United States Government Accountability Office

GAO

Report to the Committee on Rules and Administration, U.S. Senate, and the Architect of the Capitol

March 2008

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 2007 and 2006

Accountability * Integrity * Reliability

Contents

United States Government Accountability Office
Washington, DC 20548

March 7, 2008

The Honorable Dianne Feinstein
Chairman
The Honorable Robert F. Bennett
Ranking Member
Committee on Rules and Administration
United States Senate

The Honorable Stephen T. Ayers
Acting Architect of the Capitol

As requested, we provided for audits of the financial statements of the U.S. Senate Restaurants Revolving Fund (the Fund) for the fiscal years ended September 30, 2007, and 2006, by contracting with the independent public accounting firm of Clifton Gunderson LLP. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and the joint GAO/President's Council on Integrity and Efficiency (PCIE)[1] *Financial Audit Manual*.

In its audit of the Fund, Clifton Gunderson LLP reported that:

- The financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- Although internal controls should be improved, the Fund had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2007.
- There was no reportable noncompliance with selected provisions of laws and regulations it tested.

Although Clifton Gunderson LLP reported that the Fund maintained effective internal control, it did identify certain deficiencies in internal control over financial reporting (including safeguarding assets) that it

[1]PCIE is an interagency council that is charged with promoting integrity and effectiveness in federal programs and primarily consists of the presidentially appointed inspectors general (IG) under the IG Act, as amended.

considers to be significant deficiencies[2] which adversely affect the Fund's ability to meet internal control objectives described in U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*. Significant deficiencies Clifton Gunderson LLP noted are as follows:

- The Fund has not maintained and fully implemented an effective entity-wide security program. Clifton Gunderson LLP found deficiencies in the areas of security program management, including policy administration, and certification and accreditation. Such conditions may lead to insufficient protection of sensitive or critical resources and disproportionately high expenditures for controls over low-risk resources.

- The Fund has not effectively implemented consistent controls to restrict access to its information systems. Clifton Gunderson LLP's tests of logical access controls relating to the Fund's general support systems and major applications identified access control weaknesses. Without adequate access controls, unauthorized parties may gain access to the Fund's computer system and network resources that could result in damage, deletion, or theft of computerized data.

Clifton Gunderson LLP reported that it did not consider the significant deficiencies noted above to be material weaknesses.[3] However, Clifton Gunderson LLP reported that misstatements may nevertheless occur in other financial information reported by the Fund as a result of these internal control deficiencies.

As disclosed in Clifton Gunderson LLP's report and note 1 to the Fund's financial statements, the operation of the Senate Restaurants is economically dependent on financial and other support provided through the Architect of the Capitol (the Architect) and by the U.S. Senate. The

[2] A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

[3] A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

financial statements present the financial position and the results of activities financed through the Fund and are not intended to present the financial position and results of operations of the Senate Restaurants as a whole.

- The Fund's financial statements for fiscal years 2007 and 2006 reflect direct financial support of $850,000 each year, received from the Architect and the United States Senate through transferred appropriations.

- The Fund's financial statements for fiscal years 2007 and 2006 do not include other support that benefits the operation of the restaurants. Specifically, the Architect provided approximately $185,246 and $163,020 in fiscal years 2007 and 2006, respectively, for the purchase and maintenance of capital equipment, which remain the property of the Architect, and professional fees. In addition, during fiscal years 2007 and 2006, the Architect and the Government Printing Office provided the Fund with other support services, such as space and utilities, the value of which cannot be readily determined.

  The Fund's financial statements for fiscal years 2007 and 2006 also do not include estimated future pension costs[4] and estimated future postretirement health and life insurance[5] costs of $821,786 and $796,180 in fiscal years 2007 and 2006, respectively. These costs are financed by the Office of Personnel Management on behalf of the Fund.

As disclosed in Clifton Gunderson LLP's report and the Fund's financial statements, losses from operations totaled $1,340,637 and $1,019,380 in fiscal years 2007 and 2006, respectively. If such losses continue, the Fund will continue to require future support from the Architect to maintain operations.

In connection with the audit of the Fund's financial statements performed by Clifton Gunderson LLP, we reviewed its report and related audit documentation and, as necessary, met with Clifton Gunderson LLP representatives and the Fund's management. Our review, as differentiated from an audit in accordance with U.S. generally accepted government

[4] Fund employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS).

