



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

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APRIL 11, 1985

To the President of the Senate and the
Speaker of the House of Representatives

Subject: Examination of Financial Statements of the
Majority Printing Clerk, House of Representa-
tives, for the Years Ended August 31, 1983
and 1982 (GAO/AFMD-85-23)

Pursuant to section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes GAO to audit private organizations conducting activities on Capitol grounds, we have examined the balance sheets of David R. Ramage, Inc., the majority printing clerk, House of Representatives, as of August 31, 1983 and 1982, and the related statements of operations, retained earnings, 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.

In our opinion, the financial statements referred to above present fairly the financial position of David R. Ramage, Inc., as of August 31, 1983 and 1982, 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 applied on a consistent basis.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosure II contains our comments on the operations of the corporation. Enclosures III through VII present the corporation's financial statements and accompanying notes for the years ended August 31, 1983 and 1982.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. Copies of this report are being furnished to cognizant congressional committees. A copy is also being sent to the majority leader and to the majority printing clerk of the House of Representatives, and copies will be made available to Members of the House and Senate and to the public upon request.



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Henry Eschwege
for Comptroller General
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of David R. Ramage, Inc., the majority printing clerk, House of Representatives, for the years ended August 31, 1983 and 1982. 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 preliminary review of the system of internal accounting control and our review of compliance with laws and regulations for the year ended August 31, 1983.

We did not complete a study or evaluation of the corporation's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the corporation's financial statements. We concluded that it was more practicable to expand our substantive audit tests in examining the financial statements for the years ended August 31, 1983.

While we did not make an examination of the corporation's internal control system, we did not become aware of any condition during our expanded audit tests which we believe to be a material weakness. In audits where we do make an examination of the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the corporation's compliance with applicable laws and regulations. In our opinion, David R. Ramage, Inc. the majority printing clerk, House of Representatives, 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 corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

COMMENTS ON THE OPERATIONS OF THE
MAJORITY PRINTING CLERK,
HOUSE OF REPRESENTATIVES

The position of majority printing clerk originated from House Resolution 295 (July 7, 1943, 78th Congress), which (1) authorized employment of a clerk in charge of printing for the majority caucus room and (2) provided that the clerk be

--designated by the majority leader and

--compensated at the rate of \$2,000 per annum from appropriated funds.

Over the years, the majority printing clerk's pay increased from \$2,000 to \$16,743, the annual pay rate set in accordance with the pay adjustment which became effective October 1, 1977. As of October 1, 1978, however, the majority printing clerk's pay from appropriated funds was discontinued.

The majority printing clerk operates as David R. Ramage, Inc., a firm organized and incorporated on February 13, 1970, primarily to provide printing and related services for Members of the House of Representatives. The majority printing clerk received a salary as president of the corporation during the fiscal years ended August 31, 1983 and 1982.

The majority printing clerk's offices and printing plant are in the west underground garage of the House of Representatives. The printing clerk does official printing for the majority leadership at no charge and offers, for a fee, printing and related services to Members of Congress, congressional committees, state societies, and political organizations.

On August 3, 1978, the corporation's board of directors authorized the purchase of property suitable as a site for the corporation's printing operations. In fiscal year 1979, the corporation purchased unimproved property in Fairfax County, Virginia, on which it plans to build. In fiscal year 1980, the corporation obtained architect and site engineer services and deposited \$9,900 with Fairfax County for sewerage and environmental protection purposes. The deposit was refunded in fiscal year 1982. The corporation spent no additional funds on the property during fiscal years 1983 and 1982.

The net income after taxes was \$164,159 for fiscal year 1983 and \$229,732 for fiscal year 1982. The higher net income in fiscal year 1982 was due primarily to the normal increase in sales during an election year.

