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REPORT TO THE CONGRESS

Examination Of Financial Statements
Government Printing Office
Fiscal Year 1973 B-114829

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

~~7#0646~~

094246

APRIL 15, 1974



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

B-114829

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

This is our report on the examination of the financial
statements of the Government Printing Office for the fiscal
year ended June 30, 1973. 178

We made our examination pursuant to the act of Octo-
ber 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 Commit-
tee on Printing; and the Public Printer.

James B. Stacks

Comptroller General
of the United States

C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	3
2 OPERATIONS	4
Printing and binding services	4
Public sales program	4
Scale of prices outdated	5
Publications sold under special price arrangements	5
Distribution centers not self-supporting	6
Appropriations	6
Appropriation for non-revenue-producing activities of the Superintendent of Documents	6
Appropriation for congressional printing and binding	6
Appropriation for air-conditioning and electrical improvements	7
3 COMMENTS ON FINANCIAL STATEMENTS	8
Materials and supplies inventory	8
Matters discussed in prior year's report	9
Publications for sale inventory	9
Accounts payable--revolving fund	9
4 SCOPE OF EXAMINATION	10
5 OPINION ON FINANCIAL STATEMENTS	11
FINANCIAL STATEMENTS	
Schedule	
1 Statement of financial position as of June 30, 1973	15
2 Revolving fund, comparative consolidated statement of income and expenses, fiscal years ended June 30, 1973 and 1972	16
3 Other funds, status of appropriations and other fund balances at June 30, 1973	17

Schedule		<u>Page</u>
4	Other funds, statement of payments from appropriations to the revolving fund, fiscal years ended June 30, 1973 and 1972	18
5	Revolving fund, amounts due U.S. Treasury from sale of publications, fiscal years ended June 30, 1973 and 1972	19
6	Revolving and other funds, statement of changes in financial position, fiscal year ended June 30, 1973	20
	Summary of significant accounting policies	21

APPENDIX

I	Letter dated February 11, 1974, from GPO to the General Accounting Office	25
II	Principal officials of GPO responsible for administration of activities discussed in this report	26

ABBREVIATIONS

GAO	General Accounting Office
GPO	Government Printing Office

D I G E S T

WHY THE EXAMINATION WAS MADE

The Comptroller General is required by the act of October 22, 1968, (44 U.S.C. 309(c)), to audit annually the activities of the Government Printing Office (GPO).

OPINION ON FINANCIAL STATEMENTS

The \$8,495,198 balance at June 30, 1973, for paper, envelopes, and other supplies, as shown in GPO's statement of financial position consisted of \$5,388,742 for paper and envelopes and \$3,106,456 for materials and supplies. GAO was unable to satisfy itself as to the actual value of materials and supplies inventory because physical counts were changed to agree with perpetual inventory records.

In the opinion of GAO, GPO's financial statements, except for materials and supplies inventory, present fairly its financial position at June 30, 1973, and the results of its operations and changes in its financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General applied on a basis consistent with that of the preceding year--except for the change, with which GAO concurs, in valuation of the publications for sale inventory.

FINDINGS AND CONCLUSIONS

GAO was unable to verify the June 30, 1973, balance of materials and

supplies inventory because physical counts were changed to agree with perpetual inventory records during fiscal year 1973. GAO could not independently verify the balance because there were over 22,000 different types of inventory items.

When the matter was brought to the attention of GPO officials, they assigned new employees to count the materials and supplies inventory. The new employees were assigned to a unit organizationally independent of the unit responsible for handling the inventory.

The Public Printer also informed GAO that its Office of Audits would review the adequacy of the physical inventory procedures for materials and supplies by April 15, 1974.

GPO's actions should resolve the matters noted during the GAO audit.

OTHER MATTERS OF INTEREST

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 prints and sells certain of these documents of general interest to the public.

GPO's gross income for fiscal year 1973 totaled about \$336.6 million, of which about \$271.2 million was derived from printing and binding services performed for Government agencies and the Congress.

This year GPO realized a \$6.5 million profit for printing and binding services, principally due to a revision of the scale of prices for these services effective January 1, 1973. However, increased wages and paper costs should cause the profit for fiscal year 1974 to approach the break-even point. (See p. 4.)

