



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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B-196900

MARCH 10, 1983

The Honorable Benjamin J. Guthrie
Clerk of the House of Representatives

Dear Mr. Guthrie:

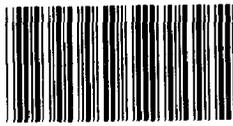
Subject: Audit of the Stationery Revolving Fund
for the Fiscal Year Ended June 30, 1982
(GAO/AFMD-83-28)

Pursuant to the preceding clerk's May 10, 1982, request, we have examined the comparative statement of assets, liabilities, and Government equity of the Stationery Revolving Fund as of June 30, 1982, and June 30, 1981, and the related statements of operations and retained income and changes in financial position for the years then ended. Our examination was 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.

In our opinion, the financial statements referred to above present fairly the financial position of the Stationery Revolving Fund as of June 30, 1982 and 1981, and the results of its operations and changes in 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. These principles and policies were consistently applied during the period except for the changes, with which we concur, in the methods of pricing inventory and of computing depreciation as described in note 1 to the financial statements.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the Stationery Revolving Fund's operations. Enclosures III through VI present the fund's financial statements and accompanying notes for fiscal 1981 and 1982.

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



120789

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

Enclosures

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HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDREPORT ON INTERNAL ACCOUNTING CONTROLSAND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Stationery Revolving Fund for the year ended June 30, 1982. Our opinion on them is in our report to the Clerk of the House of Representatives. Our examination was 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.

As part of our examination, we made a study and evaluation of the House of Representatives Office Supply Service's system of internal accounting control for the Stationery Revolving Fund 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 Stationery Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we identified, studied, and evaluated the following significant categories of internal accounting controls:

- Receipts.
- Disbursements.
- Receivables.
- Inventory.
- Equipment.

The Stationery Revolving Fund is administered by the Office Supply Service (OSS) under the jurisdiction of the Clerk of the House of Representatives. The OSS management is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that 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 control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the OSS taken as a whole or on any of the categories of controls which we studied and evaluated. However, our study and evaluation disclosed the following conditions that we believe could result in errors or irregularities in amounts that would be material in relation to the Service's financial statements and not be detected within a timely period:

--The individual accounts receivable balances were not being reconciled to the general ledger control account.

--Documentation for all adjustments made to inventory records was not maintained. Also there was no record of access to the computer files. Therefore, there was no assurance that the inventory record cannot be changed without knowledge of appropriate officials.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the fiscal 1982 financial statements, and this report does not affect our report on the financial statements for fiscal 1982.

We also reviewed the provisions of applicable laws and regulations to determine the material compliance requirements which may have a financial impact on the Stationery Revolving Fund's financial statements. In our opinion the Office Supply Service complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON OPERATIONS
OF THE STATIONERY REVOLVING FUND

The 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. OSS 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).

Office Supply Service operations are financed from a 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 Stationery Revolving Fund.

Each Member is authorized an allowance for expenses incurred for official and representational duties, including stationery expenses. Members' purchases of office supplies are funded through the annual appropriations for Allowances and Expenses of the House of Representatives and are paid for upon proper certification and documentation. Accordingly, the Stationery Revolving Fund is reimbursed monthly from that appropriation for the Members' net monthly transactions.

Purchases by committees, departments, and officers must be approved by the Chairman, Committee on House Administration. The Stationery Revolving Fund is reimbursed monthly for such purchases.

In reporting on internal accounting controls (encl. I), we noted weakness in inventory and accounts receivable controls. In discussing these conditions with management we were told that the following procedures will be instituted to strengthen internal accounting controls.

- The Service will reconcile the detailed subsidiary accounts receivable balances with the general ledger control account each month.
- The Service is revising its computer generated reports to provide a daily log of access to computer records and inventory adjustments. These revisions are to be implemented in January 1983. The log will be reviewed by managers to determine the validity of computer use and of the inventory adjustments.

HOUSE OF REPRESENTATIVES
STATIONERY REVOLVING FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

AND GOVERNMENT EQUITY

AT JUNE 30 (note 1)

A S S E T S

	<u>1982</u>	<u>1981</u>
CASH:		
In U.S. Treasury	\$1,158,984	\$1,410,909
ACCOUNTS RECEIVABLE: (note 2)		
Committees, officers of the House, and others	\$ 35,183	\$189,051
Vendors	<u>10,575</u> 45,758	<u>10,644</u> 199,695
MERCHANDISE INVENTORY, AT COST	1,240,323	1,044,453
EQUIPMENT (note 1)	197,465	159,968
LESS: ACCUMULATED DEPRECIATION	<u>(52,085)</u> 145,380	<u>(47,668)</u> 111,300
TOTAL ASSETS	<u>\$2,590,445</u>	<u>\$2,766,357</u>

L I A B I L I T I E S A N D
G O V E R N M E N T E Q U I T Y

LIABILITIES:		
ACCOUNTS PAYABLE:		
Vendors (note 3)	\$207,053	\$317,435
Committees and others	-	779
Due to Allowances and Expenses	<u>2,536</u> \$ 209,589	<u>2,488</u> \$ 320,702
DEFERRED INCOME (note 4)	<u>52,702</u>	<u>200,917</u>
Total Liabilities	<u>262,291</u>	<u>521,619</u>
GOVERNMENT EQUITY:		
STATIONERY REVOLVING FUND, CAPITAL	1,600,000	1,600,000
RETAINED INCOME (encl. IV)	<u>728,154</u>	<u>644,738</u>
Total Government equity	<u>\$2,328,154</u>	<u>\$2,244,738</u>
TOTAL LIABILITIES AND GOVERNMENT EQUITY	<u>\$2,590,445</u>	<u>\$2,766,357</u>

