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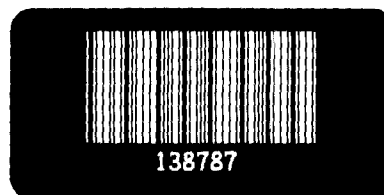
United States General Accounting Office

Report to the Architect of the Capitol

June 1989

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 1988 and 1987





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

**Comptroller General
of the United States**

B-114871

June 2, 1989

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Pursuant to your request of August 31, 1988, and section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5), we have audited the balance sheets of the United States Senate Restaurants Revolving Fund as of October 1, 1988, and October 3, 1987, and the related statements of operations and cash flows for the years then ended. We completed our audit work on March 24, 1989. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of October 1, 1988, and October 3, 1987, and the results of its operations and its cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for fiscal years ended October 1, 1988, and October 3, 1987, is included in this report.

Sincerely yours,



Charles A. Bowsler
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the United States Senate Restaurants Revolving Fund for the fiscal years ended October 1, 1988, and October 3, 1987. Our audits 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 1, 1988. Our report on internal accounting controls and compliance with laws and regulations for the year ended October 3, 1987, is presented in GAO/AFMD-88-50, dated July 15, 1988.

The Fund is administered by the restaurants' management under the jurisdiction of the Architect of the Capitol. As part of our audit, 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.

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 of this report, 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 of this report. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

As part of our audit, we also tested the Fund's compliance with terms and provisions of 40 U.S.C. 174j-1 through j-9, Department of the Treasury regulations on cash, Office of Personnel Management regulations on employee benefits and employer costs, and Internal Revenue Service regulations on income tax withholdings. In our opinion, the United States Senate Restaurants Revolving Fund complied with the terms and provisions of 40 U.S.C. 174j-1 through j-9 and the just mentioned regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of 40 U.S.C. 174j-1 through j-9 and the previously stated regulations for those transactions not tested.

Balance Sheets

	October 1, 1988	October 3, 1987
Assets (note 1)		
Funds with U.S. Treasury	\$285,737	\$297,684
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	356,486	260,884
Food, beverages, and merchandise inventory	122,159	180,122
China, glassware, silverware, and tableware	159,574	158,798
Total Assets	\$941,956	\$915,488
Liabilities and Government Equity		
Liabilities		
Accounts payable		
Due to vendors	\$391,214	\$229,944
Net payroll and benefits	120,728	115,092
Supplemental services	10,835	6,409
Federal and state taxes withheld	61,082	50,011
Unclaimed wages	2,114	1,182
Other (note 3)	4,994	3,926
Total accounts payable	590,967	406,564
Employees' accrued leave	255,658	256,039
Total liabilities	846,625	662,603
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	155,741	586,928
Net loss	(157,554)	(431,187)
Balance at end of year	(1,813)	155,741
Total government equity	95,331	252,885
Total Liabilities and Government Equity	\$941,956	\$915,488

The accompanying notes are an integral part of this statement.

Statements of Operations

	Fiscal years ended			
	October 1, 1988		October 3, 1987	
	Amount	Percent of sales	Amount	Percent of sales
Food and Beverage Operations				
Regular food services	\$4,153,075	64.7	\$3,813,935	70.0
Catering	2,267,498	35.3	1,634,081	30.0
Total sales (note 5)	6,420,573	100.0	5,448,016	100.0
Cost of food and beverages	2,466,124	38.4	2,288,941	42.0
Gross income from sales of food and beverages	3,954,449	61.6	3,159,075	58.0
Operating expenses				
Salaries and wages:				
Straight time	2,677,558	41.7	2,466,771	45.3
Overtime	137,689	2.1	122,852	2.2
Employee benefits	698,688	10.9	499,899	9.2
Leave expense	203,310	3.2	180,624	3.3
Employee meals	136,466	2.1	129,801	2.4
Employee physicals	4,067	0.1	6,820	0.1
Supplemental services	284,116	4.4	215,722	4.0
China, glassware, silverware, and tableware	65,503	1.0	68,953	1.3
Kitchen utensils	17,405	0.3	11,757	0.2
Miscellaneous	28,836	0.5	27,673	0.5
Total operating expenses	4,253,638	66.3	3,730,872	68.5
Loss From Food and Beverage Operations	(299,189)	(4.7)	(571,797)	(10.5)
Cigar Stand Operations				
Sales (note 5)	888,388	100.0	848,478	100.0
Cost of sales	662,952	74.6	632,938	74.6
Gross income from sales of cigar stand merchandise and newspapers	225,436	25.4	215,540	25.4
Operating expenses	140,354	15.8	131,944	15.6
Income From Cigar Stand Operations	85,082	9.6	83,596	9.8
Vending Machine Commissions	56,553		57,014	
Net Loss	\$(157,554)		\$(431,187)	

The accompanying notes are an integral part of this statement.