The fiscal year 1973 sales program revenue, including appropriations of \$21.9 million, exceeded expenses by about \$5 million. Without appropriations GPO would have had a loss of \$16.9 million. Similarly, in fiscal year 1972, GPO needed \$13.5 million in appropriations for its sales program to break even.

The sales program was not self-sustaining in fiscal years 1972 and 1973 for the following reasons:

--The scale of prices had not been updated after 1968 and as a result did not include cost increases in payroll, postage, and paper.

--Some publications were priced below the scale of prices because of special arrangements.

--The distribution centers were not self-sustaining.

The Public Printer has taken action to eliminate the factors causing a loss to the sales program. A new scale of prices has been instituted; the special pricing arrangements are being revised where possible; and distribution center expenses are being reduced. (See pp. 4 to 6.)

RECOMMENDATIONS

This report contains no recommendations.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report, required by law, informs the Congress of GPO's operations and financial condition.

CHAPTER 1

INTRODUCTION

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 prints documents of general interest for sale to the public.

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.

The Superintendent of Documents, appointed by the Public Printer, directs the Public Documents Department which sells Government publications to the general public. These sales are accomplished through orders mailed to GPO and through the operation of distribution centers in Philadelphia and Pueblo, Colorado, and 20 bookstores throughout the United States. The Public Documents Department prepares official catalogs and indexes, distributes publications to depository libraries, and mails certain publications for other Federal departments and agencies.

CHAPTER 2
OPERATIONS

GPO activities are financed by a revolving fund which receives funds from three major sources: appropriations for printing and binding services performed for the Congress and reimbursements for printing services from the departments and establishments of the Federal Government; selling Government publications to the public; and through special appropriations for certain programs of GPO.

PRINTING AND BINDING SERVICES

Printing and binding services are provided by GPO through commercial printing contracts and in-house work. In fiscal year 1973, 61 percent of the services were performed by commercial firms. GPO realized a profit in fiscal year 1973 on printing and binding services of about \$6.5 million, compared with a profit of \$139,000 in fiscal year 1972. (See sch. 2.)

The increase resulted because the scale of prices for printing and binding services was revised effective January 1, 1973. This revision was made to reverse a loss trend resulting from an obsolete scale and to provide for known cost increases during fiscal year 1974. GPO anticipates that increased wages and paper costs occurring since the establishment of the new scale should cause the profit for fiscal year 1974 to approach the break-even point.

PUBLIC SALES PROGRAM

The public sales program is funded through sales revenue and appropriations by the Congress. However, historically, the intent of the Congress has been for the sales program to be a self-sustaining operation with appropriations used for interim financing. 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 receipts over program costs are 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 1973, \$6.1 million was transferred to the Department of the Treasury, which represented the balance of excess receipts for the fiscal year 1972 sales program, and none for fiscal year 1973.

The fiscal year 1973 sales program revenue, including appropriations of \$21.9 million, exceeded expenses by about \$5 million. Without the appropriations GPO would have had a loss of \$16.9 million. Similarly, in fiscal year 1972 GPO needed \$13.5 million in appropriations for its sales program to break even.

The sales program was not self-sustaining in fiscal years 1972 and 1973 for the following reasons:

- The scale of prices had not been revised after 1968.
- Some publications were priced below the scale of prices because of special arrangements.
- The distribution centers were not self-sustaining.

Scale of prices outdated

To price publications for sale, GPO computes a scale of prices based on operation costs of the sales program. During the first 5 months of fiscal year 1973, GPO used a scale which had not been revised after 1968. Prices in this scale were computed using a standard cost for printing and binding plus standard overhead. Cost increases after 1968, particularly those in payroll, postage, and paper, were not included in the scale of prices.

To temporarily recover costs, the acting Public Printer in November 1972 instituted interim pricing procedures which increased subscription prices from 80 to 120 percent over the 1968 scale of prices. Also, in January 1973, a dual pricing system was established for publications. Those publications in bookstores were sold at 1968 prices, and those sold by mail included an added factor for postage.

These interim pricing methods existed until a new scale of prices was instituted in August 1973. According to GPO, this new scale takes into consideration increased costs, and will be revised annually. In addition, no publication will be sold for less than 25 cents. These actions should aid in minimizing future losses to the sales program.

