



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

128160

SEPTEMBER 30, 1985

B-114891

The Honorable Frank Annunzio
Chairman, Committee on House Administration
House of Representatives

Dear Mr. Chairman:

Subject: Examination of the House of Representatives
Restaurant Revolving Fund's Financial
Statements for the Fiscal Years Ended
September 29, 1984, and October 1, 1983
(GAO/AFMD-85-73)

Pursuant to the September 20, 1984, request from the Honorable Ed Jones, Chairman, Subcommittee on Services, Committee on House Administration, we have examined the balance sheets of the House of Representatives Restaurant Revolving Fund as of September 29, 1984, and October 1, 1983, 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.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Restaurant Revolving Fund as of September 29, 1984, and October 1, 1983, 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.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosures II through V present the Fund's financial statements and accompanying notes for fiscal years 1984 and 1983.

Sincerely yours,

for Henry E. Schmege
Comptroller General
of the United States



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Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House of Representatives Restaurant Revolving Fund for the years ended September 29, 1984, and October 1, 1983. 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 September 29, 1984. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended October 1, 1983, is presented in GAO/AFMD-84-60, dated September 7, 1984.)

We did not complete a study and evaluation of the Fund's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Rather, we concluded that it was more efficient to expand our substantive audit tests in examining and making the determinations necessary to express an opinion on the financial statements for the years ended September 29, 1984, and October 1, 1983.

While we did not study and evaluate the Fund's internal control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Restaurant 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.

HOUSE OF REPRESENTATIVESRESTAURANT REVOLVING FUNDBALANCE SHEET (note 1)

<u>ASSETS</u>	<u>Fiscal years ended</u>	
	<u>September 29, 1984</u>	<u>October 1, 1983</u>
<u>CURRENT ASSETS:</u>		
Cash with U.S. Treasury	\$1,213,546	\$1,154,710
Undeposited receipts	-	12,330
Petty cash and change funds	17,975	14,875
Prepaid expenses	18,194	15,646
Accounts receivable (note 2)	324,102	336,944
Inventory of food, beverages, merchandise, and supplies	322,952	329,869
Inventory of china, glassware, and silverware	<u>257,755</u>	<u>250,849</u>
Total assets	<u>\$2,154,524</u>	<u>\$2,115,223</u>
<u>LIABILITIES AND GOVERNMENT EQUITY</u>		
<u>CURRENT LIABILITIES:</u>		
Due vendors	\$ 390,006	\$ 410,417
Due to House Finance Office	17,975	14,875
Net payroll and benefits	133,162	157,621
Federal and state withholding taxes	27,588	33,333
Accrued leave	<u>192,531</u>	<u>187,571</u>
Total liabilities	<u>761,262</u>	<u>803,817</u>
<u>GOVERNMENT EQUITY:</u>		
Contributed capital	<u>50,000</u>	<u>50,000</u>
Capitalization of china, glassware, and silver- ware	<u>130,159</u>	<u>130,159</u>
Operating funds:		
Balance at beginning of year	1,131,247	856,506
Net income (encl. III)	<u>81,856</u>	<u>274,741</u>
Balance at end of year	<u>1,213,103</u>	<u>1,131,247</u>
Total government equity	<u>1,393,262</u>	<u>1,311,406</u>
Total liabilities and government equity	<u>\$2,154,524</u>	<u>\$2,115,223</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDSTATEMENT OF OPERATIONS

