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Audit Of The Stationery
Revolving Fund
Fiscal Year 1971 B-114862

House of Representatives

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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NOV. 17, 1971



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

B-114862

C₁ Dear Mr. Jennings:

The accompanying report summarizes the results of our audit of the Stationery Revolving Fund, House of Representatives, for the fiscal year ended June 30, 1971. The audit was made pursuant to your request dated May 26, 1971.

A copy of this report is being sent to the Chairman,
Committee on House Administration.

cc
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Sincerely yours,

Comptroller General
of the United States

The Honorable W. Pat Jennings
Clerk of the House of Representatives

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COMPTROLLER GENERAL'S
REPORT TO THE CLERK OF
THE HOUSE OF REPRESENTATIVES

AUDIT OF THE STATIONERY REVOLVING
FUND, FISCAL YEAR 1971 B-114862

D I G E S T

WHY THE AUDIT WAS MADE

63 The General Accounting Office (GAO) has made an audit of the Stationery Revolving Fund at the request of the Clerk of the House of Representatives. (See app. I.)

GHS 00003

FINDINGS AND CONCLUSIONS

GAO found that several problems noted in its reports for fiscal years 1969 and 1970 had been eliminated--control over the storeroom had been strengthened and a realignment of duties had resulted in a more efficient operation. (See p. 6.)

GAO believes that greater attention should be given to the following areas--sales to members, the display and pricing of merchandise in the salesroom, and the recording of purchase returns and allowances. (See p. 6.)

In GAO's opinion the accompanying financial statements, prepared on a basis consistent with that of the preceding year and in accordance with the accounting practice and financial arrangement described on page 8, present fairly the financial position of the Stationery Revolving Fund at June 30, 1971, the results of its operations, and the sources and application of its funds for the year then ended.

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ABBREVIATIONS

GAO General Accounting Office

OSS Office Supply Service

D I G E S T

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CHAPTER 1

INTRODUCTION

The Stationery Revolving Fund, established by the act of July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service (OSS) under the jurisdiction of the Clerk of the House of Representatives, subject to rules and regulations of the Committee on House Administration. OSS supplies members, committees, departments, and officers of the House with stationery and office supplies at cost (exclusive of salaries and other operating expenses).

The act of July 2, 1954, as amended (2 U.S.C. 46b), authorizes a stationery allowance of \$3,000 for each member and for the Resident Commissioner from Puerto Rico for a full regular session. The act of February 27, 1956 (2 U.S.C. 46b-2), authorizes a pro rata allowance for each member elected for a part of a term. House Resolution 1276, effective December 2, 1970, authorizes an additional allowance of \$500, upon request, for each member and for the Resident Commissioner from Puerto Rico. This resolution was made a permanent law by Public Law 91-665, approved January 8, 1971. Public Law 91-405, approved September 22, 1970, extended these allowances to the Delegate to the House of Representatives from the District of Columbia. Funds for these allowances are provided for in the annual legislative branch appropriation acts for contingent expenses of the House of Representatives.

The members' stationery allowances are credited to their individual accounts at the beginning of each session, or at such other times as new members qualify, and may be withdrawn in cash or applied to purchases from OSS. When a member's service is terminated, any stationery allowance remaining to his credit is payable in cash to him or his heirs.

OSS furnishes stationery to officers, committees, and others upon receipt of requisitions approved by the Chairman, Committee on House Administration. The Stationery Revolving Fund is reimbursed monthly for this stationery from funds appropriated for miscellaneous items and for special and select committees of the House. Stationery and supplies

are also furnished on a reimbursable basis to other authorized House officials and committees having funds not under direct control of the Committee on House Administration.

CHAPTER 2

OPERATIONS

A comparative statement of operations and retained income for fiscal years ended June 30, 1971 and 1970, is presented as schedule 2. Sales of merchandise amounted to \$1,526,629 in fiscal year 1971 compared with \$1,339,231 in fiscal year 1970. Sales of services amounted to \$234,898 in fiscal year 1971 compared with \$176,274 in fiscal year 1970. The services included printing services rendered the majority and minority printing clerks of the House and rental fees for photocopying equipment as authorized by the Committee on House Administration. Net income for fiscal year 1971 amounted to \$11,625 compared with \$14,728 for fiscal year 1970.

CHAPTER 3

MANAGEMENT AND PROCEDURAL CHANGES

Mr. John Penn retired as chief of OSS on March 31, 1971, and Mr. Benny Miller assumed the position as of April 1, 1971. Mr. Roger Copenhaver continues as the assistant chief.

As of July 1, 1971, OSS adopted the practice of depositing all collections of funds in the U.S. Treasury daily. Previously such funds had been deposited only twice a month.

