



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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MAY 4, 1984

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

Subject: Examination of the Financial Statements of
the Office of the Sergeant at Arms, House
of Representatives, for the 6-Month Periods
Ended December 31, 1982, and June 30, 1983
(GAO/AFMD-84-36)

Pursuant to the act of July 26, 1949 (2 U.S.C. 81a), we have examined the balance sheets of the Office of the Sergeant at Arms, House of Representatives, as of December 31, 1982, and June 30, 1983, and the related statements of financial transactions for appropriated funds and deposit funds for each of the 6-month periods 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.

In our opinion, the financial statements referred to above present fairly the financial position and accountability of the Office of the Sergeant at Arms as of December 31, 1982, and June 30, 1983, and its financial transactions for the 6-month periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

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 activities. Enclosures III through VI present the Office's financial statements and accompanying notes for the 1982 and 1983 periods.

Acting Comptroller General
of the United States

Enclosures



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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 Sergeant at Arms, House of Representatives, for the 6-month periods ended December 31, 1982, and June 30, 1983. 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 study and evaluation of the system of internal accounting control for the 6-month periods ended December 31, 1982, and June 30, 1983, and our review of compliance with laws and regulations for the year ended June 30, 1983.

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 or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- cash and exchange items,
- accounts receivable,
- appropriations and receipts,
- disbursements and transfers, and
- members' deposits.

Our study included all of the control categories listed above.

The management of the Office of the Sergeant at Arms is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. 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.

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 conditions 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 or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We 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 Office of 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 deposited in the U.S. Treasury through 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.

The peak volume of check-cashing transactions occurs when House employees cash their paychecks. During the 12 months ended June 30 1983, the largest volume of checks cashed during 1 month occurred in June, when checks amounting to \$2,940,146.01 were cashed; and the largest volume during 1 day occurred on June 7, 1983, when checks totaling \$612,945.02 were cashed.

The check-cashing transactions for the 6-month periods ended December 31, 1982, and June 30, 1983, are summarized below.

	<u>6-month periods ended</u>	
	<u>December 31,</u> <u>1982</u>	<u>June 30,</u> <u>1983</u>
Checks on hand at beginning of period	\$ 175,722.17	\$ 100,083.23
Checks cashed	<u>13,113,175.21</u>	<u>13,699,985.05</u>
	13,288,897.38	13,800,068.28
Checks exchanged for cash	<u>13,188,814.15</u>	<u>13,599,839.28</u>
Checks on hand at end of period	<u>\$ 100,083.23</u>	<u>\$ 209,229.00</u>

Our audit consisted of examinations of the financial transactions of the Office of the Sergeant at Arms for the 6-month periods ended December 31, 1982, and June 30, 1983, and included:

- a review of federal laws relating to compensation and mileage of members and gratuities to widows, widowers, or heirs of deceased members;
- a review of "House bank" operations, and
- a review, on a test basis, of records and financial transactions.

HOUSE OF REPRESENTATIVES
SERGEANT AT ARMS
BALANCE SHEET (note 1)

	<u>December 31, 1982</u>	<u>June 30, 1983</u>
A S S E T S		
APPROPRIATED FUNDS:		
Funds with U.S. Treasury	\$24,897,741.72	\$11,897,573.30
DEPOSIT FUNDS:		
Funds with U.S. Treasury	572,195.27	580,972.20
Cash on hand	139,729.42	166,351.14
Exchange items on hand (note 2)	100,083.23	200,229.00
Accounts receivable:		
Due from members (note 3)	140,513.28	96,877.85
Tellers' shortages (note 4)	276.87	931.92
	952,798.07	1,045,362.11
Total assets	\$25,850,539.79	\$12,942,935.41

