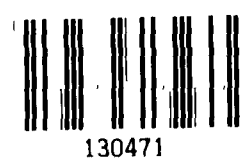


GAO

July 1986

FINANCIAL AUDIT

Senate Restaurants  
Revolving Fund for  
Fiscal Years 1985 and  
1984



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United States  
General Accounting Office  
Washington, D.C. 20548

Comptroller General  
of the United States

B-114871

July 22, 1986

To the Honorable George M. White  
Architect of the Capitol


Dear Mr. White:

Pursuant to your November 20, 1985, request and 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 5, 1985, and October 6, 1984, 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, 1986.

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 5, 1985, and October 6, 1984, 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 contains our report on internal accounting controls and compliance with laws and regulations. Our report also presents the Fund's financial statements and accompanying notes for fiscal years 1985 and 1984

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 5, 1985, and October 6, 1984. 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 5, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the year ended October 6, 1984, is presented in GAO/AFMD-85-46, dated July 12, 1985.)

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, 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. 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 5, 1985	October 6, 1984
<b>Assets (note 1)</b>		
Funds with U S Treasury	\$ 407,371	\$150,925
Petty cash and change funds	18,000	13,000
Accounts receivable (note 2)	329,089	306,909
Food, beverages, merchandise, and supplies inventory	158,178	130,116
China, glassware, silverware, and tableware	157,000	119,729
<b>Total Assets</b>	<b>\$1,069,638</b>	<b>\$720,679</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Amounts due vendors	\$ 327,035	\$311,275
Net payroll and benefits	98,824	97,079
Supplemental services	9,365	9,201
Federal and state taxes withheld	53,227	43,575
Employees' accrued leave	205,399	190,074
Unclaimed wages	901	1,047
Other (note 3)	1,359	515
<b>Total liabilities</b>	<b>696,110</b>	<b>652,766</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	(29,231)	236,754
Net income (loss)	305,615	(265,985)
Balance at end of year	276,384	(29,231)
<b>Total government equity</b>	<b>373,528</b>	<b>67,913</b>
<b>Total Liabilities and Government Equity</b>	<b>\$1,069,638</b>	<b>\$720,679</b>

The accompanying notes are an integral part of this statement



# Statement of Operations

	Fiscal years ended			
	October 5, 1985		October 6, 1984	
	Amount	Percent of sales	Amount	Percent of sales
<b>Food and Beverage Operations</b>				
Regular services	\$3,105,146	59.3	\$3,058,991	65.8
Catering	2,133,778	40.7	1,588,525	34.2
Total sales (note 5)	5,238,924	100.0	4,647,516	100.0
Cost of food and beverages sold	1,827,767	34.9	1,898,724	40.9
Gross income from sales of food and beverages	3,411,157	65.1	2,748,792	59.1
Operating expenses				
Salaries and wages				
Straight time	2,181,174	41.6	2,124,063	45.7
Overtime	103,412	2.0	114,427	2.5
Employee benefits	331,198	6.3	325,860	7.0
Leave expense	167,146	3.2	144,956	3.1
Employee meals	131,362	2.5	122,364	2.6
Employee physicals	4,739	0.1	4,535	0.1
Supplemental services	279,090	5.3	204,774	4.4
China, glassware, silverware, and tableware	48,234	0.9	70,750	1.5
Kitchen utensils	8,724	0.2	10,866	0.3
Miscellaneous	14,286	0.3	18,845	0.4
Total operating expenses	3,269,365	62.4	3,141,440	67.6
<b>Income (Loss) on Food and Beverage Operations</b>	<b>141,792</b>	<b>2.7</b>	<b>(392,648)</b>	<b>8.5</b>
<b>Cigar Stand Operations</b>				
Sales (note 5)	773,622	100.0	767,003	100.0
Cost of sales	557,920	72.1	585,621	76.4
Gross income from sales of cigar stand merchandise and newspapers	215,702	27.9	181,382	23.6
Operating expenses	95,590	12.4	94,456	12.3
<b>Income From Cigar Stand Operations</b>	<b>120,112</b>	<b>15.5</b>	<b>86,926</b>	<b>11.3</b>
<b>Vending Machine Commissions</b>	<b>43,711</b>		<b>39,737</b>	
<b>Net Income (Loss)</b>	<b>\$ 305,615</b>		<b>\$ (265,985)</b>	

