

GAO

July 1993

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 1991 and 1990



> 4



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

Comptroller General
of the United States

B-114871

July 22, 1993

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Pursuant to your request and section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5), we audited the balance sheets of the United States Senate Restaurants Revolving Fund as of October 5, 1991, and September 29, 1990, and the related statements of operations and cash flows for the years then ended. We found the financial statements were reliable in all material respects.

Further, our audits included limited tests of internal controls and compliance with laws and regulations that disclosed

- no material weaknesses in the internal control structure and its operation for the year ended October 5, 1991, and
- no material noncompliance with laws and regulations we tested for the year ended October 5, 1991.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on the Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Senate Restaurants Revolving Fund's

- assets, liabilities, and government equity;
- results of operations (loss); and
- cash flows.

As discussed in note 1, the financial statements present only the Senate Restaurants Revolving Fund and are not intended to present the financial position and results of operations of the Senate Restaurants as a whole.

Since 1987, the Senate Restaurants Revolving Fund has incurred operating losses. Since 1989, as discussed in note 3, the Fund has relied on supplemental funding from the Senate in the form of loans and appropriated capital transfers to offset these losses and continue to make

vendor payments. If current operational trends continue, the Fund will continue to require supplemental funding to support future operations.

Consideration of Internal Control Structure

The internal controls we considered were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with management authority and with laws and regulations; and
- properly record, process, and summarize transactions to (1) permit the preparation of financial statements in accordance with generally accepted accounting principles and (2) maintain accountability for assets.

Our consideration of the internal control structure would not necessarily disclose all material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We are not expressing an opinion on internal controls because of the limited scope of our work. However, we found no material weaknesses in the internal control structure and its operation for the year ended October 5, 1991. Our report on the internal control structure for the year ended September 29, 1990, is presented in GAO/AFMD-91-82, dated September 24, 1991.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for the year ended October 5, 1991. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Our report on compliance with laws and regulations for the year ended September 29, 1990, is also presented in GAO/AFMD-91-82, dated September 24, 1991.

Objectives, Scope, and Methodology

The Fund's management is responsible for

- preparing the annual financial statements in conformity with generally accepted accounting principles,

-
- establishing and maintaining an internal control structure to provide reasonable assurance that the internal control objectives mentioned above are met, and
 - complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles). We are also responsible for considering the internal control structure to determine our auditing procedures for expressing an opinion on the financial statements, not to provide assurance on the internal control structure. In addition, we are responsible for testing compliance with selected provisions of laws and regulations.

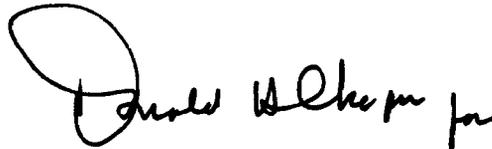
In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the design of relevant internal control structure policies and procedures, determined whether they had been placed in operation, assessed the associated control risk, and conducted limited tests of relevant internal controls including those over revenues, expenditures (payroll and other), inventory, treasury, and financial reporting; and
- tested compliance with selected provisions of the Fund's basic operating procedures (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 federal income and social security tax withholdings.

It is important to note that, because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. Also, projecting any evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our audits in accordance with generally accepted government auditing standards. We completed our audit work on December 4, 1992.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher for". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Financial Statements	8
Balance Sheets	8
Statements of Operations	9
Statements of Cash Flows	10
Notes to Financial Statements	11

