

GAO

Report to the Speaker and the Sergeant
at Arms of the House of Representatives

May 1994

FINANCIAL AUDIT

House Office of the
Sergeant at Arms—
Periods Ended
December 31, 1992 and
June 30, 1992



Comptroller General
of the United States

B-114854

May 3, 1994

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

In accordance with the act of July 26, 1949 (2 U.S.C. 81a), we audited the balance sheets of the appropriated funds administered by the Office of the Sergeant at Arms, House of Representatives, as of December 31, 1992 and June 30, 1992, and the related statements of operations and cash flows for each of the 6-month periods then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on December 31, 1992 and June 30, 1992, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

The following sections outline each conclusion in more detail and discuss the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes for the appropriated funds administered by the House Office of Sergeant at Arms present fairly, in conformity with generally accepted accounting principles, the funds'

- assets, liabilities, and government equity;
- funding sources and expenditures; and
- cash flows.

The financial statements present the result of activities financed from the appropriated funds administered by the House Office of the Sergeant at Arms—principally, salaries and benefits of Members of the House of Representatives. As discussed in note 3, salaries and expenses of the Office of the Sergeant at Arms and operating expenses, such as the costs of space, utilities, and equipment are not included in the financial statements.

Also, as discussed in our prior audit report (GAO/AFMD-93-56, May 26, 1993), the House bank was closed during December 1991. As a result, the banking activities previously reported as a part of the Sergeant at Arms

operations have ceased and accordingly, are no longer included in the financial statements.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to (1) permit the preparation of financial statements in accordance with generally accepted accounting principles and (2) maintain accountability for assets.

Those controls in effect on December 31, 1992 and June 30, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

Management is responsible for

- preparing semiannual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining internal controls to provide reasonable assurance that the internal control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used by management;
- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls in the following areas: payroll, cash receipts, cash payments, and financial reporting; and
- tested compliance with selected provisions of
 - 2 U.S.C. 31, 38a, 40, 43, and 43b-1 through 3, which relate to the amount and disposition of House Members' salaries and travel reimbursement;
 - 2 U.S.C. 78, 80, 80a, 81b, and 81c, which relate to disbursing appropriated or trust funds;
 - Office of Personnel Management regulations on employee benefits and employer costs; and
 - Internal Revenue Service regulations on income tax withholdings.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on December 15, 1993.

A handwritten signature in dark ink, appearing to read 'Charles A. Bowsher', with a stylized flourish at the end.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Balance Sheets

	<u>December 31, 1992</u>	<u>June 30, 1992</u>
Assets		
Funds with U.S. Treasury	\$59,046,724	\$23,669,445
Accounts receivable (note 4)	<u>20,219</u>	<u>20,019</u>
Total Assets	<u>\$59,066,943</u>	<u>\$23,689,464</u>
Liabilities and Government Equity		
Liabilities		
Salaries payable	\$ 5,979,779	\$ 5,690,335
Other (note 5)	<u>10,154</u>	<u>13,783</u>
Total liabilities	5,989,933	5,704,118
Government equity		
Unexpended appropriations	<u>53,077,010</u>	<u>17,985,346</u>
Total Liabilities and Government Equity	<u>\$59,066,943</u>	<u>\$23,689,464</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations

	<u>6-month period ended</u>	
	<u>December 31, 1992</u>	<u>June 30, 1992</u>
Funding Sources		
Appropriations expended	\$34,658,496	\$35,420,642
Miscellaneous receipts recognized (note 6)	<u>19,164</u>	<u>25,751</u>
Total Funding Sources	<u>\$34,677,660</u>	<u>\$35,446,393</u>
Expenditures		
Members' salaries	\$28,482,370	\$28,522,659
Employee benefits		
Retirement (note 7)	3,926,275	3,920,277
Social Security	708,533	1,644,120
Thrift savings plan	644,597	635,884
Health insurance	579,203	575,416
Life insurance	<u>58,518</u>	<u>58,598</u>
Total employee benefits	5,917,126	6,834,295
Mileage to Members	0	59,921
Payments to widows, widowers, or heirs of deceased Members	259,000	0
Miscellaneous (note 6)	<u>19,164</u>	<u>29,518</u>
Total Expenditures	<u>\$34,677,660</u>	<u>\$35,446,393</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Cash Flows