A realignment of duties was effected by the former chief of OSS. The new chief designed a new organization scheme which involved a redefinition of job duties and a further realignment of functions, such as the designation of a head salesman. This proposal was forwarded to the Clerk of the House, but as of September 9, 1971, it had not been forwarded to the Committee on House Administration.

CHAPTER 4

IMPROVEMENTS IN OPERATIONS

AND MANAGEMENT

In our report for fiscal year 1970 (B-114862, Jan. 8, 1971), we stated that certain management functions had been assigned to intermediate-grade personnel, pursuant to a recommendation in our fiscal year 1969 report (B-114862, Dec. 19, 1969). Our current examination of various recorded information and observations showed that this realignment had resulted in a more efficient operation and that action had been taken to strengthen control. To strengthen control over the stockroom:

- The cage in the stockroom for sensitive items is kept locked when not occupied and the key is kept under control of the head stock clerk.
- The back door of the stockroom is kept closed when merchandise is not being received or issued.
- Merchandise is not stocked on delivery equipment in the hallway.

Although OSS is generally a well-run operation and responsive to the needs of the members, we believe that greater attention should be given to the following areas.

- Contrary to established policy, credit sales to members continue to be made. There is no authorization for OSS to sell on credit. A list of members with debit balances is kept at each sales invoice machine. Sales personnel are supposed to check this list before making a sale, but we found that sales were made to members even though their names were on this list. We believe that the head salesman should see that sales are not made to members with debit balances.
- A few supply items were incorrectly priced in the salesroom. Some sensitive items in the cage were not on display. We believe that the sales staff should

give more attention to ensuring that all sales prices are correct and that all merchandise available for sale is on display.

--The present bookkeeping system does not provide for keeping a record of purchase returns and allowances to ensure that credits are received for all returns and allowances and that the credits are subsequently applied against vendors' invoices. OSS adopted our suggestion that a summary of purchase returns and allowances be maintained in the voucher register.

The above findings and suggestions were discussed with the Chief of OSS, who agreed to take necessary corrective actions.

CHAPTER 5

SCOPE OF AUDIT

Our audit of the Stationery Revolving Fund, House of Representatives, was made in accordance with generally accepted auditing standards. The audit included a review of the operating activities of OSS and of the applicable Federal laws, an observation of the physical count of stock on hand, an examination of selected financial transactions and records, a verification of members' stationery account balances through positive confirmations, and such other auditing procedures as we considered necessary.

CHAPTER 6

OPINION OF FINANCIAL STATEMENTS

The comparative statements of assets and liabilities (sch. 1), operations and retained income (sch. 2), and sources and application of funds (sch. 3), included in this report were prepared by us from the books and records of OSS. Salaries and other operating expenses of OSS are provided for under separate appropriations for the House of Representatives and are not required to be included as expenses in the determination of the net income of the revolving fund.

In our opinion the accompanying financial statements, which were prepared on a basis consistent with that of the preceding year and in accordance with the accounting practice and financial arrangement described above, present fairly the financial position of the Stationery Revolving Fund at June 30, 1971, the results of its operations, and the sources and applications of its fund for the year then ended.

SCHEDULE 1

HOUSE OF REPRESENTATIVES

STATIONERY REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
ASSETS		
CASH:		
In U.S. Treasury	\$630,544	\$734,949
Undeposited receipts	<u> -</u> \$630,544	<u>14,320</u> \$749,269
ACCOUNTS RECEIVABLE:		
Committees, officers of the House, and others	22,547	25,615
Members--stationery accounts overdrawn	1,304	429
Vendors	4,101	-
Contingent fund	<u>5,500</u> 33,452	<u> -</u> 26,044
MERCHANDISE INVENTORY, at cost	<u>303,606</u>	<u>200,401</u>
Total assets	<u>\$967,602</u>	<u>\$975,714</u>
LIABILITIES AND RETAINED INCOME		
ACCOUNTS PAYABLE (note a):		
Due vendors	\$ 31,451	\$ 45,420
AMOUNT DUE MEMBERS (sch. 4)	726,861	729,629
ALLOWANCE APPROPRIATED BUT NOT ALLOTTED:		
Beginning balance	\$ 3,000	\$ 150
Current year	<u>-3,000</u> -	<u>2,850</u> 3,000
RETAINED INCOME (sch. 2)	<u>209,290</u>	<u>197,665</u>
Total liabilities and retained income	<u>\$967,602</u>	<u>\$975,714</u>

^aObligations for undelivered orders amounted to \$8,626 at June 30, 1971, and \$103,383 at June 30, 1970.

