



**U.S. Government Printing Office  
Office of the Inspector General  
Office of Audits**

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**Report on the Internal Controls  
over the Laurel Retail Sales Outlet**

**Report No. 99-07**

**July 1999**



UNITED STATES GOVERNMENT PRINTING OFFICE  
OFFICE OF THE INSPECTOR GENERAL

# Memorandum

DATE: July 14, 1999

REPLY TO

ATTN OF: Inspector General

SUBJECT: Report on the Internal Controls over the Laurel Retail Sales Outlet

TO: Superintendent of Documents  
Laurel Operations Coordinator  
Chief, Retail Distribution Division  
Retail Sales Manager

An Office of Inspector General audit team conducted an audit of the Laurel Retail Sales Outlet from February through March 1999. The audit noted that while the Outlet served the public on a self-sustaining basis, opportunities existed to improve the internal controls within four particular activities of the Outlet (inventory, daily summary report, cash, and administrative areas). (See CHAPTERS I, II, III, and IV.)

The audit recommends that the Chief, Retail Distribution Division, implement 21 recommendations to strengthen the internal controls over: (1) inventory – shelf-stock and equipment; (2) daily summary report – discounts, postal charges, and deposit accounts; (3) cash – safeguarding, handling, and accountability; and (4) administrative areas – reference materials, Outlet signs, and transferring assignment. The implementation of these recommendations should improve the current policies and procedures the Outlet uses to accomplish its mission effectively and efficiently.

The audit also recommended that the Superintendent consider transferring the Laurel Retail Sales Outlet from the Retail Distribution Division to the Field Operations Division.

The Chief, Retail Distribution Division, has agreed with the findings and recommendations and has begun implementing the 21 recommendations. The Superintendent has considered the recommendation on the transfer, but decided the Laurel Retail Sales Outlet would remain with the Retail Distribution Division. (See APPENDIX II.)

Mr. Joseph Verch, Supervisory Auditor, Ms. Suzan Newman, Auditor-In-Charge, and Mr. Jake Williams, Staff Auditor, conducted the audit.

I appreciate the cooperation and courtesies extended during the audit by the officials and staff of the Laurel Operations office, the Retail Distribution Division, the Laurel Retail Sales Outlet, the Main Bookstore, Field Operations Division, and the Superintendent of Documents.

*Robert G. Andary*  
ROBERT G. ANDARY

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OVER THE LAUREL RETAIL SALES OUTLET  
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**REPORT ON THE INTERNAL CONTROLS  
OVER THE LAUREL RETAIL SALES OUTLET**

**RESULTS IN BRIEF**

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The Laurel Retail Sales Outlet generated over \$3.3 million in revenue from sales (subscription program, mail orders, phone orders, and walk-ins) to over 4,300 customers (book dealers, private citizens, and government organizations) in Fiscal Year 1998. In February through March 1999, GPO's Office of Inspector General (OIG) conducted a performance audit to determine whether the Outlet fulfilled its mission in serving the public on a self-sustaining basis.

The audit noted that the Outlet did fulfill its mission in serving the public on a self-sustaining basis. However, in accordance with GPO Instruction 825.18A *Internal Control Program*, the *United States Government Bookstores – Guidance for Managers*, and other GPO Instructions, opportunities existed to improve the internal controls within four activities of the Outlet. These four activities were the Outlet's inventory, daily summary report, cash, and administrative areas.

Implementation of the audit recommendations would provide the Superintendent of Documents (SuDocs) with the opportunity to strengthen the internal controls within the four activities by assisting the Outlet manager to:

1. Provide reasonable assurance and safeguards to protect the Outlet's inventory of publications and equipment against waste, loss, and unauthorized use;
2. Properly classify and prepare reliable Daily Summaries for reporting purposes;
3. Provide reasonable assurance and safeguards over the handling and accountability of cash against loss and unauthorized use; and
4. Accomplish the administrative mission of the organization effectively and efficiently.

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## BACKGROUND

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The Laurel Retail Sales Outlet is located at 8660 Cherry Lane, Laurel Maryland. The Outlet has four employees, including a Manager. The Manager uses the *United States Government Bookstores – Guidance for Managers* as a reference material to operate the Outlet. However, the Guidance does not specifically address operational aspects unique to the Outlet. In the absence of specific written guidance, the Manager relies on advice and experience of the warehouse management and Field Operations' staff.

The Outlet Manager reports directly to the Chief, Retail Distribution Division, Laurel Operations, Documents Sales Service. This is in contrast to the bookstore managers who report to the Chief, Field Operations Division. The Outlet had the advantage of easy and immediate replenishment of publications based on being co-located with the warehouse. The Field Operations Division Bookstores must order publications from the warehouse, then wait for the orders to be mailed or shipped.

In addition, the Outlet's main customers were book dealers who purchase publications in bulk quantities. Of the more than \$3.3 million in revenue from sales to over 4,300 customers (book dealers, private citizens, and government organizations) in Fiscal Year 1998, at least \$2.1 million or 63.6 percent of the revenue were from book dealers.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of this performance audit was to determine whether the Laurel Retail Sales Outlet fulfilled its mission of serving the public on a self-sustaining basis. In particular, this audit was conducted to evaluate whether the Outlet: (1) provided timely and quality service to customers in an effective and economical manner; (2) had an adequate and effective system of controls to deter fraud, waste, abuse, and mismanagement; and (3) complied with the Guidance for Managers and other applicable written instructions or memoranda.

