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# REPORT TO THE CONGRESS

UNITED STATES  
GENERAL ACCOUNTING OFFICE

JUL 11 1975

LIBRARY SYSTEM

## Examination Of Financial Statements Government Printing Office Fiscal Year 1974



*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

FOD-75-15

JULY 11, 1975

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

B-114829

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, 1974.

We made our examination pursuant to the act of October 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 Committee on Printing; and the Public Printer.

A handwritten signature in cursive script, reading "James B. Stille".

Comptroller General  
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
GPO	Government Printing Office

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

EXAMINATION OF FINANCIAL  
STATEMENTS  
GOVERNMENT PRINTING OFFICE  
FISCAL YEAR 1974

D I G E S T

GAO was unable to verify the \$12 million of publications for sales inventory at June 30, 1974, because numerous errors existed in the perpetual records. The \$19,178,490 balance at June 30, 1974, for paper, envelopes, and other supplies, as shown in GPO's statement of assets, liabilities, and investments, consisted of \$15,241,756 for paper and envelopes and \$3,936,734 for materials and supplies. GAO was unable to verify the yearend balance of materials and supplies inventory because significant errors existed in the perpetual records.

In the opinion of GAO, GPO's financial statements, except for publications for sales inventory, material and supplies inventory, and related expenses consisting of material, cost of publications sold, and cost of publications destroyed, present fairly its financial position at June 30, 1974, the results of its operations for the years ended June 30, 1973 and 1974, and changes in its financial position for the year ended June 30, 1974, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

IMPROVEMENTS NEEDED IN MANAGEMENT OF  
PUBLICATIONS FOR SALE INVENTORY

The GPO Public Documents Area maintains a publications for sale inventory to respond to Government publication orders from the general public. The bulk of this inventory, located in several warehouses, is managed and controlled through a perpetual inventory system. Improvements in the management and control of this system are necessary to prevent delays or failure to fill customer orders and overprocurement of inventory.

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GAO recommends that the Public Printer:

- Establish procedures to reconcile preposted entries with actual amounts. (See p. 8.)
- Provide procedures to establish and maintain accurate warehouse locator records. (See p. 8.)
- Systematically arrange publications inventory in warehouses. (See p. 8.)
- Establish a formalized cycle inventory plan. (See p. 8.)

The Public Printer has agreed to act on these recommendations. (See pp. 8 and 9 and app. II.)

## 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 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 Area (previously 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 24 bookstores throughout the United States. The Public Documents Area prepares official catalogs and indexes, distributes publications to depository libraries, and mails certain publications for the Congress and Federal departments and agencies.

## CHAPTER 2

### OPERATIONS

GPO activities are financed by a revolving fund which receives funds from four major sources: appropriations for printing and binding services performed for the Congress; reimbursements for printing services from departments and establishments of the Federal Government; sales of 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 1974, 64 percent of the printing and binding revenue resulted from services performed by commercial firms. GPO realized a profit in fiscal year 1974 on printing and binding services of about \$4.3 million, compared with a profit of \$6.5 million in fiscal year 1973. (See table 2.)

#### PUBLIC SALES PROGRAM

The public sales program is funded through sales revenue and appropriations by the Congress. 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 sales program revenue over expenses is 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 1974 excess fiscal year 1973 funds of about \$5 million and fiscal year 1974 funds of about \$1.2 million were not transferred to miscellaneous receipts. (See table 5.)

The fiscal year 1974 sales program revenue, including appropriations of \$20.2 million, exceeded expenses by about \$1.2 million. Without the appropriations the GPO sales program would have had a loss of \$19 million.

#### APPROPRIATIONS

The Congress appropriates funds to GPO for nonrevenue-producing activities of the Superintendent of Documents, congressional printing and binding, and certain improvements to GPO facilities.



Appropriation for nonrevenue-producing activities of the Superintendent of Documents

The Congress annually appropriates funds for the Superintendent of Documents to distribute Government publications for Members of Congress and other Government agencies by law; finance the depository library program; and catalog and index documents printed under GPO auspices. In fiscal year 1974, GPO expended \$13.8 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 1974 was \$64 million.

As shown in table 3, obligations outstanding at June 30, 1974, exceeded the unexpended balance of appropriations by \$29.9 million. This amount, required to complete unfinished printing and binding work authorized in prior years and fiscal year 1974, 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 GPO to use \$1 million from its revolving fund and has appropriated \$12.9 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 1974, about \$12.9 million had been obligated or expended on the air-conditioning project which is expected to cost approximately \$13.4 million.

Appropriation for site acquisition

In fiscal year 1974 the Congress appropriated \$4.6 million for acquisition of a new site for the Government Printing Office. There are no obligations outstanding against this appropriation.

## CHAPTER 3

### MANAGEMENT OF PUBLICATIONS FOR SALE INVENTORY

The GPO Public Documents Area maintains a publications for sale inventory to respond to Government publication orders from the general public. During fiscal year 1974, GPO used 1111 North Capital Street, Farrington Avenue, and Eisenhower Avenue warehouses to store its bulk inventory. In fiscal year 1975, GPO moved its stock from Eisenhower Avenue and North Capital Street to a new Laurel, Maryland, warehouse.

