

August 2004

FINANCIAL AUDIT

U.S. Senate Gift Shop
Revolving Fund's
Fiscal Years 2002 and
2001 Financial
Statements



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United States Government Accountability Office
Washington, D.C. 20548

August 27, 2004

The Honorable Emily J. Reynolds
Secretary of the Senate
United States Senate

Dear Ms. Reynolds:

This report presents the results of our audit of the Senate Gift Shop's Statement of Receipts, Disbursements, and Fund Balance for the fiscal years ended September 30, 2002 and September 30, 2001. This report also contains our opinion on the effectiveness of the Fund's related internal control as of September 30, 2002, and our evaluation of its compliance with selected provision of laws and regulations we tested. We performed this audit at your request.

As arranged with your office, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will provide copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Rules and Administration; the Senate Committee on Appropriations; and the Senate Subcommittee on Legislative Branch, Committee on Appropriations. This report will also be available on GAO's home page at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-9471 or Keith Thompson, Assistant Director, at (202) 512-6328. You can also reach us by e-mail at franzelj@gao.gov or thompsonk@gao.gov. Key contributors to this report were Teresa Gardner, Chanetta Reed, and Lindsay Saylor.

Sincerely yours,

Jeanette M. Franzel
Director
Financial Management and Assurance



United States Government Accountability Office
Washington, D.C. 20548

To the Secretary of the Senate

We have audited the accompanying Statement of Receipts, Disbursements, and Fund Balance for the Senate Gift Shop Revolving Fund for the fiscal years ended September 30, 2002 and September 30, 2001. In our audit, we found

- the statements are presented fairly in all material respects, on a cash basis;
- the Gift Shop had effective internal controls over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2002; and
- no reportable noncompliance with selected provisions of laws and regulations we tested.

The following sections provide additional detail about our conclusions and the scope of our audit.

Opinion on the Financial Statement

The Statement of Receipts, Disbursements, and Fund Balance and the accompanying notes present fairly, in conformity with the cash basis of accounting, the receipts, disbursements, and fund balance of the Gift Shop Revolving Fund for the fiscal years ended September 30, 2002 and September 30, 2001. As described in note 2 of the accompanying statement, the cash basis of accounting is a comprehensive basis of accounting that recognizes transactions when cash is received and disbursed. This basis of accounting differs from U.S. generally accepted accounting principles, which recognize revenue when earned and expenses when incurred.

Opinion on Internal Control

The Gift Shop maintained in all material respects effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2002, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statement would be prevented or detected promptly. Our opinion

is based on criteria established in the Comptroller General's *Standards for Internal Control in the Federal Government*.¹

Compliance with Laws and Regulations

Our tests for compliance 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.

Objectives, Scope, and Methodology

The Gift Shop management is responsible for (1) preparing the Statement of Receipts, Disbursements, and Fund Balance in conformity with the cash basis of accounting; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the objectives of internal control are met; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the Statement of Receipts, Disbursements, and Fund Balance is presented fairly in all material respects, in conformity with the cash basis of accounting and (2) whether management maintained effective internal control, the objectives of which are the following.

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of the Statement of Receipts, Disbursements, and Fund Balance in conformity with the cash basis of accounting, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with laws and regulations:** Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the Statement of Receipts, Disbursements, and Fund Balance.

We are also responsible for testing compliance with selected provisions of laws and regulations that were determined to have a direct and material effect on the Gift Shop's Statement of Receipts, Disbursements, and Fund

¹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#), (Washington, D.C., November 1999).

Balance for the fiscal years ended September 30, 2002 and September 30, 2001.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the Statement of Receipts, Disbursements, and Fund Balance; (2) assessed the accounting principles used and significant estimates made by management; (3) evaluated the overall presentation of the Statement of Receipts, Disbursements, and Fund Balance; (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations; (5) tested relevant internal controls over financial reporting (including safeguarding of assets) and compliance and evaluated the design and operational effectiveness of internal control; and (6) tested compliance with selected provisions of the following relevant laws and regulations:

- 2 U.S.C. § 121d, relating to the establishment of the Senate Gift Shop and Revolving Fund, including deposit of sales receipts and disbursements from the Fund,
- 2 U.S.C. § 109, relating to preference to purchase American goods,
- 2 U.S.C. § 68, relating to the approval of disbursements, and
- the Antideficiency Act, relating to the disbursement of revolving fund assets.

