

DOCUMENT RESUME

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Audit of the House Beauty Shop, Calendar Year 1976. GGD-77-54; B-152878. June 8, 1977. 6 pp.

Report to Rep. Yvonne Brathwaite Burke, Chairman, House Select Committee on the House Beauty Shop; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions (8)1).

Congressional Relevance: House Committee on House

Administration; House Select Committee on the House Beauty Shop.

Authority: Legislative Branch Appropriations Act (83 Stat. 347). H. Res. 1000 (90th Cong.).

The accounts records provided by the House Beauty Shop, which were maintained on a cash basis, were adjusted to present the Shop's financial position and results of operations on an accrual basis. These statements do not include the cost of certain benefits and services, such as rent and utilities, which the Shop does not pay. Findings/Conclusions: The Select Committee on the House Beauty Shop entered into a fixed-fee contract with a manager to operate the shop. As of December 31, 1976, the manager employed nine hair dressers, two manicurists, an assistant to the manager, and two receptionists on a full-time basis; and eight hair dressers, a manicurist, two maids, and an electrologist on a part-time basis. The comparative statement of operations shows a net income of \$3,696 for 1976 after payment of \$7,350 in bonuses compared with a net income of \$6,596 in 1975 after payment of \$2,520 in bonuses. After restoring any impairment of capital and providing for replacement of equipment, net income must be transferred to the general fund of the U.S. Treasury. For 1976, this amount was \$1,875.07; and accumulated since 1969, the total amount was \$36,323. Recommendations made in the 1975 audit report have been implemented, except for tax deductions for some employees which were not in accordance with tax withholding authorizations. (Author/SS)

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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**

**Audit Of The
House Beauty Shop
Calendar Year 1976**

House of Representatives



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

B-162878

The Honorable Yvonne Brathwaite Burke
Chairperson, Select Committee on the
House Beauty Shop
House of Representatives

Dear Madam Chairperson:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with your December 21, 1976, request, we audited the financial transactions of the House Beauty Shop for calendar year 1976.

SCOPE OF AUDIT

We made our audit in accordance with generally accepted auditing standards and included an examination of the accounting records and such other auditing procedures as we considered necessary.

OPINION ON FINANCIAL STATEMENTS

We prepared the accompanying financial statements for the House Beauty Shop from records furnished us. We adjusted the House Beauty Shop's records, which were maintained on a cash basis, to present its financial position and results of operations on an accrual basis. These statements do not include the cost 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.

In our opinion, the accompanying statements (schs. 1, 2, and 3), prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the House Beauty Shop at December 31, 1976 and 1975, the results of its operations, and the changes in its financial position for the years then ended.

GENERAL COMMENTS

The House Beauty Shop provides a convenient beauty facility for Congresswomen, wives of Congressmen, congressional employees, and the general public. House Resolution 1000, 90th Congress, placed the House Beauty

Shop under the direction of the Select Committee on the House Beauty Shop on December 11, 1967. The Select Committee entered into a fixed-fee contract with a manager to operate the shop. As of December 31, 1976, the manager employed nine beauticians, two manicurists, an assistant to the manager and receptionist, and a receptionist on a full-time basis and eight beauticians, a manicurist, two maids, and an electrologist on a part-time basis.

The comparative statement of operations (sch. 2) shows net income of \$3,696 for 1976 after payment of \$7,350 in bonuses compared with net income of \$6,596 for 1975 after payment of \$2,520 in bonuses. The bonuses were authorized by the Select Committee.

The Legislative Branch Appropriation Act, 1970, requires that the net income, as established by our annual audit, after restoring any impairment of capital and providing for replacement of equipment, be transferred to the general fund of the U.S. Treasury. We computed the net income to be transferred for calendar year 1976 as follows:

Retained earnings as of December 31, 1976		\$30,999.86
Capital authorized pursuant to H. Res. 1000, 90th Congress	\$15,000.00	
Provision for replacement of equipment (accumulated depreciation as of December 31, 1976)	<u>14,124.79</u>	<u>29,124.79</u>
Net income to be transferred		<u>\$ 1,875.07</u>

Since 1969 the House Beauty Shop has transferred \$36,323 to the U.S. Treasury.

IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

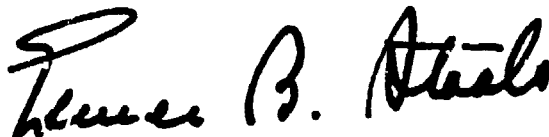
In our 1975 report (GGD-76-88, Aug. 2, 1976), we made several suggestions to improve the beauty shop's accounting and administrative operations. Except for one, these suggestions have been implemented. Tax deductions during 1976 for some employees still were not in accordance with the employees' tax withholding authorizations. This matter was brought to the attention of the manager. She agreed to

instruct the accountant to review employees' tax withholding authorizations and, where required, adjust the withholdings.

