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Audit of the United States Senate Restaurants Revolving Fund, June 29, 1975, to October 2, 1976. GGD-77-34; E-114871. June 13, 1977. 5 pp. + 5 enclosures (5 pp.).

Report to George M. White, Architect of the Capitol; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (700); Accounting and Financial Reporting (2800).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions (801); General Government: General Property and Records Management (803).

Congressional Relevance: Senate Committee on Rules and Administration.

Authority: Legislative Branch Appropriations Act [of] 1972 (P.L. 92-51).

The Senate restaurants are operated primarily for Senators and employees of the United States Senate. The Architect of the Capitol is responsible for managing the restaurants. Receipts from sales and transfers from the appropriations for the contingent expenses of the Senate are used to finance the activities of the Senate Restaurant Revolving Fund. Findings/Conclusions: Senate restaurants' operations for the 15-month period ended October 2, 1976, resulted in a net operating loss of \$215,065 compared with a net operating loss in FY 1975 of \$239,659. The smaller loss for the later period was the result of higher profits from cigar stand and vending machine operations which more than offset the increased loss on food and beverage operations. GAO's proposal to the restaurants' administrative officer that a Cardex system be used for the tableware items was implemented to alleviate the problems involved in identifying and pricing the various items during the annual inventory. The administrative officer plans to review both the in-house and contract vending machine operations to ascertain whether the vending machine operation should be conducted solely in-house, be contracted to only one vendor, or continued to be contracted to four vendors with some in-house operations. (Author/QM)

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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**

**Audit Of The United States Senate
Restaurants Revolving Fund
June 29, 1975, To October 2, 1976**

Architect of the Capitol

JUNE 13, 1977



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

B-114871

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

We audited the United States Senate Restaurants Revolving Fund for the period June 29, 1975, to October 2, 1976, pursuant to section 5 of the July 6, 1961, act (40 U.S.C. 174j-5).

Because of the change in the close of the Government's fiscal year from June 30 to September 30, this audit covered a 15-month period compared to a 12-month period in prior years.

SCOPE OF AUDIT

We made our audit in accordance with generally accepted auditing standards. We reviewed operations, observed the physical count of stock on hand, examined selected financial transactions and records, confirmed customers' account balances, and carried out other auditing procedures as we considered necessary.

OPINION ON FINANCIAL STATEMENTS

We prepared the accompanying financial statements (schs. 1, 2, and 3) on the basis of the accounting records maintained on an accrual basis by the Senate Restaurants' accounting staff. The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services--such as space, building repairs and maintenance, utilities, trash disposal, menus and forms printed by the Government Printing Office, and services of the staff of the Architect of the Capitol--all of which are furnished to the restaurants without charge.

In our opinion, schedules 1, 2, and 3, which were prepared on a basis consistent with that of the preceding year and in accordance with the accounting practices and financial arrangements described above, present fairly the financial position of the United States Senate Restaurants Revolving Fund at October 2, 1976, and June 28, 1975, the results of its operations, and the changes in its financial position for the fiscal periods then ended.

GENERAL COMMENTS

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

Receipts from sales and transfers from the appropriations for the contingent expenses of the Senate are used to finance the activities of the Senate Restaurant Revolving Fund. These funds are deposited in the U.S. Treasury to the credit of the Senate Restaurants Revolving Fund. For the 15-month period ended October 2, 1976, sales receipts amounted to \$3,556,928 and \$300,000 was transferred from the appropriation for contingent expenses of the Senate.

Funds appropriated to the Architect of the Capitol for construction or maintenance may be used to purchase restaurant equipment. The equipment is not recorded as assets of the Senate Restaurants Revolving Fund.

The Legislative Branch Appropriation Act, 1972 (Public Law 92-51, approved July 9, 1971), provided that management personnel salaries and miscellaneous expenses, such as paper, cleaning, and laundry may be paid from the Senate Office Buildings appropriation. Management personnel salaries and miscellaneous expenses of the restaurants paid from or obligated against this appropriation during fiscal year 1976 totaled \$734,693. Consistent with prior years, this amount was not considered in determining the net operating loss of the restaurants. (See sch. 2.)

