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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20546

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DECEMBER 28, 1982



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To the Speaker and the Sergeant at Arms
of the House of Representatives

Subject: Audit of the Financial Transactions of the
Sergeant at Arms, House of Representatives,
for the 12 Months Ended June 30, 1982
(GAO/AFMD-83-15)

Pursuant to the act of July 26, 1949 (2 U.S.C. 81a), we have examined the balance sheet of the Sergeant at Arms as of December 31, 1981, and June 30, 1982, and the related statements of financial transactions for appropriated funds and deposit funds for each of the 6-month periods then ended. Our examination was 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.

In our opinion, the financial statements referred to above present fairly the financial position and accountability of the Sergeant at Arms for the 6 months ended December 31, 1981, and June 30, 1982, respectively, and the financial transactions for the 6-month periods ended at those dates, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year and in accordance with applicable Federal laws.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the Office of the Sergeant at Arms' financial operations. Enclosures III through VI present the office's financial statements and accompanying notes for 1981 and 1982.

Comptroller General
of the United States

Enclosures

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SERGEANT AT ARMS, HOUSE OF REPRESENTATIVES
REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial operations of the Sergeant at Arms, House of Representatives, for the 6 months ended December 31, 1981, and June 30, 1982. Financial statements for these operations are presented as enclosures III, IV, and V. Our opinion on the financial statements is in our report to the Speaker and the Sergeant at Arms. Our examination was 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.

As part of our examination, we made a study and evaluation of the Office of the Sergeant at Arms' system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Office of the Sergeant at Arms' financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

For the purpose of this report, we have classified, studied, and evaluated the following significant internal accounting controls:

- Cash and exchange items.
- Accounts receivable.
- Appropriations and receipts.
- Disbursements and transfers.
- Members' deposits.

The Sergeant at Arms, as a fiscal officer for the House of Representatives, is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in condition or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Office of the Sergeant at Arms taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We also reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the Office of the Sergeant at Arms' financial statements. In our opinion the Sergeant at Arms complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON FINANCIAL ACTIVITIES OF THE
OFFICE OF THE SERGEANT AT ARMS,
HOUSE OF REPRESENTATIVES

The Sergeant at Arms, as a fiscal officer of the House, disburses funds appropriated for (1) compensation of Members, (2) mileage of Members, and (3) gratuities to widows, widowers, or heirs of deceased Members. He also operates a deposit and checking activity for the Members commonly referred to as the "House Bank" and is accountable for Members' funds on deposit in the bank.

Salary and expenses appropriations are disbursed on the basis of monthly payroll vouchers covering the earned salaries and mileage of Members. The amounts due Members are either paid by check or, if Members request it, transferred to their credit in the deposit fund account established in the Treasury for this purpose.

The deposit fund consists of the total of the individual accounts for the various Members who use the "House Bank" facility. Members withdraw money from their accounts by presenting written orders for payment either directly to the Sergeant at Arms or through regular banking channels.

Money in the Members' accounts is used to cash checks for Members and employees of the House. Checks drawn on other banks by Members and staff are exchanged for cash at a local bank on the next business day. Other "House Bank" operations consist of selling traveler's checks and assisting Members in (1) purchasing savings bonds and (2) negotiating and liquidating personal loans with a local bank.

Our audit consisted of examinations of the financial transactions of the Sergeant at Arms for the 6 months ended December 31, 1981, and June 30, 1982, respectively, and included:

- A review of Federal laws relating to payments of salaries and mileage of Members and payments of gratuities to widows, widowers, or heirs of deceased Members.
- A review of "House Bank" operations.
- A review, on a test basis, of records and financial transactions.

SERGEANT AT ARMS
HOUSE OF REPRESENTATIVES
BALANCE SHEET

AT DECEMBER 31, 1981, AND JUNE 30, 1982

A S S E T S

	<u>1981</u>	<u>1982</u>
APPROPRIATED FUNDS:		
Funds with U.S. Treasury (note 1)	<u>\$24,759,384.75</u>	<u>\$10,151,484.95</u>
DEPOSIT FUNDS:		
Funds with U.S. Treasury (note 1)	522,902.80	579,329.85
Cash on hand	141,919.86	217,981.40
Exchange items on hand (note 4)	79,508.57	175,722.17
Accounts receivable:		
Due from Members (note 5)	140,891.78	63,544.34
Tellers' shortages (note 6)	<u>190.82</u>	<u>444.59</u>
	<u>885,413.83</u>	<u>1,037,022.35</u>
Total assets	<u>\$25,644,798.58</u>	<u>\$11,188,507.30</u>

L I A B I L I T I E S A N D
G O V E R N M E N T E Q U I T Y

APPROPRIATED FUNDS:		
Liabilities:		
Salaries payable (note 2)	\$ 2,412,407.43	\$ 2,411,396.21
Government equity:		
Unobligated budget authority	<u>22,346,977.32</u>	<u>7,740,088.74</u>
	<u>24,759,384.75</u>	<u>10,151,484.95</u>
DEPOSIT FUNDS:		
Liabilities:		
Accounts payable:		
Members' deposits (notes 1 and 3)	885,316.68	1,036,687.82
Tellers' overages (note 6)	<u>97.15</u>	<u>334.53</u>
	<u>885,413.83</u>	<u>1,037,022.35</u>
Total liabilities and Government equity	<u>\$25,644,798.58</u>	<u>\$11,188,507.30</u>

The accompanying notes are an integral part of this statement.

