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BY THE COMPTROLLER GENERAL

Report To The Architect Of The Capitol

OF THE UNITED STATES

Audit Of The United States Senate Restaurants Revolving Fund October 1, 1978, To September 29, 1979



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

B-114871

The Honorable George M. White
Architect of the Capitol

UTH 00013

Dear Mr. White:

RSN 00008

We audited the United States Senate Restaurants Revolving Fund for the period October 1, 1978, to September 29, 1979, 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, the 1976 fiscal year's data (June 29, 1975, to October 2, 1976), used for comparative purposes in this report, covered a 15-month period. All other data used in this report covers a 12-month period.

GENERAL COMMENTS

The Senate Restaurants are operated primarily for Senators and employees of the United States Senate. The Architect of the Capitol, under the direction of the Senate Committee on Rules and Administration, 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 Restaurants Revolving Fund. These funds are deposited in the U.S. Treasury and credited to the Senate Restaurants Revolving Fund. For the period ended September 29, 1979, sales receipts and commissions amounted to \$3,642,213. There was no transfer from the appropriation for contingent expenses of the Senate during the year.

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 1979 totaled \$760,930. Consistent with prior years, this amount was not considered in determining the net operating result for the restaurants. (See sch. 2.)

RESULTS OF OPERATIONS

Senate Restaurants operations for the period ended September 29, 1979, resulted in a net operating loss of \$79,424, compared with a net operating profit for the prior period ended September 30, 1978, of \$17,454. Overall, the Senate Restaurants decreased their operating profit from about \$1,455 a month in the prior period to a loss of \$6,619 a month in the period ending September 29, 1979, which constitutes a decline of about \$8,074 a month. The change from a profit in fiscal year 1978 to a loss in fiscal year 1979 can be attributed primarily to (1) a decrease of about \$71,500 in net income from fastfood and cigarstand operations and (2) an increase of about \$25,500 in losses on cafeteria food operations.

A condensed comparison of sales, commissions, and operating results for each of the restaurants' activities for 1979 and 1978 follows on page 3.

A comparative statement of assets and liabilities of the Senate Restaurants Revolving Fund on September 29, 1979, and September 30, 1978; a comparative statement of operations for fiscal years 1976 through 1979; and a comparative statement of changes in financial position for fiscal years ended September 29, 1979, and September 30, 1978, are presented as schedules 1, 2, and 3. A statement of operations, prepared by the Senate Restaurants' accounting staff, for each of the restaurants' activities for fiscal year 1979 is included as exhibit A.

	1979		1978	
	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>
Food and beverages:				
Capitol din- ing rooms	\$ 580,003	\$(308,330)	\$ 592,710	\$(305,538)
Senators' dining room	80,328	(20,643)	66,834	(27,921)
Cafeterias	1,380,038	(89,863)	1,282,836	(64,385)
Coffee shop	336,898	59,751	327,197	80,428
Snackbar	132,214	6,108	134,770	23,586
Carryout	431,418	108,858	353,110	106,435
Vending	<u>5,263</u>	<u>107</u>	<u>27,011</u>	<u>(1,665)</u>
Total	<u>\$2,946,162</u>	<u>\$(244,012)</u>	<u>\$2,784,468</u>	<u>\$(189,060)</u>
Tobacco, candy and newspapers:				
Capitol din- ing rooms	88,682	16,726	104,994	33,651
Dirksen Of- fice Build- ing	347,735	67,094	377,163	88,882
Russell Office Building	228,704	52,105	233,315	53,015
Vending	<u>2,240</u>	<u>(27)</u>	<u>8,682</u>	<u>(2,083)</u>
Total	<u>\$ 667,361</u>	<u>\$ 135,898</u>	<u>\$ 724,154</u>	<u>\$ 173,465</u>
Other income- unclaimed wages (note a)	1,574	1,574	-	-
Vending machine commissions	<u>27,116</u>	<u>27,116</u>	<u>33,049</u>	<u>33,049</u>
Total	<u>\$3,642,213</u>	<u>\$ (79,424)</u>	<u>\$3,541,671</u>	<u>\$ 17,454</u>

a/Unclaimed wages over 6 years old. Claims for these wages are barred pursuant to 31 U.S.C. 71a, 237, as amended by Public Law 93-604 approved January 2, 1975.

STATUS OF ACCOUNTS RECEIVABLE

A comparison of customers' accounts receivable at September 29, 1979, and September 30, 1978, follows.

