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GAO

Report to the President of the Senate and the Speaker of the House of Representatives

May 1986

FINANCIAL AUDIT

Office of the Attending Physician Revolving Fund for FY 1985 and FY 1984

129930

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

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May 22, 1986

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

Pursuant to the Legislative Branch Appropriation Act of 1976, we have examined the balance sheets of the Office of the Attending Physician Revolving Fund as of September 30, 1985 and 1984, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on January 24, 1986.

In our opinion, the financial statements referred to above present fairly the financial position of the Office of the Attending Physician Revolving Fund as of September 30, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles for federal agencies and the financial accounting policies described in note 2 to the financial statements, applied on a consistent basis except for a change, with which we concur, in determining the amount to be transferred to the U.S. Treasury, as described in notes 2 and 3 to the financial statements.

This report contains our report on internal accounting controls and compliance with laws and regulations. Our report also presents the Fund's financial statements and accompanying notes for the fiscal years ended September 30, 1985 and 1984.

As required by the Legislative Branch Appropriation Act of 1976, we are sending copies of this report to the Subcommittee on Legislative Branch, Senate Committee on Appropriations; the Subcommittee on Legislative, House Committee on Appropriations; the House Committee on Government Operations; the Senate Committee on Governmental Affairs; and the Clerk of the House of Representatives.

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the Office of the Attending Physician Revolving Fund for the fiscal years ended September 30, 1985 and 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended September 30, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the year ended September 30, 1984, is presented in GAO/AFMD-85-32, dated March 27, 1985.)

We did not complete a study and evaluation of the Fund's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Rather, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended September 30, 1985.

While we did not study and evaluate the Fund's internal control system, we did not become aware of any condition, during our expanded substantive audit tests, which we believe to be a material weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the Office of the Attending Physician Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention in connection with our examination that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	September 30, 1985	September 30, 1984
Assets		
Cash	$5,180	$3,176
Accounts receivable	325	0
Inventories (note 2)	1,376	1,383
Total Assets	**$6,881**	**$4,559**
Liabilities and Government Equity		
Accounts payable (note 3)	$4,839	$3,029
Government equity (note 4)	2,042	1,530
Total Liabilities and Government Equity	**$6,881**	**$4,559**

The accompanying notes are an integral part of this statement.

Statement of Operations

	Fiscal years ended September 30,	
	1985	1984
Revenue		
Sales and services (note 3)	$31,926	$39,971
Costs		
Cost of sales	30,350	38,907
Net income	**$ 1,576**	**$ 1,064**

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Fiscal years ended September 30,	
	1985	**1984**
Funds Provided		
Net income from operations	$1,576	$1,064
Increase in accounts payable	1,810	0
Decrease in inventory	7	147
Total funds provided	**3,393**	**1,211**
Funds Applied		
Decrease in accounts payable	0	215
Increase in accounts receivable	325	0
Transfer to U.S. Treasury	1,064	1,441
Total funds applied	**1,389**	**1,656**
Increase (Decrease) in Cash	**$2,004**	**$ (445)**

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Revolving Fund Authority

The Office of the Attending Physician was established in 1928 to serve the medical needs of the Members of Congress. The 1976 Legislative Branch Appropriation Act established the Office of the Attending Physician Revolving Fund—effective August 1, 1975. In accordance with the provisions of the act, the balance of $466 in the superseded Office of the Attending Physician suspense account was used to establish the government's equity in the Fund.

The purpose of the Revolving Fund is to account for the receipts and disbursements for (1) the purchase and sale of prescription drugs and (2) miscellaneous services provided by the Office of the Attending Physician. Other activities of the Office of the Attending Physician are financed through appropriated funds.

Note 2. Significant Accounting Policies

Inventories consist of filled prescriptions not picked up by customers (valued at cost) and vaccines on hand. Vaccines are valued at cost on a first-in, first-out basis.

All sales of drugs and services are for cash.

After restoring any impairment of capital, the Legislative Branch Appropriation Act of 1976 requires that the Fund's net income be paid to the U.S. Treasury's general fund. The amount to be paid in 1986, representing the Fund's fiscal year 1985 net income, is $1,576.

The financial statements do not include expenses incurred for revolving fund operations but paid for with appropriated funds, such as salaries, space, and supplies.

Note 3. Accounts Payable

Vaccines and malaria pills purchased with appropriated funds were sold, and the money received was deposited in the revolving fund. This money ($490), which is included in accounts payable, must be paid into the general fund of the U.S. Treasury.

Note 4. Government Equity

A summary of the changes in government equity for fiscal years 1985 and 1984 follows.

Table 1: Changes in Government Equity

	Fiscal year	
	1985	**1984**
Balance at beginning of year	$1,530	$1,907
Transferred to U.S. Treasury	(1,064)	(1,441)
Net income for year, reserved for transfer to U.S. Treasury	1,576	1,064
Balance at end of year	**$2,042**	**$1,530**

Note 5. Revolving Fund Activities

Prescription drug sales: Most of the receipts and disbursements are from the sale and purchase of prescription drugs. When requested, the Office of the Attending Physician purchases drugs at wholesale and resells them to Members' families and to congressional employees. The price charged is based upon the unit price of the drug (before any discount) rounded upward to the nearest nickel. The Office of the Attending Physician receives a 2 percent cash discount from its wholesaler for prompt payment. In fiscal year 1985, the prescription drug sales were $30,047, and the net income was $826.

Immunizations: The Office of the Attending Physician provides influenza immunizations and malaria pills to congressional employees at fees of from $1.00 to $4.75. Receipts from these activities in fiscal year 1985 were $1,032, and a net loss of $97 was incurred primarily due to the write-off of an obsolete influenza vaccine.

Life insurance services: The Office of the Attending Physician furnishes medical transcripts and performs physical examinations for life insurance applicants. For these services, $847 was received from life insurance companies and deposited in the Fund during the fiscal year.

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