

DOCUMENT RESUME

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Audit of the House of Representatives' Beauty Shop, Calendar Year 1977. GGD-78-64; B-162878. May 24, 1978. 3 pp. + enclosure (5 pp.).

Report to Rep. Yvonne Brathwaite Burke; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes (2802).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions (801).

Congressional Relevance: House Committee on House Administration; House Select Committee on the House Beauty Shop; Congress. Rep. Yvonne Brathwaite Burke.

Authority: Legislative Branch Appropriation Act [of] 1970 (83 Stat. 347). H. Res. 315 (95th Cong.). H. Res. 1000 (90th Cong.).

The House of Representatives' Beauty Shop's accounting records and financial transactions were reviewed in accordance with the Comptroller General's standards for auditing financial transactions, accounts, and reports of governmental activities. The examination included such tests of accounting records and such auditing procedures as were considered necessary in the circumstances. Findings/Conclusions: The House Beauty Shop's records, which were maintained on a cash basis, were adjusted to present its financial position and results of operations on an accrual basis. The statements do not include the costs of certain benefits and services that are furnished to the House Beauty Shop without charge. The financial statements were prepared on a basis consistent with that of the preceding year and present fairly the financial position of the House Beauty Shop at December 31, 1977, and December 31, 1978, the results of its operations, and changes in its financial position for the years then ended. The House Beauty Shop realized net income of \$10,027 for 1977 compared with net income of \$3,696 for 1976. As of January 3, 1978, the staff of the House Beauty Shop was transferred to the House payroll and the shop was placed under the jurisdiction of the Committee on House Administration, with direct oversight to be exercised by the Subcommittee on Services. (RRS)

6512

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Audit Of The House Of Representatives Beauty Shop Calendar Year 1977



GGD-78-64
MAY 24, 1978



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

B-162878

The Honorable Yvonne Brathwaite Burke
House of Representatives

Dear Mrs. Burke:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with your December 16, 1977, request as Chairperson of the Select Committee on the House Beauty Shop, we audited the financial transactions of the House Beauty Shop for calendar year 1977.

SCOPE OF AUDIT

We reviewed the House Beauty Shop's accounting records and financial transactions in accordance with the Comptroller General's standards for auditing financial transactions, accounts, and reports of governmental activities. These standards include generally accepted auditing standards. Our examination included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

OPINION ON FINANCIAL STATEMENTS

We prepared the accompanying financial statements (schs. 1, 2, and 3) for the House Beauty Shop from the accounting 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 costs 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 financial 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, 1977 and 1976, 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, 1977, the manager employed nine beauticians, three manicurists, an assistant to the manager, and a receptionist on a full-time basis and seven beauticians, a manicurist, two maids, and an electrologist on a part-time basis.

Effective January 3, 1978, the staff of the House Beauty Shop was transferred to the House payroll under the House Employee's Classification Act and the Shop was placed under the jurisdiction of the Committee on House Administration, with direct oversight to be exercised by the Subcommittee on Services (H. Res. 315, 95th Cong.).

RESULTS OF OPERATIONS

The House Beauty Shop realized net income of \$10,027 for 1977 after payment of \$9,200 in bonuses compared with net income of \$3,696 for 1976 after payment of \$7,350 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 1977 as follows:

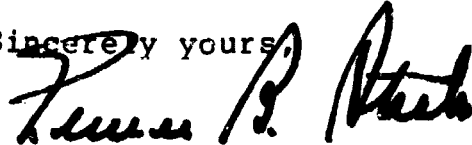
Equity of the House of Representatives as of December 31, 1977		\$39,151.12
Capital authorized pursuant to H. Res. 1000, 90th Cong.	\$15,000.00	
Provision for replacement of equipment (accumulated depreciation as of Dec. 31, 1977)	<u>15,840.08</u>	<u>30,840.08</u>
Net income to be transferred		<u>\$ 8,311.04</u>

Since 1969 the House Beauty Shop has transferred \$38,198 to the U.S. Treasury.

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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, Committee on House Administration.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas P. Stebbins". The signature is written in a cursive style with a large initial 'T'.

