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United States General Accounting Office

GAO

Report to the Sergeant at Arms, U.S.  
Senate

June 1988

# FINANCIAL AUDIT

## Senate Barber Shops Revolving Fund for the Years Ended December 31, 1987 and 1986



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Comptroller General  
of the United States

B-199627

June 7, 1988

The Honorable Henry K. Giugni  
Sergeant at Arms  
United States Senate

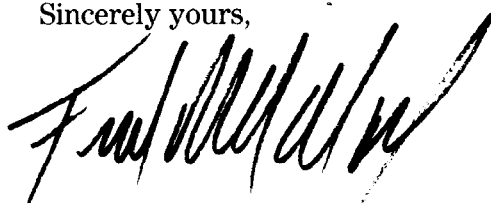
Dear Mr. Giugni:

Pursuant to your December 28, 1987, request, we have examined the balance sheets of the Senate Barber Shops Revolving Fund as of December 31, 1987 and 1986, and the related statements of operations and undistributed income, and of 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 March 11, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Barber Shops Revolving Fund as of December 31, 1987 and 1986, 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.

This report also contains our report on internal accounting controls and compliance with laws and regulations, the Revolving Fund's financial statements, and accompanying notes for the years ended December 31, 1987 and 1986.

Sincerely yours,

*fn*   
Charles A. Bowsher  
Comptroller General  
of the United States

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# Contents

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Opinion Letter	1
Report on Internal Accounting Controls and Compliance With Laws and Regulations	4
Balance Sheet	5
Statement of Operations and Undistributed Income	6
Statement of Changes in Financial Position	7
Notes to Financial Statements	8

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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the financial statements of the Senate Barber Shops Revolving Fund for the years ended December 31, 1987 and 1986. 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, 1987. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1986, is presented in GAO/AFMD-87-26, dated April 23, 1987.

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. We concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1987.

While we did not complete a 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 make a study and evaluation of the internal accounting control system, material weaknesses in the internal accounting control 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 Senate Barber Shops 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,	
	1987	1986
<b>Assets</b>		
Current Assets		
Cash	\$39,574	\$39,058
Petty cash	75	75
Inventory (note 2)	2,070	0
<b>Total current assets</b>	<b>41,719</b>	<b>39,133</b>
Fixed Assets		
Furniture, fixtures, and equipment	8,620	8,620
Less accumulated depreciation	1,796	934
<b>Total fixed assets</b>	<b>6,824</b>	<b>7,686</b>
<b>Total Assets</b>	<b>\$48,543</b>	<b>\$46,819</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Amount due Senate Disbursing Office	\$75	\$75
<b>Total liabilities</b>	<b>75</b>	<b>75</b>
Government Equity		
Fund capital pursuant to Public Law 95-26	10,000	10,000
Undistributed income	38,468	36,744
<b>Total government equity</b>	<b>48,468</b>	<b>46,744</b>
<b>Total Liabilities and Government Equity</b>	<b>\$48,543</b>	<b>\$46,819</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations and Undistributed Income

	Years ended December 31,	
	1987	1986
<b>Revenues</b>		
Barber services	\$128,384	\$123,669
Retail sales	4,484	3,855
<b>Total revenues</b>	<b>132,868</b>	<b>127,524</b>
<b>Operating expenses</b>		
Supplies and laundering of towels and gowns	4,246	4,220
Supplies for use and sale	3,644	4,410
Magazine and newspaper subscriptions	302	233
Annual physical examinations	215	301
Repairs and maintenance	0	211
Miscellaneous	290	612
Depreciation	862	862
<b>Total operating expenses</b>	<b>9,559</b>	<b>10,849</b>
<b>Net income</b>	<b>123,309</b>	<b>116,675</b>
Prior-period undistributed income	36,744	36,010
	160,053	152,685
Transfers to U.S. Treasury	121,585	115,941
<b>Undistributed Income</b>	<b>\$38,468</b>	<b>\$36,744</b>

The accompanying notes are an integral part of this statement.



# Statement of Changes in Financial Position

	Years ended December 31,	
	1987	1986
<b>Funds Provided</b>		
Net income	\$123,309	\$116,675
Provision for depreciation	862	862
<b>Total funds provided</b>	<b>124,171</b>	<b>117,537</b>
<b>Funds Applied</b>		
Amount transferred to U.S. Treasury	121,585	115,941
Increase in inventory	2,070	0
<b>Total funds applied</b>	<b>123,655</b>	<b>115,941</b>
<b>Increase in Cash</b>	<b>\$516</b>	<b>\$1,596</b>

The accompanying notes are an integral part of this statement.

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# Notes to Financial Statements

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## Note 1. Significant Accounting Policies

The Senate Employees Barber Shop Revolving Fund was authorized by the Legislative Branch Appropriations Act of 1977 (Public Law 94-440, approved October 1, 1976). The Supplemental Appropriations Act of 1977 (Public Law 95-26, approved May 4, 1977) amended the initial legislation to provide for the Revolving Fund to include all Senate barber shops and renamed it the Senate Barber Shops Revolving Fund. This change was effective April 1, 1977.

All moneys received by the Senate barber shops are deposited in the Fund and are available for disbursement by the Secretary of the Senate for the necessary supplies and expenses of the Senate barber shops. Since the revolving fund is part of the contingent fund of the Senate, payments are approved by the Senate Committee on Rules and Administration under 2 U.S.C. 68. Such approval is conclusive on all government departments and officers.

Employee salaries of about \$215,000, benefits, certain furnishings, space, utilities, and building repairs and maintenance are paid from appropriated funds and are not charged to the Fund.

The law provides that on or before December 31 of each year, the Secretary of the Senate shall withdraw from the Fund and deposit in the Treasury of the United States as miscellaneous receipts all moneys in excess of \$10,000 in the Fund at September 30.

Furniture, fixtures, and equipment are recorded at cost. Depreciation for items on hand is computed on the straight-line method over a 10-year useful life of the property.

Inventories are stated at cost, using the first-in, first-out method of valuation.

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## Note 2. Inventory

No physical inventory was taken as of December 31, 1986, because the dollar value was considered immaterial. However, in 1987, the quantity and value of items on hand at year-end was considered material and is shown as a current asset on the balance sheet.

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