<u>Days outstanding</u>	<u>September 29, 1979</u>		<u>September 30, 1978</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$63,353	64.2	\$50,040	64.5
31 to 60	5,615	5.7	10,994	14.2
61 to 90	15,413	15.6	9,509	12.3
Over 90	<u>14,366</u>	<u>14.5</u>	<u>6,974</u>	<u>9.0</u>
Total	<u>\$98,747</u>	<u>100.0</u>	<u>\$77,517</u>	<u>100.0</u>

VENDING MACHINE OPERATIONS

Prior to December 1978 the Senate Restaurants had both contract and in-house vending machine operations. During last year's audit, the restaurants' management advised us that a review had been completed of both the in-house and contract vending machine operations. As a result, in October 1978, the Architect of the Capitol contracted with one vendor to handle the Senate restaurants' Capitol and Senate office buildings vending machine operations. On December 14, 1978, all prior contracts, letters of agreement and oral agreements were canceled, with the exception of one letter and one oral agreement relating to services at one location.

Our review of the vending machine operations for fiscal year 1979 showed that the restaurants received commissions of \$27,116 from contract vending machine operations and made a profit on the in-house operation of about \$80.

A comparison of sales, commissions, and operating results for the vending food and tobacco operations for 1979 follows.

	<u>Food</u>	<u>Tobacco</u>	<u>Combined</u>
In-house:			
Sales	\$5,263	\$2,240	\$ 7,503
Expenses	<u>5,156</u>	<u>2,267</u>	<u>7,423</u>
Profit or (loss)	<u>107</u>	<u>(27)</u>	<u>80</u>
Contract vending machine commissions			<u>27,116</u>
Total vending profit			<u>\$27,196</u>

SCOPE OF AUDIT

We made our audit in accordance with the Comptroller General's standards for financial and compliance audits. 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 and such tests as we considered necessary in the circumstances.

OPINION ON FINANCIAL STATEMENTS

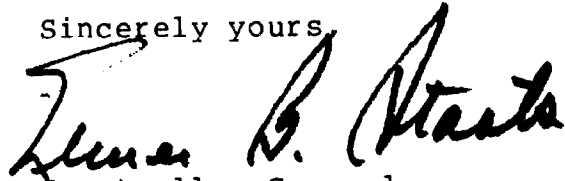
~~We~~ prepared the accompanying financial statements (schs. 1, 2, and 3) on the basis of the accounting records maintained on an accrual basis by the Senate Restaurants' accounting staff. The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect 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 period and in accordance with the accounting practices and financial arrangements described above, ^{the statements} present fairly the financial

B-114871

position of the U.S. Senate Restaurants Revolving Fund at September 29, 1979, and September 30, 1978, the results of its operations, and the changes in its financial position for the fiscal periods then ended.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Stacks". The signature is written in a cursive, flowing style with a large initial "J".

Comptroller General
of the United States

SCHEDULE 1

SCHEDULE 1

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

SEPTEMBER 29, 1979, AND SEPTEMBER 30, 1978

ASSETS	September 29, 1979		September 30, 1978	
CASH:				
Funds with U.S. Treasury	\$359,904		\$425,258	
Petty cash and change funds	<u>13,000</u>	\$372,904	<u>12,895</u>	\$438,153
ACCOUNTS RECEIVABLE		98,747		79,714
INVENTORIES:				
Food, beverages, merchandise, and supplies, at cost	103,687		90,417	
China, glassware, silverware, and tableware, at cost	<u>106,623</u>	<u>210,310</u>	<u>100,599</u>	<u>191,016</u>
Total assets		<u>\$681,961</u>		<u>\$708,883</u>
LIABILITIES AND EQUITY				
LIABILITIES:				
Amounts due vendors	\$140,908		\$107,217	
Net payroll and benefits	62,436		58,965	
Federal and State taxes withheld	18,397		17,409	
Employees' accrued leave	91,736		81,873	
Unclaimed wages	470		2,044	
Accrued credits (overpay- ments of accounts receivable)	<u>6,063</u>		<u>-</u>	
Total liabilities		<u>\$320,010</u>		<u>\$267,508</u>
EQUITY				
Contributed capital		51,200		51,200
Capitalization of china, glass- ware, silverware, and table- ware inventory (note a)		45,944		45,944
Operating funds:				
Balance at beginning of year	344,231		326,777	
Current year appropri- ations	<u>-</u>		<u>-</u>	
	344,231		326,777	
Plus or minus net profit or (loss) for fiscal year	<u>(79,424)</u>	<u>264,807</u>	<u>17,454</u>	<u>344,231</u>
Total equity		<u>\$ 361,951</u>		<u>\$ 441,375</u>
Total liabilities and equity		<u>\$681,961</u>		<u>\$708,883</u>

