

March 1995

FINANCIAL AUDIT

House Office of the
Sergeant at Arms—
Periods Ended
December 31, 1993 and
June 30, 1993





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-259572

March 30, 1995

Mr. Scot M. Faulkner
Chief Administrative Officer
House of Representatives

Dear Mr. Faulkner:

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, 1993 and June 30, 1993, 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, 1993, 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 audits.

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 results 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 costs for space, utilities, and equipment are not 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, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material in relation 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, and 80a, which relate to disbursing appropriated funds;
 - Office of Personnel Management regulations on employee benefits and employer costs; and
 - Internal Revenue Service regulations on income tax withholdings.

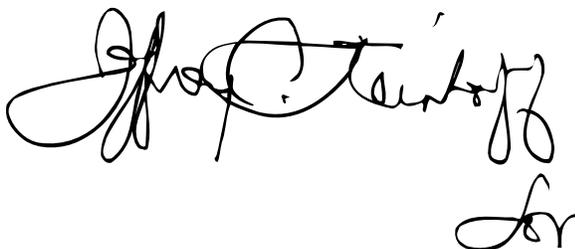
We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution 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 January 4, 1995.

As adopted in the Rules of the House of Representatives for the 104th Congress, the Office of Inspector General was directed to coordinate and contract with an independent accounting firm, or firms, for a series of audits that will result in a consolidated report of the financial operations of the House, including the House Office of the Sergeant at Arms. Such a

consolidated report should provide valuable information on the overall results of operations and current financial position of the U.S. House of Representatives. We continue to strongly encourage all federal entities to prepare and have audited comprehensive financial statements as an integral facet of their financial management program.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowshe". The signature is written in a cursive style with a large initial "C" and "A". Below the main signature, there is a smaller, more stylized signature that appears to be "CB".

Charles A. Bowshe
Comptroller General
of the United States

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Financial Statements

Balance Sheets

	<u>December 31, 1993</u>	<u>June 30, 1993</u>
Assets		
Funds with U.S. Treasury	\$63,975,611	\$22,257,291
Accounts receivable (note 4)	<u>3,334</u>	<u>20,020</u>
Total Assets	<u>\$63,978,945</u>	<u>\$22,277,311</u>
Liabilities and Government Equity		
Liabilities		
Salaries payable	\$ 6,241,144	\$ 5,968,212
Due to retirement fund	<u>10,106</u>	<u>12,454</u>
Total liabilities	6,251,250	5,980,666
Government equity		
Unexpended appropriations	<u>57,727,695</u>	<u>16,296,645</u>
Total Liabilities and Government Equity	<u>\$63,978,945</u>	<u>\$22,277,311</u>

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

Financial Statements

Statements of Operations

	Six months ended	
	December 31, 1993	June 30, 1993
Funding Sources		
Appropriations expended	\$35,894,244	\$36,780,365
Miscellaneous receipts recognized (note 5)	81,240	53,391
Total Funding Sources	\$35,975,484	\$36,833,756
Expenditures		
Members' salaries	\$29,378,981	\$29,263,631
Members' benefits		
Retirement (note 6)	4,551,532	4,506,756
Social Security	738,400	1,775,012
Thrift savings plan	554,054	558,816
Health insurance	618,281	621,046
Life insurance	52,996	54,624
Total employee benefits	6,515,263	7,516,254
Mileage to Members	0	0
Payments to widows, widowers, or heirs of deceased Members	0	0
Miscellaneous (note 5)	81,240	53,871
Total expenditures	\$35,975,484	\$36,833,756

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

Financial Statements

Statements of Cash Flows

	Six months ended	
	December 31, 1993	June 30, 1993
Cash Flows From Operating Activities		
Appropriations received	\$ 77,478,000	\$ 0
Miscellaneous receipts	97,926	53,591
Salaries and benefits paid	(35,621,312)	(36,798,433)
Miscellaneous payments	<u>(83,588)</u>	<u>(44,591)</u>
Net cash provided (used) by operating activities	<u>41,871,026</u>	<u>(36,789,433)</u>
Cash Flows From Financing Activities		
Unexpended appropriations returned to Treasury	<u>(152,706)</u>	<u>0</u>
Net cash (used) by financing activities	<u>(152,706)</u>	<u>0</u>
Net Increased (Decrease) in Cash	41,718,320	(36,789,433)
Cash at beginning of period	<u>22,257,291</u>	<u>59,046,724</u>
Cash at End of Period	<u>\$ 63,975,611</u>	<u>\$ 22,257,291</u>
Reconciliations of Excess of Funding Sources Over Expenditures to Net Cash Provided (Used) by Operating Activities		
Excess of funding sources over expenditures	\$ <u>0</u>	\$ <u>0</u>
Adjustments to reconcile excess of funding sources over expenditures to net cash provided (used) by operating activities		
Appropriations received	77,478,000	0
Expended appropriations	(35,894,244)	(36,780,365)
Decrease in assets		
Accounts receivables	16,686	200
Increase (decrease) in liabilities		
Salaries payable	272,932	(11,568)
Due to retirement fund	<u>(2,348)</u>	<u>2,300</u>
Total Adjustments	<u>41,871,026</u>	<u>(36,789,433)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 41,871,026</u>	<u>\$(36,789,433)</u>

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

Notes to Financial Statements

Note 1. Description of the Entity

Until January 4, 1995, the Sergeant at Arms, as a fiscal officer of the House of Representatives, was authorized to receive and disburse separate appropriations 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. Subsequently, on January 4, 1995, the Member payroll responsibilities were transferred to the Chief Administrative Officer 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, funding sources, and expenditures are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 3. Costs Not Included in Financial Statements

The financial statements do not include operating costs of the House Office of Sergeant at Arms. Salaries and expenses of the Office were paid from separate appropriations for salaries and expenses of the House of Representatives provided by Public Laws 102-392 and 103-69, 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

	<u>Six months ended</u>	
	<u>December 31, 1993</u>	<u>June 30, 1993</u>
Personnel salaries	\$572,764	\$650,873
Personnel benefits	103,817	113,085
Office equipment rental	7,597	15,413
ADP support	2,391	13,598
Office supplies	583	2,121
Other	<u>6,761</u>	<u>9</u>
Total	<u>\$693,913</u>	<u>\$795,099</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. 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 is comprised 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 6. Members' Retirement Benefits

From funds it administers, the House Office of Sergeant at Arms makes the government's contribution for Members' retirement plans. However, the Sergeant at Arms has no liability for retirement benefits. 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. In either case, the federal government is liable for benefit payments through the Office of Personnel Management.

Financial Statements

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