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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

093538

Mr. Walter C DeVaughn  
Associate Public Printer,  
Management and Administration  
Government Printing Office

APR 1 2 1974

Dear Mr DeVaughn.

We thought it would be useful to summarize for you observations developed during our audit which have been discussed with Mr Brian Mercer, Acting Comptroller, and other management personnel Their comments have been considered in our presentation

We appreciate the constructive reactions by Government Printing Office (GPO) people to the suggestions made and trust that where action is necessary it can be accomplished before next year's closing At June 30, 1973, the issues presented below were either corrected during our audit or they involved amounts that did not have a material effect upon the fairness of your final presentation

ADJUSTMENTS TO ACCOUNTS  
PAYABLE--GOVERNMENT

Subsequent to the end of fiscal year 1973, adjustments to the accounts payable--Government account were required to properly recognize certain income and expense items The account at June 30, 1973, included payables to the U S Postal Service for (1) foreign postage and special handling of \$287,898 40 and (2) estimated postage expense for the public sales program of \$204,958 00 The items should have been recorded in the sales of publications income account and the interoffice accounts payable account, respectively

Foreign postage and  
special handling

Prior to fiscal year 1972, a portion of the income received from all foreign and special handling orders was set aside to pay the Postal Service for costs of the special services In fiscal year 1972 the Postal Service and GPO entered into an agreement whereby all mailing costs, including foreign and special handling, were combined in one single billing.

In recording its fiscal year 1973 mailing costs, GPO applied the Postal Service billed amount to the expenses for the sales program

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However, GPO also continued the accounting practice of recognizing a portion of customer receipts on foreign and special handling orders as a payable to the Postal Service. As a result the item was accounted for twice

To avoid this problem in subsequent fiscal years, we suggested that the practice of recognizing a portion of the customer receipts as a payable be discontinued. We were told that the proper accounting procedures for handling this item will be developed and implemented.

#### Postage expense for sales program

The amount payable to the Postal Service for the sales program postage expense should have been recorded as a payable to the printing and binding revolving fund.

Prior to fiscal year 1972, the sales program paid its own postage expenses directly. Beginning in fiscal year 1972, GPO paid all postage expenses through the printing and binding revolving fund and then billed the sales program for its portion. GPO continued, however, to record the expense as if it were being paid directly by the sales program. As a result, the postage expense for the sales program was misclassified as an accounts payable--Government rather than as an interoffice payable since the amount was owed the revolving fund and not the Postal Service.

To avoid this problem in the future, we suggested that GPO establish and implement a written procedure for recording the reimbursement to the printing and binding revolving fund for postage expense as an interoffice payable.

We were advised that our suggestion would be implemented in the near future.

#### PAPER AND ENVELOPE INVENTORY CONTAINS CREDIT BALANCES

The paper and envelope inventory included several items with credit balances at June 30, 1973. These credit balances were caused by recording incorrect item numbers for a given transaction and also because of the GPO procedure of not classifying paper as released until it has been tested for acceptance. The latter causes credit balances because issuances for an item number may continue to be credited regardless of whether there was accepted paper on the records to credit against.

This matter was discussed with inventory management officials, and they agreed that credit balances had existed in paper inventory for some time. They stated that GPO Instruction 445.6 of January 2, 1974, which provides

for recording all paper as released or accepted upon receipt by GPO, should help alleviate this problem.

To assure that the new procedure is effective in removing credit balances from the inventory, we suggest that the inventory be periodically reviewed and all credit balances be reviewed to determine their source

UNDERSTATEMENT OF WORK-  
IN-PROCESS INVENTORY

GPO's work-in-process inventory consists of the value of in-house and contracted work, plus a surcharge applied to each for overhead. We found that the surcharges included in the June 30, 1973, inventory were not correctly stated because they had been computed before all yearend adjustments had been made to the inventory account. Also, the contracted work-in-process inventory was reclassified as accounts receivable before all yearend adjustments had been made. The result was a net understatement of work in process of \$38,911.97 at June 30, 1973. This also resulted in corresponding errors in accounts receivable and value of services performed accounts.

We suggested that procedures be adopted by the Financial Management Service to insure that the surcharges are computed and the reclassifications recorded after all yearend adjustments have been made to the inventory. We were advised that appropriate procedures would be developed and implemented for fiscal year 1974.

RECORDING OF SALES OF PUBLICATIONS  
TO GOVERNMENT AGENCIES WHEN EARNED

Currently sales of publications to Government agencies are recorded as follows:

1. When the agency is billed, accounts receivable is debited and sales credited.
2. When payment is received, cash is debited and sales credited.
3. An adjusting entry is then made to remove sales which have been credited twice. Sales are debited, and accounts receivable is credited.

Currently, there is a significant time lag between the time cash is received and the adjusting entry is made because of an inadequate number of staff. This results in an overstatement of sales of publications.

To simplify the transaction, we suggest that cash received from Government agencies in payment of bills for sales of publications be immediately

credited against Government accounts receivable instead of sales publications. This will result in the proper recording of accounts receivable and sales of publications.

We were told that our suggestion would be considered

DOCUMENTATION SHOULD BE  
MAINTAINED FOR ALL YEAREND ADJUSTMENTS

Adequate documentation is necessary to audit individual accounts. Documentation maintained for inventory of unfilled cash orders (account 250.2) in fiscal year 1973 consisted of inventory sheets showing the total for individual sections. Each of these section inventories was based on supporting schedules and adding machine tapes, which were destroyed before the Office of Audits could verify them. A similar situation occurred when machine tapes for accounts receivable--Government (account 21 2) were thrown away before we had utilized them.

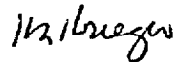
We suggest that GPO retain and sufficiently identify all tapes and other documentation supporting yearend balances until all detail audit work has been completed.

We were informed that in the future the necessary supporting documentation would be maintained.

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We would be happy to meet with you to discuss the above matter or provide additional information if it would be helpful. We appreciate the courtesies extended to us during our audit. A copy of this letter is being provided to Mr. Mercer for his information and use.

Sincerely yours,



H. L. Krieger  
Regional Manager

cc: Mr. Brian Mercer



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APR 12 1974

Mr. Brian Mercer  
Acting Comptroller  
Government Printing Office

Dear Mr. *Brian*  
Mercer

Enclosed for your information and use is a copy of our management letter to the Associate Public Printer, Management and Administration. The letter contains several suggestions which we believe offer opportunity for improvement in the financial management area. As you know, corrective action has been initiated for most of the items presented.

We appreciate the courtesies and cooperation provided our staff. If you have any questions, please contact me.

Sincerely yours,

*H. L.*  
H. L. Krieger  
Regional Manager

Enclosure