HOUSE OF REPRESENTATIVES

STATIONERY REVOLVING FUND

COMPARATIVE STATEMENT OF OPERATIONS AND RETAINED INCOME

FOR FISCAL YEARS ENDED JUNE 30, 1971 AND 1970

	1971			1970		
	Merchan- dise	Services	Combined	Merchan- dise	Services	Combined
NET SALES:						
Members	\$1,319,361	\$234,544	\$1,553,905	\$1,140,836	\$176,274	\$1,317,110
Committees, officers of the House, and others	<u>207,268</u>	<u>354</u>	<u>207,622</u>	<u>198,395</u>	<u>-</u>	<u>198,395</u>
Total net sales	<u>1,526,629</u>	<u>234,898</u>	<u>1,761,527</u>	<u>1,339,231</u>	<u>176,274</u>	<u>1,515,505</u>
COST OF SALES:						
Beginning inventory	200,401	-	200,401	183,833	-	183,833
Purchases, less re- turns and dis- counts	<u>1,618,209</u>	<u>234,898</u>	<u>1,853,107</u>	<u>1,341,077</u>	<u>176,268</u>	<u>1,517,345</u>
Total	1,818,610	234,898	2,053,508	1,524,910	176,268	1,701,178
Less ending inven- tory	<u>303,606</u>	<u>-</u>	<u>303,606</u>	<u>200,401</u>	<u>-</u>	<u>200,401</u>
Cost of sales	<u>1,515,004</u>	<u>234,898</u>	<u>1,749,902</u>	<u>1,324,509</u>	<u>176,268</u>	<u>1,500,777</u>
NET INCOME FOR THE PERIOD	<u>\$ 11,625</u>	<u>\$ -</u>	<u>\$ 11,625</u>	<u>\$ 14,722</u>	<u>\$ 6</u>	<u>\$ 14,728</u>
RETAINED INCOME:						
Balance beginning of period			\$ 197,665			\$ 182,937
Add net income for period			<u>11,625</u>			<u>14,728</u>
Balance end of period (sch. 1)			<u>\$ 209,290</u>			<u>\$ 197,665</u>

Note: Fiscal year 1971 salaries of \$221,748 (\$215,741 in 1970), employee benefits of \$16,717 (\$14,978 in 1970), and other operating expenses of the Office Supply Service were provided for under separate appropriations for the House of Representatives and were not required to be included as expense in determining net income.

SCHEDULE 3

H O U S E O F R E P R E S E N T A T I V E S

STATIONERY REVOLVING FUND

COMPARATIVE STATEMENT OF

SOURCES AND APPLICATION OF FUNDS

FOR FISCAL YEARS ENDED JUNE 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
FUNDS PROVIDED:		
Appropriation for stationery allowances	\$1,308,000	\$1,308,000
Transfer from House contingent fund	256,250	2,350
Sales to other than members	210,690	187,697
Cash deposits by members	456,178	350,662
Refunds from vendors	23	4,314
Decrease in cash	<u>118,725</u>	<u>80,026</u>
Total funds provided	<u>\$2,349,866</u>	<u>\$1,933,049</u>
FUNDS APPLIED:		
Payment to vendors	\$1,871,200	\$1,544,883
Cash withdrawals by members	455,171	388,166
Cash returned to U.S. Treasury	<u>23,495</u>	<u>-</u>
Total funds applied	<u>\$2,349,866</u>	<u>\$1,933,049</u>

HOUSE OF REPRESENTATIVES

STATIONERY REVOLVING FUND

STATEMENT OF MEMBERS' STATIONERY ACCOUNTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1971

AMOUNT DUE MEMBERS AT JULY 1, 1970		\$ 729,629
ADDITIONS:		
Amount provided by Legislative Branch Appropriation Act, 1971 (Pub. L. 91-382), for 1st session, 92d Congress	\$1,308,000	
Amount provided by previous legislative branch appropriations	3,000	
Amount transferred from House contingent fund for new members serving parts of terms and for members requesting additional funds	256,250	
Amount due from the contingent fund	<u>5,500</u>	
	1,572,750	
Cash deposits by members	456,178	
Increase in debit balance of members' accounts	<u>875</u>	<u>2,029,803</u>
Total available		2,759,432
DEDUCTIONS:		
Stationery purchases	1,319,361	
Service authorized	234,544	
Cash withdrawals	455,171	
Amount returned to U.S. Treasury	<u>23,495</u>	<u>2,032,571</u>
AMOUNT DUE MEMBERS AT JUNE 30, 1971		\$ <u><u>726,861</u></u>

W. Pat Jennings
Clerk

Office of the Clerk
U. S. House of Representatives
Washington, D. C. 20515

May 26, 1971

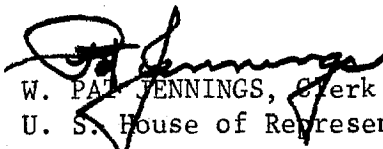
Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C.

Dear Mr. Staats:

I would appreciate it very much if you would arrange for a physical inventory and audit to be made of the Office Supply Service of the House of Representatives for Fiscal Year 1971.

With kind regards, I am

Sincerely,



W. PAT JENNINGS, Clerk
U. S. House of Representatives