Financial Statements

Balance Sheets

	<u>October 5, 1991</u>	<u>September 29, 1990</u>
Assets		
Funds with U.S. Treasury	\$ 385,727	\$ 391,522
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	311,192	384,712
Food, beverages, and merchandise inventory	158,133	124,230
China, glassware, silverware, and tableware	<u>147,329</u>	<u>126,135</u>
Total Assets	<u>\$1,020,381</u>	<u>\$1,044,599</u>
Liabilities and Government Equity		
Liabilities		
Accounts payable		
Due to vendors	\$ 376,592	\$ 278,380
Net payroll and benefits	136,980	127,431
Federal and state taxes withheld	51,545	67,130
Supplemental services	16,155	16,119
Other	<u>4,057</u>	<u>2,354</u>
Total accounts payable	585,329	491,414
Employees' accrued leave	<u>306,588</u>	<u>271,011</u>
Total liabilities	<u>891,917</u>	<u>762,425</u>
Government Equity		
Appropriated capital (note 3)	747,144	497,144
Cumulative results of operations (deficit)	<u>(618,680)</u>	<u>(214,970)</u>
Total government equity	<u>128,464</u>	<u>282,174</u>
Total Liabilities and Government Equity	<u>\$1,020,381</u>	<u>\$1,044,599</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	Fiscal year ended			
	October 5, 1991		September 29, 1990	
	Amount	Percent of Sales	Amount	Percent of Sales
Food and Beverage Operations				
Regular food services	\$4,003,243	60.8	\$4,058,383	60.3
Catering	<u>2,579,911</u>	<u>39.2</u>	<u>2,672,133</u>	<u>39.7</u>
Total sales (note 4)	6,583,154	100.0	6,730,516	100.0
Cost of food and beverages	<u>2,292,953</u>	<u>34.8</u>	<u>2,340,077</u>	<u>34.8</u>
Gross income from sales of food and beverages	<u>4,290,201</u>	<u>65.2</u>	<u>4,390,439</u>	<u>65.2</u>
Operating Expenses				
Salaries and wages:				
Straight time	2,876,841	43.7	2,752,984	40.9
Overtime	174,454	2.6	163,763	2.4
Employee benefits	933,698	14.2	844,521	12.6
Supplemental services	365,301	5.5	372,637	5.5
FICA on supplemental pay	19,043	0.3	18,511	0.3
Leave expense	232,582	3.5	209,452	3.1
Employee meals	173,428	2.6	160,507	2.4
Employee physicals	1,910	0.0	3,536	0.1
China, glassware, silverware, and tableware	28,533	0.4	60,606	0.9
Kitchen utensils	12,209	0.2	7,858	0.1
Miscellaneous	<u>29,668</u>	<u>0.5</u>	<u>48,932</u>	<u>0.7</u>
Total operating expenses	<u>4,847,667</u>	<u>73.5</u>	<u>4,643,307</u>	<u>69.0</u>
Loss From Food and Beverage Operations	<u>(557,466)</u>	<u>(8.5)</u>	<u>(252,868)</u>	<u>(3.8)</u>
Sundry Shop Operations				
Sales (note 4)	908,431	100.0	922,151	100.0
Cost of sales	<u>611,304</u>	<u>67.3</u>	<u>631,510</u>	<u>68.5</u>
Gross income from sundry shop operations	297,127	32.7	290,641	31.5
Operating expenses	<u>192,625</u>	<u>21.2</u>	<u>177,971</u>	<u>19.3</u>
Income From Sundry Shop Operations	104,502	11.5	112,670	12.2
Vending Machine Commissions	<u>49,254</u>		<u>40,597</u>	
Results of Operations (Loss)	<u>\$ (403,710)</u>		<u>\$ (99,601)</u>	

