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

B-114891

AUGUST 15, 1983

The Honorable Augustus F. Hawkins
Chairman, Committee on House Administration
House of Representatives

Dear Mr. Chairman:

Subject: Examination of the House of Representatives
Restaurant Revolving Fund's Financial State-
ments for the Periods Ended October 2, 1982
and October 3, 1981 (GAO/AFMD-83-69)

Pursuant to the August 23, 1982, 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 October 2, 1982, and October 3, 1981, 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 October 2, 1982, and October 3, 1981, 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.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the House of Representatives Restaurant Revolving Fund's operations. Enclosures III through VI present the Fund's financial statements and accompanying notes for fiscal 1982 and 1981.

Sincerely yours,

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 October 2, 1982, and October 3, 1981. 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 control, and our review of compliance with laws and regulations for the year ended October 2, 1982.

As part of our examination, we made a study and evaluation of the House Restaurant Revolving Fund's system of internal accounting control 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 House Restaurant Revolving 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 control 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 following categories:

- Receipts.
- Disbursements.
- Inventories.
- Receivables.

Our study included all of the control categories listed above.

The management of the House Restaurant Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. 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 assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, 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 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 control of the House Restaurant Revolving 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.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the House Restaurant Revolving Fund's financial statements. In our opinion, the House Restaurant Revolving Fund complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONS OF THE
HOUSE OF REPRESENTATIVES RESTAURANT
REVOLVING FUND

As of October 2, 1982, House Restaurant facilities consisted of (1) three cafeterias (one each 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 Rayburn and Longworth Buildings, and (4) five carryouts (one each in the Capitol, the House Annex No. 2, 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). During fiscal 1982, the Restaurant served 3,301,033 customers--an 8.9 percent increase compared to fiscal 1981.

For the fiscal year ended October 2, 1982, the Revolving Fund's net income was \$289,617. The net income for the fiscal year ended October 3, 1981, was \$28,981.

Comparisons of operating results for the 2 fiscal years showed that the Revolving Fund's net outcome on food operations increased from a loss of \$128,960 in fiscal 1981 to a profit of \$71,996 in fiscal 1982. This change was mainly due to decreased food costs and operating expenses relative to sales. During 1982, net income from tobacco stand sales increased about \$62,323--from about \$129,861 to about \$192,184. This increase was due to increased sales and reduced operating expenses.

A comparison of sales, commissions, and operating results for the various Restaurant activities during fiscal 1982 and 1981 is presented as note 3 to the financial statements.

Funds appropriated to the Architect of the Capitol are used to purchase restaurant equipment and to pay for either improvements or changes in the facilities. The cost of these items, however, is not recorded in the House Restaurant Revolving Fund accounts. For additional information, see note 1 to the financial statements.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDCOMPARATIVE BALANCE SHEETOCTOBER 2, 1982, AND OCTOBER 3, 1981

ASSETS	<u>OCTOBER 2, 1982</u>	<u>OCTOBER 3, 1981</u>
CASH:		
Funds with U.S. Treasury	\$830,352	\$600,777
Undeposited receipts (note 1)	61,796	53,985
Petty cash and change funds	<u>14,275</u>	<u>19,975</u>
	\$ 906,423	\$ 674,737
PREPAID EXPENSES	12,852	7,960
ACCOUNTS RECEIVABLE (note 2)	280,738	232,027
INVENTORY OF FOOD, BEVERAGES, MERCHANDISE, AND SUPPLIES, AT COST	328,399	278,906
INVENTORY OF CHINA, GLASSWARE, AND SILVERWARE	<u>228,069</u>	<u>232,801</u>
Total assets	<u>\$1,756,481</u>	<u>\$1,426,431</u>
LIABILITIES AND GOVERNMENT EQUITY		
LIABILITIES:		
Due vendors	\$342,377	\$335,410
Due to House Finance Office	14,275	-
Net payroll and benefits	150,747	118,877
Federal and State withholding taxes	35,491	31,580
Employees' accrued leave	<u>176,926</u>	<u>193,516</u>
Total liabilities	<u>\$ 719,816</u>	<u>\$ 679,383</u>
GOVERNMENT EQUITY:		
Contributed capital	50,000	50,000
Capitalization of china, glassware, and silver- ware	130,159	130,159
Operating funds:		
Balance at beginning of year	566,889	537,908
Net income (encl. IV)	<u>289,617</u>	<u>856,506</u>
	<u>856,506</u>	<u>28,981</u>
Total equity	<u>1,036,665</u>	<u>747,048</u>
Total liabilities and Government equity	<u>\$1,756,481</u>	<u>\$1,426,431</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONSFISCAL YEARS ENDED OCTOBER 2, 1982, AND OCTOBER 3, 1981

