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

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B-114871

JULY 12, 1985

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The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Subject: Examination of the United States Senate Restaurants Revolving Fund's Financial Statements for the Fiscal Years Ended October 6, 1984, and October 8, 1983 (GAO/AFMD-85-46)

This report summarizes the results of our examination of the United States Senate Restaurants Revolving Fund's financial statements for the fiscal years ended October 6, 1984, and October 8, 1983. We made our examination pursuant to section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5).

We have examined the balance sheet of the United States Senate Restaurants Revolving Fund as of October 6, 1984, and October 8, 1983, 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.

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 6, 1984, and October 8, 1983, 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.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Exhibits A and B present supplementary information on restaurant operations and

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cost centers. This supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosures II through V present the Revolving Fund's financial statements and accompanying notes for fiscal years 1984 and 1983.

Sincerely yours,

Henry Eschwege

for Comptroller General
of the United States

Enclosures

REPORT ON INTERNAL ACCOUNTING CONTROLS AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the United States Senate Restaurants Revolving Fund for the years ended October 6, 1984, and October 8, 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 study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended October 6, 1984.

The Revolving 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 control for the Revolving 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 Revolving 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 control 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 following categories:

--receipts,

--disbursements,

--receivables,

--inventories, and

--payables.

Our study and evaluation included all of the control categories listed above.

The management of the Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. 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 assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and 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 control, 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 would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. 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 Revolving 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 Revolving Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

ENCLOSURE II

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

BALANCE SHEET (Note 1)

ASSETS	October 6, 1984	October 8, 1983
ASSETS		
Funds with U.S. Treasury	$150,925	$323,700
Petty cash and change funds	13,000	13,000
Accounts receivable (note 2)	306,909	237,341
Food, beverages, merchandise, and supplies inventory	130,116	153,878
China, glassware, silverware, and tableware	119,729	152,810
Total assets	$720,679	$880,729
LIABILITIES AND GOVERNMENT EQUITY		
LIABILITIES		
Amounts due vendors	$311,275	$253,618
Net payroll and benefits	97,079	89,188
Supplemental services	9,201	10,079
Federal and state taxes withheld	43,575	19,758
Employees' accrued leave	190,074	172,679
Unclaimed wages	1,047	1,047
Other (note 3)	515	462
Total liabilities	652,766	546,831
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	236,754	234,101
Net income (loss)	(265,985)	2,653
Balance at end of year	(29,231)	236,754
Total government equity	67,913	333,898
Total liabilities and government equity	$720,679	$880,729

The accompanying notes in enclosure V are an integral part of this statement.

ENCLOSURE III

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

STATEMENT OF OPERATIONS (Note 1)

	Fiscal years ended October 6, 1984 Amount	Percent of sales	October 8, 1983 Amount	Percent of sales
SALES OF FOOD AND BEVERAGES				
Regular food services	$3,058,991	65.8	$3,263,809	68.6
Catering	1,588,525	34.2	1,491,371	31.4
Total sales	4,647,516	100.0	4,755,180	100.0
Cost of food and beverages sold	1,898,724	40.9	1,829,727	38.5
Gross income from sales of food and beverages	2,748,792	59.1	2,925,453	61.5
Operating expenses				
Salaries and wages:				
Straight time	2,124,063	45.7	2,106,986	44.3
Overtime	114,427	2.5	108,780	2.3
Employee benefits	325,860	7.0	287,891	6.0
Leave expense	144,956	3.1	169,550	3.6
Employee meals	122,364	2.6	122,759	2.6
Employee physicals	4,535	0.1	4,308	0.1
Supplemental services	204,774	4.4	192,962	4.0
China, glassware, silverware, and tableware	70,750	1.5	84,105	1.7
Kitchen utensils	10,866	0.3	12,860	0.3
Miscellaneous	18,845	0.4	21,788	0.5
Total operating expenses	3,141,440	67.6	3,111,989	65.4
INCOME (LOSS) ON FOOD AND BEVERAGE OPERATIONS	(392,648)	8.5	(186,536)	3.9
CIGARSTAND MERCHANDISE AND NEWSPAPERS				
Sales	767,003	100.0	831,343	100.0
Cost of sales	585,621	76.4	591,402	71.1
Gross income from sales of cigarstand merchandise and newspapers	181,382	23.6	239,941	28.9
Operating expenses	94,456	12.3	93,084	11.2
INCOME FROM CIGARSTAND AND NEWSPAPER OPERATIONS	86,926	11.3	146,857	17.7
VENDING MACHINE COMMISSIONS	39,737		42,332	
NET INCOME (LOSS)	$ (265,985)		$ 2,653	

The accompanying notes in enclosure V are an integral part of this statement.

