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REPORT TO THE CONGRESS 09 5955

W. J. O'Sullivan



Examination Of Financial Statements
Bureau Of Engraving And Printing Fund
Fiscal Years 1972 And 1973 B-174801

Department of Treasury

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

MARCH 19, 1974

~~701888~~ / 095955



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

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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 1972 and 1973. We made our examination pursuant to the act of August 4, 1950 (31 U.S.C. 181), which established the Bureau of Engraving and Printing Fund.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of the Treasury.

James B. Stacks

Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EXAMINATION OF FINANCIAL STATEMENTS
BUREAU OF ENGRAVING AND PRINTING FUND
FISCAL YEARS 1972 AND 1973
Department of the Treasury
B-114801

D I G E S T

WHY THE EXAMINATION WAS MADE

GAO is required by law to examine the ~~financial statements~~ of the Bureau of Engraving and Printing Fund.

The fund was established to finance Bureau operations which consist principally of manufacturing U.S. paper currency, various public debt instruments, postage and internal revenue stamps, food coupons, and military payment certificates.

OPINION ON 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, 1972 and 1973, and the results of its operations and changes in its financial position for the years then ended, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States. (See p. 10.)

OTHER MATTERS OF INTEREST

Agencies using the Bureau's services make payments at prices adequate to recover Bureau costs of producing the items requisitioned. Revenue from sales of its products in fiscal years 1972 and 1973 was about \$60.5 million and \$67.2 million, respectively. Net income for fiscal

year 1973 was \$354,918, compared with a net loss of \$268,415 in fiscal year 1972. (See p. 4.)

Procurement of currency paper

On August 13, 1973, the Bureau awarded a \$9 million fixed-price-with-escalation contract for currency paper requirements for fiscal years 1974 and 1975.

The contract is for 13.3 million pounds of currency paper at 67.1 cents a pound, an increase of 2.9 cents a pound over the prior contract price of 64.2 cents a pound. (See p. 4.)

Machinery and equipment modernization program

The Bureau initiated a \$17.5 million program in 1972 for the accelerated acquisition of modern replacement and supplemental machinery and equipment. To finance part of the program, the Bureau has received \$6 million in appropriations.

It plans to finance the remainder by adding a surcharge to prices charged customers and to use lease-purchase agreements to acquire necessary equipment. (See p. 5.)

Food coupon production transferred to industry

Food coupon printing has increased substantially in the last few years. Because of increasing demands on

equipment, space, and manpower, the Bureau awarded a contract to a private company in November 1971 for about half the annual food coupon requirement. For fiscal year 1973 these contract printing costs represented 9.2 percent of total costs of Bureau operations.

For fiscal year 1974 the Office of Management and Budget reduced the Bureau's proposed personnel ceiling and directed the Bureau to contract out to private industry the entire production of food coupons.

The Bureau is currently revising workload projections which will be submitted to the Office of Management and Budget as justification for possibly returning the program to the Bureau. (See p. 7.)

Review of industrial operations

In December 1973 GAO notified the Assistant Secretary of the Treasury of

the results of its survey to assess and identify ways to further enhance Bureau productivity.

It is GAO's opinion that the Bureau might improve productivity through greater use of work sampling and predetermined time system techniques to set benchmarks for comparison with actual production and through more systematic reviews and updating of such benchmarks. (See p. 7.)

RECOMMENDATIONS OR SUGGESTIONS

This report contains no recommendations or suggestions to the Bureau.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report informs the Congress of the results of GAO's examination of the Bureau of Engraving and Printing Fund and other information on the Bureau's operations.

CHAPTER 1

INTRODUCTION

The Bureau of Engraving and Printing, 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.

Bureau management is vested in a Director, appointed by the Secretary of the Treasury. Mr. James A. Conlon was appointed Director on October 9, 1967.