The accompanying notes are an integral part of this statement

HOUSE OF REPRESENTATIVES
STATIONERY REVOLVING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND RETAINED INCOME FOR FISCAL YEARS
ENDED JUNE 30, (note 1)

	<u>1992</u>	<u>1981</u>
NET SALES:		
Members (note 1)	\$3,433,792	\$2,890,073
Committees, officers of the House, and others	<u>2,024,644</u>	<u>2,090,128</u>
Net sales	5,458,436	4,980,201
Plus: Service charges (note 1)	<u>105,428</u>	<u>107,559</u>
TOTAL	<u>5,563,864</u>	<u>5,087,760</u>
COST OF SALES:		
Beginning inventory (note 1)	1,044,453	968,352
Purchases less returns and discounts	<u>5,606,960</u>	<u>5,050,230</u>
TOTAL	6,651,313	6,018,582
Less ending inventory (note 1)	<u>(1,240,323)</u>	<u>(1,044,453)</u>
COST OF SALES (note 5)	<u>5,410,990</u>	<u>4,974,129</u>
INCOME BEFORE DEPRECIATION	152,874	113,631
DEPRECIATION EXPENSE (note 1)	<u>(26,170)</u>	<u>(15,997)</u>
NET INCOME FROM OPERATIONS (note 1)	126,704	97,734
ADJUSTMENT FOR UNBILLED PRIOR YEAR PURCHASES	-	2,736
NET VALUE OF EQUIPMENT TRANSFERRED TO BUREAU OF PRISONS (note 6)	<u>(43,289)</u>	<u>-</u>
NET INCOME FOR THE PERIOD (note 1)	83,416	100,470
RETAINED INCOME BEGINNING OF PERIOD	<u>644,738</u>	<u>544,268</u>
BALANCE END OF PERIOD (encl. III)	<u>\$ 728,154</u>	<u>\$ 644,738</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE FISCAL YEARS ENDED JUNE 30 (note 1)

	<u>1982</u>	<u>1981</u>
FUNDS PROVIDED:		
Sales:		
Members	\$3,433,792	\$2,890,073
Committees, officers of the House, and others	2,024,644	2,090,128
Service charges (note 1)	105,428	107,559
Unbilled purchases	-	2,736
Total	<u>\$5,563,864</u>	<u>\$5,090,496</u>
FUNDS APPLIED:		
Cost of sales (note 5)	\$5,410,990	\$4,974,129
Purchase of equipment	103,538	-
Increase in working capital	<u>49,336</u>	<u>116,367</u>
Total	<u>\$5,563,864</u>	<u>\$5,090,496</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	Increase or (decrease) in working capital	
	<u>1982</u>	<u>1981</u>
WORKING CAPITAL CHANGES:		
Cash in U.S. Treasury	\$ (251,925)	\$ 65,103
Accounts receivable:		
Committees, officers of the House, and others	(153,868)	13,332
Vendors	(69)	6,303
Inventory	195,970	76,101
Accounts payable	111,113	91,817
Deferred income	<u>148,215</u>	<u>(136,289)</u>
INCREASE IN WORKING CAPITAL	<u>\$ 49,336</u>	<u>\$ 116,367</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
STATIONERY REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
FISCAL 1981 AND 1982

1. Significant Accounting Policies:

Office Supply Service operations are financed from a revolving fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited in the revolving fund and are available for operations.

The comparative statements of operations do not include employees' salaries and benefits and certain other benefits and services such as space, building repairs, maintenance, and utilities. These expenses are paid from appropriated funds and are not charged to the Stationery Revolving Fund. The cost of salaries amounted to \$627,297 in fiscal 1982 and \$620,651 in fiscal 1981.

Inventories are stated at cost.

During fiscal 1982, the Office Supply Service changed the method for computing its sales prices from actual cost for each item to average cost for each item. This change, which was made to facilitate inventory control and management, did not materially affect receipts in 1982.

Equipment purchased prior to fiscal 1982 is depreciated over a 10-year life using the straight-line method with no salvage value. Equipment purchased in fiscal 1982 is depreciated as 5-year property under the accelerated cost recovery system.

A 10-percent surcharge is added to all nonofficial sales (primarily staff sales).

Members' purchases of office supplies are funded through the Allowances and Expenses appropriation. The Stationery Revolving Fund is credited monthly with transfers from the Allowances and Expenses appropriation for the Members' net monthly transactions.

2. Accounts receivable includes amounts owed to OSS at yearend by committees, departments, and officers of the House, and the value of merchandise returned to vendors for credit, replacement, or repairs.

3. Obligations for undelivered orders amounted to \$723,680 at June 30, 1982, and \$601,726 at June 30, 1981.
4. Deferred income represents prepaid amounts to be recognized as revenue in subsequent periods when special order merchandise is delivered to Members.
5. Cost of sales includes the value of obsolete and damaged merchandise written off, and merchandise marked down and sold below cost.
6. Value of equipment transferred represents the book value at September 30, 1981, of computer equipment donated to the Bureau of Prisons.