

GAO

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

July 1987

FINANCIAL AUDIT

House Beauty Shop Revolving Fund Financial Statements for 1986 and 1985



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

Comptroller General
of the United States

B-202896

July 20, 1987

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

Dear Mr. Chairman:

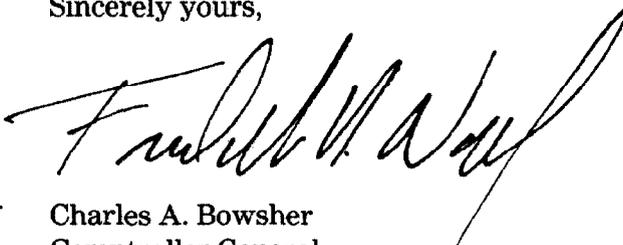
As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in response to your October 24, 1986, request, we have examined the balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1986 and 1985, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on April 10, 1987.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

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, 1986 and 1985, 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. Copies will be sent to others upon request.

Sincerely yours,

for 
Charles A. Bowsler
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the House of Representatives Beauty Shop Revolving Fund for the years ended December 31, 1986 and 1985. Our examinations 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, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1985, is presented in GAO/AFMD-86-56, dated August 7, 1986.)

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, 1986.

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 examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Beauty Shop Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	December 31,	
	1986	1985
Assets		
Current Assets		
Cash in U.S. Treasury	\$34,476	\$48,836
Petty cash and change funds	800	800
Accounts receivable	170	66
Inventory of merchandise and supplies	10,713	11,409
Total current assets	46,159	61,111
Fixed Assets		
Equipment	18,889	17,907
Less accumulated depreciation	15,225	14,465
Total fixed assets	3,664	3,442
Total Assets	\$49,823	\$64,553
Liabilities and Equity		
Liabilities		
Accounts payable	\$3,330	\$2,132
Transfer payable to U.S. Treasury (note 3)	0	14,856
Salaries, commissions, and benefits payable	211	0
Employees' accrued leave	8,994	9,234
Advance from House Finance Office	800	800
Total liabilities	13,335	27,022
Equity of the House of Representatives (note 2)	36,488	37,531
Total Liabilities and Equity	\$49,823	\$64,553

The accompanying notes are an integral part of this statement.

Statement of Operations

	Years ended December 31,	
	1986	1985
Income		
Beauty services	\$208,475	\$213,616
Retail sales	42,638	43,507
Miscellaneous income	160	165
Total operating income	251,273	257,288
Operating Expenses		
Salaries		
Administrative	34,295	39,868
Beauticians	87,785	85,625
Manicurists	22,182	23,704
Maids	7,229	8,108
Total salaries	151,491	157,305
Commissions (beauticians and retail sales)	34,657	33,547
Employees' benefits—government contributions	21,518	21,222
Retail merchandise	31,182	32,556
Supplies	12,334	14,571
Office	91	125
Depreciation	783	825
Bad debts	66	419
Repairs	175	72
Loss on disposal of equipment	19	13
Loss on missing equipment	0	94
Total operating expenses	252,316	260,749
Net Loss	\$1,043	\$3,461

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Years ended December 31,	
	1986	1985
Funds Provided		
Increase in accounts payable	\$1,198	\$0
Decrease in merchandise and supplies inventory	696	0
Decrease in accounts receivable	0	34
Increase in transfer payable to U.S. Treasury	0	14,856
Increase in salaries, commissions, and benefits payable	211	0
Increase in employees' accrued leave	0	577
Provision for depreciation	783	825
Loss on missing equipment	0	94
Loss on disposal of equipment	19	13
Total funds provided	2,907	16,399
Funds Applied		
Net loss from operations	1,043	3,461
Decrease in transfer payable to U.S. Treasury	14,856	0
Decrease in accounts payable	0	316
Decrease in employees' accrued leave	240	0
Purchase of equipment	1,024	0
Increase in accounts receivable	104	0
Increase in merchandise and supplies inventory	0	54
Decrease in salaries, commissions, and benefits payable	0	6,359
Decrease in equity of House of Representatives	0	14,856
Total funds applied	17,267	25,046
Decrease in Cash	\$14,360	\$8,647

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Beauty Shop Revolving Fund was authorized by the Legislative Branch Appropriation Act of 1970 (Public Law 91-145, approved December 12, 1969). The management and operation of the House Beauty Shop is under the jurisdiction of the Committee on House Administration (H.R. 315, 95th Congress), with direct oversight provided by the Subcommittee on Services through 1986, and now by the Subcommittee on Personnel and Police.

The financial 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 and not charged to the Fund.

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 1986 and 1985 follows.

Table 1: Changes in Equity of the House of Representatives

	1986	1985
Balance at beginning of year	\$37,531	\$55,848
Less: Amount to be transferred to U.S. Treasury	0	14,856
Net loss for the year (note 3)	1,043	3,461
Balance at end of year	\$36,488	\$37,531

Note 3. Future 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 1986, no transfer is 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.

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