	Fiscal years ended			
	September 29, 1984		October 1, 1983	
	Amount	Percent of sales	Amount	Percent of sales
SALE OF FOOD:				
Regular services	\$4,695,836	68.7	\$4,718,897	68.7
Catering	<u>2,212,152</u>	<u>31.3</u>	<u>2,147,239</u>	<u>31.3</u>
Total (note 3)	6,907,988	100.0	6,866,136	100.0
Cost of food sold	<u>2,606,737</u>	<u>37.7</u>	<u>2,479,921</u>	<u>36.1</u>
Gross income from food sales	<u>4,301,251</u>	<u>62.3</u>	<u>4,386,215</u>	<u>63.9</u>
OPERATING EXPENSES:				
Salaries and wages				
Straight time	2,273,666	32.9	2,309,521	33.6
Overtime	71,420	1.0	52,667	.8
Leave	184,845	2.7	184,130	2.7
Employee meals	60,340	.9	53,647	.8
Employee benefits	342,617	5.0	299,571	4.4
Administrative (note 4)	276,707	4.0	284,465	4.1
Laundry	106,484	1.5	102,134	1.5
Paper supplies	214,429	3.1	216,067	3.1
Cleaning supplies	75,638	1.1	82,436	1.2
Miscellaneous	130,339	1.9	114,425	1.7
Replacement of china, glassware, and silverware	74,919	1.1	86,145	1.3
Commissary	76,896	1.1	78,835	1.1
Contract labor (note 5)	<u>561,388</u>	<u>8.1</u>	<u>522,327</u>	<u>7.6</u>
Total operating expenses	<u>4,449,688</u>	<u>64.4</u>	<u>4,386,370</u>	<u>63.9</u>
Income (loss) on food operations	<u>(148,437)</u>	<u>2.2</u>	<u>(155)</u>	<u>-</u>
TOBACCO AND CANDY STAND MERCHANDISE:				
Sales (note 3)	935,781	100.0	954,442	100.0
Cost of sales	<u>667,059</u>	<u>71.3</u>	<u>639,048</u>	<u>67.0</u>
Gross income from tobacco and candy stand sales	268,722	28.7	315,394	33.0
Tobacco and candy stand labor & benefits (note 6)	<u>63,020</u>	<u>6.7</u>	<u>65,124</u>	<u>6.8</u>
Income from tobacco and candy stand sales	<u>205,702</u>	<u>22.0</u>	<u>250,270</u>	<u>26.2</u>
VENDING MACHINE COMMISSION	24,591		24,617	
MISCELLANEOUS INCOME	<u>-</u>		<u>9</u>	
NET INCOME	<u>\$ 81,856</u>		<u>\$ 274,741</u>	

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDSTATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Fiscal years ended</u>	
	<u>September 29, 1984</u>	<u>October 1, 1983</u>
FUNDS PROVIDED		
Net income from operations	\$ 81,856	\$274,741
Decrease in accounts receivable	12,842	-
Increase in accounts payable:		
Due vendors	-	68,040
Due to House Finance Office	3,100	600
Net payroll and benefits	-	6,874
Increase in accrued leave	4,960	10,645
Decrease in inventory of food, beverages, merchandise, and supplies	<u>6,917</u>	<u>-</u>
Total funds provided	<u>109,675</u>	<u>360,900</u>
FUNDS APPLIED		
Increase in accounts receivable	-	56,206
Decrease in accounts payable:		
Due vendors	20,411	-
Net payroll and benefits	24,459	-
Federal and state withholding taxes	5,745	2,158
Increase in prepaid expenses	2,548	2,794
Increase in inventories:		
Food, beverages, merchandise, and supplies	-	1,470
China, glassware, and silverware	<u>6,906</u>	<u>22,780</u>
Total funds applied	<u>60,069</u>	<u>85,408</u>
INCREASE IN CASH	<u>\$ 49,606</u>	<u>\$275,492</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED SEPTEMBER 29, 1984, AND OCTOBER 1, 1983Note 1. Significant Accounting Policies

The Revolving Fund's fiscal year consists of thirteen 4-week periods. Fiscal years 1984 and 1983 ended on September 29, 1984, and October 1, 1983, respectively.

Revenues are recognized at the time of sale for food and tobacco, and at the time of receipt for vending machine commissions. All cash is sent to the House Finance Office for deposit in the U.S. Treasury and credited to the House of Representatives Restaurant Revolving Fund for use in operating the various restaurant facilities.

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, garbage disposal, menus and forms printed by the Government Printing Office, and services of the staffs of the Committee on House Administration and its Subcommittee on Services, all of which are furnished to the Restaurant without charge.

Inventories are stated at cost using the first-in, first-out method of valuation.

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 balances at the end of the 52-week period used for reporting purposes. The balance sheet amounts have not been aged. The accounts receivable balance as of September 30, 1984, the billing date closest to the end of the Fund's fiscal year, amounted to \$319,044, about 2 percent greater than the September 30, 1983, balance. A comparison of the accounts receivable for fiscal years 1984 and 1983 follows.

