

GAO

Report to the Clerk of the House of
Representatives

October 1992

FINANCIAL AUDIT

House Stationery Revolving Fund Statements—June 30, 1991 and 1990



147780



United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114862

October 21, 1992

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

Dear Mr. Anderson:

As requested in your May 9, 1991, letter, we have audited the accompanying balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1991 and 1990, and the related statements of operations and cash flows for the years then ended. We completed our audit work on November 20, 1991. These financial statements are the responsibility of the Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

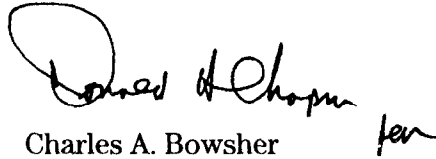
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in notes 1 and 4, the financial statements present only the Stationery Revolving Fund and are not intended to present the financial position and results of operations of the entire Office Supply Service, which administers the Revolving Fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Stationery Revolving Fund as of June 30, 1991 and 1990, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our report on the Revolving Fund's internal control structure and compliance with laws and regulations for the year ended June 30, 1991, together with the Revolving Fund's financial statements and accompanying notes for the years ended June 30, 1991 and 1990, is included in this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Control Structure and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Stationery Revolving Fund for the years ended June 30, 1991 and 1990, and have issued our opinion thereon. This report pertains only to our consideration of the Revolving Fund's internal control structure and our review of compliance with laws and regulations for the year ended June 30, 1991. Our report on internal control structure and compliance with laws and regulations for the year ended June 30, 1990, is presented in GAO/AFMD-91-47, dated March 21, 1991.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In planning and performing our audit of the financial statements of the Revolving Fund for the year ended June 30, 1991, we considered its internal control structure in order to determine our auditing procedures. Our purpose was to express an opinion on the Revolving Fund's financial statements, not to provide assurance on its internal control structure.

The Revolving Fund's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may 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 effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the Fund's significant internal control structure policies and procedures, including those relevant to compliance with laws and regulations, into the following categories:

- revenues,
- expenditures,
- equipment,
- inventory, and
- financial reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk. We performed limited tests of control procedures for all the categories. In addition, we performed audit tests to substantiate account balances associated with each control category. Such tests can serve to identify weaknesses in the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. During our tests, we did not identify any matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The management of the Revolving Fund is also responsible for compliance with applicable laws and regulations. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we selected and tested transactions and records to determine the Revolving Fund's compliance with certain provisions of the following laws and regulations which, if not complied with, could have a material effect on the Revolving Fund's financial statements:

- terms and provisions of the Revolving Fund's authorizing legislation, 2 U.S.C. 46b-1 and 106-110 and
- regulations in the House of Representatives edition of the Congressional Handbook regarding service charges for items sold to Members or staff for personal use.

Our objective was not to provide an opinion on the overall compliance with such provisions. Accordingly, we express no such opinion. Because of the limited purpose for which our tests of compliance were made, the

laws and regulations tested did not cover all legal requirements with which the Revolving Fund has to comply.

The results of our tests for fiscal year 1991 indicate that, with respect to the items tested, the Revolving Fund complied in all material respects with those provisions of laws and regulations referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Revolving Fund had not complied, in all material respects, with those provisions.

Financial Statements

Balance Sheets

	June 30,	
	<u>1991</u>	<u>1990</u>
Assets		
Current Assets		
Funds with U.S. Treasury	\$3,213,140	\$2,772,012
Petty cash	2,500	2,500
Accounts receivable	66,299	60,261
Merchandise inventory	<u>1,125,548</u>	<u>1,320,357</u>
Total current assets	<u>4,407,487</u>	<u>4,155,130</u>
Fixed Assets		
Equipment	252,688	244,665
Less accumulated depreciation	<u>221,230</u>	<u>208,919</u>
Total fixed assets	<u>31,458</u>	<u>35,746</u>
Total Assets	<u>\$4,438,945</u>	<u>\$4,190,876</u>
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$ 233,142	\$ 230,758
Unearned revenues	<u>75,534</u>	<u>48,636</u>
Total liabilities	<u>308,676</u>	<u>279,394</u>
Government Equity		
Contributed capital	1,600,000	1,600,000
Donated capital (note 6)	5,000	5,000
Cumulative results of operations	<u>2,525,269</u>	<u>2,306,482</u>
Total government equity	<u>4,130,269</u>	<u>3,911,482</u>
Total Liabilities and Government Equity	<u>\$4,438,945</u>	<u>\$4,190,876</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	<u>Year ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
Revenues		
Net sales	\$8,844,568	\$9,158,009
Service charges	158,350	170,121
Miscellaneous (note 5)	<u>105</u>	<u>277</u>
Total revenues	<u>9,003,023</u>	<u>9,328,407</u>
Expenses		
Cost of sales	8,771,925	9,017,156
Depreciation expense	<u>12,311</u>	<u>9,072</u>
Total expenses	<u>8,784,236</u>	<u>9,026,228</u>
Net Income	218,787	302,179
Revolving Fund balance at beginning of the year	<u>2,306,482</u>	<u>2,004,303</u>
Revolving Fund Balance at the End of the Year	<u>\$2,525,269</u>	<u>\$2,306,482</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	Year ended June 30,	
	1991	1990
Cash Flows From Operating Activities		
Cash received from customers	\$ 8,996,985	\$ 9,331,714
Cash paid to suppliers	(8,547,835)	(9,122,991)
Net cash provided by operating activities	449,150	208,723
Cash Flows From Investing Activities		
Capital expenditures	(8,022)	(20,995)
Net cash used in investing activities	(8,022)	(20,995)
Net Increase in Cash	441,128	187,728
Cash at beginning of year	2,774,512	2,586,784
Cash at End of Year	\$ 3,215,640	\$ 2,774,512
<hr/>		
Reconciliations of Net Income to Net Cash Provided by Operating Activities		
Net income	\$ 218,787	\$ 302,179
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	12,311	9,072
Decrease (increase) in assets		
Accounts receivable	(6,038)	3,307
Merchandise inventory	194,809	(28)
Increase (decrease) in liabilities		
Accounts payable	2,383	(82,223)
Unearned revenues	26,898	(23,584)
Total adjustments	230,363	(93,456)
Net Cash Provided by Operating Activities	\$ 449,150	\$ 208,723

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Description of Entity

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 4.)

2. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

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.

Unearned revenues represent 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.

3. Purchase Order Commitments

Obligations for undelivered orders amounted to \$1,179,574 as of June 30, 1991, and \$700,549 as of June 30, 1990.

4. 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, 1991 and 1990, follow.

Table 1: Identifiable Operating Costs Paid From Appropriated Funds

<u>Costs paid</u>	<u>1991</u>	<u>1990</u>
Gross salaries	\$ 957,416	\$ 946,413
Employee benefits	224,320	203,122
Equipment maintenance	44,113	41,462
Office supplies	36,259	28,573
Telephone service	3,439	3,576
Computer service	809	3,041
Property supply	2,219	21,793
Travel expense	0	2,449
Total	<u>\$1,268,575</u>	<u>\$1,250,429</u>

5. Miscellaneous Revenues

The \$105 and \$277 in miscellaneous revenues for 1991 and 1990, respectively, generally consist of fees charged to congressional staff members for handling bank checks returned most often because of insufficient funds.

6. Donated Capital

Computer equipment was donated by the United States Senate Stationery Room on May 23, 1988. The fair market value of this equipment was estimated to be \$5,000. It was not installed until July 25, 1990. Depreciation expense on this equipment of \$1,000 was charged as an operating expense, for the first time, for the year ended June 30, 1991.

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