GPO procedures provide for a perpetual inventory system to control the publications for sale inventory in its warehouses. This system is dependent on counting all publications during each 18-month cycle and reconciling and adjusting the perpetual records for these counts. The current inventory cycle ended June 30, 1974. Our review of this system showed improvements were necessary for adequate management and control of the inventory. As a result, we were unable to verify GPO's publications for sale inventory balance as of June 30, 1974. (See ch. 4.)

GAO Policy and Procedures Manual for Guidance of Federal Agencies provides a section on property management applicable to GPO. In part, this section states that each Federal agency should establish an adequate and reliable system of records and related procedures to provide a proper accounting for investment in property for which the agency has management responsibility. This should include appropriate records of physical quantities and location of property. These records should be designed to be of maximum assistance in the procurement and utilization of such property.

We found that the perpetual inventory and warehouse location records were often not reliable. Also, there was no formalized cycle inventory plan to maintain these records. Understatement of inventory records could result in delays or failure to fill customer orders and also overprocurement of inventory.

The Public Printer has taken action to aid in correcting the inventory problems. In May 1973, he established a task force to develop a system automating the perpetual inventory records. This task force has developed an automated system to manage and control the bulk warehouse inventory.

INACCURACIES IN PERPETUAL  
INVENTORY RECORDS

GPO uses its perpetual inventory records to determine the yearend balance for publications for sale inventory. During 1974 the GPO cyclical inventory team found many errors in the Farrington Avenue warehouse perpetual inventory card balances. Significant errors were not always reconciled by GPO to determine what the true balance should be. We found examples of balances on the perpetual cards which greatly exceeded the total amount received by GPO. Our test counts of publications for sales inventory at the 1111 North Capitol Street warehouse also indicated significant errors in the perpetual card balances.

Two reasons for these errors were (1) preposting entries on the perpetual cards without followup reconciliation and (2) incorrectly writing down an inventory balance to zero.

The documents control branch is responsible for eliminating slow-moving publications for sale. This branch sends an official authorization to dump stock to the inventory records section. The inventory records unit adjusts the perpetual card balance for the specified amount and advises the appropriate warehouse of action required. The GPO publication-destroyed record system, however, does not provide for a comparison of the preposted adjusted perpetual card entries with the actual warehouse dump figures. This lack of reconciliation can cause the perpetual card to be incorrect.

A second preposting area without adequate followup reconciliation involves order filling. The inventory record section preposts stock orders on perpetual cards and forwards the orders to the warehouses. The ordering unit will not always inform the inventory records section of actual stock receipts. If the ordering unit does not receive its required stock, it may place another order. The inventory record section would again reduce the perpetual card balance. The warehouse may only fill one of the orders, causing the perpetual card balance to be understated. Therefore, GPO lacks a complete reconciliation between preposted stock orders and actual receipts.

Incorrectly writing off inventory results from information furnished the inventory record section by the warehouses. Ordering units request publications from the inventory record section, which in turn orders the publications from the warehouse. If a warehouse informs the inventory record section that it has exhausted its stock, the record

section will automatically write down its stock record to zero without attempting to verify that the stock is exhausted. One recent writeoff involved 10,000 copies of a single book which were found later through the cyclical inventory process.

In January 1975, the perpetual cards were eliminated and full reliance was placed on the warehouse locator cards as a perpetual record. However, errors similar to those concerning the perpetual cards could now occur in the warehouse locator cards.

#### IMPROVEMENTS NEEDED IN WAREHOUSE LOCATOR SYSTEM

A basic ingredient in warehousing is an effective stock locator file. Warehouse locator records should accurately reflect the true identification, quantity, and location of each item stored therein. The chief of the cyclical inventory team stated that the GPO warehouse locator files are inaccurate. At the Farrington warehouse, the cyclical inventory team found numerous locator card mistakes. Although a member of the cyclical inventory team was assigned full time to update the locator cards to agree with the physical inventory quantities and locations determined during the last cycle inventory, about 40 percent of the locator cards were not corrected.

According to a GPO official, one reason for the inaccurate locator cards is preposting. When a warehouse receives a stock order, the order quantity is deducted from a particular location on the appropriate warehouse locator card. However, this preposted figure is not reconciled with the actual stock shipment. Therefore, the locator card will not be adjusted for unfilled or improperly filled orders.

Inaccurate locator cards cause good stock to be lost in the warehouse, erode the Public Document Area's ability to give timely response to customer orders, and unnecessarily increase reprints costs. For example, the Documents Control Branch ordered 50,000 books of one publication in August 1972. In March 1974 the Farrington warehouse locator file showed no more stock on hand. The perpetual record was adjusted to a zero balance and an additional 30,000 books were ordered for the same publication. However, as of June 30, 1974, the inventory unit found 59,730 books in the Farrington warehouse. These items were not all properly recorded on the locator files. Thus, GPO incurred a costly reprint of stock when material on hand could not be located.

Another locator problem in the warehouses concerns the apparent lack of and maintenance of a specific stock locator

system. In taking a physical inventory, the cyclical inventory team must be able to identify and count every item stored in the warehouses. Lack of any specific stock location plan in the warehouses has restrained this effort. GPO officials acknowledged that (1) entire stock for a publication could be stored in one location or area and (2) sales stock could be segmented by Federal agency within a warehouse. However, stock is stored in the warehouses without such a detailed segmentation scheme. One warehouse location does not usually contain the entire stock for a particular publication.