[5] Fund employees can elect to be covered by the Federal Employees Health Benefits Program (FEHBP) and/or the Federal Employees Group Life Insurance Program (FEGLIP).

auditing standards, was not intended to enable us to express, and we do not express, opinions on the Fund's financial statements and management's assertions about the effectiveness of its internal control or conclude on its compliance with laws and regulations. Clifton Gunderson LLP is responsible for the accompanying auditor's report and for the conclusions expressed in the report. However, our review did not disclose any instances in which Clifton Gunderson LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards and the joint GAO/PCIE *Financial Audit Manual*.

This report is a matter of public record and is intended for the use of the U.S. Senate, the Architect, the management of the Senate Restaurants, and other interested parties. We are sending copies of this report to the Chairman and Ranking Member, Subcommittee on Legislative Branch, Senate Committee on Appropriations, and the Majority Leader and Minority Leader of the Senate. In addition, this report is also available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or sebastians@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Contributors to this report were Julie T. Phillips and Bethany Smith.

Steven J. Sebastian
Director
Financial Management and Assurance

Appendix I: Report on Audit of the U.S. Senate Restaurants Revolving Funds

Independent Auditor's Report

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Comptroller General
United States Government Accountability Office

In our audits of the United States Senate Restaurants Revolving Fund (the Fund) for fiscal years 2007 and 2006, we found:

- The financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- Although internal controls should be improved, the Fund had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2007.
- No reportable noncompliance in fiscal year 2007 with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and (2) the scope of our audits.

Opinion on Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the Fund as of September 30, 2007 and 2006, and the results of its operations and cash flows for the fiscal years then ended.

As discussed in Note 1, the financial statements present the financial position and the results of operations of the Fund and are not intended to present the financial position and results of operations of the Senate Restaurants as a whole. Amounts for capital expenditures and related repairs and maintenance purchased by the Architect of the Capitol (the Architect) for the benefit of the Fund are not reflected in the Fund's financial statements. Also, the financial statements do not include such costs as space and utilities, which are not readily identifiable.

As discussed in Note 1, the operations of the Fund are economically dependent on direct support provided through the Architect and by the United States Senate. In fiscal years 2007 and 2006, the Fund received $850,000 each year in direct financial support to cover losses from operations, which totaled $1,340,637 and $1,019,380, respectively, during the same period. If losses from operations continue, the Fund will continue to require financial support to maintain operations.

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Opinion on Internal Control

Although internal controls should be improved, the Fund maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2007, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established by the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government.*

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We identified certain deficiencies in internal control over financial reporting (including safeguarding assets) that we consider to be significant deficiencies which adversely affect the Fund's ability to meet the internal control objectives listed in the objectives, scope, and methodology section of this report, or meet the criteria under U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*. Significant deficiencies we noted are as follows:

- The Fund has not maintained and implemented an effective entity-wide security program.
- The Fund has not effectively implemented consistent controls to restrict access to its information systems.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that none of the significant deficiencies described in this report are material weaknesses. However, misstatements may nevertheless occur in other financial information reported by the Fund as a result of the internal control deficiencies described in this report.

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SIGNIFICANT DEFICIENCIES

1. The Fund Has Not Maintained and Implemented an Effective Entity-Wide Security Program

The Fund has not maintained and fully implemented its security program. Our current year audit found deficiencies in the areas of security program management, including policy administration, and certification and accreditation. Such conditions may lead to insufficient protection of sensitive or critical resources and disproportionately high expenditures for controls over low risk resources. An entity-wide security program should be in place to establish a framework and continuing cycle of activity to manage security risk, develop security policies, assign responsibilities, and monitor the adequacy of computer security related controls. It should also represent the foundation for an entity's security control structure and a reflection of senior management's commitment to addressing security risks. OMB Circular No. A-130, Appendix III, *Security of Federal Automated Information Resources*, requires agencies to implement and maintain a program to assure that adequate security is provided for all agency information collected, processed, transmitted, stored, or disseminated in general support systems and major applications. The Fund's information system infrastructure is serviced by the Architect, which is responsible for information security, disaster recovery, and information support.

