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# REPORT TO THE CONGRESS



UNITED STATES  
GENERAL ACCOUNTING OFFICE  
BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

SEP 8 1976

LIBRARY SYSTEM

## Examination Of Financial Statements Government Printing Office Fiscal Year 1975

This report comments on the need for GPO to improve certain aspects of its financial operations. More specifically, GAO recommends that the Public Printer

- establish a system that would enable GPO to accurately account for accounts payable, prepaid subscriptions, and unearned income items and
- establish procedures to develop actual cost data for use in computing the cost of publications sold.

Because of the above items, GAO is unable to express an overall opinion on GPO's financial statements. However, GAO concludes that most account balances are fairly presented.

The Public Printer has agreed to take appropriate action to resolve all matters noted in this report.

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SEPT. 7, 1976



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

B-114829

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

This report summarizes the results of our examination of the financial statements of the Government Printing Office for fiscal year 1975.

We made our examination pursuant to the act of October 22, 1968 (44 U.S.C. 309 (c)).

We are sending copies of this report to the Director, Office of Management and Budget; the Chairman, Joint Committee on Printing; and the Public Printer.

  
Acting Comptroller General  
of the United States

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FINANCIAL STATEMENTS

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ABBREVIATIONS

GAO	General Accounting Office
GPO	Government Printing Office

D I G E S T

The Government Printing Office (GPO) is responsible for furnishing printing and binding work ordered by the Congress, executive departments, and independent agencies of the Federal Government. In addition, GPO offers many of these for sale to the public.

GAO's examination of GPO's financial statements was conducted pursuant to the act of October 22, 1968 (44 U.S.C. 309 (c)).

GAO was unable to express an overall opinion on the financial statements of GPO taken as a whole. However, the individual amounts shown in the statements, with the exception of the accounts discussed below, are fairly presented as of June 30, 1975, and for the fiscal year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

For the reasons explained in the following paragraphs, GAO was unable to verify the June 30, 1975, balances of accounts receivable; accounts payable; and the portions of the statement of revenue and expenses affected by these accounts. Further, GAO was unable to verify the balances at June 30, 1975, for cost of publications sold; unearned income on subscriptions; and the portions of the statement of assets, liabilities and investments affected by these accounts.

--GAO was unable to substantiate approximately \$16.7 million of revolving fund accounts payable. This amount was obtained from a statistical sample; however, the sample size used by GPO only permitted the \$16.7

estimate to be reliable statistically within plus or minus \$5.2 million, a variation GAO considers too large to be acceptable. GPO's accounts receivable is similarly affected by this estimate. (See pp. 5 to 7.)

--GAO determined that amounts for customers' deposits, subscriptions paid in advance, and income unearned are misstated because payments for 1-year subscriptions are not deferred at the end of the fiscal year. GAO estimated that the amounts are misstated by approximately \$7.8 million. (See pp. 9 to 11.)

--GAO was unable to substantiate the \$8.9 million balance of cost of publications sold because of the methods used to compute the yearend inventory. GAO could not comment with certainty as to the extent that this account was misstated or its effect on net income. (See pp. 7 to 9.)

GAO recommends that the Public Printer:

--Establish a system with related procedures and controls that would enable GPO to account accurately for its accounts payable. (See p. 7.)

--Establish a deferred subscription liability account which would provide for an annual estimate of subscription's income unearned. (See p. 11.)

--Establish procedures to develop actual cost data to be used in computing cost of publications sold. (See p. 9.)

The Public Printer has agreed to act on GAO's recommendations.

## CHAPTER 1

### INTRODUCTION

The Government Printing Office (GPO) is responsible for furnishing printing and binding services ordered by the Congress, executive departments, and independent agencies of the Federal Government. In addition, GPO prints documents for sale to the public. 178

The Public Printer, appointed by the President with the advice and consent of the Senate, is responsible for managing GPO. The Joint Committee on Printing, consisting of the Chairman and two members of the Senate Committee on Rules and Administration and the Chairman and two members of the House Committee on House Administration, acts as GPO's Board of Directors. SEN 033000 HSE 017000

The Superintendent of Documents, appointed by the Public Printer, directs the Public Documents Area (previously Public Documents Department) which sells Government publications to the general public. These sales are made through orders mailed to GPO; through distribution centers operating in Philadelphia, Pennsylvania, and Pueblo, Colorado; and through 24 bookstores throughout the United States. The Public Documents Area prepares official catalogs and indexes, distributes publications to depository libraries, and mails certain publications for the Congress, Federal departments, and agencies.

## CHAPTER 2

### OPERATIONS

The Government Printing Office activities are financed by a revolving fund which receives funds from four major sources: appropriations for printing and binding services performed for the Congress, reimbursements for printing services from departments and agencies of the Federal Government, sales of Government publications to the public, and special appropriations for certain GPO programs.

#### PRINTING AND BINDING SERVICES

GPO provides in-house printing and binding services as well as commercial printing contracts. In fiscal year 1975, 66.8 percent of the printing and binding revenue resulted from services performed by commercial firms. GPO reported a profit in fiscal year 1975 on printing and binding services of about \$789 thousand. (See sch. 2.)

#### PUBLIC SALES PROGRAM

The public sales program is funded through sales revenue and appropriations by the Congress. Sales revenue is derived from sales of publications priced at cost as determined by the Public Printer, plus 50 percent, pursuant to the United States Code (44 U.S.C. 1708). Periodically, the excess of sales program revenue over expenses is transferred from GPO to miscellaneous receipts, in part, during the program year in which they originated and, in part, during the following program year. During fiscal year 1975 excess fiscal year 1974 funds of about \$1.2 million and excess fiscal year 1973 funds of about \$5 million were transferred to miscellaneous receipts. (See sch. 5.)