We randomly selected records of 100 publications at the Farrington warehouse. Forty-five had multiple stock locations. Two publications had eight different locations within the Farrington warehouse. Since the inventory unit could not feasibly inventory the Farrington warehouse individual stock items at one point in time, due to multiple stock locations, accurate inventory balances could not always be computed.

#### FORMALIZED CYCLE INVENTORY PLAN NEEDED BY GPO

GPO's perpetual inventory system is predicated on counting all publications every 18 months. However, GPO does not have a detailed formalized cycle inventory plan to aid in meeting this deadline. Such a plan would require Public Documents Area personnel to realistically determine and schedule the resources and methods required to physically inventory and reconcile all sales stock within each inventory cycle.

The lack of such a plan and its implementation has prevented GPO from meeting its cyclical inventory schedule deadlines over the last two cycle periods. GPO never completed its cyclical inventory for the period ended June 30, 1972. As a result, GAO disclaimed an opinion on the June 30, 1972, GPO financial statements. Due to the time and resource constraints, GPO was also unable to complete its cyclical inventory function for the period ending June 30, 1974. Because of many errors incurred in this cycle inventory (see pp. 10 and 11), GAO is qualifying its opinion on GPO's financial statements for fiscal year 1974.

#### PUBLICATIONS RECEIPTS AND CONTROL SYSTEM

In May 1973 the Public Printer established a task force to provide the Public Documents Area and other GPO activities with an integrated, automated, administrative-operational system capable of handling everything from incoming orders to

inventory data and control. One part of this operation is the Publications Receipts and Control System which will enable GPO to manage and control the bulk warehouse publications for sale inventory system.

GPO officials stated that they are currently implementing the system at both the Farrington and Laurel warehouses. As part of this effort, GPO is counting every publication before entering it in the system.

Although this automated system should provide better controls over the publications for sale inventory, the problems we have identified must still be corrected for this new system to function effectively.

#### RECOMMENDATIONS

To improve management and control over the publications for sale inventory, we recommend that the Public Printer:

- Establish procedures to reconcile recording of pre-posted publications destroyed, stock orders, and order-filling entries with actual amounts.
- Provide procedures to establish and maintain warehouse locator records which accurately reflect the quantity and location of each publication at all times.
- Systematically arrange each publications inventory warehouse by stock number, avoiding multiple stock locations of individual publications.
- Establish a realistic, formalized cycle inventory plan specifying the inventory unit's warehouse review schedule, the resources required to meet the schedules, and requirement for researching discrepancies between counts and inventory records.

#### AGENCY COMMENTS AND OUR EVALUATION

In a letter dated May 23, 1975, the Public Printer advised us that GPO agreed in principle with our recommendations. As a result, the Public Printer is taking the following actions:

- Transactions which affect the balance of publications inventory will be recorded on the basis of actual number of publications removed from inventory and not on the basis of publications requested. This will eliminate the need to reconcile accounting entries with actual physical transactions.

--An automated inventory control system for GPO is being implemented. This system will show the quantities of publications stored at each location in the warehouses.

--Pallet racks have been installed at the Laurel, Maryland, warehouse which allows GPO to consolidate storage of publications. If it is necessary to use multiple locations, GPO's computer system should minimize the problems pointed out in the GAO report. GPO plans to vacate the Farrington warehouse and consolidate bulk storage at Laurel, Maryland.

--A formalized cycle inventory plan for publications for sale inventory is being developed.

We were advised by GPO that a time frame to vacate the Farrington warehouse has not been established because approval must first be received from the Joint Committee on Printing.

## CHAPTER 4

### COMMENTS ON FINANCIAL STATEMENTS

#### PUBLICATIONS FOR SALE INVENTORY

We could not verify the accuracy of the \$12 million of publications for sale inventory at June 30, 1974. (See table 1.) This inventory figure was based primarily on GPO's perpetual inventory records. Details on the controls and management of this perpetual inventory system are discussed in chapter 3.

At June 30, 1974, GPO's 1111 North Capitol Street, Farrington Avenue, and Eisenhower Avenue warehouses contained, according to GPO, approximately 78 percent of the publications for sale inventory. We were unable to rely on the perpetual inventory records for these warehouses because:

#### Farrington Avenue

- Due to lack of controls over locating inventory in the warehouse, the method used for counting and adjusting the perpetual inventory items could often produce incorrect results. We could not determine a reasonable adjusted balance for 26 percent of a sample of 50 items. The reason is as follows: A particular publication was often located in several different areas of the warehouse and therefore counted over a period of months. When the counts were completed, the perpetual card was adjusted. If the publication had activity during the period it was counted, it became impossible to correctly determine the effect the activity had on the existing inventory.
- No adequate controls were utilized to insure that all stock on hand at the Farrington warehouse at the beginning of the cyclical inventory was counted.
- Inventory counting sheets were not controlled to insure that all physical counts were either posted to the perpetual records or included in the yearend balance.
- Sixteen percent of the physical counts had not been posted to the perpetual records at June 30, 1974, resulting in a \$262,026 increase to the ending inventory. Numerous errors in quantities and prices existed on the adjustment sheets used to compute the ending inventory.



--Sizeable differences existed between some perpetual<sup>10251</sup> card balances and the physical counts. However, these differences were not always reconciled even though the physical counts sometimes greatly exceeded the total number of publications received by GPO.

