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RELEASED

# Audit Of Financial Transactions Of The Sergeant At Arms For Fiscal Year 1970

B-114854

House of Representatives

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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OCT. 26, 1970



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

B- 114854

Dear Mr. Speaker:

The accompanying report summarizes the results of our audit of the financial transactions of the Sergeant at Arms, House of Representatives, for the fiscal year ended June 30, 1970. Our audit was made pursuant to the act of July 26, 1949 (2 U.S.C. 81a).

This report is also being sent today to the Sergeant at Arms of the House of Representatives.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

The Honorable John W. McCormack  
Speaker of the House of Representatives



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

B- 114854

Dear Mr. Johnson:

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This report is also being sent today to the Speaker of the House of Representatives.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

The Honorable Zeake W. Johnson, Jr.  
Sergeant at Arms  
House of Representatives

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COMPTROLLER GENERAL'S REPORT  
TO THE SPEAKER OF THE HOUSE  
OF REPRESENTATIVES

AUDIT OF FINANCIAL TRANSACTIONS OF THE  
SERGEANT AT ARMS, HOUSE OF  
REPRESENTATIVES, FOR FISCAL YEAR 1970  
B-114854

D I G E S T

WHY THE AUDIT WAS MADE

The General Accounting Office (GAO) is required to make an audit of all receipts and disbursements pertaining to the financial records of the Sergeant at Arms not less frequently than once each 6 months.

FINDINGS AND CONCLUSIONS

In GAO's opinion, the financial statements (schedules 1 through 3), which were prepared by GAO, present fairly the financial position and accountability of the Sergeant at Arms at December 31, 1969, and June 30, 1970, and the transactions for each of the 6-month periods then ended, on a basis consistent with that of the preceding year.

GAO noted that the amount of members' unpaid checks outstanding decreased from \$15,171 on July 1, 1969, to \$10,271 on July 1, 1970.

RECOMMENDATIONS OR SUGGESTIONS

In view of the decrease in the amount of members' unpaid checks outstanding, GAO is making no recommendation.

## INTRODUCTION

The General Accounting Office has made an audit of the financial transactions of the SERGEANT AT ARMS, HOUSE OF REPRESENTATIVES, for fiscal year 1970, consisting of separate examinations for the 6-month periods ended December 31, 1969, and June 30, 1970. The scope of the audit work performed is described on page 7.

The Sergeant at Arms is directed by statute to keep the accounts for the pay and mileage of members of the House of Representatives; to act as disbursing officer of moneys appropriated for the compensation of members, and to account for such funds according to law (2 U.S.C. 78, 80).

Salary and expense appropriations are disbursed on the basis of monthly payroll vouchers covering the earned salary and mileage of members and the expense allowance of the Speaker. The amount due each member either is paid to him by check or, if he so requests, is transferred to his credit in the deposit fund account which has been established in the Treasury for this purpose. In addition, the Sergeant at Arms acts as disbursing officer for amounts appropriated for gratuities to widows or widowers and heirs of deceased members and maintains a banking operation known as the House Bank.

The deposit fund maintained by the Sergeant at Arms represents the total of the individual accounts for the various members who utilize the banking facility. The amount due each member may be withdrawn by written orders presented for payment either directly to the Sergeant at Arms or through regular banking channels.

Moneys on deposit in the deposit fund are used in cashing checks for members and employees of the House. Other banking operations consist of selling traveler's checks and assisting members in (1) purchasing savings bonds and (2) negotiating and liquidating personal loans with local banks.

These banking activities have not been established by specific legislation but have developed over a long period of time as a service to members. These activities were given recognition in the act of July 26, 1949; House

Resolution 465, Eighty-fourth Congress, made permanent by section 103 of the Legislative Branch Appropriation Act, 1957 (70 Stat. 370); and the act of July 2, 1958 (72 Stat. 293). In these acts the moneys in the deposit fund are classified as trust funds.

## ASSETS AND LIABILITIES

The funds for which the Sergeant at Arms was accountable at December 31, 1969, and June 30, 1970, are summarized in the statement of assets and liabilities. (See sch. 1.) Pertinent comments on certain accounts, transactions, and accounting controls are presented below.