Sales program revenue, including appropriations, exceeded expenses by approximately \$11.6 million and \$1.2 million in fiscal years 1975 and 1974, respectively. Without the appropriations the 1975 and 1974 GPO sales program would have had losses of \$12 million and \$19 million, respectively.

#### APPROPRIATIONS

The Congress appropriates funds to GPO for non-revenue-producing activities of the Superintendent of Documents, congressional printing and binding, and certain improvements to GPO facilities.



Appropriation for non-revenue-  
producing activities of the  
Superintendent of Documents

The Congress annually appropriates funds to enable the Superintendent of Documents to distribute Government publications for Members of Congress and other Government agencies, finance the depository library program, and catalog and index documents printed under GPO auspices. GPO spent \$12.7 million for these activities in fiscal year 1975, compared with \$13.8 million in fiscal year 1974.

Appropriation for congressional  
printing and binding

The Congress annually appropriates funds to GPO for congressional printing and binding services. The appropriation also provides funds for printing and binding services for the Architect of the Capitol; for printing, binding, and distributing the Federal Register and the Code of Federal Regulations; and for printing and binding Government publications authorized by law to be distributed without charge. Appropriated funds are transferred to the revolving fund to reimburse it for the cost of these services. The appropriation was \$80 million for fiscal year 1975 and \$64 million for fiscal year 1974.

As shown in schedule 4, open commitments at June 30, 1975, exceeded the unexpended balance of appropriations by \$23.4 million. This amount is an estimate of the cost to complete unfinished printing and binding services authorized in fiscal year 1975 and prior years and was included in the fiscal year 1976 budget request. This funding practice is consistent with that of prior years. Since fiscal year 1958, the appropriation acts for GPO have included provisions permitting each year's appropriation to be used for paying obligations incurred in preceding fiscal years.

Appropriation for air-conditioning  
and electrical improvements

Since fiscal year 1970, the Congress has authorized GPO to use \$1 million from its revolving fund and has appropriated an additional \$12.9 million to increase the plant's electrical capacity and improve and extend air-conditioning to additional areas. The electrical project was completed at a cost of \$456,058. As of fiscal year 1975, about \$13.1 million had been obligated or spent on the air-conditioning project.

Appropriation for site  
acquisition

In fiscal year 1974 the Congress appropriated \$4.6 million for the acquisition of a new site for GPO. There are no obligations outstanding against this appropriation.

### CHAPTER 3

#### COMMENTS ON FINANCIAL STATEMENTS

##### ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

###### Accounts Payable

We were unable to substantiate approximately \$16.7 million of the revolving fund accounts payable balance of \$26.9 million at June 30, 1975. (See sch. 1.)

The \$16.7 million represents Government Printing Office's accounts payable for commercial printing only. The revolving funds have other accounts payable of approximately \$10.2 million and, these two amounts added together constitute the accounts payable balance. The following comments are directed only to the commercial printing part of the accounts payable.

At the end of fiscal year 1975, GPO analyzed its accounts payable for commercial printing. Through the use of statistical-sampling techniques GPO determined that the subsidiary records did not agree with the control account. Accordingly, based on information derived from the statistical sample, GPO wrote down the commercial printing balance (which was approximately \$28.9 million at yearend) by approximately \$12.2 million and the remaining \$16.7 million was included in the total accounts payable for financial statement purposes.

In reviewing the accounts payable writedown, we noted that the statistical precision of the \$16.7 million balance, at a 95-percent confidence level, was plus or minus \$5.3 million, allowing the estimated account balance to range from \$11.4 million to \$22 million. This also has a direct effect on accounts receivable because the amount that is recorded as accounts payable for commercial printing at yearend is the same amount used to record the commercial printing portion of the completed work unbilled at yearend. This in turn is reclassified as accounts receivable for balance sheet purposes. In other words, at yearend, GPO has an account payable for commercial printing and, at the same time, has the same amount recorded as an account receivable which represents amounts due from Government agencies for work done by the commercial printers.

Because of complex problems that exist within GPO's accounts payable system, including procedural problems which

result in erroneous information, it was impracticable for us to extend our audit procedures to determine the true accounts payable balance and its effect on accounts receivable. However, a range of over \$10 million, or plus or minus 20 percent, would allow for a material misstatement of this account. We are therefore unable to comment on the accuracy of the accounts payable balance as of June 30, 1975.

Accounts Receivable

We were unable to substantiate a significant part of the accounts receivable balance of \$118 million from Government agencies at June 30, 1975.

For financial statement purposes GPO reclassifies unbilled completed work as accounts receivable at fiscal yearend. The amount shown on the statement of assets, liabilities and investments (see sch. 1) is comprised of the following items:

Accounts receivable	\$ 54,781,000
Completed work unbilled at yearend	<u>63,436,000</u>
	118,217,000
Less allowance for doubtful accounts	<u>188,000</u>
	<u>\$118,029,000</u>

Approximately \$16.7 million of the \$63.4 million of unbilled completed work, which is reclassified to accounts receivable at yearend, represents unpaid bills from commercially procured work. This \$16.7 million is the offset for the \$16.7 million accounts payable balance as discussed in the preceding section.

Accounts receivable is directly affected because the amount that is recorded as accounts payable for commercial printing at yearend is the same amount used to record the commercial printing portion of the completed work unbilled at yearend. As also stated in the preceding section, the completed work unbilled at yearend is, in turn, reclassified as accounts receivable for balance sheet purposes.

