

August 1990

FINANCIAL AUDIT

Senate Restaurants
Revolving Fund for
Fiscal Years 1989 and
1988



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**Comptroller General
of the United States**

B-114871

August 13, 1990

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

Pursuant to your request of August 29, 1989, 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 30, 1989, and October 1, 1988, and the related statements of operations and cash flows for the years then ended. We completed our audit on March 20, 1990. 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.

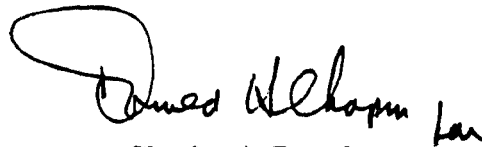
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 1989, and October 1, 1988, and the results of its operations and its cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

As discussed in note 6 to the financial statements, the results of fiscal year 1988 operations have been restated to reflect the employer's share of employee retirement benefits payments which were not made until fiscal years 1989 and 1990.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for fiscal years ended September 30, 1989, and October 1, 1988, is included in this report.

Sincerely yours,

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

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls 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 30, 1989, and October 1, 1988. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended September 30, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended October 1, 1988, is presented in GAO/AFMD-89-57, dated June 2, 1989.

The Fund is administered by the restaurants' management under the jurisdiction of the Architect of the Capitol. As part of our audit, we made a study and evaluation of the system of internal accounting controls for the Fund to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have classified the significant internal accounting controls in the categories of receipts, disbursements, receivables, inventories, and payables. Our study and evaluation included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate

because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the second paragraph of this report, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Fund taken as a whole or on any of the categories of controls identified in the third paragraph of this report. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

As part of our audit, we also tested the Fund's compliance with terms and provisions of 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 income tax withholdings. In our opinion, the United States Senate Restaurants Revolving Fund complied with the terms and provisions of 40 U.S.C. 174j-1 through j-9 and the just-mentioned regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of 40 U.S.C. 174j-1 through j-9 and the previously stated regulations for those transactions not tested.

Balance Sheets

	September 30, 1989	October 1, 1988
Assets (note 1)		
Funds with U.S. Treasury	\$624,214	\$285,737
Petty cash and change funds	18,000	18,000
Accounts receivable (note 2)	373,348	356,486
Food, beverages, and merchandise inventory	146,027	122,159
China, glassware, silverware, and tableware	130,599	159,574
Total Assets	\$1,292,188	\$941,956
Liabilities and Government Equity		
Liabilities		
Accounts payable		
Due to vendors	\$436,256	\$391,214
Net payroll and benefits	155,146	145,746
Supplemental services	13,886	10,835
Federal and state taxes withheld	54,961	61,082
Unclaimed wages	1,849	2,114
Other (note 3)	4,728	4,994
Total accounts payable	666,826	615,985
Employees' accrued leave	243,587	255,658
Advance from contingent fund (note 7)	400,000	0
Total liabilities	1,310,413	871,643
Government Equity		
Capital		
Contributed	51,200	51,200
Capitalization of china, glassware, silverware, and tableware (note 4)	45,944	45,944
Revolving Fund Balance		
Balance at beginning of year	(26,831)	155,741
Prior year's adjustment (note 6)	0	(5,517)
Net loss	(88,538)	(177,055)
Balance at end of year	(115,369)	(26,831)
Total government equity	(18,225)	70,313
Total Liabilities and Government Equity	\$1,292,188	\$941,956

The accompanying notes are an integral part of these statements.

Statements of Operations

	Fiscal years ended			
	September 30, 1989		October 1, 1988	
	Amount	Percent of sales	Amount	Percent of sales
Food and Beverage Operations				
Regular food services	\$3,862,130	62.0	\$4,153,075	64.7
Catering	2,364,177	38.0	2,267,498	35.3
Total sales (note 5)	6,226,307	100.0	6,420,573	100.0
Cost of food and beverages	2,343,631	37.6	2,466,124	38.4
Gross income from sales of food and beverages	3,882,676	62.4	3,954,449	61.6
Operating expenses				
Salaries and wages:				
Straight time	2,552,683	41.0	2,677,558	41.7
Overtime	106,923	1.7	137,689	2.1
Employee benefits (note 6)	746,531	12.0	717,933	11.2
Leave expense	192,983	3.1	203,310	3.2
Employee meals	121,816	1.9	136,466	2.1
Employee physicals	1,716	.1	4,067	0.1
Supplemental services	290,584	4.7	284,116	4.4
China, glassware, silverware, and tableware	66,688	1.1	65,503	1.0
Kitchen utensils	13,217	.2	17,405	0.3
Miscellaneous	19,499	.3	28,836	0.5
Total operating expenses	4,112,640	66.1	4,272,883	66.6
Loss From Food and Beverage Operations	(229,964)	(3.7)	(318,434)	(5.0)
Sundry Shop Operations				
Sales (note 5)	895,870	100.0	888,388	100.0
Cost of sales	654,794	73.1	662,952	74.6
Gross income from sales of sundry shop merchandise and newspapers	241,076	26.9	225,436	25.4
Operating expenses	138,247	15.4	140,610	15.8
Income From Sundry Shop Operations	102,829	11.5	84,826	9.6
Vending Machine Commissions	38,597		56,553	
Net (Loss)	\$(88,538)		\$(177,055)	

