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REPORT TO THE CONGRESS

Examination Of Financial Statements
Of The Accountability Of The
Treasurer Of The United States
Fiscal Years 1970 And 1971 B-114802

Department of the Treasury

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

092628

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AUG. 8, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-114802

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on examination of financial statements of the accountability of the Treasurer of the United States, Department of the Treasury, for fiscal years 1970 and 1971

Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U S C 53), and the Accounting and Auditing Act of 1950 (31 U S C 67)

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of the Treasury

A handwritten signature in cursive script that reads "James B. Peets".

Comptroller General
of the United States

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INTRODUCTION

The Office of the Treasurer of the United States was created by the act of September 2, 1789 (31 U.S.C. 141), for the purpose of receiving, holding, and paying out public moneys for the Federal Government. The Office maintains accounts of the source, location, and disposition of these moneys.

In fulfilling its responsibilities, the Office of the Treasurer of the United States:

1. Maintains controlling accounts covering the receipt and disbursement of all moneys placed in the custody of the Treasurer and prepares reports as required by law and Department of the Treasury regulations.
2. Provides checking account facilities for disbursing offices of Government agencies and Government-owned corporations and pays checks drawn on the Treasurer and reconciles them against the check-issued reports prepared by disbursing officers.
3. Processes all claims for proceeds of Government checks which are reported lost, stolen, not received or improperly negotiated, and claims for partially destroyed paper currency.
4. Pays the principal and interest on public debt obligations presented to the Office of the Treasurer and provides safekeeping facilities for securities held for Government agencies and trust funds.
5. Procures, stores, issues, and redeems United States currency.

The Office of the Treasurer of the United States is located in Washington, D.C. Outside the Washington, D.C., area, the Office's functions are performed by the Federal Reserve banks. These functions include (1) supplying coin and currency to local banks, (2) cashing checks drawn on the Treasurer, (3) issuing and redeeming Government bonds and other securities, (4) receiving deposits of tax moneys and other revenues from Government officers, and (5) redeeming and destroying currency unfit for circulation.

The treasurer is appointed by the President, with the advice and consent of the Senate. During the period from May 8, 1969, to the present, the following persons served as the Treasurer.

<u>Name</u>	<u>Term of office</u>	
	<u>From</u>	<u>To</u>
Mrs. Dorothy Andrews Kabis	May 1969	July 1971
Mr. William T. Howell (acting)	July 1971	Dec. 1971
Mrs. Romana Acosta Banuelos	Dec. 1971	Present

TREASURER'S ACCOUNTABILITY

At June 30, 1970 and 1971, the Treasurer's accountability amounted to about \$74.5 billion and \$75.1 billion, respectively. These amounts consisted of:

	<u>June 30, 1970</u>	<u>June 30, 1971</u>
	(000,000 omitted)	
Gold	\$11,367	\$10,332
General account balance	\$9,291	\$10,117
Less gold balance in general account	<u>111</u> 9,180	<u>109</u> 10,008
Foreign currencies based on market rates of ex- change	2	2
Securities held for safe- keeping	51,348	52,105
Unissued paper currency	<u>2,609</u>	<u>2,652</u>
Total Treasurer's accountability	<u>\$74,506</u>	<u>\$75,099</u>

The Treasurer's gold assets declined during fiscal year 1971 from \$11,367 million to \$10,332 million because (1) purchases of \$504.5 million were exceeded by sales of \$1,091.8 million, (2) the International Monetary Fund withdrew \$62.6 million of its gold deposits, and (3) the United States transferred \$385 million to the International Monetary Fund as the required 25-percent gold portion of its quota increase authorized by Public Law 91-599, approved December 30, 1970.

At June 30, 1970, the assets in the general account of the Treasurer, as shown in schedule 1, were about \$9.3 billion. In fiscal year 1971 the assets increased about \$826 million to about \$10.1 billion. The assets in the general account consisted primarily of demand deposits (Treasurer's tax and loan accounts) in commercial banks and deposits in Federal Reserve banks. At June 30, 1970 and 1971, the balances in the Treasury tax and loan accounts were about \$6.9 billion and \$7.4 billion, respectively. Deposits in

Federal Reserve banks at June 30, 1970 and 1971, amounted to about \$1.4 billion and \$1.7 billion, respectively.

At the beginning and end of fiscal year 1971, the value of the coinage metal stocks amounted to \$146.7 million and \$228.4 million, respectively. These stocks include silver, copper, nickel, zinc, and alloys of these metals which are not yet finished coins. On November 10, 1970, the Department of the Treasury terminated the silver sales program. Under this program the Department offered silver which was in excess of its coinage needs for sale to the public.

The individual account balances included in the general account of the Treasurer as shown in schedule 1 are presented on a final basis. Prior to fiscal year 1970, the account balances included in the general account of the Treasurer were presented on a clearance basis; that is, the account balances included only financial data contained in documents received in the Office of the Treasurer at the end of the fiscal year and did not include deposit and withdrawal transactions which were in transit on June 30.