CHAPTER 2

OPERATIONS

The Bureau's operations are financed by a revolving fund--the Bureau of Engraving and Printing Fund. Agencies using the Bureau's services pay prices deemed by the Secretary of the Treasury adequate to recover the Bureau's costs of producing the items. Any surplus accruing to the fund in any fiscal year is 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 35 billion pieces and to about 34.5 billion pieces in fiscal years 1972 and 1973, respectively. Revenue from sales of the products in fiscal years 1972 and 1973 was \$60.5 million and \$67.2 million, respectively. Net income for fiscal year 1973 was \$354,918, compared with a net loss of \$268,415 in fiscal year 1972. The Bureau periodically reviews the costs of producing its products and, if a profit or loss develops, adjusts selling prices accordingly.

PROCUREMENT OF CURRENCY PAPER

For printing U.S. currency the Bureau uses paper manufactured to conform to rigid specifications prescribed by the Secretary of the Treasury. The paper's distinctive feature is that small segments of colored fiber are incorporated while the paper is being manufactured.

For the prior 35 years, only one supplier has responded to invitations for bids issued under formal advertising procedures for the Bureau's requirements for currency paper. In our report (B-114801, May 17, 1972) to the Congress on "Examination of the Bureau of Engraving and Printing Fund, Fiscal Years 1970 and 1971," we pointed out the absence of adequate and effective competition in procuring currency paper. We also mentioned that the Bureau intended to adopt our suggestion that future contracts be negotiated on the basis of the supplier's cost data--certified cost or pricing data in accordance with the provisions of the Code of Federal Regulations (41 CFR 1-3.807-3 and 1-3.807-4).

The contract providing currency paper for fiscal years 1970 through 1973 ended June 30, 1973. An interim contract was awarded covering the period July 1 through August 12, 1973. On August 13, 1973, the Bureau awarded a \$9 million

fixed-price-with-escalation contract, which was negotiated on the basis of cost data, to its long-term supplier for furnishing currency paper during fiscal years 1974 and 1975. This contract is for an estimated 13.3 million pounds of currency paper at 67.1 cents a pound, an increase of 2.9 cents a pound over the prior contract price. The contract contains an option for extension through fiscal years 1976 and 1977.

The contract also has a standard price adjustment clause which provides that the price payable for currency paper can be increased or decreased proportionately with increases or decreases in the supplier's cost. To effectively exercise its rights and safeguards under the contract, the Bureau established procedures for reviewing the data used in negotiating the contract price and for periodic audits of the cost records at the contractor's plant.

MACHINERY AND EQUIPMENT MODERNIZATION PROGRAM

On the basis of its analysis of immediate and predictable needs, the Bureau initiated a program in 1972 for the accelerated acquisition of modern replacement and supplemental machinery and equipment. The purposes of the program 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 \$17.5 million will be required to implement this plan. The cost of this specialized machinery and equipment, however, will substantially exceed the funds normally available to the Bureau. Consequently, the Bureau received for fiscal year 1972 an appropriation of \$3 million to initiate the modernization program.

For fiscal year 1973 the Bureau requested an additional \$6 million to continue the program. The House Committee on Appropriations recommended only \$3 million and, in so doing, directed the Treasury and the Bureau to review the pricing policies for services for establishing prices which will generate sufficient funds, at least over the relatively long range, to cover direct and indirect operating costs as well as accumulate an adequate reserve for replacing capital equipment. The Bureau received the \$3 million appropriation.

In response to the objective set forth by the Committee's directive, the Bureau is planning to add a surcharge to the prices charged customers and to use lease-purchase agreements to acquire necessary equipment. It would establish a fund

for the sole purpose of financing machinery and equipment acquisitions. Purchases would be made after sufficient funds had been accumulated.

Recognizing that the accumulation of cash produced by a reasonable surcharge would take too long to provide sufficient funds to meet current machinery and equipment needs, the Bureau is studying the use of lease-purchase agreements. It expects that the annual savings through using modern machinery will initially offset and eventually exceed lease payments. These agreements would allow the Bureau to purchase the assets as funds become available.