Statements of Cash Flows

	Fiscal years ended	
	October 1, 1988	October 3, 1987
Cash Flows From Operating Activities		
Net loss	\$(157,554)	\$(431,187)
Adjustments to reconcile net loss to net cash used in operating activities		
Decrease (increase) in assets:		
Accounts receivable	(95,602)	112,768
China, glassware, silverware, and tableware	(776)	32,281
Food, beverages, and merchandise	57,963	(4,934)
Increase (decrease) in liabilities:		
Due to vendors	161,270	18,584
Net payroll and benefits	5,636	10,962
Supplemental services	4,426	(7,673)
Federal and state taxes withheld	11,071	(11,928)
Employees' accrued leave	(381)	24,513
Unclaimed wages	932	0
Other	1,068	2,618
Net cash used in operating activities	(11,947)	(253,996)
Cash Flows From Financing Activities		
Borrowings from the Secretary of the Senate (note 6)	150,000	0
Payments on borrowings from the Secretary of the Senate	(150,000)	0
Net cash provided by financing activities	0	0
Net Decrease in Cash	(11,947)	(253,996)
Cash at beginning of year	315,684	569,680
Cash Balance at End of Year	\$303,737	\$315,684

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, when determined by management, an adjustment is made so that the Fund's fiscal year-end more nearly matches the federal government's.

The restaurant facilities are operated for Senators, employees of the Senate, and, in certain locations, the general public. 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. These costs, as provided for under Public Law 92-51, were paid from funds appropriated to the Architect of the Capitol 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
1988	\$652,198	\$90,233	\$172,852	\$262,999	\$1,178,282
1987	\$624,003	\$80,635	\$164,754	\$281,054	\$1,150,446

The Fund's statements also do not include costs for space, building repairs and maintenance, utilities, garbage disposal, or printing by the Government Printing Office, which are furnished without charge to the Fund and whose amounts cannot be readily determined.

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 as liabilities and may be claimed by former employees or their legal representatives for up to 6 years. Afterward, such liabilities are removed from 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, 1988, amounted to \$355,474—about 44 percent more than the September 30, 1987, balance. Of this amount, \$91,312, or about 26 percent, was outstanding over 90 days, compared with \$61,956, or about 25 percent, at September 30, 1987. A comparison of customer accounts receivable at September 30, 1988, and September 30, 1987, follows.

Table 2: Aging of Customer Accounts Receivable

Days outstanding	September 30, 1988		September 30, 1987	
	Amount	Percent	Amount	Percent
0 to 30	\$213,523	60	\$143,364	58
31 to 60	30,360	8	23,082	9
61 to 90	20,279	6	18,632	8
Over 90	91,312	26	61,956	25
Totals	\$355,474	100	\$247,034	100

At December 31, 1988, 75 percent of the September 30, 1988, 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 court levy and employees' physicals.

Note 4. Capitalization of 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 capitalization account balance of \$45,944 will remain constant until adjusted to recognize additional like contributions or withdrawals.

Note 5. Sales

A comparison of sales, commissions, and operating results for the various restaurant units during fiscal years 1988 and 1987 follows.