Since the \$16.7 million of accounts receivable in question was generated by computing of the \$16.7 million of accounts payable it is also subject to the statistical precision of plus or minus \$5.3 million. This amounts to approximately plus or minus 5 percent of the total of accounts receivable.

Therefore, considering the potential for material misstatement, we are unable to comment on the accuracy of the accounts receivable balance as of June 30, 1975.

#### Recommendation

We recommend that, to improve management and control over the commercial accounts payable and the corresponding effect on accounts receivable, the Public Printer:

- Establish a system with related procedures and controls that would enable GPO to accurately account for its accounts payable. Sufficient records should be maintained on a subsidiary basis to enable a monthly reconciliation with the general ledger.

#### Agency comments and our evaluation

In a letter dated June 16, 1976, the Public Printer told us that although we took exception to these accounts based on the wide variance, the point estimate generated by GPO of \$16.7 million could also be accurate. Nevertheless, he indicated that GPO's Comptroller has initiated action to implement our recommendation. The letter points out that the action being taken on the accounts payable will also correct the accounts receivable.

During our review of fiscal year 1976 financial statements, we will determine the extent of action taken on our recommendation.

#### COST OF PUBLICATIONS SOLD

We were unable to substantiate the cost of publications sold balance of \$8.9 million at June 30, 1975. (See sch. 2.)

Generally accepted accounting principles and principles and standards of accounting prescribed by the Comptroller General of the United States dictate that

accurate records be maintained throughout the year which show actual costs of materials purchased and other costs. Accurate records should also be maintained for beginning and ending inventory balances so that an accurate cost of goods sold balance can be computed for income statement purposes.

GPO accounts for the publications for sale inventory using a variation of the retail inventory pricing method. Under such a method the cost of publications sold for fiscal year 1975 was computed at 26.8 percent of sales, less an adjustment for publications donated to GPO. The percent used (26.8), referred to as a retail inventory factor (RIF), was actually the ratio of purchases to sales value (purchases by the Superintendent of Documents from printing and binding services against the retail sales value of such purchases) for fiscal years 1973 and 1974.

We question the use of the above factor because (1) current cost data was not used in the computation and (2) the purchases used to compute the RIF were not always actual costs but were sometimes estimates of costs GPO compiled.

We further question the use of the retail inventory retail pricing method to account for the publications for sale inventory. The method is best suited to a high-volume retail operation where the inventory turnover rate is high. At GPO the publications for sale inventory is primarily a warehousing operation. The sale inventory turns over less than once a year with a considerable part of the publications remaining in warehouses for many years. The age of the sale inventory is unknown, but our limited tests lead us to conclude that the average publication is probably close to 2 years old.

Aside from questioning the propriety of using the retail inventory pricing method, we have several objections to the way it has been applied:

1. GPO has not kept records of retail price markups and markdowns which are essential to computing a reliable cost-to-sales ratio.

2. The use of a RIF based on 2- and 3-year-old data does not provide a proper matching of costs against revenues. In addition, the purchases used to compute the RIF

were not always actual costs but sometimes estimates which did not take into account beginning and ending inventories.

3. Publications for sale inventory quantities have not been priced at retail which is necessary for proper application of the retail inventory pricing method. However, through the use of statistical-sampling techniques, we were able to verify the value of the ending inventory at cost.

It was not practicable for us to determine the actual cost of publications sold. Accordingly, we cannot comment with certainty as to the extent that this account is misstated, or its effect on net income. We also took exception to this account in our fiscal year 1974 report to the Congress.

#### Recommendation

We recommend that, to provide for a more accurate cost of publications sold amount on the financial statements, the Public Printer:

--Establish procedures to develop actual cost data to be used in computing cost of publications sold.

#### Agency comments and our evaluation

The Public Printer, in his letter dated June 16, 1976, attempted to justify GPO's use of the retail inventory pricing method. However, he stated that GPO's Comptroller would study the feasibility of revising their system to comply with our recommendation concerning the computation of the cost of publications sold amount.

During our review next year, we will determine the extent of action taken on our recommendation.

#### CUSTOMERS' DEPOSITS, PREPAID SUBSCRIPTIONS, AND UNEARNED INCOME

We noted during our review that the customers' deposits, prepaid subscriptions, and unearned income account balance of \$8 million at June 30, 1975 (see sch. 1) did not include any unearned income for 1-year subscriptions.

GPO's failure to defer income resulted in an understatement of liabilities, an overstatement of retained

earnings, and an undetermined effect on net income. The treatment is contrary to the principles and standards of accounting prescribed by the Comptroller General and to 44 U.S.C. 309(c) which states that "an adequate system of accounts for the fund shall be maintained on the accrual method, and financial reports prepared on the basis of the accounts."

Our review of this account revealed that part of the balance consisted of deferred credits (income received in advance) resulting from subscription sales. The amount of such deferred credits at June 30, 1975, was reported as \$47,391.95. This amount represented the third year of fiscal year 1974 3-year subscription sales which GPO has eliminated in favor of 1-year subscriptions. When the present credit balance of \$47,391.95 becomes income, GPO plans to eliminate this account entirely.

GPO did not plan to establish a deferred credit account for its 1-year subscriptions, even though subscription cash was received throughout the fiscal year. Subscription cash was recognized as income when received. A GPO official estimated that a year's income from 1-year subscriptions approximated \$15.6 million. Assuming that cash for these subscriptions arrived uniformly throughout the year and that a 6-month average of subscriptions remained unfilled at yearend, approximately \$7.8 million would have been received but unearned at fiscal yearend.

