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RELEASED

Audit Of The House Beauty Shop Calendar Year 1970

B-162878

House Of Representatives

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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JUNE 9, 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-162878

Dear Madam Chairman:

The General Accounting Office has made an audit of the financial transactions of the House Beauty Shop for calendar year 1970 as required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 338). Our audit was made in accordance with generally accepted auditing standards and included an examination of selected financial transactions, appropriate tests of the accounting records, and such other auditing procedures as we considered necessary.

GENERAL COMMENTS

The House Beauty Shop provides convenient beauty facilities for Congresswomen, wives of Congressmen, and congressional employees, as well as the general public. The shop is operated by Mrs. Betty Jane Oszust, Manager, under a fixed-fee contract. As of December 31, 1970, the staff of the Beauty Shop consisted of the manager, 14 beauticians, three manicurists, two maids, a receptionist, and an electrologist.

The House Beauty Shop was originally established about 1932. The shop was reorganized on December 11, 1967, pursuant to House Resolution 1000, Ninetieth Congress, which created a Select Committee on the House Beauty Shop, placed management of the shop and all matters connected therewith under the direction of the Select Committee, and authorized the Committee to use not more than \$15,000 of the House contingent fund for the purchase of initial equipment and materials. As of December 31, 1970, the entire \$15,000 had been repaid to the Clerk of the House for deposit to the contingent fund as shown in the comparative statement of assets, liabilities, and equity (schedule 1).

As shown in the comparative statement of income, expenses, and retained earnings (schedule 2), the shop realized a net income of \$9,288 in calendar year 1970 compared with \$8,625 in calendar year 1969. The increase was partially attributable to a June 1970 increase in shop prices for all beauty services, except services for wigs and wiglets

LEGISLATIVE BRANCH APPROPRIATION ACT, 1970

The Legislative Branch Appropriation Act, 1970, made the Select Committee on the House Beauty Shop a permanent committee and provided for annual audits of the operations of the Beauty Shop by the General Accounting Office

The act established, effective January 1, 1970, a self-sustaining revolving fund in the Treasury of the United States for the Beauty Shop. All receipts of the Beauty Shop are deposited in the fund and are available without fiscal year limitation for disbursement by the Clerk of the House for payment of expenses of the Beauty Shop.

Prior to the establishment of the fund, a checking account for deposit of receipts and payment of expenses was maintained with the National Savings and Trust Company, Washington, D C. During 1970 the account was closed and the funds were transferred to the revolving fund

The act also required that the net income from shop operations, 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 Treasury. We computed the net income to be transferred to the Treasury for calendar year 1970 and prior years as follows.

Retained earnings as of December 31, 1970		\$21,067 30
Capital authorized pursuant to H Res 1000, 90th Cong.	\$15,000 00	
Provision for replacement of equipment (ac- cumulated depreciation as of December 31, 1970)	<u>3,916 46</u>	<u>18,916 46</u>
Net income to be transferred		<u>\$ 2,150.84</u>

ACCOUNTING SYSTEM

During 1970 employees of the General Accounting Office, other than those responsible for the audit of the records, assisted the manager of the Beauty Shop in maintaining the accounting records. The manager, however, continued to maintain the payroll records. We suggested that

the manager employ a part-time bookkeeper to maintain all the accounting records for the Beauty Shop. The manager stated that a part-time bookkeeper would be employed in the near future.

In April 1970 the Select Committee approved the accounting system which we had designed for the Beauty Shop.

FINANCIAL STATEMENTS

The accompanying financial statements for the House Beauty Shop were prepared by us from records furnished by the manager of the shop. In preparing the statements, we adjusted the shop's records, which were maintained on a cash basis, to present the financial position and operating results of the House Beauty Shop on an accrual basis. These statements do not include the cost of certain benefits and services--such as space, utilities, local telephone service, and repairs--furnished to the Beauty Shop without charge.

In our opinion, the accompanying statements (schedules 1, 2, and 3), which were 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, 1970, the results of its operations, and the sources and application of its funds for the year then ended.

