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United States General Accounting Office

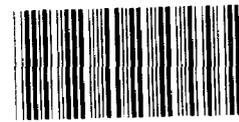
GAO

Report to the Architect of the Capitol

July 1988

# FINANCIAL AUDIT

## Senate Restaurants Revolving Fund for Fiscal Years 1987 and 1986



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Comptroller General  
of the United States

B-114871

July 15, 1988

The Honorable George M. White  
Architect of the Capitol

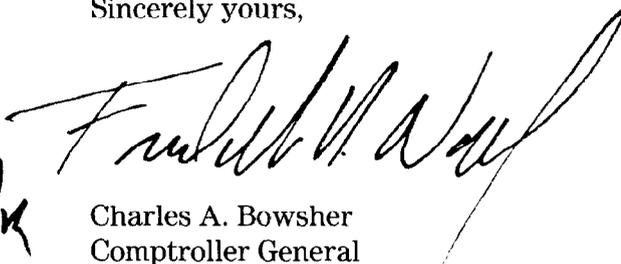
Dear Mr. White:

Pursuant to section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5), we have examined the balance sheets of the United States Senate Restaurants Revolving Fund as of October 3, 1987, and October 4, 1986, and the related statements of operations and changes in financial position 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. We completed our audit work on March 31, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the United States Senate Restaurants Revolving Fund as of October 3, 1987, and October 4, 1986, and the results of its operations and the changes in its 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.

This report also contains our report on internal accounting controls and compliance with laws and regulations, the Fund's financial statements, and the accompanying notes for fiscal years 1987 and 1986.

Sincerely yours,

*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

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We have examined the financial statements of the United States Senate Restaurants Revolving Fund for the fiscal years ended October 3, 1987, and October 4, 1986. 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 study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended October 3, 1987. Our report on internal accounting controls and compliance with laws and regulations for the year ended October 4, 1986, is presented in GAO/AFMD-87-46, dated August 27, 1987.

The Fund is administered by the restaurants' management under the jurisdiction of the Architect of the Capitol. As part of our examination, we made a study and evaluation of the system of internal accounting controls for the Fund to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the categories of receipts, disbursements, receivables, inventories, and payables. Our study and evaluation included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and with the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the second paragraph of this report, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Fund taken as a whole or on any of the categories of controls identified in the third paragraph of this report. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the United States Senate Restaurants Revolving Fund 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 Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

# Balance Sheet

	October 3, 1987	October 4, 1986
<b>Assets (note 1)</b>		
Funds with U.S. Treasury	\$297,684	\$551,680
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	260,884	373,652
Food, beverages, and merchandise inventory	180,122	175,188
China, glassware, silverware, and tableware	158,798	191,079
<b>Total Assets</b>	<b>\$915,488</b>	<b>\$1,309,599</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Amounts due vendors	\$229,944	\$211,360
Net payroll and benefits	115,092	104,130
Supplemental services	6,409	14,082
Federal and state taxes withheld	50,011	61,939
Employees' accrued leave	256,039	231,526
Unclaimed wages	1,182	1,182
Other (note 3)	3,926	1,308
<b>Total liabilities</b>	<b>662,603</b>	<b>625,527</b>
Government Equity		
Capital		
Contributed	51,200	51,200
Capitalization of china, glassware, silverware, and tableware (note 4)	45,944	45,944
Revolving Fund Balance		
Balance at beginning of year	586,928	276,384
Net income (loss)	(431,187)	310,544
Balance at end of year	155,741	586,928
<b>Total government equity</b>	<b>252,885</b>	<b>684,072</b>
<b>Total Liabilities and Government Equity</b>	<b>\$915,488</b>	<b>\$1,309,599</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations

