

GAO

Report to the Architect of the Capitol

April 1994

# FINANCIAL AUDIT

## Senate Restaurants Revolving Fund for Fiscal Years 1992 and 1991







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

Comptroller General  
of the United States

B-114871

April 8, 1994

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 (the Fund) as of October 3, 1992 and October 5, 1991, 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;
- internal controls in effect on October 3, 1992, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

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

## Opinion on Financial Statements

The financial statements and accompanying notes of the Senate Restaurants Revolving Fund as of October 3, 1992 and October 5, 1991, present fairly, in conformity with generally accepted accounting principles, the Fund's

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

As discussed in note 3, the financial statements present the results of activities financed through 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. For example, the financial statements of the Revolving Fund do not include the restaurants' costs of employing management personnel, which are paid from funds appropriated to the Architect of the Capitol, nor do the statements include certain other costs that are furnished without charge to the Fund and that are not readily determinable, such as space and utilities.

The Senate Restaurants Revolving Fund itself continued to incur operating losses in fiscal year 1992. In our fiscal year 1991 audit report, GAO/AIMD-93-9, dated July 22, 1993, we reported that the Fund began incurring operating losses in 1987 and, since 1989, has relied on supplemental funding from the Senate in the form of loans and appropriated capital transfers to offset these losses and continue to pay operating expenses. The supplemental funding is discussed further in note 6. If current operating trends continue, the Fund will continue to require supplemental funding to support future operations.

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## Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and maintain accountability for assets.

Those controls in effect on October 3, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected. Our report on the Fund's internal control structure for fiscal year 1991 is presented in GAO/AIMD-93-9, dated July 22, 1993.

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## Compliance With Laws and Regulations

Our current audit tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. 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 fiscal year 1991 is also presented in GAO/AIMD-93-9, dated July 22, 1993.

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## Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining internal controls 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 (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also 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;
- evaluated and tested relevant internal controls, including those over revenues, expenditures (payroll and other), inventory, treasury, and financial reporting; and
- tested compliance with selected provisions of 40 U.S.C. 174j-1 through j-9, Department of 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.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our 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.

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We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on September 22, 1993.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is cursive and somewhat stylized, with a large initial "C" and "B".

Charles A. Bowsher  
Comptroller General  
of the United States

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# Financial Statements

## Balance Sheets

	<u>October 3, 1992</u>	<u>October 5, 1991</u>
<b>Assets (note 2)</b>		
Funds with U.S. Treasury	\$ 496,835	\$ 385,727
Petty cash and change funds	20,500	18,000
Accounts receivable (note 4)	170,859	311,192
Food, beverages, and merchandise inventory	164,785	158,133
China, glassware, silverware, and tableware	<u>145,672</u>	<u>147,329</u>
<b>Total Assets</b>	<b>\$ <u>998,651</u></b>	<b>\$ <u>1,020,381</u></b>
<b>Liabilities and Government Equity</b>		
<b>Liabilities</b>		
Accounts payable		
Due to vendors	\$ 591,576	\$ 376,592
Net payroll and benefits	209,671	136,980
Federal and state taxes withheld	0	51,545
Supplemental services	217	16,155
Other	<u>2,758</u>	<u>4,057</u>
Total accounts payable	<u>804,222</u>	<u>585,329</u>
Other liabilities		
Employees' accrued leave	306,130	306,588
Advances from the Senate's contingent fund (note 6)	250,000	0
Deferred Income	<u>1,475</u>	<u>0</u>
Total other liabilities	<u>557,605</u>	<u>306,588</u>
<b>Total liabilities</b>	<b><u>1,361,827</u></b>	<b><u>891,917</u></b>
Government equity		
Appropriated capital (note 6)	747,144	747,144
Cumulative results of operations (deficit)	<u>(1,110,320)</u>	<u>(618,680)</u>
<b>Total government equity (deficit)</b>	<b><u>(363,176)</u></b>	<b><u>128,464</u></b>
<b>Total Liabilities and Government Equity</b>	<b>\$ <u>998,651</u></b>	<b>\$ <u>1,020,381</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	Fiscal year ended			
	October 3, 1992		October 5, 1991	
	Amount	Percent of sales	Amount	Percent of sales
<b>Food and Beverage Operations</b>				
Regular food services	\$4,049,673	61.8	\$4,003,243	60.8
Catering	<u>2,506,265</u>	<u>38.2</u>	<u>2,579,911</u>	<u>39.2</u>
Total sales (note 7)	6,555,938	100.0	6,583,154	100.0
Cost of food and beverages	<u>2,223,803</u>	<u>33.9</u>	<u>2,292,953</u>	<u>34.8</u>
Gross income from sales of food and beverages	<u>4,332,135</u>	<u>66.1</u>	<u>4,290,201</u>	<u>65.2</u>
Operating expenses				
Salaries and wages				
Straight time	2,938,806	44.8	2,876,841	43.7
Overtime	156,410	2.4	174,454	2.6
Employee benefits	1,025,158	15.6	933,698	14.2
Supplemental services	377,156	5.8	365,301	5.5
FICA on supplemental pay	814	0.0	19,043	0.3
Leave expense	237,152	3.6	232,582	3.5
Employee meals	169,361	2.6	173,428	2.6
Employee physicals	828	0.0	1,910	0.1
China, glassware, silverware, and tableware	35,936	0.5	28,533	0.4
Kitchen utensils	22,918	0.4	12,209	0.2
Miscellaneous	<u>32,860</u>	<u>0.5</u>	<u>29,668</u>	<u>0.5</u>
Total operating expenses	<u>4,997,399</u>	<u>76.2</u>	<u>4,847,667</u>	<u>73.6</u>
<b>Loss From Food and Beverage Operations</b>	<u>(665,264)</u>	<u>(10.1)</u>	<u>(557,466)</u>	<u>(8.5)</u>
<b>Sundry Shop Operations</b>				
Sales (note 7)	947,079	100.0	908,431	100.0
Cost of sales	<u>659,687</u>	<u>69.7</u>	<u>611,304</u>	<u>67.3</u>
Gross income from sundry shop operations	287,392	30.3	297,127	32.7
Operating expenses	<u>177,573</u>	<u>18.7</u>	<u>192,625</u>	<u>21.2</u>
<b>Income From Sundry Shop Operations</b>	<u>109,819</u>	<u>11.6</u>	<u>104,502</u>	<u>11.5</u>
<b>Vending Machine Commissions</b>	<u>63,805</u>		<u>49,254</u>	
<b>Results of Operations (Loss)</b>	<u>\$ (491,640)</u>		<u>\$ (403,710)</u>	