As of June 30, 1973, neither the surcharge plan nor the lease-purchase agreements were in operation.

COMPUTER-BASED INFORMATION SYSTEM PROJECT

Currently, the Bureau's management information system is mainly a collection of manual reporting systems and procedures. However, the Bureau does have a punched card data processing system which consists of various machines, such as keypunches, verifiers, sorters, and a calculator. This system is chiefly used in postage stamp supply operations, payroll processing, and preparing reports, such as labor distribution and manufacturing cost reports. The Bureau's punched card equipment is old and operates at slow speeds; it cannot handle any additional work.

On the basis of the results of a feasibility study completed in February 1972, the Bureau is proceeding with a project for developing and implementing a computer-based management information system. This system will be designed to provide and integrate information on the manufacturing and financial activities of the Bureau. As part of the initial study, the system development firm also outlined the development of a manufacturing control system for currency.

In 1972 the Treasury approved the Bureau's plan for developing and implementing the system in phases over a period of several years.

The Bureau has drafted a request for soliciting technical and price proposals from prospective bidders for the first segment of the project. The solicitation covers systems management and performance of systems analysis and a preliminary system design. As of June 30, 1973, the request had not been mailed to the prospective bidders.

FOOD COUPON PRODUCTION TRANSFERRED TO INDUSTRY

The Bureau began printing food coupons in fiscal year 1961 for the Food Stamp Program administered by the Food Nutrition Service of the Department of Agriculture. Since 1961 food coupon printing has increased substantially; the most significant increases were in fiscal years 1966, 1970, and 1971. For each of these years, the Bureau's coupon production was double that of the previous year.

In fiscal year 1971 production and deliveries increased to a record high of 2 billion coupons. The introduction of a higher denomination coupon caused a slight decrease in fiscal year 1972, and production continued at the same level in fiscal year 1973. The planned level of production for fiscal year 1974 is 1.9 billion coupons.

Because of increasing demands on equipment, space, and manpower, the Bureau awarded a contract to a private company on November 2, 1971, for production of about half the annual food coupon requirement. This action was helpful in reducing excessive overtime in the Bureau and eased the existing equipment and space constraints. For fiscal years 1972 and 1973, the costs for the coupons manufactured by the private company were \$4,101,240 and \$6,377,334, respectively. These contract printing costs represent 6.4 percent and 9.2 percent of total costs of Bureau operations for fiscal years 1972 and 1973, respectively.

For fiscal year 1974 the Office of Management and Budget reduced the Bureau's proposed personnel ceiling and directed the Bureau to contract out to private industry the entire food coupon production. Subsequent to the Office of Management and Budget action, the Bureau received downward revisions to several agency work requirements. In view of these revised requirements, the Bureau now believes it can produce food coupons in-house beginning in fiscal year 1975. It is currently revising workload projections which will be submitted to the Office of Management and Budget as justification for possibly returning the program to the Bureau.

REVIEW OF INDUSTRIAL OPERATIONS

The Bureau's primary managerial concern is the efficient utilization of resources and minimizing unit costs. In 1973 we made a survey at the Bureau to assess and identify ways to further enhance productivity to supplement the Bureau's continuous record of overall improvement and issued a report to the Department of the Treasury in December 1973.

We made the survey by (1) extending the analysis of total Bureau productivity into the Office of Currency and Stamp Printing and the Office of Securities Processing, which, combined, account for about 60 percent of the Bureau's operating cost, (2) determining the trends in the costs of the Bureau's major products, and (3) investigating equipment and manpower utilization.

Our assessment was that Bureau management had evenly applied its attention to cost control and productivity improvements in both offices and across all product lines surveyed. Except for slight declines in 1972 and 1973, this approach resulted in a continuous record of productivity improvement after 1967.

In the area of equipment and manpower utilization, Bureau management has been active and, as shown in its October 1973 publication, "A Management Review," plans to continue productivity improvement efforts. The publication documented the need for both qualified industrial engineers in the Bureau's work measurement program and increased efforts to improve running time per shift of printing equipment.

