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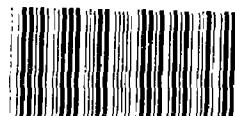
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Report to the Architect of the Capitol

August 1987

FINANCIAL AUDIT

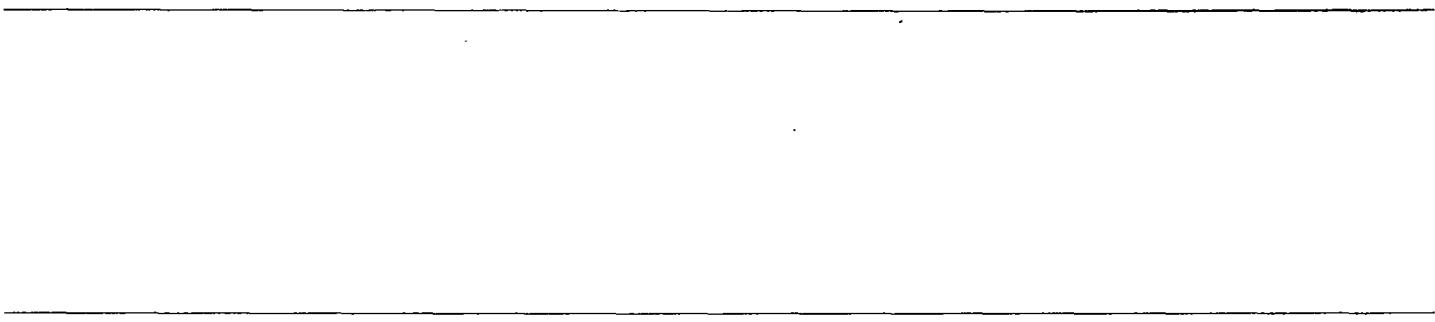
Senate Restaurants Revolving Fund for Fiscal Years 1986 and 1985



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GAO/AFMD-87-46



GAO

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

Comptroller General
of the United States

B-114871

August 27, 1987

To the Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Pursuant to your July 23, 1986, request and to section 5 of the July 6, 1961, act (40 U.S.C. 174j-5), we have examined the balance sheets of the United States Senate Restaurants Revolving Fund as of October 4, 1986, and October 5, 1985, 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 May 8, 1987.

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 4, 1986, and October 5, 1985, 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 1986 and 1985.

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

We have examined the financial statements of the United States Senate Restaurants Revolving Fund for the fiscal years ended October 4, 1986, and October 5, 1985. 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 4, 1986. Our report on internal accounting controls and compliance with laws and regulations for the year ended October 5, 1985, is presented in GAO/AFMD-86-47, dated July 22, 1986.

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 4, 1986	October 5, 1985
Assets (note 1)		
Funds with U.S. Treasury	\$551,680	\$407,371
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	373,652	329,089
Food, beverages, merchandise, and supplies inventory	175,188	158,178
China, glassware, silverware, and tableware	191,079	157,000
Total Assets	\$1,309,599	\$1,069,638
Liabilities and Government Equity		
Liabilities		
Amounts due vendors	\$211,360	\$327,035
Net payroll and benefits	104,130	98,824
Supplemental services	14,082	9,365
Federal and state taxes withheld	61,939	53,227
Employees' accrued leave	231,526	205,399
Unclaimed wages	1,182	901
Other (note 3)	1,308	1,359
Total liabilities	625,527	696,110
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	276,384	(29,231)
Net income	310,544	305,615
Balance at end of year	586,928	276,384
Total government equity	684,072	373,528
Total Liabilities and Government Equity	\$1,309,599	\$1,069,638

