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COMPTROLLER GENERAL OF THE UNITED STATES

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U.S. Senate

RELEASED

MAY 13 1970

Dear Mr. Dunphy:

The General Accounting Office has examined into the financial transactions of the SENATE EMPLOYEES BARBER SHOP for the calendar year 1969, pursuant to your request dated January 6, 1970. Our examination included appropriate tests, to the extent permitted by the accounting records, and such other auditing procedures as we considered necessary. We did not obtain the head barber's comments on matters discussed in this report.

GENERAL COMMENTS

The barber shop was established about 1928 to provide convenient, efficient, and economical services to employees of the Senate. The shop is managed by the head barber, under the direction of the Senate Committee on Rules and Administration and the Sergeant at Arms of the Senate. At December 31, 1969, the staff consisted of the head barber, four regular barbers, and a shoeshine boy who also served as a part-time janitor. An assistant barber was also employed during the year, but his employment was terminated on December 13, 1969. Each barber holds a certificate from the District of Columbia Board of Barber Examiners.

Income was received principally from barber services performed for the following fees:

Haircut	\$1.25
Shave	1.00
Tonic	.35
Massage	1.75
Shampoo	1.75
Shoeshine	.25

In addition to the fees received from barber services, other income was received from the sale of combs and nail clippers.

The head barber collected receipts from barber operations and compensated the other barbers on the basis of fixed percentages of the receipts from the services they performed. The rate of compensation was 85 percent for the assistant barber and 75 percent for

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each of the other barbers. The head barber deducted Federal income taxes, District of Columbia income taxes, and uniform rental from the compensation paid to the other barbers. The shoeshine boy, who provided his necessary supplies, retained all receipts from shoeshine operations.

The head barber received, as a management fee, the net income from shop operations after payment of compensation to the other barbers and of shop expenses including shop supplies and laundry.

Appropriated funds were used to supplement the earnings of the barber shop employees. An annual salary of \$3,852 was paid to each of five of the barbers, including the head barber; \$1,410 was paid to another barber who terminated his employment on May 15, 1969, and \$1,560 was paid to his replacement who was hired on July 27, 1969. The assistant barber was paid his full salary of \$3,852 even though he terminated his employment on December 13, 1969. The shoeshine boy was paid \$1,750 to supplement the income from his operations for the year. The shop employees, except for the shoeshine boy who is on an hourly rate, are classified as custodial employees of the Architect of the Capitol, under sections 501 and 502 of the Federal Employees Pay Act of 1945, as amended (2 U.S.C. 60e-3, 60e-4).

COMMENTS ON THE ACCOUNTING RECORDS

The head barber is responsible for maintaining the accounting records of the shop. The only formal records maintained are receipts for barber services, payroll records, and summary ledger sheets. The ledger sheets summarize the weekly amounts for gross pay, deductions, net pay, purchases of supplies, and laundry and linen service.

Receipts from barber services are recorded through the use of a cash register. Each barber has a separate register key. At the end of each week, the head barber totals the receipts for the individual barbers, prepares the payroll record, and pays each barber on the basis of his recorded receipts.

Although the employees were paid in cash, they did not sign a receipt for the amounts paid to them. Since the payroll record was the only evidence available as to amounts actually paid, verification of the payrolls was not possible. In addition, the payroll records contained numerous arithmetical errors. Although the net dollar effect of these errors was not considered significant, the number of errors indicated that not enough care was being given to the preparation of the payrolls.

Expenses of the barber shop are paid in cash, and taxes are paid by the head barber's personal check. The head barber maintains a file of paid invoices which are used as source documents to record the expenses in the summary ledger sheets. In our 1968 audit we were unable to verify amounts recorded as expenses because of missing invoices. In our 1969 audit, however, we were able to verify recorded expenses because they were properly supported by paid invoices.