	6-month period ended	
	December 31, 1992	June 30, 1992
Cash Flows From Operating Activities		
Appropriations received	\$ 69,874,000	\$ 0
Miscellaneous receipts	18,964	50,480
Salaries and benefits paid	(34,110,053)	(35,418,449)
Miscellaneous payments	(281,792)	(86,547)
Net cash provided (used) by operating activities	35,501,119	(35,454,516)
Cash Flows From Financing Activities		
Unexpended appropriations returned to Treasury	(123,840)	0
Net cash (used) by financing activities	(123,840)	0
Net Increase (Decrease) in Cash	35,377,279	(35,454,516)
Cash at beginning of period	23,669,445	59,123,961
Cash at End of Period	\$ 59,046,724	\$ 23,669,445
Reconciliations of Excess of Funding Sources Over Expenditures to Net Cash Provided (Used) by Operating Activities		
Excess of funding sources over expenditures	\$ 0	\$ 0
Adjustments to reconcile excess of funding sources over expenditures to net cash provided (used) by operating activities		
Appropriations received	\$ 69,874,000	\$ 0
Expended appropriations	(34,658,496)	(35,420,642)
(Increase) decrease in assets		
Accounts receivables	(200)	17,750
Increase (decrease) in liabilities		
Salaries payable	289,444	(61,494)
Other payables	(3,629)	9,870
Total adjustments	35,501,119	(35,454,516)
Net Cash Provided (Used) by Operating Activities	\$ 35,501,119	\$(35,454,516)

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1. Description of the Entity

The Sergeant at Arms, as a fiscal officer of the House of Representatives, receives and disburses three appropriated funds which are separately used for (1) salaries and benefits of Members, (2) reimbursements to Members for mileage to and from each session of the Congress, and (3) payments to widows, widowers, or heirs of deceased Members. The House Sergeant at Arms is governed by federal statute and the rules of the House of Representatives.

Note 2. Significant Accounting Policies

Funds are disbursed on the basis of monthly payroll vouchers covering salaries, benefits, and mileage of Members. Members are paid on the first workday after the month in which the salary is earned. Accordingly, salaries payable represent Members' salaries and benefits for the last month of the financial reporting period.

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 3. Costs Paid From Other Appropriations

The financial statements do not include operating costs of the House Office of Sergeant at Arms. As provided under Public Laws 102-90 and 102-392, salaries and expenses of the Office were paid from separate appropriations for salaries and expenses of the House of Representatives and are shown in the following table. The financial statements also do not include costs for space, utilities, and equipment, as those amounts cannot be readily determined.

**Identifiable Costs of the House Office of the Sergeant at Arms
Paid With Other Appropriations**

	<u>6-month period ended</u>	
	<u>December 31, 1992</u>	<u>June 30, 1992</u>
Personnel compensation	\$644,117	\$621,346
Personnel benefits	113,076	110,527
ADP support	33,154	20,986
Office equipment rental	26,200	12,670
Employee travel	17,871	2,808
Postage	12,399	58
Office supplies	2,287	2,649
Other	<u>2,010</u>	<u>8,362</u>
Total	<u>\$851,114</u>	<u>\$779,406</u>

Note 4. Accounts Receivable

Accounts receivable represent the outstanding balance of reissued Treasury checks which had not been credited to the Sergeant at Arms' Treasury account at period end. These are Treasury checks the Sergeant at Arms issued to replace checks Members reported as lost or stolen. The Treasury is expected to credit the Sergeant at Arms' account for these reissued checks when it has determined that, in each case where a replacement check was issued, only one check will be cashed.

Note 5. Other Liabilities

Other liabilities consist of the following as of December 31, 1992 and June 30, 1992:

	<u>December 31, 1992</u>	<u>June 30, 1992</u>
Due to Treasury	\$ 6,979	\$ 6,979
State taxes payable	0	3,767
Due to retirement fund	<u>3,175</u>	<u>3,037</u>
Total	<u>\$10,154</u>	<u>\$13,783</u>

Note 6. Miscellaneous Receipts and Expenditures

Miscellaneous receipts and expenditures consist of two categories. The first category is comprised of receipts from Members for their contributions to the retirement fund for military service after 1956 and the subsequent disbursement of those funds.

The second category consists of expenditures for the replacement of checks reported lost or stolen and subsequent receipts for amounts credited to the deposit fund by the U.S. Treasury when it has been determined that only one check will be cashed in each instance where a replacement check has been issued.

Note 7. Members' Retirement Benefits

The House Office of Sergeant at Arms contributes to the cost of Members' retirement plans. Members' retirement is covered by either the Civil Service Retirement System or the Federal Employees' Retirement System, both of which are defined benefit plans, and the Thrift Savings Plan, a defined contribution plan. While the Sergeant at Arms has no liability for future payments to Members under these programs, the federal government is liable for future payments to them through the Office of Personnel Management.

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