



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

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B-133046

JANUARY 6, 1983

To the President of the Senate and the
Speaker of the House of Representatives

Subject: Audit of the Senate Building Beauty Shop for
the Fiscal Year Ended February 28, 1982
(GAO/AFMD-83-6)

Pursuant to section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), we have examined the balance sheets of the Senate Building Beauty Shop as of February 28, 1982 and 1981, and the related statements of income and expense, changes in financial position, and changes in partners' capital accounts for the years then ended. Our examination was made in accordance with generally accepted government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Building Beauty Shop as of February 28, 1982 and 1981, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements except for changes in the method of computing depreciation and amortization with which we concur, as described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the shop's operations. Enclosures III through VII present the shop's financial statements and accompanying notes for fiscal 1981 and 1982.



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The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. Accordingly, copies of this report are being furnished to cognizant congressional committees. A copy is also being sent to the Sergeant at Arms of the Senate, and copies will be made available to Members and the public.



Comptroller General
of the United States

Enclosures

SENATE BUILDING BEAUTY SHOPREPORT ON INTERNAL ACCOUNTING CONTROLSAND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Senate Building Beauty Shop, for the year ended February 28, 1982. Our opinion on them is in our report to the President of the Senate and the Speaker of the House of Representatives. Our examination of the financial statements was made in accordance with generally accepted government auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The entity is so small that it is not feasible to have an adequate internal control system. Because management had not established an adequate internal control system, we did not identify or complete a study on evaluation of the entity's internal control system. We concluded that it was more practicable to expand our substantive audit tests rather than to rely on internal accounting control.

An examination, made in accordance with the standards mentioned above, would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we would not be able to express an opinion on the system taken as a whole. However, during our examination we did not become aware of any conditions that we believe to be a material weakness.

We also reviewed the provisions of applicable laws and regulations to determine the material compliance requirements which may have a financial impact on the Senate Building Beauty Shop's financial statements. In our opinion the Senate Building Beauty Shop complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS OF THE
SENATE BUILDING BEAUTY SHOP

The Senate Building Beauty Shop, a partnership established in March 1973 by Mario and Liria Vouzikas, operates under the jurisdiction of the Sergeant at Arms of the Senate. The Beauty Shop provides Senate employees with a convenient source for such services as hairdressing and manicuring, and various products such as cosmetics, rinses, conditioners, dyes, combs, brushes, and hosiery.

The Beauty Shop realized net income of \$23,241.92 for the fiscal year ended February 28, 1982, compared with net income of \$17,537.27 for the fiscal year ended February 28, 1981. This income was divided between the two partners.

The financial statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance that are furnished without charge.

SENATE BUILDING BEAUTY SHOPCOMPARATIVE BALANCE SHEETFEBRUARY 28, 1982 AND FEBRUARY 28, 1981 (note 1)ASSETS

	February 28, <u>1982</u>	February 28, <u>1981</u>
CURRENT ASSETS:		
Cash	\$ 9,411.38	\$ 6,298.18
Accounts receivable	119.80	43.00
Employees' loans receivable	480.00	-
Inventory	1,787.39	1,983.57
Prepaid taxes	65.03	-
	<u>11,863.60</u>	<u>8,324.75</u>
FIXED ASSETS:		
Furniture, fixtures and equipment	16,695.55	16,695.55
Less: accumulated depreciation	<u>14,302.65</u>	<u>12,923.97</u>
	2,392.90	3,771.58
Improvements	6,838.36	5,345.90
Less: accumulated amortization	<u>4,199.69</u>	<u>3,545.71</u>
	<u>2,638.67</u>	<u>1,800.19</u>
Total fixed assets	<u>5,031.57</u>	<u>5,571.77</u>
TOTAL ASSETS	<u>\$16,895.17</u>	<u>\$13,896.52</u>

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:		
D.C. sales taxes payable	\$ 183.44	\$ 185.08
Accrued Federal and D.C. unemployment taxes payable	<u>283.16</u>	<u>242.88</u>
Total liabilities	<u>466.60</u>	<u>427.96</u>
PARTNERS' CAPITAL:		
Mario Vouzikas	8,214.30	6,734.31
Liria Vouzikas	<u>8,214.27</u>	<u>6,734.25</u>
Total partners' capital	<u>16,428.57</u>	<u>13,468.56</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$16,895.17</u>	<u>\$13,896.52</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPCOMPARATIVE STATEMENT OF INCOME AND EXPENSEFISCAL YEARS ENDED FEBRUARY 28, 1982 AND FEBRUARY 28, 1981 (note 1)