SERGEANT AT ARMS
HOUSE OF REPRESENTATIVES
STATEMENT OF FINANCIAL TRANSACTIONS
APPROPRIATED FUNDS

FOR 6-MONTH PERIODS ENDED DECEMBER 31, 1981, AND
JUNE 30, 1982, AND FOR THE 12-MONTH PERIOD ENDED JUNE 30, 1982

	<u>6-month periods</u>		<u>12-month period</u>
	<u>ended</u> <u>December 31,</u> <u>1981</u>	<u>ended</u> <u>June 30,</u> <u>1982</u>	<u>ended</u> <u>June 30,</u> <u>1982</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$10,158,320.87	\$24,759,384.75	\$10,158,320.87
APPROPRIATIONS:			
Salaries	29,382,000.00	-	29,382,000.00
Mileage	210,000.00	-	210,000.00
Gratuities	60,663.00	-	60,663.00
Total appropriations	29,652,663.00	-	29,652,663.00
COLLECTIONS AND REFUNDS:			
Mileage of Members	240.20	910.20	1,150.40
Total funds available	39,811,224.07	24,760,294.95	39,812,134.27
DISBURSEMENTS AND TRANSFERS:			
Salaries and Government contributions:			
Paid to Members:			
By check	878,951.97	886,095.73	1,765,047.70
Transferred to deposit fund account (encl. V)	7,212,462.67	7,302,483.84	14,514,946.51
Federal withholding tax deductions paid to Internal Revenue Service	3,570,047.71	3,423,306.46	6,993,354.17
State withholding tax deductions transferred to deposit fund account (encl. V)	410,582.00	406,746.00	817,328.00
Paid to Office of Personnel Management:			
Members' deductions:			
Retirement	931,853.39	945,576.58	1,877,429.97
Life insurance	74,365.20	74,365.20	148,730.40
Health insurance	133,670.34	172,821.63	306,491.97
Optional life insurance	98,220.58	101,852.67	200,073.25
Deductions for U.S. Savings Bonds	11,375.00	11,250.00	22,625.00
Deductions for transfer to other organizations	11,031.26	11,776.02	22,807.28
Government contributions:			
Retirement	931,853.39	945,576.58	1,877,429.97
Life insurance	37,182.60	37,198.98	74,381.58
Health insurance	168,921.88	188,140.91	357,062.79
Total	14,470,517.99	14,507,190.60	28,977,708.59
Mileage of Members:			
Paid by check	1,570.40	6,245.40	7,815.80
Transferred to deposit fund account (encl. V)	16,087.80	95,374.00	111,461.80
Total	17,658.20	101,619.40	119,277.60
Total salaries and mileage	14,488,176.19	14,608,810.00	29,096,986.19
Gratuities to widows, widowers, or heirs of deceased Members	60,663.00	-	60,663.00
Unexpended balance of appropriations deposited into general fund of the Treasury	303,000.13	-	503,000.13
Total disbursements and transfers	15,051,839.32	14,608,810.00	29,660,649.32
ACCOUNTABLE BALANCE AT END OF PERIOD	\$24,759,384.75	\$10,151,484.95	\$10,151,484.95

The accompanying notes are an integral part of this statement.

