

United States General Accounting Office

GAO

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

July 1989

FINANCIAL AUDIT

House Beauty Shop Revolving Fund Financial Statements for 1988 and 1987



—



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

Comptroller General
of the United States

B-202896

July 10, 1989

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 21, 1988, request, we have audited the accompanying balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1988 and 1987, and the related statements of operations and cash flows for the years then ended. We completed our audit work on April 14, 1989. 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.

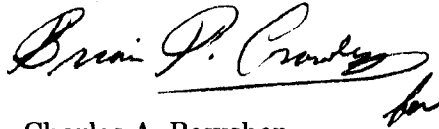
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1988 and 1987, and the results of its operations and cash flows for the years then ended in conformity 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, 1988 and 1987, 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 cursive script, appearing to read "Brian P. Crowley". The signature is written in dark ink and is positioned above the typed name.

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, 1988 and 1987. 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, 1988. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1987, is presented in GAO/AFMD-88-59, dated September 7, 1988.

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, 1988.

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,	
	1988	1987
Assets		
Current Assets		
Cash in U.S. Treasury	\$31,302	\$36,176
Petty cash and change funds	800	800
Accounts receivable	23	35
Inventory of merchandise and supplies	11,153	11,499
Total current assets	43,278	48,510
Fixed Assets		
Equipment	19,404	19,404
Less accumulated depreciation	17,352	16,527
Total fixed assets	2,052	2,877
Total Assets	\$45,330	\$51,387
Liabilities and Equity		
Liabilities		
Accounts payable	\$1,967	\$3,635
Employees' accrued leave	10,336	9,987
Advance from House Finance Office	800	800
Total liabilities	13,103	14,422
Equity of the House of Representatives (notes 2 and 3)	32,227	36,965
Total Liabilities and Equity	\$45,330	\$51,387

The accompanying notes are an integral part of these statements.

Statements of Operations

	Years ended December 31,	
	1988	1987
Income		
Beauty services	\$234,382	\$224,930
Retail sales	42,427	41,523
Miscellaneous income	111	169
Total operating income	276,920	266,622
Operating Expenses		
Salaries		
Administrative	27,881	27,268
Beauticians	96,107	92,811
Manicurists	23,557	23,039
Maids	8,544	8,356
Total salaries	156,089	151,474
Commissions	40,678	37,506
Employees' benefits—government contributions	42,037	35,502
Retail merchandise	29,720	28,491
Supplies	11,933	12,196
Office	134	101
Depreciation	824	844
Bad debts	107	18
Repairs	59	55
Loss on disposal of equipment	0	15
Miscellaneous	77	15
Total operating expenses	281,658	266,217
Net Income (Loss) (note 2)	\$(4,738)	\$405

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Years ended December 31,	
	1988	1987
Cash Flows From Operating Activities		
Net income (loss)	\$(4,738)	\$405
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	824	844
Decrease (increase) in assets:		
Accounts receivable	12	135
Inventory of merchandise and supplies	346	(786)
Loss on disposal of equipment	0	15
Increase (decrease) in liabilities:		
Accounts payable	(1,668)	305
Employees' accrued leave	350	993
Salaries, commissions, and benefits payable	0	(211)
Net cash provided by (used in) operating activities	(4,874)	1,700
Cash at beginning of year	36,976	35,276
Cash Balance at End of Year	\$32,102	\$36,976

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. 1987 Results Restated

Some 1987 figures were adjusted due to 1987 transactions discovered subsequent to the audit for the year ended December 31, 1987. These adjustments changed the results of operations for 1987 from the previously reported loss of \$1,746 to a net income of \$405. Also, the equity of the House of Representatives increased by \$2,223, reflecting the change in operating results and an increase resulting from the recording of previously unrecorded equipment.