We conducted this audit during the months of February and March 1999 in accordance with generally accepted Government auditing standards and included such tests of the procedures, operations, and internal controls in place as were considered necessary under the circumstances.

We reviewed:

1. *United States Government Bookstores – Guidance for Managers*, effective April 1994, to identify applicable policies and procedures governing the program;
2. GPO Instruction 445.1D *Imprest Fund*, dated May 13, 1987, to identify policy and procedures for use and control of imprest funds within the GPO;
3. GPO Instruction 810.11A *Property Management Program*, dated April 16, 1981, to identify specific responsibilities for property or property management;
4. GPO Instruction 810.19 *Inventory Procedures – Publications for Sale*, dated March 4, 1976, to identify responsibilities and procedures for conducting physical inventories of publications for sale;
5. GPO Instruction 825.18A *Internal Control Program*, dated May 28, 1997, to identify policies, standards, and responsibilities for conducting internal control reviews of GPO; and
6. GPO Instruction 655.4A *Corrective Actions*, dated July 27, 1979, to identify the general guidelines and penalties used by GPO in processing corrective actions.

The audit team performed the following:

- Interviewed SuDocs personnel on the operations of the Outlet;
- Reviewed existing internal controls for the safekeeping and handling of cash;

- Conducted a surprise cash count and reconciliation of daily cash receipts;
- Reviewed procedures for check authorizations, discounts, charge sales, and void sales;
- Reviewed and evaluated the adequacy of internal controls for the opening, certifying and processing of mail orders received;
- Reviewed and evaluated the internal controls for the receipt, pricing, replenishment, and destruction of the publications inventory;
- Traced the prices of selected publications to the original source documents;
- Evaluated the overall administration of the Outlet;
- Reviewed and evaluated the internal controls for the receipt, identification, inventory and disposal of GPO property and equipment; and
- Reviewed the annual operating costs of the outlet.

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## FINDINGS AND RECOMMENDATIONS

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### CHAPTER I. INVENTORY

The Laurel Retail Sales Outlet should improve its internal controls to provide reasonable assurance and safeguards to protect the Outlet's inventory against waste, loss, and unauthorized use as directed by GPO Instructions 810.11A, 810.19, and 825.18A.

This Chapter identifies three opportunities to improve the Laurel Retail Sales Outlet's internal controls over inventory. Recommendations were made to strengthen these controls by: (1) conducting annual inventories of all shelf-stock publications and maintaining accurate balances in reporting the inventory value on the Daily Summary Report; (2) obtaining GPO identification numbers and tags for all accountable equipment; and (3) forwarding a list of all unreported equipment to the Comptroller for inclusion in the property inventory listing and obtaining GPO identification numbers and tags.

#### I-1. Shelf-Stock Publications

##### FINDING

The Manager, Laurel Retail Sales Outlet, has not conducted an inventory of shelf-stock publications since August 1996. The Manager and other Laurel officials were unaware of the inventory value of the shelf-stock publications and could not provide a list of the shelf-stock publications on-hand. GPO Instruction 810.19, paragraph 4.b. requires publications to be completely counted at the end of each fiscal year.

Since August 1996, the Manager has reported a shelf-stock inventory of \$3,837 in the Monthly Report of Customers, Inventory, Debits and Credits for Bookstores. On February 22, 1999, OIG auditors conducted a 100 percent wall-to-wall shelf-stock inventory at the Outlet and found 438 stock items with 2,443 publications with an inventory price totaling \$22,131. Standard 7 of GPO Instruction 825.18A states, "Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports."

The results of the OIG inventory identified the immediate need to improve the Outlet's internal controls over shelf-stock inventory. The existing controls were weak and have increased the potential for waste, loss, and unauthorized use of shelf-stock publications.

## **RECOMMENDATIONS**

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet:

- Conducts an immediate 100 percent wall-to-wall inventory of shelf-stock inventory (9907-01);
- Conducts at least annual inventories of all shelf-stock publications (9907-02);
- Reports an accurate inventory value on the Daily Summary Report (9907-03); and
- Keeps an accurate list of the shelf-stock publications on-hand and maintains accurate balances for each shelf-stock publication (9907-04).

## **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendations. An acquisition of a software program to maintain the shelf-stock inventory is being pursued. (See Appendix II.)

## I-2. Accountable Equipment

### FINDING

OIG auditors detected discrepancies in the Comptroller's February 3, 1999, property inventory listing on accountable equipment during the inventory taken on February 4, 1999, at the Laurel Retail Sales Outlet. Of the 11 accountable equipment items listed on the Comptroller's property inventory list, the auditors and the Manager could only verify two items or 18 percent. The two items (cash register and safe) did not have GPO ID numbers or tags attached. Paragraph 10.a. of GPO Instruction 810.11A requires all accountable GPO property to have identification numbers assigned and tags attached to the property.

