



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

B-114818

To the President of the Senate and the  
Speaker of the House of Representatives

The General Accounting Office has examined the financial statements of the Veterans Canteen Service, Veterans Administration, for fiscal year 1972. Our examination, required by the act of September 2, 1958, (38 U.S.C. 4207) was made in accordance with generally accepted auditing standards and included tests of the accounting records and such other auditing procedures as we considered necessary.

In our opinion, the accompanying financial statements present fairly the financial position of the Veterans Canteen Service at June 30, 1972, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

The act of August 7, 1946, which authorized the establishment of the Veterans Canteen Service, provided for funds to be appropriated from the U.S. Treasury and deposited in a revolving fund in such amounts as were needed to finance the establishment, maintenance, and operation of the Service. During fiscal years 1947 and 1948, \$4,965,000 was appropriated from the Treasury. No additional funds have been appropriated.

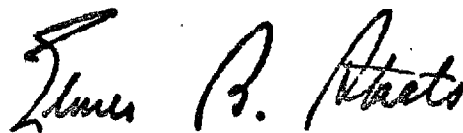
The authorizing legislation provides that any balance in the revolving fund at the close of the fiscal year in excess of the estimated requirements for the ensuing fiscal year be deposited into the Treasury as miscellaneous receipts. In fiscal year 1950 the Service began returning such excess funds to the Treasury and has continued this practice periodically. The excess funds returned to the Treasury amount to about \$12 million, and the last transfer was made in fiscal year 1969. The Service has estimated that no excess funds will be available for transfer to the Treasury during fiscal year 1973.

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Certain expenses relating to activities of the Service are not borne by it and are not included in its financial statements. These expenses, which total about \$230,000, include the cost of space and utilities furnished in buildings under control of the General Services Administration and the cost of the annual audit by the General Accounting Office.

The Veterans Canteen Service internal audit staff makes selective audits of canteens and annual audits of the field offices to determine the adequacy and effectiveness of the internal control, reliability of financial records and reports, and compliance with prescribed administrative and operating policies. During our review we examined the work of the internal auditors. As a result of this evaluation, we were able to reduce our own tests of the accounting records of the Service.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of the Treasury; and the Administrator of Veterans Affairs.



Comptroller General  
of the United States

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FINANCIAL STATEMENTS

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SCHEDULE 1

VETERANS CANTEEN SERVICE

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1972 AND 1971

ASSETS	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash:		
Cash in Treasury	\$ 5,364,522	\$ 3,791,790
Cash in banks and on hand	<u>868,251</u>	<u>1,075,981</u>
	6,232,773	4,867,771
Accounts receivable	457,065	452,257
Merchandise inventories, at cost:		
Retail department	7,763,800	8,194,225
Food department	475,925	399,352
Service department	21,825	15,858
Prepaid expenses and other assets	<u>15,508</u>	<u>90,402</u>
Total current assets	<u>14,966,896</u>	<u>14,019,865</u>
FIXED ASSETS:		
Furniture, fixtures, and equipment	9,692,380	9,048,558
Less accumulated depreciation	<u>4,393,628</u>	<u>4,343,628</u>
Net fixed assets	<u>5,298,752</u>	<u>4,704,930</u>
Total assets	<u>\$20,265,648</u>	<u>\$18,724,795</u>
LIABILITIES AND EQUITY OF U.S. GOVERNMENT		
CURRENT LIABILITIES:		
Accounts payable:		
Trade creditors	\$ 1,276,048	\$ 1,366,126
U.S. Government agencies	<u>136,614</u>	<u>103,908</u>
	1,412,662	1,470,034
Employees' accrued annual leave	1,615,831	1,532,253
Accrued salaries and wages	997,940	886,623
Due other U.S. Government agencies for employees' payroll deductions, accrued payroll taxes, and other payroll expenses	137,436	160,247
Unredeemed merchandise coupons	297,483	267,476
Other (note 1)	<u>12,778</u>	<u>5,830</u>
Total current liabilities	<u>4,474,130</u>	<u>4,322,463</u>
EQUITY OF U.S. GOVERNMENT:		
Appropriated funds--total capital advanced	4,965,000	4,965,000
Donations of property, principally from the Veterans Administration	369,337	369,227
Accumulated net income--prior years	21,136,191	19,995,407
Net income--current year	<u>1,389,076</u>	<u>1,140,784</u>
	27,859,604	26,470,418
Less payment of excess funds into Treasury from inception	<u>12,068,086</u>	<u>12,068,086</u>
Total equity of U.S. Government	<u>15,791,518</u>	<u>14,402,332</u>
Total liabilities and equity of U.S. Government	<u>\$20,265,648</u>	<u>\$18,724,795</u>

Note 1: Other current liabilities include \$12,198 collected with regard to accountability shortage of \$36,039 allegedly attributable to a former canteen officer. The case is being investigated and a legal determination will be forthcoming.

## VETERANS CANTEN SERVICE

## STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR FISCAL YEARS ENDED JUNE 30, 1972 AND 1971

	<u>1972</u>	<u>1971</u>
FUNDS PROVIDED BY:		
Sales of merchandise, including food, and revenues from services furnished	\$81,070,319	\$73,763,003
Purchase discount and other revenues	<u>404,506</u>	<u>505,671</u>
Total funds provided	<u>\$81,474,825</u>	<u>\$74,268,674</u>
FUNDS APPLIED TO:		
Cost of merchandise, including food sold	\$56,204,327	\$50,777,170
Salaries and wages	18,204,984	16,982,559
Other expenses, excluding depreciation (fiscal year 1972 \$627,713, fiscal year 1971 \$612,716)	4,912,819	4,547,811
Increase in working capital	<u>795,365</u>	<u>1,071,561</u>
Total funds applied to current costs and expenses	80,117,495	73,379,101
Purchase of equipment	<u>1,357,330</u>	<u>889,573</u>
Total funds applied	<u>\$81,474,825</u>	<u>\$74,268,674</u>

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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