GAO note: The accompanying notes on page 5 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

SCHEDULE 2

SCHEDULE 2

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

COMPARATIVE STATEMENT OF OPERATIONS

FISCAL YEARS ENDED SEPTEMBER 29, 1979, SEPTEMBER 30, 1978,

OCTOBER 1, 1977, AND OCTOBER 2, 1976 (notes b and c)

	<u>September 29, 1979</u>		<u>September 30, 1978</u>		<u>October 1, 1977</u>		<u>October 2, 1976</u>	
	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>
SALE OF FOOD AND BEVERAGES:								
Regular	\$2,478,285	84.1	\$2,388,522	85.8	\$2,027,849	86.3	\$2,391,273	88.7
Catering	467,877	15.9	395,946	14.2	321,132	13.7	304,951	11.3
Total	2,946,162	100.0	2,784,468	100.0	2,348,981	100.0	2,696,224	100.0
Cost of food and beverages sold	1,333,162	45.3	1,181,802	42.4	1,052,971	44.8	1,220,701	45.3
GROSS PROFIT	1,613,000	54.7	1,602,666	57.6	1,296,010	55.2	1,475,523	54.7
OPERATING EXPENSES:								
Salaries and wages:								
Straight time	1,399,056	47.5	1,350,005	48.5	1,189,207	50.6	1,431,139	53.1
Overtime	50,684	1.7	59,798	2.1	56,377	2.4	65,828	2.4
Leave expense	107,061	3.6	101,786	3.7	86,706	3.7	112,240	4.2
Employee meals	71,457	2.4	68,115	2.4	57,274	2.5	73,898	2.7
Employee benefits	150,947	5.1	145,965	5.2	122,276	5.2	144,113	5.3
Employee physicals	8,614	0.3	7,366	0.3	5,194	0.2	8,800	0.3
Miscellaneous	11,606	0.4	10,645	0.4	7,395	0.3	7,900	0.3
China, glass-ware, and silverware	49,115	1.7	38,951	1.4	37,825	1.6	51,876	1.9
Kitchen utensils	7,756	0.3	6,636	0.2	4,319	0.2	18,462	0.7
Vending machine rentals and repairs	716	0.0	7,238	0.3	7,410	0.3	4,844	0.2
Total (notes d and e)	1,857,012	63.0	1,796,505	64.5	1,573,983	67.0	1,919,100	71.1
LOSS ON FOOD AND BEVERAGE OPERATIONS	244,012	8.3	193,839	7.0	277,973	11.8	443,577	16.4
CIGARSTAND MERCHANDISE:								
Sales	642,459	100.0	698,220	100.0	690,239	100.0	818,953	100.0
Cost of sales	436,733	68.0	469,681	67.3	479,063	69.4	582,330	71.1
GROSS PROFIT Operating expenses (note e)	205,726	32.0	228,539	32.7	211,176	30.6	236,623	28.9
	73,433	11.4	54,108	7.7	52,612	7.6	31,144	3.8
PROFIT ON CIGARSTAND OPERATIONS	132,293	20.6	174,431	25.0	158,564	23.0	205,479	25.1

SCHEDULE 2

SCHEDULE 2

NEWSPAPERS (note f):								
Sales	24,902	100.0	25,934	100.0	23,592	100.0	22,518	100.0
Cost of sales	<u>21,297</u>	<u>85.5</u>	<u>22,121</u>	<u>85.3</u>	<u>19,382</u>	<u>82.2</u>	<u>18,718</u>	<u>83.1</u>
PROFIT FROM								
NEWSPAPER SALES	<u>3,605</u>	<u>14.5</u>	<u>3,813</u>	<u>14.7</u>	<u>4,210</u>	<u>17.8</u>	<u>3,800</u>	<u>16.9</u>
VENDING MACHINE								
COMMISSIONS	<u>27,116</u>		<u>33,049</u>		<u>26,150</u>		<u>19,233</u>	
NET OPERATING								
PROFIT OR (LOSS)								
(notes b and c)	<u>(80,998)</u>		<u>17,454</u>		<u>(89,049)</u>		<u>(215,065)</u>	
OTHER INCOME:								
Unclaimed wages								
(note g)	<u>1,574</u>		<u>-</u>		<u>-</u>		<u>-</u>	
NONRECURRING								
ITEM:								
Payment due to								
personnel action	<u>-</u>		<u>-</u>		<u>-</u>		<u>(16,700)</u>	
NET PROFIT OR								
(LOSS) (notes b								
and c)	<u>\$(79,424)</u>		<u>\$17,454</u>		<u>\$(89,049)</u>		<u>\$(231,765)</u>	