Schedule 2 shows the amount, type, and location of foreign currencies held for the Treasurer. The approximate dollar value of these foreign currencies at the market rates of exchange was \$2.1 million at June 30, 1970, and \$2.2 million at June 30, 1971. These foreign currencies were acquired under the Information Media Guaranty Program administered by the United States Information Agency. Since most foreign currencies owned by the United States are deposited in the names of other accountable officers of the Government, the amount held for the Treasurer is only a small part of the total value of foreign currencies owned by the Government.

Schedule 3 shows that the Treasurer held securities totaling about \$51.3 billion at June 30, 1970, and about \$52.1 billion at June 30, 1971. Of the amount held at June 30, 1971, about \$12 billion represents amounts due from foreign governments for indebtedness arising from World War I, and \$37.4 billion represents securities held for the Secretary of the Treasury. About \$33 billion of the securities for the Secretary represents capital stock and obligations of Government corporations and agencies.

SCOPE OF EXAMINATION

Our examination of the custodianship functions of the Treasurer for fiscal years 1970 and 1971 consisted principally of an examination on a test basis of records and financial transactions pertaining to the accountability of the Treasurer. Our audit, made principally in Washington, D.C., included confirmations of depositary balances and other auditing procedures that we considered appropriate in view of the effectiveness of the system of internal control and the work done by the Office of the Treasurer's internal audit staff.

The internal audit staff's work, during the period covered by our review, included (1) unannounced audits of cash, negotiable securities, and bond and check stocks to determine whether these assets were properly accounted for and (2) reviews of the adequacy of the internal controls of the various operating units. We observed selected cash and security counts made by the internal auditors and reviewed the audit reports prepared by them. In our opinion the internal auditors' work was satisfactory, and we relied on their work in determining the extent of our review.

Substantially all the gold and silver bullion shown in schedule 1 was held at Bureau of the Mint installations. We did not verify the existence of the bullion beyond observing, at selected locations, the work of Bureau of the Mint inspection committees. These committees take physical inventories of the monetary assets held; however, the committees accept the value of bullion held in sealed vaults, many of which have not been opened for years, as stated on joint seals verified by previous committees.

OPINION ON FINANCIAL STATEMENTS

The accompanying financial statements (schs. 1, 2, and 3) were prepared by the Office of the Treasurer of the United States and in our opinion present fairly the accountability of the Treasurer of the United States at June 30, 1970 and 1971, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of the preceding 2 years except that the individual account balances included in the general account of the Treasurer (sch 1) are now presented on a final basis, which we believe is an improvement

The statement of principles and standards of the accounting system for the public moneys in the Office of the Treasurer was approved by the Comptroller General on February 22, 1971.

STATEMENT OF FOREIGN CURRENCIES
HELD FOR THE TREASURER OF THE UNITED STATES
AT JUNE 30, 1970 AND 1971

Name and location of depository	June 30, 1970		June 30, 1971	
	Foreign currency	Approximate dollar amount (Note 1)	Foreign currency	Approximate dollar amount (Note 1)
Bank Negara Indonesia Djakarta, Indonesia	110,510.63 rupiahs	\$ 290.05	110,510.63 rupiahs	\$ 290.05
State Bank of Pakistan Karachi, Pakistan Account No. 1	10,214,776.31 rupees	2,130,297.45	10,214,776.31 rupees	2,146,863.45
State Bank of Pakistan Karachi, Pakistan Account No. 2	45,926.55 rupees	<u>9,578.00</u>	45,926.55 rupees	<u>9,652.49</u>
Total		<u>\$2,140,165.50</u>		<u>\$2,156,805.99</u>

Note 1 - Converted at market rate of exchange at June 30, 1970, and June 30, 1971, respectively, available to the United States for exchanging dollars for foreign currencies for official disbursements.

SCHEDULE 2

ACCOUNT OF THE TREASURER OF THE UNITED STATES

ASSETS AND LIABILITIES IN THE ACCOUNT

AT JUNE 30, 1970 and 1971 [See GAO note A]

