



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

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DECEMBER 19, 1983

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

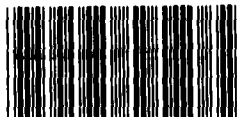
Subject: Examination of the Senate Building Beauty
Shop Financial Statements for the Fiscal
Years Ended February 28, 1983 and 1982
(GAO-AFMD-84-9)

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, 1983 and 1982, and the related statements of income and expense, 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, 1983 and 1982, 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 applied on a consistent basis.

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 years 1983 and 1982.

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 of Congress and the public.



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Charles A. Bowsher
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, 1983 and 1982. 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.

The entity is so small that it is not feasible for it to maintain an adequate internal control system. Therefore, we did not perform a study and evaluation of the entity'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 entity's financial statements. We concluded that it was more practical to expand our substantive audit tests in examining the fiscal 1983 financial statements.

While we could not make an examination of the entity's internal control system, we did not become aware of any condition during our expanded audit tests which we believe to be a material weakness. In cases where we do make an examination 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.

We reviewed the provisions of applicable laws and regulations to determine the compliance requirements that may have a material impact on the Senate Building Beauty Shop's financial statements for the year ended February 28, 1983. 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 THESENATE 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 for such various products as cosmetics, rinses, conditioners, dyes, combs, brushes, and hosiery.

The Beauty Shop realized net income of \$23,239.56 for the fiscal year ended February 28, 1983, compared with net income of \$23,241.82 for the fiscal year ended February 28, 1982. 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 SHEET

	<u>February 28</u>	
	<u>1983</u>	<u>1982</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 5,535.43	\$ 9,411.38
Accounts receivable	98.04	119.80
Employees' loans receivable	1,440.00	480.00
Inventory	2,509.61	1,787.39
Prepaid taxes	64.49	65.03
Total current assets	<u>9,647.57</u>	<u>11,863.60</u>
FIXED ASSETS:		
Furniture, fixtures, and equipment	16,695.55	16,695.55
Less: accumulated depreciation	<u>15,681.33</u>	<u>14,302.65</u>
	1,014.22	2,392.90
Improvements	6,838.36	6,838.36
Less: accumulated amortization	<u>4,943.23</u>	<u>4,199.69</u>
	1,895.13	2,638.67
Total fixed assets	<u>2,909.35</u>	<u>5,031.57</u>
TOTAL ASSETS	<u>\$12,556.92</u>	<u>\$16,895.17</u>
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
D.C. sales taxes payable	\$ 148.88	\$ 183.44
Accrued Federal and D.C. unemployment taxes payable	225.76	283.16
D.C. withholding taxes payable	<u>196.31</u>	<u>-</u>
Total liabilities	<u>570.95</u>	<u>466.60</u>
PARTNERS' CAPITAL:		
Mario Vouzikas	5,993.00	8,214.30
Liria Vouzikas	<u>5,992.97</u>	<u>8,214.27</u>
Total partners' capital	<u>11,985.97</u>	<u>16,428.57</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$12,556.92</u>	<u>\$16,895.17</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	<u>Years ended February 28</u>	
	<u>1983</u>	<u>1982</u>
INCOME:		
Beauty services and retail sales	<u>\$185,242.77</u>	<u>\$162,927.90</u>
OPERATING EXPENSES:		
Salaries	119,405.42	101,264.20
Beauty supplies and purchases	20,282.65	19,724.24
Payroll taxes	9,920.07	8,299.15
Insurance	2,092.25	2,380.00
Depreciation and amortization	2,122.22	2,032.66
Accounting and legal fees	1,900.00	1,730.00
Office supplies	1,531.04	1,194.80
Telephone	543.83	-
Other taxes	1,446.08	892.87
Dues and subscriptions	325.07	256.66
Promotions	1,104.90	1,178.95
Contributions	835.00	300.00
Bank charges	494.68	365.18
Repairs and maintenance	-	42.00
Interest expense	-	25.37
Total operating expenses	<u>162,003.21</u>	<u>139,686.08</u>
NET INCOME	<u><u>\$ 23,239.56</u></u>	<u><u>\$ 23,241.82</u></u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended February 28</u>	
	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Beauty services and retail sales	\$ <u>185,242.77</u>	\$ <u>162,927.90</u>
Total funds provided	\$ <u>185,242.77</u>	\$ <u>162,927.90</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$159,880.99	\$137,653.42
Partners' drawings	27,682.16	20,281.81
Increase or (decrease) in working capital	(2,320.38)	3,500.21
Improvements on leasehold	<u>-</u>	<u>1,492.46</u>
Total funds applied	\$ <u>185,242.77</u>	\$ <u>162,927.90</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

	<u>Increase or (decrease)</u>	
	<u>Years ended February 28</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Cash	\$ (3,875.95)	\$ 3,113.20
Employees' loans receivable	960.00	480.00
Accounts receivable	(21.76)	76.80
Inventory	722.22	(196.18)
Prepaid taxes	(.54)	65.03
D.C. withholding taxes payable	(196.31)	-
D.C. sales taxes payable	34.56	1.64
Accrued Federal and D.C. employment taxes payable	<u>57.40</u>	<u>(40.28)</u>
NET CHANGE IN WORKING CAPITAL	\$ <u>(2,320.38)</u>	\$ <u>3,500.21</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPSTATEMENT OF CHANGES IN PARTNERS' CAPITAL ACCOUNTSYEARS ENDED FEBRUARY 28, 1983 and 1982

	<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	8,214.30	8,214.27	16,428.57
Distribution of net income	<u>11,619.78</u>	<u>11,619.78</u>	<u>23,239.56</u>
	19,834.08	19,834.05	39,668.13
Partners' drawing	<u>13,841.08</u>	<u>13,841.08</u>	<u>27,682.16</u>
Balance, February 28, 1983	<u>\$ 5,993.00</u>	<u>\$ 5,992.97</u>	<u>\$11,985.97</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOPNOTE TO FINANCIAL STATEMENTSYEARS ENDED FEBRUARY 28, 1983 AND 1982Significant Accounting Policies

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.