

September 1991

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 1990 and 1989



144872



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

Comptroller General
of the United States

B-114871

September 24, 1991

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Pursuant to your request of September 25, 1990, 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 September 29, 1990, and September 30, 1989, and the related statements of operations and cash flows for the years then ended. We completed our audit on May 7, 1991. 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.

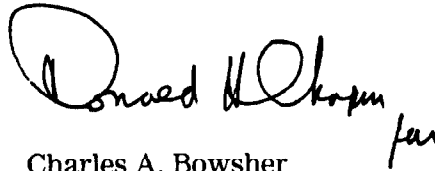
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 29, 1990, and September 30, 1989, 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 the internal control structure and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for fiscal years ended September 29, 1990, and September 30, 1989, is included in this report.

Sincerely yours,

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

Charles A. Bowshe
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Control Structure and Compliance With Laws and Regulations	6
Balance Sheets	9
Statements of Operations	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Tables	
Table 1: Employer Pension Contributions	12
Table 2: Costs Paid With Appropriated Funds	13
Table 3: Aging of Customer Accounts Receivable	13
Table 4: Sales and Commissions and Operating Income (Loss) by Unit	15
Table 5: Reconciliation of the Fund's Unaudited Equity Account Balances to the Audited Balances	16

Abbreviations

CSRS	Civil Service Retirement System
FERS	Federal Employees Retirement System
TSP	Thrift Savings Plan

Report on Internal Control Structure 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 September 29, 1990, and September 30, 1989, and have issued our opinion thereon. This report pertains only to our consideration of the Fund's internal control structure and our review of compliance with laws and regulations for the year ended September 29, 1990. Our report on internal accounting controls and compliance with laws and regulations for the year ended September 30, 1989, is presented in GAO/AFMD-90-92, dated August 13, 1990.

We conducted our audits in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Fund for the year ended September 29, 1990, we considered its internal control structure in order to determine our auditing procedures. Our purpose was to express an opinion on the Fund's financial statements, not to provide assurance on the internal control structure.

The Fund's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure 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 recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the current structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For purposes of this report, we have classified the Fund's significant internal control structure policies and procedures into the following categories:

- revenue,
- expenditure—payroll,
- expenditure—other,
- treasury,
- inventory, and
- financial reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk. We performed limited tests of control procedures for all the categories. In addition, we performed audit tests to substantiate account balances in each control category. Such tests can serve to identify weaknesses in the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters that might be 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 in relation 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. During our tests, we did not identify any matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The management of the Fund is also responsible for compliance with laws and regulations applicable to the Fund. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we selected and tested transactions and records to determine the Fund's compliance with certain provisions of the following laws and regulations, which, if not complied with, could have a material effect on the Fund's financial statements:

- 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 should be noted that our objective was not to provide an opinion on the overall compliance with such provisions. Because of the limited purposes for which our tests of compliance were made, the laws and regulations tested did not cover all legal requirements with which the Fund has to comply.

The results of our tests for fiscal year 1990 indicate that, with respect to the items tested, the Fund complied in all material respects with those provisions of laws and regulations referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Fund had not complied, in all material respects, with those provisions.

Balance Sheets

	Fiscal year ended	
	September 29, 1990	September 30, 1989
Assets (note 1)		
Funds with U.S. Treasury	\$391,522	\$624,214
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	384,712	373,348
Food, beverages, and merchandise inventory	124,230	146,027
China, glassware, silverware, and tableware inventory	126,135	130,599
Total Assets	\$1,044,599	\$1,292,188
Liabilities and Government Equity		
Liabilities		
Accounts payable		
Due to vendors	\$278,380	\$436,256
Net payroll and benefits	127,431	155,146
Federal and state taxes withheld	67,130	54,961
Supplemental services	16,119	13,886
Other	2,354	6,577
Total accounts payable	491,414	666,826
Employees' accrued leave	271,011	243,587
Advance from contingent fund (note 3)	0	400,000
Total liabilities	762,425	1,310,413
Government Equity		
Contributed capital (note 3)	497,144	97,144
Revolving Fund Balance		
Balance at beginning of year	(115,369)	(26,831)
Net (loss)	(99,601)	(88,538)
Balance at end of year	(214,970)	(115,369)
Total government equity	282,174	(18,225)
Total Liabilities and Government Equity	\$1,044,599	\$1,292,188

The accompanying notes are an integral part of these statements.

