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United States Government Accountability Office
Washington, DC 20548

April 6, 2011

The Honorable Charles E. Schumer
Chairman
The Honorable Lamar Alexander
Ranking Member
Committee on Rules and Administration
United States Senate

Subject: *Financial Management: Audit of the Senate Stationery Room Revolving Fund for Fiscal Year 2010*

In a letter dated July 22, 2010, you requested that we conduct an audit of the Senate Stationery Room's cash receipts and cash disbursements recorded in the Senate Stationery Room Revolving Fund for the fiscal year ended September 30, 2010. In the letter, you also requested that we review the inventory accounting procedures of the Stationery Room.

The Senate Stationery Room¹ provides for the sale of stationery to members of the Senate, Senate offices, and other Senate committees and authorized organizations. This includes the sale of office and administrative supplies, personalized stationery, flags, and special order items such as business cards. All sales receipts are taken to the Senate Disbursing Office for deposit into the Senate Stationery Room Revolving Fund in the U.S. Treasury. The Stationery Room then uses the cash receipts to purchase inventory items and emergency supplies for resale, and to pay for other services expenses. The Senate Disbursing Office maintains the money and makes payments on behalf of the Senate Stationery Room Revolving Fund. Salaries and benefits of Senate employees who work in the Stationery Room are not paid from the revolving fund; rather, they are paid from the "Salaries, Officers, and Employees" appropriation account of the Senate. Additional costs of the Stationery Room such as rent and utilities cannot be readily determined and are covered by other appropriated Senate funds.

Results in Brief

We found that recorded cash receipts and cash disbursements of the Senate Stationery Room for the fiscal year ended September 30, 2010, were consistent with the purpose of the Senate Stationery Room Revolving Fund and supported by documentation approved by authorized management of the Stationery Room.

¹According to information provided by management of the Senate Stationery Room, the first Secretary of the Senate was required to provide stationery related items to the Senators then assembled at Federal Hall in New York City for the first U.S. Congress in 1789.

However, our testing identified instances in which personnel either did not fully adhere to established policies and procedures or the Stationery Room did not have written policies and procedures covering certain activities. We found that the Stationery Room's physical inventory procedures provided reasonable assurance that it appropriately accounted for physical quantities on hand and that items were safeguarded from theft and loss. However, our testing identified instances in which Stationery Room personnel either did not fully adhere to established policies and procedures, or written policy and procedures were not sufficiently detailed for certain control activities. Therefore, we are making a recommendation that management update the Stationery Room's existing written accounting and inventory procedures to cover all its activities. We are also making a recommendation that Stationery Room management disseminate the updated procedures, train personnel as necessary, and review subsequent activities for compliance. In commenting on a draft of this report, the Secretary of the Senate agreed with our recommendations and stated that Stationery Room management is in the process of implementing our recommendations.

Objectives, Scope, and Methodology

We obtained and reviewed the accounting procedures used by the Senate Stationery Room to record cash receipts, cash disbursements, and to manage inventory. We also observed a physical inventory of the Stationery Room at the end of August 2010. We reviewed the results of the physical inventory, its comparison to book records maintained by the Stationery Room, and observed how any differences were reconciled and resolved. We particularly focused on how the results of physical inventory compared to recorded inventory to establish evidence of control over inventory quantities and to safeguard inventory from theft or loss.

We used statistical sampling to audit the Stationery Room's nearly \$3.3 million of cash receipts and nearly \$3.2 million of cash disbursements recorded in the revolving fund for the fiscal year ended September 30, 2010. We examined sample items for: (1) proper recorded amount, (2) consistency with the authorized purposes of the revolving fund, (3) proper supporting documentation, and (4) evidence of authorized review and approval. For cash receipts, examination of sample items included verifying the daily amounts of cash receipts from cash registers and other sources and their weekly deposit with the Senate Disbursing Office. For cash disbursements, examination of sample items included a review of contracts, purchase orders, receiving information, and invoices; recalculation of amounts; and verification of payment by the Senate Disbursing Office. Because we limited our audit to those transactions recorded in the revolving fund, there is a risk that there could be unrecorded transactions not included in our examination. See enclosure I for more detailed information on our scope and methodology.

Cash Receipts for Fiscal Year 2010

Table 1 below presents the Stationery Room's recorded cash receipts by category for fiscal year 2010 deposited into the revolving fund.

