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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

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July 29, 1977

Mr. Walter C. DeVaughn  
Assistant Public Printer  
Management and Administration  
U.S. Government Printing Office  
Washington, D C. 20401

Dear Mr. DeVaughn

We recently completed our examination of the GPO financial statements. As in previous years, we would like to discuss some observations that will not be included in our annual report to the Congress but which warrant your attention. These matters, which did not affect our opinion on the financial statements, are presented to provide constructive ideas for improving internal accounting controls and operational efficiency.

DESTRUCTION OF COMPUTER TAPES

Our examination of yearend balances for deferred subscription income (account 246,2, \$12.5 million), accrued annual leave (accounts 215.1 and 215.3; \$5.8 million) and sick leave (\$21.5 million) was hampered because according to GPO personnel the computer tapes supporting these yearend balances were destroyed prior to the start of our review. Although we were able to devise other methods to assure ourselves that the balances of these accounts were reasonably stated, they were very time-consuming. Future destruction of supporting tapes could make independent verification unfeasible and result in exceptions to these accounts in subsequent years.

We realize GPO cannot keep all computer tapes, but tapes supporting the yearend statement totals should be retained for the annual financial statement audit.

INCORRECT PRICES ON PUBLICATIONS  
RECEIPT AND CONTROL SYSTEM TAPE

Our review of the publications for sale inventory account (account 051 2; \$19.4 million) disclosed differences between prices shown on the Publications Receipt and Control

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System (PRCS) tape and the pricing cards maintained by the Superintendent of Documents.

The PRCS is an automated system which maintains the publications for sale warehouse inventory, comprising about 80 percent of total inventory on a perpetual inventory basis at retail prices. The other 20 percent of the inventory is located in distribution centers, and bookstores, and other locations and is physically inventoried yearly at retail prices.

To test the accuracy of PRCS prices, we selected a random sample of 51 items. We compared the PRCS prices for these items to the pricing cards maintained by the Superintendent of Documents. Our limited sample showed that about 12 percent of the prices on the PRCS tape did not agree with Superintendent of Document's pricing card records. The pricing cards are the basic source document used to update the PRCS tape. Our sample indicated the PRCS retail value was understated by about 5 percent when compared to the basic pricing card records.

Because of the manner in which the publications for sale inventory was computed for balance sheet purposes, the net effect of the dollar error rate was not significant in relation to the total inventory at cost. However, we believe this matter requires attention by management because there is a potential for increasing inaccuracies and possible exceptions to the account in future years

We recommend that the Superintendent of Documents make periodic test checks of the PRCS tape against the pricing cards to insure that price changes are incorporated into the PRCS system.

ERRORS IN THE CALCULATION OF THE  
COST OF PUBLICATIONS DESTROYED  
EXPENSE ACCOUNT

Our review of the cost of publications destroyed expense account (account 604.2, \$2.6 million) disclosed errors on the Sales Stock Adjustment worksheets. These worksheets are the basic documents used to support the Sales Price Destruction Listing prepared by the Superintendent of Documents. This listing, which is prepared monthly and itemizes the quantity and retail value of all destructions made during a particular month, is used by Financial Management Service to post to the general ledger accounts.

To test the accuracy of the cost of publications destroyed, we selected 60 items from the worksheets to verify data included in the Sales Price Destruction Listing. We tested the posting, pricing, and arithmetic accuracy of the 60 documents that supported the items on the listing. About 25 percent of the 60 items included errors. Most of the errors were caused by arithmetic inaccuracies.

Because a number of the errors were offsetting, the account balance was not substantially misstated. However, to improve the accuracy of the documents, we recommend that the Superintendent of Documents periodically sample and test the accuracy of arithmetic calculations on the Sales Stock Adjustment worksheets.

YEAREND ADJUSTING ENTRY NOT MADE

Our review of the September 1976 journal vouchers showed that a yearend adjusting entry was made to eliminate a 25 percent handling surcharge on all paper and envelopes inventory issued from GPO Central Office to the field offices. The adjustment was in accordance with generally accepted accounting principles. However, a similar handling charge was not eliminated on the material and supplies inventory issued from Central Office to the field offices. A GPO official agreed that the elimination of the surcharge should have been made on the materials and supplies

Because of the small amount of the surcharges, we did not take exception to the material and supplies account 058.1 or the expense account 601.1. We recommend, however, that both adjustments be made on a yearly basis.

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We would appreciate any comments you may have on the matters discussed in this letter and welcome the opportunity to discuss any of them if you so desire.

Sincerely yours,

*David P. Sorando*  
David P. Sorando  
Regional Manager



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July 29, 1977

Mr Brian Mercer, Comptroller  
U S Government Printing Office  
Washington, D C 20401

Dear Mr Mercer

Enclosed for your information is a copy of our letter to the Assistant Public Printer, notifying him of opportunities for improving GPO's internal accounting controls and operational efficiency

Sincerely yours,

*David P Sorando*  
David P Sorando  
Regional Manager

Enclosure