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REPORT TO THE CONGRESS

72-0162³⁰



Examination Of Financial Statements, Bureau Of Engraving And Printing Fund, Fiscal Years 1970 And 1971 B-114801

Department of the Treasury

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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MAY 17, 1972



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

B-114801

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

This is our report on our examination of the financial statements of the Bureau of Engraving and Printing Fund for fiscal years 1970 and 1971. 821

Our examination was made pursuant to the act of August 4, 1950 (31 U.S.C. 181), which established the Bureau of Engraving and Printing Fund.

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of the Treasury. 38

Comptroller General
of the United States

C o n t e n t s

	<u>Page</u>
DIGEST	1
INTRODUCTION	3
OPERATIONS	3
Procurement of currency paper	4
Fixed-assets acquisition program	4
SCOPE OF EXAMINATION	5
OPINION ON FINANCIAL STATEMENTS	7
FINANCIAL STATEMENTS	
Schedule	
1 Comparative statement of financial condition, June 30, 1971 and 1970	9
2 Comparative statement of income and expense for the fiscal years ended June 30, 1971 and 1970	10
3 Statement of sources and application of funds for the fiscal years 1971 and 1970	11
Notes to financial statements	12
APPENDIX	
I Deliveries of finished work by the Bureau of Engraving and Printing, fiscal years 1970 and 1971	15

D I G E S T

WHY THE EXAMINATION WAS MADE

The General Accounting Office (GAO) is required by law to examine the financial statements of the Bureau of Engraving and Printing Fund.

OPINION OF FINANCIAL STATEMENTS

In GAO's opinion, the accompanying financial statements of the Bureau of Engraving and Printing Fund present fairly its financial position at June 30, 1970 and 1971, and the results of its operations and the sources and application of its funds for the years then ended, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of preceding years.

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report is being submitted to the Congress, as required by the act of August 4, 1950, to show the results of GAO's examination of the Bureau of Engraving and Printing Fund and such other information as deemed necessary to keep the Congress informed of the Bureau's operations.

INTRODUCTION

The Bureau of Engraving and Printing of the Department of the Treasury is responsible for manufacturing U.S. paper currency, various public debt instruments, postage and internal revenue stamps, food coupons, and military payment certificates. In addition, the Bureau prints commissions, certificates of awards, permits, and a wide variety of other miscellaneous items. The Bureau's products are produced for Government departments and independent agencies, the Board of Governors of the Federal Reserve System, and insular possessions of the United States.

Management of the Bureau is vested in a Director who is appointed by the Secretary of the Treasury. Mr. James A. Conlon, the present Director, was appointed to this position effective October 9, 1967.

OPERATIONS

The Bureau's operations are financed from a revolving fund--the Bureau of Engraving and Printing Fund. The act of August 4, 1950 (31 U.S.C. 181), which established the fund, provides that requisitioning agencies make payment at prices deemed by the Secretary of the Treasury to be adequate to recover the costs of the Bureau in producing the items requisitioned. The act provides further that any surplus accruing to the fund in any fiscal year be paid into the general fund of the Treasury as miscellaneous receipts, except that any surplus may be applied first to offset any accumulated deficit from prior years' operations.

The Bureau reported that deliveries of all classes of products amounted to about 33 billion pieces and about 41 billion pieces in fiscal years 1970 and 1971, respectively. The appendix contains a listing of the products and quantities delivered. Revenues from sales of the products in fiscal years 1970 and 1971 amounted to about \$44.7 million and \$56.1 million, respectively. Net losses for fiscal years 1970 and 1971 were \$96,258 and \$192,600, respectively. Selling prices have been adjusted to recover the losses incurred in fiscal years 1970 and 1971.

supplemental equipment. The purposes of the program, which covers fiscal years 1972 through 1974, are to (1) maintain the Bureau's productive capacity at a rate consistent with the growth of work programs, (2) further improve its operations, and (3) mechanize some of the more costly manual processing operations.

An estimated \$17 million will be required during the 3-year period to implement this plan. The cost of this specialized equipment, however, will substantially exceed the funds which will be available to the Bureau. Accordingly the Bureau's budget submission for fiscal year 1972 included a request for an appropriation of \$3 million to initiate this accelerated acquisition program.

The Treasury Department Appropriation Act, 1972 (Pub. L. 92-49; 85 Stat. 109), approved July 9, 1971, authorized \$3 million additional capital to the Bureau of Engraving and Printing Fund for the purchase of modern printing presses and other specialized equipment.

SCOPE OF EXAMINATION

Our examination of the financial statements of the Bureau of Engraving and Printing Fund for fiscal years 1970 and 1971 was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Confirmations from customer agencies were not obtained in support of the accounts receivable balance; but we satisfied ourselves, by means of other auditing procedures, that the accounts receivable had been fairly stated.