In our report to the Treasury, we said that the Bureau's efforts must receive particular emphasis to insure continual productivity improvements and counter the recent productivity declines. The Director of the Bureau, on November 15, 1973, reiterated that the Bureau was continuously giving attention to improving equipment and manpower utilization through methods studies and reviews of benchmarks.

CHAPTER 3

SCOPE OF EXAMINATION

Our examination of the financial statements of the Bureau of Engraving and Printing Fund for fiscal years 1972 and 1973 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.

Our review indicated that the internal audit work was satisfactory and included 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, (2) observing the taking of the physical inventory of selected items at the end of the fiscal years, and (3) reviewing reports and workpapers pertaining to audits of the accounts to the extent that we deemed appropriate. The Office of Internal Audit issued a total of 85 reports during fiscal years 1972 and 1973.

CHAPTER 4

OPINION ON FINANCIAL STATEMENTS

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

No amounts are included in the financial statements for (1) interest on the investment of the Government in the Bureau of Engraving and Printing Fund, (2) depreciation on the Bureau's buildings excluded from the assets of the fund by the act of August 4, 1950, and (3) costs of certain services performed by other agencies for the Bureau, such as check preparation and external audit. These costs, the amount of which is not readily determinable, are excluded by law.

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, 1972 and 1973, and the results of its operations and changes in its financial position for the years then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

FINANCIAL STATEMENTS

SCHEDULE 1

DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING FUND

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1973 AND 1972

ASSETS	<u>1973</u>	<u>1972</u>
CURRENT ASSETS:		
Cash with the Treasury	\$ 9,768,082	\$ 5,415,899
Accounts receivable	3,907,104	4,912,786
Inventories (notes 1 and 2)	11,719,771	10,996,392
Prepaid expenses	<u>117,619</u>	<u>140,194</u>
Total current assets	25,512,576	21,465,271
PLANT AND EQUIPMENT (notes 1 and 3)		
Less accumulated depreciation (note 1)	<u>35,995,283</u>	<u>33,846,150</u>
Net plant and equipment	12,060,860	11,417,075
DEFERRED CHARGES		
Total assets	<u>59,501</u>	<u>79,758</u>
	<u>\$37,632,937</u>	<u>\$32,962,104</u>
LIABILITIES AND INVESTMENT OF THE U.S. GOVERNMENT		
LIABILITIES:		
Accounts payable	\$ 1,426,760	\$ 1,259,747
Accrued liabilities (note 4)	7,851,757	6,738,929
Trust and deposit liabilities	261,727	225,722
Advance from the Department of Agriculture (note 5)	1,000,000	1,000,000
Deferred credits	<u>79</u>	<u>10</u>
Total liabilities (note 6)	10,540,323	9,224,408
INVESTMENT OF THE U.S. GOVERNMENT:		
Appropriation from U.S. Treasury	9,250,000	6,250,000
Donated assets, net	18,044,969	18,044,969
Accumulated earnings or deficit (-)	<u>-202,355</u>	<u>-557,273</u>
Total investment of the U.S. Government	27,092,614	23,737,696
Total liabilities and investment of the U.S. Government	<u>\$37,632,937</u>	<u>\$32,962,104</u>