Notes to Financial Statements

Table 3: Sales and Operating Income (Loss) by Unit

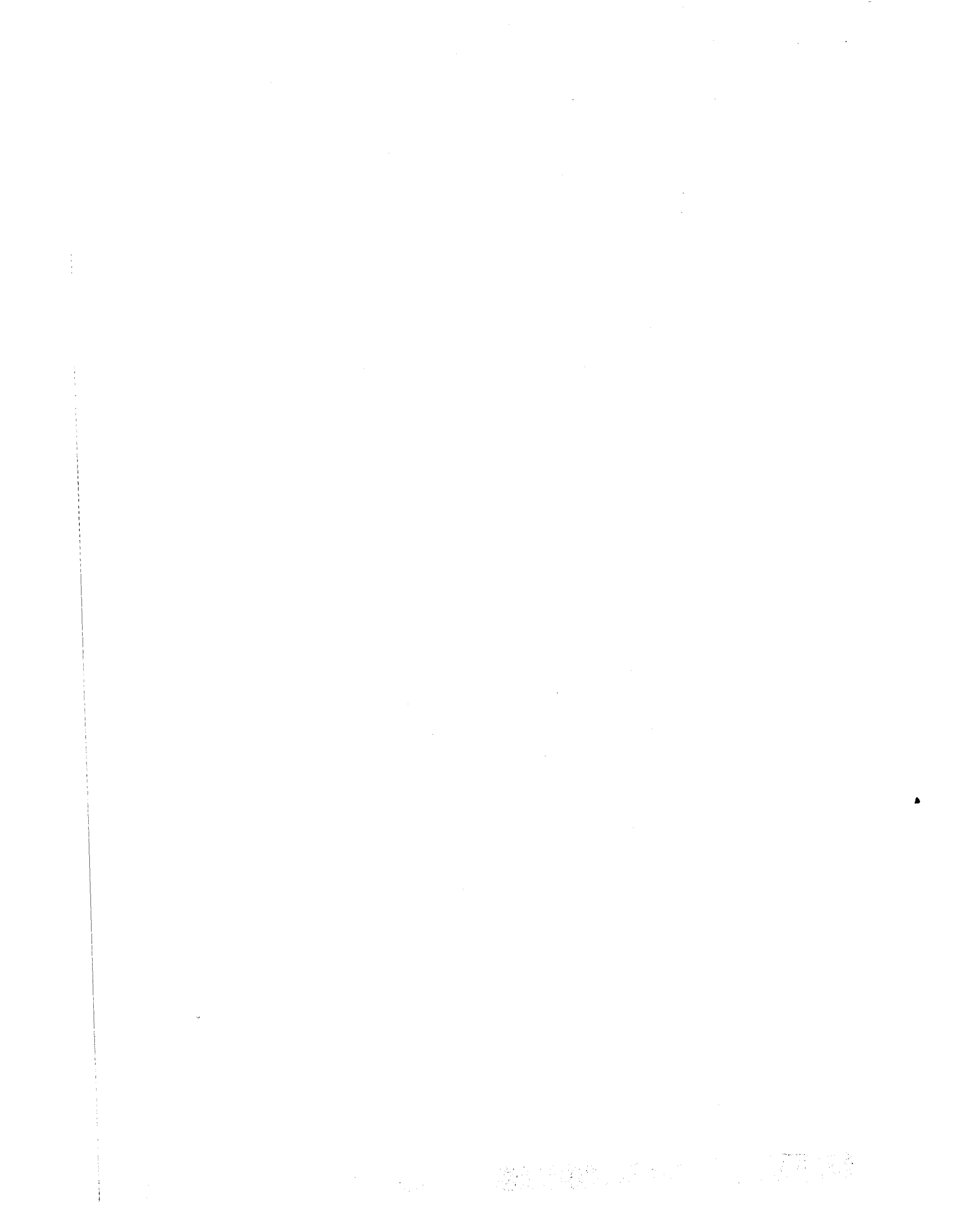
	Fiscal year 1988		Fiscal year 1987	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
Food and beverages				
Capitol dining rooms	\$1,514,364	\$(599,284)	\$1,254,371	\$(599,153)
Senators' dining room	85,187	(57,692)	67,351	(48,021)
Cafeterias	3,383,620	83,915	2,740,860	(191,050)
Coffee shop	480,571	65,188	475,992	47,021
Snack bar	246,355	42,469	231,165	23,353
Senate Chef	710,476	166,215	678,277	196,053
	6,420,573	(299,189)	5,448,016	(571,797)
Tobacco, candy, and newspapers				
Capitol dining rooms	67,119	4,050	69,258	4,079
Dirksen Office Building	343,285	38,569	322,730	42,816
Russell Office Building	109,721	(4,388)	112,682	2,692
Hart Office Building	368,263	46,851	343,808	34,009
	888,388	85,082	848,478	83,596
Vending machine commissions	56,553	56,553	57,014	57,014
Total	\$7,365,514	\$(157,554)	\$6,353,508	\$(431,187)

Note 6. Financing Activities

In order for the Architect of the Capitol to properly manage the Senate Restaurants, Public Law 98-396 was passed on August 22, 1984, giving the Architect authority to borrow, subject to the approval of the Senate Committee on Rules and Administration, such amounts as he may determine necessary to carry out his legal obligations in managing the restaurants. The funds come from the miscellaneous items appropriation account of the contingent fund of the Senate, and all repayments are deposited into the same account. The loan amount and period are established by the Senate Committee on Rules and Administration, but the loan is made by the Secretary of the Senate to the Architect.

Note 7. Subsequent Event

During October 1988, the Architect borrowed \$400,000 from the contingent fund of the Senate to meet the restaurants' cash needs. The loan is to be repaid by June 30, 1989, into the miscellaneous items appropriation account of the contingent fund of the Senate.



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