



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

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The Honorable Lindy Boggs
Chairman, Joint Committee on Arrangements
for Commemoration of the Bicentennial
Congress of the United States



Dear Madam Chairman:

As requested in your July 16, 1976, letter, we audited the Marriott Corporation's records of the food service facility at the Congressional Visitors Reception Area. The facility was operated by the Marriott Corporation under a contract with the Joint Committee on Arrangements for Commemoration of the Bicentennial (Joint Committee).

On March 18, 1976, the Joint Committee entered into a contract with the Marriott Corporation to operate a food service facility at the corners of Maryland Avenue, Independence Avenue, and Third Street, SW., Washington, D.C., from April 1, 1976, to September 30, 1976. The facility failed to produce the anticipated income and the Joint Committee granted Marriott Corporation permission to make changes in operations effective August 1, 1976, to reduce the operating loss and to terminate operations on September 6, 1976.

SCOPE OF AUDIT AND
OPINION ON FINANCIAL STATEMENTS

Our audit included an examination of the records maintained and tests of the transactions to the extent we deemed necessary to ascertain whether costs and income were properly recorded and reported to the Joint Committee in accordance with the terms of the contract. We also observed operating procedures, evaluated internal controls, and reviewed the work performed by the Marriott Corporation's internal auditors.

In our opinion, the following statement of income and expense prepared by the Marriott Corporation, as adjusted by us, presents fairly the results of the operation of the food service facility, in accordance with the terms of the contract between the Joint Committee and the Marriott Corporation.

Audit of Marriott Corporation Records at Congressional
Visitors Reception Area
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Marriott Corporation
Statement of Income and Expense of the
Food Service Facility Operated at the
Congressional Visitors Reception Area during the
Period April 1, 1976, through September 6, 1976

Income:		
Food sales		\$120,831
Other sales		<u>551</u>
		121,382
Cost of sales		<u>a/42,689</u>
Gross profit		78,693
Operating expenses:		
Salaries and wages	\$37,818	
Employee benefits	5,953	
Supplies	3,953	
Other expenses	3,560	
Maintenance and utilities	<u>a/5,112</u>	<u>56,396</u>
		22,297
Other costs:		
Site preparation	74,912	
Tent rental	31,965	
Depreciation of equipment	22,446	
Equipment rental	7,550	
Asphalt removal	6,325	
Administrative expense (8 percent of sales)	<u>9,710</u>	<u>152,908</u>
Net loss		<u>a/\$-130,611</u>

a/The income and expense statement the Marriott Corporation submitted to the Joint Committee was prepared from the Marriott Corporation's records as of September 24, 1976, and showed a net loss of \$127,283. As of December 9, 1976, the Marriott Corporation had received additional bills for \$3,328 and expected to receive other bills amounting to \$940. We have adjusted the Marriott Corporation's statement for the additional bills received and audited by us but not for the bills which the Marriott Corporation expects to receive.

MAJOR CONTRACT PROVISIONS

In determining profit or loss from operations, the contract provided that in addition to normal operating costs the Marriott Corporation could deduct from income (1) the cost of equipment supplied plus installation and removal costs and interest on equipment purchased, (2) the cost of providing and installing asphalt for the space designated as the Bicentennial visitors area, including, but not limited to, the food service area, and (3) an amount equal to 8 percent of sales for administrative overhead. The contract provided that profits would be distributed in the following manner. Marriott Corporation would receive all profits up to an amount equal to 12 percent of sales. Profits in excess of 12 percent of sales were to be shared equally between the Joint Committee and the Marriott Corporation. This provision was inoperative because the facility produced a loss rather than a profit.

The contract also provided that, at the termination of the contract, the Joint Committee had the option of leaving the asphalt in place or requiring the Marriott Corporation to remove it. The Joint Committee told the Marriott Corporation to begin removing the asphalt by November 1, 1976; and on November 2, 1976, it had been removed.

The contract provided that the Architect of the Capitol, acting as the representative of the Joint Committee, would, at no cost to the Marriott Corporation, furnish the space required for the food service operations and would arrange for refuse disposal by the National Park Service and for security surveillance by the Capitol Police Service. Utilities, such as gas, water, electricity, and telephone, were separately metered or recorded and paid for by the Marriott Corporation.

EXPLANATION OF OTHER COSTS

The principal items included in other costs were site preparation (\$74,912), tent rentals (\$31,965), and depreciation of equipment (\$22,446). Site preparation consisted of preparing and asphaltting the ground in the Bicentennial visitors area, making connections to the utilities, and installing equipment. Tent rental included installing, maintaining, and removing one 3,000 square-foot tent the Marriott Corporation used in the food preparation and dispensing area and four 40-foot-diameter tents used in the patron dining areas. Marriott Corporation purchased most of the equipment used in the food service facility. Depreciation expenses were allocated, during the period the food service facility was in operation, on the basis of a 4-year useful life.

ACCOUNTING PROCEDURES

The Marriott Corporation maintained a separate account in which the food service facility transactions for income and expense were recorded. A weekly summary of income and expense transactions, including totals-to-date, was prepared using automatic data processing equipment. Each day's sales were recorded on cash register tapes, and the cash receipts were picked up daily by armored car for deposit by the Marriott Corporation. Food items were purchased from vendors or were transferred from other Marriott Corporation food preparation facilities; a physical inventory was taken each week.

Please let us know if you, or members of the Committee staff, would like any additional information on our audit of the Marriott contract.

Sincerely yours,


DEPUTY Comptroller General
of the United States