	February 28, <u>1982</u>	February 28, <u>1981</u>
INCOME:		
Beauty services and retail sales	\$ <u>162,927.90</u>	\$ <u>135,892.14</u>
OPERATING EXPENSES:		
Salaries	101,264.20	83,894.75
Beauty supplies and purchases	19,724.24	17,794.77
Payroll taxes	8,299.15	6,077.63
Insurance	2,380.00	2,805.71
Depreciation and amortization	2,032.66	1,913.28
Accounting and legal fees	1,730.00	1,670.00
Office supplies	1,194.80	1,263.28
Entertainment	-	336.83
Other taxes	892.87	799.93
Dues and subscriptions	256.66	317.74
Advertising	1,178.95	208.00
Donations	300.00	300.00
Bank charges	365.18	385.30
Repairs and maintenance	42.00	321.99
Writeoff of uncollected employee loans	-	265.66
Interest expense	<u>25.37</u>	<u>-</u>
Total operating expenses	\$ <u>139,686.08</u>	\$ <u>118,354.87</u>
NET INCOME	\$ <u><u>23,241.82</u></u>	\$ <u><u>17,537.27</u></u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPCOMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITIONFISCAL YEARS ENDED FEBRUARY 28, 1982 AND FEBRUARY 28, 1981 (note 1)

	February 28, <u>1982</u>	February 28, <u>1981</u>
FUNDS PROVIDED:		
Beauty services and retail sales	\$162,927.90	\$135,892.14
Prior years' adjustment to partners' capital	<u>-</u>	<u>759.70</u>
Total funds provided	<u>\$162,927.90</u>	<u>\$136,651.84</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$137,653.42	\$116,441.59
Partners' drawings	20,281.81	18,847.60
Increase in working capital	3,500.21	1,362.65
Improvements on leasehold	<u>1,492.46</u>	<u>-</u>
Total funds applied	<u>\$162,927.90</u>	<u>\$136,651.84</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	Increase or (decrease)	
	February 28, <u>1982</u>	February 28, <u>1981</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 3,113.20	\$ 715.61
Employees' loans receivable	480.00	(265.66)
Accounts receivable	76.90	43.00
Inventory	(196.18)	736.19
Prepaid taxes	65.03	-
D.C. withholding taxes payable	-	176.70
D.C. sales taxes payable	1.64	(46.35)
Accrued Federal and D.C. employment taxes payable	<u>(40.28)</u>	<u>3.16</u>
NET CHANGE IN WORKING CAPITAL	<u>\$ 3,500.21</u>	<u>\$ 1,362.65</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPCHANGES IN PARTNERS' CAPITAL ACCOUNTSFISCAL YEAR ENDED FEBRUARY 28, 1982 (note 1)

	<u>Mario</u> <u>Vouzikas</u>	<u>Liria</u> <u>Vouzikas</u>	<u>Total</u>
Balance, February 28, 1981	\$ 6,734.31	\$ 6,734.25	\$13,468.56
Distribution of net income	<u>11,620.91</u>	<u>11,620.91</u>	<u>23,241.82</u>
	18,355.22	18,355.16	36,710.38
Partners' drawing	<u>10,140.92</u>	<u>10,140.89</u>	<u>20,281.81</u>
Balance, February 28, 1982	<u>\$ 8,214.30</u>	<u>\$ 8,214.27</u>	<u>\$16,428.57</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPNOTE TO FINANCIAL STATEMENTSFISCAL YEARS ENDED FEBRUARY 28, 1982 AND FEBRUARY 28, 1981

1. Significant Accounting Policies

Accounting records, except for depreciation and accrued taxes, are maintained on a cash basis.

Inventory is stated at cost, using the first-in, first-out method of valuation.

Furniture, fixtures, and equipment placed in service before January 1, 1981, are depreciated over a 10-year life using the straight line method. Items placed in service after January 1, 1981, are depreciated as 10-year property under the accelerated cost recovery system.

Improvements placed in service before January 1, 1981, are amortized over a 10-year life using the straight line method. Improvements placed in service after January 1, 1981, are amortized as 10-year property under the accelerated cost recovery system.

Operating expenses do not include the costs of certain benefits and services such as space, utilities, and ordinary building repair and maintenance that are furnished to the Senate Building Beauty Shop without charge.

Net income or loss is divided equally between the partners.