GAO

Report to the Sergeant at Arms U. S. Senate

July 1989

FINANCIAL AUDIT

Senate Barber and Beauty Shops Revolving Fund for 1988







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

Comptroller General of the United States

B-199627

July 27, 1989

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

Dear Mr. Giugni:

Pursuant to your December 16, 1988, request, we have audited the statement of financial condition of the Senate Barber and Beauty Shops Revolving Fund as of December 31, 1988, and the related statements of operations and cash flows for the year then ended. We completed our audit on April 28, 1989. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

Effective October 1, 1988, Public Law 100-458 provided that the Senate Barber Shops Revolving Fund be renamed the Senate Barber and Beauty Shops Revolving Fund to include all the activities of the Senate Building Beauty Shop. Subsequently, with the purchase of supplies, retail merchandise, furniture, fixtures, equipment, and building improvements from the shop's owner on November 1, 1988, the Senate Building Beauty Shop became a government operation. Consequently, the financial statements show only 2 months of operation for the Senate Beauty Shop and 12 months of operation for the Senate Barber Shop.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 1988, and the results of its operations and its cash flows for the year 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 year ended December 31, 1988, is included in this report.

Sincerely yours,

Charles A. Bowsher Comptroller General

of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the Senate Barber and Beauty Shops Revolving Fund for the year ended December 31, 1988. Our audit was 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.

We did not complete a study and evaluation of the Fund's internal accounting controls 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 auditing 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.

As part of our audit, we also tested the Fund's compliance with terms and provisions of 2 U.S.C. 121a as amended by Section 10 of Public Law 100-458, 2 U.S.C. 68, and with policies issued by the Office of the Senate Sergeant at Arms. In our opinion, the Senate Barber and Beauty Shops Revolving Fund was in compliance with the just mentioned legislation and policies of the Office of the Senate Sergeant at Arms 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 the previously stated legislation and policies of the Office of the Senate Sergeant at Arms for those transactions not tested.

Statement of Financial Condition

		December 31, 1988		
		Barber Shop	Beauty Shop	Revolving Fund Tota
Assets				
Current	Assets	240 700	****	#C4.0E6
Cash		\$40,763	\$23,293	\$64,056
Petty		75	150	225
Invent	pry (note 2)	4,166	4,434	8,600
Tot	al current assets	45,004	27,877	72,881
Fixed As	sets			
	ure, fixtures, and equipment (note 2)	8,620	8,451	17,071
Less	ccumulated depreciation	2,658	141	2,799
Y Milyana		5,962	8,310	14,272
impro	vements (note 2)	0	5,200	5,200
Less	accumulated amortization	0	87	87
	The state of the s	0	5,113	5,113
Tot	al fixed assets	5,962	13,423	19,385
l At	pets	\$50,966	\$4 1,300	\$92,266
"The	and Government Equity		1	
- COC	inite pable (note 2)	\$1,443	\$21,809	\$23,252
Amor	Int due Senate Disbursing Office	75	150	225
Tot	Habilities	1,518	21,959	23,477
Governn	nent Equity			
Capita				
F	und capital pursuant to Public Law 95-26	10,000	0	10,000
Revol	ing fund balance at end of year (note 3)	39,448	19,341	58,789
Tota	government equity	49,448	19,341	68,789
Total I is	bilities and Government Equity	\$50,966	\$41,300	\$92,266

The accompanying notes are an integral part of this statement.

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Statement of Operations

	Year ended December 31, 1988		
	Barber Shop	Beauty Shop (note 2)	Revolving Fund Tota
Revenues			
Barber and beauty services	\$130,532	\$25,954	\$156,480
Retail sales	5,809	3,535	9,344
Total revenues	136,341	29,489	165,830
Operating expenses (note 5)			
Supplies for use and sale	, 5,406	3,159	8,568
Supplies and laundering of towels and gowns	3,846	0	3,846
Magazine and newspaper subscriptions	299	0	299
Depreciation and amortization	862	228	1,090
Miscellaneous (note 6)	0	6,761	6,761
Total operating expenses	10,413	10,148	20,561
Net Income	\$125,928	\$19,341	\$145,269

The accompanying notes are an integral part of this statement.

Statement of Cash Flows

	Year ended December 31, 1988
ash Flows From Operating Activities	
Net income	\$145,269
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	1,090
(Increase) in assets:	`
Inventory	(6,530
Furniture, fixtures, and equipment	(8,451
Improvements	(5,200
Increase in liabilities:	
Accounts payable	23,252
Amount due Senate Disbursing Office	150
Transfer to U.S. Treasury (note 4)	(124,948
et cash provided by operating activities	24,632
ash at beginning of year	39,649
ash Balance at End of Year	\$64,281

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The Senate Employees Barber Shop Revolving Fund was authorized by the Legislative Branch Appropriations Act, 1977 (Public Law 94-440, approved October 1, 1976). The Supplemental Appropriations Act, 1977 (Public Law 95-26, approved May 4, 1977) amended the initial legislation to provide for the Fund to include all Senate barber shops and renamed it the Senate Barber Shops Revolving Fund. This change was effective April 1, 1977. The Legislative Branch Appropriation Act, 1989 (Public Law 100-458, approved October 1, 1988) amended previous legislation to provide for the Fund to include the Senate Building Beauty Shop and renamed it the Senate Barber and Beauty Shops Revolving Fund.

All moneys received by the Senate Barber and Beauty Shops are deposited in the Fund and are available for disbursement by the Secretary of the Senate for the necessary equipment, supplies, and expenses of the Senate Barber and Beauty Shops. Since the 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.

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.

Improvements are recorded at cost. Amortization 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.

Note 2. Acquisition of Senate Beauty Shop

On November 1, 1988, the Office of the Senate Sergeant at Arms, under authority of section 10(b) of the Legislative Branch Appropriation Act, 1989, initiated the purchase of assets of the Senate Building Beauty Shop. Essentially, all supplies and retail merchandise were to be purchased at cost from the shop's owner. Furniture, fixtures, equipment, and building improvements designated by the shop's owner were also identified for purchase at negotiated prices. As of December 31, 1988, however, checks had not been issued to pay for these items, thereby causing the Fund's accounts payable balance to be unusually high. The accounts receivable, accounts payable, and goodwill of the Senate Building Beauty Shop were not assumed by the Fund and are the responsibility of the former owner.

Note 3. Revolving Fund Balance

A summary of the change in the Revolving Fund balance for calendar year 1988 follows.

Table 1: Change in Revolving Fund Balance for 1988

	Barber Shop	Beauty Shop	Revolving Fund total
Balance at beginning of year	\$38,468	\$0	\$38,468
Net income	125,928	19,341	145,269
Total	164,396	19,341	183,737
Transfer to the U.S. Treasury (note 4)	124,948	0	124,948
Balance at end of year	\$39,448	\$19,341	\$58,789

Note 4. Transfer to U.S. Treasury

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. On December 21, 1988, \$124,948 was transferred to the U.S. Treasury.

Note 5. Other Operating Costs

Employee salaries of \$259,884 (\$225,684 for the Barber Shop and \$34,200 for the Beauty Shop), benefits, certain furnishings, space, utilities, and building repairs and maintenance are paid from appropriated funds and are not charged to the Fund.

Note 6. Miscellaneous Expense

Miscellaneous expense represents the write-off of assets purchased from the Senate Building Beauty Shop that did not meet the Office of the Senate Sergeant at Arms capitalization policy.

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