2. The Fund Has Not Effectively Implemented Consistent Controls to Restrict Access to its Information Systems

Our tests of logical access controls relating to the Fund's general support systems and major applications identified access control weaknesses. Without adequate access controls, unauthorized parties may gain access to the Fund's computer system and network resources that could result in damage, deletion, or theft of computerized data. Access controls should be in place to consistently limit, detect, or monitor access to computer programs, data, equipment, and facilities thereby protecting against unauthorized modification, disclosure, loss or impairment. Such controls include logical security controls to ensure that federal employees, contractors and staff will be given only the privileges necessary to perform business functions, i.e., access privileges. Federal Information Processing Standards Publication (FIPS PUB) 200, *Minimum Security Requirements for Federal Information and Information Systems*, specifies minimum access controls for federal systems. The Fund's information system owners must limit information system access to authorized users.

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Compliance with Laws and Regulations

Our tests for compliance in fiscal year 2007 with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

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Objectives, Scope, and Methodology

The Fund's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that control objectives are met; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) management maintained effective internal control as of September 30, 2007, the objectives of which are the following:

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with applicable laws and regulations: Transactions are executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements. We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the accounting principles used and significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority); (5) tested relevant internal control over financial reporting (including safeguarding assets) and compliance, and evaluated the design and operating effectiveness of internal control for the fiscal year ended September 30, 2007; and (6) tested compliance in fiscal year 2007 with selected provisions of 2 U.S.C. 2042-2050, certain provisions of the Legislative Branch Appropriations Act, 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.

We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance 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 did not test compliance with all laws and regulations applicable to the Fund. We limited our tests of compliance to those laws and regulations that we deemed applicable to the financial statements for the fiscal year ended September 30, 2007. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards and the joint GAO/President's Council on Integrity and Efficiency (PCIE) *Financial Audit Manual*.

Agency Comments and Our Evaluation

In commenting on the draft of this report, the Fund's management concurred with the facts and conclusions in our report.

Clifton Gunderson LLP

Calverton, Maryland
February 29, 2008

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Balance Sheets

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
BALANCE SHEETS
September 30, 2007 and 2006

ASSETS	2007	2006
Cash:		
Funds with U.S Treasury	$ 758,612	$ 1,284,449
Petty cash and change funds	20,500	20,500
Total cash	779,112	1,304,949
Accounts Receivable, Senate customer accounts (note 3)	50,914	68,357
Vendor commissions and other income receivables	32,888	26,079
Food, beverage, and merchandise inventory	160,464	141,450
China, glassware, silverware, and tableware	224,108	199,354
Prepaid expenses	19,977	2,745
TOTAL ASSETS	$ 1,267,463	$ 1,742,934
LIABILITIES AND U.S. GOVERNMENT EQUITY		
Accounts payable and accrued expenses:		
Due to vendors and customers	$ 348,423	$ 344,561
Payroll and related benefits	224,303	233,363
Deferred income	34,998	19,455
Total accounts payable and accrued expenses	607,724	597,379
Other liabilities:		
Employees' accrued leave	303,297	298,476
Total liabilities	911,021	895,855
U.S. government equity:		
Appropriated capital (note 4)	2,847,144	2,847,144
Cumulative results of operations (deficit)	(2,490,702)	(2,000,065)
Total U.S. government equity	356,442	847,079
TOTAL LIABILITIES AND U.S. GOVERNMENT EQUITY	$ 1,267,463	$ 1,742,934

The accompanying notes are an integral part of these statements.

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Statements of Operations and Changes in U.S. Government Equity

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
STATEMENTS OF OPERATIONS AND
CHANGES IN U.S. GOVERNMENT EQUITY
Years Ended September 30, 2007 and 2006

	2007	2006
SALES, COMMISSIONS, AND OTHER OPERATING INCOME (NOTE 5)		
Food services	$ 4,891,851	$ 4,771,907
Catering	4,141,505	4,288,333
Sundry shop sales	688,013	727,694
Vending machine and other commissions	306,123	312,722
Total	10,027,492	10,100,656
COST OF SALES		
Food and beverages	3,477,705	3,278,528
Sundry shop merchandise	484,589	516,454
Total	3,962,294	3,794,982
Gross income from sales, commissions, and other operating income	6,065,198	6,305,674
OPERATING EXPENSES		
Personnel and benefits (note 6)	6,808,654	6,766,264
Supplies and materials	561,001	521,598
Miscellaneous	36,180	37,192
Total operating expenses	7,405,835	7,325,054
Loss from operations	(1,340,637)	(1,019,380)
OTHER FUNDING		
Direct financial support (notes 1 and 4)	850,000	850,000
Net loss	(490,637)	(169,380)
U.S. GOVERNMENT EQUITY, BEGINNING OF YEAR	847,079	1,016,459
U.S. GOVERNMENT EQUITY, END OF YEAR	$ 356,442	$ 847,079

The accompanying notes are an integral part of these statements.