#### 1111 North Capitol Street

--At least 50 percent of the GPO physical counts for the current cycle period were never posted to the perpetual records.

--Forty-two percent of the 31 counts GAO made at the 1111 North Capitol Street warehouse varied largely from the perpetual records.

In addition, there were numerous errors in computing the yearend balances from the GPO warehouse perpetual cards as follows:

--Perpetual inventory card balances other than June 30, 1974, were used as yearend balances.

--Some perpetual card balances were not used at all.

--Some publications were priced incorrectly at the price based on the original order instead of the reprint price and some were priced at the reprint price instead of original price.

--A publication priced in sets of eight books was overstated by \$166,227 because a set of books was erroneously considered to consist of four books.

Because of the numerous problems in the existing perpetual inventory system, it was not practicable to determine the effect of the many errors in the approximately 17,000 perpetual records. It was also not practicable to randomly select and physically count the number of publications required for an independent test. As a result, we could not determine the reasonableness of the June 30, 1974, balance of publications for sale inventory.

#### MATERIALS AND SUPPLIES INVENTORY

The \$19,178,490 balance at June 30, 1974, for paper, envelopes, and other supplies, as shown in table 1, consisted of \$15,241,756 for paper and envelopes and \$3,936,734 for materials and supplies. We were able to satisfy ourselves as to the reasonableness of the June 30, 1974, balance for

paper, and envelopes. However, we were unable to determine the reasonableness of the June 30 balance of materials and supplies because substantial errors existed in the perpetual inventory records.

The GPO internal audit staff, using a judgment sample, tested the perpetual records of 73 general stores items valued at \$527,301, or 13.4 percent of the total yearend inventory. Forty-five of these items, valued at \$316,445, were each incorrectly stated by over 25 percent. The net overstatement was \$124,030.13, or 23.5 percent of the sample value. The accounting records were adjusted by December 1974 for all differences noted during the audit.

On June 30, 1974, about 86 percent of the material and supplies inventory was located in general stores. This inventory consisted of about 20,700 different types of items. The GPO internal audit staff's judgment sample indicated the possibility of substantial errors in the perpetual records. Errors identified were attributed to computer errors, failure to record a stores order, and processing of a duplicate receiving ticket. Because it was not practicable to randomly select and physically count the number of materials and supplies items required for an independent test, we could not determine the reasonableness of the June 30, 1974, balance of materials and supplies inventory.

On May 6, 1974, GPO issued an instruction entitled, "Materials and Supplies Inventory Control System--GPO Stores Division and Material Substores." We believe the problems we have identified will be corrected if the instruction is properly implemented and if recounts and reconciliations are required when the original cycle count for an item differs significantly from the perpetual records.

## CHAPTER 5

### INTERNAL AUDIT

The internal audit function at GPO is the responsibility of the Office of Audits. Currently, the Office of Audits consists of a director, six auditors, one contract specialist, and one printing specialist. The acting director reports directly to the Public Printer.

The Office of Audits conducts independent and comprehensive audits of GPO operations and/or organizational units in Washington, D.C., and GPO-field activities. External audits, including contract audits, are also performed by the Office of Audits. A 5-year audit plan, which began in 1973, should provide for the auditing of the financial, administrative, contracting, and other operations of all GPO organizational units. During fiscal year 1974 the Office of Audits issued 26 reports concerning various aspects of GPO operations.

Each year the Office of Audits reviews several financial accounts. This reduces the amount of our work on these accounts, as we rely to the extent possible on the work of the internal auditors.

## CHAPTER 6

### SCOPE OF EXAMINATION AND

### OPINION ON FINANCIAL STATEMENTS

#### SCOPE OF EXAMINATION

We reviewed GPO's statement of assets, liabilities, and investments as of June 30, 1974; related statements of revenue 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.

We have also reviewed some of GPO's operations. GAO fiscal year 1974 reports concerning these operations are listed in appendix I.

#### OPINION ON FINANCIAL STATEMENTS

The financial statements accompanying this report were prepared by GPO with minor modification by us to improve their clarity. 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 \$950,000, include the cost of space and utilities furnished GPO in buildings under the control of, or leased by, the General Services Administration and the cost of our annual audit.

Because of the following reasons, we were unable to determine the reasonableness of the June 30, 1974, balances of publications for sale inventory, material and supplies inventory, and related expenses, consisting of material, cost of publications sold, and cost of publications destroyed, which are included as operating expenses in the statement of changes in financial position. (See tables 1, 2, 5, and 6.)

--Problems concerning the publications for sale perpetual inventory systems resulted in numerous errors in the perpetual records. It was not practicable to determine the value of the inventory through an independent test. (See pp. 10 and 11.)

--Significant errors were disclosed by a GPO, Office of Audits, judgment sample of the material and supplies perpetual inventory records and we were unable to verify the inventory by other auditing techniques. (See pp. 11 and 12.)

