

GAO

Report to the Clerk of the House of
Representatives

March 1991

FINANCIAL AUDIT

House Stationery Revolving Fund Statements—June 1990 and 1989





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

Comptroller General
of the United States

B-114862

March 21, 1991

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

Dear Mr. Anderson:

As requested in your letter of April 3, 1990, we have audited the accompanying balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1990 and 1989, and the related statements of operations and cash flows for the years then ended. We completed our audit work on October 30, 1990. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

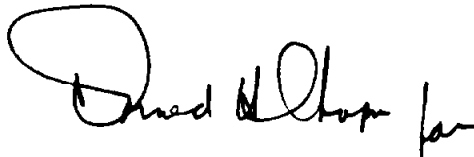
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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 3, 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.

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, 1990 and 1989, 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 internal control structure and compliance with laws and regulations for the year ended June 30, 1990, together with the Fund's financial statements and accompanying notes for the years ended June 30, 1990 and 1989, is included in this report. We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

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

Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Control Structure and Compliance With Laws and Regulations	6
Balance Sheets	9
Statements of Operations	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Table	13
Table 1: Identifiable Operating Costs Paid With Appropriated Funds	

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, 1990 and 1989, and have issued our opinion thereon. This report pertains only to our consideration of the Fund's internal control structure and our review of compliance with laws and regulations for the year ended June 30, 1990. Our report on internal accounting controls and compliance with laws and regulations for the year ended June 30, 1989, is presented in GAO/AFMD-90-54, dated March 29, 1990.

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 Fund for the year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures. Our purpose was to express an opinion on the Fund's financial statements, not to provide assurance on its internal control structure.

The 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 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 nevertheless occur and not be detected. Also, projection of any evaluation of the structure 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 into the following categories:

- receipts,
- disbursements,
- equipment,
- inventory, and
- receivables.

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 reportable 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 Fund is also responsible for compliance with laws and regulations applicable to the Fund. 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 Fund's compliance with certain provisions of the following laws and regulations which, if not complied with, could have a material effect on the Fund's financial statements. However, it should be noted that our objective was not to provide an opinion on the overall compliance with such provisions.

We tested for compliance with

- terms and provisions of 2 U.S.C. 46b-1 and 106-110 and
- regulations in the House of Representatives edition of the Congressional Handbook relating to service charges applicable to items sold to Members or staff for personal use.

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 Fund has to comply.

The results of our tests for fiscal year 1990 indicate that, with respect to the items tested, the Fund complied in all material respects with those provisions of laws and regulations referred to above. With respect to transactions not tested, nothing came to our attention that caused us to believe that the Fund had not complied, in all material respects, with those provisions.

Balance Sheets

	June 30,	
	1990	1989
Assets		
Current Assets		
Cash in U.S. Treasury	\$2,772,012	\$2,584,784
Petty cash	2,500	2,000
Accounts receivable	60,261	63,568
Merchandise inventory	1,320,357	1,320,329
Total current assets	4,155,130	3,970,681
Fixed Assets		
Equipment	244,665	237,899
Less accumulated depreciation	208,919	214,076
Total fixed assets	35,746	23,823
Total Assets	\$4,190,876	\$3,994,504
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$230,758	\$312,981
Deferred income	48,636	72,220
Total liabilities	279,394	385,201
Government Equity		
Invested capital		
Contributed capital	1,600,000	1,600,000
Transfer in (note 6)	5,000	5,000
Cumulative results of operations		
Balance at beginning of year	2,004,303	1,824,439
Net income	302,179	179,864
Balance at end of year	2,306,482	2,004,303
Total government equity	3,911,482	3,609,303
Total Liabilities and Government Equity	\$4,190,876	\$3,994,504

The accompanying notes are an integral part of these statements.

Statements of Operations

	Fiscal years ended June 30,	
	1990	1989
Revenue		
Net sales	\$9,158,009	\$8,255,237
Service charges	170,121	170,218
Miscellaneous income (note 4)	277	269
Total revenue	9,328,407	8,425,724
Operating Expenses (note 3)		
Cost of sales	9,017,156	8,227,236
Depreciation expense	9,072	17,235
Miscellaneous expense (note 5)	0	1,389
Total operating expenses	9,026,228	8,245,860
Net Income	\$302,179	\$179,864

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Fiscal years ended June 30,	
	1990	1989
Cash Flows From Operating Activities		
Net income	\$302,179	\$179,864
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	9,072	17,235
Purchase of equipment	(20,995)	(5,026)
Decrease (increase) in assets:		
Accounts receivable	3,307	(18,858)
Merchandise inventory	(28)	(64,741)
Increase (decrease) in liabilities:		
Accounts payable	(82,223)	7,196
Deferred income	(23,584)	(25,084)
Net cash provided by operating activities	187,728	90,586
Cash at beginning of year	2,586,784	2,496,198
Cash Balance at End of Year	\$2,774,512	\$2,586,784

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House of Representatives Stationery Revolving Fund, established July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service under the jurisdiction of the Clerk of the House of Representatives and is subject to the rules and regulations of the Committee on House Administration. The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies.

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

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

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

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

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

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

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

Note 2. Purchase Order Commitments

Obligations for undelivered orders amounted to \$700,549 as of June 30, 1990, and \$619,076 as of June 30, 1989.

Note 3. Other Operating Costs

Certain costs of operating the Office Supply Service are not paid from the revolving fund. The costs related to space occupancy, building maintenance, lighting, and temperature control cannot be readily determined. Identifiable costs paid from appropriated funds for the fiscal years ended June 30, 1990 and 1989, follow.

Table 1: Identifiable Operating Costs Paid With Appropriated Funds

	Amount	
	1990	1989
Gross salaries	\$946,413	\$869,033
Employee benefits	203,122	174,799
Equipment maintenance	41,462	43,992
Office supplies	28,573	32,618
Telephone service	3,576	4,150
Computer service	3,041	2,774
Property supply	21,793	1,084
Travel expense	2,449	0
Total	\$1,250,429	\$1,128,450

Note 4. Miscellaneous Income

The \$277 in miscellaneous income for 1990 generally consists of fees charged to congressional staff members for handling bank checks returned most often because of insufficient funds.

Note 5. Miscellaneous Expense

For fiscal year 1989, expenses formerly paid from appropriated funds were paid from the revolving fund. Supplies in the amount of \$1,389 were purchased and recorded in this account.

Note 6. Transfer In

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. Consequently, depreciation expense on this equipment had not been charged as an operating expense for the years ended June 30, 1990 and 1989.

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