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# Audit Of Financial Transactions Of The Sergeant At Arms For Fiscal Year 1971

B-114854

House of Representatives

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

~~900818~~

OCT. 27, 1971

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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 fiscal year 1971. 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. Stacks".

Comptroller General  
of the United States

The Honorable Carl Albert  
Speaker of the House of Representatives



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

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Comptroller General  
of the United States

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

*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 1971 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, House of Representatives, not less frequently than once each 6 months.

FINDINGS AND CONCLUSIONS

In GAO's opinion, the financial statements (schs. 1 through 3) present fairly the financial position and accountability of the Sergeant at Arms at December 31, 1970, and June 30, 1971, 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 \$10,271 on July 1, 1970, to \$7,874 on July 1, 1971.

OCT. 27, 1971

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## CHAPTER 1

### INTRODUCTION

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 salaries and mileages 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 a written order for payment presented 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 (H. Res. 465, 84th Cong.), and were 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.

## CHAPTER 2

### ASSETS AND LIABILITIES

The funds for which the Sergeant at Arms was accountable at December 31, 1970, and June 30, 1971, 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 \$68,332 at December 31, 1970, and \$270,323 at June 30, 1971, represent checks cashed for members and employees of the House 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 when House employees cash their paychecks, usually at the end of each month. During fiscal year 1971 the largest volume of checks cashed during a month occurred in June 1971 and the largest volume during 1 day occurred on April 1, 1971, when checks amounting to \$1,646,414 and \$283,253, respectively, were cashed.

The check-cashing transactions for fiscal year 1971 are summarized below.

	<u>Six-month period ended</u>	
	<u>December 31,</u> <u>1970</u>	<u>June 30,</u> <u>1971</u>
Checks on hand at beginning of period	\$ 234,437	\$ 68,332
Checks cashed	<u>7,713,053</u>	<u>9,104,393</u>
	7,947,490	9,172,725
Checks exchanged for cash	<u>7,879,158</u>	<u>8,902,402</u>
Checks on hand at end of period	\$ <u><u>68,332</u></u>	\$ <u><u>270,323</u></u>



The total amount of checks cashed during fiscal year 1971 decreased \$1,062,138 from that of the prior fiscal year, a decrease of about 5.9 percent. Checks returned to the Sergeant at Arms, for various reasons, by the banks during fiscal year 1971 totaled \$23,591, a decrease of \$15,129 from 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 (members' unpaid checks) (see sch. 1) represent checks which were drawn on and cashed by the Sergeant at Arms but which were not charged to the members' accounts pending deposits of sufficient funds by the members. Individual unpaid checks are listed on the days of receipt, but the amounts unpaid at any time by 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 1971 members' unpaid checks numbered 8,519 and amounted to \$1,509,922, compared with 10,711 checks that amounted to \$1,872,521 in the preceding fiscal year, a decrease of about 20 percent in both number and amount. Redemption of these unpaid checks totaled \$1,503,340 and \$1,874,051 during fiscal years 1971 and 1970, respectively, which resulted in unpaid checks of \$54,988 on hand at June 30, 1971, compared with \$48,406 on hand at June 30, 1970.

After salaries were credited to the accounts on July 1, 1971, only one member owed more than \$2,500. On July 1, 1971, six members had unpaid checks outstanding amounting to \$7,874, a decrease from July 1, 1970, when nine members had unpaid checks outstanding amounting to \$10,271.

The Sergeant at Arms informed us that no loss had resulted from the practice of cashing members' checks when

they did not have sufficient funds on deposit to cover the checks. He stated that many of the checks were outstanding for only a few days. He considers that the members generally are drawing against their accruing salaries which will be paid on the 1st of the following month.

## CHAPTER 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, 1970, and June 30, 1971, respectively, included (1) a review of applicable Federal laws relating to payments of salaries and mileages of members, the expense allowance of the Speaker, and payments of gratuities to widows or widowers and heirs of deceased members, (2) a review of House banking operations, and (3) a review, on a test basis, of the records and financial transactions, including such auditing procedures as we considered appropriate and necessary under the circumstances.

Because salaries of employees and other expenses of the Office of the Sergeant at Arms are paid by the Clerk of the House from separate appropriations, such transactions were not covered in our audit.

## CHAPTER 4

### OPINION OF FINANCIAL STATEMENTS

The financial statements in this report were prepared by us 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 (schs. 1 through 3) present fairly the financial position and accountability of the Sergeant at Arms at December 31, 1970, and June 30, 1971, respectively, and the financial transactions for each of the 6-month periods ended at those dates, 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  
HOUSE OF REPRESENTATIVES  
STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 1970, AND JUNE 30, 1971

	December 31, <u>1970</u>	June 30, <u>1971</u>
A S S E T S		
APPROPRIATED FUNDS:		
Funds with U.S. Treasury	<u>\$12,041,071.03</u>	<u>\$1,804,083.52</u>
DEPOSIT FUNDS:		
Funds with U.S. Treasury	1,269,168.06	1,207,121.60
Cash on hand	111,350.17	163,453.12
Exchange items on hand	68,331.89	270,322.54
Accounts receivable:		
Due from members	52,700.34	54,988.21
Tellers' shortages	<u>87.25</u>	<u>230.32</u>
	<u>1,501,637.71</u>	<u>1,696,115.79</u>
Total assets	<u>\$13,542,708.74</u>	<u>\$3,500,199.31</u>
L I A B I L I T I E S		
APPROPRIATED FUNDS:		
Accrued liabilities	\$ 1,674,776.86	\$1,681,573.53
Unobligated balances	<u>10,366,294.17</u>	<u>122,509.99</u>
	<u>12,041,071.03</u>	<u>1,804,083.52</u>
DEPOSIT FUNDS:		
Accounts payable:		
Members' deposits	1,501,493.39	1,695,890.01
Tellers' overages	<u>144.32</u>	<u>225.78</u>
	<u>1,501,637.71</u>	<u>1,696,115.79</u>
Total liabilities	<u>\$13,542,708.74</u>	<u>\$3,500,199.31</u>