RESULTS OF OPERATIONS

Senate Restaurants operations for the 15-month period ended October 2, 1976, resulted in a net operating loss of \$215,065 compared with a net operating loss in fiscal year 1975 of \$239,659. The smaller loss for the period ended October 2, 1976, was the result of higher profits from cigarstand and vending machine operations which more than offset the increased loss on food and beverage operations.

A condensed comparison of sales, commissions and operating results for each of the restaurant activities for 1976 and 1975 follows.

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	1976 (15 months)		1975 (12 months)	
	Sales and commissions	Operating profit or loss (-)	Sales and commissions	Operating profit or loss (-)
Food and beverages:				
Capitol din- ing rooms	\$ 639,314	-\$335,346	\$ 426,328	-\$281,731
Snackbar	101,346	10,736	66,821	-638
Coffee shop	294,862	53,958	199,100	41,798
Vending sec- tion	47,843	4,263	38,141	-1,900
Cafeterias	1,187,904	-224,499	868,887	-172,129
Senators' dining rooms	52,136	-27,836	33,644	-23,182
Carryout	<u>372,819</u>	<u>74,081</u>	<u>248,297</u>	<u>51,239</u>
	<u>2,696,224</u>	<u>-444,643</u>	<u>1,802,216</u>	<u>-386,543</u>
Cigarstands and newspapers:				
Capitol din- ing rooms (note a)	107,973	29,542	87,501	21,882
Dirksen Of- fice Build- ing	436,892	107,566	305,541	74,351
Russell Of- fice Build- ing	<u>296,606</u>	<u>73,237</u>	<u>198,916</u>	<u>43,425</u>
	<u>841,471</u>	<u>210,345</u>	<u>591,958</u>	<u>139,658</u>
Vending machine commissions	<u>19,233</u>	<u>19,233</u>	<u>7,226</u>	<u>7,226</u>
Operating total	3,556,928	-215,065	2,480,402	-239,659
Nonrecurring expense (note b)	<u>-</u>	<u>-16,700</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,556,928</u>	<u>-\$231,765</u>	<u>\$2,480,402</u>	<u>-\$239,659</u>

a/Operating expenses included under food and beverages.

b/Payment due to adverse personnel action.

A comparative statement of assets and liabilities of the Senate Restaurants Revolving Fund on October 2, 1976, and June 28, 1975; a comparative statement of operations for fiscal years 1973 through 1976; and a comparative statement of changes in financial position for fiscal years ended October 2, 1976, and June 28, 1975, are presented as schedules 1, 2, and 3. A comparison of sales and operations, prepared by the Senate Restaurants' accounting staff, for each of the restaurants for fiscal year 1976 is included as exhibit A.

IMPROVED TABLEWARE RECORDS

We proposed to the restaurants' administrative officer that a Cardex system similar to the one in use for food and tobacco be used for the tableware items to alleviate the problems involved in identifying and pricing the various tableware items during the annual inventory.

The administrative officer agreed with our proposal to place the tableware items on the Cardex system.

The Architect of the Capitol stated that a Cardex filing system showing current prices of all tableware items as well as Capitol equipment and utensils was implemented in January 1977.

PLANS TO REVIEW VENDING MACHINE OPERATIONS

The Senate Restaurants have both in-house and contract vending machine operations. The contractors perform all of the services, including supplying merchandise and maintenance for their vending machines, and submit commission payments and statements detailing the amount of vending machine sales to the Senate Restaurants Accounting Office. The Accounting Office staff, however, does not know if the payments are correct because it has no procedures for verifying the amount of the vending machine sales.

We discussed the feasibility of establishing controls to check on the vending machine sales with the restaurants' administrative officer. He told us that he planned to review both the in-house and contract vending machine operations to ascertain whether the vending machine operation should be (1) conducted solely in-house, (2) be contracted to only one vendor as opposed to four vendors as it is now, or (3) continued as is. He stated that if contract operations were continued, control could be provided by having the contractors install meters on the vending machines.

