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

B-133046

MARCH 27, 1985

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 29, 1984, and February 28, 1983
(GAO/AFMD-85-37)

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 29, 1984, and February 28, 1983, 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 29, 1984, and February 28, 1983, 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 29, 1984, and February 28, 1983.

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.

Henry Echnwege
for 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 29, 1984, and February 28, 1983. 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 29, 1984.

We did not complete a study or 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 practicable to expand our substantive audit tests in examining the financial statements for the years ended February 29, 1984, and February 28, 1983.

While we did not make an examination of the partnership'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 audits 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.

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 29,</u> <u>1984</u>	<u>February 28,</u> <u>1983</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 7,812	\$ 5,535
Accounts receivable	-	98
Employees' loans receivable	-	1,440
Inventory	2,057	2,510
Prepaid taxes	<u>62</u>	<u>65</u>
Total current assets	<u>9,931</u>	<u>9,648</u>
FIXED ASSETS:		
Furniture, fixtures, and equipment	16,695	16,695
Less: accumulated depreciation	<u>15,993</u>	<u>15,681</u>
	702	1,014
Improvements	6,838	6,838
Less: accumulated amortization	<u>5,657</u>	<u>4,943</u>
	<u>1,181</u>	<u>1,895</u>
Total fixed assets	<u>1,883</u>	<u>2,909</u>
TOTAL ASSETS	<u>\$11,814</u>	<u>\$12,557</u>
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
D.C. sales taxes payable	\$ 207	\$ 149
Accrued Federal and D.C. unemployment taxes payable	73	226
D.C. withholding taxes payable	<u>182</u>	<u>196</u>
Total liabilities	<u>462</u>	<u>571</u>
PARTNERS' CAPITAL:		
Mario Vouzikas	5,676	5,993
Liria Vouzikas	<u>5,676</u>	<u>5,993</u>
Total partners' capital	<u>11,352</u>	<u>11,986</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$11,814</u>	<u>\$12,557</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
STATEMENT OF OPERATIONS

	Years ended	
	<u>February 29,</u> <u>1984</u>	<u>February 28,</u> <u>1983</u>
REVENUE:		
Beauty services and retail sales	\$ <u>199,199</u>	\$ <u>185,243</u>
OPERATING EXPENSES:		
Salaries	129,578	119,405
Beauty supplies and purchases	21,765	20,283
Payroll taxes	12,108	9,920
Insurance	1,889	2,092
Depreciation and amortization	1,026	2,122
Accounting and legal fees	2,100	1,900
Office supplies	1,707	1,531
Telephone	929	544
Other taxes	1,170	1,446
Dues and subscriptions	212	325
Promotions	684	1,105
Contributions	285	835
Bank charges	396	495
Interest	117	-
Advertising	22	-
Personal property taxes	<u>187</u>	<u>-</u>
Total operating expenses	<u>174,175</u>	<u>162,003</u>
NET INCOME	<u>\$ 25,024</u>	<u>\$ 23,240</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
STATEMENT OF CHANGES IN FINANCIAL POSITION

	Years ended	
	<u>February 29,</u> <u>1984</u>	<u>February 28,</u> <u>1983</u>
FUNDS PROVIDED:		
Net income from operations	\$25,024	\$23,240
Depreciation and amortization --not requiring an outlay of cash	1,026	2,122
Decrease in accounts receivable	98	22
Decrease in employees' loans receivable	1,440	-
Decrease in inventory	453	-
Decrease in prepaid taxes	3	-
Increase in D.C. sales taxes payable	58	-
Increase in D.C. withholding taxes payable	-	196
Total funds provided	<u>28,102</u>	<u>25,580</u>
FUNDS APPLIED:		
Increase in employees' loans receivable	-	960
Increase in inventory	-	722
Decrease in D.C. sales taxes payable	-	35
Decrease in accrued Federal and D.C. unemployment taxes payable	153	57
Decrease in D.C. withholding taxes payable	14	-
Partners' drawings	<u>25,658</u>	<u>27,682</u>
Total funds applied	<u>25,825</u>	<u>29,456</u>
INCREASE (DECREASE) IN CASH	<u>\$ 2,277</u>	<u>\$(3,876)</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL ACCOUNTS
YEARS ENDED FEBRUARY 29, 1984 AND FEBRUARY 28, 1983

	<u>Mario</u> <u>Vouzikas</u>	<u>Liria</u> <u>Vouzikas</u>	<u>Total</u>
Balance, February 28, 1982	\$ 8,214	\$ 8,214	\$16,428
Distribution of net income	<u>11,620</u>	<u>11,620</u>	<u>23,240</u>
	19,834	19,834	39,668
Partners' drawing	<u>13,841</u>	<u>13,841</u>	<u>27,682</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' drawing	<u>12,829</u>	<u>12,829</u>	<u>25,658</u>
Balance, February 29, 1984	<u>\$ 5,676</u>	<u>\$ 5,676</u>	<u>\$11,352</u>

The accompanying note is an integral part of this statement.

SENATE BUILDING BEAUTY SHOP
NOTE TO FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 29, 1984 AND FEBRUARY 28, 1983

Significant 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.

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.