### EXCHANGE ITEMS ON HAND

Exchange items on hand amounting to \$18,639 at December 31, 1969, and \$234,437 at June 30, 1970, represent checks cashed for members and employees of the House of Representatives on the last business day of each 6-month period. The checks are exchanged for cash at a local bank on the following business day.

The peak volume of check-cashing transactions occurs, usually at the end of each month, when House employees cash their paychecks. During fiscal year 1970, the largest volume of checks cashed during 1 month occurred in July 1969 and during 1 day occurred on July 31, 1969, when checks amounting to \$1,831,754 and \$312,825, respectively, were cashed.

The check-cashing transactions for fiscal year 1970 are summarized below.

	<u>Six-month period ended</u>	
	December 31, <u>1969</u>	June 30, <u>1970</u>
Checks on hand at beginning of period	\$ 276,504	\$ 18,639
Checks cashed	<u>9,015,166</u>	<u>8,864,418</u>
	9,291,670	8,883,057
Checks exchanged for cash	<u>9,273,031</u>	<u>8,648,620</u>
Checks on hand at end of period	<u>\$ 18,639</u>	<u>\$ 234,437</u>

The total amount of checks cashed during fiscal year 1970 increased \$894,672 over that of the prior fiscal year, an increase of about 5.3 percent. Checks returned to the Sergeant at Arms, for various reasons, by the banks during fiscal year 1970 totaled \$38,720, an increase of \$10,880 over the amount of checks returned in the prior fiscal year.

The Sergeant at Arms has stated that he maintains control over these returned checks on an item basis until they are liquidated.

#### DUE FROM MEMBERS

The accounts receivable due from members, schedule 1 (members' unpaid checks), represent checks drawn on and cashed by the Sergeant at Arms, which were not charged to the members' accounts pending deposits of sufficient funds by the members. Individual unpaid checks are listed on the day of receipt, but the amounts unpaid at any time for individual members can be determined only from the unpaid checks on hand. Furthermore, records are not maintained from which the frequency, duration, and amounts of actual overdrafts, in total or by individual members, can be determined.

During fiscal year 1970 the number of members' unpaid checks totaled 10,711 and amounted to \$1,872,521 compared with 10,310 checks that amounted to \$1,801,556 in the preceding fiscal year, an increase of about 3.9 percent as to both number and amount. Redemption of these unpaid checks totaled \$1,874,051 and \$1,781,569 during fiscal years 1970 and 1969, respectively, resulting in unpaid checks of \$48,406 on hand at June 30, 1970, compared with \$49,936 on hand at June 30, 1969.

After salaries were credited to the accounts on July 1, 1970, only one member owed more than a month's salary. The amount due, however, was paid promptly. On July 1, 1970, nine members had unpaid checks outstanding amounting to \$10,271, a decrease from July 1, 1969, when 11 members had unpaid checks outstanding amounting to \$15,171. On July 1, 1970, the three members most indebted to the trust fund owed \$4,000, \$1,671, and \$1,292, respectively. This is an

overall decrease from July 1, 1969, when the three most indebted members owed \$5,390, \$3,024, and \$1,615 respectively. We believe that the increased effort of the Sergeant at Arms to enforce the regulations, issued in October 1968, regarding members' unpaid checks has had some effect and that it should be sustained.

The Sergeant at Arms informed us that no loss had resulted from the practice of cashing members' checks when they do not have sufficient funds on deposit to cover the checks. He stated that many of the checks were outstanding for only a few days and that occasionally checks which were cashed by the banks were returned to the banks unpaid. He considers that the members are generally drawing against their accruing salaries which will be paid on the first of the following month.

#### TELLERS' OVERAGES AND SHORTAGES

On July 10, 1970, the Sergeant at Arms, pursuant to 2 U.S.C. 81b, submitted for the approval of the Chairman of the Committee on House Administration, a request for reimbursement from the contingent fund to cover the net shortage of \$31.48 in the deposit fund as of June 30, 1970. The reimbursement was received on July 29, 1970.