We did not evaluate internal controls relevant to the effectiveness and efficiency of the Gift Shop's operations. We limited our internal control testing to relevant controls over financial reporting and compliance. Because of inherent limitations in any system of 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 the compliance with controls may deteriorate.

With respect to our tests of selected provisions of laws and regulations, we did not test compliance with all laws and regulations applicable to the Gift Shop, therefore, we caution that noncompliance may have occurred and not been detected by the tests we performed. Accordingly, the scope of our tests of noncompliance may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards.

**Management's
Comments and Our
Evaluation**

We provided drafts of this report to the management of the Gift Shop and representatives of the Office of the Secretary of the Senate for review and comment. They agreed with the contents of this report.



Jeanette Franzel
Director
Financial Management and Assurance

August 17, 2004

Financial Statement

Statement of Receipts, Disbursements, and Fund Balance

United States Senate Gift Shop Revolving Fund Statement of Receipts, Disbursements, and Fund Balance

	Fiscal years ended September 30	
	2002	2001
Receipts		
Sales (note 3)	\$ 1,369,583	\$ 1,640,915
Total receipts	1,369,583	1,640,915
Disbursements (note 4)		
Inventory and supplies	1,702,473	1,532,768
Professional and other services	2,759	19,707
Total disbursements	1,705,232	1,552,475
Net receipts (disbursements)	(335,649)	88,440
Beginning fund balance (note 5)	1,220,914	1,132,474
Ending fund balance (note 5)	\$ 885,265	\$ 1,220,914

The accompanying notes are an integral part of this financial statement.

Notes to the Statement

United States Senate Gift Shop Revolving Fund
Notes to the Statement of Receipts, Disbursements, and Fund Balance

Note 1. Description of Entity

The United States Senate Gift Shop was established to provide for the sale of gift items to Members of the Senate, Senate staff, and the general public. To support the operation of the Senate Gift Shop, the Senate Gift Shop Revolving Fund (Fund) was established within the contingent fund of the Senate. All amounts collected or received from the sales and services of the Gift Shop are to be deposited into the Fund. The balance of the Fund is available, without fiscal year limitation, for disbursement by the Secretary of the Senate in connection with the operation of the Senate Gift Shop, including supplies, equipment, and other expenses (2 U.S.C. § 121d).

Note 2. Basis of Accounting

Amounts received from and used for Gift Shop operations are accounted for and reported by the Fund on the cash basis. The cash basis of accounting recognizes transactions when the cash is received and disbursed. The cash basis is a comprehensive basis of accounting that differs from U.S. generally accepted accounting principles, which recognize revenues when earned and expenses when incurred.

All receipts from the sale of gift items and related services by the Gift Shop are deposited in the Fund. The fund balance is used to pay for purchases of (1) inventory items available for resale to customers of the Gift Shop and (2) equipment and related services that directly support Gift Shop operations. The fund balance was not used to pay for salaries and benefits of Senate employees who work in the Gift Shop, the costs of which are charged to the "Salaries, Officers, and Employees" appropriation account for the Senate. Additional incidental costs for the Fund such as rent and utilities cannot be readily determined and are covered by other appropriated funds.

Note 3. Sales Receipts

Sales receipts--consisting of proceeds from cash, checks, and credit card purchase transactions--are deposited into the Gift Shop revolving fund.

Note 4. Disbursements

Disbursements represent amounts paid to purchase gift items for resale and acquire services and equipment needed to support Gift Shop operations.

Note 5. Fund Balance

The beginning fund balances represents the balances at Treasury at October 1, 2000 and 2001, respectively, carried over from the prior period. The ending fund balances represents the balances at Treasury at September 30, 2001 and 2002, and are the amount of funds available for disbursement in a subsequent period.

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