Our review of the work of the Internal Audit staff of the Bureau indicated that the scope of its audit program was satisfactory and provided adequate tests of the areas reviewed. Therefore the extent of our detailed tests of accounting records was reduced. Our review of the work of the Internal Audit staff included (1) reviewing the audit program to determine the adequacy of the prescribed procedures,

OPINION ON FINANCIAL STATEMENTS

The financial statements accompanying this report were prepared by the Bureau of Engraving and Printing.

In our opinion, the accompanying financial statements (schs. 1, 2, and 3) present fairly the financial position of the Bureau of Engraving and Printing Fund at June 30, 1970 and 1971, and the results of its operations and the sources and application of its funds for the years then ended, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of preceding years.

SCHEDULE 1

DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING FUND

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1971 AND 1970

ASSETS	<u>June 30, 1971</u>	<u>June 30, 1970</u>
CURRENT ASSETS:		
Cash with the Treasury	\$ 3,569,257	\$ 4,483,307
Accounts receivable	5,334,281	3,356,819
Inventories (note 1):		
Finished goods	1,650,123	1,664,866
Work in process	3,760,751	4,688,484
Raw materials	1,722,641	1,259,524
Stores	1,615,964	1,381,437
Prepaid expenses	<u>128,641</u>	<u>138,763</u>
Total current assets	<u>17,781,658</u>	<u>16,973,200</u>
FIXED ASSETS (note 2):		
Plant machinery and equipment	25,844,982	23,153,898
Motor vehicles	163,862	163,862
Office machines	363,847	344,339
Furniture and fixtures	555,153	541,477
Dies, rolls and plates	3,955,961	3,955,961
Building appurtenances	4,439,887	3,933,169
Fixed assets under construction	<u>308,630</u>	<u>2,151,925</u>
	35,632,322	34,244,631
Less accumulated depreciation	<u>20,931,072</u>	<u>19,390,980</u>
	14,701,250	14,853,651
Excess fixed assets (written down to 5% and 15% of book value, 1971 and 1970, respectively)	<u>117</u>	<u>3,844</u>
Total fixed assets	<u>14,701,367</u>	<u>14,857,495</u>
DEFERRED CHARGES	<u>144,992</u>	<u>222,237</u>
Total assets	<u>\$32,628,017</u>	<u>\$32,052,932</u>
LIABILITIES AND INVESTMENT OF THE U.S. GOVERNMENT		
LIABILITIES:		
Accounts payable	\$ 1,029,527	\$ 581,252
Accrued liabilities:		
Payroll	2,131,186	1,672,650
Accrued leave	2,278,487	2,074,513
Constructive receipts (note 3)	564,155	2,072,402
Other	447,576	338,879
Trust and deposit liabilities	203,819	153,951
Advance from the Department of Agriculture (note 4)	1,000,000	-
Other liabilities	1,649	1,211
Deferred credits	<u>9,546</u>	<u>3,402</u>
Total liabilities (note 5)	<u>7,665,945</u>	<u>6,898,260</u>
INVESTMENT OF THE U.S. GOVERNMENT:		
Appropriation from U.S. Treasury	3,250,000	3,250,000
Donated assets, net	<u>22,000,930</u>	<u>22,000,930</u>
	25,250,930	25,250,930
Accumulated earnings or deficit (-) (note 6)	<u>-288,858</u>	<u>-96,258</u>
Total investment of the U.S. Government	<u>24,962,072</u>	<u>25,154,672</u>
Total liabilities and investment of the U.S. Government	<u>\$32,628,017</u>	<u>\$32,052,932</u>

The notes following schedule 3 are an integral part of this statement.

SCHEDULE 3

DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING FUND

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR THE FISCAL YEARS 1971 AND 1970

	<u>1971</u>	<u>1970</u>
FUNDS PROVIDED:		
Sales of engraving and printing	\$56,140,602	\$44,709,973
Operation and maintenance of incinerator and space utilized by other agencies	650,621	632,607
Other services	<u>118,027</u>	<u>86,709</u>
	56,909,250	45,429,289
Less cost of sales and services (excluding depreciation and other charges not re- quiring expenditure of funds--fiscal year 1971, \$1,636,523; fiscal year 1970, \$1,651,688	<u>55,465,327</u>	<u>43,873,859</u>
	1,443,923	1,555,430
Sale of surplus equipment	14,061	4,273
Advance from the Department of Agriculture (note 4)	1,000,000	-
Decrease in working capital	<u>-</u>	<u>1,155,821</u>
Total funds provided	<u>\$ 2,457,984</u>	<u>\$ 2,715,524</u>
FUNDS APPLIED:		
Acquisition of fixed assets	\$ 1,401,878	\$ 2,622,531
Acquisition of experimental equipment and plant repairs and alterations to be charged to future operations	15,333	53,727
Operating surplus returned to the Treasury (note 6)	-	39,266
Increase in working capital	<u>1,040,773</u>	<u>-</u>
Total funds applied	<u>\$ 2,457,984</u>	<u>\$ 2,715,524</u>

The notes following schedule 3 are an integral part of this statement.