ENCLOSURE IV

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION (Note 1)

	Fiscal years ended October 6, 1984	Fiscal years ended October 8, 1983
FUNDS PROVIDED		
Net income from operations	$ -	$ 2,653
Increase in accounts payable:		
Amounts due vendors	57,656	96,056
Net payroll and benefits	7,891	6,717
Supplemental services	-	2,848
Federal and state taxes withheld	23,817	-
Employees' accrued leave	17,395	24,606
Unclaimed wages	-	36
Other	74	283
Decrease in inventories:		
Food, beverages, merchandise, and supplies	23,762	-
China, glassware, silverware, and tableware	33,081	-
Total funds provided	163,676	133,199
FUNDS APPLIED		
Net loss from operations	265,985	-
Increase in accounts receivable	69,568	69,923
Increase in inventories:		
Food, beverages, merchandise, and supplies	-	58
China, glassware, silverware, and tableware	-	27,126
Decrease in accounts payable:		
Supplemental services	877	-
Federal and state taxes withheld	-	9,535
Other	21	442
Total funds applied	336,451	107,084
INCREASE (DECREASE) IN CASH	$(172,775)	$ 26,115

The accompanying notes in enclosure V are an integral part of this statement.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

FISCAL YEARS ENDED OCTOBER 6, 1984, AND OCTOBER 8, 1983

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.

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

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 cost of equipment, management personnel salaries, and miscellaneous expenses such as paper, cleaning, and laundry, which are paid from funds appropriated to the Architect of the Capitol. These costs, as provided for under Public Law 92-51, were obligated from funds appropriated for Senate office buildings' operations, as follows.

Fiscal year	Personnel compensation	Personnel benefits	Other services	Supplies & materials	Total
1984	$606,323	$66,105	$135,946	$294,315	$1,102,689
1983	585,452	61,651	136,652	263,293	1,047,048

The Revolving Fund's statements also do not include certain benefits and services such as space, building repairs and maintenance, utilities, garbage disposal, and menus and forms printed by the Government Printing Office, all of which are furnished to the restaurants without charge.

Inventories are valued at the most recent cost for similar food, china, glassware, silverware, and tableware items.

Unclaimed wages remain on the Fund's books and may be claimed for up to six 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 balances at September 30, 1984, the billing date closest to the end of the Fund's fiscal year, amounted to $251,976, about 20 percent greater than the September 30, 1983, balances. Of this amount, $50,355, or 20 percent, was outstanding over 90 days, compared with $37,633, or 18 percent, at September 30, 1983. A comparison of customers' accounts receivable at September 30, 1984, and September 30, 1983, follows.

Days outstanding	September 30, 1984 Amount	September 30, 1984 Percent	September 30, 1983 Amount	September 30, 1983 Percent
0 to 30	$180,169	72	$146,314	69
31 to 60	15,940	6	12,607	6
61 to 90	5,512	2	13,800	7
Over 90	50,355	20	37,633	18
Total	$251,976	100	$210,354	100

At December 31, 1984, 81 percent of the September 30, 1984, 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

Includes liabilities 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.

SUPPLEMENTARY INFORMATION

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

SCHEDULE OF SALES AND COMMISSIONS

AND OPERATING PROFIT (OR LOSS)

FISCAL YEARS ENDED OCTOBER 6, 1984 AND OCTOBER 8, 1983

	1984		1983	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
Food and beverages:				
Capitol dining rooms	$1,146,993	$(475,589)	$1,175,842	$(350,070)
Senators' dining room	65,736	(55,186)	65,201	(57,923)
Cafeterias	2,345,672	30,129	2,342,901	27,801
Coffee shop	330,199	(5,750)	422,982	56,638
Snack bar	213,993	16,865	226,026	31,550
Carryout	544,923	96,883	522,228	105,468
Total	4,647,516	(392,648)	4,755,180	(186,536)
Tobacco, candy, and newspapers:				
Capitol dining rooms	69,809	(4,567)	78,993	1,365
Dirksen Office Building	549,934	88,157	535,398	109,125
Russell Office Building	147,260	3,336	216,952	36,367
Total	767,003	86,926	831,343	146,857
Vending machine commissions	39,737	39,737	42,332	42,332
Total	$5,454,256	$(265,985)	$5,628,855	$ 2,653

EXHIBIT B

U.S. SENATE RESTAURANTS

FISCAL YEAR 1984 Year To Date ACCOUNTING PERIOD
October 8, 1983 through October 6, 1984