Publications sold under special price arrangements

In addition to experiencing those losses resulting from the use of an outdated price scale, GPO experienced further losses on certain publications whose prices were established through special arrangements. The arrangements represented agreements by GPO to print and distribute certain publications at a specific price. Publications under these arrangements were priced lower than prescribed by the normal price scale.

GPO has renegotiated the prices of many of the publications. However, prices will remain unchanged during fiscal year 1974 for some publications because GPO is bound by a previous agreement. Thus these publications will continue to sell below the normal scale until a new arrangement can be negotiated.

Distribution centers not self-supporting

The Pueblo and Philadelphia distribution centers fill orders for a small selected group of U.S. Government publications. In fiscal year 1973 these centers operated at a loss of about \$2.8 million. This was due, in large part, to the amount of advertising done for these centers. Advertising consisted primarily of biweekly selected lists and flyers mailed out to about 1.3 million people. The total cost of this advertising, including postage, for fiscal year 1973 was approximately \$3.7 million, compared with total revenue from the centers of \$3.2 million. The other costs involved in distribution center sales were \$1.4 million for operating the centers and \$0.9 million for the cost of the publications sold.

A GPO official advised us that, in fiscal year 1974, flyers would no longer be mailed to the public and that the selected list would become a monthly publication. GPO predicts that this action will decrease the advertising cost about \$2.6 million, which will minimize the losses incurred by the distribution centers.

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 for the Superintendent of Documents to finance the depository library program and the cataloging and indexing of documents printed under GPO auspices. In fiscal year 1973, GPO used \$7.9 million for these activities.

Appropriation for congressional printing and binding

The Congress annually appropriates funds to GPO for congressional printing and binding work. The appropriation

also provides funds for printing and binding work 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 printing and binding. The appropriation for fiscal year 1973 was \$46.5 million.

As shown in schedule 3, obligations outstanding at June 30, 1973, exceeded the unexpended balance of appropriations by \$29.8 million. This amount, required to complete unfinished printing and binding work authorized in prior years, is to be included in subsequent years' budget requests. This funding practice is consistent with that of prior years. Since fiscal year 1958, the appropriation acts for GPO have contained provisions permitting the appropriation for the year 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 \$1 million from the GPO revolving fund and has appropriated \$5.5 million to increase the plant's electrical capacity and to improve and extend air-conditioning to additional areas. The electrical project has been completed at a cost of \$456,058. As of fiscal year 1973, about \$3.9 million had been obligated or expended on the air-conditioning project which is expected to cost approximately \$13.9 million.

CHAPTER 3

COMMENTS ON FINANCIAL STATEMENTS

MATERIALS AND SUPPLIES INVENTORY

The \$8,495,198 balance at June 30, 1973, for paper, envelopes, and other supplies, as shown in schedule 1, consisted of \$5,388,742 for paper and envelopes and \$3,106,456 for materials and supplies. We were unable to verify the actual value of materials and supplies inventory because physical counts were changed to agree with perpetual inventory records.

GPO procedures require the counting of all materials and supplies inventory within every 18-month cycle. The results of these counts must be reconciled with the perpetual inventory records and the records adjusted accordingly. The perpetual records are used in determining the yearend inventory balance.

The GPO internal audit staff determined that numerous physical counts taken during the fiscal year were adjusted to agree with the perpetual inventory records. In a test of 163 items, physical counts for 49 items (or 30 percent) were changed to agree with inventory records which resulted in a 22-percent overstatement of the value of the items. The problem occurred because employees, responsible for maintaining the inventory, were also required to reconcile the inventory counts with the perpetual records and explain any questionable variances. Accordingly, instead of reconciling the variances, the physical counts were often changed, and thus the inventory on hand was misstated.

The practice of changing the physical counts apparently has occurred in previous years. In a 1970 memorandum concerning physical inventory reconciliation, a GPO official stated that physical count adjustments were often being made arbitrarily to perpetual inventory records without any attempt to reconcile variances. In addition, record balances were being used incorrectly as physical counts.