	<u>October 2, 1982</u>		<u>October 3, 1981</u>	
	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>
SALE OF FOOD:				
Regular services	\$4,602,008	68.7	\$4,062,749	65.2
Catering	<u>2,094,362</u>	<u>31.3</u>	<u>2,166,018</u>	<u>34.8</u>
Total (note 3)	6,696,370	100.0	6,228,767	100.0
Cost of food sold	<u>2,376,220</u>	<u>35.5</u>	<u>2,306,958</u>	<u>37.0</u>
GROSS PROFIT	<u>4,320,150</u>	<u>64.5</u>	<u>3,921,809</u>	<u>63.0</u>
OPERATING EXPENSES: (note 1)				
Salaries and wages				
Straight time	2,309,659	34.5	2,107,260	33.8
Overtime	71,889	1.1	72,365	1.2
Leave	147,154	2.2	171,696	2.8
Employee meals	90,728	1.4	89,060	1.4
Employee benefits	262,160	3.9	234,466	3.8
Administrative costs (note 4)	243,419	3.6	245,104	3.9
Laundry	88,890	1.3	88,145	1.4
Paper supplies	202,134	3.0	189,225	3.0
Cleaning supplies	84,574	1.3	72,223	1.2
Miscellaneous	94,220	1.4	105,156	1.7
Replacement of china, glassware, and silverware	81,186	1.2	73,204	1.2
Commissary costs	59,943	0.9	54,477	0.9
Contract labor (note 5)	<u>312,198</u>	<u>7.6</u>	<u>346,388</u>	<u>8.8</u>
Total	<u>4,248,154</u>	<u>63.4</u>	<u>4,050,769</u>	<u>65.1</u>
INCOME (R (LOSS) ON FOOD OPERATIONS	<u>71,996</u>	<u>1.1</u>	<u>(128,960)</u>	<u>2.1</u>
TOBACCO AND CANDY STAND MERCHANDISE:				
Sales (note 3)	866,391	100.0	773,212	100.0
Cost of sales	<u>592,850</u>	<u>68.4</u>	<u>550,502</u>	<u>71.2</u>
GROSS PROFIT	273,541	31.6	222,710	28.8
TOBACCO AND CANDY STAND LABOR AND BENEFITS (note 6)	<u>81,357</u>	<u>9.4</u>	<u>92,849</u>	<u>12.0</u>
INCOME FROM TOBACCO AND CANDY STAND OPERATIONS	<u>192,184</u>	<u>22.2</u>	<u>129,861</u>	<u>16.8</u>
VENDING MACHINE COMMISSION	<u>23,712</u>		<u>28,080</u>	
MISCELLANEOUS INCOME	<u>1,725</u>		<u>-</u>	
NET INCOME FOR THE FISCAL YEAR	<u>\$ 289,617</u>		<u>\$ 28,981</u>	

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FISCAL YEARS ENDED OCTOBER 2, 1982, AND OCTOBER 3, 1981

	<u>October 2, 1982</u>	<u>October 3, 1981</u>
FUNDS PROVIDED:		
Sales, commissions, discounts, and other	\$7,588,198	\$7,053,094
Total	<u>\$7,588,198</u>	<u>\$7,053,094</u>
FUNDS APPLIED:		
Cost of merchandise sold	\$2,969,070	\$2,880,495
Salaries and wages	3,186,201	2,749,431
Other operating expenses	1,143,310	1,394,187
Decrease in capitalization of china, glassware, and silverware	-	1,920
Increase in working capital	<u>289,617</u>	<u>27,061</u>
Total	<u>\$7,588,198</u>	<u>\$7,053,094</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL
FISCAL YEARS ENDED OCTOBER 2, 1982, AND OCTOBER 3, 1981

	<u>Increase in working capital</u>	
	<u>October 2, 1982</u>	<u>October 3, 1981</u>
WORKING CAPITAL CHANGES:		
Cash	\$231,686	\$137,043
Accounts receivable	48,711	(78,098)
Inventories	44,761	106,880
Prepaid expenses	4,892	(5,508)
Amounts due vendors	(6,967)	(90,630)
Due to House Finance Office	(14,275)	-
Payroll, benefits, and taxes payable	(35,781)	(6,661)
Employees' accrued leave	<u>16,590</u>	<u>(35,965)</u>
Increase in working capital	<u>\$ 289,617</u>	<u>\$ 27,061</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES RESTAURANTREVOLVING FUNDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED OCTOBER 2, 1982, AND OCTOBER 3, 1981

1. Significant Accounting Policies

Cash receipts from sales revenues are sent to the House Finance Office for deposit in the U.S. Treasury and credit to the House 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.