In addition to the \$15.6 million estimate for 1-year subscriptions, GPO believes that it receives another \$2.6 million of subscription revenue each year for basic publications and supplements (e.g., Armed Services Procurement Regulations). For these types of subscriptions GPO incurs costs when issuing the basic publication as well as when issuing its supplements. Consequently, deferred income and revenue recognition problems would also exist for these types of subscriptions.

We believe that a liability for deferred subscription income should be established and reflected in the fiscal yearend financial statements.

Since the accounting and reporting practice GPO followed regarding subscription revenue was on a cash, instead of an accrual, basis and since the amount in



question was material, we concluded that the June 30, 1975, balance of the customer deposits, prepaid subscriptions, and unearned accounts was not properly stated.

#### Recommendation

We recommended to the Public Printer that GPO establish a deferred subscription liability account which would provide for an annual estimate of the deferred subscription's accrual.

#### Agency comments

The Public Printer agreed and stated that appropriate action would be initiated. During our audit of the fiscal year 1976 financial statements, we will evaluate the action taken by GPO.

## CHAPTER 4

### INTERNAL AUDIT

The internal audit function at the Government Printing Office is the responsibility of the Office of Audits. Currently, the Office of Audits consists of a director, six auditors, one contract specialist, and one printing specialist. The director reports directly to the Public Printer.

The Office of Audits conducts independent and comprehensive audits of GPO operations and organizational units in Washington, D.C., and GPO field activities. The Office of Audits also makes external audits, including contract audits. A 5-year audit plan, which began in 1973, should provide for the audit of financial, administrative, contracting, and other operations of all GPO organizational units. During fiscal year 1975 the Office of Audits issued 37 reports concerning various aspects of GPO operations.

Each year the Office of Audits reviews several financial accounts. We reviewed the internal auditors' work and, to the extent possible, relied on it.

## CHAPTER 5

### STATUS OF ITEMS

#### PREVIOUSLY REPORTED TO THE CONGRESS

In our fiscal year 1974 report we recommended that, to improve management and control over the publications for sale inventory, the Public Printer should direct that action be taken on the following matters:

- Establish procedures to reconcile recording pre-posted publications destroyed, stock orders, and order-filling entries with actual amounts.
- Provide procedures to establish and maintain warehouse locator records which accurately show the quantity and location of each publication at all times.
- Systematically arrange each publications' inventory warehouse by stock number, avoiding multiple stock locations of individual publications.
- Establish a realistic, formalized-cycle inventory plan specifying the inventory unit's warehouse review schedule, the resources required to meet the schedule, and a requirement for researching discrepancies between counts and inventory records.

In a letter dated May 23, 1975, the Public Printer told us that the Government Printing Office agreed in principle with our recommendations. As a result, the Public Printer stated he was taking the following actions:

- Transactions which affect the balance of publications inventory will be recorded on the basis of actual number of publications removed from inventory and not on the basis of publications requested. This will eliminate the need to reconcile accounting entries with actual physical transactions.
- An automated inventory control system for GPO is being implemented. This system will show the quantities of publications stored at each location in the warehouses.

--Pallet racks have been installed at the Laurel, Maryland warehouse which allows GPO to consolidate storage of publications. If it is necessary to use multiple locations, GPO's computer system should minimize the problems pointed out in the GAO report. GPO plans to vacate the Farrington warehouse and consolidate bulk storage at Laurel, Maryland.

--A formalized cycle inventory plan for publications for sale inventory is being developed.

During our review this year, we followed up the above recommendations and proposed actions to be taken as stated by the Public Printer.

#### PREPOSTING TRANSACTIONS

The Public Printer has responded to the first two recommendations by implementing an automated publications receipt and control system (PRCS), which became operational in June 1975. Since GPO did not plan to use the PRCS to arrive at its June 30, 1975, publications for sale inventory balance and since we did most of our detailed audit work on the inventory before June 30, 1975, we did not test the PRCS extensively.

Also, we noted that GPO had instituted procedures requiring that publications be physically removed from inventory before such removal was recorded. This procedure should eliminate the need to reconcile accounting entries with the actual amounts of publications destroyed.

#### Locator records

Even though we did not test the PRCS extensively, we verified that GPO did have procedures for entering the quantity and location into the automated system. We also observed the system reporting various locations for the same publication.

#### Warehouse rearrangement

The Laurel warehouse now has pallet racks which allow GPO to consolidate the storage of some publications. According to agency officials, GPO plans to vacate its Farrington warehouse about November 1976 and consolidate all bulk storage at Laurel.

### Cycle inventory plan

We reviewed a draft copy of GPO's publications for sale inventory plan and found that it contained the specifics we recommended: a review schedule, resources required to meet the schedule, and a requirement for researching discrepancies between counts and inventory records.

## CHAPTER 6

### SCOPE OF EXAMINATION AND

### OPINION ON FINANCIAL STATEMENTS

#### SCOPE OF EXAMINATION

We have examined the statements of assets and liabilities and investments of the Government Printing Office as of June 30, 1975 and 1974, and the related statements of revenue and expenses, changes in financial position, status of appropriations and other fund balance and status of amounts due the U.S. Treasury from the sale of publications for the years then ended. We made our examination in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary.

#### OPINION ON FINANCIAL STATEMENTS

For the reasons explained below, we were unable to verify the June 30, 1975, balances of accounts receivable; accounts payable; and the portions of the statement of revenue and expenses affected by these accounts. Further, we were unable to verify the balances at June 30, 1975, for cost of publications sold; unearned income on subscriptions; and the portions of the statement of assets, liabilities and investments affected by these accounts.

