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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

Audit Of The Stationery
Revolving Fund
Fiscal Year 1975

House of Representatives

GGD-76-53

FEB. 19, 1976

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

B-114862

The Honorable Edmund L. Henshaw, Jr.
Clerk of the House of Representatives

Dear Mr. Henshaw:

We have audited the Stationery Revolving Fund of the House of Representatives for the fiscal year ended June 30, 1975, pursuant to the request dated June 9, 1975.

GENERAL COMMENTS

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 and is subject to rules and regulations of the Committee on House Administration.

The act of July 2, 1954, as amended (2 U.S.C. 46b), authorized a stationery allowance of \$3,000 for each Member (including the Resident Commissioner from Puerto Rico and the Delegates from the District of Columbia, Guam, and the Virgin Islands) 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 part of a term. House Resolution 1276, effective December 2, 1970, and made permanent law by Public Law 91-665, approved January 8, 1971, authorizes an additional allowance of \$500, upon request, for each Member.

House Resolution 457, 92d Congress, made permanent by Public Law 92-184, approved December 15, 1971, provided authority to the Committee on House Administration to adjust allowances. On January 3, 1973, the allowance for stationery for each Member was raised to \$4,250 per regular session by committee order number 4. Committee order number 10, effective January 21, 1974, increased the stationery allowance to \$5,250, and committee order number 14, effective August 20, 1974, increased the allowance to \$6,500 for each regular session. Funds for these allowances are provided in the annual and supplemental appropriations for the House of Representatives.

Funds appropriated for Members' stationery allowances are transferred to the Stationery Revolving Fund. Subsequently, the stationery allowances are credited to Members' accounts at the beginning of each session of the Congress, or when new Members qualify. Funds may be withdrawn in cash or applied to purchases from OSS and other vendors. Purchases are charged against a Member's account until the account is exhausted. Thereafter, Members must deposit sufficient funds to cover additional purchases. If a Member does not use his stationery allowance during a session, the balance in his account carries over to the following session. When a Member's service is terminated, any stationery allowance remaining to his credit is payable in cash to him or his heirs, or it can be returned to the U.S. Treasury upon his request.

OSS furnishes House Members, committees, departments, and officers with stationery and supplies at cost (exclusive of salaries and other operating expenses).

Requisitions for items purchased by committees, departments, and officers must be approved by the Chairman, Committee on House Administration. The Stationery Revolving Fund is reimbursed monthly for such purchases from funds which are appropriated for miscellaneous items or special and select committees of the House and which are under direct control of the Committee on House Administration. The Fund is reimbursed directly for purchases made by other House officials or committees whose activities are financed from other appropriations or revolving funds.

OSS has a salesroom in the Longworth House Office Building, a stockroom and an accounting room adjacent to the salesroom, and two smaller stockrooms in the Cannon and Rayburn House Office Buildings. OSS also had a warehouse located at South Capitol and "P" Streets, S.W., containing bulk paper and envelopes. The bulk paper and envelopes were transferred to another location in July 1975. (See p. 3) OSS maintains a basic stock inventory of the most frequently used items and furnishes other items through special orders.

INVENTORY IMPROVEMENTS

Warehouse

Prior to fiscal year 1975, OSS kept its reserve paper products in the Cannon and Rayburn House Office Building storerooms. In view of the threat of a paper shortage,

in mid-1974 OSS decided to purchase large quantities of paper and envelopes for use by the House of Representatives. To handle this increase in paper, OSS rented 3,000 square feet of floor space in a warehouse located at South Capitol and "P" Streets, S.W. However, the 3,000 square feet was not enough space to properly store the increased stock of paper and envelopes. Skids of paper had to be stacked on top of each other and no aisle space was left between skids. As a result of the cramped conditions, we noted boxes and paper so damaged that they could not be sent to customers.