SERGEANT AT ARMS
HOUSE OF REPRESENTATIVES
STATEMENT OF FINANCIAL TRANSACTIONS
DEPOSIT FUNDS

FOR 6-MONTH PERIODS ENDED DECEMBER 31, 1981, AND
JUNE 30, 1982, AND FOR THE 12-MONTH PERIOD ENDED JUNE 30, 1982

	<u>6-month periods</u>		<u>12-month period</u>
	<u>ended</u>		
	<u>December 31,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>1981</u>	<u>1982</u>	<u>1982</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ <u>935,739.02</u>	\$ <u>885,413.83</u>	\$ <u>935,739.02</u>
RECEIPTS:			
Transfer from appropriated funds (encl. IV):			
Salaries of Members	7,212,462.67	7,302,483.84	14,514,946.51
Mileage of Members	16,087.80	95,374.00	111,461.80
State withholding tax deductions	<u>410,582.00</u>	<u>406,746.00</u>	<u>817,328.00</u>
Total	7,639,132.47	7,804,603.84	15,443,736.31
Members' deposits	9,746,879.06	9,513,806.07	19,260,685.13
Sale of traveler's checks	121,299.23	82,313.36	203,612.59
Tellers' overages	<u>160.49</u>	<u>237.36</u>	<u>417.87</u>
Total receipts	<u>17,507,491.25</u>	<u>17,400,960.65</u>	<u>34,908,451.90</u>
Total available for disbursement	<u>18,443,230.27</u>	<u>18,286,374.48</u>	<u>35,844,190.92</u>
DISBURSEMENTS:			
Payments to or for accounts of Members (net of amounts due from Members)	17,025,657.73	16,760,292.77	33,785,950.50
State withholding tax deductions:			
Paid to State tax depart- ments	410,582.00	406,746.00	817,328.00
Remittances to consignors for traveler's checks sold	121,299.23	82,313.36	203,612.59
Tellers' overages (prior year) applied to shortages	<u>277.48</u>	<u>-</u>	<u>277.48</u>
Total disbursements	<u>17,557,816.44</u>	<u>17,249,352.13</u>	<u>34,807,168.57</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	\$ <u>885,413.83</u>	\$ <u>1,037,022.35</u>	\$ <u>1,037,022.35</u>

The accompanying notes are an integral part of this statement.

SERGEANT AT ARMS
HOUSE OF REPRESENTATIVES
SIGNIFICANT ACCOUNTING POLICIES
AND
NOTES TO FINANCIAL STATEMENTS
FINANCIAL TRANSACTIONS FOR 6-MONTH PERIODS ENDED
DECEMBER 31, 1981, AND JUNE 30, 1982

1. Significant Accounting Policies

The Sergeant at Arms, as a fiscal officer of the House, is accountable for funds appropriated for (1) compensation of Members, (2) mileage of Members, and (3) gratuities to widows, widowers, or heirs of deceased Members. He also operates a deposit and checking activity for the Members commonly referred to as the "House Bank" and is accountable for Members' funds on deposit in the bank. The Sergeant at Arms maintains separate appropriation and deposit fund accounts on a cash basis.

2. Salaries payable represent Members' salaries for the last month of the period, which are paid on the first day of the next month.
3. The balance in Members' accounts on July 1, 1982, totaled \$2,036,621.80. As part of our audit we made positive confirmations of these accounts. At September 16, 1982, more than 72 percent of the confirmations had been returned confirming more than 75 percent of the total funds.
4. Exchange items on hand amounting to \$79,508.57 at December 31, 1981, and \$175,722.17 at June 30, 1982, represent checks drawn on other banks and cashed for Members and employees of the House on the last business day of each 6-month period.

The peak volume of check-cashing transactions occurs when House employees cash their paychecks. During the 12 months ended June 30, 1982, the largest volume of checks cashed during 1 month occurred in December, when checks amounting to \$2,799,709.30 were cashed; and the largest volume during 1 day occurred on August 3, 1981, when checks totaling \$325,432.34 were cashed.

The check-cashing transactions for the 12 months ended June 30, 1982, are summarized below.

	<u>6 months ended</u>	
	<u>December 31,</u> <u>1981</u>	<u>June 30,</u> <u>1982</u>
Checks on hand at beginning of period	\$ 161,455.52	\$ 79,508.57
Checks cashed	<u>15,190,264.08</u>	<u>14,747,656.49</u>
	15,351,719.60	14,827,165.06
Checks exchanged for cash	<u>15,272,211.03</u>	<u>14,651,442.89</u>
Checks on hand at end of period	<u>\$ 79,508.57</u>	<u>\$ 175,722.17</u>

Of the checks cashed during the year, \$103,131.21 or about 0.35 percent were returned for reasons such as insufficient funds. This represented a 0.05-percent decrease in checks returned over the previous year.

The Sergeant at Arms maintains control over each returned check until it is liquidated; all such items are monitored daily, and only minor losses have occurred under this control. No loss was incurred during the 12-month period under review.

5. Amounts due from Members represent checks drawn on and cashed or paid by the Sergeant at Arms but not charged to the Members' accounts. Usually a check is held because of insufficient funds in the account of the Member drawing the check.

The Sergeant at Arms monitors daily all such items, and no losses have occurred under this control.

6. Tellers' shortages and overages are recorded each day and the net shortage, if any, at September 30th of each year is reimbursed from the Contingent Fund of the House, as authorized by the act of June 27, 1956 (2 U.S.C. 81b). The amount reimbursed from the Contingent Fund for the 12 months ended September 30, 1981, was \$185.44. The net shortage at June 30, 1982, was \$110.06.