In our opinion, except for publications for sale inventory, material and supplies inventory, and the related expenses as noted above, the financial statements (tables 1 through 6) present fairly the financial position of the Government Printing Office at June 30, 1974, the results of its operations for the years ended June 30, 1973 and 1974, and changes in its financial position for the year ended June 30, 1974, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

GOVERNMENT PRINTING OFFICE  
STATEMENT OF ASSETS, LIABILITIES AND INVESTMENTS  
AS OF JUNE 30, 1974

ASSETS	Revolving Fund	Other Funds (1)	Combined Funds	LIABILITIES AND INVESTMENTS	Revolving Fund	Other Funds (1)	Combined Funds
FUND BALANCES WITH U.S. TREASURY & CASH:				LIABILITIES:			
Fund balances in U.S. Treasury	\$ 23,520,306	\$11,025,791	\$ 34,546,097	Accounts payable (3)	\$ 57,423,036	\$ 1,153,101	\$ 58,576,137
Cash on hand and in transit	<u>1,550,568</u>	<u>---</u>	<u>1,550,568</u>	Accrued Salaries and Wages	2,602,804	257,273	2,860,077
	25,070,874	11,025,791	36,096,665	Amounts withheld from employee's for purchase of savings bonds and payment of taxes	3,146,092	---	3,146,092
ACCOUNTS RECEIVABLE AND ADVANCES:				Employees accrued annual leave	4,974,707	518,141	5,492,848
Accounts Receivable:				Customers Deposits, prepaid subscriptions and unearned income	<u>14,747,569</u>	<u>---</u>	<u>14,747,569</u>
Government agencies	126,955,805	199,167	127,154,972		82,894,208	1,928,515	84,822,723
Other	1,544,082	---	1,544,082	INVESTMENT OF U.S. GOVERNMENT:			
Advances to employees	<u>6,308</u>	<u>---</u>	<u>6,308</u>	Capital	92,715,383	---	92,715,383
	128,506,195	199,167	128,705,362	Retained earnings reserved	7,768,622	---	7,768,622
INVENTORIES: (2)				Retained earnings unreserved	33,709,101	---	33,709,101
Publications for sale, net	12,035,675	---	12,035,675	Appropriations and other fund balances	---	12,175,871	12,175,871
Printing work in process, at standard value	26,669,175	---	26,669,175	Income from sales of publications payable to U.S. Treasury	<u>6,183,059</u>	<u>---</u>	<u>6,183,059</u>
Paper, envelopes, and other supplies at cost	<u>19,178,490</u>	<u>---</u>	<u>19,178,490</u>		140,376,165	12,175,871	152,552,036
	57,883,340	---	57,883,340	TOTAL LIABILITIES AND INVESTMENT OF U.S. GOVERNMENT	<u>\$223,270,373</u>	<u>\$14,104,386</u>	<u>\$237,374,759</u>
DEFERRED CHARGES	9,581	---	9,581				
PROPERTY, PLANT AND EQUIPMENT:							
Land and buildings, at cost	---	9,085,172	9,085,172				
Equipment and building appurtenances	<u>39,653,201</u>	<u>1,464,532</u>	<u>41,117,733</u>				
	39,653,201	10,549,704	50,202,905				
Less: Allowance for depreciation	<u>-27,852,818</u>	<u>-7,670,276</u>	<u>-35,523,094</u>				
	11,800,383	2,879,428	14,679,811				
TOTAL ASSETS	<u>\$223,270,373</u>	<u>\$14,104,386</u>	<u>\$237,374,759</u>				

GAO's opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

TABLE 2

GOVERNMENT PRINTING OFFICE  
 REVOLVING FUND  
 COMPARATIVE CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE  
 FISCAL YEARS ENDED JUNE 30, 1974 AND 1973

	FISCAL YEAR <u>1974</u>	FISCAL YEAR <u>1973</u>	INCREASE OR DECREASE (-)
<b>REVENUE</b>			
Printing and Binding services performed for (4) Government agencies and Congress	\$346,834,873	\$279,799,137	\$67,035,736
Document Sales to the public	33,541,526	23,135,570	10,405,956
Appropriation for increased mailing costs (TABLE 3)	-0-	6,214,000	(6,214,000)
Services associated with Document sales: Reimbursements by appropriations to the Superintendent of Documents (TABLE 3)	20,181,715	15,693,239	4,488,476
Services associated with depository libraries, cataloging and indexing, and distribution for other agencies: Reimbursements by appropriations to the Superintendent of Documents (TABLE 3)	13,771,536	7,942,328	5,829,208
Blank paper sales: Receipts from other Government agencies	18,769,789	11,642,180	7,127,609
Other	<u>1,298,508</u>	<u>797,815</u>	<u>500,693</u>
<b>TOTAL REVENUE</b>	<u>\$434,397,947</u>	<u>\$345,224,269</u>	<u>\$89,173,678</u>
<b>DIRECT COSTS</b>			
Labor	\$ 81,536,234	\$ 73,872,953	\$ 7,663,281
Material	35,472,417	23,442,563	12,029,854
Purchases of Printing	205,114,107	151,768,736	53,345,371
Cost of Publications Sold	14,969,978	8,632,829	6,337,149
Cost of Publications Destroyed	<u>2,691,057</u>	<u>2,077,379</u>	<u>613,678</u>
<b>TOTAL DIRECT COSTS</b>	<u>\$339,783,793</u>	<u>\$259,794,460</u>	<u>\$79,989,333</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>89,088,413</u>	<u>73,957,205</u>	<u>15,131,208</u>
<b>TOTAL EXPENSES</b>	<u>\$428,872,206</u>	<u>\$333,751,665</u>	<u>\$95,120,541</u>
<b>NET INCOME TO THE REVOLVING FUND</b>	\$ 5,525,741	\$ 11,472,604	\$(5,946,863)
Less amount payable to the United States Treasury (TABLE 5)	<u>1,229,666</u>	<u>4,953,393</u>	<u>(3,723,727)</u>
<b>NET INCOME RETAINED BY THE REVOLVING FUND</b>	<u>\$ 4,296,075</u>	<u>\$ 6,519,211</u>	<u>\$(2,223,136)</u>
<b>CHANGE IN EARNINGS RETAINED BY THE REVOLVING FUND</b>			
Balance - July 1, 1973	\$ 37,181,648		
Add: Net Income retained by Revolving Fund	<u>4,296,075</u>		
Balance - June 30, 1974	<u>\$ 41,477,723</u>		