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As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker of the House of Representatives and to the Clerk of the House of Representatives. We are also sending a copy to the Chairman, House Committee on House Administration.

Sincerely yours,

Handwritten signature of Thomas B. Steels in black ink.

Comptroller General
of the United States

HOUSE BEAUTY SHOPCOMPARATIVE BALANCE SHEETDECEMBER 31, 1976 and 1975

ASSETS	<u>1976</u>	<u>1975</u>
CURRENT ASSETS:		
Cash in U.S. Treasury	\$17,454	\$12,476
Petty cash and change funds	700	700
Accounts receivable	188	182
Prepaid expenses	506	490
Inventory of merchandise and supplies (note a)	<u>11,525</u>	<u>11,528</u>
Total current assets	<u>30,373</u>	<u>25,376</u>
FIXED ASSETS:		
Equipment (note b)	18,372	18,170
Less: Accumulated depreciation	<u>14,125</u>	<u>12,304</u>
Total fixed assets	<u>4,247</u>	<u>5,866</u>
TOTAL ASSETS	<u>\$34,620</u>	<u>\$31,242</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,137	\$ 3,070
Employees' Federal and State taxes withheld	<u>484</u>	<u>278</u>
Total current liabilities	<u>3,621</u>	<u>3,348</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES:		
Balance at beginning of year	27,894	27,298
Less: Amount transferred to U.S. Treasury	<u>591</u>	<u>6,000</u>
Balance	27,303	21,298
Add: Net income for the year	<u>3,696</u>	<u>6,596</u>
Balance at end of year	<u>c/30,999</u>	<u>27,894</u>
TOTAL LIABILITIES AND EQUITY	<u>\$34,620</u>	<u>\$31,242</u>

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

b/Equipment is depreciated over a 10-year life using the straight-line method.

c/As explained on page 2, \$1,875 is to be transferred to the U.S. Treasury.

HOUSE BEAUTY SHOP
COMPARATIVE STATEMENT OF OPERATIONS
FOR CALENDAR YEARS 1976 and 1975

	<u>1976</u>	<u>1975</u>
INCOME:		
Beauty services	\$261,116	\$225,325
Retail sales	\$40,297	\$31,960
Less: Cost of retail sales	<u>26,076</u>	<u>21,168</u>
Miscellaneous income	14,221 <u>310</u>	10,792 <u>295</u>
Total operating income	<u>275,647</u>	<u>236,412</u>
OPERATING EXPENSES:		
Salaries:		
Beauticians	148,318	127,348
Manicurists	18,936	17,339
Receptionists	16,491	8,979
Maids	<u>8,632</u>	<u>8,992</u>
Total salaries	192,377	162,658
Supplies	22,364	20,202
Managerial fee	24,000	24,000
Payroll tax	14,715	9,755
Laundry	829	835
Office	2,348	2,234
Insurance	2,394	1,919
Depreciation	1,821	1,749
Accounting	1,800	2,000
Medical examinations	640	604
Bad debts	112	209
Repairs	657	432
Telephone	308	253
Training	78	226
Miscellaneous	158	109
Loss of funds	-	71
Loss on disposal of equipment	<u>-</u>	<u>40</u>
Total operating expenses	<u>264,601</u>	<u>227,296</u>
NET INCOME FROM OPERATIONS	<u>11,046</u>	<u>9,116</u>
BONUS PAYMENTS:		
Manager	1,000	-
Employees	<u>6,350</u>	<u>2,520</u>
NET INCOME FOR THE YEAR	<u>\$ 3,696</u>	<u>\$ 6,596</u>

HOUSE BEAUTY SHOP
COMPARATIVE STATEMENT OF CHANGES
IN FINANCIAL POSITION
CALENDAR YEARS 1976 AND 1975

	<u>1976</u>	<u>1975</u>
FUNDS PROVIDED:		
Sales	\$301,413	\$257,285
Miscellaneous income	<u>310</u>	<u>295</u>
Total funds provided	<u>\$301,723</u>	<u>\$257,580</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$262,780	\$225,508
Cost of retail sales	26,076	21,168
Bonus payments	7,350	2,520
Equipment additions	202	864
Amount transferred to U.S. Treasury	591	6,000
Increase in working capital	<u>4,724</u>	<u>1,520</u>
Total funds applied	<u>\$301,723</u>	<u>\$257,580</u>

Analysis of Changes in Working Capital

	<u>Increase or decrease (-)</u>	
	<u>1976</u>	<u>1975</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 4,978	\$ 266
Accounts receivable	6	-17
Prepaid expenses	16	-26
Inventories	-3	1,747
Accounts payable	-67	-1,366
Employees' Federal and State taxes withheld	<u>-206</u>	<u>916</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 4,724</u>	<u>\$ 1,520</u>