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Statements of Cash Flows

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (490,637)	$ (169,380)
Adjustments to reconcile net income to net cash used in operating activities:		
Effects of changes in operating assets and liabilities:		
Accounts receivable	17,443	(14,600)
Vendor commissions receivable	(6,809)	4,428
Food, beverage, and merchandise inventory	(19,014)	2,615
China, glassware, silverware, and tableware	(24,754)	537
Prepaid expenses	(17,232)	1,573
Due to vendors and customers	3,862	26,031
Payroll and related benefits	(9,060)	5,550
Employees' accrued leave	4,821	35,004
Deferred income	15,543	(6,544)
Net cash used in operating activities	(525,837)	(114,786)
CASH, BEGINNING OF YEAR	1,304,949	1,419,735
CASH, END OF YEAR	$ 779,112	$ 1,304,949

The accompanying notes are an integral part of these statements.

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Notes to Financial Statements

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 1 – ORGANIZATION

The United States Senate Restaurants Revolving Fund (the Fund) operates facilities for senators, employees of the Senate, and (in certain locations) the general public. The Architect of the Capitol (the Architect), under the direction of the Senate Committee on Rules and Administration (the Committee), is responsible for managing the restaurants. The restaurant management recommends price changes, which are subject to the Committee's approval.

The financial statements present the financial position and the results of operations of the Fund and are not intended to present the financial position and results of operations of the Senate Restaurants as a whole.

ECONOMIC DEPENDENCY

The Fund's operations are economically dependent on direct financial support provided through the Architect and by the United States Senate (the Senate). Under 2 U.S.C. 2050, the Architect is required to transfer appropriated funds to the Fund for use in paying certain management personnel and miscellaneous operating expenses of the restaurants. Support provided directly by the Senate consists of appropriations, loans, and transfers of appropriated capital (equity) to the Fund from the Senate's contingent fund used to finance the Fund's recurring operating losses. If losses from operations continue, the Fund will continue to require future support to maintain operations.

The Architect also provides other financial support that is not included in the Fund's financial statements. The Architect uses appropriated funds among other things to purchase and maintain restaurant-related capital items, which remain the property of the Architect and are thus not reflected in the Fund's financial statements.

In addition, the Architect and the Government Printing Office use appropriated funds – the value of which cannot readily be determined – to provide the Fund with space, utilities, garbage disposal, and printing in support of restaurant operations. These costs do not appear in the Fund's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

This information is an integral part of the accompanying financial statements.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported revenues and expenses during the reporting period. Actual results of those amounts could differ from management's estimates and assumptions.

(c) FUNDS WITH U.S. TREASURY

Cash receipts from sales and commissions are deposited in the U.S. Treasury and credited to the Fund for use in operating the various restaurant facilities.

(d) ACCOUNTS RECEIVABLE

Accounts receivable are uncollateralized customer obligations, which generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices. Interest accrues at 2 percent per month on balances over 60 days past due.

Management has determined that there is no need for an allowance for doubtful accounts, which is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Fund could be adversely affected.

(e) VENDOR COMMISSIONS RECEIVABLE

Vendor commissions receivable represents vending machine commissions earned in the current fiscal year but not received until next fiscal year.

(f) INVENTORY

Under its authority to use funds as necessary for restaurant operations, the Fund acquires various types of inventory items (food, beverage, merchandise, china, glassware, silverware, and tableware). These inventories are valued at lower of cost or market using the first-in, first-out method.

This information is an integral part of the accompanying financial statements.

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UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charges for breakage and shortages of china, glassware, silverware, and tableware purchased by the Fund are based on periodic physical counts and are treated as current period expenses in the Fund's statements of operations.

(g) DEFERRED INCOME

Deferred income represents catering deposits received as of September 30 for events that will occur subsequent to year-end.