Note 3. Equity of the House of Representatives

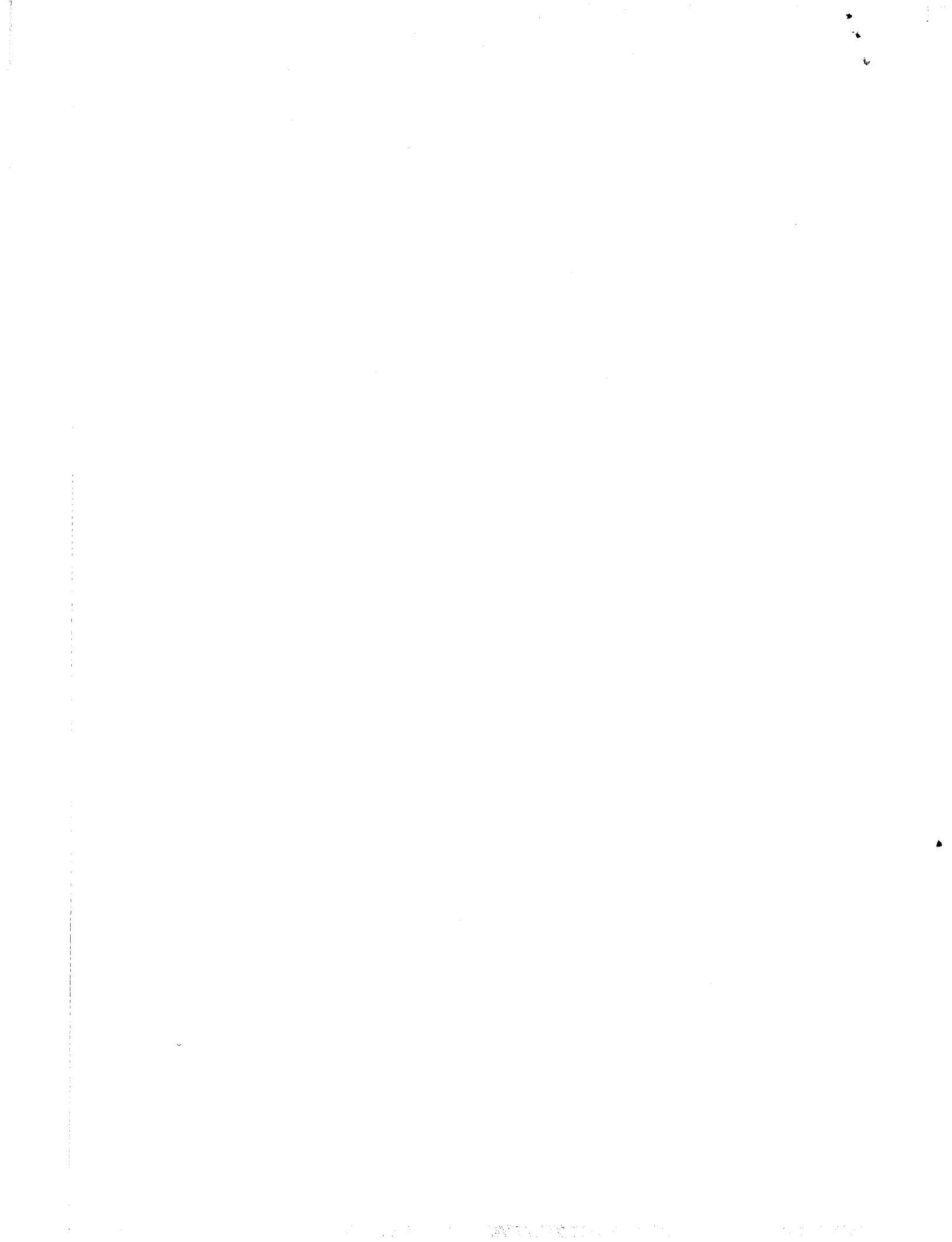
A summary of the changes in the equity of the House of Representatives for calendar years 1988 and 1987 follows.

Table 1: Changes in Equity of the House of Representatives

	1988	1987
Balance at beginning of year	\$36,965	\$36,488
Net income (loss) (note 4)	(4,738)	405
Adjustment for recording equipment previously unrecorded	0	72
Balance at end of year	\$32,227	\$36,965

**Note 4. 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 year 1988 and the net income for calendar year 1987 was used to restore capital, 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.



Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

**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**
