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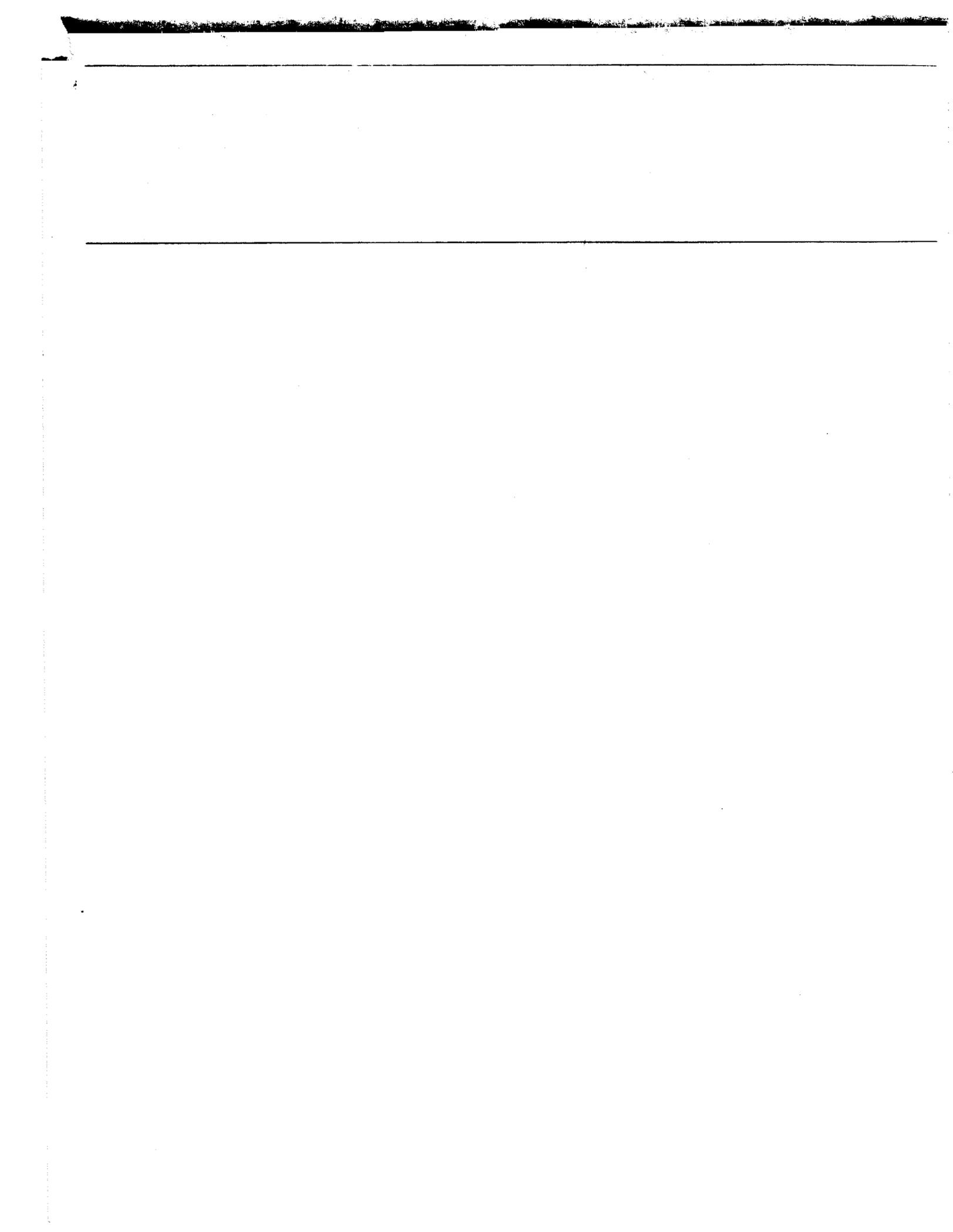
Report to the Clerk of the House of  
Representatives

December 1988

FINANCIAL AUDIT

House Stationery  
Revolving Fund  
Statements—June 30,  
1988 and 1987





**Comptroller General  
of the United States**

B-114862

December 14, 1988

The Honorable Donald K. Anderson  
Clerk of the House of Representatives

Dear Mr. Anderson:

As requested in your letter of April 20, 1988, we have examined the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1988 and 1987, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on August 25, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Stationery Revolving Fund as of June 30, 1988 and 1987, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements, applied on a consistent basis.

This report contains our report on internal accounting controls and compliance with laws and regulations. It also includes the Fund's financial statements and accompanying notes for the fiscal years ended June 30, 1988 and 1987. We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

*for*   
Charles A. Bowsher  
Comptroller General  
of the United State

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Table 1: Identifiable Operating Costs



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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the financial statements of the House of Representatives Stationery Revolving Fund for the fiscal years ended June 30, 1988 and 1987. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended June 30, 1988. Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended June 30, 1987, is presented in GAO/AFMD-88-9, dated January 21, 1988.