(h) EMPLOYEES' ACCRUED LEAVE

Employees accrue annual leave on a biweekly basis. Full-time hourly and salaried workers accrue leave at rates ranging from 4 to 8 hours, depending on length of service. Part-time employees accrue leave at fluctuating biweekly rates, based on the amount of hours worked each pay period. Employees may carry over a maximum of 240 hours each calendar year.

(i) FEDERAL EMPLOYEE BENEFITS

The Fund contributes to the costs of providing future pension benefits to eligible employees over the period of time they render services to the Fund. The costs recognized in the financial statements represent actual contributions made by the Fund. The Office of Personnel Management (OPM) supplies the Fund with factors to apply in calculating the estimated current year service cost. These factors are derived through actuarial cost methods and assumptions. The estimated future pension costs is the excess of the current year service costs less current agency and employee contributions and represents the amount being financed directly by OPM. This amount is disclosed in the financial statements (see Note 6).

The Fund also discloses the current-period costs calculated for the estimated future costs of post retirement health benefits and life insurance for its employees while they are still working. The Fund discloses this cost in a manner similar to that used for pensions with the exception that employees and the Fund do not make current contributions to fund these future benefits (see Note 6).

This information is an integral part of the accompanying financial statements.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 3 – ACCOUNTS RECEIVABLE, SENATE CUSTOMER ACCOUNTS

The Committee allows senators, former senators, and certain Senate officials to have customer accounts. A comparison of the aged customer accounts receivable at September 30, 2007 and 2006 follows.

	2007		2006	
	Amount	**Percentage**	**Amount**	**Percentage**
Days outstanding				
0 to 30	$ 48,340	94.9	$ 61,670	90.2
31 to 60	2,286	4.5	3,137	4.6
61 to 90	288	0.6	3,116	4.6
Over 90	-	-	434	0.6
Total	$ 50,914	100.0	$ 68,357	100.0

Management actively pursues collection of all past due amounts. In accordance with policies established by the Committee, the Fund's accounting office mails monthly statements, which include the current charge (with supporting receipt) to all accounts with a balance. Customers whose accounts are delinquent over 30 days will receive a telephone reminder. Customers whose accounts are delinquent over 60 days will receive an e-mail reminder. Additional collection procedures are pursued on all balances that are delinquent for over 120 days, or accounts that are over 60 days delinquent with balances over $10,000. The ultimate collection of all delinquent receivables is ensured through closeout procedures, which require payment of all past due balances at the time a senator leaves office.

NOTE 4 – FINANCING ACTIVITIES

In managing the Fund, the Architect has access to three types of supplemental funding: (1) appropriations, (2) loans, and (3) transfers of appropriated capital (equity). Under 2 U.S.C. 2050, the Architect is required to transfer appropriated funds to the Fund for use in paying certain management personnel and miscellaneous operating expenses of the restaurants. For each of the fiscal years ended September 30, 2007 and 2006, the Fund's financial statements include direct financial support received from the Architect and the Senate through transferred appropriations of $850,000.

This information is an integral part of the accompanying financial statements.

UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 4 – FINANCING ACTIVITIES (CONTINUED)

Also, 2 U.S.C. 2049 allows the Architect, with the approval of the Committee, to borrow from the Senate contingent fund the amounts necessary to manage the Fund. The Committee establishes the loan amounts and repayment periods. The loaned funds come from the miscellaneous appropriation account of the Senate's contingent fund, and loan repayments are deposited to the same account. The last loan requested was received in fiscal year 1998 and repaid in fiscal year 2002.

Under 2 U.S.C. 2044, the Secretary of the Senate, at the request of the Architect and with the approval of the Committee, may transfer funds from the Senate's contingent expenses appropriation account to the Fund as appropriated capital. The Fund's total appropriated capital is $2,847,144 as of September 30, 2007 and 2006. No appropriated capital transfers have been received by the Fund since fiscal year 1999.

NOTE 5 – SALES, COMMISSIONS, AND OTHER OPERATING INCOME

The following schedule provides a comparison of sales, commissions, and operating income for the various Fund activities during fiscal years 2007 and 2006.