Of the remaining nine items, the auditors found:

- The Manager had notified the property custodian of the Retail Distribution Division to remove seven items from the Comptroller's November 1998 property inventory listing. On January 21, 1999, the property custodian notified the Comptroller to remove the seven items;
- A computer was transferred from the Outlet to the Publications Office without any documentation prepared; and
- A microfiche reader with a serial number BA006D186 and a machine number 7251 could not be located. However, a microfiche reader with a different serial number and machine number was located at the Outlet.

Of these nine items, only two inventory discrepancies (computer and microfiche reader) were actually identified. Paragraph 9.c. of GPO Instruction 810.11A requires the property custodian to: (1) verify and account for the inventory; (2) take necessary action to correct deficiencies in the property inventory listing; and (3) process the appropriate documentation for transfer items. The Manager needs to assist the property custodian in following the requirements of GPO Instruction 810.11A. Consequently, the Comptroller's property inventory listing was not accurately reporting accountable property to protect against waste, loss, and unauthorized use as required in Standard 2 of GPO Instruction 825.18A.

### RECOMMENDATIONS

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet:

- Assists the property custodian of the Retail Distribution Division in notifying the Comptroller on the: (1) transfer of the computer to the Publications Offices and (2) change of the serial number and machine number on the microfiche reader (9907-05);

- Obtains GPO identification numbers and tags and attaches them to the cash register and the safe (9907-06); and
- Maintains documentation for all future transfers of accountable equipment (9907-07).

### **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendations. (See Appendix II.)

### I-3. Unreported Equipment

#### FINDING

During the inventory of accountable equipment, OIG auditors and the Manager found another eight equipment items that were used by Outlet personnel and not reported on the Comptroller's February 3, 1999, property inventory listing. Three of the eight unreported items did not have GPO identification numbers and tags. Paragraphs 10.a. and 10.b. of GPO Instruction 810.11A require all GPO property to be maintained on a records system with identification numbers assigned and tags attached to the property.

No.	Equipment	GPO ID #
1	"Gateway 2000" personal computer	D1223
2	"Gateway 2000" personal computer	D1224
3	"CTX" monitor	R1190
4	"CTX" monitor	R1191
5	"HP Laserjet 4000N" printer	None
6	"ITT" monitor	None
7	Printer with no name	None
8	"IBM" monitor	None

#### RECOMMENDATIONS

The Chief, Retail Distribution Division, should ensure the Manager, Laurel Retail Sales Outlet:

- Examines the unreported items and forwards a list of all items in use to the Comptroller for inclusion in the property inventory listing (9907-08); and
- Obtains GPO identification numbers and tags on the unreported items (9907-09).

#### MANAGEMENT COMMENTS

The Chief, Retail Distribution Division, agreed with the finding and recommendations. (See Appendix II.)

## CHAPTER II. DAILY SUMMARY REPORTS

The Laurel Retail Sales Outlet did not have adequate internal controls to properly classify and prepare reliable Daily Summary Reports. For the month of January 1999, the Daily Summaries were prepared incorrectly on 13 of 19, or 68 percent, of the business days.

The Daily Summary Report summarizes most aspects of the Outlet's business day. It is the single most important report the Outlet will submit and therefore must be completed with total accuracy. The information on the Daily Summary Report is entered into a computer system known as SARABCS (Special Accounts Reporting and Billing Control System). From this system, accurate monthly and annual reports of inventory, number of customers served, and sales volume of the Outlet can be generated.

This Chapter identifies three opportunities to improve the Laurel Retail Sales Outlet's internal controls over discounts, postal charges, and deposit accounts.

Recommendations are made to strengthen controls by reporting: (1) only discounts on inventory sales (not subscription discounts) on Line #17 "Total Discount Sales"; (2) additional postal charges to Deposit Account customers on the "Notations" section; and (3) Deposit Account Sales on Lines #3 "Charge Inventory Sales and #5A "Actual Charge Inventory Sales" on future Daily Summary Reports.

### II-1. Discounts

#### FINDING

OIG auditors found the Daily Summary Report for January 8, 1999, incorrectly included a \$3,825 discount<sup>1</sup> on Line #17 "Total Discount Sales" and on Line #25 "Inventory Received" from a subscription sale of \$15,300. The net subscription sale after discount was \$11,474 and was correctly reported on Line #7 "Cash Non-Inventory Sales – Certified Orders."

The *U.S. Government Bookstores - Guidance for Managers* is unclear concerning the reporting of subscription discounts. According to a SuDocs official, subscriptions are considered non-inventory sales. Line #17 reports only discounts from inventory sales and Line #25 from actual inventory sales. Since subscriptions were not inventory sales, the Retail Sales Outlet should not report subscription discounts on the Daily Summary Reports. Consequently, the discount of \$3,825 should not have been reported on

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<sup>1</sup> According to the *U.S. Government Bookstores – Guidance for Managers*, "Discounts of 25 percent are permitted on purchases of 100 or more units of single issue publications and periodicals...or subscription service mailed to a single address. Similarly, any book dealer buying for the purpose of resale, can receive a 25 percent discount on the total purchase price, regardless of quantity, when mailed to his business address...The maximum discount allowed is 25 percent. A bookdealer may not receive a quantity discount and a bookstore discount on the same item."

Lines #17 and #25. As a result, the January 8 Daily Summary Report had an overstatement of \$3,825 in inventory discounts on Line #17 and in inventory received on Line #25.