Table 1: Senate Stationery Room Recorded Cash Receipts by Category for the Fiscal Year Ended September 30, 2010

Category	Amount
Calendars and planners	\$35,732
Flags	692,696
Health and safety	52,350
Ink and toner	871,071
Metro Smartrip cards	1,735
Office supplies	659,207
Paper	207,150
Special order items	648,945
Technology	107,101
Total recorded cash receipts	\$3,275,987

Source: GAO, compiled from Senate Stationery Room records.

We found that recorded cash receipts were generally approved, accurately recorded, and supported by appropriate documentation. Additionally, we found cash accounting procedures to be generally accurate and up-to-date. However, our testing identified instances where personnel either did not fully adhere to established policies and procedures or the Stationery Room did not have sufficiently detailed written policies and procedures covering certain activities. Effectively designed and properly implemented policies and procedures are critical to identifying errors and improving internal controls. Specifically, we found:

- Six of 29 cash receipt days tested did not have evidence of supervisory review for individual registers. However, all 6 days had a cover sheet indicating supervisory review of the entire day's receipts covering all registers. Registers receiving cash for the day had a tally sheet signed by the preparer, but the supervisor signature line was not always completed to indicate review. Existing written procedures require this documentation.
- Not all weekly cash sheets, weekly deposit envelopes, and monthly cash reconciliations contained documentation of review. Existing written procedures did not require this documentation.

None of the issues noted above resulted in an incorrect receipt being deposited into the revolving fund; however, they did indicate that personnel were not always adhering to existing Stationery Room procedures regarding the processing of receipts or existing procedures were lacking detail. Such procedural deficiencies were primarily caused by Stationery Room personnel focusing on the operational aspects of their jobs without updating written procedures to document activities being performed. Complete and current policies and procedures are internal control activities that provide important information to guide staff, particularly new

personnel, in performing their daily tasks effectively. Control activities, including policies and procedures, help ensure that management's directives are carried out in an effective and efficient manner to accomplish control objectives. They also help ensure actions are taken to address risks and are an integral part of planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.²

Cash Disbursements for Fiscal Year 2010

Table 2 below presents the Stationery Room's recorded cash disbursements by type for fiscal year 2010 paid from the revolving fund.

Table 2: Senate Stationery Room Recorded Cash Disbursements by Type for the Fiscal Year Ended September 30, 2010

Type	Amount
Inventory purchases for resale	\$3,166,990
Emergency supplies for resale	7,380
Other services expense	6,866
Total recorded cash disbursements	\$3,181,236

Source: GAO, compiled from Senate Stationery Room records.

We found that recorded cash disbursements were generally approved, accurately recorded, and supported by appropriate documentation. However, we found that not all monthly reconciliations contained documentation of review. In addition, 14 of 31 cash disbursements tested for purchase approval did not contain evidence of required signature or an approval stamp before issuance. According to Stationery Room management, this was primarily because purchase orders containing evidence of approval were only kept on hand for 6 to 9 months. While purchase orders are generated and available electronically, Stationery Room management informed us that personnel shredded signed purchase orders for items that had been received and invoiced to save storage space. These signed purchase orders were not scanned prior to shredding, leaving no evidence of approval by management of the Stationery Room.

Review of Inventory Accounting Procedures

We noted that the Stationery Room's policies and procedures manual was last collectively updated in June 2003. Stationery Room management has subsequently and periodically issued updated procedures on certain aspects of the Stationery Room inventory accounting, but lacks a complete and comprehensive policies and procedures manual for staff to use. Instead, staff relies on institutional knowledge, the June 2003 manual, and subsequent individual procedures to perform financial accounting, reporting, and administrative procedures.

² GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

Collectively, a lack of periodically updated policies and procedures in one manual may result in ineffective internal control over the financial accounting process. Further, institutional knowledge of financial and administrative processes may be lost upon the retirement, termination, or absence of key personnel. Control activities, including policies and procedures, help ensure that management's directives are carried out in an effective and efficient manner to accomplish control objectives. They also help ensure actions are taken to address risks and are an integral part of planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.³

We found that the accounting records of the Senate Stationery Room valued its total inventory at \$1,080,864 as of August 20, 2010, and total physical counts valued the inventory at \$8,177 less. While we found that some physical item quantities were less than the recorded quantities, indicating a recording error or possible shortage, other physical inventory amounts were more, indicating a recording error; with the net variance amounting to less than 1 percent of the inventory value. The Stationery Room accordingly adjusted its accounting records to reflect the actual quantity and value on hand. We concluded that the Stationery Room's physical inventory procedures provided reasonable assurance that it appropriately accounted for physical quantities on hand and that items were safeguarded from theft and loss.