STATEMENT OF OPERATIONS

	COMBINED OPERATIONS		Capitol Dining Rms		Snack Bar		Coffee Shop		RSOB Cigar Stand		DSOB Cigar Stand		Cafeteria		Senators' DR-DSOB		Carry Out		Vending		
	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT
FOOD																					
SALES Food.....	3,058,991	70.6	543,476	53.3	213,993		330,199		-0-		-0-		1,360,664	63.1	65,736		544,924				
Catering.....	1,271,379	29.4	475,856	46.7									795,523	36.9							
Sub Total.....	4,330,370	100.0	1,019,331	100.0	213,993	100.0	330,199	100.0	-0-		-0-		2,156,187	100.0	65,736	100.0	544,924	100.0			
(a) Supplemental Service Charge	204,774		82,243										122,531								
(b) Memo Charge Expense	112,372		45,418										66,953								
TOTAL	4,647,516		1,146,993		213,992		330,199		-0-		-0-		2,345,672		65,736		544,924				
COST OF FOOD																					
(a & b) Supplemental Service & Memo Charge Expense	1,786,352	41.3	427,624	42.0	111,644	52.2	167,205	50.6	-0-		-0-		786,002	36.5	30,445	46.3	263,432	48.3			
	317,146		127,661										189,485								
GROSS PROFIT ON FOOD	2,544,018	58.7	591,707	58.0	102,349	47.8	162,994	49.4	-0-		-0-		1,370,185	63.5	35,291	53.7	281,492	51.7			
OPERATING EXPENSES																					
Labor: Straight Time	2,196,746	50.7	760,846	74.6	60,562	28.3	120,788	36.6	21,154	14.4	42,499	8.3	978,168	45.4	68,301	103.9	144,428	26.5			
Overtime	117,043	2.7	82,190	8.1	8,827	4.1	11,142	3.4	1,066	0.7	573	0.1	10,642	0.5	444	0.7	2,160	0.4			
Leave Expense	174,702	4.0	60,298	5.9	4,812	2.3	9,630	2.9	1,696	1.1	3,382	0.7	77,984	3.6	5,501	8.4	11,399	2.1			
Employee Meals	124,481	2.9	37,414	3.7	2,238	1.0	5,335	1.6	561	0.4	1,112	0.2	69,713	3.2	2,753	4.2	5,354	1.0			
Employee Physicals	4,690	0.1	1,627	0.2	128	0.1	257	0.1	44	-0-	90	-0-	2,104	0.1	147	0.2	292	0.1			
Employee Benefits	337,009	7.8	116,326	11.4	9,279	4.3	18,611	5.6	3,201	2.2	6,567	1.3	150,377	7.0	10,643	16.2	22,006	4.0			
TOTAL LABOR COSTS	2,954,671	68.2	1,058,701	103.9	85,847	40.1	165,763	50.2	27,722	18.8	54,224	10.6	1,288,987	59.8	87,789	133.6	185,639	34.1			
Laundry																					
Paper Supplies																					
Cleaning Supplies																					
Miscellaneous Expense	19,583	0.5	6,849	0.7	306	0.1	4,197	1.3	162	0.1	576	0.1	4,947	0.2	1,929	2.9	618	0.1			
Kitchen Utensils (China, Glassware, Silverware)	10,866	0.2	912	-0-			121	-0-					9,822	0.4			10	-0-			
Replacements	90,302	2.1	28,260	2.8									60,202	2.9	1,839	2.8					
TOTAL OPERATING EXPENSES	3,075,422	71.0	1,094,722	107.4	86,153	40.2	170,081	51.5	27,883	18.9	54,800	10.7	1,363,958	63.2	91,557	139.3	186,267	34.2			
PROFIT OR (LOSS) ON FOOD OPERATIONS	(531,404)	(12.3)	(503,015)	(49.4)	16,196	7.6	(7,087)	(2.1)	(27,883)	(18.9)	(54,800)	(10.7)	6,226	0.3	(56,266)	(85.6)	95,225	17.5			
CIGAR STANDS																					
SALES	726,245	100.0	66,657	100.0					147,260	100.0	512,328	100.0									
COST OF SALES	547,284	75.4	58,239	87.4					116,263	79.0	372,783	72.8									
PROFIT OR (LOSS) ON CIGAR STAND OPERATIONS	178,960	24.6	8,418	12.6					30,997	21.0	139,546	27.2									
Newspapers	2,421		(520)								2,942										
VENDING MACHINES COMMISSIONS	39,737																		39,737		
NET PROFIT OR (LOSS) ON OPERATIONS	(310,285)		(495,128)		16,196		(7,087)		3,114		87,687		6,226		(56,266)		95,225		39,737		
(c) Adjustment to China, Glass, etc.	19,552		6,374										12,865		313						
(d) Adjustment to Leave	24,748		8,588		668		1,336		223		470		11,038		767		1,658				
NET INCOME OR (DEFICIT)	(265,985)		(480,156)		16,865		(5,750)		3,336		88,157		30,129		(55,186)		96,883		39,737		

NOTE: CENTS HAVE BEEN OMITTED. THEREFORE COLUMNS WILL NOT FOOT

(c) Adjust China, Glassware, Silverware and Tableware to Actual Cost for 13 accounting period

(d) Adjust leave expense to actual cost for 13 accounting periods

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