### **RECOMMENDATION**

The Chief, Retail Distribution Division, should ensure the Manager, Laurel Retail Sales Outlet, only reports discounts on inventory sales (not subscription discounts) on Line #17 "Total Discount Sales" on future Daily Summary Reports (9907-10).

### **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendation. Training will be provided to the staff in completing the Daily Summary Report. (See Appendix II.)

## II-2. Postal Charges

### FINDING

OIG auditors found postal charges totaling \$145.62 were charged correctly to Deposit Account customers, but incorrectly reported on Line #3 "Charge Inventory Sales – Deposit Accounts" on the Daily Summary Reports for ten business days in January 1999. The daily postal charges were also identified as "Postage" in the "Notations" section of the following 10 Daily Summary Reports:

<b>JANUARY 1999</b>	<b>POSTAGE CHARGES</b>
4 <sup>th</sup>	\$23.79
5 <sup>th</sup>	30.27
7 <sup>th</sup>	16.32
12 <sup>th</sup>	17.84
14 <sup>th</sup>	14.17
15 <sup>th</sup>	4.25
21 <sup>st</sup>	9.17
22 <sup>nd</sup>	9.17
26 <sup>th</sup>	12.77
28 <sup>th</sup>	7.87
<b>Totals</b>	<b>\$145.62</b>

The *U.S. Government Bookstores - Guidance for Managers* is unclear concerning the reporting of Deposit Account postal charges. According to a SuDocs official, fourth-class postal charges are included in the cost of all publications. Therefore, fourth-class postal charges are part of the inventory. Additional postal charges (anything other than fourth-class) are charged separately and are not included in the inventory.

According to the SuDocs official, additional postal charges should be summarized in the "Notations" section of the Daily Summary Report. The additional postal charges to Deposit Account customers should not be included in the cost of inventory on Line #6 "Total Inventory Sales" and Line #25 "Inventory Received."

Adding postal charges to Line #3 "Charge Inventory Sales – Deposit Accounts" in the ten Daily Summary Reports caused Line #6 "Total Inventory Sales" and Line #25 "Inventory Received" to be overstated by \$145.62.

### RECOMMENDATION

The Chief, Retail Distribution Division, should ensure the Manager, Laurel Retail Sales Outlet, only reports additional postal charges to Deposit Account customers on the "Notations" section on future Daily Summary Reports (9907-11).

**MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendation. Training will be provided to the staff in completing the Daily Summary Report. (See Appendix II.)

## II-3. Deposit Accounts

### FINDING

OIG auditors found that the Daily Summary Reports were incorrectly prepared on two other business days in January 1999:

- The January 13, 1999, Daily Summary Report did not correctly add the \$4 "Charge Inventory Sales – Deposit Account" on Line #3 with Line #4 "Charge Inventory Sales – Government Accounts" to arrive at the correct "Actual Charge Inventory Sales" on Line #5A. This was simply a mathematical error. However, as a result of the error, the Daily Summary understated Line #25 "Inventory Received" by \$4.
- The January 25, 1999, Daily Summary Report incorrectly reported a Deposit Account sale of \$725 on Line #3 "Charge Inventory Sales – Deposit Account" and on Line #5A "Actual Charge Inventory Sales." The correct sale should have been \$543.75 and reported on both Lines after taking the \$181.25 discount. As a result, the Daily Summary Report overstated Line #6 "Total Inventory Sales" and Line #25 "Inventory Received" by \$181.25.

### RECOMMENDATION

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet, correctly reports Deposit Account sales on Line #3 "Charge Inventory Sales – Deposit Account" and on Line #5A "Actual Charge Inventory Sales" on future Daily Summary Reports (9907-12).

### MANAGEMENT COMMENTS

The Chief, Retail Distribution Division, agreed with the finding and recommendation. Training will be provided to the staff in completing the Daily Summary Report. (See Appendix II.)

## CHAPTER III. CASH

The Retail Sales Outlet at Laurel did not have adequate controls to provide reasonable assurance and safeguards over the handling and accountability of cash against loss and unauthorized use as directed by the *U.S. Government Bookstores - Guidance for Managers*, and GPO Instructions 445.1D and 825.18A.

This Chapter identifies two opportunities to improve the Laurel Retail Sales Outlet's internal controls over the safeguarding, handling, and accountability over cash by the Outlet's cashiers. Recommendations are made to strengthen these controls by: (1) counting and signing for all cash in all drawers at the beginning and at the end of each business day; (2) providing assurance and safeguards for the safe during business hours and changing the safe's combination more frequently; (3) assigning a new cash register access code; and (4) updating and maintaining GPO Form 343 *Request For and Appointment of Imprest Fund Cashier* for all cashiers.

### III-1. Safeguarding and Handling of Cash

#### FINDING

OIG auditors performed a surprise cash count on February 4, 1999, to ensure that all funds in the cash register drawers were accounted for, and to determine the adequacy of controls over the safekeeping and handling of cash. The cash count verified that the authorized amount of \$300 was present in the three cash drawers.

