



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

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AUGUST 1, 1985



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

Subject: Examination of the Senate Building Beauty Shop  
Financial Statements for the Fiscal Years Ended  
February 28, 1985, and February 29, 1984 (GAO/  
AFMD-85-64)

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, 1985, and February 29, 1984, and the related statements of operations, changes in financial position, and changes in partners' capital accounts for the years then ended. Our examinations were 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, 1985, and February 29, 1984, 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 the note to the financial statements applied on a consistent basis.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosures II through VI present the shop's financial statements and accompanying notes for the fiscal years ended February 28, 1985, and February 29, 1984.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. We are sending copies of this report to cognizant congressional committees and the Senate Sergeant at Arms. We will make copies available to Members of the House or Senate and the public.

*for Henry Eschwege*  
Comptroller General  
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Senate Building Beauty Shop for the years ended February 28, 1985, and February 29, 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended February 28, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the year ended February 29, 1984, is presented in GAO/AFMD-85-37, dated March 27, 1985.)

We did not complete a study and evaluation of the partnership's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the partnership's financial statements. We concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the years ended February 28, 1985, and February 29, 1984.

While we did not complete a study and evaluation of the partnership's internal control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do make a study and evaluation of the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the partnership's compliance with applicable laws and regulations. In our opinion, the Senate Building Beauty Shop complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the partnership was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

SENATE BUILDING BEAUTY SHOP  
BALANCE SHEET

	<u>February 28,</u> <u>1985</u>	<u>February 29,</u> <u>1984</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 7,627	\$ 7,812
Inventory	2,030	2,057
Prepaid taxes	<u>293</u>	<u>62</u>
Total current assets	<u>9,950</u>	<u>9,931</u>
FIXED ASSETS:		
Furniture, fixtures, and equipment	16,695	16,695
Less: accumulated depreciation	<u>16,195</u>	<u>15,993</u>
	<u>500</u>	<u>702</u>
Improvements	6,838	6,838
Less: accumulated amortization	<u>6,006</u>	<u>5,657</u>
	<u>832</u>	<u>1,181</u>
Total fixed assets	<u>1,332</u>	<u>1,883</u>
TOTAL ASSETS	<u>\$11,282</u>	<u>\$11,814</u>
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
D.C. sales taxes payable	\$ 144	\$ 207
Accrued federal and D.C. unemployment taxes payable	304	73
D.C. withholding taxes payable	<u>314</u>	<u>182</u>
Total liabilities	<u>762</u>	<u>462</u>
PARTNERS' CAPITAL:		
Mario Vouzikas	5,260	5,676
Liria Vouzikas	<u>5,260</u>	<u>5,676</u>
Total partners' capital	<u>10,520</u>	<u>11,352</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$11,282</u>	<u>\$11,814</u>

The accompanying note is an integral part of this statement.

**SENATE BUILDING BEAUTY SHOP**  
**STATEMENT OF OPERATIONS**

	Years ended	
	<u>February 28,</u> <u>1985</u>	<u>February 29,</u> <u>1984</u>
<b>REVENUE:</b>		
Beauty services and retail sales	\$ <u>193,173</u>	\$ <u>199,199</u>
<b>OPERATING EXPENSES:</b>		
Salaries	128,206	129,578
Payroll taxes	12,422	12,108
Beauty supplies and purchases	19,757	21,765
Insurance	2,046	1,889
Depreciation and amortization	552	1,026
Accounting and legal fees	2,100	2,100
Office supplies	1,991	1,707
Telephone	555	929
Other taxes	1,354	1,170
Dues and subscriptions	171	212
Promotions	548	684
Contributions	100	285
Bank charges	221	396
Interest	-	117
Advertising	217	22
Personal property taxes	185	187
Repairs and maintenance	<u>224</u>	<u>-</u>
Total operating expenses	<u>170,649</u>	<u>174,175</u>
<b>NET INCOME</b>	<u>\$ 22,524</u>	<u>\$ 25,024</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP  
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended</u>	
	<u>February 28,</u> <u>1985</u>	<u>February 29,</u> <u>1984</u>
<b>FUNDS PROVIDED:</b>		
Net income from operations	\$22,524	\$25,024
Depreciation and amortization-- not requiring an outlay of cash	552	1,026
Decrease in accounts receivable	-	98
Decrease in employees' loans receivable	-	1,440
Decrease in inventory	27	453
Decrease in prepaid taxes	-	3
Increase in taxes payable	<u>363</u>	<u>58</u>
Total funds provided	<u>23,466</u>	<u>28,102</u>
<b>FUNDS APPLIED:</b>		
Increase in prepaid taxes	231	-
Decrease in taxes payable	63	167
Partners' drawings	<u>23,357</u>	<u>25,658</u>
Total funds applied	<u>23,651</u>	<u>25,825</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>\$ (185)</b>	<b>\$ 2,277</b>

The accompanying note is an integral part of this statement.

**SENATE BUILDING BEAUTY SHOP**  
**STATEMENT OF CHANGES IN PARTNERS' CAPITAL ACCOUNTS**  
**YEARS ENDED FEBRUARY 28, 1985, AND FEBRUARY 29, 1984**

	<u>Mario</u> <u>Vouzikas</u>	<u>Liria</u> <u>Vouzikas</u>	<u>Total</u>
Balance, February 28, 1983	\$ 5,993	\$ 5,993	\$11,986
Distribution of net income	<u>12,512</u>	<u>12,512</u>	<u>25,024</u>
	18,505	18,505	37,010
Partners' drawings	<u>12,829</u>	<u>12,829</u>	<u>25,658</u>
Balance, February 29, 1984	5,676	5,676	11,352
Distribution of net income	<u>11,262</u>	<u>11,262</u>	<u>22,524</u>
	16,938	16,938	33,876
Partners' drawings	<u>11,678</u>	<u>11,678</u>	<u>23,356</u>
Balance, February 28, 1985	<u>\$ 5,260</u>	<u>\$ 5,260</u>	<u>\$10,520</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP  
NOTE TO FINANCIAL STATEMENTS  
YEARS ENDED FEBRUARY 28, 1985, AND FEBRUARY 29, 1984

Note 1. Significant Accounting Policies

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

Furniture, fixtures, and equipment are depreciated over a 10-year life using the straight-line method.

Improvements placed in service before January 1, 1981, have been amortized over a 10-year life using the straight-line method. Improvements placed in service after January 1, 1981, have been amortized over a 10-year life using an accelerated method of depreciation.

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 to the Senate Building Beauty Shop without charge.

Net income or loss is divided equally between the partners.