Because changes were made to the inventory counts, reliability could not be placed in the yearend perpetual inventory balances. Furthermore, we could not independently reconcile the balances because there were over 22,000 different types of inventory items. As a result, we could not satisfy ourselves as to the value of the yearend inventory balance.

When the matter was brought to the attention of GPO officials, they assigned new employees to count the materials and supplies inventory. Further, the new employees were assigned to a unit organizationally independent of the unit responsible for handling the inventory. The Public Printer also informed us that the Office of Audits would review the adequacy of the physical inventory procedures for materials and supplies by April 15, 1974.

GPO's action should resolve those matters noted during our audit. We will review the inventory procedures during our fiscal year 1974 audit of GPO's financial statements.

MATTERS DISCUSSED IN PRIOR YEAR'S REPORT

In our report to the Congress for fiscal year 1972, we took exception to the publications for sale inventory and accounts payable--revolving fund items as presented on the statement of financial position. During fiscal year 1973 GPO took action to alleviate the problem we had encountered with these accounts.

Publications for sale inventory

In 1972 we were unable to verify the reliability of the publications for sale inventory because a complete physical count had not been taken at the North Capitol Street warehouse during the prior 18-month cycle. To eliminate this problem for fiscal year 1973, GPO devised and used a statistical method to determine the value of the inventory. This eliminated placing reliance on the perpetual inventory system for the North Capitol Street warehouse. As a result, we were able to accept the value of the ending inventory at June 30, 1973.

Accounts payable--revolving fund

In our 1972 report, we found that accounts payable--revolving fund and the corresponding expenses--purchases of printing--were materially overstated at June 30, 1972, because accounts payable contained numerous bills which had been paid before yearend.

The problem was resolved for fiscal year 1973 through the use of various computer edit routines that identified bills which had been paid. GPO plans to use these routines in future years as a standard procedure for accounts payable.

CHAPTER 4

SCOPE OF EXAMINATION

We reviewed GPO's statement of financial position as of June 30, 1973, related statements of income and expense, status of appropriations and other fund balances, payments from appropriations to the revolving fund, amounts due the Treasury from the sale of publications, and the statement of changes in financial position for the year then ended. We made our examination in accordance with generally accepted auditing standards and included such tests of the accounting records and financial transactions and such other auditing procedures we considered necessary in view of the types and volume of the transactions and the effectiveness of the internal controls, including the internal audit functions.

During fiscal year 1973 GPO's Office of Audits issued 28 reports concerning various aspects of GPO operations. We relied to the extent possible on the work of the internal auditors in our review.

CHAPTER 5

OPINION ON FINANCIAL STATEMENTS

The financial statements accompanying this report were prepared by GPO. Certain expenses relating to GPO are not borne by it and are not required to be reported in its financial statements. These expenses, estimated to be about \$940,800, include the cost of space and utilities furnished to GPO in buildings under the control of, or leased by, the General Services Administration and the cost of our annual audit.

The \$8,495,198 balance at June 30, 1973, for paper, envelopes, and other supplies, as shown in schedule 1, consisted of \$5,388,742 for paper and envelopes and \$3,106,456 for materials and supplies. We were unable to verify the actual value of materials and supplies inventory because physical counts were changed to agree with perpetual inventory records.

In our opinion, except for the materials and supplies inventory as noted above, the financial statements (schs. 1 through 6) present fairly the financial position of the Government Printing Office at June 30, 1973, and the results of its operations and changes in its financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General applied on a basis consistent with that of the preceding year--except for the changes with which we concur, in valuation of the publications for sales inventory. (See p. 9.)