<u>GOLD</u>	<u>June 30, 1970</u>	<u>June 30, 1971</u>	<u>Increase or decrease (-)</u>
ASSETS			
Gold	\$ <u>11,367,017,795 81</u>	\$ <u>10,332,133,694 60</u>	\$ <u>-1,034,884,101 21</u>
LIABILITIES			
Gold certificates, series of 1934, outstanding	\$ 1,277,800 00	\$ 1,277,800 00	\$ -
Gold certificate fund, Board of Governors, Federal Reserve System	11,044,113,823 84	10,074,113,754 43	-970,000,069 41
International Monetary Fund gold deposit	210,492,967 44	147,914,492 70	-62,578,474 74
Gold balance	<u>111,133,204 53</u>	<u>108,827,647 47</u>	<u>-2,305,557 06</u>
Total	<u>\$11,367,017,795 81</u>	<u>\$10,332,133,694 60</u>	<u>\$-1,034,884,101 21</u>
<u>GENERAL ACCOUNT</u>			
ASSETS			
In Treasury offices			
Gold balance (as above)	\$ 111,133,204 53	\$ 108,827,647 47	\$ -2,305,557 06
Silver dollars	3,043,904 00	3,044,550 00	646 00
Fractional coin	13,924,455 00	44,286,258 70	30,361,803 70
Paper currency	100,195,612 00	149,792,469 00	49,596,857 00
Coinage metal			
Silver	74,965,793 79	37,508,652 72	-37,457,141 07
Other	71,698,064 68	190,910,087 02	119,212,022 34
Unclassified collections, uncollected items, exchanges, etc (net)	<u>105,511,568 69</u>	<u>113,726,030 70</u>	<u>8,214,462 01</u>
Subtotal	<u>480,472,602 69</u>	<u>648,095,695 61</u>	<u>167,623,092 92</u>
Deposits in			
Federal Reserve banks			
Available funds	1,004,735,249 80	1,274,384,418 36	269,649,168 56
In process of collection	354,921,404 19	419,322,676 55	64,401,272 36
Special depositories, Treasury tax and loan accounts	6,029,180,111 57	7,371,986,499 42	442,806,387 85
National and other bank depositories	113,777,484 27	142,596,682 04	28,819,197 77
Foreign depositories	38,682,070 71	37,881,123 56	-800,947 15
Funds in transit between depositories	<u>369,032,692 71</u>	<u>222,702,654 81</u>	<u>-146,330,037 90</u>
Subtotal	<u>8,810,329,013 25</u>	<u>9,468,874,054 74</u>	<u>658,545,041 49</u>
Total assets Treasurer's account	9,290,801,615 94	10,116,969,750 35	826,168,134 41
Deduct net transactions in transit as of June 30	<u>-274,905,835 42</u>	<u>-206,249,711 46</u>	<u>+68,656,123 96</u>
General account balance as published in daily Treasury statements	<u>\$ 9,015,895,780 52</u>	<u>\$ 9,910,720,038 89</u>	<u>\$ 894,824,258 37</u>

The notes on page 12 are an integral part of this statement

COMPARATIVE STATEMENT OF SECURITIES
HELD BY THE TREASURER OF THE UNITED STATES
FOR VARIOUS PURPOSES
AT JUNE 30, 1970 AND 1971

	<u>June 30, 1970</u>	<u>June 30, 1971</u>
	[See GAO note B]	
AS COLLATERAL		
To secure deposits of public moneys in depository banks	\$ 39,615,100	\$ 37,103,100
In lieu of securities	3,632,850	5,005,250
IN CUSTODY FOR GOVERNMENT OFFICERS AND OTHERS		
For the Secretary of the Treasury	36,600,036,156	37,384,997,232
For the Comptroller of the Currency	10,462,500	11,307,500
For the Federal Deposit Insurance Corporation	245,000,000	245,000,000
For the Rural Electrification Administration	154,048,600	147,157,000
For the District of Columbia	316,243,623	386,480,066
For the Commissioner of Indian Affairs	222,754,650	34,172,150
Foreign Obligations (Note 1)	12,032,489,451	12,028,276,451
Other (Note 2)	42,448,697	120,013,619
FOR GOVERNMENT SECURITY TRANSACTIONS.		
Unissued bearer securities	<u>1,681,304,250</u>	<u>1,705,536,950</u>
Total [See GAO note C]	<u>\$51,348,035,877</u>	<u>\$52,105,049,318</u>

Note 1 - Issued by foreign governments to the United States for indebtedness arising from World War I

Note 2 - Includes U S savings bonds in safekeeping for individuals

The notes on page 12 are an integral part of this statement

GENERAL ACCOUNTING OFFICE

NOTES TO FINANCIAL STATEMENTS

- A. The balances in the general accounts of the Treasurer at June 30, 1970 and 1971, are shown on a final basis as published in the Annual Report of the Secretary of the Treasury on the State of the Finances for the fiscal year ended June 30, 1971. The general account balances as published in the daily Treasury statements with the same dates were on a clearance basis.
- B. The amounts shown for securities held by the Treasurer are stated at face value or assigned value, and they do not necessarily represent or bear any relationship to the current value of the securities.
- C. In addition to securities, the Treasurer held reserve stock of unissued paper currency having a face value of \$2,609,371,800 and \$2,651,989,800 at June 30, 1970 and 1971, respectively.

EXAMINATION OF FINANCIAL
STATEMENTS OF THE ACCOUNTABILITY
OF THE TREASURER OF THE
UNITED STATES--FISCAL YEARS
1970 AND 1971

B-114802
8/8/72

The examination was made because of the substantial amount of funds and other assets for which the Treasurer was accountable--about \$75 billion at June 30, 1970 and 1971--and to discharge the responsibility of the General Accounting Office for the settlement of the Treasurer's accounts

We expressed the opinion that the financial statements prepared by the Office of the Treasurer of the United States presented fairly the accountability of the Treasurer of the United States at June 30, 1970 and 1971, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of the preceding 2 years except that the individual account balances included in the general account of the Treasurer are now presented on a final basis which we believe is an improvement. Prior to fiscal year 1970, these balances were presented on a clearance basis, that is, the account balances included only financial data contained in documents received in the Office of the Treasurer by the end of the fiscal year and did not include items in transit on June 30

Note An index was not prepared

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