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	Fiscal year ended	
	October 5, 1991	September 29, 1990
Cash Flows From Operating Activities		
Cash received from customers	\$ 7,614,359	\$ 7,681,900
Cash paid to or for employees	(4,938,601)	(4,693,994)
Cash paid to vendors	(2,931,553)	(3,220,598)
Net cash used by operating activities	(255,795)	(232,692)
Cash Flows From Financing Activities		
Payment on borrowings (note 3)	0	(400,000)
Appropriated capital (note 3)	250,000	400,000
Net cash provided by financing activities	250,000	0
Net Decrease in Cash	(5,795)	(232,692)
Cash at beginning of year	409,522	642,214
Cash at End of Year	\$ 403,727	\$ 409,522
<hr/>		
Reconciliations of Results of Operations (Loss) to Net Cash Used by Operating Activities		
Results of operations (loss)	\$(403,710)	\$ (99,601)
Adjustments to reconcile results of operations (loss) to net cash used by operating activities		
(Increase) decrease in assets		
Accounts receivable	73,520	(11,364)
Food, beverages, and merchandise	(33,903)	21,797
China, glassware, silverware, and tableware	(21,194)	4,464
Increase (decrease) in liabilities		
Due to vendors	98,212	(157,876)
Net payroll and benefits payable	9,549	(27,715)
Federal and state taxes withheld	(15,585)	12,169
Supplemental services payable	36	2,233
Other accounts payable	1,703	(4,223)
Employees' accrued leave	35,577	27,424
Total adjustments	147,915	(133,091)
Net Cash Used by Operating Activities	\$(255,795)	\$(232,692)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The Senate Restaurants Revolving Fund operates facilities 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. Restaurant management recommends price changes and the Committee approves them.

The 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.

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

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.

Pension Plans

Senate Restaurants employees are covered by the contributory Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), to which the Senate Restaurants make matching contributions. For employees covered by FERS, the Senate Restaurants also contribute to the Thrift Savings Plan (TSP) 1 percent of pay and then match employee contributions up to an additional 4 percent of pay. The Senate Restaurants do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to their employees since these data are reported only in total by the Office of Personnel Management. The following pension-related contributions were made by the Senate Restaurants during fiscal years 1991 and 1990.

Employer Pension Contributions

<u>Plan</u>	<u>Fiscal year 1991</u>	<u>Fiscal year 1990</u>
CSRS	\$ 91,659	\$ 95,815
FERS	352,021	314,518
TSP	21,119	20,120
Total	<u>\$464,799</u>	<u>\$430,453</u>

Other Costs of Operation

The financial statements of the Revolving Fund do not include the Restaurants' costs of employing management personnel and miscellaneous costs, which were paid from funds appropriated to the Architect of the Capitol, as provided for under Public Law 92-51 (40 U.S.C. 174j-8). In addition, the cafeteria and kitchen in the Dirksen Senate Office Building were renovated without charge to the Revolving Fund. These costs are shown below.

Identifiable Costs Paid With Appropriated Fund

<u>Costs</u>	Fiscal year <u>1991</u>	Fiscal year <u>1990</u>
Operating expenses		
Personnel compensation	\$ 822,039	\$ 771,313
Personnel benefits	155,054	144,646
Other services	257,906	174,620
Supplies and materials	291,562	340,027
Equipment maintenance	16,478	15,315
Subtotal	<u>1,543,039</u>	<u>1,445,921</u>
Capital expenditures		
Equipment purchases	61,955	91,006
Dirksen cafeteria and kitchen renovation	<u>729,215</u>	<u>495,165</u>
Subtotal	<u>791,170</u>	<u>586,171</u>
Total	<u>\$2,334,209</u>	<u>\$2,032,092</u>

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

Note 2. Accounts Receivable

The Senate Committee on Rules and Administration allows Senators, former Senators, and certain Senate officials to have customer accounts. A comparison of the aged customer accounts receivable at October 5, 1991 and September 29, 1990, follows.

Aging of Customer Accounts Receivable

<u>Days outstanding</u>	<u>October 5, 1991</u>		<u>September 29, 1990</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$202,760	65	\$266,189	69
31 to 60	12,130	4	27,375	7
61 to 90	32,470	10	34,268	9
Over 90	<u>63,832</u>	<u>21</u>	<u>56,880</u>	<u>15</u>
Total	<u>\$311,192</u>	<u>100</u>	<u>\$384,712</u>	<u>100</u>

At December 31, 1991, 97 percent of the October 5, 1991, accounts receivable balance had been collected. In accordance with the policy direction established by the Senate Committee on Rules and Administration, the Fund's accounting office mails monthly collection letters, signed by the Architect of the Capitol, on accounts receivable over 90 days old.