--As explained on page 5, \$16.7 million of accounts payable at June 30, 1975, could not be substantiated.

This amount was estimated by GPO at a 95 percent confidence level and was made within a statistical precision of plus or minus \$5.3 million, which allows the estimated balance to range from \$11.4 to \$22 million. A range of this magnitude allows for a material misstatement of accounts payable and is therefore not acceptable for financial reporting purposes.

--The \$16.7 million of accounts payable, as described above, represents unpaid bills for commercially procured work which has been completed and reclassified to accounts receivable at June 30, 1975. Accordingly, this amount is subject to the same statistical precision and therefore allows a material misstatement of accounts receivable.

--As explained on pages 9, 10, and 11, customers' deposits, prepaid subscriptions, and unearned income are misstated to the extent that revenue from 1-year prepaid subscriptions is not deferred at fiscal year-end. Although GPO does not separately identify subscription revenue, we believe the amount of 1-year subscriptions approximates \$15.6 million, resulting in a \$7.8 million understatement of deferred income from subscriptions and an equivalent overstatement of retained earnings. Accounting for subscription revenue on a cash basis is contrary to generally accepted accounting principles and to the principles and standards of accounting prescribed by the Comptroller General and violates 44 U.S.C. 309(c).

--As explained on pages 7, 8, and 9, the actual cost of publications sold could not be determined because of improper application of the retail inventory method. There is a corresponding misstatement of net income payable to the U.S. Treasury from the sale of publications. Since the extent of misstatement is not practicable to determine, we cannot comment on what effect it may have on net income.

We cannot express an overall opinion on the financial statements (schs. 1 through 5) of GPO taken as a whole. However, the individual amounts shown in the statements, with the exception of the accounts discussed above are fairly presented as of June 30, 1975, and for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

We previously reported on the financial statements of the Government Printing Office for the fiscal year-end June 30, 1974. In our opinion, except for the publications for sale inventory, material and supplies inventory, and the related expenses, the financial statements presented fairly the financial position of the Government Printing Office at June 30, 1974, and the results of operations and changes in financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.





**FINANCIAL STATEMENTS**

SCHEDULE 1

SCHEDULE 1

GOVERNMENT PRINTING OFFICE

STATEMENT OF ASSETS, LIABILITIES AND INVESTMENTS

AT JUNE 30, 1975 AND 1974 (note 1)

	<u>1975</u>	<u>1974</u>		
	<u>Revolving</u>	<u>Other</u>	<u>Combined</u>	<u>Combined</u>
	<u>fund</u>	<u>funds</u>	<u>funds</u>	<u>funds</u>
	(000 omitted)			
<b>ASSETS</b>				
Fund balances in U.S. Treasury	\$ 14,217	\$21,468	\$ 35,739	\$ 34,546
Cash on hand and in transit	<u>1,916</u>	<u>-</u>	<u>1,916</u>	<u>1,551</u>
	<u>16,187</u>	<u>21,468</u>	<u>37,655</u>	<u>36,097</u>
Accounts receivable:				
Government agencies (note 2)	118,029	307	118,336	127,155
Other	1,318	-	1,318	1,544
Advances to employees	<u>12</u>	<u>-</u>	<u>12</u>	<u>6</u>
	<u>119,359</u>	<u>307</u>	<u>119,666</u>	<u>128,705</u>
Inventories (note 3):				
Publications for sale	16,095	-	16,095	12,036
Printing work-in-process	19,803	-	19,803	26,669
Paper, envelopes, and other supplies	<u>14,653</u>	<u>-</u>	<u>14,653</u>	<u>19,178</u>
	<u>50,551</u>	<u>-</u>	<u>50,551</u>	<u>57,883</u>
Total current assets	<u>186,097</u>	<u>21,775</u>	<u>207,872</u>	<u>222,685</u>
Land and buildings (note 4)	-	9,085	9,085	9,085
Equipment and building appurtenances	<u>46,387</u>	<u>1,717</u>	<u>48,104</u>	<u>41,118</u>
	46,387	10,802	57,189	50,203
Less accumulated depreciation	<u>28,818</u>	<u>7,864</u>	<u>36,682</u>	<u>35,523</u>
Total plant and equipment	<u>17,569</u>	<u>2,938</u>	<u>20,507</u>	<u>14,680</u>
Deferred charges	-	-	-	10
Total assets	<u>\$203,666</u>	<u>\$24,713</u>	<u>\$228,379</u>	<u>\$237,375</u>
<b>LIABILITIES AND INVESTMENTS</b>				
Accounts payable (other funds note 11)	\$26,886	\$ 1,946	\$ 28,832	\$ 58,576
Accrued salaries and wages (note 5)	3,193	-	3,193	2,860
Amounts withheld from employees for purchase of savings bonds and payment of taxes	1,545	-	1,545	3,146
Employees accrued annual leave	5,392	533	5,925	5,493
Customers' deposits, prepaid subscriptions, and unearned income (note 6)	<u>8,031</u>	<u>-</u>	<u>8,031</u>	<u>14,748</u>
Total current liabilities	<u>45,047</u>	<u>2,479</u>	<u>47,526</u>	<u>84,823</u>
Capital	104,716	-	104,716	92,715
Retained earnings reserved	6,993	-	6,993	7,769
Retained earnings unreserved	35,274	-	35,274	33,709
Appropriations and other fund balances (sch. 4)	-	22,234	22,234	12,176
Income from sales of publications payable to U.S. Treasury (sch. 5)	<u>11,636</u>	<u>-</u>	<u>11,636</u>	<u>6,183</u>
Total investment	<u>158,619</u>	<u>22,234</u>	<u>180,853</u>	<u>152,552</u>
Total liabilities and investment of U.S. Government	<u>\$203,666</u>	<u>\$24,713</u>	<u>\$228,379</u>	<u>\$237,375</u>

GAO's opinion on these financial statements appears on page 17. The notes on page 25 are an integral part of this statement.