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 1)	\$ 2,604,866.88	\$ 2,782,989.08
Government equity:		
Unobligated budget authority	22,292,874.84	9,114,584.22
	24,897,741.72	11,897,573.30
DEPOSIT FUNDS:		
Liabilities:		
Accounts payable:		
Members' deposits	952,740.21	1,044,856.64
Tellers' overages (note 4)	57.86	505.47
	952,798.07	1,045,362.11
Total liabilities and government equity	\$25,850,539.79	\$12,942,935.41

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
SERGEANT AT ARMS
STATEMENT OF FINANCIAL TRANSACTIONS
APPROPRIATED FUNDS (note 1)

	<u>6-month periods</u>		<u>12-month period</u>
	<u>ended</u>		<u>ended</u>
	<u>December 31, 1982</u>	<u>June 30, 1983</u>	<u>June 30, 1983</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	<u>\$10,151,484.95</u>	<u>\$24,897,741.72</u>	<u>\$10,151,484.95</u>
APPROPRIATIONS:			
Salaries	29,432,000.00	3,723,000.00	33,155,000.00
Mileage—fiscal year 1982 (reversed surplus warrant)	97,596.20	-	97,596.20
—fiscal year 1983	210,000.00	-	210,000.00
Gratuities	<u>181,988.00</u>	<u>-</u>	<u>181,988.00</u>
Total appropriations	29,921,584.20	3,723,000.00	33,644,584.20
COLLECTIONS AND REFUNDS:			
Mileage of members			
—fiscal year 1982	368.40	-	368.40
—fiscal year 1983	<u>-</u>	<u>50.00</u>	<u>50.00</u>
Total funds available	<u>40,073,437.55</u>	<u>28,620,791.72</u>	<u>43,796,487.55</u>
DISBURSEMENTS AND TRANSFERS:			
Salaries and government contribu- tions:			
Paid to members:			
By check	895,905.74	1,215,946.92	2,111,852.66
Transferred to deposit fund account (encl. V)	7,414,795.61	7,829,300.14	15,244,095.75
Federal withholding tax deduc- tions paid to Internal Revenue Service	3,263,338.16	3,878,160.39	7,141,498.55
Medicare withholding tax deduc- tions paid to Social Security Administration	-	196,482.28	196,482.28
Employed military retirees COLA deductions paid to U.S. Treasury	-	277.92	277.92
State withholding tax deductions transferred to deposit fund ac- count (encl. V)	417,345.00	502,686.00	920,031.00
Paid to Office of Personnel Manage- ment:			
Members deductions:			
Retirement	945,306.97	1,035,435.05	1,980,742.02
Life insurance	74,135.88	86,973.12	161,109.00
Optional life insurance	100,402.89	110,313.55	210,716.44
Health insurance	176,483.71	174,602.33	351,086.04

Government contributions:			
Retirement	945,306.97	1,035,435.05	1,980,742.02
Life insurance	37,067.94	43,486.56	80,554.50
Health insurance	190,595.81	216,153.94	406,749.75
Additional health insurance contribution (note 5)	-	6,323.20	6,323.20
Government medicare contribution paid to Social Security Administration	-	196,482.28	196,482.28
Deductions for U.S. Savings Bonds	11,250.00	11,800.00	23,050.00
Deductions for transfer to other organizations	<u>27,022.80</u>	<u>87,866.49</u>	<u>114,889.29</u>
Total	<u>14,498,957.48</u>	<u>16,627,725.22</u>	<u>31,126,682.70</u>
Mileage of members:			
Paid by check—fiscal year 1982	-	-	-
—fiscal year 1983	462.80	9,252.40	9,715.20
Transferred to deposit fund account (encl. V)—fiscal year 1982	4,417.00	261.00	4,678.00
—fiscal year 1983	<u>11,129.20</u>	<u>85,979.80</u>	<u>97,109.00</u>
Total—fiscal year 1982	4,417.00	261.00	4,678.00
—fiscal year 1983	<u>11,592.00</u>	<u>95,232.20</u>	<u>106,824.20</u>
Total salaries and mileage	14,514,966.48	16,723,218.42	31,238,184.90
Gratuities to widows, widowers, or heirs of deceased members	181,988.00	-	181,988.00
Unexpended balance of appropriations deposited into general fund of the U.S. Treasury (salaries \$381,145.15; mileage \$97,596.20)	<u>478,741.35</u>	<u>-</u>	<u>478,741.35</u>
Total disbursements and transfers	<u>15,175,695.83</u>	<u>16,723,218.42</u>	<u>31,898,914.25</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	<u>\$24,897,741.72</u>	<u>\$11,897,573.30</u>	<u>\$11,897,573.30</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
SERGEANT AT ARMS
STATEMENT OF FINANCIAL TRANSACTIONS
DEPOSIT FUNDS (note 1)