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We agreed that this was desirable and would provide the restaurant management with a means to verify that the amount of sales and commissions were proper.

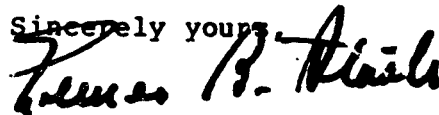
Subsequently, the Architect advised us that a review of the vending program is in progress and that decisions regarding auditing of commissions will be made after the review is completed.

STATUS OF ACCOUNTS RECEIVABLE

A comparison of accounts receivable at September 30, 1976, and June 30, 1975, follows.

<u>Days outstanding</u>	<u>September 30, 1976</u>		<u>June 30, 1975</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$25,882	66.3	\$25,533	63.7
31 to 60	6,231	16.0	9,579	23.9
61 to 90	2,223	5.7	2,662	6.7
Over 90	<u>4,692</u>	<u>12.0</u>	<u>2,300</u>	<u>5.7</u>
Total	<u>\$39,028</u>	<u>100.0</u>	<u>\$40,074</u>	<u>100.0</u>

Sincerely yours,



Comptroller General
of the United States

SCHEDULE 1

SCHEDULE 1

UNITED STATES SENATE RESTAURANTS REVOLVING FUNDCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESOCTOBER 2, 1976, AND JUNE 28, 1975

ASSETS	<u>October 2, 1976</u>	<u>June 28, 1975</u>
CASH:		
Funds with U.S. Treasury	\$352,024	\$216,922
Undeposited receipts	--	29,075
Petty cash and change funds	<u>10,000</u>	<u>8,500</u>
	\$362,024	\$254,497
ACCOUNTS RECEIVABLE	41,427	43,840
INVENTORIES:		
Food, beverages, merchandise, and supplies, at cost	59,913	56,311
China, glassware, silverware, and tableware, at cost	<u>66,108</u>	<u>48,853</u>
	<u>126,021</u>	<u>105,164</u>
Total assets	<u>\$529,472</u>	<u>\$403,501</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Amounts due vendors	139,894	102,906
Net payroll and benefits	49,777	48,123
Federal and State taxes withheld	8,161	6,695
Employees' accrued leave	55,768	58,829
Unclaimed wages	<u>1,902</u>	<u>1,796</u>
Total liabilities	<u>266,502</u>	<u>218,349</u>
EQUITY:		
Contributed capital	51,200	51,200
Capitalization of china, glassware, silverware, and tableware inventory (note a)	45,944	36,361
Operating funds:		
Balance at beginning of year	97,591	87,250
Current year appropriations	<u>300,000</u>	<u>250,000</u>
	397,591	337,250
Less net loss for fiscal year	<u>231,765</u>	<u>239,659</u>
	<u>165,826</u>	<u>97,591</u>
Total equity	<u>262,970</u>	<u>185,152</u>
Total liabilities and equity	<u>\$529,472</u>	<u>\$403,501</u>

a/Initial capitalization of china, glassware, and silverware, at July 1, 1967, was \$36,361 and capitalization of tableware at October 2, 1976, was \$9,583.

SCHEDULE 2

SCHEDULE 2

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

COMPARATIVE STATEMENT OF OPERATIONS

FISCAL YEARS ENDED OCTOBER 2, 1976, JUNE 28, 1975,

JUNE 29, 1974, AND JUNE 30, 1973 (note a)