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	Fiscal year ended	
	October 3, 1992	October 5, 1991
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 7,708,630	\$ 7,614,359
Cash paid to or for employees	(5,079,807)	(4,938,601)
Cash paid to vendors	(2,765,215)	(2,931,553)
<b>Net cash used by operating activities</b>	<u>(136,392)</u>	<u>(255,795)</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings from the Secretary of the Senate (note 6)	250,000	0
Appropriated capital (note 6)	<u>0</u>	<u>250,000</u>
<b>Net cash provided by investing activities</b>	<u>250,000</u>	<u>250,000</u>
<b>Net Increase (Decrease) in Cash</b>	<b>113,608</b>	<b>(5,795)</b>
Cash at beginning of year	<u>403,727</u>	<u>409,522</u>
<b>Cash at End of Year</b>	<b>\$ <u>517,335</u></b>	<b>\$ <u>403,727</u></b>
<b>Reconciliation of Results of Operations (Loss) to Net Cash Used by Operating Activities</b>		
Results of operations (loss)	\$ (491,640)	\$ (403,710)
Adjustments to reconcile results of operations (loss) to net cash used by operating activities		
(Increase) decrease in assets		
Accounts receivable	140,333	73,520
Food, beverages, and merchandise	(6,652)	(33,903)
China, glassware, silverware, and tableware	1,657	(21,194)
Increase (decrease) in liabilities		
Due to vendors	214,984	98,212
Net payroll and benefits payable	72,691	9,549
Supplemental services payable	(15,938)	36
Federal and state taxes withheld	(51,545)	(15,585)
Employees' accrued leave	(458)	35,577
Deferred income	1,475	0
Other accounts payable	<u>(1,299)</u>	<u>1,703</u>
<b>Total adjustments</b>	<u>355,248</u>	<u>147,915</u>
<b>Net Cash Used by Operating Activities</b>	<b>\$ <u>(136,392)</u></b>	<b>\$ <u>(255,795)</u></b>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

**Note 1. Background**

The Senate Restaurants Revolving Fund operates restaurant 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.

**Note 2. Significant Accounting Policies**

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.

**Note 3. Other Costs of Operations**

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.

Financial Statements

**Identifiable Costs Paid With Appropriated Funds**

<u>Costs</u>	<u>Fiscal year 1992</u>	<u>Fiscal year 1991</u>
<b>Operating expenses</b>		
Personnel compensation	\$ 890,092	\$ 822,039
Personnel benefits	182,202	155,054
Other services	148,161	257,906
Supplies and materials	311,746	291,562
Equipment maintenance	<u>25,195</u>	<u>16,478</u>
Subtotal	<u>1,557,396</u>	<u>1,543,039</u>
<b>Capital expenditures</b>		
Equipment purchases	245,253	61,955
Dirksen cafeteria and kitchen renovation	<u>3,800</u>	<u>729,215</u>
Subtotal	<u>249,053</u>	<u>791,170</u>
<b>Total</b>	<b><u>\$1,806,449</u></b>	<b><u>\$2,334,209</u></b>

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.