Because of inadequate storage space at the warehouse, OSS moved the paper products to the House Office Building Annex #2 in mid-July 1975. This new warehouse, besides providing an additional 12,000 square feet of storage space, was being equipped with better lighting, air conditioning, and a sprinkler system.

Upon comparing the physical count of paper products against the perpetual inventory records of OSS, we found large discrepancies. For example, instead of finding the 990 reams of 8 x 10-1/2 ecology bond paper listed on the warehouse inventory sheet, we found only 259 reams in the warehouse. Also, 12,556 boxes of #9 plain envelopes were in the warehouse. This was 3,571 boxes over the warehouse inventory sheet total.

The main cause for the difference was a lack of communication between the warehouse inventory recordkeepers and warehouse deliverymen regarding shipments in and out of the warehouse. When shipments came in or left the warehouse, the warehouse inventory sheets did not accurately reflect the change because

--the person keeping warehouse inventory records was not notified promptly or was not notified at all or

--shipments possibly were not counted correctly.

After we discussed the inventory overages and shortages with OSS, it began to develop procedures to improve the transfer and reporting of shipments to and from the warehouse.

Stockroom

The OSS stockroom was in a very disorganized condition when the physical inventory was started. Boxes filled

with merchandise cluttered the aisles and empty boxes remained on the shelves. Outdated 1973 calendars were found on top of the shelves, out of immediate view. This was brought to the attention of OSS personnel and the calendars were written off. Some items, such as flags, water pitchers, ashtrays, and Xerox toner, were stored at two or more locations in the stockroom. In many cases counts were delayed because items were not priced. In these cases pricing information had to be obtained from OSS employees or from the perpetual inventory cards.

We noted that some inventory cards carried incorrect prices of items. In each case we advised OSS personnel of the errors and they made the necessary changes. Also, the OSS staff, under new management, improved the condition of the stockroom. As a result, the stock was better organized and general improvements were made in operating the stockroom.

Of the 687 perpetual inventory cards located in the stockroom file, 325 had incorrect balances primarily because of the way merchandise was checked out of the stockroom to the sales floor. When a customer requested an item not on the sales floor, the sales clerk would obtain the item from the stockroom. The clerk was supposed to list the items taken from the stockroom on a checkout sheet maintained near the stockroom door. Later, an OSS employee would transfer the items listed on the sheet to the perpetual inventory cards. If the sales clerk forgot to check the item out, the inventory card would not reflect the decrease in stockroom inventory, and if the sales clerk's description of the item was not proper, an entry could be made on the wrong inventory card.

To rectify this situation, a stockroom clerk now sits at a desk near the stockroom door. It is his duty to make sure that every item leaving the stockroom is listed properly on the inventory checkout sheet. He then pulls the proper inventory card and immediately makes the necessary adjustment.

We noted that some items in the stockroom were not recorded on perpetual inventory cards. Pens and pencils, luggage, gift wrap, and Kodak film have not been kept on cards because of the rapid turnover of these items. We were told that these items will be placed on cards and will be handled in the same way as all other stockroom items.

As of June 30, 1975, the perpetual inventory cards listed only the number of items remaining in stock. Since that time, OSS has revised the format of the cards to also show items received or removed from the stockroom and the date of the activity. This will enable OSS personnel to keep more accurate records of merchandise entering and leaving the stockroom.

During the audit, we noticed that customers were allowed to wander through the stockroom. This always presents the possibility of theft. Since that time, measures have been taken to remedy this situation. The stockroom clerk who sits near the stockroom entrance now requests that the customers wait at the doorway while awaiting assistance from stationery room employees.

ADJUSTMENT OF LAST YEAR'S INVENTORY

The June 30, 1974, inventory was increased by \$18,522 to correct previously undetected errors. The errors involved identifying and pricing certain items separately or as boxes rather than as dozens. This adjustment increased the previously reported net income for the period ending June 30, 1974, from \$13,440 to \$31,962.