GOVERNMENT PRINTING OFFICEREVOLVING FUNDSTATEMENT OF REVENUE AND EXPENSESFISCAL YEARS ENDED JUNE 30, 1975 AND 1974 (note 1)

	<u>1975</u>	<u>1974</u>
	(000 omitted)	
REVENUE:		
Printing and binding services performed for Government agencies and Congress (note 7)	\$418,452	\$346,835
Sales of documents to the public	34,454	33,542
Reimbursements by appropriations to the Superintendent of Documents for:		
Services associated with document sales	23,645	20,182
Services associated with depository libraries, cataloging and indexing, and distribution for other agencies	12,655	13,771
Sales of blank paper to other Government agencies	20,811	18,770
Other	<u>1,122</u>	<u>1,298</u>
Total revenue	<u>511,139</u>	<u>434,398</u>
EXPENSES:		
Direct costs:		
Labor	86,449	81,536
Material	43,336	35,473
Purchases of printing	263,449	205,114
Cost of publications sold	8,916	14,970
Cost of publications destroyed	<u>3,004</u>	<u>2,691</u>
Total direct costs	<u>405,154</u>	<u>339,784</u>
General and administrative expenses	<u>93,560</u>	<u>89,088</u>
Total expenses	<u>498,714</u>	<u>428,872</u>
NET INCOME TO THE REVOLVING FUND	12,425	5,526
Less amount payable to the U. S. Treasury (sch. 5)	11,636	1,230
NET INCOME RETAINED BY THE REVOLVING FUND	<u>\$ 789</u>	<u>\$ 4,296</u>
CHANGE IN EARNINGS RETAINED BY THE REVOLVING FUND:		
Balance--July 1, 1974	\$ 41,478	
Add: Net income retained by revolving fund	<u>789</u>	
Balance--June 30, 1975	<u>\$ 42,267</u>	

GAO's opinion on these financial statements appears on page 17. The notes on page 25 are an integral part of this statement.

GOVERNMENT PRINTING OFFICESTATEMENT OF CHANGES IN FINANCIAL POSITIONFISCAL YEARS ENDED JUNE 30, 1975 AND 1974 (note 1)

	<u>1975</u>	<u>1974</u>
	(000 omitted)	
<b>FUNDS-PROVIDED:</b>		
Printing and binding services	\$418,452	\$346,835
Sales of documents to the public	34,454	33,542
Sales of paper	20,811	18,770
Appropriations:		
Congressional printing and binding	80,000	64,000
Superintendent of Documents	36,765	36,871
Working capital	12,000	
Site acquisition	-	4,600
Electrical and air-conditioning im-		
provements	-	7,400
Other revenue	1,122	1,298
Reimbursements to salary and expense		
appropriation	701	697
Restoration of funds	412	-
Disposal of fixed assets	<u>21</u>	<u>73</u>
Total funds provided	<u>604,738</u>	<u>514,086</u>
<b>FUNDS APPLIED:</b>		
Operating expenses, net of depreciation and		
change in accrued annual leave	496,772	427,269
Payments for congressional printing and		
binding	71,564	64,069
Purchases of equipment	7,313	3,959
Funds returned to U.S. Treasury	<u>6,183</u>	<u>515</u>
Total funds applied	<u>581,832</u>	<u>495,812</u>
<b>INCREASE IN WORKING CAPITAL</b>	<u>\$ 22,906</u>	<u>\$ 18,274</u>
<b>ANALYSIS OF CHANGES IN WORKING CAPITAL:</b>		
Increase (decrease) in current assets:		
Fund balances with the U.S. Treasury	\$ 1,558	\$ 16,737
Accounts receivable and advances	-9,039	19,400
Inventories	-7,332	13,750
Deferred charges	10	-6
(Increase) decrease in current liabilities:		
Accounts payable	29,744	-23,896
Accrued salaries and wages	-333	-499
Payroll withholdings	1,601	-177
Deposits, subscriptions, and unearned		
income	<u>6,717</u>	<u>-7,035</u>
<b>INCREASE IN WORKING CAPITAL</b>	<u>\$ 22,906</u>	<u>\$ 18,274</u>

GAO's opinion on these financial statements appears on page 17. The notes on page 25 are an integral part of this statement.