SCHEDULE 2

SERGEANT AT ARMS

HOUSE OF REPRESENTATIVES

STATEMENT OF FINANCIAL TRANSACTIONS

APPROPRIATED FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1971

	<u>Six-month period ended</u>		<u>Fiscal</u>
	<u>December 31,</u>	<u>June 30,</u>	<u>year</u>
	<u>1970</u>	<u>1971</u>	<u>1971</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	<u>\$ 1,794,386.85</u>	<u>\$12,041,071.03</u>	<u>\$ 1,794,386.85</u>
APPROPRIATIONS:			
Salaries	20,212,950.00	-	20,212,950.00
Mileages and expenses	200,000.00	-	200,000.00
Gratuities	<u>170,000.00</u>	<u>170,000.00</u>	<u>340,000.00</u>
Total appropriations	<u>20,582,950.00</u>	<u>170,000.00</u>	<u>20,752,950.00</u>
Total funds available	<u>22,377,336.85</u>	<u>12,211,071.03</u>	<u>22,547,336.85</u>
DISBURSEMENTS AND TRANSFERS:			
Salaries and Government contributions:			
Paid to members:			
By check	459,655.73	473,789.75	933,445.48
Transferred to deposit fund ac-			
count (sch. 3)	5,649,082.04	5,871,196.85	11,520,278.89
Paid to Internal Revenue Service:			
Withholding tax deductions	2,201,684.71	2,027,522.46	4,229,207.17
Paid to Civil Service Commission:			
Members' deductions:			
Retirement	723,898.72	722,868.88	1,446,767.60
Life insurance	68,444.64	70,080.66	138,525.30
Health insurance	71,523.18	70,604.22	142,127.40
Optional life insurance	17,850.23	18,286.19	36,136.42
Government contributions:			
Retirement	723,898.72	722,868.88	1,446,767.60
Life insurance	34,222.32	35,040.33	69,262.65
Health insurance	<u>20,826.48</u>	<u>39,945.93</u>	<u>60,772.41</u>
Total	<u>9,971,086.77</u>	<u>10,052,204.15</u>	<u>20,023,290.92</u>
Mileages of members and expense allowance			
of Speaker:			
Paid by check	5,450.00	12,928.80	18,378.80
Transferred to deposit fund account			
(sch. 3)	<u>7,997.00</u>	<u>171,854.56</u>	<u>179,851.56</u>
Total	<u>13,447.00</u>	<u>184,783.36</u>	<u>198,230.36</u>
Total salaries, mileages,			
and expense allowance	9,984,533.77	10,236,987.51	20,221,521.28
Gratuities to widows of deceased members	170,000.00	170,000.00	340,000.00
Unexpended balance of appropriations depos-			
ited into general fund of the Treasury	<u>181,732.05</u>	<u>-</u>	<u>181,732.05</u>
Total disbursements and			
transfers	<u>10,336,265.82</u>	<u>10,406,987.51</u>	<u>20,743,253.33</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	<u>\$12,041,071.03</u>	<u>\$ 1,804,083.52</u>	<u>\$ 1,804,083.52</u>

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   F I N A N C I A L   T R A N S A C T I O N S  
D E P O S I T   F U N D S  
F O R   T H E   F I S C A L   Y E A R   E N D E D   J U N E   3 0 ,   1 9 7 1

	<u>Six-month period ended</u>		Fiscal year <u>1971</u>
	<u>December 31, 1970</u>	<u>June 30, 1971</u>	
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ 1,413,287.84	\$ 1,501,637.71	\$ 1,413,287.84
RECEIPTS:			
Transfer from appropriated funds (sch. 2):			
Salaries of members	5,649,082.04	5,871,196.85	11,520,278.89
Mileages of members and expense allowance of the Speaker	<u>7,997.00</u>	<u>171,854.56</u>	<u>179,851.56</u>
Total	<u>5,657,079.04</u>	<u>6,043,051.41</u>	<u>11,700,130.45</u>
Personal deposits by members	3,485,211.82	4,661,281.62	8,146,493.44
Sale of traveler's checks	72,019.26	67,343.69	139,362.95
Tellers' overages	<u>144.32</u>	<u>81.46</u>	<u>225.78</u>
Total receipts	<u>9,214,454.44</u>	<u>10,771,758.18</u>	<u>19,986,212.62</u>
Total available for disbursement	<u>10,627,742.28</u>	<u>12,273,395.89</u>	<u>21,399,500.46</u>
DISBURSEMENT:			
Payments to or for accounts of members (net of amounts due from members)	9,053,606.66	10,509,936.41	19,563,543.07
Remittances to consignors for traveler's checks sold	72,019.26	67,343.69	139,362.95
Tellers' overages (prior years) applied to shortages	<u>478.65</u>	<u>-</u>	<u>478.65</u>
Total disbursements	<u>9,126,104.57</u>	<u>10,577,280.10</u>	<u>19,703,384.67</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	<u>\$ 1,501,637.71</u>	<u>\$ 1,696,115.79</u>	<u>\$ 1,696,115.79</u>