SCOPE OF AUDIT

We made our audit in accordance with generally accepted auditing standards and included a review of operations and of applicable Federal laws, a detailed 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 confirmations, and such other auditing procedures as we considered necessary.

OPINION OF FINANCIAL STATEMENTS

We prepared comparative statements of assets and liabilities (sch. 1), operations and retained income (sch. 2), and changes in financial position (sch. 3) from the records of OSS. Salaries and other operating expenses of OSS are provided for under separate appropriations for the House of Representatives and are not included as expenses in determining 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 financial arrangements described above, present fairly the financial

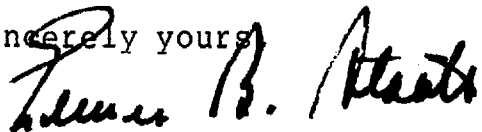
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position of the Stationery Revolving Fund at June 30, 1975, and June 30, 1974, the results of its operations, and the changes in its financial position for the fiscal years then ended.

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We are sending a copy of this report today to the Chairman of the Committee on House Administration.

Sincerely yours,



Comptroller General
of the United States

HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESJUNE 30, 1975 AND 1974

	<u>1975</u>	<u>1974</u>
ASSETS		
CASH:		
In U.S. Treasury	\$ 773,703	\$ 979,729
ACCOUNTS RECEIVABLE:		
Committees, officers of the House, and others	\$48,213	\$33,441
Members' stationery accounts over- drawn	573	95
Vendors	<u>10,762</u>	<u>2,753</u>
	59,548	36,289
MERCHANDISE INVENTORY, at cost	<u>955,366</u>	<u>b/613,972</u>
Total assets	<u>\$1,788,617</u>	<u>\$1,629,990</u>
LIABILITIES AND RETAINED INCOME		
ACCOUNTS PAYABLE (note a)		
Due vendors	\$ 215,822	\$ 133,884
AMOUNT DUE MEMBERS (sch. 4)	1,272,790	1,207,207
ALLOWANCE APPROPRIATED BUT NOT ALLOTTED	22,917	27,792
RETAINED INCOME (sch. 2)	<u>277,088</u>	<u>261,107</u>
Total liabilities and retained in- come	<u>\$1,788,617</u>	<u>\$1,629,990</u>

a/Obligations for undelivered orders amounted to \$209,276 at June 30, 1975, and \$148,144 at June 30, 1974.

b/Includes adjustment of \$18,522.

HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONSAND RETAINED INCOME FOR FISCAL YEARSENDED JUNE 30, 1975 AND 1974

	1975			1974		
	<u>Merchandise</u>	<u>Services</u>	<u>Combined</u>	<u>Merchandise</u>	<u>Services</u>	<u>Combined</u>
NET SALES:						
Members	\$2,239,308	\$435,950	\$2,675,258	\$1,705,996	\$369,183	\$2,075,179
Committees, officers of the House, and others	<u>439,893</u>	<u>1,219</u>	<u>441,112</u>	<u>355,492</u>	<u>2,991</u>	<u>358,483</u>
Total	<u>2,679,201</u>	<u>437,169</u>	<u>3,116,370</u>	<u>2,061,488</u>	<u>372,174</u>	<u>2,433,662</u>
COST OF SALES:						
Beginning in- ventory	<u>a/613,972</u>	-	<u>a/613,972</u>	<u>a/423,937</u>	-	<u>a/423,937</u>
Purchases less returns and discounts	<u>3,004,614</u>	<u>437,169</u>	<u>3,441,783</u>	<u>2,219,561</u>	<u>372,174</u>	<u>2,591,735</u>
Total	<u>3,618,586</u>	<u>437,169</u>	<u>4,055,755</u>	<u>2,643,498</u>	<u>372,174</u>	<u>3,015,672</u>
Less ending inventory	<u>a/955,366</u>	-	<u>a/955,366</u>	<u>a,d/613,972</u>	-	<u>a,d/613,972</u>
Cost of sales	<u>2,663,220</u>	<u>437,169</u>	<u>3,100,389</u>	<u>2,029,526</u>	<u>372,174</u>	<u>2,401,700</u>
NET INCOME FOR THE PERIOD (note b)	<u>\$ 15,981</u>	<u>\$ -</u>	<u>\$ 15,981</u>	<u>\$ 31,962</u>	<u>\$ -</u>	<u>\$ 31,962</u>
RETAINED INCOME:						
Balance beginning period			\$ 261,107			\$ 229,144
Add net income for period			<u>15,981</u>			<u>31,962</u>
Balance end of period (sch. 1)			<u>\$ 277,088</u>		<u>c,d/\$</u>	<u>261,107</u>