	October 2, 1976		June 28, 1975		June 29, 1974		June 30, 1973	
	Amount	Percent of sales	Amount	Percent of sales	Amount	Percent of sales	Amount	Percent of sales
SALE OF FOOD AND BEVERAGES:								
Regular	\$2,391,273	88.7	\$1,665,446	88.5	\$1,480,837	88.9	\$1,297,460	88.8
Catering	<u>304,951</u>	<u>11.3</u>	<u>215,772</u>	<u>11.5</u>	<u>184,733</u>	<u>11.1</u>	<u>163,215</u>	<u>11.2</u>
Total	2,696,224	100.0	1,881,218	100.0	1,665,570	100.0	1,460,675	100.0
Cost of food and beverages sold	<u>1,220,701</u>	<u>45.3</u>	<u>832,721</u>	<u>44.3</u>	<u>788,854</u>	<u>47.4</u>	<u>684,073</u>	<u>46.8</u>
GROSS PROFIT	<u>1,475,523</u>	<u>54.7</u>	<u>1,048,497</u>	<u>55.7</u>	<u>876,716</u>	<u>52.6</u>	<u>776,602</u>	<u>53.2</u>
OPERATING EXPENSES:								
Salaries and wages:								
Straight time	1,457,010	54.0	1,099,271	58.4	976,520	58.6	894,450	61.2
Overtime	66,018	2.5	61,840	3.3	68,388	4.1	75,803	5.2
Leave expense	114,294	4.2	82,494	4.4	72,932	4.4	64,860	4.4
Employee meals	73,898	2.8	53,100	2.8	52,471	3.2	47,882	3.3
Employee benefits	146,688	5.4	101,447	5.4	80,067	4.8	75,127	5.0
Employee physicals	8,972	.3	6,778	.4	-	-	-	-
Laundry and uniforms	-	-	-	-	-	-	50	-
Paper supplies	-	-	-	-	-	-	2,235	.2
Cleaning supplies	-	-	-	-	-	-	10,001	.7
Miscellaneous	7,927	.3	6,935	.4	15,177	.9	6,705	.5
China, glassware, and silverware	51,876	1.9	31,049	1.6	20,168	1.2	23,366	1.6
Kitchen utensils	18,462	.7	6,265	.3	10,553	.6	5,711	.4
Vending machine rentals	<u>5,099</u>	<u>.2</u>	<u>1,500</u>	<u>.1</u>	<u>1,521</u>	<u>.1</u>	<u>1,508</u>	<u>.1</u>
Total (notes b, c)	<u>1,950,244</u>	<u>72.3</u>	<u>1,450,689</u>	<u>77.1</u>	<u>1,297,772</u>	<u>77.9</u>	<u>1,205,698</u>	<u>82.6</u>
LOSS ON FOOD AND BEVERAGE OPERATIONS	474,721	<u>17.6</u>	402,192	<u>21.4</u>	421,056	<u>25.3</u>	429,096	<u>29.4</u>
CIGARSTAND MERCHANDISE:								
Sales	818,953	100.0	579,988	100.0	433,248	100.0	292,997	100.0
Cost of sales	<u>582,330</u>	<u>71.1</u>	<u>426,969</u>	<u>73.6</u>	<u>331,708</u>	<u>76.6</u>	<u>219,914</u>	<u>75.0</u>
PROFIT ON CIGARSTAND OPERATIONS	<u>236,623</u>	<u>28.9</u>	<u>153,019</u>	<u>26.4</u>	<u>101,540</u>	<u>23.4</u>	<u>73,083</u>	<u>25.0</u>

SCHEDULE 2

SCHEDULE 2

NEWSPAPERS (note d):								
Sales	22,518	100.0	11,970	100.0	10,038	100.0	9,836	100.0
Cost of sales	<u>18,718</u>	<u>83.1</u>	<u>9,682</u>	<u>80.9</u>	<u>8,044</u>	<u>80.1</u>	<u>7,876</u>	<u>80.1</u>
PROFIT FROM NEWS- PAPER SALES	<u>3,800</u>	<u>16.9</u>	<u>2,288</u>	<u>19.1</u>	<u>1,994</u>	<u>19.9</u>	<u>1,960</u>	<u>19.9</u>
VENDING MACHINE COMMISSIONS	<u>19,233</u>		<u>7,226</u>		<u>6,436</u>		<u>5,711</u>	
NET OPERATING LOSS (note a)	<u>215,065</u>		<u>239,659</u>		<u>311,086</u>		<u>348,342</u>	
NON-RECURRING ITEM:								
Payment due to personnel action	<u>16,700</u>		<u>-</u>		<u>-</u>		<u>-</u>	
NET LOSS	<u>\$ 231,765</u>		<u>\$ 239,659</u>		<u>\$ 311,086</u>		<u>\$ 348,342</u>	