The accompanying notes are an integral part of this statement

# Statement of Changes in Financial Position

	Fiscal years ended	
	October 5, 1985	October 6, 1984
<b>Funds Provided</b>		
Net income from operations	\$305,615	\$ 0
Increase in accounts payable		
Amounts due vendors	15,760	57,656
Net payroll and benefits	1,745	7,891
Supplemental services	164	0
Federal and state taxes withheld	9,652	23,817
Employees' accrued leave	15,325	17,395
Other	844	74
Decrease in inventories		
Food, beverages, merchandise, and supplies	0	23,762
China, glassware, silverware, and tableware	0	33,081
<b>Total funds provided</b>	<b>349,105</b>	<b>163,676</b>
<b>Funds Applied</b>		
Net loss from operations	0	265,985
Increase in accounts receivable	22,180	69,568
Increase in inventories		
Food, beverages, merchandise, and supplies	28,063	0
China, glassware, silverware, and tableware	37,270	0
Decrease in accounts payable		
Supplemental services	0	877
Unclaimed wages	146	0
Other	0	21
<b>Total funds applied</b>	<b>87,659</b>	<b>336,451</b>
<b>Increase (Decrease) in Cash</b>	<b>\$261,446</b>	<b>\$(172,775)</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 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.

**Table 1: Costs Paid With Appropriated Funds**

Fiscal year	Personnel compensation	Personnel benefits	Other services	Supplies and materials	Total
1985	\$622,473	\$68,127	\$132,208	\$225,753	\$1,048,561
1984	\$606,323	\$66,105	\$135,946	\$294,315	\$1,102,689

The 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 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 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 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, 1985, the billing date closest to the end of the Fund's fiscal year, amounted to \$272,894—about 8 percent greater than the September 30, 1984, balance. Of this amount, \$51,952, or 19 percent, was outstanding over 90 days, compared with \$50,355, or 20 percent, at September 30, 1984. A comparison of customers' accounts receivable at September 30, 1985, and September 30, 1984, follows.

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

Days outstanding	September 30, 1985		September 30, 1984	
	Amount	Percent	Amount	Percent
0 to 30	\$179,390	66	\$180,169	72
31 to 60	18,942	7	15,940	6
61 to 90	22,610	8	5,512	2
Over 90	51,952	19	50,355	20
<b>Total</b>	<b>\$272,894</b>	<b>100</b>	<b>\$251,976</b>	<b>100</b>

At December 31, 1985, 79 percent of the September 30, 1985, 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 1985 and 1984 follows.

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

	Fiscal year 1985		Fiscal year 1984	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
<b>Food and beverages:</b>				
Capitol dining rooms	\$1,219,212	\$(354,197)	\$1,146,993	\$(475,589)
Senators' dining room	64,984	(59,438)	65,736	(55,186)
Cafeterias	2,712,654	310,815	2,345,672	30,129
Coffee shop	444,773	90,382	330,199	(5,750)
Snack bar	215,449	32,551	213,993	16,865
Carryout	581,852	121,679	544,923	96,883
	5,238,924	141,792	4,647,516	(392,648)
<b>Tobacco, candy, and newspapers:</b>				
Capitol dining rooms	59,650	5,451	69,809	(4,567)
Dirksen Office Building	428,390	72,535	549,934	88,157
Russell Office Building	134,763	15,604	147,260	3,336
Hart Office Building <sup>a</sup>	150,819	26,522	0	0
	773,622	120,112	767,003	86,926
<b>Vending machine commissions</b>				
	43,711	43,711	39,737	39,737
<b>Total</b>	<b>\$6,056,257</b>	<b>\$ 305,615</b>	<b>\$5,454,256</b>	<b>\$(265,985)</b>

<sup>a</sup>The sundry shop opened in the Hart Office Building in January 1985



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