However, during the audit we found that the following controls over the safekeeping and handling of cash needed to be strengthened:

- Cashiers were not required to count or verify the cash before it was placed in the safe at the end of the business day<sup>2</sup>. The cash was counted the following morning when the bank deposit slips were prepared. Section 2, "Administrative Matters", of the *U.S. Government Bookstores - Guidance for Managers* states, "It cannot be assumed that the money count from the previous day will be the same the following morning. For strict accountability, it is mandatory that the designated cashier and the manager verify funds at the beginning and end of each business day."
- Only the cash in the two drawers that were used on the previous business day was counted. The cash in the third drawer that was used to make change was seldom counted, contrary to Section 2 of the *U.S. Government Bookstores Guidance for Managers*<sup>3</sup>.

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<sup>2</sup> In a similar OIG audit (Report Number 96-11), the failure to count cash prior to being placed in the safe resulted in \$20 being left unattended outside a bookstore's cash register overnight.

<sup>3</sup> In a similar audit (Report Number 96-12), the failure to regularly count cash in the change drawer resulted in the loss of \$20 that went undetected for 14 days.

- While the safe door was closed during the business day, it was not locked. Also, on several occasions the auditor was left alone in the office with the unlocked safe. Standard 2 of GPO Instruction 825.18A states, "Management controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation."
- The safe combination had not been changed in about 2.5 years. GPO Instruction 445.1D, Appendix A, paragraph 3.b. (6) contains the following requirement, "The safe combination will be changed annually, or whenever there is a change of cashiers...."

The Laurel Retail Sales Outlet personnel did not always adhere to the controls over the safeguarding and handling of cash as outlined in the *U.S. Government Bookstores - Guidance for Managers* and required by GPO Instructions 445.1D and 825.18A. Without the adherence to proper internal controls, the Outlet's cash was subject to loss by theft or other circumstances.

## **RECOMMENDATIONS**

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet:

- Counts all cash in the three drawers of the cash register before placing them in the safe at the end of the business day (9907-13);
- Provides reasonable assurance and safeguards on access to the safe during business hours (9907-14); and
- Changes the safe's combination more frequently in accordance with GPO Instruction 445.1D (9907-15).

## **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendations. (See Appendix II.)

## III-2. Accountability over Cash

### FINDING

During the auditors' observations of daily activities and our subsequent inquiries of Outlet personnel, we found the following control weaknesses on the accountability of cash by Outlet employees:

- Cashiers were not required to sign and verify the amounts in their drawers at the beginning and at the end of each business day as required in Section 2, Administrative Matters, of the *U.S. Government Bookstores - Guidance for Managers*.
- An Outlet employee used the same cash register access code (PIN number) that formerly belonged to a temporarily assigned individual who has subsequently returned to the Laurel warehouse. Standard 2 of GPO Instruction 825.18A states, "Management controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation."
- Only three of the four Outlet employees who handle cash had the required GPO Form 343 *Request For and Appointment of Imprest Fund Cashier* on file with the GPO Disbursing Officer in accordance with GPO Instruction 445.1D and Section 2, Administrative Matters, of the *U.S. Government Bookstores - Guidance for Managers*.
- One of the three designated Imprest Fund cashiers was authorized for \$100, but had access to the entire \$300 in the safe. The other two cashiers were authorized for the entire \$300. Standard 6 of GPO Instruction 825.18A states, "Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained."

The Laurel Retail Sales Outlet cashiers did not adhere to the controls over the handling and accountability of cash as required by the *U.S. Government Bookstores - Guidance for Managers* and GPO Instructions 445.1D and 825.18A. Without the adherence to proper controls over cash, the Outlet's cash is subject to loss by theft or other circumstance.

### RECOMMENDATIONS

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet:

- Requires all cashiers to sign and verify the amounts in their cash drawers at the beginning and at the end of each business day (9907-16);

- Immediately assigns a new cash register access code (PIN number) to the cashier who was using a departed cashier's access code (9907-17);
- Completes and maintains a GPO Form 343 *Request For and Appointment of Imprest Fund Cashier* for all Outlet cashiers (9907-18); and
- Updates the amount of funds designated for each Outlet cashier on GPO Form 343 (9907-19).

### **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendations. (See Appendix II.)

## CHAPTER IV. ADMINISTRATIVE AREAS

The Laurel Retail Sales Outlet can improve management controls in its administrative areas to accomplish the mission of the organization more effectively and efficiently as directed by GPO Instructions 645.17 and 825.18A.

This Chapter identifies four opportunities to develop controls in the administrative areas at the Outlet. Recommendations are made to strengthen controls in the Outlet's administrative areas by: (1) obtaining all applicable GPO Instructions and other reference materials on the Outlet's operations; (2) improving the signs in directing customers to the Outlet's location; and (3) considering the transfer of the assignment of the Outlet from the Retail Distribution Division to the Field Operations Division.

### IV-1. Reference Materials

#### FINDING

The Manager and the staff do not have a current list of reference materials applicable to the operations of the Outlet. If they have questions regarding operations, they call Laurel warehouse personnel, SuDocs Receipts and Processing personnel, or one of the bookstore managers.

The *U.S. Government Bookstores - Guidance for Managers* is the most authoritative written source available to the Manager. However, the Guidance for Managers needs to be updated.<sup>4</sup> The Outlet does not have copies of SuDocs directives updating the guidance or copies of GPO Instructions that were used by OIG auditors for this audit. In particular, GPO Instructions 445.1D *Imprest Fund*, 810.11A *Property Management Program*, 810.19 *Inventory Procedures – Publications for Sale*, and 825.18A *Internal Control Program* were not available to the Outlet staff.