a/The fiscal year ended October 2, 1976, covers a 13-month period compared to a 12-month period in prior years.

b/Additional costs, as provided for under Public Law 92-51, were paid from the Legislative Branch appropriations for the Senate Office Buildings as follows:

<u>Fiscal year</u>	<u>Personnel compensation</u>	<u>Personnel benefits</u>	<u>Other services</u>	<u>Supplies and materials</u>	<u>Total</u>
1976	\$404,753	\$41,089	\$97,866	\$190,985	\$734,693
1975	277,370	25,660	78,187	167,457	548,674
1974	272,069	24,896	59,362	114,003	470,330
1973	263,641	22,581	62,070	88,531	436,823

c/Includes operating expenses for cigarstands--\$30,077, FY1976; \$15,649, FY1975; \$14,461, FY1974; and \$19,584, FY1973.

d/Total sales and cost of sales based on data reported for primary sales location.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FISCAL YEARS ENDED OCTOBER 2, 1976 AND JUNE 28, 1975 (note a)

	<u>October 2, 1976</u>	<u>June 28, 1975</u>
FUNDS PROVIDED:		
Sales and commissions	\$3,538,211	\$2,480,402
Capitalization of tableware at October 2, 1976	9,583	-
Appropriations	<u>300,000</u>	<u>250,000</u>
Total	\$3,847,794	\$2,730,402
FUNDS APPLIED:		
Cost of merchandise sold	1,803,031	1,269,372
Salaries and wages	1,866,880	1,404,940
Other operating expenses	100,064	45,749
Increase in working capital	<u>77,819</u>	<u>10,341</u>
Total	<u>\$3,847,794</u>	<u>\$2,730,402</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

FISCAL YEARS ENDED OCTOBER 2, 1976 AND JUNE 28, 1975

	Increase or decrease (-) in working capital	
	<u>October 2, 1976</u>	<u>June 28, 1975</u>
WORKING CAPITAL CHANGES:		
Cash	\$107,527	\$ 3,396
Accounts receivable	-2,413	10,599
Inventory of food, tobacco, and beverages	3,602	10,028
Inventory of china, glass- ware, silverware, and tableware	17,255	9,127
Amounts due vendors	-36,988	-15,216
Net payroll and benefits	-1,654	-4,572
Federal and State taxes withheld	-1,466	274
Employees' accrued leave	-7,938	-3,250
Unclaimed wages	<u>-106</u>	<u>-45</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 77,819</u>	<u>\$ 10,341</u>

a/The fiscal year ended October 2, 1976, covers a 15-month period compared to a 12-month period in prior years.