2. Accounts receivable are billed at the end of each month. Balances at September 30, 1982, amounted to \$272,821, about 11.7 percent more than the September 30, 1981, balances. A comparison of the accounts receivable for fiscal 1982 and 1981 follows.

<u>Days outstanding</u>	<u>September 30, 1982</u>		<u>September 30, 1981</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$121,341	44.5	\$112,829	46.2
31 to 60	85,984	31.5	93,543	38.3
61 to 90	14,836	5.4	12,501	5.1
Over 90	<u>50,660</u>	<u>18.6</u>	<u>25,416</u>	<u>10.4</u>
Total	<u>\$272,821</u>	<u>100.0</u>	<u>\$244,289</u>	<u>100.0</u>

At December 31, 1982, 77 percent of the September 30, 1982, accounts receivable balance had been collected.

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 60 days and telephoned those whose accounts were delinquent 90 days to encourage payment.

3. A comparison of sales, commissions, and operating results for the various Restaurant activities during fiscal 1982 and 1981 follows.

	Fiscal 1982		Fiscal 1981	
	Sales and commis- sions	Operating Income or (loss)	Sales and commis- sions	Operating Income or (loss)
Food:				
Dining rooms:				
Congressional (note a) Members	\$ 371,324 -	\$(418,609) -	\$ 480,477 7,354	\$(407,581) (24,478)
Cafeterias:				
Longworth Building (note b)	1,060,828	(143,775)	1,301,532	(57,569)
Rayburn Building (note c)	1,048,526	(27,825)	1,089,916	(19,054)
Annex No. 2 (note d)	809,198	52,919	671,565	(21,387)
Carryout services:				
Longworth Building	363,121	53,281	336,902	14,346
Cannon Building	604,904	130,412	523,768	74,624
Rayburn Building	343,869	54,314	316,986	38,909
Capitol	202,363	744	180,923	6,300
Catering services:				
Rayburn Building	1,271,829	272,339	1,319,344	266,930
Longworth Building	420,408	109,418	-	-
Commissary	-	(11,222)	-	-
Total	\$6,696,370	\$ 71,996	\$ 6,228,767	\$(128,960)
Tobacco and candy stands:				
Congressional dining room	36,468	6,515	37,694	10,231
Cafeterias:				
Longworth Building	390,465	84,846	298,726	42,147
Rayburn Building	181,799	27,996	215,703	26,750
Carryout service:				
Capitol	33,301	11,463	33,393	9,905
Annex No. 2	224,358	54,746	187,696	40,828
Commissary	-	6,618	-	-
Total	\$ 866,391	\$ 192,184	\$ 775,212	\$ 129,861
Vending machine commissions	23,712	23,712	28,080	28,080
Miscellaneous income	1,725	1,725	-	-
Total	\$7,588,198	\$ 289,617	\$ 7,030,059	\$ 28,981

a/Includes catering sales of \$170,446 for fiscal 1982 and \$132,470 for fiscal 1981.

b/Includes catering sales of \$14,684 for fiscal 1982 and \$462,103 for fiscal 1981.

c/Includes sales of food to the Rayburn catering service of \$216,950 for fiscal 1982 and \$251,833 for fiscal 1981.

d/Includes catering sales of \$46 for fiscal 1982 and \$267 for fiscal 1981.

- Administrative costs for the fiscal year ended October 2, 1982, consist of straight time - \$205,673, leave expense - \$15,807, employee meals - \$3,971, and employee benefits - \$17,968.
- Represents payments to persons working as independent contractors in catering operations on a nonscheduled basis and not as House Restaurant employees.
- Tobacco and candy stand labor and benefits for the fiscal year ended October 2, 1982, consist of straight time - \$48,425, overtime - \$1,727, leave expense - \$3,567, employee meals - \$1,453, and employee benefits - \$6,020. Also, commissary labor and benefits of \$20,165 were included in the tobacco and candy stand costs.