	Fiscal Year 2007		Fiscal Year 2006	
	Sales and Commissions	Operating Income (Loss)	Sales and Commissions	Operating Income (Loss)
Regular food services:				
Catering	$ 4,141,505	$ (175,545)	$ 4,288,333	$ (106,169)
Capitol dining rooms	301,611	(420,667)	318,415	(427,988)
North Servery Cafeteria	2,910,818	(774,826)	2,860,435	(603,271)
South Buffet	502,758	(23,797)	478,357	(26,821)
Snack bar	267,736	(123,301)	271,543	(94,660)
Senate chef	908,928	(70,065)	843,157	(53,727)
Total regular food services	9,033,356	(1,588,201)	9,060,240	(1,312,636)
Sundry Shop operations:				
Southside Deli	323,428	(24,724)	344,352	(21,675)
Hart Office Building	364,585	(33,835)	383,342	2,209
Total Sundry Shop operations	688,013	(58,559)	727,694	(19,466)
Vending machine and other commissions	306,123	306,123	312,722	312,722
Total	$ 10,027,492	$ (1,340,637)	$ 10,100,656	$ (1,019,380)

This information is an integral part of the accompanying financial statements.

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UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 6 – PERSONNEL AND BENEFITS

Personnel and benefits consist of salaries and wages for Fund employees; employee benefits for Fund employees; and contract labor, which includes on-call wait staff used for special functions and events. The following table presents a breakout of the amounts included in each category for the fiscal years ended September 30, 2007 and 2006.

	2007	2006
Personnel and benefits		
Salaries and wages	$ 3,701,314	$ 3,767,711
Employee benefits	1,893,468	1,867,015
Contract labor	1,213,872	1,131,538
Total	$ 6,808,654	$ 6,766,264

Pension Benefits, Savings Plans and Postemployment Benefits

Fund employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Although the Fund contributed a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The fund also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management (OPM). For employees covered by FERS, the Fund contributes 1 percent of pay to the Thrift Savings Plan (TSP) and matches employee contributions to the TSP, up to an additional 4 percent of pay. While the Fund has no liability for benefit payments to its former employees under the pension programs, the federal government is liable for the benefit payments through OPM. Using the cost factors supplied by OPM, the Fund has calculated the estimated future pension costs and estimated future cost of postretirement health benefits and life insurance for its employees. These costs are financed by OPM on behalf of the Fund, and are not reflected in the Fund's financial statements.

	2007	2006
Federal employee retirement benefit costs paid by OPM on behalf of the Fund:		
Estimated future pension costs (CSRS/FERS)	$ 235,932	$ 241,104
Estimated future postretirement health and life insurance (FEHBP/FEGLIP)	585,854	555,076
Total	$ 821,786	$ 796,180

This information is an integral part of the accompanying financial statements.

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UNITED STATES SENATE RESTAURANTS REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2007 and 2006

NOTE 6 – PERSONNEL AND BENEFITS (CONTINUED)

Employee Benefits Included in the Fund's Financial Statements

The Fund also contributes to other employee benefits, including health insurance (FEHBP), life insurance (FEGLI), Social Security (FICA), Medicare (HIT), leave expense, employee meals, local transportation assistance, and employee physicals. All of these payments are recognized as operating expenses in the Fund's financial statements.

Contributions made by the Fund for employee benefits during fiscal years 2007 and 2006 are listed in the following table.

	2007	2006
Employee benefits		
FEHBP	$ 584,874	$ 580,482
FERS	458,566	458,748
Leave expense	303,298	271,676
FICA	188,178	192,128
TSP	117,375	116,425
Employee meals	88,847	89,313
Transit subsidy	44,120	44,034
HIT	54,492	60,065
CSRS	47,221	47,188
FEGLI	6,497	6,956
Total	$ 1,893,468	$ 1,867,015

NOTE 7 – OTHER FUNDING NOT IN FINANCIAL STATEMENTS

Identifiable costs paid directly by the Architect for the benefit of the Fund that are not reflected in the Fund's financial statements include equipment maintenance, equipment purchases, and professional fees totaling $185,246 and $163,020 for fiscal years 2007 and 2006, respectively.

NOTE 8 – SUBSEQUENT EVENT

Subsequent to fiscal year-end, the Fund received $947,625 of appropriated funds from the Architect for fiscal year 2008 for the support of management personnel and other operating expenses of the restaurants.

This information is an integral part of the accompanying financial statements.

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