Statements of Operations

	Fiscal year ended			
	September 29, 1990		September 30, 1989	
	Amount	Percent of sales	Amount	Percent of sales
Food and Beverage Operations				
Regular food services	\$4,058,383	60.3	\$3,862,130	62.0
Catering	2,672,133	39.7	2,364,177	38.0
Total sales (note 4)	6,730,516	100.0	6,226,307	100.0
Cost of food and beverages	2,340,077	34.8	2,343,631	37.6
Gross income from sales of food and beverages	4,390,439	65.2	3,882,676	62.4
Operating expenses				
Salaries and wages				
Straight time	2,752,984	40.9	2,552,683	41.0
Overtime	163,763	2.4	106,923	1.7
Supplemental services	372,637	5.5	290,584	4.7
Employee benefits	844,521	12.6	733,884	11.8
FICA on supplemental pay	18,511	0.3	12,647	0.2
Leave expense	209,452	3.1	192,983	3.1
Employee meals	160,507	2.4	121,816	1.9
Employee physicals	3,536	0.1	1,716	0.1
China, glassware, silverware, and tableware	60,606	0.9	66,688	1.1
Kitchen utensils	7,858	0.1	13,217	0.2
Miscellaneous	48,932	0.7	19,499	0.3
Total operating expenses	4,643,307	69.0	4,112,640	66.1
Loss From Food and Beverage Operations	(252,868)	(3.8)	(229,964)	(3.7)
Sundry Shop Operations				
Sales (note 4)	922,151	100.0	895,870	100.0
Cost of sales	631,510	68.5	654,794	73.1
Gross income from sundry shop operations	290,641	31.5	241,076	26.9
Operating expenses	177,971	19.3	138,247	15.4
Income From Sundry Shop Operations	112,670	12.2	102,829	11.5
Vending Machine Commissions	40,597		38,597	
Net (Loss) (note 5)	\$(99,601)		\$(88,538)	

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Fiscal year ended	
	September 29, 1990	September 30, 1989
Cash Flows From Operating Activities		
Net loss (note 5)	\$(99,601)	\$(88,538)
Adjustments to reconcile net loss to net cash used in operating activities		
Decrease (increase) in assets		
Accounts receivable	(11,364)	(16,862)
China, glassware, silverware, and tableware inventory	4,464	28,975
Food, beverages, and merchandise	21,797	(23,868)
Increase (decrease) in liabilities		
Due to vendors	(157,876)	45,042
Net payroll and benefits	(27,715)	9,400
Supplemental services	2,233	3,051
Federal and state taxes withheld	12,169	(6,121)
Employees' accrued leave	27,424	(12,071)
Other	(4,223)	(531)
Net cash used in operating activities	(232,692)	(61,523)
Cash Flows From Financing Activities		
Borrowings from the Secretary of the Senate (note 3)	0	400,000
Payments on borrowings from the Secretary of the Senate (note 3)	(400,000)	0
Contributed capital, appropriated funds (note 3)	400,000	0
Net cash provided by financing activities	0	400,000
Net Increase (Decrease) in Cash	(232,692)	338,477
Cash at beginning of year	642,214	303,737
Cash Balance at End of Year	\$409,522	\$642,214

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.

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.

Senate Restaurants employees are covered by the contributory Civil Service Retirement System (CSRS) or the newer 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 1990 and 1989.

Table 1: Employer Pension Contributions

Plan	Fiscal year 1990	Fiscal year 1989
CSRS	\$95,815	\$100,667
FERS	314,518	260,507
TSP	20,120	20,635
Total	\$430,453	\$381,809

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. In addition, the cafeteria and kitchen in the Dirksen Senate Office Building were renovated without charge to the Revolving Fund. These costs are included in table 2.

Table 2: Costs Paid With Appropriated Funds

Costs	Fiscal year 1990	Fiscal year 1989
Personnel compensation	\$771,313	\$723,766
Personnel benefits	144,646	128,933
Supplies and materials	340,027	282,250
Other services	174,620	174,063
Equipment purchases	91,006	119,105
Equipment maintenance	15,315	23,961
Dirksen cafeteria and kitchen renovation	495,165	9,969
Total	\$2,032,092	\$1,462,047

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 and whose amounts cannot be readily determined.