Recommendations for Executive Action

We recommend that the Secretary of the Senate direct Senate Stationery Room management to:

- 1) update existing written policies and procedures for cash receipts and cash disbursements, to include:
 - requiring and documenting reviews of weekly cash sheets, weekly deposit envelopes, and monthly cash reconciliations;
 - retaining electronic documentation of signed purchase orders before shredding; and
 - incorporating multiple procedural documents into a comprehensive manual.
- 2) disseminate updated policies and procedures, train personnel as necessary, and establish a mechanism to provide for subsequent review of activities for compliance.

Agency Comments and Our Evaluation

The Secretary of the Senate was provided a draft of this report. In commenting on the draft report, the Secretary of the Senate stated that she agreed with the report's

³ [GAO/AIMD-00-21.3.1](#).

recommendations. She further stated that Stationery Room management is in the process of implementing the recommendations, citing the fact that the Stationery Room's procedures are being better documented and that purchase orders are now both electronically and physically saved as examples. The Secretary of the Senate also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretary and interested congressional committees. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

Should you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or at sebastians@gao.gov. Key contributors to this engagement were Roger R. Stoltz, Jacquelyn N. Hamilton, Taya R. Tasse, Tory E. Wudtke, Brian S. Harechmak, and Marci L. Goasdone.



Steven J. Sebastian
Director
Financial Management and Assurance

Enclosure

Enclosure

Objectives, Scope, and Methodology

Cash Receipts

To achieve our audit objective with respect to cash receipts, we gained an understanding of the accounting policies and procedures for cash receipts by reviewing Senate Stationery Room control activities and documenting them. Using an attribute sampling method, we selected a sample of recorded cash receipts to statistically test the nearly \$3.3 million universe of receipts for fiscal year 2010. Our tests included recalculation of amounts, review of adherence to established policies and procedures, and review of supporting documentation for cash receipts.

We developed the sample of cash receipts from a population of the 243 days in which the Stationery Room was open for business during fiscal year 2010. Days were selected as the universe due to the nature of daily reconciliations of cash drawers and the weekly deposit of receipts with the Senate Disbursing Office. We excluded weekends, federal holidays, inclement weather closures, and days the Stationery Room was closed for inventory counts. Using IDEA sampling software, we selected a random sample of 29 days from the population for detailed testing.

We developed a data collection instrument based on the Stationery Room's written policies and procedures for cash receipts. We recalculated cash drawer reports, daily totals, weekly deposits, and monthly reconciliations. We verified refund controls, evidence of reviews, and existence of control activities.

Cash Disbursements

To achieve our audit objective with respect to cash disbursements, we gained an understanding of the accounting policies and procedures for cash disbursements by reviewing Stationery Room control activities and documenting them. Using monetary unit sampling (MUS), we selected a sample of recorded cash disbursements to statistically test the universe of nearly \$3.2 million cash disbursements for fiscal year 2010. Our tests included recalculation of amounts, adherence to established policy and procedures, and review of supporting documentation.

We developed the sample of cash disbursements from the universe of invoices paid by the Stationery Room during fiscal year 2010. Invoices were selected due to the assignment of unique numerical identifiers to invoices and the required documentation to support invoice payment. From its accounting system, the Stationery Room provided a listing of 6,971 invoices that were paid during fiscal year 2010. Using MUS, we selected a random sample of 31 invoices from the universe for detailed testing.

We developed a data collection instrument based on the Stationery Room's written cash disbursement policies and procedures. We recalculated amounts on purchase orders, receiving reports, invoices, general ledgers, and invoice batches. We verified vendors "Made in America"¹ compliance, safety verifications,² evidence of reviews and approvals, and existence of proper documentation.

Inventories

To achieve our audit objective with respect to inventory, we gained an understanding of the accounting policies and procedures for inventory by reviewing Senate Stationery Room control activities and documenting them. We also observed personnel counting physical inventories in August 2010 for completeness and accuracy, reviewed the results of the counts, examined how differences between physical counts and book records were reconciled, and observed how inventory was properly safeguarded from theft or loss.

We performed our work in the Washington, D.C. area from August 2, 2010, through January 28, 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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¹ The Secretary of the Senate, when disbursing public moneys, is required by statute to purchase only goods of U.S. origin as long as the domestic item can be purchased upon as good terms as to quality and price as would exist if the foreign item were purchased (2 U.S.C. §109).

² Vendors are to certify that items they sell comply with the Consumer Product Safety Improvement Act of 2008.

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