Standard 7 of GPO 825.18A requires that documentation for transactions and management controls be readily available for examination. By relying on verbal information from other sources instead of having written documentation on-hand, the Outlet staff cannot be assured that all aspects of its operations are in accordance with applicable GPO Instructions and other reference materials.

#### RECOMMENDATION

The Chief, Retail Distribution Division, should ensure that the Manager, Laurel Retail Sales Outlet, obtains copies of all applicable GPO Instructions and other reference materials on the Outlet's operations (9907-20).

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<sup>4</sup> OIG Audit Report Number 99-03, *Report on Audit of the McPherson Square Bookstore*, recommended, "The Chief, Field Operations Division, should ensure that The Bookstore Manual is promptly, accurately, and consistently updated."

## **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendation. All applicable GPO Instructions and other reference materials on the Outlet's operations have been obtained. (See Appendix II.)

## **IV-2. Outlet Signs**

### **FINDING**

The current signs directing customers to the Outlet in the Business Park from the main road (Cherry Lane) are confusing and hard to follow. The sign on Cherry Lane directs potential customers to the rear of the Business Park. Another sign at the rear of the Business Park suggests that the Outlet is located on the side of the Business Park, when in fact the Outlet is located on the opposite side. The signs are very important in directing potential customers to the Outlet, because the Outlet is difficult to locate in the Business Park from the main road.

Better directions in locating the Outlet from the main road may increase walk-in business for the Outlet.

### **RECOMMENDATION**

The Chief, Retail Distribution Division, should take appropriate steps to improve the signs in directing customers to the Outlet's location (9907-21).

### **MANAGEMENT COMMENTS**

The Chief, Retail Distribution Division, agreed with the finding and recommendation. Appropriate steps have begun in purchasing and installing some of the signs. (See Appendix II.)

### **IV-3. Transferring Assignment**

#### **FINDING**

Approximately, 20 years ago, the Outlet's assignment was transferred from the Field Operations Division to the Retail Distribution Division. A SuDocs official stated the transfer was made, because the Outlet's sales, revenue, and profit surpassed all other bookstores. The transfer of the Outlet presented a more representative financial position of the other bookstores for management officials to assess the feasibility of continuing future bookstore operations.

The results of our audit showed the Outlet had internal control weaknesses in the areas of inventory, the preparation of the Daily Summary Reports, the safeguarding, handling, and accountability over cash, and other administrative areas. The Outlet's assignment to the Retail Distribution Division instead of to the Field Operations Division may be a contributing factor to these weaknesses.

The assignment to the Field Operations Division would allow the Outlet's Manager to receive direct supervision from the Chief, Field Operations Division, on operating the Outlet more effectively and efficiently. In addition, the Outlet's Manager would be directly responsible, as are the other bookstore managers, for the internal controls over:

- The inventory of shelf-stock publications and equipment, because the Outlet would not rely on the Retail Distribution Division to perform the annual inventories and to document the receipts and issues;
- The correct preparation of Daily Summary Reports as shown on the various monthly and annual reports that disclose the Outlet's actual operations along with the operations of the other bookstores;
- The safeguarding, handling, and accountability over cash that are consistent with the responsibilities shared by other bookstore managers; and
- The administrative areas to ensure consistency in (1) obtaining and using all applicable bookstore reference materials and (3) attracting new customers.

Standard 4 of GPO Instruction 825.18A states, "Managers should ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities."

## **RECOMMENDATION**

The Superintendent of Documents should consider transferring the assignment of the Laurel Retail Sales Outlet from the Retail Distribution Division to the Field Operations Division (9907-22).

## **MANAGEMENT COMMENTS**

The Superintendent of Documents did consider the recommendation, but decided that the Laurel Retail Sales Outlet would remain with the Retail Distribution Division. The decision was based on the "...interrelationship with other Laurel units for stock to fulfill orders and the advantages of on site supervision and backup." (See Appendix II.)

## OTHER MATTERS DISCUSSED WITH MANAGEMENT

The following items were discussed with officials of the Retail Distribution Division with respect to improving the existing internal controls.

- One of six purchase orders issued between October 1, 1998, through March 1, 1999, was not signed by an authorizing official, contrary to Section 5 of the *U.S. Government Bookstores - Guidance for Managers*.
- Although a GPO Form 3430A *Order Form* was completed to support a \$56 discount to a commercial dealer on January 29, 1999, the Outlet was unable to provide an invoice supporting the calculations for the discount. This is contrary to GPO Instruction 825.18A, Standard 7, "The documentation for transactions... must be clear and readily available for examination." As a result, there was no audit trail to ensure the 25 percent discount of the publication sold was given to the customer.
- A log of cash register discrepancies was not maintained.
- OIG auditors were told by Outlet employees that checks attached to unprocessed mail orders were allowed to remain overnight in document trays on the safe instead of being stored in the safe.
- The Manager did not document the verbal counseling regarding the abuse of the Production Reporting for Operation, Budgeting, and Expenditures (PROBE) system and leaving work early on the 7B card of an Outlet employee as required by GPO Instruction 655.4A.