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

DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING FUND

COMPARATIVE STATEMENT OF INCOME AND EXPENSE
FOR THE FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
OPERATING REVENUE, SALES OF ENGRAVING AND PRINTING	\$67,228,535	\$60,494,870
OPERATING COSTS:		
Cost of sales:		
Direct labor	25,063,451	24,164,987
Direct materials used	8,280,372	8,395,083
Contract printing (food coupons)	<u>6,377,334</u>	<u>4,101,240</u>
Prime cost	<u>39,721,157</u>	<u>36,661,310</u>
Overhead costs:		
Salaries and indirect labor	18,164,929	16,950,416
Factory supplies	2,266,357	2,379,902
Repair parts and supplies	555,515	592,522
Employer's share personnel benefits	3,584,736	3,283,212
Rents, communications and utilities	1,371,624	1,267,926
Other services	1,155,158	920,214
Depreciation and amortization	1,642,496	1,683,048
Gains (-) or losses on disposal or retire- ment of fixed assets	64,552	55,920
Minor equipment	272,382	323,557
Transportation of things	264,215	284,829
Sundry expense (net)	<u>30,210</u>	<u>23,960</u>
Total overhead	<u>29,372,174</u>	<u>27,765,506</u>
Total costs	<u>69,093,331</u>	<u>64,426,816</u>
Less nonproduction costs:		
Shop costs capitalized	476,525	469,419
Cost of miscellaneous services rendered to other agencies	<u>957,557</u>	<u>908,072</u>
Cost of production	<u>67,659,249</u>	<u>63,049,325</u>
Net increase (-) or decrease in finished goods and work in process inventories from operations	<u>-766,333</u>	<u>-2,288,178</u>
Cost of sales	<u>66,892,916</u>	<u>60,761,147</u>
OPERATING PROFIT OR LOSS (-)	<u>335,619</u>	<u>-266,277</u>
NONOPERATING REVENUE:		
Operation and maintenance of incinerator and space utilized by other agencies	818,224	745,237
Other direct charges for miscellaneous services	<u>158,632</u>	<u>160,697</u>
	<u>976,856</u>	<u>905,934</u>
NONOPERATING COSTS:		
Cost of miscellaneous services rendered to other agencies	<u>957,557</u>	<u>908,072</u>
NONOPERATING PROFIT OR LOSS (-)	<u>19,299</u>	<u>-2,138</u>
NET PROFIT OR LOSS (-) FOR THE YEAR	<u>\$ 354,918</u>	<u>\$ -268,415</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

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEARS 1973 AND 1972

	<u>1973</u>	<u>1972</u>
FUNDS PROVIDED:		
Sales of engraving and printing	\$67,228,535	\$60,494,870
Operation and maintenance of incinerator and space utilized by other agencies	818,224	745,237
Other services	<u>158,632</u>	<u>160,697</u>
	68,205,391	61,400,804
Less cost of sales and services (excluding depreciation and other charges not requiring expenditure of funds--fiscal year 1973 \$1,707,048; fiscal year 1972 \$1,738,968)	<u>66,143,425</u>	<u>59,930,251</u>
	2,061,966	1,470,553
Sales of surplus equipment	2,579	988
Increase in appropriated capital	<u>3,000,000</u>	<u>3,000,000</u>
Total funds provided	<u>\$ 5,064,545</u>	<u>\$ 4,471,541</u>
FUNDS APPLIED:		
Acquisition of fixed assets	\$ 2,312,131	\$ 2,345,441
Acquisition of experimental equipment and plant repairs and alterations to be charged to future operations	21,024	950
Increase in working capital	<u>2,731,390</u>	<u>2,125,150</u>
Total funds applied	<u>\$ 5,064,545</u>	<u>\$ 4,471,541</u>

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

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Inventories--Finished goods and work-in-process inventories are valued at cost, including administrative and service overhead. Except for the distinctive paper, which is valued at the acquisition cost, raw materials and stores inventories are valued at the average cost of the materials and supplies on hand.

Plant and Equipment--Machinery and equipment, furniture and fixtures, office machines and motor vehicles acquired on or before June 30, 1950, are stated at appraised values as at that date. Additions since June 30, 1950, and all building appurtenances are valued at acquisition cost.

The act that established the Bureau of Engraving and Printing Fund specifically excluded land and buildings costing about \$9,000,000 from the assets of the fund. Also excluded are appropriated funds of about \$7,184,000 for extraordinary uncapitalized building repairs and air-conditioning.