a/Amount adjusted on the basis of purchase prices less trade discounts.

b/Fiscal year 1975 salaries of \$292,070.47 (\$260,370.97 in 1974), employee benefits of \$25,408.12 (\$22,595.17 in 1974), and other operating expenses of OSS were provided for under separate appropriations for the House of Representatives and were not required to be included as expenses in determining net income.

c/Difference of \$1 due to rounding.

d/Includes adjustment of \$18,522.

HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGE IN FINANCIAL POSITIONFOR THE FISCAL YEARS ENDED JUNE 30, 1975 AND 1974

	<u>1975</u>	<u>1974</u>
FUNDS PROVIDED:		
Sales:		
Members	\$2,239,308	\$1,705,996
Committees, officers of the House, and others	439,893	355,492
Services:		
Members	435,950	369,183
Committees, officers of the House, and others	1,219	2,991
Appropriations for stationery allowances	<u>2,304,750</u>	<u>2,304,750</u>
Total	<u>\$5,421,120</u>	<u>\$4,738,412</u>
FUNDS APPLIED:		
Cost of sales	\$2,663,220	\$2,029,526
Cost of services	437,169	372,174
Appropriations allotted	2,309,625	2,310,895
Increase or decrease (-) in working capital	<u>11,106</u>	<u>25,817</u>
Total	<u>\$5,421,120</u>	<u>\$4,738,412</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

INCREASE OR DECREASE (-) IN CURRENT

ASSETS:

Cash in U.S. Treasury	\$ -206,026	\$ 433,518
Accounts receivable:		
Supplemental appropriation	-	-336,250
Committees, officers of the House, and others	14,771	10,243
Members' stationery accounts overdrawn	478	-17
Vendors	8,009	1,256
Inventory	341,394	190,035

INCREASE (-) IN CURRENT LIABILITIES:

Accounts payable	-85,548	-9,431
Allowance due Members	<u>-61,972</u>	<u>-263,537</u>

INCREASE IN WORKING CAPITAL	<u>\$ 11,106</u>	<u>\$ 25,817</u>
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HOUSE OF REPRESENTATIVESSTATIONERY REVOLVING FUNDSTATEMENTS OF MEMBERS' STATIONERY ACCOUNTSFOR THE FISCAL YEAR ENDED JUNE 30, 1975

AMOUNT DUE MEMBERS AT JULY 1, 1974		\$1,207,207
ADDITIONS:		
Amount provided by Legislative Branch Appropriation Act, 1975 (Public Law 93-371), for 1st session, 94th Congress, less unallotted appropriations	\$2,281,833	
Transfers from amounts provided for Contingent Expenses of the House-miscellaneous items	1,097,500	
Increase in balance of Members' stationery accounts overdrawn	478	
Unallotted prior year's appro- priation	27,792	
Cash deposits by Members	<u>779,708</u>	<u>4,187,311</u>
Total available		5,394,518
DEDUCTION:		
Stationery purchases by Members	2,239,308	
Services authorized	435,950	
Cash withdrawals	1,437,328	
Cash returned to Treasury by Members	<u>9,142</u>	<u>4,121,728</u>
AMOUNT DUE MEMBERS AT JUNE 30, 1975		<u>\$1,272,790</u>