FINANCIAL STATEMENTS

G O V E R N M E N T P R I N T I N G O F F I C E

S T A T E M E N T O F F I N A N C I A L P O S I T I O N

A S O F J U N E 3 0 , 1 9 7 3

A S S E T S

	Revolving <u>fund</u>	Other funds (note a)	Combined <u>funds</u>
FUND BALANCES WITH U.S. TREASURY AND CASH:			
Fund balances in U.S. Treasury	\$ 9,223,151	\$ 8,084,946	\$ 17,308,097
Cash on hand and in transit	<u>2,051,549</u>	<u>-</u>	<u>2,051,549</u>
	11,274,700	8,084,946	19,359,646
ACCOUNTS RECEIVABLE AND ADVANCES:			
Accounts receivable:			
Government agencies (note b)	108,237,091	149,834	108,386,925
Other	915,390	-	915,390
Advances to employees	<u>3,404</u>	<u>-</u>	<u>3,404</u>
	109,155,885	149,834	109,305,719
INVENTORIES:			
Publications for sale at cost (note c)	10,864,041	-	10,864,041
Printing work in process, at standard cost	24,774,341	-	24,774,341
Paper, envelopes, and other supplies at cost	<u>8,495,198</u>	<u>-</u>	<u>8,495,198</u>
	44,133,580	-	44,133,580
DEFERRED CHARGES	15,056	-	15,056
PROPERTY, PLANT, AND EQUIPMENT:			
Land and buildings, at cost	-	9,085,173	9,085,173
Equipment and building appurtenances	<u>36,292,630</u>	<u>1,263,606</u>	<u>37,556,236</u>
	36,292,630	10,348,779	46,641,409
Less allowance for depreciation	<u>26,884,478</u>	<u>7,524,490</u>	<u>34,408,968</u>
	<u>9,408,152</u>	<u>2,824,289</u>	<u>12,232,441</u>
Total assets	<u>\$173,987,373</u>	<u>\$11,059,069</u>	<u>\$185,046,442</u>

^aOther funds consist of account balances of the Printing and Binding appropriation, Office of the Superintendent of Documents Salaries and Expenses appropriation, and the value of building structures and land which is specifically excluded from the GPO revolving fund by law (44 U.S.C. 309). The expenditures from the Congressional Printing and Binding appropriation can only be used to reimburse the GPO revolving fund for work ordered by the Congress.

^bAccounts receivable--Government agencies revolving fund includes \$4,461,557 due from the Office of the Superintendent of Documents Salaries and Expenses Appropriation.

^cPublications for sale, at cost after deduction of allowance for unsalable publications of \$1,798,011. Publications for sale inventory includes \$3,907,096 located at the 1111 No. Capitol St. warehouse. The value of this inventory was computed through the use of statistical sampling with a 95 percent confidence level.

LIABILITIES AND INVESTMENTS

	Revolving fund	Other funds (note a)	Combined funds
LIABILITIES:			
Accounts payable (notes d and e)	\$ 28,858,767	\$ 5,821,210	\$ 34,679,977
Accrued salaries and wages	2,131,779	229,547	2,361,326
Amounts withheld from employees for purchase of savings bonds and payment of taxes	2,968,395	-	2,968,595
Employees' accrued annual leave	4,865,246	442,133	5,307,379
Customers' deposits, prepaid subscriptions and unearned income (note f)	<u>7,712,763</u>	<u>-</u>	<u>7,712,763</u>
	46,536,950	6,492,890	53,029,840
 INVESTMENT OF U.S. GOVERNMENT:			
Capital	85,315,383	-	85,315,383
Retained earnings (see sch. 2) (note g)	37,181,647	-	37,181,647
Appropriations and other fund balances (see sch. 3)	-	4,566,179	4,566,179
Income from sales of publications payable to U.S. Treasury (see sch. 5)	<u>4,953,393</u>	<u>-</u>	<u>4,953,393</u>
Total investment	<u>127,450,423</u>	<u>4,566,179</u>	<u>132,016,602</u>
Total liabilities and investment of U.S. Government	<u>\$173,987,373</u>	<u>\$11,059,069</u>	<u>\$185,046,442</u>

^d Does not include a contingent liability for the value of compensatory time-off in lieu of overtime pay earned and accumulated by employees of GPO; and does not include \$16,895,975 for the net value of sick leave earned and accumulated by employees of GPO.

^e Accounts payable--other funds consist of amount owed to the GPO revolving fund by the Superintendent of Documents Salaries and Expenses Appropriations.

^f Customers' deposits and prepaid subscriptions revolving fund includes deferred income of \$2,146,059 representing unfilled cash orders.

^g Retained earnings of \$5,131,575 have been reserved for the purchase of machinery and equipment.