	Fiscal years ended			
	October 3, 1987		October 4, 1986	
	Amount	Percent of sales	Amount	Percent of sales
<b>Food and Beverage Operations</b>				
Regular food services	\$3,813,935	70.0	\$3,759,390	62.9
Catering	1,634,081	30.0	2,220,708	37.1
Total sales (note 5)	5,448,016	100.0	5,980,098	100.0
Cost of food and beverages	2,288,941	42.0	2,190,638	36.6
Gross income from sales of food and beverages	3,159,075	58.0	3,789,460	63.4
Operating expenses				
Salaries and wages:				
Straight time	2,466,771	45.3	2,391,029	40.0
Overtime	122,852	2.2	194,471	3.2
Employee benefits	499,899	9.2	352,421	5.9
Leave expense	180,624	3.3	184,973	3.1
Employee meals	129,801	2.4	148,246	2.5
Employee physicals	6,820	0.1	5,300	0.1
Supplemental services	215,722	4.0	285,305	4.7
China, glassware, silverware, and tableware	68,953	1.3	47,020	0.8
Kitchen utensils	11,757	0.2	11,670	0.2
Miscellaneous	27,673	0.5	22,361	0.4
Total operating expenses	3,730,872	68.5	3,642,796	60.9
<b>Income (Loss) From Food and Beverage Operations</b>	<b>(571,797)</b>	<b>(10.5)</b>	<b>146,664</b>	<b>2.5</b>
<b>Cigar Stand Operations</b>				
Sales (note 5)	848,478	100.0	841,511	100.0
Cost of sales	632,938	74.6	618,572	73.5
Gross income from sales of cigar stand merchandise and newspapers	215,540	25.4	222,939	26.5
Operating expenses	131,944	15.6	115,883	13.8
<b>Income From Cigar Stand Operations</b>	<b>83,596</b>	<b>9.8</b>	<b>107,056</b>	<b>12.7</b>
<b>Vending Machine Commissions</b>	<b>57,014</b>		<b>56,824</b>	
<b>Net Income (Loss)</b>	<b>\$(431,187)</b>		<b>\$310,544</b>	

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Fiscal years ended	
	October 3, 1987	October 4, 1986
<b>Funds Provided</b>		
Net income from operations	\$0	\$310,544
Decrease in accounts receivable	112,768	0
Decrease in china, glassware, silverware, and tableware inventory	32,281	0
Increase in accounts payable:		
Amounts due vendors	18,584	0
Net payroll and benefits	10,962	5,306
Supplemental services	0	4,717
Federal and state taxes withheld	0	8,712
Employees' accrued leave	24,513	26,127
Unclaimed wages	0	281
Other	2,618	0
<b>Total funds provided</b>	<b>201,726</b>	<b>355,687</b>
<b>Funds Applied</b>		
Net loss from operations	431,187	0
Increase in accounts receivable	0	44,563
Increase in inventories:		
Food, beverages, and merchandise	4,934	17,010
China, glassware, silverware, and tableware	0	34,079
Decrease in accounts payable:		
Amounts due vendors	0	115,675
Supplemental services	7,673	0
Federal and state taxes withheld	11,928	0
Other	0	51
<b>Total funds applied</b>	<b>455,722</b>	<b>211,378</b>
<b>Increase (Decrease) in Cash</b>	<b>\$(253,996)</b>	<b>\$144,309</b>

The accompanying notes are an integral part of this statement.

# Notes to Financial Statements

## Note 1. Significant Accounting Policies

The Revolving Fund's fiscal year consists of thirteen 4-week accounting periods. Periodically, an adjustment is made to the Fund's fiscal year to more nearly match the federal government's fiscal year-end.

The restaurant facilities are operated primarily for Senators and employees of the Senate. The Architect of the Capitol, under the direction of the Senate Committee on Rules and Administration, is responsible for managing the restaurants.

The financial statements do not include the costs of management personnel salaries and benefits, other services, or supplies and materials. These costs, as provided for under Public Law 92-51, were paid from funds appropriated to the Architect of the Capitol for Senate office buildings' operations, as follows.

Table 1: Costs Paid With Appropriated Funds

Fiscal year	Personnel compensation	Personnel benefits	Other services	Supplies and materials	Total
1987	\$624,003	\$80,635	\$164,754	\$281,054	\$1,150,446
1986	\$639,792	\$69,795	\$118,656	\$278,046	\$1,106,289

The Fund's statements also do not include costs for space, building repairs and maintenance, utilities, garbage disposal, or printing by the Government Printing Office, which are furnished without charge to the Fund.

