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United States General Accounting Office

GAO

Report to the President of the Senate and
the Speaker of the House of
Representatives

February 1988

FINANCIAL AUDIT

Senate Building
Beauty Shop
Statements—4-Month
Period Ended 6-30-86



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**Comptroller General
of the United States**

B-133046

February 8, 1988

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

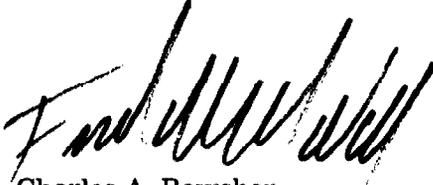
In accordance with section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes the General Accounting Office to audit private organizations conducting activities on the Capitol grounds, we have examined the balance sheet of the Senate Building Beauty Shop as of June 30, 1986, and the related statements of operations, changes in financial position, and changes in partners' capital accounts for the 4-month period then ended. The short audit period is the result of a change in Shop ownership from a partnership to a sole proprietorship effective July 1, 1986. Except as discussed in the following paragraph, 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. We completed our fieldwork on July 28, 1987.

A physical inventory was not taken for merchandise held for sale by the Senate Building Beauty Shop as of June 30, 1986, when the ownership changed. The inventory is stated in the accompanying balance sheet at \$2,528. We were unable to apply sufficient alternative procedures to verify the Shop's inventory balance.

In our opinion, except for the effects of any adjustments to the closing inventory as might have been necessary, the financial statements referred to above present fairly the financial position of the Senate Building Beauty Shop as of June 30, 1986, and the results of its operations and the changes in its financial position for the 4-month period 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.

This report also contains our report on internal accounting controls and compliance with laws and regulations and the Senate Building Beauty Shop's financial statements and accompanying notes for the 4-month period ended June 30, 1986.

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 to the Senate Sergeant at Arms. Copies will be made available to others upon request.

for 
Charles A. Bowsher
Comptroller General
of the United States

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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 4-month period ended June 30, 1986. 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, 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 4-month period ended June 30, 1986.

We did not complete a study and evaluation of the partnership's system of internal accounting controls 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. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the 4-month period ended June 30, 1986.

While we did not perform a complete study and evaluation of the partnership's system of internal accounting controls, 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 study and evaluate the internal accounting control system, material weaknesses in the 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 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.

Balance Sheet

June 30, 1986

Assets	
Current Assets	
Cash	\$8,265
Accounts receivable	626
Inventory	2,528
Total current assets	11,419
Fixed Assets	
Furniture, fixtures, and equipment	18,132
Less: Accumulated depreciation	16,785
	1,347
Improvements	6,838
Less: Accumulated amortization	6,205
	633
Total fixed assets	1,980
Total Assets	\$13,399
Liabilities and Partners' Capital	
Liabilities	
D.C. sales taxes payable	\$286
D.C. franchise taxes payable (note 2)	2,771
Total liabilities	3,057
Partners' Capital	
Mario Vouzikas	5,171
Liria Vouzikas	5,171
Total partners' capital	10,342
Total Liabilities and Partners' Capital	\$13,399

The accompanying notes are an integral part of this statement.

Statement of Operations

4-Month period ended
June 30, 1986

Revenue

Beauty services and retail sales	\$68,087
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Operating Expenses

Salaries	\$46,718
Beauty supplies and purchases	4,690
Payroll taxes	4,394
Other taxes	1,581
Accounting	875
Advertising	28
Bank charges	138
Depreciation and amortization	222
Office expenses	581
Promotions	460
Telephone	182
Dues and subscriptions	137
Returned checks	58
Cash over and short	42

Total operating expenses	60,106
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Net Income

\$7,981

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

4-Month period ended
June 30, 1986

Funds Provided

Net income from operations	\$7,981
Depreciation and amortization—not requiring an outlay of cash	222
Increase in sales taxes payable	194
Increase in franchise taxes payable	2,771
Total funds provided	11,168

Funds Applied

Decrease in payroll taxes payable	1,228
Partners' drawings	10,231
Total funds applied	11,459

Decrease in Cash

\$291

The accompanying notes are an integral part of this statement.

Statement of Changes in Partners' Capital Accounts

	4-Month period ended June 30, 1986		
	Mario Vouzikas	Liria Vouzikas	Total
Balance, March 1, 1986	\$6,296	\$6,296	\$12,592
Distribution of net income	3,991	3,990	7,981
	10,287	10,286	20,573
Partners' drawings	5,116	5,115	10,231
Balance, June 30, 1986	\$5,171	\$5,171	\$10,342

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

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

Furniture, fixtures, and equipment acquired before January 1, 1985, are depreciated over a 10-year life using the straight-line method. Such assets purchased after January 1, 1985, are depreciated over a 5-year life using an accelerated method of depreciation.