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

SCHEDULE 2

GOVERNMENT PRINTING OFFICE

REVOLVING FUND

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
INCOME:		
Printing and binding services performed for Government agencies and Congress	\$271,166,308	\$241,863,011
Document sales to the public (note a)	23,135,570	22,908,415
Appropriation for increased mailing costs (see sch. 3)	6,214,000	12,702,100
Services associated with document sales:		
Reimbursements by appropriations to the Superintendent of Documents (see sch. 3)	15,693,239	9,078,521
Services associated with depository libraries, cataloging and indexing and distributions for other agencies:		
Reimbursements by appropriations to Superintendent of Documents (see sch. 3)	7,942,328	6,169,750
Blank paper sales:		
Receipts from other Government agencies	11,642,180	10,378,398
Other	<u>797,815</u>	<u>572,628</u>
Total income	<u>336,591,440</u>	<u>303,672,823</u>
DIRECT COSTS:		
Labor	73,872,953	77,879,962
Material	23,442,563	24,910,592
Purchases of printing	<u>151,768,736</u>	<u>129,819,775</u>
Total direct costs	<u>249,084,252</u>	<u>232,610,332</u>
GENERAL AND ADMINISTRATIVE COSTS	<u>76,034,584</u>	<u>62,682,977</u>
Total costs	<u>325,118,836</u>	<u>295,293,309</u>
NET INCOME TO THE REVOLVING FUND	11,472,604	8,379,514
Less amount payable to the U.S. Treasury (see sch. 5)	<u>4,953,393</u>	<u>8,240,076</u>
NET INCOME RETAINED BY THE REVOLVING FUND	<u>\$ 6,519,211</u>	<u>\$ 139,438</u>
CHANGE IN EARNINGS RETAINED BY THE REVOLVING FUND:		
Balance July 1, 1972	\$ 30,662,436	
Add:		
Net income retained by revolving fund	<u>6,519,211</u>	
Balance June 30, 1973 (see sch. 1)	<u>\$ 37,181,647</u>	

^aDocument sales to the public does not include unfilled cash orders of \$2,146,059 for fiscal year 1973. For fiscal year 1972, document sales to public included unfilled cash orders of \$2,939,809.

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

SCHEDULE 3

GOVERNMENT PRINTING OFFICE

OTHER FUNDS

STATUS OF APPROPRIATIONS AND OTHER FUND BALANCES

AT JUNE 30, 1973

	Appropriation for printing and binding for the Congress	Appropriation for the Superintendent of Documents	Other (note a)	Total
BALANCES AT JULY 1, 1972	\$ 4,442,235	\$ 290,004	\$2,467,192	\$ 7,199,431
ADDITIONS:				
Appropriations for fiscal year 1973	46,500,000	29,762,000	-	76,262,000
Reimbursements	-	352,806	-	352,806
Increase in investment in furniture and fixtures	-	-	149,945	149,945
Total	<u>50,942,235</u>	<u>30,404,810</u>	<u>2,617,137</u>	<u>83,964,183</u>
LESS:				
Amounts paid to the revolving fund in payment for:				
Congressional printing and binding (see sch. 4)	49,287,779	-	-	49,287,779
Increased mailing costs (see sch. 4)	-	6,214,000	-	6,214,000
Sales distribution (see sch. 4)	-	15,693,239	-	15,693,239
Other expenses	-	7,942,328	-	7,942,328
Unobligated funds returned to U.S. Treasury	-	25,676	-	25,676
Depreciation on buildings and furniture and fixtures	-	-	117,253	117,253
Increase in liability for employees' annual leave, Superintendent of Documents	-	-	117,528	117,728
Total deductions	<u>49,287,779</u>	<u>29,875,243</u>	<u>234,981</u>	<u>79,398,003</u>
BALANCES AT JUNE 30, 1973 (see sch. 1)	<u>\$ 1,654,456</u>	<u>\$ 529,567</u>	<u>\$2,382,156</u>	<u>\$ 4,566,179</u>
APPROPRIATION UNOBLIGATED OR OVEROBLIGATED (-):				
Unexpended balance at June 30, 1973 (as above)	\$ 1,654,456	\$ 529,567		
Less obligations outstanding	<u>31,411,537</u>	<u>529,567</u>		
Overobligation (note b)	<u>-\$29,757,081</u>	<u>\$ -</u>		

^aRepresents the book value of GPO, its central paper inventory warehouse and connecting tunnel, and the Superintendent of Documents furniture, machinery, and equipment less the Superintendent of Documents employees' accrued annual leave.