Cash receipts from sales and commissions are deposited in the U.S. Treasury to the credit of the Fund for use in operating the various restaurant facilities.

Inventories are valued at cost and are charged to operations using the first-in, first-out method.

Unclaimed wages remain on the Fund's books and may be claimed for up to 6 years. Afterward, they are returned to the Fund.

## Note 2. Accounts Receivable

Accounts receivable are billed, and aging schedules prepared, at the end of each month, whereas the balance sheet shows accounts receivable at the end of the 52-week period used for reporting purposes. The balance sheet amounts have not been aged. The accounts receivable balance at

September 30, 1987, the billing date closest to the end of the Fund's fiscal year, amounted to \$247,034—about 31 percent less than the September 30, 1986, balance. Of this amount, \$61,956, or about 25 percent, was outstanding over 90 days, compared with \$85,670, or about 24 percent, at September 30, 1986. A comparison of customers' accounts receivable at September 30, 1987, and September 30, 1986, follows.

**Table 2: Aging of Customer Accounts Receivable**

Days outstanding	September 30, 1987		September 30, 1986	
	Amount	Percent	Amount	Percent
0 to 30	\$143,364	58	\$220,781	62
31 to 60	23,082	9	33,326	9
61 to 90	18,632	8	17,593	5
Over 90	61,956	25	85,670	24
<b>Total</b>	<b>\$247,034</b>	<b>100</b>	<b>\$357,370</b>	<b>100</b>

At December 31, 1987, 73 percent of the September 30, 1987, accounts receivable balance had been collected. The Fund's accounting office prepares collection letters monthly for delinquent accounts. In accordance with the policy direction established by the Senate Committee on Rules and Administration, the collection letters are mailed to selected customers whose accounts are delinquent over 90 days.

**Note 3. Other Liabilities**

Other liabilities include amounts for charity contributions withheld, court levy, and employees' physicals.

**Note 4. China, Glassware, Silverware, and Tableware**

Additional government equity was provided when inventories of (1) china, glassware, and silverware valued at \$36,361, and (2) tableware valued at \$9,583, were established on July 1, 1967, and October 2, 1976, respectively. The equity account balance of \$45,944 will remain constant until adjusted to recognize additional contributions or the withdrawal of equity. The inventory on hand, however, will vary from year-to-year, depending on the amount of loss from usage and purchases of new china, glassware, silverware, and tableware.

**Note 5. Sales**

A comparison of sales, commissions, and operating results for the various restaurant units during fiscal years 1987 and 1986 follows.

**Table 3: Sales and Operating Income  
(Loss) by Unit**

	Fiscal year 1987		Fiscal year 1986	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
<b>Food and beverages:</b>				
Capitol dining rooms	\$1,254,371	\$(599,153)	\$1,331,349	\$(463,872)
Senators' dining room	67,351	(48,021)	75,250	(47,671)
Cafeterias	2,740,860	(191,050)	3,258,311	406,499
Coffee shop	475,992	47,021	442,413	66,586
Snack bar	231,165	23,353	257,729	39,116
Senate Chef	678,277	196,053	615,046	146,006
	<b>5,448,016</b>	<b>(571,797)</b>	<b>5,980,098</b>	<b>146,664</b>
<b>Tobacco, candy, and newspapers:</b>				
Capitol dining rooms	69,258	4,079	61,482	614
Dirksen Office Building	322,730	42,816	343,602	39,743
Russell Office Building	112,682	2,692	119,972	5,781
Hart Office Building	343,808	34,009	316,455	60,918
	<b>848,478</b>	<b>83,596</b>	<b>841,511</b>	<b>107,056</b>
<b>Vending machine commissions</b>	<b>57,014</b>	<b>57,014</b>	<b>56,824</b>	<b>56,824</b>
<b>Total</b>	<b>\$6,353,508</b>	<b>\$(431,187)</b>	<b>\$6,878,433</b>	<b>\$310,544</b>



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