GAO note: The accompanying notes on page 5 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

SCHEDULE 3

SCHEDULE 3

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FISCAL YEARS ENDED SEPTEMBER 29, 1979, AND SEPTEMBER 30, 1978

	<u>September 29, 1979</u>	<u>September 30, 1978</u>
FUNDS PROVIDED:		
Sales and commissions	\$3,642,213	\$3,541,671
Decrease in working capital	<u>79,424</u>	<u>-</u>
Total	<u>\$3,721,637</u>	<u>\$3,541,671</u>
FUNDS APPLIED:		
Cost of merchandise sold	\$1,791,192	\$1,673,604
Salaries, wages, and benefits	1,860,479	1,787,065
Other operating expenses	69,966	63,548
Increase in working capital	<u>-</u>	<u>17,454</u>
Total	<u>\$3,721,637</u>	<u>\$3,541,671</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL
FISCAL YEARS ENDED SEPTEMBER 29, 1979 AND SEPTEMBER 30, 1978

	<u>September 29, 1979</u>	<u>September 30, 1978</u>
		Increase or (decrease) in working capital
WORKING CAPITAL CHANGES:		
Cash	\$(65,249)	\$(24,836)
Accounts receivable	19,033	21,909
Inventory of food, tobacco, and beverages	13,270	3,390
Inventory of china, glassware, silverware, and tableware	6,024	16,421
Amounts due vendors	(33,691)	9,439
Net payroll and benefits	(3,471)	3,571
Federal and State taxes withheld	(988)	(998)
Employees' accrued leave	(9,863)	(11,408)
Unclaimed wages	1,574	(34)
Accrued credits (Overpayments of accounts receivable)	<u>(6,063)</u>	<u>-</u>
NET INCREASE OR (DECREASE) IN WORKING CAPITAL	<u>\$(79,424)</u>	<u>\$ 17,454</u>

GAO note: The accompanying notes on page 5 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

UNITED STATES SENATE RESTAURANTS

REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 29, 1979

- 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.
- b/The fiscal year ended October 2, 1976, covers a 15-month period compared to a 12-month period in all other years.
- c/Miscellaneous costs and supplementary service costs related to catered events are not included by the Senate Restaurants as sales or operating expenses, but are billed directly to customers. These costs and billings were reviewed and verified during our audit. Also, equipment, management personnel salaries and miscellaneous expenses, such as paper, cleaning, and laundry paid for from funds appropriated to the Architect of the Capitol, and certain benefits and services, such as space, building repairs and maintenance, utilities, garbage disposal, and menus and forms printed by the Government Printing Office are not included as expenses of the Revolving Fund.
- d/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</u> <u>year</u>	<u>Personnel</u> <u>compensation</u>	<u>Personnel</u> <u>benefits</u>	<u>Other</u> <u>services</u>	<u>Supplies and</u> <u>materials</u>	<u>Total</u>
1979	\$452,627	\$42,296	\$98,229	\$167,778	\$760,930
1978	407,185	41,251	79,336	170,997	698,769
1977	346,867	33,922	81,169	150,757	612,715
1976	404,753	41,089	97,866	190,985	734,693

- e/In reports prior to fiscal year 1977 cigarstand operating expenses were included in food and beverage operating expenses. Cigarstand expenses have been separately stated in this report to clearly show the net profit or loss from food and beverage, and from cigarstand operations.
- f/Total sales and cost of sales based on data reported for primary sales location.
- g/Unclaimed wages over 6 years old. Claims for these wages are barred pursuant to 31 U.S.C. 71a,237, as amended by Public Law 93-604 approved January 2, 1975.

EXHIBIT A

NOTE: CENTS HAVE BEEN OMITTED; THEREFORE, COLUMNS WILL NOT FOOT. (d) Adjust Employee's Physicals Expense which occurred in Fiscal Year 1979

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