#### MEMBERS' DEPOSITS

The transactions relating to the members' deposit accounts during fiscal year 1970 are summarized in the statement of financial transactions for deposit funds. (See sch. 3.)

## SCOPE OF AUDIT

Our audit of the financial transactions of the Sergeant at Arms, which consisted of separate examinations for the 6-month periods ended December 31, 1969, and June 30, 1970, included (1) a review of applicable Federal laws relating to payment of salary and mileage of members and expense allowance of the Speaker and to payments of gratuities to widows or widowers and heirs of deceased members, (2) a review of House banking operations, and (3) an examination on a test basis of the records and financial transactions, including such auditing procedures as we considered appropriate and necessary in the circumstances.

Salaries of employees and other expenses of the Office of the Sergeant at Arms are paid by the Clerk of the House of Representatives from separate appropriations; therefore, these transactions were not included in our audit.

## OPINION OF FINANCIAL STATEMENTS

The financial statements in this report were prepared by GAO from the records of the Sergeant at Arms. In preparing the financial statements from these records, which are maintained on a cash basis, we have included adjustments to present the accountability of the Sergeant at Arms on an accrual basis.

In our opinion, the accompanying financial statements (schedules 1 through 3) present fairly the financial position and accountability of the Sergeant at Arms at December 31, 1969, and June 30, 1970, and the financial transactions for each of the 6-month periods then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

**FINANCIAL STATEMENTS**



S E R G E A N T    A T    A R M S

H O U S E   O F   R E P R E S E N T A T I V E S

S T A T E M E N T   O F   A S S E T S   A N D   L I A B I L I T I E S

D E C E M B E R   3 1 ,   1 9 6 9 ,   A N D   J U N E   3 0 ,   1 9 7 0

	December 31, <u>1969</u>	June 30, <u>1970</u>
A S S E T S		
APPROPRIATED FUNDS:		
Funds with U.S. Treasury	<u>\$11,992,849.75</u>	<u>\$1,794,386.85</u>
DEPOSIT FUNDS:		
Funds with U.S. Treasury	1,050,288.64	965,442.45
Cash on hand	82,283.06	164,492.27
Exchange items on hand	18,639.04	234,437.26
Accounts receivable:		
Due from members	71,163.27	48,405.73
Tellers' shortages	<u>352.47</u>	<u>510.13</u>
	<u>1,222,726.48</u>	<u>1,413,287.84</u>
Total assets	<u>\$13,215,576.23</u>	<u>\$3,207,674.69</u>
L I A B I L I T I E S		
APPROPRIATED FUNDS:		
Accrued liabilities	\$ 1,668,098.24	\$1,659,654.80
Unobligated balances	<u>10,324,751.51</u>	<u>134,732.05</u>
	<u>11,992,849.75</u>	<u>1,794,386.85</u>
DEPOSIT FUNDS:		
Accounts payable:		
Members deposits	1,222,510.31	1,412,809.19
Tellers' overages	<u>216.17</u>	<u>478.65</u>
	<u>1,222,726.48</u>	<u>1,413,287.84</u>
Total liabilities	<u>\$13,215,576.23</u>	<u>\$3,207,674.69</u>