GAO'S opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

TABLE 3

GOVERNMENT PRINTING OFFICE  
OTHER FUNDS  
STATUS OF APPROPRIATIONS AND OTHER FUND BALANCES  
AT JUNE 30, 1974

	<u>Appropriation</u>			<u>Total</u>
	<u>Printing &amp; Binding For Congress</u>	<u>Superintendent of Documents</u>	<u>Other (6)</u>	
Balances at July 1, 1973	\$1,654,456	\$529,568	\$2,382,156	\$4,566,180
Source of Funds:				
Appropriations for Fiscal Year 1974	64,000,000	36,871,000	4,600,000	105,471,000
Reimbursements	---	696,909	---	696,909
Increase in investment of furniture	---	---	<u>177,007</u>	<u>177,007</u>
TOTAL	<u>65,654,456</u>	<u>38,097,477</u>	<u>7,159,163</u>	<u>110,911,096</u>
Use of Funds:				
Amounts paid to the Revolving Fund in payment for:				
Congressional Printing and Binding (TABLE 4)	64,069,336	---	---	64,069,336
Sales distribution (TABLE 4)	---	20,181,715	---	20,181,715
Other expenses (TABLE 4)	---	13,771,536	---	13,771,536
Unobligated funds returned to U.S. Treasury	---	514,763	---	514,763
Depreciation on buildings, furniture and fixtures	---	---	121,867	121,867
Increase in liability for employees annual leave, Superintendent of Documents	---	---	<u>76,008</u>	<u>76,008</u>
TOTAL DEDUCTIONS	<u>64,069,336</u>	<u>34,468,014</u>	<u>197,875</u>	<u>98,735,225</u>
Balances at June 30, 1974 (TABLE 1)	<u>\$1,585,120</u>	<u>\$3,629,463</u>	<u>\$6,961,288</u>	<u>\$12,175,871</u>
UNOBLIGATED BALANCES OR OVEROBLIGATION (-)				
Appropriation Balance at June 30, 1974 (as above)	1,585,120	3,629,463		
Less:				
Obligations	<u>31,494,172</u>	<u>3,629,463</u>		
Unobligated balance or overobligation (5)	<u>-29,909,052</u>	<u>-0-</u>		

GAO's opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.



GOVERNMENT PRINTING OFFICE  
OTHER FUNDS  
STATEMENT OF PAYMENTS  
FROM APPROPRIATIONS TO THE REVOLVING FUND  
FISCAL YEARS ENDED JUNE 30, 1974 AND 1973

	Fiscal Year <u>1974</u>	Fiscal Year <u>1973</u>	Increase or Decrease (-)
Payments from Congressional printing and binding appropriations to revolving fund			
Congressional Record	\$13,784,792	\$ 5,840,300	\$7,944,492
Hearings	14,648,938	13,538,688	1,110,250
Miscellaneous printing and binding	9,645,696	6,581,284	3,064,412
Bills, resolutions and amendments	5,595,976	5,509,849	86,127
Miscellaneous publications	2,453,650	3,191,560	(737,910)
Federal Register	4,864,701	4,341,387	523,314
Committee prints	4,150,595	3,161,358	989,237
House and Senate calendars	1,433,584	1,380,230	53,354
Documents	3,038,766	1,277,851	1,760,915
Supplements to the Code of Federal Regulations	1,705,500	1,962,591	(257,091)
Committee reports	1,884,482	1,482,430	402,052
Franked envelopes	601,567	634,766	(33,199)
Publications for international exchange	214,420	335,490	(121,070)
Document franks	<u>46,669</u>	<u>49,995</u>	<u>(3,326)</u>
TOTAL PAYMENTS (TABLE 3)	<u>\$64,069,336</u>	<u>\$49,287,779</u>	<u>\$14,781,557</u>
Payments from Superintendent of Documents appropriations to the revolving fund			
Sales distribution expense (TABLE 3)	\$20,181,715	\$15,693,239	\$4,488,476
Increased mailing costs (TABLE 3)	---	6,214,000	(6,214,000)
Distribution for other agencies	8,570,563	1,936,224	6,634,339
Depository library distribution	4,810,218	5,133,329	(323,111)
Cataloging and indexing	<u>390,755</u>	<u>872,775</u>	<u>(482,020)</u>
TOTAL PAYMENTS	<u>\$33,953,251</u>	<u>\$29,849,567</u>	<u>\$4,103,684</u>