In addition, the Secretary of the Senate paid monetary awards to employees of the Senate Restaurants that resulted from employee claims of discriminatory employment practices. In fiscal year 1992, some Senate Restaurants' employees filed complaints alleging discriminatory employment practices with the Senate Office of Fair Employment Practices. Two of these matters were resolved subsequent to fiscal year-end and resulted in monetary awards to the employees. The other matters are pending with the Senate Office of Fair Employment Practices.

**Note 4. Accounts Receivable**

The Senate Committee on Rules and Administration allows Senators, former Senators, administrative assistants, and certain Senate officials to have customer accounts. A comparison of the aged customer accounts receivable at October 3, 1992 and October 5, 1991, follows:

**Aging of Customer Accounts Receivable**

<u>Days outstanding</u>	<u>October 3, 1992</u>		<u>October 5, 1991</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$164,920	97	\$202,760	65
31 to 60	2,209	1	12,130	4
61 to 90	3,460	2	32,470	10
Over 90	<u>270</u>	<u>-</u>	<u>63,832</u>	<u>21</u>
<b>Total</b>	<b><u>\$170,859</u></b>	<b>100</b>	<b><u>\$311,192</u></b>	<b>100</b>

At December 31, 1992, 99 percent of the October 3, 1992, accounts receivable balance had been collected. In accordance with the policy direction established by the Senate Committee on Rules and Administration, the Fund's administrative office mails monthly collection letters. These letters are signed by the Architect of the Capitol and are mailed to customers (which include Senators and customers sponsored by Senators) whose accounts are delinquent over 30 days.

**Note 5. Pension Plans**

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 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. While the Senate Restaurants Revolving Fund has no liability for future payments to its employees under these programs, the federal government is liable for future payments to them through the Office of Personnel Management. The following pension-related contributions were made by the Senate Restaurants during fiscal years 1992 and 1991.

**Employer Pension Contributions**

<u>Plan</u>	<u>Fiscal year</u>	<u>Fiscal year</u>
	<u>1992</u>	<u>1991</u>
CSRS	\$ 89,065	\$ 91,659
FERS	381,430	352,021
TSP	<u>28,887</u>	<u>21,119</u>
<b>Total</b>	<b><u>\$499,382</u></b>	<b><u>\$464,799</u></b>

**Note 6. 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 contingent fund, 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, under the authority of 40 U.S.C. 174j-9, the Architect borrowed \$400,000 from the contingent fund on behalf of the Senate Restaurants Revolving Fund, which was to be repaid by June 30, 1989. In June 1989, pursuant to 40 U.S.C. 174j-4, the Architect requested, and the Chairman of the Senate Committee on Rules and Administration subsequently approved, a transfer of \$400,000 of appropriated funds from the Senate's contingent expenses appropriation account to the Revolving Fund. In October 1989, the Revolving Fund received the \$400,000 transfer, thus increasing its appropriated capital to \$497,144, and repaid the October 1988 loan.

In December 1990, the Architect again requested an appropriated capital transfer of \$250,000 to the Senate Restaurants Revolving Fund. This transfer took place in January 1991, increasing the Revolving Fund's appropriated capital to \$747,144. In September 1991, the Architect requested an additional transfer of \$250,000. Instead, the Chairman of the Committee on Rules and Administration granted the Revolving Fund a loan for \$250,000, which the Fund received in October 1991. This loan's repayment date was originally June 30, 1992, but was later extended to September 30, 1992. Also in September 1992, the Chairman of the Committee on Rules and Administration approved an additional capital transfer of appropriated funds to the Revolving Fund in the amount of \$600,000 which were transferred in October 1992. The Revolving Fund repaid the October 1991 loan of \$250,000 on October 6, 1992. Both the latest transfer and loan repayment occurred subsequent to the 1992 fiscal year-end.

