the Clerk noted that although restricted access would undoubtedly offer more control, it would require additional personnel and paperwork, increase congestion, and affect individualized service to Members and their staffs. He concluded that the Office Supply Service computer system, to be installed

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this year, will enable the Office Supply Service to maintain constant and complete control of its inventory.

Need to document all stock transfers

An effective inventory control system should provide for recording all stock transfers and identifying storage locations of various items. The Office Supply Service system does not fully meet this standard. Merchandise of equal dollar value has sometimes been exchanged with the Senate Stationery Store or a vendor without any recording of the transaction. Also, because inventory cards did not specify if merchandise was stored in the Cannon or Rayburn storerooms or the Longworth stockroom, there were no procedures for recording or controlling transfers between storage locations.

Recommendation

We recommend that Office Supply Service stock clerks properly document all merchandise exchanged with the Senate Stationery Store or with vendors and that such exchanges require prior approval by the Chief, Office Supply Service.

We also recommend that Office Supply Service stock clerks keep separate inventory cards for items stored in the Rayburn, Cannon, and Longworth storerooms and use transfer slips to document merchandise transfers. These procedures would improve inventory controls and more clearly establish inventory accountability.

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Commenting on the preliminary report, the Clerk stated that exchanges are the exception, not the rule, and that they are strongly discouraged. The new computer system will provide control over inventory items by location.

Need to control certain high-volume merchandise

Some items in stockrooms were not recorded on perpetual inventory cards. For example, Hallmark books and ribbons, certain stationery, and valet kits are not listed on inventory cards because of rapid turnover of these items.

Recommendation

We recommend that the Chief, Office Supply Service, adopt procedures for recording all high-volume items on inventory cards and recording receipt and issuance of these items as for other stockroom merchandise.

The Clerk stated that individual stock card control of ribbons, books, and cards had been cumbersome and ineffective in the past. However, he agreed to adopt our recommendation when the new computer system is installed.

IMPROVED PURCHASE CONTROLS NEEDED

Inadequate control over purchase orders

The Office Supply Service's purchase order system provided inadequate control for insuring that (1) timely followups were made on outstanding purchase orders, (2) purchase orders were written in numerical sequence, (3) payments were always correctly posted on the master purchase order file, and (4) price and quantity changes, including double shipments, were identified and resolved.

During October 1976, an improved purchase order system was adopted. The key elements of the new system include (1) specific individuals having responsibility for various work phases, such as preparing purchase orders, posting payments, and confirming price and quantities, (2) monthly followup on open purchase orders, and (3) record books for controlling the status of purchase orders.

The Clerk noted that purchase order controls were improved in October 1976 and stated the new computer system should provide more effective and complete control over purchase orders and procedures.

Followup needed on requests to vendors for credit

The Office Supply Service should assign responsibility for following up on requests to vendors for credit memorandums or replacements of merchandise. Followup on credit requests normally has been done by telephone; however, Service personnel told us that because no one person was responsible for contacting vendors, followup was not always made. At June 30, 1976, there were 156 requests

totaling \$7,033.67 for which credit memorandums or replacements had not been received. For example, during fiscal years 1975 and 1976, 19 credit memorandums were requested from 1 vendor. As of June 30, 1976, the Office Supply Service's records showed this vendor had not responded to any of the requests. In addition, we found no evidence that the Service had followed up with the vendor on the credit requests.

Recommendation

We recommend that the Chief, Office Supply Service, designate one employee to establish a filing system for controlling credit requests. This employee should review this file at the end of each month and

--send a followup letter for all requests outstanding for 30 days asking for either credit or a check for the amount of the credit and

--notify the vendor on all requests outstanding for 60 days that the requested credit will be applied to the vendor's next invoice.

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In his comments on the preliminary report, the Clerk told us that a followup system has been established and that the Office Supply Service is conducting an ongoing study to make the system more effective.

PROCEDURE ADOPTED FOR RECONCILING CASH ACCOUNT

The Office Supply Service did not reconcile its cash account with the House Finance Office control account during fiscal year 1976. As a result, the Office Supply Service was unaware of several transactions recorded by the Finance Office, including about \$5,761 charged to the wrong account.

We showed these differences to the Office Supply Service, which adopted a procedure in September 1976 for monthly reconciliations of the Revolving Fund cash account with the House Finance Office control account. This procedure will identify differences between the Stationery Revolving Fund cash account and the House Finance Office control account and provide a basis for correcting entries.

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SCOPE OF AUDIT

We made our audit in accordance with generally accepted auditing standards and included a review of operations and of applicable Federal laws, a detailed observation of the physical count of stock on hand, an examination of selected financial transactions and records, a verification of Member ' stationery account balances through confirmations, and such other auditing procedures as we considered necessary.

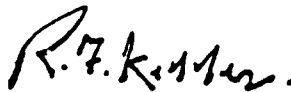
OPINION ON FINANCIAL STATEMENTS

We prepared comparative statements of assets and liabilities (sch. 1), operations and retained income (sch. 2), and change in financial position (sch. 3) from records of the Office Supply Service. Appropriations to the House of Representatives cover salaries and other operating expenses of the Office Supply Service and are not included as expenses in computing the net income of the Stationery Revolving Fund.

In our opinion the accompanying financial statements, which were prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the Stationery Revolving Fund at June 30, 1976, and June 30, 1975, the results of its operations, and the changes in its financial position for the fiscal years then ended.

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We are sending a copy of this report to the Chairman, Committee on House Administration.

