

**GAO**

United States General Accounting Office 130657  
Report to the Chairman, Committee on  
House Administration  
House of Representatives

August 1986

# FINANCIAL AUDIT

## House Beauty Shop Revolving Fund Financial Statements for 1985 and 1984



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

Comptroller General  
of the United States

B-202896

August 7, 1986

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 the November 15, 1985, 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, 1985 and 1984, 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 18, 1986.

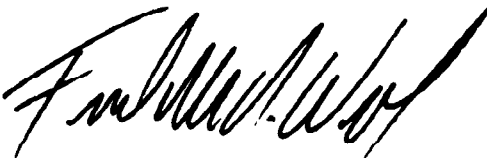
In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity 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, 1985 and 1984, is included in this report.

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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. Bowsher  
Comptroller General  
of the United States



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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 House of Representatives Beauty Shop Revolving Fund for the years ended December 31, 1985 and 1984. 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, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1984, is presented in GAO/AFMD-85-48, dated July 29, 1985.)

We did not complete a study and evaluation of the Fund's internal 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, 1985.

While we did not perform a complete study and evaluation of the Fund's internal 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 control system, material weaknesses in the internal 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 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,	
	1985	1984
<b>Assets</b>		
Current Assets		
Cash in U S Treasury	\$48,836	\$57,483
Petty cash and change funds	800	800
Accounts receivable	66	100
Inventory of merchandise and supplies	11,409	11,355
<b>Total current assets</b>	<b>61,111</b>	<b>69,738</b>
Fixed Assets		
Equipment	17,907	18,366
Less accumulated depreciation	14,465	13,992
<b>Total fixed assets</b>	<b>3,442</b>	<b>4,374</b>
<b>Total Assets</b>	<b>\$64,553</b>	<b>\$74,112</b>
<b>Liabilities and Equity</b>		
Liabilities		
Accounts payable	\$ 2,132	\$ 2,448
Transfer payable to U S Treasury (note 3)	14,856	0
Salaries, commissions, and benefits payable	0	6,359
Employees' accrued leave	9,234	8,657
Advance from House Finance Office	800	800
<b>Total liabilities</b>	<b>27,022</b>	<b>18,264</b>
Equity of the House of Representatives (note 2)	37,531	55,848
<b>Total Liabilities and Equity</b>	<b>\$64,553</b>	<b>\$74,112</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations

	<b>Years ended December 31,</b>	
	<b>1985</b>	<b>1984</b>
<b>Income</b>		
Beauty services	\$213,616	\$246,124
Retail sales	43,507	46,804
Miscellaneous income	165	235
<b>Total operating income</b>	<b>257,288</b>	<b>293,163</b>
<b>Operating Expenses</b>		
Salaries		
Administrative	39,868	35,890
Beauticians	85,625	93,234
Manicurists	23,704	28,424
Maids	8,108	8,443
<b>Total salaries</b>	<b>157,305</b>	<b>165,991</b>
Commissions (beauticians and retail sales)	33,547	34,544
Employees' benefits—government contributions	21,222	24,225
Retail merchandise	32,556	34,741
Supplies	14,571	16,969
Office	125	352
Depreciation	825	837
Bad debts	419	67
Repairs	72	53
Loss on disposal of equipment	13	0
Loss on missing equipment	94	0
<b>Total operating expenses</b>	<b>260,749</b>	<b>277,779</b>
<b>Net income (Loss)</b>	<b>\$ (3,461)</b>	<b>\$ 15,384</b>

The accompanying notes are an integral part of this statement

# Statement of Changes in Financial Position

	<u>Years ended December 31,</u>	
	1985	1984
<b>Funds Provided</b>		
Net income (loss) from operations	\$(3,461)	\$15,384
Provision for depreciation	825	837
Loss on missing equipment	94	0
Loss on disposal of equipment	13	0
Cash provided by (used for) operations	(2,529)	16,221
Decrease in accounts receivable	34	21
Decrease in merchandise and supplies inventory	0	1,940
Increase in transfer payable to U S Treasury	14,856	0
Increase in salaries, commissions, and benefits payable	0	2,826
Increase in employees' accrued leave	577	0
<b>Total funds provided</b>	<b>12,938</b>	<b>21,008</b>
<b>Funds Applied</b>		
Transfer to U S Treasury	0	41,903
Decrease in accounts payable	316	1,743
Decrease in employees' accrued leave	0	117
Purchase of equipment	0	598
Increase in merchandise and supplies inventory	54	0
Decrease in salaries, commissions, and benefits payable	6,359	0
Decrease in equity of House of Representatives	14,856	0
<b>Total funds applied</b>	<b>21,585</b>	<b>44,361</b>
<b>Decrease in Cash</b>	<b>\$8,647</b>	<b>\$23,353</b>

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.

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 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.

## Note 2. Equity of the House of Representatives

A summary of the changes in the equity of the House of Representatives for calendar years 1985 and 1984 follows.

**Table 1: Changes in Equity of the House of Representatives**

	1985	1984
<b>Balance at beginning of year</b>	<b>\$55,848</b>	<b>\$82,367</b>
Less Amount transferred to U.S. Treasury	0	41,903
Amount to be transferred to U.S. Treasury	14,856	0
Balance	40,992	40,464
Add Net income (loss) for the year (note 3)	(3,461)	15,384
<b>Balance at end of year</b>	<b>\$37,531</b>	<b>\$55,848</b>

## 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 1985, no transfer is required.

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A total of \$107,229 in prior years' income has been transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund. However, income of \$14,856 from calendar year 1984 remains to be transferred.



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