STATUS OF ITEMS PREVIOUSLY REPORTED

In our report for calendar year 1968, we commented on the sale of sundry items, the declaration of tips, and the leave system. During our review for calendar year 1969, we noted that:

--The head barber started recording the sale of sundry items (combs and nail clippers) on a monthly basis beginning in August 1969. (For statement purposes, we estimated the sales for the year on the basis of the selling price of goods purchased for resale.)

--The barbers began filing weekly declarations of tips beginning the second weekly pay period in August 1969.

--The head barber, contrary to requirements, did not report leave usage to your office quarterly during calendar year 1969. The leave ledger cards showed that seven of the eight barbers employed during the year took a total of 19 weeks of annual leave and 34 weeks of sick leave.

COMMENTS ON THE SHOP OPERATION

Recorded receipts from the barber services for the calendar year 1969 decreased \$1,150 from 1968 receipts. The following table compares the quarterly receipts for calendar years 1969 and 1968.

<u>Quarter</u>	<u>1969</u>	<u>1968</u>	<u>Differ- ence</u>
First	\$ 4,742	\$ 5,158	\$ -416
Second	4,465	5,295	-830
Third	4,516	4,978	-462
Fourth	<u>4,701</u>	<u>4,143</u>	<u>558</u>
	<u>\$18,424</u>	<u>\$19,574</u>	<u>\$-1,150</u>

COMMENTS ON FINANCIAL STATEMENT

The accompanying comparative statement of income and expenses and compensation to barbers was prepared by us from records maintained and information furnished by the head barber. The statement does not include the cost of certain benefits and services furnished to the barber shop without charge, such as space, utilities, telephone service, permanent equipment, furniture, painting, and repairs.

Because of the small size and character of the operations of the barber shop, the usual accounting controls do not exist. We believe that, under these circumstances, the reliance that can be placed upon the financial statement depends upon the degree of confidence in the manner in which the financial records have been maintained. Our past audit experience in connection with the Senate Employees Barber Shop gives us serious concern as to whether the financial records maintained by the head barber are accurate or complete. Accordingly, we are not expressing an opinion on the accompanying financial statement.

Sincerely yours,



Comptroller General
of the United States

Enclosure

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

SENATE EMPLOYEES BARBER SHOP

COMPARATIVE STATEMENT OF INCOME

AND EXPENSES AND COMPENSATION TO BARBERS

FOR CALENDAR YEARS 1969 AND 1968

	<u>1969</u>	<u>1968</u>
INCOME (note a):		
Barber services	\$18,424	\$19,574
Merchandise sales (estimated) (note b)	<u>53</u>	<u>-</u>
Total income	<u>\$18,477</u>	<u>\$19,574</u>
COMPENSATION:		
Barbers (note a):		
Alexander C. Culver	\$ 4,221	\$ 4,376
Alonzo G. Nicholson	1,159	2,045
Philip Johnson	2,668	2,902
John F. Nicholson	919	1,794
Henry T. Hampton	2,539	2,807
Edward Bronson	2,323	2,084
John Martin	1,188	-
Earl Anderson	<u>146</u>	<u>-</u>
Total compensation	<u>15,163</u>	<u>16,008</u>
OPERATING EXPENSES (note c):		
Supplies	320	372
Laundry	406	486
Magazines	<u>180</u>	<u>-</u>
Total operating expenses	<u>906</u>	<u>858</u>
MANAGEMENT FEE TO ALEXANDER C. CULVER, HEAD BARBER	<u>2,408</u>	<u>2,708</u>
Total compensation, operating expenses, and management fee	<u>\$18,477</u>	<u>\$19,574</u>

^a Exclusive of tips and of compensation paid by the Architect of the Capitol from appropriated funds. (The compensation is subject to deductions for withholding tax, retirement, life insurance, and health benefits.)

^b We did not estimate the sales for 1968 because of the lack of invoices for the first 3 months of the year.

^c The amounts of the 1968 expenses were obtained from the head barber's accounting records. We were unable to verify the amounts recorded. The 1969 expenses were adequately supported.