SCHEDULE 2

SERGEANT AT ARMS  
HOUSE OF REPRESENTATIVES

STATEMENT OF FINANCIAL TRANSACTIONS

APPROPRIATED FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1970

	<u>Six-month period ended</u>		
	December 31, 1969	June 30, 1970	Fiscal year 1970
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ <u>1,792,944.38</u>	\$ <u>11,992,849.75</u>	\$ <u>1,792,944.38</u>
APPROPRIATIONS:			
Salaries	20,074,000.00	-	20,074,000.00
Mileage and expense	180,000.00	20,000.00	200,000.00
Gratuities	<u>72,500.00</u>	<u>42,500.00</u>	<u>115,000.00</u>
Total appropriations	<u>20,326,500.00</u>	<u>62,500.00</u>	<u>20,389,000.00</u>
Total funds available	<u>22,119,444.38</u>	<u>12,055,349.75</u>	<u>22,181,944.38</u>
DISBURSEMENTS AND TRANSFERS:			
Salaries and Government contributions:			
Paid to members:			
By check	435,996.14	453,669.58	889,665.72
Transferred to deposit fund ac- count (schedule 3)	5,556,580.36	5,581,802.45	11,138,382.81
Paid to Internal Revenue Service:			
Withholding tax deductions	2,405,751.55	2,298,855.49	4,704,607.04
Paid to Civil Service Commission:			
Members deductions:			
Retirement	679,117.94	717,939.36	1,397,057.30
Life insurance	68,659.20	68,551.92	137,211.12
Health insurance	60,933.26	70,152.44	131,085.70
Optional life insurance	21,423.28	20,142.58	41,565.86
Government contributions:			
Retirement	679,117.94	717,939.36	1,397,057.30
Life insurance	34,329.60	34,275.96	68,605.56
Health insurance	<u>20,368.20</u>	<u>20,863.16</u>	<u>41,231.36</u>
Total	<u>9,962,277.47</u>	<u>9,984,192.30</u>	<u>19,946,469.77</u>
Mileage of members and expense al- lowance of Speaker:			
Paid by check	7,792.00	20,597.80	28,389.80
Transferred to deposit fund ac- count (schedule 3)	<u>5,274.40</u>	<u>171,172.80</u>	<u>176,447.20</u>
Total	<u>13,066.40</u>	<u>191,770.60</u>	<u>204,837.00</u>
Total salaries, mileage, and expense allowance	9,975,343.87	10,175,962.90	20,151,306.77
Gratuities to widows of deceased members	30,000.00	85,000.00	115,000.00
Unexpended balance of appropriations de- posited into general fund of the Treasury	<u>121,250.76</u>	-	<u>121,250.76</u>
Total disbursements and transfers	<u>10,126,594.63</u>	<u>10,260,962.90</u>	<u>20,387,557.53</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	\$ <u>11,992,849.75</u>	\$ <u>1,794,386.85</u>	\$ <u>1,794,386.85</u>

SCHEDULE 3

SERGEANT AT ARMS  
HOUSE OF REPRESENTATIVES

STATEMENT OF FINANCIAL TRANSACTIONS

DEPOSIT FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1970

	<u>Six-month period ended</u>		
	December 31, <u>1969</u>	June 30, <u>1970</u>	Fiscal year <u>1970</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ <u>1,227,699.90</u>	\$ <u>1,222,726.48</u>	\$ <u>1,227,699.90</u>
RECEIPTS:			
Transfers from appropriated funds (schedule 2):			
Salaries of members	5,556,580.36	5,581,802.45	11,138,382.81
Mileage of members and expense allowance of the Speaker	<u>5,274.40</u>	<u>171,172.80</u>	<u>176,447.20</u>
Total	<u>5,561,854.76</u>	<u>5,752,975.25</u>	<u>11,314,830.01</u>
Personal deposits by members	4,494,674.60	4,663,938.81	9,158,613.41
Sale of traveler's checks	72,430.64	60,982.69	133,413.33
Tellers' overages	<u>216.17</u>	<u>262.48</u>	<u>478.65</u>
Total receipts	<u>10,129,176.17</u>	<u>10,478,159.23</u>	<u>20,607,335.40</u>
Total available for disbursement	<u>11,356,876.07</u>	<u>11,700,885.71</u>	<u>21,835,035.30</u>
DISBURSEMENTS:			
Payments to or for account of members (net of amounts due from members)	10,061,419.63	10,226,615.18	20,288,034.81
Remittance to consignors for traveler's checks sold	72,430.64	60,982.69	133,413.33
Tellers' overages (prior years) applied to shortages	<u>299.32</u>	<u>-</u>	<u>299.32</u>
Total disbursements	<u>10,134,149.59</u>	<u>10,287,597.87</u>	<u>20,421,747.46</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	\$ <u>1,222,726.48</u>	\$ <u>1,413,287.84</u>	\$ <u>1,413,287.84</u>