GOVERNMENT PRINTING OFFICE

STATUS OF APPROPRIATIONS AND OTHER FUND BALANCES

AT JUNE 30, 1975 AND 1974 (note 1)

	Appropriation			1975	1974
	Printing and binding for Congress	Superin- tendent of Docu- ments	Other (note 8)	total	total
(000 omitted)					
Balances at Beginning of Year	\$ 1,585	\$ 3,630	\$ 6,961	\$ 12,176	\$ 4,566
Source of Funds:					
Appropriations for fiscal year	80,000	36,765	-	116,765	105,471
Reimbursements	-	701	-	701	697
Increase in investment of fixed assets	-	-	253	253	177
Restoration of funds	-	412	-	412	-
Total funds	<u>81,585</u>	<u>41,508</u>	<u>7,214</u>	<u>130,307</u>	<u>110,911</u>
Use of Funds:					
Amounts paid to the revolving fund in payment for:					
Congressional printing and binding (note 9)	71,564	-	-	71,564	64,069
Sales distribution	-	23,645	-	23,645	20,182
Other expenses	-	12,655	-	12,655	13,771
Unobligated funds returned to the U.S. Treasury					515
Depreciation on buildings, furniture, and fixtures	-	-	194	194	122
Increase in liability for employees' annual leave, Superintendent of Documents	-	-	15	15	76
Total deductions	<u>\$71,564</u>	<u>\$36,300</u>	<u>\$ 209</u>	<u>\$108,073</u>	<u>\$ 98,735</u>
Balances at End of Year	<u>\$10,021</u>	<u>\$ 5,208</u>	<u>\$7,005</u>	<u>\$ 22,234</u>	<u>\$ 12,176</u>
Less unliquidated obligations and estimates to complete commitments as of June 30, 1975 (note 10)	<u>33,421</u>	<u>3,665</u>			
Unobligated balance payable to U.S. Treasury	-	1,543			
Open commitments to be paid from subsequent years appropriations	<u>\$23,400</u>	<u>\$ -</u>			

GAO's opinion on these financial statements appears on page 17. The notes on page 25 are an integral part of this statement.

GOVERNMENT PRINTING OFFICEREVOVLING FUNDSTATUS OF AMOUNTS DUE THE U.S. TREASURY FROM SALEOF PUBLICATIONSFISCAL YEARS ENDED JUNE 30, 1975 AND 1974 (note 1)

	<u>1975</u>	<u>1974</u>
	(000 omitted)	
REVENUE:		
Document sales to the public	\$34,454	\$33,542
Reimbursements by appropriations to the Superintendent of Documents	23,645	20,182
Other revenue	<u>622</u>	<u>764</u>
Total revenue	<u>58,721</u>	<u>54,488</u>
EXPENSES:		
Cost of publications sold	8,916	14,970
Cost of publications destroyed	3,004	2,691
Salaries and administrative expenses	23,645	25,037
Postage	<u>11,520</u>	<u>10,560</u>
Total expenses	<u>47,085</u>	<u>53,258</u>
Amount payable to the U.S. Treasury	11,636	1,230
Balance at beginning of year	<u>6,183</u>	<u>4,953</u>
TOTAL AMOUNT PAYABLE TO THE U.S. TREASURY	<u>17,819</u>	<u>6,183</u>
LESS PAYMENTS DURING YEAR	<u>6,183</u>	<u>-</u>
BALANCE AT END OF YEAR	<u>\$11,636</u>	<u>\$ 6,183</u>

GAO's opinion on these financial statements appears on page 17.  
The notes on page 25 are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies

- a. Financial statements--The financial statements of GPO include the combined accounts of the printing and binding operation and selling documents to the public. Intraoffice revenues, costs, and profit on documents purchased by the Superintendent of Documents for sale to the public are not eliminated.
- b. Accrual accounting--Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting, except for subscription sales which are on the cash basis for 1-year subscriptions. Revenue generated by the printing and binding operation is recognized when entered into work-in-process. Revenue generated by the sales of publications operation is recognized when nonsubscription publications have been shipped or when services have been performed; revenue from 1-year subscriptions is recognized when the funds are received or customers are billed.
- c. Inventories--Publications for sale inventory is computed by using a retail inventory pricing method; printing work-in-process is recorded at standard value; paper inventory is recorded using a cost method based on a moving average adjusted quarterly to reflect current prices, and the materials and supplies inventory is computed on a moving average basis.
- d. Fixed assets--Land, buildings, and equipment are stated at cost. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expense as incurred.

Depreciation of the plant equipment and machinery is provided on a basis estimated by the Government Printing Office to be sufficient to write off the cost of the assets over their useful lives, using the straight-line method.

When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting profit or loss is charged or credited to earnings. Reserved retained earnings represent funds for future acquisitions of machinery and equipment.

- e. Other funds--Appropriations and other fund balances on the balance sheet include account balances of the Congressional Printing and Binding Appropriation, Office of the Superintendent of Documents Salaries and Expenses Appropriation, Site Acquisition Appropriation, and the value of building structures and land which is specifically excluded from the Government Printing Office Revolving Fund by law (44 U.S.C. 309(c)).

## 2. Accounts receivable

The \$118 million includes \$63 million which has been reclassified from work-in-process and finished work. This amount represents sales recognized as of June 30, 1975. Accounts receivable Government is net of a \$188,000 allowance for doubtful accounts which was established during fiscal year 1975. The allowance was set up on the basis of an aging of \$1,284,000 of Government receivables.

## 3. Inventories

Publications for sale inventory is net of a \$2,620,000 allowance for unsalable publications and is computed using a retail inventory pricing method. Printing work-in-process represents in-plant work at standard value. Paper, envelopes, and other supplies are composed of \$10,858,000 for paper and envelopes using a cost method based on a moving average adjusted quarterly to reflect current prices, and \$3,795,000 for materials and supplies computed on a moving average basis.

Markups and markdowns were not recorded during fiscal year 1975 and prior years. A statistical-sampling technique verified the amount of publications for sale in the account as of June 30, 1975, within an acceptable range.