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

Sincerely yours,



Comptroller General
of the United States

The Honorable Martha W. Griffiths, Chairman
Select Committee on the House Beauty Shop
House of Representatives

HOUSE BEAUTY SHOP

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

DECEMBER 31, 1970 AND 1969

	<u>1970</u>	<u>1969</u>
A S S E T S		
CURRENT ASSETS		
Cash	\$ 6,862	\$ 6,305
Accounts receivable	128	109
Inventory of merchandise and supplies (at cost)	4,589	4,043
Prepaid insurance	<u>514</u>	<u>425</u>
Total current assets	<u>12,093</u>	<u>10,882</u>
FIXED ASSETS		
Equipment and fixtures	15,827	14,040
Less allowance for depreciation	<u>3,916</u>	<u>2,498</u>
Total fixed assets	<u>11,911</u>	<u>11,542</u>
Total assests	<u>\$24,004</u>	<u>\$22,424</u>
L I A B I L I T I E S A N D E Q U I T Y		
CURRENT LIABILITIES		
Accounts payable	\$ 2,029	\$ 1,742
Employees' Federal and State taxes withheld	693	2,515
Employer's payroll taxes payable	215	1,354
Sales taxes collected	<u>-</u>	<u>34</u>
Total current liabilities	<u>2,937</u>	<u>5,645</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES		
Capital provided pursuant to H. Res. 1000, 90th Cong..		
Balance at beginning of year	5,000	15,000
Less repayments	<u>5,000</u>	<u>10,000</u>
Balance at end of year	-	5,000
Retained earnings	<u>21,067</u>	<u>11,779</u>
Total equity	<u>21,067</u>	<u>16,779</u>
Total liabilities and equity	<u>\$24,004</u>	<u>\$22,424</u>

SCHEDULE 2

H O U S E B E A U T Y S H O P
 COMPARATIVE STATEMENT OF INCOME, EXPENSES,
 AND RETAINED EARNINGS
 FOR CALENDAR YEARS 1970 AND 1969

	1970	1969
INCOME:		
Beauty operations	\$156,150	\$153,225
Sales of merchandise	\$9,442	5,356
Less cost of goods sold (note a)	<u>7,009</u>	<u>2,433</u>
	<u>2,433</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS	<u>158,583</u>	<u>158,581</u>
OPERATING EXPENSES:		
Salaries:		
Beauticians	87,000	86,274
Manicurists	10,879	8,269
Receptionist	6,349	5,574
Maids	<u>4,717</u>	<u>4,284</u>
Total salaries	108,945	104,401
Supplies	13,236	18,275
Managerial fee	14,168	14,499
Bonus to manager	1,000	-
Payroll tax	7,173	6,395
Laundry	624	1,378
Office	883	606
Insurance	1,265	1,462
Depreciation	1,523	1,398
Accounting	-	600
Miscellaneous	<u>636</u>	<u>942</u>
Total operating expenses	<u>149,453</u>	<u>149,956</u>
NET INCOME FROM OPERATIONS	9,130	8,625
MISCELLANEOUS INCOME	<u>158</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>\$ 9,288</u>	<u>\$ 8,625</u>
RETAINED EARNINGS:		
Balance at beginning of year	\$ 11,779	\$ 3,154
Add net income for year	<u>9,288</u>	<u>8,625</u>
Balance at end of year	<u>\$ 21,067</u>	<u>\$ 11,779</u>

^aCost of goods sold in 1969 was included in expenses for supplies.

H O U S E B E A U T Y S H O P

COMPARATIVE STATEMENT OF SOURCES

AND APPLICATION OF FUNDS

CALENDAR YEARS 1970 AND 1969

	<u>1970</u>	<u>1969</u>
FUNDS PROVIDED:		
Sales	\$165,593	\$158,581
Miscellaneous income	228	-
Decrease in working capital	<u>-</u>	<u>514</u>
Total funds provided	<u>\$165,821</u>	<u>\$159,095</u>
FUNDS APPLIED:		
Operating expenses	\$154,939	\$148,558
Equipment additions	1,963	537
Return of capital provided pursuant to H. Res. 1000, 90th Cong.	5,000	10,000
Increase in working capital	<u>3,919</u>	<u>-</u>
Total funds applied	<u>\$165,821</u>	<u>\$159,095</u>