# memorandum

DATE: July 6, 1999

APPLY TO: Superintendent of Documents  
ATTN OF:

99 JUL -7 AM 8:16

SUBJECT: Comments on Draft Report on the  
Laurel Retail Sales Outlet

TO: Inspector General

In response to your request for comments and responses to the Draft Report on the Laurel Retail Sales Outlet, I have some general comments and I have attached an edited report prepared by the Chief, Retail Distribution Division.

Two objectives of this performance audit outlined on page 3 were "to determine whether the Laurel Retail Sales Outlet fulfilled its mission of serving the public on a self-sustaining basis" and "whether the Outlet provided timely and quality service to customers in an effective and economical manner." The bulk of the report deals with internal controls and written instructions. It does not provide current or trend cost analysis of revenues and expenses, nor does it include an evaluation of timeliness and quality of service. Presumably there were no problems in these areas, but some data and commentary on those objectives would seem appropriate.

In regard to Section IV-3, Transferring Assignment, I disagree with the finding and recommendation for moving the Outlet from the Retail Distribution Division to the Field Operations Division. The Retail Sales Outlet Manager is directly responsible, as other bookstore managers, for the internal controls over the areas cited in the Report. The Report suggests that the assignment to the Retail Distribution Division may be a contributing factor to the cited weaknesses, but it does not state that it is a conclusive factor. Nor does the Report take into account other aspects of the operation including the interrelationship with other Laurel units for stock to fulfill orders and the advantages of on site supervision and backup. The internal control problems cited can be corrected without reassignment of the Outlet, as outlined in the responses to the draft Report.

*Francis J Buckley Jr*  
FRANCIS J. BUCKLEY, JR.

Attachment

99-07  
(147)

25

*251*  
*2/7/9*

UNITED STATES GOVERNMENT

# memorandum

DATE: July 1, 1999

...PLY TO  
ATTN OF: Chief, Retail Distribution Division

SUBJECT: Re: Draft Report on the Report on the Internal Controls over the Laurel Retail Sales Outlet

TO: Inspector General  
Through: Superintendent of Documents

The draft report on the internal controls over the Laurel Retail Sales Outlet (Retail Sales Branch, Retail Distribution Division [RDD]), has been reviewed thoroughly and the following represents comments on the findings and recommendations contained therein.

**NOTE:** Before presenting these comments, it should be noted that the "\$3.3 million in revenue from sales", mentioned on page one of the draft, does not include revenue generated by the outlet for sales of subscriptions. This outlet receives orders for subscriptions for both "Dated Periodicals" and for "Basics & Supplements". Orders for subscriptions to "Dated Periodicals" are accepted and sent to Mail List for recording, data entry, etc. Orders for subscriptions to "Basics & Supplements" are accepted, back issues are furnished and decremented from the RDD inventory, the order form is annotated with the back issues given to the customer and is then forwarded to Mail List for further processing. Accountability for these subscription customers - while not included in the revenue generated - are included in the number of customers listed for FY 1998 - 4,300 customers. If included, this revenue could skew the breakdown on page two of the percentage of sales generated from book dealers.

## CHAPTER I. INVENTORY

### Section I-1. Shelf Stock Publications

On page six, under "Recommendations":

- Item 01: Agreed - we ~~should~~<sup>will</sup> conduct an immediate inventory of shelf stock in the outlet.
- Item 02: Agreed - annual inventories ~~should~~<sup>will</sup> be conducted.
- Items 03 & 04: Agreed - the program "Wordstock" should satisfy both of these recommendations. We should pursue the acquisition of this or other software in order to maintain the shelf stock inventory in a correct and accountable manner.

99-07  
(147)

Page 2

**Section I-2. Accountable Equipment**

On pages seven and eight, under "Recommendations":

- Item 05: (Part 1) - The computer that was reported as being transferred to the Publications Branch was reported as such, in error. The Laurel Complex is currently in the process of having a computer network installed with new equipment (PC's, printers, etc.). This PC and it's monitor were removed and are currently located on a pallet with other computer equipment that will be Returned to Stores shortly.
- (Part 2) - The microfiche reader that could not be located was disposed of previously because it was not in a working condition. The microfiche reader that was on loan to the outlet was no longer needed and has since been Returned to Stores.
- Item 06: In the first paragraph on page seven, under "Findings", there are two items mentioned that do not have GPO identification numbers and tags - the cash register and the safe. However, under the "Recommendations", on page eight, the two items without such are listed as the cash register and the microfiche reader. (It was previously stated on page seven, that the microfiche reader found in the outlet, did have a serial number and a machine number.) For the record, GPO ID tags with the appropriate documentation, have been obtained and are now affixed to both the safe and the cash register.
- Item 07: Agreed - appropriate documentation ~~should~~<sup>will</sup> be maintained on all future inventory transactions for accountable equipment.

**Section I-3. Unreported Equipment**

On page nine, under "Recommendations":

- Item 08: The disposition of the eight "unreported" items that were found in the outlet - but were not included on their inventory listing are as follows:
- Nos. 1 & 2, are part of the new computer network being installed throughout the Laurel Complex. They were purchased enmasse and are currently being carried on the cost center code under which they were purchased -9330.
  - Nos. 3 & 4, have been replaced since the audit with new monitors. The GPO ID#'s for the new ones are IHM8666 and IHM8665. These two pieces of equipment are also being carried on cost center code 9330, for the time being. (The two "CTX monitors" are located on a pallet of computer equipment which will be Returned to Stores shortly.)

