

GAO

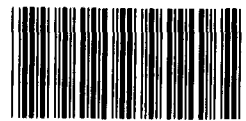
United States General Accounting Office

Report to the Chairman, Committee on
House Administration, House of
Representatives

September 1990

FINANCIAL AUDIT

House Beauty Shop Revolving Fund Financial Statements for 1989 and 1988



142146

242



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

Comptroller General
of the United States

B-202896

September 6, 1990

The Honorable Frank Annunzio
Chairman, Committee on House Administration
House of Representatives

Dear Mr. Chairman:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in response to your December 12, 1989, request, we have audited the accompanying balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1989 and 1988, and the related statements of operations and cash flows for the years then ended. We completed our audit work on May 24, 1990. These financial statements are the responsibility of the House of Representatives Beauty Shop's management. Our responsibility is to express an opinion on these financial statements based on our audits.

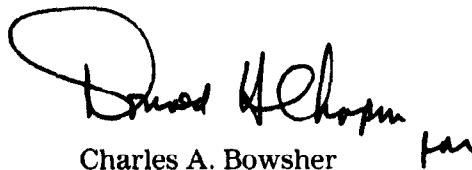
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1989 and 1988, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1989 and 1988, is included in this report.

As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker and the Clerk of the House of Representatives. We are also sending a copy to the Chair, Subcommittee on Personnel and Police, Committee on House Administration. Copies will be sent to others upon request.

Sincerely yours,

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

Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Accounting Controls and Compliance With Laws and Regulations	6
Balance Sheets	7
Statements of Operations	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Table	10
Table 1: Changes in Equity of the House of Representatives	

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Beauty Shop Revolving Fund for the years ended December 31, 1989 and 1988. Our audits 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 preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended December 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1988, is presented in GAO/AFMD-89-81, dated July 10, 1989.

We did not complete a study and evaluation of the Fund's internal accounting control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1989.

While we did not perform a complete study and evaluation of the Fund's internal accounting control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal accounting control system, material weaknesses in the system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our audit, we also tested the Fund's compliance with the terms and provisions of 83 Stat. 347 and regulations in the House of Representatives edition of the Congressional Handbook relating to leave policies for employees. In our opinion, the House of Representatives Beauty Shop Revolving Fund complied with the terms and provisions of 83 Stat. 347 and the just mentioned regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of 83 Stat. 347 and the previously stated regulations for those transactions not tested.

Balance Sheets

	December 31,	
	1989	1988
Assets		
Current Assets		
Cash in U.S. Treasury	\$23,721	\$31,302
Petty cash and change funds	800	800
Accounts receivable	17	23
Inventory of merchandise and supplies	11,665	11,153
Total current assets	36,203	43,278
Fixed Assets		
Equipment	17,031	19,404
Less accumulated depreciation	15,803	17,352
Total fixed assets	1,228	2,052
Total Assets	\$37,431	\$45,330
Liabilities and Equity		
Liabilities		
Accounts payable	\$1,461	\$1,967
Employees' accrued leave	12,785	10,336
Advance from House Finance Office	800	800
Operator's commission payable	1,776	0
Taxes payable	759	0
Total liabilities	17,581	13,103
Equity of the House of Representatives (notes 2 and 3)	19,850	32,227
Total Liabilities and Equity	\$37,431	\$45,330

The accompanying notes are an integral part of these statements.

Statements of Operations

	Years ended December 31,	
	1989	1988
Income		
Beauty services	\$231,907	\$234,382
Retail sales	58,766	42,427
Miscellaneous income	220	111
Total operating income	290,893	276,920
Operating Expenses		
Salaries		
Administrative	29,239	27,881
Beauticians	93,780	96,107
Manicurists	25,611	23,557
Maids	10,162	8,544
Total salaries	158,792	156,089
Commissions	46,794	40,678
Employees' benefits—government contributions	45,161	42,037
Retail merchandise	37,571	29,720
Supplies	13,440	11,933
Office	273	134
Depreciation	824	824
Bad debts	93	107
Repairs	0	59
Miscellaneous	322	77
Total operating expenses	303,270	281,658
Net Loss (note 2)	\$(12,377)	\$(4,738)

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Years ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Net loss	\$(12,377)	\$(4,738)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	824	824
Decrease (increase) in assets:		
Accounts receivable	6	12
Inventory of merchandise and supplies	(512)	346
Increase (decrease) in liabilities:		
Accounts payable	(506)	(1,668)
Employees' accrued leave	2,449	350
Salaries, commissions, and benefits payable	1,776	0
Taxes payable	759	0
Net cash used in operating activities	(7,581)	(4,874)
Cash at beginning of year	32,102	36,976
Cash Balance at End of Year	\$24,521	\$32,102

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House of Representatives Beauty Shop Revolving Fund was authorized by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347). The management and operation of the House Beauty Shop is under the jurisdiction of the Committee on House Administration, with direct oversight provided by its Subcommittee on Personnel and Police.

The Fund's statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance, which are paid from appropriated funds without charge to the Fund and whose amounts cannot be readily determined.

Inventories are stated at cost and are charged to operations using the first-in, first-out method.

Bad debt expense is recognized at the time receivables are deemed uncollectible and written off.

Equipment is depreciated over a 10-year life using the straight-line method.

Note 2. Equity of the House of Representatives

A summary of the changes in the equity of the House of Representatives for calendar years 1989 and 1988 follows.

Table 1: Changes in Equity of the House of Representatives

	1989	1988
Balance at beginning of year	\$32,227	\$36,965
Net loss (note 3)	(12,377)	(4,738)
Balance at end of year	\$19,850	\$32,227

Note 3. Income Transfer to U.S. Treasury

The Legislative Branch Appropriation Act, 1970, requires that the net profit of the House Beauty Shop established by GAO's audit, after restoring any impairment of capital and providing for replacement of equipment, shall be transferred to the general fund of the U.S. Treasury. Because a net loss was incurred for calendar years 1989 and 1988, no transfers were required. A total of \$122,085 in prior years' income has been transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund.

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P. O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

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

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100