As part of our examination, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have classified the significant internal accounting controls in the categories of receipts, disbursements, equipment, inventory, and receivables.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of internal accounting controls was made for the purpose described in the second paragraph. It was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the Fund's system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Stationery Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

# Balance Sheet

	June 30,	
	1988	1987
<b>Assets</b>		
Current Assets		
Cash in U.S. Treasury	\$2,494,198	\$2,379,292
Petty cash	2,000	1,500
Accounts receivable	44,710	51,303
Merchandise inventory	1,255,588	1,208,582
<b>Total current assets</b>	<b>3,796,496</b>	<b>3,640,677</b>
Fixed Assets		
Equipment	257,894	246,759
Less accumulated depreciation	221,862	201,069
<b>Total fixed assets</b>	<b>36,032</b>	<b>45,690</b>
<b>Total Assets</b>	<b>\$3,832,528</b>	<b>\$3,686,367</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Accounts payable	\$305,785	\$412,131
Deferred income	97,304	87,551
<b>Total liabilities</b>	<b>403,089</b>	<b>499,682</b>
Government Equity		
Contributed capital	1,600,000	1,600,000
Donated equipment (note 6)	5,000	0
Fund balance		
Balance at beginning of year	1,586,685	1,396,812
Net income	237,754	189,873
Balance at end of year	1,824,439	1,586,685
<b>Total government equity</b>	<b>3,429,439</b>	<b>3,186,685</b>
<b>Total Liabilities and Government Equity</b>	<b>\$3,832,528</b>	<b>\$3,686,367</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations

	Fiscal years ended June 30,	
	1988	1987
<b>Revenue</b>		
Net sales	\$8,139,634	\$7,062,236
Service charges	153,945	141,851
Miscellaneous income (note 4)	0	2,807
<b>Total revenue</b>	<b>8,293,579</b>	<b>7,206,894</b>
<b>Operating Expenses</b>		
Cost of sales	8,034,775	6,980,744
Depreciation expense	20,793	26,862
Loss on accounts receivable	257	64
Miscellaneous expense (note 5)	0	9,351
<b>Total operating expenses</b>	<b>8,055,825</b>	<b>7,017,021</b>
<b>Net Income</b>	<b>\$237,754</b>	<b>\$189,873</b>

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Fiscal years ended June 30,	
	1988	1987
<b>Funds Provided</b>		
Net income from operations	\$237,754	\$189,873
Provision for depreciation	20,793	26,862
Cash from operations	258,547	216,735
Decrease in accounts receivable	6,593	0
Decrease in merchandise inventory	0	17,644
Increase in deferred income	9,753	31,903
Increase in accounts payable	0	202,401
<b>Total funds provided</b>	<b>274,893</b>	<b>468,683</b>
<b>Funds Applied</b>		
Increase in accounts receivable	0	10,095
Increase in merchandise inventory	47,006	0
Decrease in accounts payable	106,346	0
Purchase of equipment	6,135	0
<b>Total funds applied</b>	<b>159,487</b>	<b>10,095</b>
<b>Increase in Cash</b>	<b>\$115,406</b>	<b>\$458,588</b>

The accompanying notes are an integral part of this statement.

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# Notes to Financial Statements

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## Note 1. Significant Accounting Policies

The House of Representatives Stationery Revolving Fund, established 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 and is subject to the rules and regulations of the Committee on House Administration. The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies.

Office Supply Service operations are financed from the House of Representatives Stationery Revolving Fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited into the revolving fund and are available for operations. Employees' salaries and benefits and certain other benefits and services such as space, building repairs, maintenance, and utilities are paid from appropriated funds and are not charged to the revolving fund. (See note 3.)

Inventories are stated at cost using the weighted-average method of valuation.

Equipment purchased prior to fiscal year 1982 is depreciated over a 10-year life using the straight-line method with no salvage value. Equipment purchased in fiscal year 1982 and later years is depreciated over a 5-year life using the straight-line method with no salvage value.

A 10-percent service charge is added to all nonofficial sales, which consist primarily of sales to congressional staff.

Accounts receivable include amounts owed to the Office Supply Service at year-end by committees and officers of the House, and the value of merchandise returned to vendors for credit, replacement, or repairs.

Deferred income represents amounts to be recognized as revenue in subsequent periods when prepaid special order merchandise is delivered.

Cost of sales includes the value of obsolete and damaged merchandise written off and merchandise marked down and sold below cost.

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## Note 2. Purchase Order Commitments

Obligations for undelivered orders amounted to \$603,492 as of June 30, 1988, and \$708,668 as of June 30, 1987.

**Note 3. Other Operating Costs**

Certain costs of operating the Office Supply Service are not paid from the revolving fund. The costs related to space occupancy, building maintenance, lighting, and temperature control cannot be readily determined. Identifiable costs paid from appropriated funds for the fiscal years ended June 30, 1988 and 1987, follow.

**Table 1: Identifiable Operating Costs**

Costs Paid	Amount	
	1988	1987
Gross salaries	\$819,733	\$733,416
Government contributions	156,326	115,355
Equipment maintenance	46,931	46,745
Office supplies	23,605	18,148
Telephone service	5,587	6,190
Property supply	1,468	0
Travel expense	128	0
<b>Total</b>	<b>\$1,053,778</b>	<b>\$919,854</b>

**Note 4. Miscellaneous Income**

An adjustment of \$2,807, was made to write off an unidentifiable credit balance in accounts receivable. This amount has been carried on the books since July 1983.

**Note 5. Miscellaneous Expense**

For fiscal year 1987, expenses formerly paid from appropriated funds were paid from the revolving fund. Supplies in the amount of \$9,351 were purchased and recorded in this account.

**Note 6. Donated Equipment**

Computer equipment was donated by the United States Senate Stationery Room on May 23, 1988. The fair market value of this equipment is estimated to be \$5,000.