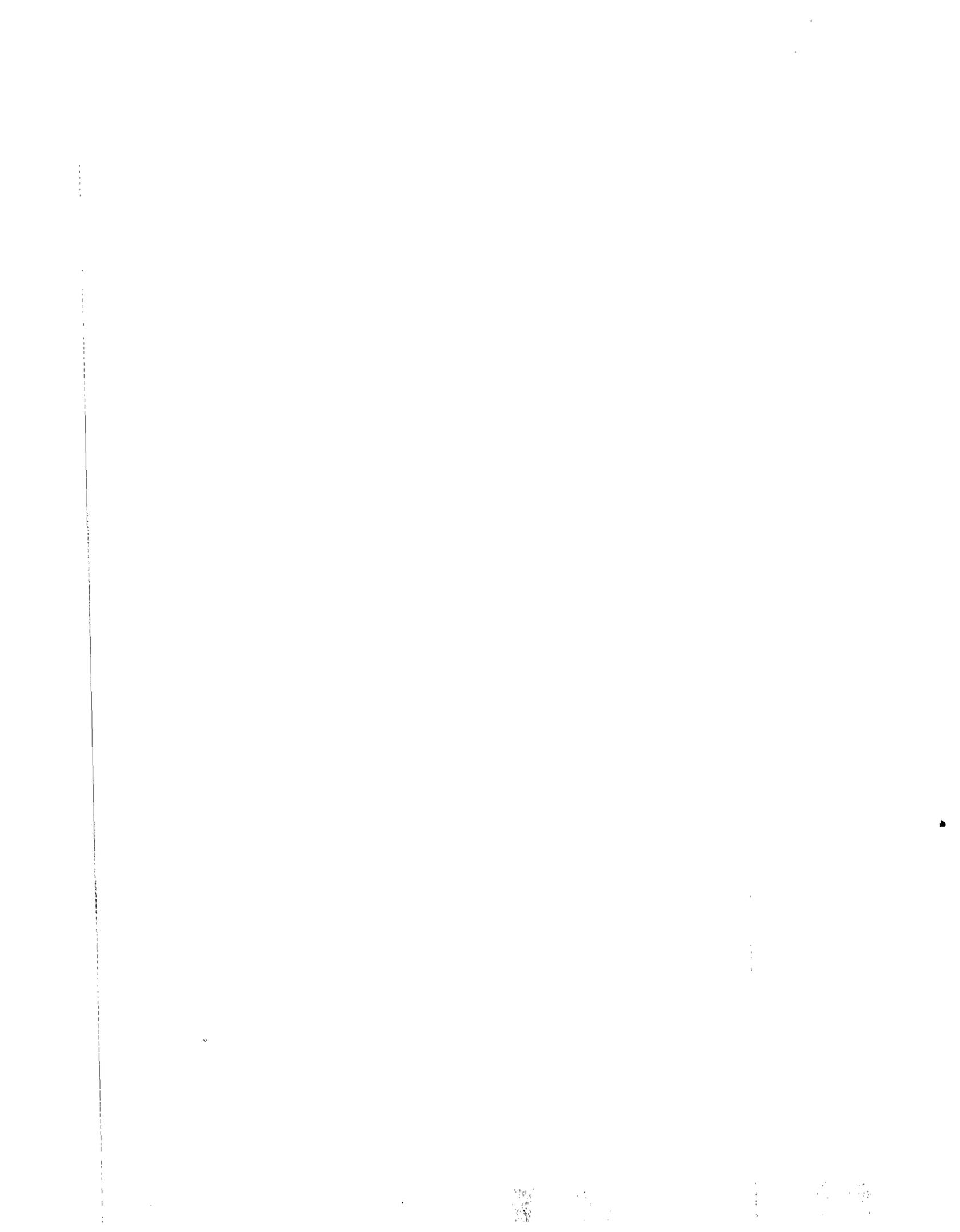
Improvements placed in service before January 1, 1981, have been amortized over a 10-year life using the straight-line method. Improvements placed in service after January 1, 1981, have been amortized over a 10-year life using an accelerated method of depreciation.

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 provided to the Senate Building Beauty Shop without charge.

Net income or loss is divided equally between the partners.

Note 2. D.C. Franchise Taxes Payable

District of Columbia unincorporated business franchise taxes due for 1985 and 1986 were paid on August 20, 1987, after our fieldwork was completed. However, penalties and interest may be assessed because the taxes were past due. The amount of such penalties and interest, if any, could not be determined at the time we issued this report.



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