GAO's opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

TABLE 5

## GOVERNMENT PRINTING OFFICE

 REVOLVING FUND  
 AMOUNTS DUE U.S. TREASURY  
 FROM SALE OF PUBLICATIONS

FISCAL YEARS ENDED JUNE 30, 1974 AND 1973

	Fiscal Year <u>1974</u>	Fiscal Year <u>1973</u>	Increase or Decrease (-)
<b>REVENUE</b>			
Document sales to the public (TABLE 2)	\$33,541,526	\$23,135,570	\$10,405,956
Appropriation for increased mailing costs	-0-	6,214,000	(6,214,000)
Reimbursements by appropriations to the Superintendent of Documents	20,181,715	15,693,239	4,488,476
Other revenue	<u>764,577</u>	<u>545,504</u>	<u>219,073</u>
TOTAL REVENUE	<u>\$54,487,818</u>	<u>\$45,588,313</u>	<u>\$8,899,505</u>
<b>EXPENSES</b>			
Cost of publications sold	14,969,978	8,632,828	6,337,150
Cost of publications destroyed	2,691,057	2,077,379	613,678
<b>OTHER EXPENSES</b>			
Salaries and expenses (TABLE 3)	20,181,715	15,693,239	4,488,476
Administrative expense	4,855,402	4,631,024	224,378
Postage expense	<u>10,560,000</u>	<u>9,600,450</u>	<u>959,550</u>
TOTAL EXPENSES	<u>\$53,258,152</u>	<u>\$40,634,920</u>	<u>\$12,623,232</u>
AMOUNT PAYABLE TO THE U.S. TREASURY (TABLE 2)	<u>\$1,229,666</u>	<u>\$4,953,393</u>	<u>\$(3,723,727)</u>
Status of payments due U.S. Treasury	4,953,393		
Balance payable July 1, 1973			
Add: Amount payable to U.S. Treasury for Fiscal Year 1974	1,229,666		
Less: Payments to U.S. Treasury during Fiscal Year 1974	<u>-0-</u>		
Balance payable June 30, 1974 (TABLE 1)	<u>\$6,183,059</u>		

GAO's opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

GOVERNMENT PRINTING OFFICE  
 REVOLVING AND OTHER FUNDS  
 STATEMENT OF CHANGES IN FINANCIAL POSITION  
 FISCAL YEAR ENDED JUNE 30, 1974

Funds provided by:			
Printing and binding services performed (TABLE 2)			\$346,834,873
Document sales to the public (TABLE 2)			33,541,526
Sales of paper (TABLE 2)			18,769,789
Appropriations:			
For Congressional printing and binding	\$ 64,000,000		
For Superintendent of Documents	36,871,000		
For site acquisition	4,600,000		
For electrical and air conditioning improvements	<u>7,400,000</u>		
Total Appropriations			112,871,000
Other revenue (TABLE 2)			1,298,508
Miscellaneous:			
Disposal of fixed assets	73,236		
Reimbursements to S&E appropriation	<u>696,909</u>		
Total Miscellaneous Funds			<u>770,145</u>
Total Funds Available			\$514,085,841
Funds applied:			
Operating expenses, less depreciation and net change in accrued annual leave			427,268,666
Payments for Congressional printing and binding			64,069,336
Purchases of equipment			3,959,544
Funds returned to U.S. Treasury			<u>514,763</u>
Total Funds Applied			<u>\$495,812,309</u>
Increase in working capital			<u>\$ 18,273,532</u>
ANALYSIS OF WORKING CAPITAL			
	<u>1974</u>	<u>1973</u>	<u>Increase or Decrease (-)</u>
Fund balances with U.S. Treasury	\$ 36,096,665	\$ 19,359,646	\$ 16,737,019
Accounts receivable and advances	128,705,362	109,305,719	19,399,643
Inventories	57,883,340	44,133,580	13,749,760
Deferred charges	<u>9,581</u>	<u>15,056</u>	<u>( 5,475)</u>
	\$222,694,948	\$172,814,001	\$ 49,880,947
Less:			
Liabilities excluding employees' accrued annual leave	<u>79,329,875</u>	<u>47,722,460</u>	<u>31,607,415</u>
Total working capital	<u>\$143,365,073</u>	<u>\$125,091,541</u>	<u>\$ 18,273,532</u>

GAO's opinion on these financial statements appears on pages 14 and 15.

The accompanying notes and summary of significant accounting policies are an integral part of the financial statements.

## FOOTNOTES TO FINANCIAL STATEMENTS

1. Other funds consist of account balances of the Congressional Printing and Binding Appropriation, Office of the Superintendent of Documents Salaries and Expenses Appropriation, Site Acquisition Appropriation, and the value of building structures and land which is specifically excluded from the Government Printing Office Revolving Fund by law (44 U.S.C. 309).
2. Publications for sale inventory is net of \$1,703,680, allowance for unsalable publications. Paper, envelopes, and other supplies are composed of \$15,241,756 for paper and envelopes and \$3,936,734 for materials and supplies.
3. Accounts Payable does not include a contingent liability of \$17,849,285 for the net value of sick leave earned and accumulated by employees of the Government Printing Office.
4. Printing and Binding services performed for Government agencies and the Congress include intraoffice sales of \$16,746,786 for printing and binding work performed for the Superintendent of Documents' Sales Program.
5. Overobligation of \$29,909,052 has been authorized by the Congress to be paid from appropriations for subsequent fiscal years.
6. Other funds represent \$4.6 million for the acquisition of a new site for the Government Printing Office; the book value of \$2,070,088 for Government Printing Office buildings; the Superintendent of Documents' furniture, machinery, and equipment with a book value of \$809,341, less the Superintendent of Documents' accrued annual leave for employees of \$518,141.