^bTo be funded from subsequent years' appropriations.

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

SCHEDULE 4

GOVERNMENT PRINTING OFFICE

OTHER FUNDS

STATEMENT OF PAYMENTS

FROM APPROPRIATIONS TO THE REVOLVING FUND

FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
PAYMENTS FROM CONGRESSIONAL PRINTING AND BINDING APPROPRIATIONS TO REVOLVING FUND:		
Congressional Record	\$ 5,840,300	\$ 9,049,647
Hearings	13,538,688	9,666,202
Miscellaneous printing and binding	6,581,284	5,463,536
Bills, resolutions, and amendments	5,509,849	4,350,193
Miscellaneous publications	3,191,560	4,218,638
Federal Register	4,341,387	3,085,278
Committee prints	3,161,358	2,285,347
House and Senate calendars	1,380,230	1,233,776
Documents	1,277,851	1,154,881
Supplements to the Code of Federal Regulations	1,962,591	1,111,181
Committee reports	1,482,430	1,310,261
Franked envelopes	634,766	617,785
Publications for international exchange	335,490	358,987
Document franks	49,995	50,637
Total (see sch. 3)	<u>\$49,287,779</u>	<u>\$43,956,349</u>
PAYMENTS FROM SUPERINTENDENT OF DOCUMENTS APPROPRIATIONS TO THE REVOLVING FUND:		
Sales distribution expense (see sch. 3)	\$15,693,239	\$ 9,078,521
Increased mailing costs (see sch. 3)	6,214,000	12,702,100
Distribution for other agencies	1,936,224	2,153,194
Depository library distribution	5,133,329	3,353,533
Cataloging and indexing	872,775	663,023
Total payments	<u>\$29,849,567</u>	<u>\$27,950,371</u>

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

GOVERNMENT PRINTING OFFICE

REVOLVING FUND

AMOUNTS DUE U.S. TREASURY

FROM SALE OF PUBLICATIONS

FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
INCOME:		
Income from document sales to the public (note a) (see sch. 2)	\$23,135,570	\$22,908,415
Appropriation for increased mailing costs (note b)	6,214,000	12,702,100
Reimbursements by appropriations to the Superintendent of Documents	15,693,239	9,078,521
Other income	<u>545,504</u>	<u>494,896</u>
Total income	<u>45,588,313</u>	<u>45,183,932</u>
COST OF PRINTING AND BINDING	<u>10,710,207</u>	<u>9,848,741</u>
OTHER EXPENSES:		
Salaries and expenses (see sch. 3)	15,693,239	9,078,521
Administrative	4,631,024	2,960,052
Mailing costs (note b)	<u>9,600,450</u>	<u>15,056,542</u>
Total other expenses	<u>29,924,713</u>	<u>27,095,115</u>
AMOUNT PAYABLE TO U.S. TREASURY (see sch. 2)	<u>\$ 4,953,393</u>	<u>\$ 8,240,076</u>
STATUS OF PAYMENTS DUE THE TREASURY:		
Balance payable July 1, 1972	\$ 6,148,406	
Add amount payable to U.S. Treasury for fiscal year 1973	<u>4,953,393</u>	
	11,101,799	
Less payments to U.S. Treasury during fiscal year 1973	<u>6,148,406</u>	
Balance payable June 30, 1973 (see sch. 1)	<u>\$ 5,953,393</u>	

^a Document sales to the public does not include unfilled cash orders of \$2,146,059 for fiscal year 1973. For fiscal year 1972, document sales to public included unfilled cash orders of \$2,939,809.

^b Increased mailing costs reimbursed to revolving fund by Superintendent of Documents are included in Other Expenses--Mailing Costs.

