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WASHINGTON, D C 20548

B-133046  
5-25-70

*U.S. Senate*

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RELEASED

MAY 25 1970

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Dear Mr. Dunphy:

The General Accounting Office has made an audit of the operations of the Senate Office Beauty Shop for the calendar year 1969, pursuant to your request dated January 6, 1970. Our audit included an examination of the financial statements, appropriate tests of the accounting records, and such other auditing procedures as we considered necessary.

We observed several minor differences between equipment in the shop and information in the equipment records. We suggest, therefore, that the concessionaire's accountant conduct a physical inventory of equipment and adjust the accounting records accordingly.

Also, we noted that during calendar year 1969 the concessionaire paid from cash receipts over \$4,100 in expenses for laundry, wigs, and insurance. We believe that, to provide better financial control, future expenses of this nature should be paid by check.

GENERAL COMMENTS

The beauty shop was established to provide convenient, efficient, and economical services to employees of the Senate. It has been operated as a gratuitous concession; that is, the concessionaire pays no fee for the privilege of operating the shop. Mrs. Myrtle B. Olivier has operated the beauty shop as concessionaire since September 6, 1967.

At December 31, 1969, the staff of the beauty shop consisted of the concessionaire, a receptionist, a full-time maid, a part-time maid, a janitor, and 10 beauticians. The concessionaire did not receive a salary from the shop but was entitled to the entire net income from its operation.

OPINION OF FINANCIAL STATEMENTS

The accompanying financial statements have been furnished to us by the firm of certified public accountants employed by the concessionaire to maintain the accounting records of the shop. Transactions are recorded on an accrual basis. These statements do not include the cost of

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certain benefits and services furnished to the beauty shop without charge, such as space, telephone, utilities, painting, and repairs.

During calendar year 1969 the concessionaire's accountant did not segregate, in the accounting records, the cost of merchandise purchased for resale from the cost of supplies used in the operation of the shop; therefore, the income statement for 1969 does not show the gross profit on merchandise sold.

In our opinion, the accompanying statements (schedules 1 and 2), which were prepared on a basis consistent with that of the preceding period and in accordance with the accounting practice and financial arrangements described above, present fairly the financial position of the Senate Office Beauty Shop at December 31, 1969, and the results of its operations for the year then ended.

Sincerely yours,



Assistant Comptroller General  
of the United States

Enclosures - 2

The Honorable Robert G. Dunphy  
Sergeant at Arms  
United States Senate

## SENATE OFFICE BEAUTY SHOP

## BALANCE SHEET

DECEMBER 31, 1969

## A S S E T S

CURRENT ASSETS		
Cash in bank and on hand	\$ 1,280.47	
Petty cash	200.00	
Inventory (note a)	2,218.07	
Prepaid insurance	580.69	
Prepaid interest	900 00	
Prepaid taxes	<u>124 11</u>	
Total current assets		\$ 5,303.34
FURNITURE AND EQUIPMENT		
Furniture and equipment at cost	19,130.15	
Less depreciation taken to date	<u>6,100.96</u>	
Net furniture and equipment		13,029.19
OTHER ASSET		
Prepaid interest		<u>450.00</u>
TOTAL ASSETS		<u>\$18,782.53</u>

## L I A B I L I T I E S

CURRENT LIABILITIES		
Note payable--American Security and Trust Company--current maturities	\$ 5,899.92	
Accounts payable (note b)	6,151.67	
Payroll taxes withheld and accrued	2,018.29	
Accrued salaries	621.41	
District of Columbia sales tax collected	<u>6.45</u>	
Total current liabilities		\$14,697.74
LONG-TERM OBLIGATIONS		
Note payable--American Security and Trust Company--secured by chattel mortgage on equipment	8,850.12	
Less current maturities	<u>5,899.92</u>	<u>2,950.20</u>
TOTAL LIABILITIES		17,647.94

## P R O P R I E T A R Y E Q U I T Y

PROPRIETARY EQUITY		
Myrtle B. Olivier--capital		
Balance--January 1, 1969	\$ 1,271.70	
Net income for the year ended December 31, 1969--schedule 2	<u>7,641.13</u>	
	8,912.83	
Less withdrawals	<u>7,778.24</u>	<u>1,134.59</u>
TOTAL LIABILITIES AND PROPRIETARY EQUITY		<u>\$18,782.53</u>

GAO notes <sup>a</sup>Inventory includes operating supplies, wigs, and supplies for resale.

<sup>b</sup>Accounts payable includes \$2,396 66 due to Mrs. Mabel Zimmerman Solomon for equipment.

## SENATE OFFICE BEAUTY SHOP

INCOME STATEMENT  
FOR THE YEAR ENDED  
DECEMBER 31, 1969

INCOME			
Beauty shop operations		\$102,369.50	
Sale of supplies		4,362.98	
Sale of wigs		<u>577.00</u>	
Total income			\$107,309.48
Less cost of goods sold and consumed in operations			
Inventory--January 1, 1969		1,943.98	
Purchases	\$14,175.81		
Less purchase discounts	<u>209.16</u>	<u>13,966.65</u>	
			15,910.63
Less inventory--December 31, 1969		<u>2,218.07</u>	
			13,692.56
Operators' commissions and/or wages		<u>56,951.36</u>	<u>70,643.92</u>
GROSS PROFIT FROM OPERATIONS			36,665.56
OPERATING EXPENSES			
Salaries and wages--receptionist, manicurist, janitor, and maids	14,351.72		
Taxes	4,032.35		
Depreciation	3,445.82		
Laundry	2,712.36		
Insurance	1,793.66		
Accounting	1,205.00		
Interest	903.25		
Returned checks	165.32		
Professional development	125.00		
Bank service charges	101.66		
Casual labor	70.00		
Office supplies	60.45		
Delivery service	48.00		
Miscellaneous	<u>46.48</u>		
Total operating expenses			<u>29,061.07</u>
			7,604.49
MISCELLANEOUS INCOME			<u>36.64</u>
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1969			<u>\$ 7,641.13</u>