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EXHIBIT A

U.S. SENATE RESTAURANT		FISCAL YEAR 1976				16 ACCOUNTING PERIODS			
STATEMENT OF OPERATIONS		June 28, 75 thru October 2, 1976							
	COMBINED OPERATIONS		Capitol Drs.		Snack Bar		Coffee Shop		R.O.B. Ciga:
	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT
FOOD									
NMFS	2391,274	88.7	506,293	79.2	101,346		294,862		-0-
Food	304,951	11.3	133,021	20.8					
Catering									
TOTAL	2696,224	100%	639,314	100%	101,346	100%	294,862	100%	-0-
COST OF FOOD SOLD	1220,701	45.3	280,659	43.9	46,507	45.9	132,923	45.1	-0-
GROSS PROFIT ON FOOD	1475,523	54.7	358,655	56.1	54,839	54.1	161,939	54.9	-0-
OPERATING EXPENSES	1457,009	54.0	495,072	77.4	34,233	33.8	85,035	28.8	11,341
Labor - Straight Time									
Overtime	66,018	2.5	57,853	9.0	1,326	1.8	1,225	0.4	28
Lease Expenses	114,294	4.2	38,865	6.1	2,696	2.7	6,674	2.3	969
Employee Meals	73,898	2.8	22,930	3.6	1,475	1.5	4,920	1.7	-0-
Employee Physicals	8,972	0.3	3,078	0.5	214	0.2	529	0.2	81
Employee Benefits	146,688	5.4	49,835	7.8	3,482	3.4	8,558	2.9	1,231
TOTAL LABOR COSTS	1866,880	69.2	667,633	104.4	43,925	43.4	106,940	36.3	14,150
Vending Machine Rental	5,099	0.2							
Paper Supplies									
Cleaning Supplies									
Miscellaneous Expense	7,927	0.3	3,250	0.5	33	-0-	900	0.3	12
Kitchen Utensils	18,462	0.7	5,459	0.9	145	0.1	141	-0-	
Repairs	51,876	1.9	17,658	2.8	-0-		-0-		-0-
TOTAL OPERATING EXPENSES	1950,244	72.3	694,001	108.6	44,103	43.5	107,981	36.6	14,163
PROFIT OR (LOSS) ON FOOD OPERATIONS	(474,721)	(17.6)	(335,345)	(52.5)	10,736	10.6	53,958	18.3	(14,163)
CIGAR STANDS									
NMFS	818,953	100%	104,868	100%					294,148
Cost of NMFS	582,330	71.1	75,850	72.3					207,937
PROFIT OR (LOSS) ON CIGAR STAND OPERATIONS	236,623	28.9	29,018	27.7					86,211
Newspapers	3,800		524						
Vending Machines Commissions	19,232								
NET PROFIT OR (LOSS) ON OPERATIONS	(215,065)		(305,805)		10,736		53,958		72,948
Claim Arising From adverse Personnel Actions	(16,700)								
NET INCOME OR (DEFICIT)	(231,765)								

NOT ALL ITEMS HAVE BEEN OMITTED. THEREFORE COLUMNS WILL NOT FOOT

EXHIBIT A

% OF SALES	D.O.B. Cigar Stand		Cafeteria		Senator's Dr.		Carry Out		AMOUNT	% OF SALES	AMOUNT	% OF SALES
	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES				
	-0-		1015,974	85.5	52,136		372,819					
			171,930	14.5								
100%	-0-		1187,904	100%	52,136	100%	372,819	100%				
46.5	-0-		529,798	44.6	23,789	45.6	184,761	49.6				
53.5	-0-		658,106	55.4	28,347	54.4	188,059	50.4				
28.0	3,360	3.2	667,368	56.2	44,763	85.9	91,938	24.7				
0.7	145	-0-	3,620	0.3	27	0.1	764	0.2				
2.2	1,033	0.3	52,358	4.4	3,509	6.7	7,171	1.9				
	-0-		39,168	3.3	1,405	2.7	4,001	1.1				
0.2	86	-0-	4,061	0.3	276	0.5	556	0.1				
2.8	1,276	0.3	67,279	5.7	4,500	8.6	9,184	2.5				
33.9	15,901	3.8	833,855	70.2	54,480	104.5	113,794	30.5				
10.7												
	-0-	13	-0-	3,351	0.3	259	0.5	93	-0-			
				12,625	1.1	-0-		91	-0-			
	-0-			32,773	2.7	1,444	2.8					
44.6	15,914	3.8	882,605	74.3	56,183	107.8	113,978	30.5				
8.9	(15,914)	(3.8)	(224,499)	(19.0)	(27,836)	(53.4)	74,081	19.9				
100%	417,479	100%										
51.6	297,274	71.2										
48.4	120,204	28.8										
	3,277											
	107,567		(224,499)		(27,836)		74,081					