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

SCHEDULE 6

GOVERNMENT PRINTING OFFICE

REVOLVING AND OTHER FUNDS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FISCAL YEAR ENDED JUNE 30, 1973

FUNDS WERE PROVIDED BY:

Printing and binding services performed (see sch. 2)	\$271,166,308
Document sales to the public (see sch. 2)	23,135,570
Sales of paper (see sch. 2)	11,642,180
Appropriations:	
For congressional printing and binding	46,500,000
For the Superintendent of Documents	
\$29,762,000 plus reimbursements of \$352,806	
(see sch. 3)	30,114,806
Miscellaneous	<u>805,774</u>
Total funds provided	<u>383,364,611</u>

FUNDS WERE APPLIED:

Operating costs, less allowance for depreciation and net change in accrued annual leave	372,628,779
Payments to U.S. Treasury (see sch. 5)	6,148,406
Purchase of equipment	3,191,632
Unobligated funds returned to U.S. Treasury (see sch. 3)	<u>25,676</u>
Total funds applied	<u>381,994,493</u>

INCREASE IN WORKING CAPITAL \$ 1,370,118

	<u>1973</u>	<u>1972</u>	<u>Increase or decrease(-)</u>
ANALYSIS OF WORKING CAPITAL:			
Fund balances with U.S. Treasury and cash	\$ 19,359,646	\$ 38,987,778	-\$ 19,628,132
Accounts receivable and advances	109,305,715	95,242,359	14,063,360
Inventories	44,133,580	35,742,762	8,390,818
Deferred charges	<u>15,056</u>	<u>20,531</u>	<u>-5,475</u>
	172,814,001	169,993,430	2,820,571
Less liabilities excluding employees' accrued annual leave	<u>47,722,460</u>	<u>46,272,007</u>	<u>1,450,453</u>
Total working capital	<u>\$125,091,541</u>	<u>\$123,721,423</u>	<u>\$ 1,370,118</u>

GAO's opinion on these financial statements appears on page 11.

The accompanying summary of significant accounting policies is an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of significant accounting policies of GPO:

- The straight-line method of depreciation is used for all depreciable assets. Rates of depreciation are based on useful life policies established by GPO.
- Publications for sale inventory are recorded at cost using the retail inventory pricing method.
- Printing work in process inventory is recorded at standard cost.
- Paper inventory is recorded at a standard price which is a computed cost rate calculated by GPO. This inventory is maintained through a perpetual system.
- Materials and supplies inventory is recorded as a moving average price. This inventory is maintained through a perpetual inventory system.

APPENDIXES



OFFICE OF THE
PUBLIC PRINTER

UNITED STATES GOVERNMENT PRINTING OFFICE

WASHINGTON, D.C. 20401

February 11, 1974

Mr. J. E. Thornton
Director, Field Operations Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Thornton:

Thank you for providing us an opportunity to review your proposed report to Congress on the examination of financial statements of the Government Printing Office for Fiscal Year 1973. When reading the report, I thought that the opinion on financial statements would be more descriptive if the qualification identified the dollar value of the materials and supplies inventory.

Your report recommends that personnel assigned to count materials and supplies inventory be instructed on the proper reconciliation procedures and that I consider utilizing the Internal Audit Staff to periodically review the efforts of the Inventory Staff. Personnel who count materials and supplies inventory have been assigned to a unit which is organizationally independent of the unit responsible for handling the inventory. Monthly status reports are furnished the Director, Materials Management Service who is responsible for monitoring physical inventories of materials and supplies items. Also, the Office of Audits will review the adequacy of physical inventory procedures for materials and supplies and report to me by April 15, 1974.

Overall I consider the audit report to be fair and objective.

Sincerely,

T. F. McCormick
Public Printer



APPENDIX II

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
Harry J. Humphrey (acting)	Jan. 1972	Feb. 1973
DEPUTY PUBLIC PRINTER (OPERATIONS):		
John J. Boyle	June 1973	Present
Leonard T. Golden (acting)	May 1972	June 1973
ASSISTANT PUBLIC PRINTER (MANAGEMENT AND ADMINISTRATION):		
Walter C. DeVaughn	June 1973	Present
W. H. Lewis (acting)	Nov. 1971	June 1973
SUPERINTENDENT OF DOCUMENTS		
(note a):		
W. H. Lewis	June 1973	Present
Robert E. Kling	Dec. 1970	Dec. 1972
Rowland E. Darling (acting)	Dec. 1972	June 1973

^aOn June 24, 1973, this title was changed to Assistant Public Printer (Superintendent of Documents).

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