<u>Days outstanding</u>	<u>September 30, 1984</u>		<u>September 30, 1983</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$240,589	75.4	\$126,342	40.5
31 to 60	10,247	3.3	100,805	32.4
61 to 90	14,786	4.6	23,347	7.5
Over 90	<u>53,422</u>	<u>16.7</u>	<u>61,130</u>	<u>19.6</u>
Total	<u>\$319,044</u>	<u>100.0</u>	<u>\$311,624</u>	<u>100.0</u>

The restaurant accounting office periodically prepares a list of outstanding accounts and submits the list to the Subcommittee on Services. During the year, the staff of the Subcommittee on Services mailed collection letters to customers whose accounts were delinquent over 60 days and telephoned those whose accounts were delinquent over 90 days to encourage payment.

Note 3. Restaurant Operations

As of September 29, 1984, House Restaurant facilities consisted of (1) three cafeterias (in the House Annex No. 2 and the Longworth and the Rayburn Buildings), (2) the congressional dining room in the House wing of the Capitol, (3) catering services in the Longworth and Rayburn Buildings, and (4) four carryouts (in the Capitol, and the Longworth, Cannon, and Rayburn Buildings). Also, there were five tobacco and candy stands (two in the Capitol and one each in the House Annex No. 2 and the Longworth and Rayburn Buildings). The Rayburn cafeteria was closed for renovation in July 1984 and was reopened in January 1985. During fiscal year 1984, the restaurant served about 3,355,000 customers--a 1 percent decrease compared to fiscal year 1983.

A comparison of sales, commissions, and operating results for the various restaurant facilities during fiscal years 1984 and 1983 follows.

	1984		1983	
	<u>Sales</u>	<u>Operating income or (loss)</u>	<u>Sales</u>	<u>Operating income or (loss)</u>
Food:				
Congressional dining room (note a)	\$ 578,897	\$(554,236)	\$ 558,015	\$(437,092)
Cafeterias:				
Longworth Building (note b)	1,132,466	(64,592)	1,096,601	(90,742)
Rayburn Building (note c)	828,059	(110,623)	995,657	(68,592)
Annex No. 2 (note d)	829,470	11,082	882,271	42,603
Carryout service:				
Longworth Building	269,752	15,690	386,014	54,161
Cannon Building	744,673	158,206	615,482	113,776
Rayburn Building	532,780	107,580	450,631	89,367
Capitol	224,876	(953)	162,298	(10,982)
Catering service:				
Rayburn Building	1,372,631	223,932	1,306,115	214,003
Longworth Building	394,384	70,928	413,052	96,236
Commissary (note e)	-	(5,451)	-	(2,893)
Total food	<u>\$6,907,988</u>	<u>(148,437)</u>	<u>\$ 6,866,136</u>	<u>(155)</u>
Tobacco and candy stands:				
Congressional dining room	\$ 31,480	4,034	\$ 38,885	9,924
Cafeterias:				
Longworth Building	451,604	92,068	432,855	103,225
Rayburn Building	157,812	24,591	193,266	43,441
Annex No. 2	238,665	56,372	253,737	69,232
Carryout service:				
Capitol	56,220	23,214	35,699	13,227
Commissary (note e)	-	5,423	-	11,221
Total tobacco and candy stands	<u>\$ 935,781</u>	<u>205,702</u>	<u>\$ 954,442</u>	<u>250,270</u>
Vending machine commissions		<u>24,591</u>		<u>24,617</u>
Miscellaneous income		<u>-</u>		<u>9</u>
Net income		<u>\$ 81,856</u>		<u>\$ 274,741</u>

^aIncludes catering sales of \$226,923 for 1984 and \$191,634 for 1983.

^bIncludes catering sales of \$10,337 for 1984 and \$11,374 for 1983.

^cIncludes sales of food to the Rayburn catering service of \$207,807 for 1984 and \$224,923 for 1983.

^dIncludes catering sales of \$71 for 1984 and \$141 for 1983.

^eServes as restaurant system's receiving and distribution unit.

Note 4. Administrative Expenses

Administrative costs for the fiscal year ended September 29, 1984, consist of straight time - \$225,287, leave expense - \$21,065, employee meals - \$2,323, and employee benefits - \$28,032.

Note 5. Contract Labor

Represents payments to persons working as independent contractors in catering operations on a nonscheduled basis and not as House Restaurant employees.

Note 6. Tobacco and Candy Stand Labor

Tobacco and candy stand labor and benefits for the fiscal year ended September 29, 1984, consist of straight time - \$42,336, overtime - \$67, leave expense - \$3,553, employee meals - \$576, and employee benefits - \$6,525. Also, commissary labor and benefits of \$9,963 are included in the tobacco and candy stand costs.