DAVID R. RAMAGE, INC.
BALANCE SHEET

ASSETS

	August 31,	
	1983	1982
CURRENT ASSETS:		
Cash accounts:		
Checking account	\$ 305,555	\$ 247,992
Pension plan escrow	26,194	33,768
Relocation fund	17,382	15,941
Land and building fund	29,124	26,750
Accounts receivable--trade	272,552	315,847
Accounts receivable--other	10,482	3,656
Accrued interest receivable	533	999
Officer's loan--current portion	5,200	5,200
Inventory at cost	60,876	87,228
Prepaid expenses	12,703	5,689
Total current assets	740,601	743,070
FIXED ASSETS:		
Land	88,958	88,958
Printing equipment	432,602	384,971
Station wagon	19,136	18,526
Furniture and equipment	1,641	2,757
	542,337	495,212
Less accumulated depreciation	190,721	122,490
Total fixed assets	351,616	372,722
OTHER ASSETS:		
Officer's long-term loan receivable	3,900	9,100
Total assets	\$1,096,117	\$1,124,892

The notes in enclosure VII are an integral part of this statement.

DAVID R. RAMAGE, INC.
BALANCE SHEET

LIABILITIES AND
STOCKHOLDER'S EQUITY

	August 31,	
	1983	1982
CURRENT LIABILITIES:		
Notes payable (Wright Patman Congressional Credit Union - 10 1/2% interest)	\$ 10,218	\$ 67,201
Accounts payable	147,809	264,245
Pension plan payable (note 2)	44,161	51,044
Accrued taxes	54,158	24,918
Accrued salaries	4,951	5,798
Accrued interest payable	4	1,271
Unearned income	502	260
Total current liabilities	261,803	414,737
STOCKHOLDER'S EQUITY:		
Capital stock—common:		
\$10 par value;		
5,000 shares authorized;		
100 shares issued and outstanding	1,000	1,000
Retained earnings	833,314	709,155
Total stockholder's equity	834,314	710,155
Total liabilities and stockholder's equity	\$1,096,117	\$1,124,892

The notes in enclosure VII are an integral part of this statement.

DAVID R. RAMAGE, INC.
STATEMENT OF OPERATIONS

	<u>Years ended August 31,</u>	
	<u>1983</u>	<u>1982</u>
NET SALES	<u>\$2,345,823</u>	<u>\$3,107,150</u>
PRINTING EXPENSES:		
Camera supplies	50,111	34,257
Depreciation	77,944	56,044
Express and postage	536	586
Leased equipment (note 4)	53,998	57,375
Material and paper	762,094	1,233,489
Repairs and parts	29,139	23,370
Salaries	515,504	587,283
Taxes	42,927	43,083
Subcontracts	163,290	222,738
Type, composition, and ink	50,325	78,604
Union pension fund	11,748	10,665
Union welfare fund	29,829	30,560
Total printing expense	<u>1,787,445</u>	<u>2,378,054</u>
Gross profit from sales	<u>558,378</u>	<u>729,096</u>
ADMINISTRATIVE EXPENSES:		
Vehicle expense	3,386	4,023
Bad debts	-	21,352
Contributions	-	500
Depreciation	5,772	5,672
General expense	3,406	5,784
Employee pension plan (note 2)	50,715	65,218
Promotion	3,219	3,978
Insurance	35,439	39,634
Legal	9,152	1,552
Officers' salaries	105,728	107,380
Office salaries	45,502	71,227
Taxes	12,822	12,869
Telephone	542	299
Interest expense	6,513	10,267
Total administrative expenses	<u>282,196</u>	<u>349,755</u>
Net operating profit	<u>276,182</u>	<u>379,341</u>
NONOPERATING INCOME:		
Interest income	<u>12,140</u>	<u>6,841</u>
Income before taxes	<u>288,322</u>	<u>386,182</u>
PROVISION FOR FRANCHISE AND INCOME TAXES (note 3):		
District of Columbia	28,718	39,082
Federal	95,445	117,368
Total provision for franchise and income taxes	<u>124,163</u>	<u>156,450</u>
Net income	<u>\$ 164,159</u>	<u>\$ 229,732</u>
EARNINGS PER SHARE	<u>\$ 1,641</u>	<u>\$ 2,297</u>

The notes in enclosure VII are an integral part of this statement.

DAVID R. RAMAGE, INC.
STATEMENT OF RETAINED EARNINGS

	August 31,	
	<u>1983</u>	<u>1982</u>
Balance at beginning of year	\$709,155	\$539,423
Dividends paid	<u>(40,000)</u>	<u>(60,000)</u>
	669,155	479,423
Net income for year	<u>164,159</u>	<u>229,732</u>
Balance at end of year	<u>\$833,314</u>	<u>\$709,155</u>

The notes in enclosure VII are an integral part of this statement.