Depreciation--Depreciation is computed under the straight-line method. The depreciation rates used are based on the following useful lives: 6 to 30 years for machinery and equipment, 8 to 20 years for motor vehicles, 10 years for office machines, 20 years for furniture and fixtures, and 3 to 20 years for building appurtenances.

Earnings--Customer agencies make payment to the Bureau at prices deemed adequate to recover costs. Because of variations between prices charged and actual costs, the Bureau could earn a profit or incur a loss in any fiscal year. All profit is to be paid into the general fund of the Treasury except that required to offset any accumulated loss from prior years' operations.

Income and Expense--No amounts are included in the accounts for (1) interest on the investment of the Government in the Bureau of Engraving and Printing Fund, (2) depreciation on the Bureau's buildings excluded from the assets of the fund, and (3) costs of certain services performed by other agencies for the Bureau, such as check preparation and external audit.

2. INVENTORIES

	<u>June 30, 1973</u>	<u>June 30, 1972</u>
Finished goods	\$ 4,279,918	\$ 3,653,838
Work in process	4,185,467	4,045,214
Raw materials	1,556,977	1,523,534
Stores	<u>1,697,409</u>	<u>1,773,806</u>
Total	<u>\$11,719,771</u>	<u>\$10,996,392</u>

3. PLANT EQUIPMENT

	<u>June 30, 1973</u>	<u>June 30, 1972</u>
Machinery and equipment	\$28,187,942	\$26,133,717
Motor vehicles	153,111	160,896
Office machines	389,968	366,516
Furniture and fixtures	584,446	574,278
Building appurtenances	<u>4,960,193</u>	<u>4,685,279</u>
Total	34,275,660	31,920,686
Less accumulated depreciation	<u>23,934,423</u>	<u>22,429,075</u>
Net	10,341,237	9,491,611
Construction in progress	<u>1,719,623</u>	<u>1,925,464</u>
Total	<u>\$12,060,860</u>	<u>\$11,417,075</u>

Construction in progress on June 30, 1973, consists of \$1,402,017 related to the acquisition of a postage stamp printing press and \$317,606 for various items of machinery, equipment, and building appurtenances.

The June 30, 1973, total of \$34,275,660 for plant and equipment includes \$13,570,488 worth of fully depreciated assets still in use. The amounts by class are as follows:

Machinery and equipment	\$10,511,936
Motor vehicles	21,613
Office machines	187,178
Furniture and fixtures	245,065
Building appurtenances	<u>2,604,696</u>
Total	<u>\$13,570,488</u>

4. ACCRUED LIABILITIES

	<u>June 30, 1973</u>	<u>June 30, 1972</u>
Payroll	\$3,018,304	\$1,425,731
Accrued leave	2,467,476	2,346,971
Constructive receipts	1,843,686	2,447,514
Other	<u>522,291</u>	<u>518,713</u>
Total	<u>\$7,851,757</u>	<u>\$6,738,929</u>

The accrual for constructive receipts is the estimated value of work performed by contractors to special specification, which had not been delivered to or accepted by the Bureau at the statement date. For June 30, 1973, the offsetting entries are to raw materials, \$113,147; stores, \$40,522; fixed assets under construction, \$1,402,017; and work in process, \$288,000.

5. ADVANCE FROM THE DEPARTMENT OF AGRICULTURE

In December 1970 the Department of Agriculture provided a monthly revolving advance of \$1,000,000 to be applied against deliveries of food coupon books to that agency.

6. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments with suppliers for unperformed contracts and undelivered purchase orders totaled \$4,150,861 as of June 30, 1973.

A lease agreement for the rental and maintenance of a closed circuit television system provides for payments averaging about \$93,700 annually through March 1977 and \$42,400 for the period from April 1, 1977, to March 31, 1978. At the end of payment the Bureau will assume ownership of the equipment. Under the agreement, the Bureau could be liable for a termination charge if it suspends or discontinues making rental payments. This charge was computed at \$74,600 as of June 30, 1973. The Bureau has no plans to suspend or discontinue the system.

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