Comptroller General
of the United States

SCHEDULES

HOUSE BEAUTY SHOPCOMPARATIVE BALANCE SHEETDECEMBER 31, 1977 AND 1976

ASSETS	<u>1977</u>	<u>1976</u>
CURRENT ASSETS:		
Cash in U.S. Treasury	\$29,547	\$17,454
Petty cash and change funds	700	700
Accounts receivable	484	188
Prepaid expenses	54	506
Inventory of merchandise and supplies (note a)	<u>11,789</u>	<u>11,525</u>
Total current assets	<u>42,574</u>	<u>30,373</u>
FIXED ASSETS:		
Equipment (note b)	18,480	18,372
Less: Accumulated depreciation	<u>15,840</u>	<u>14,125</u>
Total fixed assets	<u>2,640</u>	<u>4,247</u>
TOTAL ASSETS	<u>\$45,214</u>	<u>\$34,620</u>
- LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,054	\$ 3,137
Employees' Federal and State taxes withheld	<u>2,009</u>	<u>484</u>
Total current liabilities	<u>6,063</u>	<u>3,621</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES:		
Balance at beginning of year	30,999	27,894
Less: Amount transferred to U.S. Treasury	<u>1,875</u>	<u>591</u>
Balance	29,124	27,303
Add: Net income for the year	<u>10,027</u>	<u>3,696</u>
Balance at end of year	<u>39,151^{c/}</u>	<u>30,999</u>
TOTAL LIABILITIES AND EQUITY	<u>\$45,214</u>	<u>\$34,620</u>

GAO note: The accompanying notes on p. 5 are an integral part of this statement. Our opinion on this statement appears on p. 1 of the letter.

COMPARATIVE STATEMENT OF OPERATIONSFOR CALENDAR YEARS 1977 AND 1976

	<u>1977</u>	<u>1976</u>
INCOME:		
Beauty services	\$279,389	\$261,116
Retail sales	\$44,958	\$40,297
Less: Cost of retail sales	<u>27,960</u>	<u>26,076</u>
Miscellaneous income	<u>345</u>	<u>310</u>
Total operating income	<u>296,732</u>	<u>275,647</u>
OPERATING EXPENSES:		
Salaries:		
Beauticians	154,337	148,318
Manicurists	20,726	18,936
Receptionists	19,106	16,491
Maids	<u>9,245</u>	<u>8,637</u>
Total salaries	203,414	192,377
Supplies	23,361	22,364
Managerial fee	24,000	24,000
Payroll tax	15,210	14,715
Laundry	519	829
Office	2,483	2,348
Insurance	2,838	2,394
Depreciation	1,764	1,821
Accounting	2,090	1,800
Medical examinations	575	640
Bad debts	28	112
Repairs	567	657
Telephone	343	308
Training	59	78
Miscellaneous	62	158
Loss on disposal of assets	<u>192</u>	<u>-</u>
Total operating expenses	<u>277,505</u>	<u>264,601</u>
NET INCOME FROM OPERATIONS	19,227	11,046
BONUS PAYMENTS:		
Manager	1,000	1,000
Employees	<u>8,200</u>	<u>6,350</u>
NET INCOME FOR THE YEAR	<u>\$ 10,027</u>	<u>\$ 3,696</u>

GAO note: The accompanying notes on p. 5 are an integral part of this statement. Our opinion on this statement appears on p. 1 of the letter.

HOUSE BEAUTY SHOP

COMPARATIVE STATEMENT OF CHANGES

IN FINANCIAL POSITION

CALENDAR YEARS 1977 AND 1976

	<u>1977</u>	<u>1976</u>
FUNDS PROVIDED:		
Sales	\$324,347	\$301,413
Miscellaneous income	<u>345</u>	<u>310</u>
Total funds provided	<u>\$324,692</u>	<u>\$301,723</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$275,619	\$262,780
Cost of retail sales	27,960	26,076
Bonus payments	9,200	7,350
Equipment additions	279	202
Amount transferred to U.S. Treasury	1,875	591
Increase in working capital	<u>9,759</u>	<u>4,724</u>
Total funds applied	<u>\$324,692</u>	<u>\$301,723</u>

Analysis of Changes in Working Capital

	<u>Increase or decrease (-)</u>	
	<u>1977</u>	<u>1976</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 12,093	\$ 4,978
Accounts receivable	296	6
Prepaid expenses	-452	16
Inventories	264	-3
Accounts payable	-917	-67
Employees' Federal and State taxes withheld	<u>-1,525</u>	<u>-206</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 9,759</u>	<u>\$ 4,724</u>

GAO note: The accompanying notes on p. 5 are an integral part of this statement. Our opinion on this statement appears on p. 1 of the letter.

HOUSE BEAUTY SHOP

NOTES TO FINANCIAL STATEMENTS

CALENDAR YEAR 1977

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 3 of the letter, \$8,311 is to be transferred to the U.S. Treasury.