	<u>6-month periods</u>		<u>12-month period</u>
	<u>ended</u>		<u>ended</u>
	December 31, <u>1982</u>	June 30, <u>1983</u>	June 30, <u>1983</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ <u>1,037,022.35</u>	\$ <u>952,798.07</u>	\$ <u>1,037,022.35</u>
RECEIPTS:			
Transfer from appropriated funds (encl. IV):			
Salaries of members	7,414,795.61	7,829,300.14	15,244,095.75
Mileage of members	15,546.20	86,240.80	101,787.00
State withholding tax deductions	<u>417,345.00</u>	<u>502,686.00</u>	<u>920,031.00</u>
Total	7,847,686.81	8,418,226.94	16,265,913.75
Members' deposits	7,570,915.89	8,341,786.67	15,912,702.56
Sale of traveler's checks	98,079.31	167,381.25	265,460.56
Tellers' overages	<u>397.81</u>	<u>447.61</u>	<u>845.42</u>
Total receipts	<u>15,517,079.82</u>	<u>16,927,842.47</u>	<u>32,444,922.29</u>
Total available for disbursement	<u>16,554,102.17</u>	<u>17,880,640.54</u>	<u>33,481,944.64</u>
DISBURSEMENTS:			
Payments to or for ac- counts of members (net of amounts due from members)	15,085,205.31	16,165,211.18	31,250,416.49
State withholding tax de- ductions paid to state tax departments	417,345.00	502,686.00	920,031.00
Remittances to consignors for traveler's checks sold	98,079.31	167,381.25	265,460.56
Tellers' overages (prior year) applied to short- ages	<u>674.48</u>	<u>-</u>	<u>674.48</u>
Total disbursements	<u>15,601,304.10</u>	<u>16,835,278.43</u>	<u>32,436,582.53</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	\$ <u><u>952,798.07</u></u>	\$ <u><u>1,045,362.11</u></u>	\$ <u><u>1,045,362.11</u></u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
SERGEANT AT ARMS
NOTES TO FINANCIAL STATEMENTS
FINANCIAL TRANSACTIONS FOR 6-MONTH PERIODS ENDED
DECEMBER 31, 1982, AND JUNE 30, 1983

1. The Office of the Sergeant at Arms maintains separate accounts for appropriation and deposit fund transactions. 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.

House members' monthly salaries are paid on the first day of the next month. Accordingly, salaries payable represent members' salaries for the last month of the period.

2. Exchange items on hand amounting to \$100,083.23 at December 31, 1982, and \$200,229.00 at June 30, 1983, 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.

Of the checks cashed during the year, \$70,331.07 or about 0.26 percent were returned for reasons such as insufficient funds. This represented a 0.08-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.

3. 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.

4. Tellers' shortages and overages are recorded each day and the net shortage, if any, at September 30 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, 1982, was \$307.65. The net shortage at June 30, 1983, was \$426.45.
5. Public Law 97-346, in order to stabilize the financial condition of the health insurance program, provided that, during 1983, an amount equivalent to the reduction in the government contribution for health insurance costs, resulting from enrollees changes in health plans, would be paid into the contingency reserves of the various plans.