The accompanying notes are an integral part of this statement

Statement of Operations

	Fiscal years ended			
	October 4, 1986		October 5, 1985	
	Amount	Percent of sales	Amount	Percent of sales
Food and Beverage Operations				
Regular food services	\$3 759,390	62.9	\$3,105,146	59.3
Catering	2,220,708	37.1	2,133,778	40.7
Total sales (note 5)	5,980,098	100.0	5,238,924	100.0
Cost of food and beverages	2,190,638	36.6	1,827,767	34.9
Gross income from sales of food and beverages	3,789,460	63.4	3,411,157	65.1
Operating expenses				
Salaries and wages.				
Straight time	2,391,029	40.0	2,181,174	41.6
Overtime	194,471	3.2	103,412	2.0
Employee benefits	352,421	5.9	331,198	6.3
Leave expense	184,973	3.1	167,146	3.2
Employee meals	148,246	2.5	131,362	2.5
Employee physicals	5,300	0.1	4,739	0.1
Supplemental services	285,305	4.7	279,090	5.3
China, glassware, silverware, and tableware	47,020	0.8	48,234	0.9
Kitchen utensils	11,670	0.2	8,724	0.2
Miscellaneous	22,361	0.4	14,286	0.3
Total operating expenses	3,642,796	60.9	3,269,365	62.4
Income From Food and Beverage Operations	146,664	2.5	141,792	2.7
Cigar Stand Operations				
Sales (note 5)	841,511	100.0	773,622	100.0
Cost of sales	618,572	73.5	557,920	72.1
Gross income from sales of cigar stand merchandise and newspapers	222,939	26.5	215,702	27.9
Operating expenses	115,883	13.8	95,590	12.4
Income From Cigar Stand Operations	107,056	12.7	120,112	15.5
Vending Machine Commissions	56,824		43,711	
Net Income	\$310,544		\$305,615	

The accompanying notes are an integral part of this statement

Statement of Changes in Financial Position

	Fiscal years ended	
	October 4, 1986	October 5, 1985
Funds Provided		
Net income from operations	\$310,544	\$305,615
Increase in accounts payable		
Amounts due vendors	0	15,760
Net payroll and benefits	5,306	1,745
Supplemental services	4,717	164
Federal and state taxes withheld	8,712	9,652
Employees' accrued leave	26,127	15,325
Unclaimed wages	281	0
Other	0	844
Total funds provided	355,687	349,105
Funds Applied		
Increase in accounts receivable	44,563	22,180
Increase in inventories:		
Food, beverages, merchandise, and supplies	17,010	28,063
China, glassware, silverware, and tableware	34,079	37,270
Decrease in accounts payable:		
Amounts due vendors	115,675	0
Unclaimed wages	0	146
Other	51	0
Total funds applied	211,378	87,659
Increase in Cash	\$144,309	\$261,446

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, 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
1986	\$640,930	\$69,702	\$158,582	\$323,489	\$1,192,703
1985	\$622,473	\$68,127	\$132,208	\$225,753	\$1,048,561

The Fund's statements also do not include the costs of services such as 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, 1986, the billing date closest to the end of the Fund's fiscal year, amounted to \$357,370—about 31 percent greater than the September 30, 1985, balance. Of this amount, \$85,670, or about 24 percent, was outstanding over 90 days, compared with \$51,952, or about 19 percent, at September 30, 1985. A comparison of customers' accounts receivable at September 30, 1986, and September 30, 1985, follows.

Table 2: Aging of Customer Accounts Receivable

Days outstanding	September 30, 1986		September 30, 1985	
	Amount	Percent	Amount	Percent
0 to 30	\$220,781	62	\$179,390	66
31 to 60	33,326	9	18,942	7
61 to 90	17,593	5	22,610	8
Over 90	85,670	24	51,952	19
Total	\$357,370	100	\$272,894	100

At December 31, 1986, 80 percent of the September 30, 1986, 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 1986 and 1985 follows.

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

	Fiscal year 1986		Fiscal year 1985	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
Food and beverages:				
Capitol dining rooms	\$1,331,349	\$ (463,872)	\$1,219,212	\$ (354,197)
Senators' dining room	75,250	(47,671)	64,984	(59,438)
Cafeterias	3,258,311	406,499	2,712,654	310,815
Coffee shop	442,413	66,586	444,773	90,382
Snack bar	257,729	39,116	215,449	32,551
Carryout	615,046	146,006	581,852	121,679
	5,980,098	146,664	5,238,924	141,792
Tobacco, candy, and newspapers:				
Capitol dining rooms	61,482	614	59,650	5,451
Dirksen Office Building	343,602	39,743	428,390	72,535
Russell Office Building	119,972	5,781	134,763	15,604
Hart Office Building ^a	316,455	60,918	150,819	26,522
	841,511	107,056	773,622	120,112
Vending machine commissions				
	56,824	56,824	43,711	43,711
Total	\$6,878,433	\$310,544	\$6,056,257	\$305,615

^aThe sundry shop opened in the Hart Office Building in January 1985



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