4. Property, plant, and equipment

The status of assets by class is as follows:

	<u>Acquisition value</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
CLASS I			
Plant machinery and equipment	\$26,740,638	\$20,496,280	\$ 6,244,358
CLASS II			
Building appurtenances	17,336,800	6,790,307	10,546,493
CLASS III			
Office machinery and equipment	879,143	482,139	397,004
CLASS IV			
Furniture and fixtures	1,152,677	838,759	313,918
CLASS V			
Motor vehicles	<u>276,814</u>	<u>211,106</u>	<u>65,708</u>
Total	<u>\$46,386,072</u>	<u>\$28,818,591</u>	<u>\$17,567,481</u>
Balance sheet amount (rounded)	\$46,387,000	\$28,818,000	\$17,569,000

5. Accrued salaries and wages

Accrued salaries and wages does not include a liability of \$19,686,000 for the net value of sick leave earned and accumulated by employees of the Government Printing Office.

6. Deferred income

Customers' deposits do not include approximately \$7.8 million unearned income from 1-year subscriptions, assuming that subscription cash accrues uniformly throughout the year. (GPO's accounting policy is to account for 1-year subscriptions on a cash basis.)

7. Intraoffice sales

Printing and binding services done for Government agencies and the Congress include intraoffice sales of \$17,184,000 and related profit for printing and binding work done for the Superintendent of Documents Sales Program. The associated costs for these sales are included in overall costs as they cannot be specifically identified for financial statement presentation.

8. Other funds

Other funds at June 30, 1975, include:

--\$4,600,000 for acquisition of a new site for GPO.

--\$1,948,000 book value of GPO buildings.

--\$990,000 book value of the Superintendent of Documents furniture, machinery, and equipment.

--Less \$533,000 of accrued annual leave for the employees of Superintendent of Documents.

9. Payments to revolving fund  
from appropriations

Payments to the revolving fund from appropriations for fiscal years 1975 and 1974 were as follows:

1975                      1974

(000 omitted)

From congressional printing and binding appropriation:

Congressional Record	\$ 9,140	\$13,785
Hearings	17,861	14,649
Miscellaneous printing and binding	10,328	9,646
Bills, resolutions, and amendments	8,532	5,596
Miscellaneous publications	3,731	2,454
Federal Register	8,377	4,865
Committee prints	4,475	4,151
House and Senate calendars	1,715	1,433
Documents	481	3,039
Supplements to the Code of Federal Regulations	2,672	1,705
Committee reports	2,778	1,884
Franked envelopes	857	601
Publications for international exchange	546	214
Document franks	<u>71</u>	<u>47</u>
	<u>\$71,564</u>	<u>\$64,069</u>

From Superintendent of Documents appropriations:

Sales distribution expense	\$23,645	\$20,182
Distribution for other agencies	5,637	8,570
Depository library distribution	6,284	4,810
Cataloging and indexing	<u>734</u>	<u>391</u>
	<u>\$36,300</u>	<u>\$33,953</u>

10. Unliquidated obligations

Unliquidated obligations and estimates to complete open commitments as of June 30, 1975, includes \$23.4 million which has been authorized by the Congress to be paid from appropriations for subsequent fiscal years.

11. Accounts payable

The amounts shown represent intraoffice payables.

APPENDIXES



OFFICE OF THE  
PUBLIC PRINTER

UNITED STATES GOVERNMENT PRINTING OFFICE  
WASHINGTON, D.C. 20401

June 16, 1976

Mr. Stewart D. McElyea  
Director, Field Operations Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. McElyea:

Thank you for giving us the opportunity to review the draft report to the Congress on the examination of GPO's financial statements for Fiscal Year 1975. Presented below are our views and comments on the findings and recommendations of the report.

Accounts Payable

Your exception to the \$16.7 million for commercially procured printing and binding included in the accounts payable balance is based on the premise that the statistical method used in arriving at that amount could permit a variance of plus or minus \$5.3 million. However, the point estimate of \$16.7 million could also be precisely accurate.

Nevertheless, the Comptroller has initiated action to implement the recommendation contained in the report.

Accounts Receivable

Action being taken on the payables will correct the situation complained of with regard to the accounts receivable.

Cost of Publications Sold

The draft report questions the propriety of the retail inventory method for the GPO and states that the retail inventory method is suitable for enterprises having a high inventory turnover rate.

While GPO's current turnover rate for inventory is low, the many low-priced, large-volume publications included in our inventory make it ideal for the application of the retail inventory method.

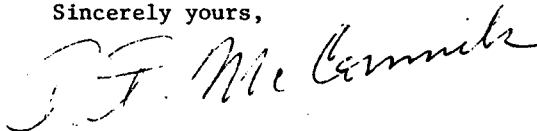
Nevertheless, the Comptroller will study the feasibility of revising our systems to comply with the recommendation.



(See GAO note below.)

Thank you for the opportunity to comment on the draft report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "T. F. McCormick".

T. F. McCORMICK  
Public Printer

GAO note: Deleted material relates to data in our draft report which has not been incorporated in this final report.

PRINCIPAL OFFICIALS OF GPO  
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES  
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
PUBLIC PRINTER: Thomas F. McCormick	Mar. 1973	Present
DEPUTY PUBLIC PRINTER (OPERATIONS): John J. Boyle	June 1973	Present
ASSISTANT PUBLIC PRINTER (MANAGEMENT AND ADMINISTRATION): Walter C. DeVaughn	June 1973	Present
ASSISTANT PUBLIC PRINTER (SUPERINTENDENT OF DOCUMENTS): Carl A. LaBarre	July 1975	Present
W. H. Lewis	June 1973	July 1975
ASSISTANT PUBLIC PRINTER (PLANNING): W. H. Lewis	July 1975	Present