5. On the basis of an opinion by the Office of the General Counsel, Department of the Treasury, that no liability exists on the part of the Bureau, no provision has been made for a contingent liability for a tort claim against the Government for \$500 property damage and \$20,000 personal injury alleged to have been suffered by a private citizen as a result of a traffic accident on October 14, 1970, with a Bureau vehicle.

Also as of June 30, 1971, the Bureau had undelivered orders of \$10,668,631, of which \$1,320,978 represented firm orders for goods and services which had not been received and \$9,347,653 was for unperformed contracts against which firm purchase orders had not been placed. Included in the latter amount is \$7,794,509 for the remaining 2 years of a 4-year contract entered into with a supplier of distinctive paper.

6. The act of August 4, 1950, provided that customer agencies make payment to the Bureau at prices deemed adequate to recover all costs incidental to performing work or services requisitioned. Any surplus accruing to the fund in any fiscal year is to be paid into the general fund of the Treasury as miscellaneous receipts, except that any surplus is applied first to restore any impairment of capital by reason of variations between prices charged and actual costs.
7. No amounts are included in the accounts of the fund for (a) interest on the investment of the Government in the Bureau of Engraving and Printing Fund, (b) depreciation on the Bureau's buildings excluded from the assets of the fund by the act of August 4, 1950, and (c) certain costs of services performed by other agencies on behalf of the Bureau.

APPENDIX I

DEPARTMENT OF THE TREASURY

DELIVERIES OF FINISHED WORK BY THE
BUREAU OF ENGRAVING AND PRINTING

FISCAL YEARS 1970 AND 1971

Class	Number of pieces	
	1970	1971
CURRENCY:		
U.S. notes	-	512,000
Specimens	-	108
Federal Reserve notes	2,509,728,000	2,898,944,000
Specimens	183	212
Total	<u>2,509,728,183</u>	<u>2,899,456,320</u>
Military payment certificates	82,080,000	16,320,000
Specimens	1,824	1,824
Total	<u>82,081,824</u>	<u>16,321,824</u>
BONDS, NOTES, BILLS, CERTIFICATES, AND DEBENTURES:		
Bonds:		
Treasury	154,350	169,700
Treasury, special series	200	-
Government National Mortgage Association--mortgage backed	14,244	16,973
Consolidated Federal Farm Loan Bonds	370,019	267,244
Consolidated bonds of the Federal home loan banks	462,124	203,692
Consolidated obligations of the Federal home loan banks	-	25,705
Guaranty agreement, Small Business Administration	-	10,005
Notes:		
Treasury	1,967,360	2,251,495
Consolidated notes of the Federal home loan banks	107,099	210,253
Tennessee Valley Authority	26,000	-
Farmers Home Administration--insured insurance contract	5,100	6,900
Bills--Treasury	7,587,500	3,574,000
Certificates	23,377	28,504
Debentures, etc.	820,937	1,703,448
Total	<u>11,538,310</u>	<u>8,467,919</u>
STAMPS:		
Customs	1,426,400	6,148,200
U.S. Internal Revenue	2,644,205,837	2,556,611,645
Puerto Rican Internal Revenue	185,622,500	288,970,000
Virgin Islands Internal Revenue	102,700	-
U.S. postage:		
Ordinary	18,791,484,200	24,008,734,624
Airmail	972,401,200	1,536,672,400
Commemoratives	1,771,304,256	2,428,141,256
Special issues	4,471,975,000	4,782,688,120
Special delivery	56,645,400	49,405,000
Postage due	118,760,000	146,200,000
Postal insurance books	317,700	316,500
U.S. Savings	72,643,500	-
15¢ U.S. Aerogrammes	-	18,731,515
Federal migratory bird hunting	3,093,000	471,240
Canal Zone postage	8,677,000	8,448,800
Food coupons	963,942,775	2,000,564,097
Food certificates	1,089,200	4,050,000
Obsolete stock authorized for destruction by the:		
Internal Revenue Service	-	10,418,260
Post Office Department	-	163,596,200
Bureau of Public Debt	-	45,786,000
Total	<u>30,063,690,668</u>	<u>38,055,953,857</u>
MISCELLANEOUS--cards, certificates, etc.:		
To office of issue	9,552,736	11,294,303
Grand total	<u>32,676,591,721</u>	<u>40,991,494,223</u>

GAO note: This schedule was prepared by the Bureau of Engraving and Printing (with minor GAO changes for brevity) for information purposes and has not been verified by us.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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