Note 2. Accounts Receivable

A comparison of the aged customer accounts receivable as of September 29, 1990, and September 30, 1989, follows.

Table 3: Aging of Customer Accounts Receivable

Days outstanding	September 29, 1990		September 30, 1989	
	Amount	Percent	Amount	Percent
0 to 30	\$266,189	69	\$275,748	74
31 to 60	27,375	7	16,650	4
61 to 90	34,268	9	24,684	7
Over 90	56,880	15	56,266	15
Total	\$384,712	100	\$373,348	100

As of December 31, 1990, 84 percent of the September 29, 1990, accounts receivable balance had been collected. The Fund's accounting office mails collection letters monthly, signed by the Architect of the Capitol, on accounts receivable over 90 days old, in accordance with the policy direction established by the Senate Committee on Rules and Administration.

Note 3. 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 the Architect may determine necessary to carry out his/her 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 to the Architect by the Secretary of the Senate.

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 contingent expenses of the Senate to be used to repay the \$400,000 loan. On July 10, 1989, the Chairman approved the request, and on September 13, 1989, the Senate Appropriation Subcommittee on the Legislative Branch approved a transfer of \$400,000 from the miscellaneous items appropriation account to the Senate Restaurants Revolving Fund to increase the capitalization of the Fund from the beginning balance of \$97,144. In October 1989, the Senate Restaurants Revolving Fund received \$400,000 and then used this money to repay the \$400,000 loan which it had received in October 1988.

Note 4. Sales

A comparison of sales and commissions and operating results for the various restaurant units between fiscal years 1990 and 1989 is shown in table 4.

Table 4: Sales and Commissions and Operating Income (Loss) By Unit

	Fiscal year 1990		Fiscal year 1989	
	Sales and commissions	Operating income or (loss)	Sales and commissions	Operating income or (loss)
Food and beverage operations				
Capitol dining rooms	\$1,567,419	\$(585,204)	\$1,429,367	\$(488,865)
Senators' dining room	76,459	(61,312)	73,779	(51,555)
Cafeterias	3,627,818	186,870	3,432,978	189,896
Coffee shop ^a	413,001	3,055	353,033	3,904
Snack bar	246,353	(8,496)	242,786	2,814
Senate chef	799,466	212,219	694,364	113,842
	6,730,516	(252,868)	6,226,307	(229,964)
Sundry shop operations				
Capitol dining rooms	65,242	75	60,633	2,128
Dirksen Office Building	335,477	41,706	355,370	40,298
Russell Office Building ^a	140,544	20,492	85,004	9,853
Hart Office Building	380,888	50,397	394,863	50,550
	922,151	112,670	895,870	102,829
Vending machine commissions	40,597	40,597	38,597	38,597
Total	\$7,693,264	\$(99,601)	\$7,160,774	\$(88,538)

^aDuring fiscal year 1989, the coffee shop was closed for about 4 months for renovations, and the Russell Office Building sundry shop was closed about 5 months for renovations.

Note 5. Correction to the Senate Restaurants Unaudited Reports Presented to the Congress

In the 1989 report (GAO/AFMD-90-92), the financial statements were restated to include the effects of (1) additional fiscal year 1988 and 1987 costs of employer contributions paid to the TSP and (2) fiscal year 1988 costs of employer contributions as required by the Federal Insurance Contributions Act applicable to supplemental employee payroll. These expenses were paid during fiscal year 1990, but the Senate Restaurants' accounting system in use through fiscal year 1990 did not have the capability of processing adjustments to prior years' accounts after closing. Therefore, for fiscal year 1990, the Fund's unaudited financial statements, which were used for congressional reporting purposes, showed a higher cash loss than they would have if the accounting system had allowed the corrections. As shown in table 5, the unaudited

revolving fund ending balance as of September 29, 1990, and the revolving fund balance in the audited financial statements agree.

Table 5: Reconciliation of the Fund's Unaudited Equity Account Balances to the Audited Balances

	Unaudited statements	Audited statements
Revolving fund balance		
Balance as of October 1, 1989	\$(87,417)	\$(115,369)
Net loss for fiscal year 1990	(127,553)	(99,601)
Revolving Fund Balance as of September 29, 1990	\$(214,970)	\$(214,970)

Ordering Information

The first five copies of each GAO report are 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.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

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