DAVID R. RAMAGE, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended August 31,</u>	
	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Net income from operations	\$164,159	\$229,732
Depreciation--not requiring an outlay of cash	83,715	61,715
Decrease in long-term loan receivable	5,200	200
Decrease in working capital	<u>-</u>	<u>17,033</u>
Total funds provided	<u>\$253,074</u>	<u>\$308,680</u>
FUNDS APPLIED:		
Disposal of fixed assets (net)	14,369	48,089
Purchase of fixed assets	48,240	200,591
Dividends paid	40,000	60,000
Increase in working capital	<u>150,465</u>	<u>-</u>
Total funds applied	<u>\$253,074</u>	<u>\$308,680</u>

ANALYSIS OF WORKING CAPITAL INCREASES AND (DECREASES)

	<u>Years ended August 31,</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Checking account	\$ 57,563	\$ 65,483
Pension plan escrow	(7,574)	11,386
Relocation fund	1,441	4,321
Land and building fund	2,374	13,189
Accounts receivable--trade	(43,295)	131,096
Accounts receivable--other	6,826	(6,188)
Accrued interest receivable	(466)	(2,377)
Officer's loan--current portion	-	5,200
U.S. estimated tax deposits	20,138	(9,055)
Note receivable	-	(15,000)
Inventory (cost)	(26,352)	34,213
Prepaid expenses	7,014	2,023
Deposits	-	(9,900)
Accounts payable	116,435	(135,515)
Pension plan payable	6,884	(21,044)
Accrued taxes	(49,378)	(22,705)
Accrued salaries	848	2,022
Accrued interest payable	1,266	(1,270)
Note payable	56,983	(67,201)
Unearned income	<u>(242)</u>	<u>4,289</u>
NET CHANGE IN WORKING CAPITAL	<u>\$150,465</u>	<u>\$(17,033)</u>

The notes in enclosure VII are an integral part of this statement.

DAVID R. RAMAGE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1983 AND 1982

Note 1. Significant Accounting Policies

Certain benefits and services, such as space, utilities, and ordinary building repairs and maintenance, are paid from appropriated funds and furnished to the corporation at no charge.

Depreciation on assets placed in service prior to 1981 is provided at rates based on estimated useful lives using the straight-line method. Depreciation equivalent to that under the accelerated cost recovery system was used for assets placed in service after January 1, 1981. The lives generally used are as follows:

Printing equipment--new	10 years
Printing equipment--used	5 years
Office furniture and equipment	10 years
Station wagon	3 years

Investment tax credit is accounted for on the flow-through method.

Inventory is valued at cost on a first-in first-out basis.

Note 2. Pension Plan

The corporation has a defined benefit pension plan covering its nonunion employees. The company's policy is to fund pension costs accrued. The expense of this plan for the years ended August 31, 1983 and 1982, was \$50,715 and \$65,218, respectively. A comparison of accumulated plan benefits and plan net assets for the company's pension plan, assuming rates of return of 6 percent, as of the two most recent actuarial valuation dates, is presented below.

	<u>1983</u>	<u>1982</u>
Actuarial present value of accumulated plan benefits:		
Vested	\$230,840	\$178,789
Nonvested	<u>12,182</u>	<u>9,291</u>
Total	<u>\$243,022</u>	<u>\$188,080</u>
Plan net assets available for benefits	<u>\$187,503</u>	<u>\$145,263</u>

Note 3. Income Taxes

Differences between the estimated federal income taxes at the statutory rates and the amounts provided are as follows:

	August 31,	
	<u>1983</u>	<u>1982</u>
Provision at statutory rate	\$99,668	\$139,916
1982-1983 tax proration	(331)	-
Investment credit	(5,737)	(24,234)
Depreciation under purchase accounting	(1,081)	-
Officer's life insurance	1,686	1,686
Prior-year tax assessment	1,037	-
Other	<u>203</u>	<u>-</u>
Provision for federal income tax	<u>\$95,445</u>	<u>\$117,368</u>

Note 4. Leased Equipment

The corporation has operating leases for certain duplicating and compugraphic equipment on an annual basis with the option of terminating the leases at any time.