**Section I-3. Unreported Equipment (continued)**

- Item 08: - No. 5 - The HP LaserJet 4000N Printer has been issued a GPO ID tag - with ID #IHL8579. The tag is currently affixed to the machine and a memo will be dispatched to the Comptroller to include it in the property inventory listing for cost center code 9351.
- Nos. 6, 7, & 8 - These items were purchased in the early 1980's under cost center code 9341. All of the equipment purchased at that time was kept under one cost center code for maintenance purposes. Equipment purchased at that time is /was in use throughout the Division and is/was assigned to an area on an as-needed basis.
- Item 09: GPO identification numbers and tags have been obtained where appropriate. Item numbers 6, 7, and 8 have been designated to be disposed of upon the completion of the new computer equipment and network being installed throughout the Laurel Complex. (They are currently only being used to "make do" until they can be replaced.)

**CHAPTER II. DAILY SUMMARY REPORTS****Section II-1. Discounts**

On pages ten and eleven, under "Recommendation":

- Item 10: Agreed - ~~the Daily Summary Report should be updated in order to decrease confusion as to how it should be prepared. However, any changes to this report must be coordinated between various departmental entities in GPO. If/when it is revised, all appropriate personnel will be retrained to assure that the report is properly filled out.~~ *Staff will be trained to fill out the Report as other Bookstore do,*

**Section II-2. Postal Charges**

On pages twelve and thirteen, under "Recommendation":

- Item 11: Agreed - see Item 10.

Page 4

**Section II-3. Deposit Accounts**

On page fourteen, under "Recommendation":

Item 12: Agreed - see Item 10.

**CHAPTER III. CASH****Section III-1. Safeguarding and Handling of Cash**

On pages fifteen and sixteen, under "Recommendations":

- Item 13: Agreed - ~~we will take a look at our current procedures and will update them.~~ <sup>have begun counting</sup> We will ~~also~~ count the cash in the cash drawers at the close of the business day and the next morning prior to opening. ~~Previously, the money was not counted at the end of the business day in an attempt to keep the outlet open as long as possible. (It should be noted that the cash register currently in use has a limited number of cash drawers which are often shared by more than one cashier and it is not Year 2000 Compliant [Y2K]. A new one will be acquired soon and we will try to assure that it has the capability of handling multiple drawers in order to assure that each cashier has their own drawer.)~~
- Item 14: Agreed - the fact that the auditor was left alone in the office was an error in judgement but was due to the nature of his/her position. At no other time is anyone allowed unsupervised in the outlet manager's office.
- Item 15: Agreed - the combination to the safe was changed after an employee left very recently. The combination ~~should~~ <sup>will</sup> be changed more frequently in compliance with GPO Instruction 445.1D.

**Section III-2. Accountability over Cash**

On pages seventeen and eighteen, under "Recommendations":

- Item 16: Agreed - this ~~should~~ <sup>will</sup> be done.
- Item 17: Agreed - this ~~should~~ <sup>will</sup> be done.
- Item 18: Agreed - this has been taken care of already.
- Item 19: Agreed - this has been taken care of already.

**CHAPTER IV. ADMINISTRATIVE AREAS**

**Section IV-1. Reference Materials**

On pages nineteen and twenty, under "Recommendation":

Item 20: Agreed - all manuals, GPO Instructions, and other reference materials pertinent to the outlet's operations, have been obtained.

**Section IV-2. Outlet Signs**

On page twenty-one, under "Recommendation":

Item 21: Agreed - there are several signs which direct traffic/customers to the outlet. The sign located on Cherry Lane was erected by the building owners (MIE). There are signs at 8610 and 8660 Cherry Lane. The sign for 8610 was replaced with a much more prominent and noticeable sign - while the sign for 8660 has remained unchanged. Inquiries will be made of MIE about installing a more prominent sign for 8660. The signs inside the industrial park have been purchased/installed by GPO. We ~~should~~<sup>will</sup> look into the feasibility of replacing, updating, and improving these signs.

**Section IV-3. Transferring Assignment**

On pages twenty-two and twenty-three, under "Recommendation":

Item 22: This recommendation should be reviewed by all relevant parties to evaluate which operational entity it best fits.

**Other Matters Discussed With Management**

At the end of the draft is a section titled "Other Matters Discussed With Management". There are five "bullets" listed..... these will be addressed, in order.

- Bullet #1 We were unable to identify which documents the auditors were referring to here.
- Bullet #2 Currently, when shelf stock is transferred to the outlet from the RDD inventory, there is no record of the titles, counts, or stock numbers sold. If "Wordstock" or a similar software is acquired, this problem should be resolved.

Page 6

**Other Matters Discussed With Management (continued)**

- Bullet #3 A log is now maintained for cash register discrepancies - as recommended.
- Bullet #4 The unprocessed mail orders with checks attached are now being kept in the locked safe overnight.
- Bullet #5 The employee referred to in this item is no longer an employee in the outlet. In the future, if another employee is in a similar situation, procedures will be followed as outlined in GPO Instruction 655.4A.



ARTHUR E. MILES