Sincerely yours,



ACTING Comptroller General
of the United States

SCHEDULE 1

SCHEDULE 1

HOUSE OF REPRESENTATIVES

STATIONERY REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1976, AND 1975

	<u>1976</u>	<u>1975</u> <u>(note a)</u>
<u>ASSETS</u>		
CASH:		
In U.S. Treasury	\$ 977,214	\$ 889,437
ACCOUNTS RECEIVABLE:		
Committees, officers of the House, and others	\$ 82,180	\$ 48,213
Members' stationery accounts overdrawn	1,079	573
Vendors	<u>7,034</u>	<u>10,762</u>
	90,293	59,548
MERCHANDISE INVENTORY, at cost	<u>773,854</u>	<u>955,366</u>
Total assets	<u>\$ 1,841,361</u>	<u>\$ 1,904,351</u>
<u>LIABILITIES AND RETAINED INCOME</u>		
ACCOUNTS PAYABLE (note b):		
Due vendors	\$ 210,748	\$ 330,945
AMOUNT DUE MEMBERS (sch. 4)	1,345,427	1,273,401
ALLOWANCE APPROPRIATED BUT NOT ALLOTTED	4,500	22,917
RETAINED INCOME (sch. 2)	<u>280,686</u>	<u>277,088</u>
Total liabilities and retained income	<u>\$ 1,841,361</u>	<u>\$ 1,904,351</u>

a/Restated for prior year adjustments.

b/Obligations for undelivered orders amounted to \$191,796 at June 30, 1976, and \$209,276 at June 30, 1975.

SCHEDULE 2

SCHEDULE 2

HOUSE OF REPRESENTATIVES
STATIONERY REVOLVING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND RETAINED INCOME FOR FISCAL YEARS
ENDED JUNE 30, 1976, AND 1975

	1976			1975		
	Merchandise	Services	Combined	Merchandise	Services	Combined
NET SALES:						
Members, Committees, officers of the House, and others	\$2,470,366	\$314,984	\$2,785,350	\$2,239,308	\$435,950	\$2,675,258
	<u>781,387</u>	<u>5,597</u>	<u>786,984</u>	<u>439,893</u>	<u>1,219</u>	<u>441,112</u>
Total	<u>3,251,753</u>	<u>320,581</u>	<u>3,572,334</u>	<u>2,679,201</u>	<u>437,169</u>	<u>3,116,370</u>
COST OF SALES:						
Beginning inventory (note a)	955,367	-	955,367	613,972	-	613,972
Purchases less returns and discounts	<u>3,066,642</u>	<u>320,581</u>	<u>3,387,223</u>	<u>3,004,614</u>	<u>437,169</u>	<u>3,441,783</u>
Total	4,022,009	320,581	4,342,590	3,618,586	437,169	4,055,755
Less ending inventory (note a)	<u>773,854</u>	<u>-</u>	<u>773,854</u>	<u>955,366</u>	<u>-</u>	<u>955,366</u>
Cost of sales (note b)	<u>3,248,155</u>	<u>320,581</u>	<u>3,568,736</u>	<u>2,663,220</u>	<u>437,169</u>	<u>3,100,389</u>
NET INCOME FOR THE PERIOD (note c)	\$ <u>3,598</u>	\$ <u>-</u>	\$ <u>3,598</u>	\$ <u>15,981</u>	\$ <u>-</u>	\$ <u>15,981</u>
RETAINED INCOME:						
Balance beginning period			\$ 277,068			\$ 261,107
Add net income for period			<u>3,598</u>			<u>15,981</u>
Balance end of period (sch. 1)			\$ <u>280,666</u>			\$ <u>277,088</u>

a/Amount adjusted on the basis of purchase prices less trade discounts.

b/Includes obsolete and damaged merchandise of \$3,360 not included in ending inventory.

c/Fiscal year 1976 salaries \$336,074.40 (\$292,070.47 in 1975), employee benefits of \$30,608.67 (\$25,408.12 in 1975) and other operating expenses of the Office Supply Service were provided under separate appropriation for the House of Representatives and were not required to be included as expenses in determining net income. Fiscal year 1976 salaries of personnel working at Office Supply Service but not on the Service payroll were \$33,842.40, and salaries for summer interns were \$17,246.80. The cost of employee benefits incurred for these personnel was \$2,758.26.

SCHEDULE 3

SCHEDULE 3

HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGE IN FINANCIAL POSITIONFOR THE FISCAL YEARS ENDED JUNE 30, 1976, AND 1975

	<u>1976</u>	<u>1975</u>
FUNDS PROVIDED:		
Sales:		
Members	\$2,470,366	\$2,239,308
Committees, officers of the House, and others	781,387	439,893
Services:		
Members	314,984	435,950
Committees, officers of the House, and others	5,597	1,219
Appropriations for sta- tionery allowances	<u>2,853,500</u>	<u>2,304,750</u>
Total	<u>\$6,425,834</u>	<u>\$5,421,120</u>
FUNDS APPLIED:		
Cost of sales	\$3,248,155	\$2,663,220
Cost of services	320,581	437,169
Appropriations allotted	2,871,916	2,309,625
Increase or decrease (-) in working capital	<u>-14,818</u>	<u>11,106</u>
Total	<u>\$6,425,834</u>	<u>\$5,421,120</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	<u>Increase or decrease (-) in working capital</u>	
	<u>1976</u>	<u>1975</u>
WORKING CAPITAL CHANGES:		
Cash in U.S. Treasury	\$ 87,778	\$ <u>a/-90,292</u>
Accounts receivable:		
Committees, officers of the House, and others	33,967	14,771
Members' stationery accounts overdrawn	506	478
Vendors	-3,728	8,009
Inventory	-151,512	341,394
Accounts payable	120,197	<u>a/-197,061</u>
Allowance due Members	<u>-72,026</u>	<u>a/-66,193</u>
INCREASE OR DECREASE (-) IN WORKING CAPITAL	<u>\$ -14,818</u>	<u>\$ 11,106</u>

a/Restated for prior year adjustments.