**Note 7. Sales**

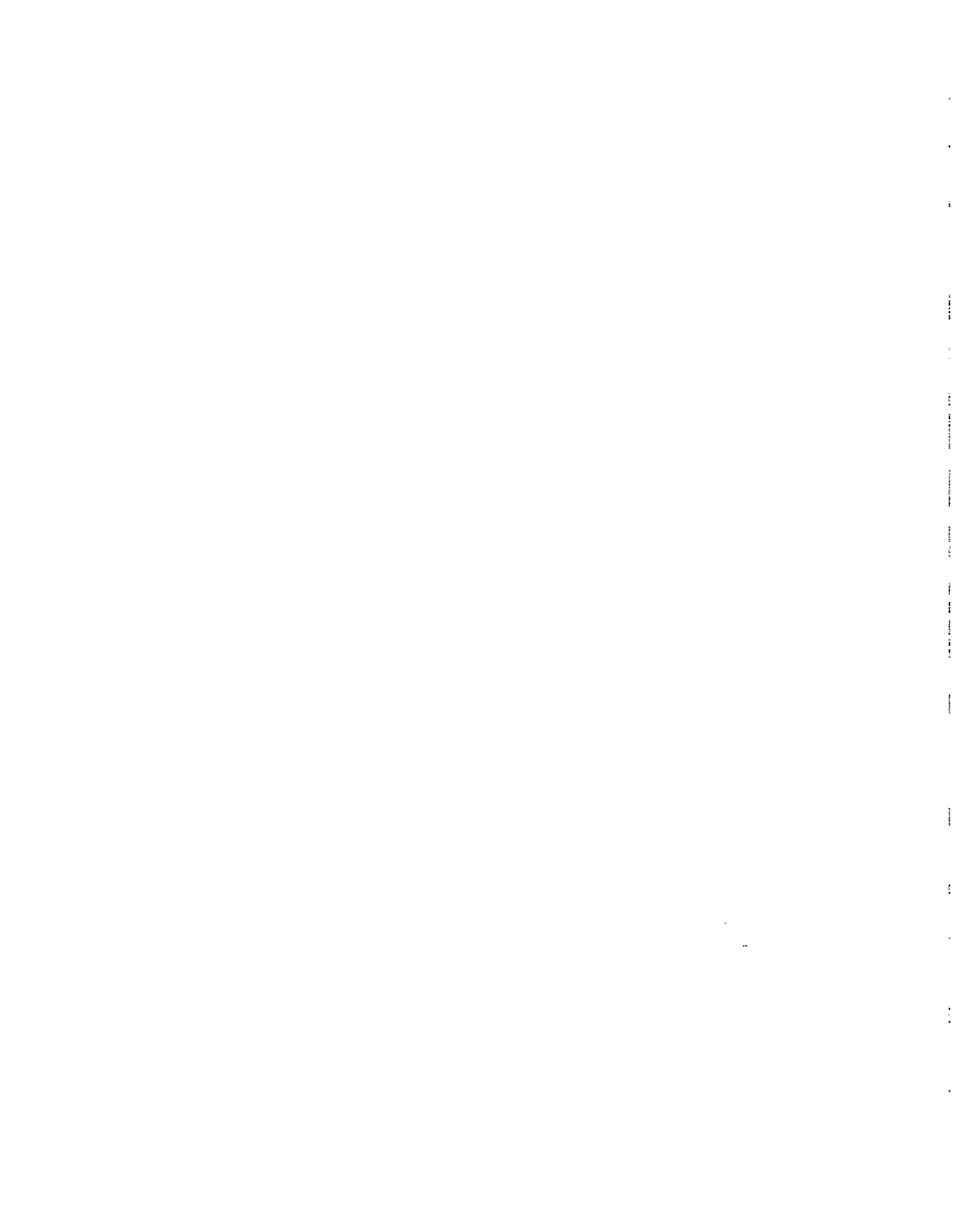
A comparison of sales, commissions, and operating results for the various restaurant units during fiscal years 1992 and 1991 follows.



Financial Statements

Sales and Operating Income (Loss) by Activity

	<u>Fiscal year 1992</u>		<u>Fiscal year 1991</u>	
	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>	<u>Sales and commissions</u>	<u>Operating profit or (loss)</u>
<b>Food and Beverage Operations</b>				
Capitol dining rooms	\$1,399,368	\$(764,361)	\$1,511,538	\$(760,670)
Senators' dining room	16,243	(43,583)	77,722	(83,907)
Cafeterias	3,738,101	119,450	3,511,213	120,901
Coffee shop	350,200	(44,878)	402,813	(14,588)
Snack bar	259,103	(10,777)	274,748	10,741
Senate Chef	<u>792,923</u>	<u>78,885</u>	<u>805,120</u>	<u>170,057</u>
	<u>6,555,938</u>	<u>(665,264)</u>	<u>6,583,154</u>	<u>(557,466)</u>
<b>Sundry Shop operations</b>				
Capitol dining rooms	64,356	1,064	64,036	2,162
Dirksen Office Building	335,367	41,688	319,581	63,860
Russell Office Building	128,447	3,530	140,305	16,123
Hart Office Building	<u>418,909</u>	<u>63,537</u>	<u>384,509</u>	<u>22,357</u>
	<u>947,079</u>	<u>109,819</u>	<u>908,431</u>	<u>104,502</u>
<b>Vending Machine Commissions</b>	<u>63,805</u>	<u>63,805</u>	<u>49,254</u>	<u>49,254</u>
<b>Total</b>	<u>\$7,566,822</u>	<u>\$(491,640)</u>	<u>\$7,540,839</u>	<u>\$(403,710)</u>



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