## SIGNIFICANT ACCOUNTING POLICIES

Assets, liabilities, revenue, and expenses are recognized on the accrual basis of accounting.

Depreciation of the plant equipment and machinery is provided on a basis estimated by the Government Printing Office to be sufficient to write off the cost of the assets over their useful lives, using the straight-line method.

Revenue generated by the printing and binding operation is recognized when entered into work-in-process.

Revenue generated by the Sales of Publications Operation is recognized when publications have been shipped or when services have been performed.

Reserved retained earnings represent funds for future acquisitions of machinery and equipment.

Publications for sale inventory is computed using the retail inventory pricing method; printing work-in-process is recorded at standard value (standard cost plus a percentage for profit); paper inventory is recorded at a standard cost using the first-in, first-out method of valuation; and the materials and supplies inventory is computed on a moving average basis.

GAO FISCAL YEAR 1974 REPORTS  
ON GPO OPERATIONS

NEED TO IMPROVE MANAGEMENT  
AND OPERATIONS OF REGIONAL PRINTING  
PROCUREMENT OFFICES, GPO, B-114829,  
FEBRUARY 20, 1974

GAO reviewed GPO's implementation of the Federal Printing Procurement Program which includes procurement of commercial printing for Federal agencies and providing technical advice on printing.

TO REPRESENTATIVE FRANK E. EVANS  
GPO DISTRIBUTION CENTERS' COSTS, ORDER  
FILLING TURNAROUND TIME, AND FUNDING,  
B-114829, JANUARY 4, 1974

GAO made a comparative study of the unit costs and order turnaround times at the GPO distribution centers and the Public Documents Department central office in Washington, D.C. GAO also looked into GPO's funding of salaries and other costs for the distribution centers.

TO SENATOR ADLAI E. STEVENSON III  
GPO CENTRAL OFFICE ORDER FILLING,  
B-114829, AUGUST 16, 1973

GAO reviewed the Public Documents Department order filling procedures to determine the number of orders shipped and orders requiring further correspondence or letters of inquiry.

OBSERVATIONS AND SUGGESTIONS FOR  
IMPROVING THE PUBLIC DOCUMENTS  
DEPARTMENT, GPO, B-114829, JUNE 14, 1974

GAO reviewed GPO's sales program including its order processing system and the related personnel activities.

OPPORTUNITIES FOR SAVINGS  
IN THE PROCUREMENT OF TAB PAPER,  
GENERAL SERVICES ADMINISTRATION,  
B-115369, FEBRUARY 7, 1974

GAO's review was directed toward identifying specific problems related to procuring tab paper used in the Government's automatic data processing operations.



OFFICE OF THE  
PUBLIC PRINTER

UNITED STATES GOVERNMENT PRINTING OFFICE  
WASHINGTON, D.C. 20401

May 23, 1975

Mr. J. E. Thornton  
Director, Field Operations  
Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Thornton:

Thank you for providing us the opportunity to review the draft audit report on GPO's financial statements for Fiscal Year 1974.

The draft report included four recommendations. I have summarized the actions we are taking following each recommendation. GAO recommended that GPO:

--Establish procedures to reconcile recording of preposted publications destroyed, stock orders, and order-filling entries with actual amounts.

I have directed that transactions which affect the balance of publications inventory be recorded on the basis of actual number of publications removed from inventory and not on the basis of publications requested. This will eliminate the need to reconcile accounting entries with actual physical transactions.

--Provide procedures to establish and maintain warehouse locator records which accurately reflect the quantity and location of each publication at all times.

We are implementing an automated inventory control system for our warehouses. This system will show the quantities of publications stored at each location in the warehouse. Based on the current rate of progress, we anticipate that the system will be fully implemented by June 15, 1975.

--Systematically arrange each publications inventory warehouse by stock number, avoiding multiple stock locations of individual publications.

At the warehouse in Laurel, Maryland, we have installed pallet racks which allows us to consolidate storage of publications. If it is necessary to use multiple locations, our computer system should



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minimize the problems pointed out in your report. We plan to vacate the Farrington warehouse and consolidate bulk storage at Laurel, Maryland.

- Establish a realistic, formalized cycle inventory plan specifying the inventory unit's warehouse review schedule, the resources required to meet the schedules, and requirement for researching discrepancies between counts and inventory records.

I have directed that a formalized cycle inventory plan be developed for publications by July 1, 1975.

I would like to take this opportunity to convey my appreciation to your staff for their efforts. In my opinion, GAO has been conscientious in assisting GPO management in its efforts to improve and strengthen operating procedures.

Sincerely,

T. F. McCormick  
Public Printer



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
DEPUTY PUBLIC PRINTER (OPERATIONS): John J. Boyle	June 1973	Present
ASSISTANT PUBLIC PRINTER (MANAGEMENT AND ADMINISTRATION): Walter C. DeVaughn	June 1973	Present
ASSISTANT PUBLIC PRINTER (SUPERINTENDENT OF DOCUMENTS): W. H. Lewis	June 1973	Present

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