Note 3. Financing Activities

In managing the Senate Restaurants, the Architect has access to two types of supplemental funding: appropriations and loans. Under 40 U.S.C. 174j-4, the Secretary of the Senate, with approval of the Senate Committee on Rules and Administration, may transfer funds from the Senate's contingent expenses appropriation account to the Restaurants as appropriated capital. Also, 40 U.S.C. 174j-9 allows the Architect to borrow from the Secretary of the Senate amounts necessary to manage the Restaurants, on the approval of the Senate Committee on Rules and Administration, which establishes the loan amounts and repayment periods. The funds come from and loan repayments are deposited to the miscellaneous items appropriation account of the Senate's contingent fund.

During October 1988, the Architect borrowed \$400,000, which was to be repaid by June 30, 1989. In a June 23, 1989, letter to the Chairman of the Senate Committee on Rules and Administration, the Architect requested a transfer of appropriated funds from the Senate's contingent expenses appropriation account to be used to repay the \$400,000 loan. The requested transfer to increase the Fund's capitalization from the beginning balance of \$97,144 was approved. In October 1989, the Senate Restaurants Revolving Fund received the \$400,000, which it used to repay the October 1988 loan, thus increasing appropriated capital to \$497,144.

In December 1990, the Architect requested an appropriated capital transfer of \$250,000 to the Senate Restaurants Revolving Fund. This transfer took place in January 1991, increasing the appropriated capital to \$747,144. In September 1991, the Architect

requested an additional transfer of \$250,000. In lieu of approving another transfer pursuant to 40 U.S.C. 174j-4, the Chairman of the Committee on Rules and Administration granted the Restaurants a loan for \$250,000. This loan was received by the Senate Restaurants in October 1991, subsequent to the 1991 fiscal year-end. The loan was to be repaid by June 30, 1992, but the Chairman granted an extension to repay to September 30, 1992. An additional appropriated capital transfer was made for \$600,000 based on a September 30, 1992, request by the Architect which was approved by the Chairman of the Committee on Rules and Administration and transferred by check on the same date. On October 6, 1992, the Senate Restaurants used \$250,000 of the \$600,000 to repay the October 1991 loan.

Note 4. Sales

A comparison of sales and commissions and operating results for the various Restaurant units during fiscal years 1991 and 1990 follows.

Sales and Operating Income (Loss) by Unit

	Fiscal year 1991		Fiscal year 1990	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
Food and Beverage Operations				
Capitol dining rooms	\$1,511,538	\$(760,670)	\$1,567,419	\$(585,204)
Senators' dining room	77,722	(83,907)	76,459	(61,312)
Cafeterias	3,511,213	120,901	3,627,818	186,870
Coffee shop	402,813	(14,588)	413,001	3,055
Snack bar	274,748	10,741	246,353	(8,496)
Senate Chef	805,120	170,057	799,466	212,219
	<u>6,583,154</u>	<u>(557,466)</u>	<u>6,730,516</u>	<u>(252,868)</u>
Sundry Shop Operations				
Capitol dining rooms	64,036	2,162	65,242	75
Dirksen Office Building	319,581	63,860	335,477	41,706
Russell Office Building	140,305	16,123	140,544	20,492
Hart Office Building	384,509	22,357	380,888	50,397
	<u>908,431</u>	<u>104,502</u>	<u>922,151</u>	<u>112,670</u>
Vending Machine Commissions	<u>49,254</u>	<u>49,254</u>	<u>40,597</u>	<u>40,597</u>
Total	<u>\$7,540,839</u>	<u>\$(403,710)</u>	<u>\$7,693,264</u>	<u>\$(99,601)</u>

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.

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

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
