



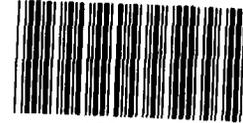
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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B-202896

SEPTEMBER 19, 1984

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



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Dear Mr. Chairman:

Subject: Examination of the House of Representatives
Beauty Shop Revolving Fund's Financial State-
ments for the Years Ended December 31, 1983
and 1982 (GAO/AFMD-84-61)

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with the December 15, 1983, request from the Chairman of the Subcommittee on Services, Committee on House Administration, we have examined the balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1983 and 1982, 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.

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, 1983 and 1982, 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 financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the House of Representatives Beauty Shop Revolving Fund's operations. Enclosures III through VI present the fund's financial statements and accompanying notes for the years ended December 31, 1983 and 1982.

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As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker and to the Clerk of the House of Representatives.

Sincerely yours,

Henry Eschwege
for Comptroller General
of the United States

Enclosures

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, 1983 and 1982. 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 study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended December 31, 1983.

As part of our examination for the year ended December 31, 1983, we made a study and evaluation of the House Beauty Shop Revolving Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the House Beauty Shop Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- cash,
- inventories,
- sales,
- payroll, and
- purchases.

Our study included all of the control categories listed above.

The management of the House Beauty Shop Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the House Beauty Shop Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the House Beauty Shop Revolving Fund's financial statements. In our opinion, the House Beauty Shop Revolving Fund complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS OF THEHOUSE OF REPRESENTATIVES BEAUTY SHOP REVOLVING FUND

The House Beauty Shop provides a convenient beauty facility for Members, employees, and the general public. During calendar year 1983, approximately 20,800 customers had services performed at the shop.

Employees of the House Beauty Shop are on the House payroll, and the shop is under the jurisdiction of the Committee on House Administration, with direct oversight by the Subcommittee on Services (H. Res. 315, 95th Cong.). In December 1983, the manager, 1 receptionist, 9 beauticians, 3 manicurists, and 1 maid were employed full time.

The House Beauty Shop had a net profit of \$44,280 for 1983 compared with a net profit of \$11,302 for 1982. The Legislative Branch Appropriation Act, 1970 requires that, after restoring any impairment of capital and providing for replacement of equipment, the income established by our annual audit be transferred to the general fund of the U.S. Treasury. The amount to be transferred for calendar 1983 is \$41,903. See note 2 to the financial statements for additional explanations.

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 revolving fund.

HOUSE OF REPRESENTATIVES
BEAUTY SHOP REVOLVING FUND
BALANCE SHEET

	December 31	
	1983	1982
ASSETS		
CURRENT ASSETS:		
Cash in U.S. Treasury	\$80,836	\$32,176
Petty cash and change funds	800	800
Accounts receivable (note 1)	121	114
Inventory of merchandise and supplies (note 1)	<u>13,295</u>	<u>14,557</u>
Total current assets	<u>95,052</u>	<u>47,647</u>
FIXED ASSETS:		
Equipment (note 1)	18,077	18,077
Less: Accumulated depreciation	<u>13,464</u>	<u>12,669</u>
Total fixed assets	<u>4,613</u>	<u>5,408</u>
TOTAL ASSETS	<u><u>\$99,665</u></u>	<u><u>\$53,055</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	4,191	2,296
Salaries, commissions, and benefits payable	3,533	3,224
Employees' accrued leave	8,774	8,648
Advance from House Finance Office	<u>800</u>	<u>800</u>
Total current liabilities	<u>17,298</u>	<u>14,968</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES:		
Balance at beginning of year	38,087	26,785
Add: Net income for the year	<u>44,280</u>	<u>11,302</u>
Balance at end of year (note 2)	<u>82,367</u>	<u>38,087</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$99,665</u></u>	<u><u>\$53,055</u></u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
BEAUTY SHOP REVOLVING FUND
STATEMENT OF OPERATIONS

	<u>Years ended December 31</u>	
	<u>1983</u>	<u>1982</u>
INCOME:		
Beauty services	\$254,650	\$249,843
Retail sales	\$48,967	\$48,646
Less: Cost of retail sales	<u>32,271</u>	<u>30,383</u>
Miscellaneous income	<u>220</u>	<u>370</u>
Total operating income	<u>271,566</u>	<u>268,476</u>
OPERATING EXPENSES: (note 1)		
Salaries:		
Manager	24,367	27,960
Beauticians	106,314	96,700
Manicurists	22,243	21,095
Supervisor and receptionist	6,073	19,501
Maids	<u>8,034</u>	<u>13,962</u>
Total salaries	167,031	179,218
Commissions (beauticians and retail sales)	25,420	33,445
Employees' benefits--government contributions	19,362	22,892
Supplies	13,567	18,818
Office	686	604
Laundry	-	144
Depreciation	795	832
Repairs	139	119
Training	25	250
Bad debts (note 1)	261	819
Miscellaneous	<u>-</u>	<u>33</u>
Total operating expenses	<u>227,286</u>	<u>257,174</u>
NET INCOME (LOSS) FOR THE YEAR	\$ <u>44,280</u>	\$ <u>11,302</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESBEAUTY SHOP REVOLVING FUNDSTATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended December 31</u>	
	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Net income	\$44,280	\$11,302
Depreciation—not requiring an outlay of funds	<u>795</u>	<u>832</u>
Total funds provided	<u>\$45,075</u>	<u>\$12,134</u>
FUNDS APPLIED:		
Increase in working capital	<u>\$45,075</u>	<u>\$12,134</u>
Total funds applied	<u>\$45,075</u>	<u>\$12,134</u>

ANALYSIS OF WORKING CAPITAL INCREASES AND DECREASES

	<u>Years Ended December 31</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Cash	\$48,660	\$16,611
Accounts receivable	7	(1,922)
Inventories	(1,262)	(2,083)
Salaries, commissions, and benefits payable	(309)	373
Accounts payable	(1,895)	(1,725)
Employees' accrued leave	(126)	1,680
Advance from House Finance Office	<u>-</u>	<u>(800)</u>
NET CHANGE IN WORKING CAPITAL	<u>\$45,075</u>	<u>\$12,134</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESBEAUTY SHOP REVOLVING FUNDNOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1983 AND 1982

1. Significant Accounting Policies:

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

--Bad debts 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.

--Operating expenses do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance--that are furnished to the House Beauty Shop without charge.

2. As explained in enclosure II, \$41,903 is to be transferred to the U.S. Treasury as shown below:

Equity of the House of Representatives as of December 31, 1983		\$82,367
Capital authorized pursuant to H. Res. 1000, 90th Congress	\$15,000	
Provision for replacement of equipment:		
Accumulated depreciation	13,464	
Restricted equity	<u>12,000</u>	<u>40,464</u>
Net income to be transferred		<u>\$41,903</u>

Prior years' net income transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund has totaled \$65,326.