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Fiscal years ended	
	September 30, 1989	September 30, 1988
Cash Flows From Operating Activities		
Net loss	\$(88,538)	\$(177,055)
Adjustments to reconcile net loss to net cash used in operating activities		
Decrease (increase) in assets:		
Accounts receivable	(16,862)	(95,602)
China, glassware, silverware, and tableware	28,975	(776)
Food, beverages, and merchandise	(23,868)	57,963
Increase (decrease) in liabilities:		
Due to vendors	45,042	161,270
Net payroll and benefits	9,400	30,654
Supplemental services	3,051	4,426
Federal and state taxes withheld	(6,121)	11,071
Employees' accrued leave	(12,071)	(381)
Unclaimed wages	(265)	932
Other	(266)	1,068
Increase (decrease) in government equity:		
Prior year's adjustment to revolving fund balance	0	(5,517)
Net cash used in operating activities	(61,523)	(11,947)
Cash Flows From Financing Activities		
Borrowings from the Secretary of the Senate (note 7)	400,000	150,000
Payments on borrowings from the Secretary of the Senate (note 8)	0	(150,000)
Net cash provided by financing activities	400,000	0
Net Increase (Decrease) in Cash	338,477	(11,947)
Cash at beginning of year	303,737	315,684
Cash Balance at End of Year	\$642,214	\$303,737

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. 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.

The restaurant facilities are operated 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.

The financial statements do not include the costs of management personnel salaries and benefits, other services, or supplies and materials. These costs, as provided for under Public Law 92-51, were paid from funds appropriated to the Architect of the Capitol for Senate office buildings' operations, as follows.

Table 1: Costs Paid With Appropriated Funds

Fiscal year	Personnel compensation	Personnel benefits	Other services	Supplies and materials	Total
1989	\$723,766	\$128,933	\$174,063	\$282,250	\$1,309,012
1988	\$652,198	\$90,233	\$172,852	\$262,999	\$1,178,282

The Fund's statements also do not include costs for space, building repairs and maintenance, 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.

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.

Unclaimed wages remain on the Fund's books as liabilities and may be claimed by former employees or their legal representatives for up to 6 years. Afterward, such liabilities are removed from the Fund.

Note 2. Accounts Receivable

The accounts receivable balance shown in the following aging table at September 30, 1989, is not the same as the balance sheet amount primarily because the balance sheet amount was adjusted for refunds made to

customers for overpayment of accounts receivable, and the aging table was not adjusted until October 1989. Also, the balance sheet amount includes other receivables which are not part of the aging table. The accounts receivable balance shown in the aging table at September 30, 1988, is not the same as the balance sheet amount because of the reasons just stated and because the balance sheet amount is as of October 1, 1988. A comparison of the aged customer accounts receivable at September 30, 1989, and September 30, 1988, follows.

Table 2: Aging of Customer Accounts Receivable

Days outstanding	September 30, 1989		September 30, 1988	
	Amount	Percent	Amount	Percent
0 to 30	\$270,318	73	\$213,523	60
31 to 60	16,650	5	30,360	8
61 to 90	24,684	7	20,279	6
Over 90	56,389	15	91,312	26
Total	\$368,041	100	\$355,474	100

At December 31, 1989, 89 percent of the September 30, 1989, accounts receivable balance had been collected. The Fund's accounting office prepares collection letters monthly for the signature of the Architect of the Capitol. In accordance with the policy direction established by the Senate Committee on Rules and Administration, the collection letters are mailed to customers whose accounts are delinquent over 90 days.

Note 3. Other Liabilities

Other liabilities include court ordered child support payments withheld and amounts for employees' physicals.

Note 4. Capitalization of China, Glassware, Silverware, and Tableware

Additional government equity was provided when inventories of (1) china, glassware, and silverware valued at \$36,361, and (2) tableware valued at \$9,583, were established on July 1, 1967, and October 2, 1976, respectively. The capitalization account balance of \$45,944 will remain constant until adjusted to recognize additional like contributions or withdrawals.

Note 5. Sales

A comparison of sales, commissions, and operating results for the various restaurant units during fiscal years 1989 and 1988 follows.

Table 3: Sales and Operating Income (Loss) by Unit

	Fiscal year 1989		Fiscal year 1988	
	Sales and commissions	Operating profit or (loss)	Sales and commissions	Operating profit or (loss)
Food and beverage operations:				
Capitol dining rooms	\$1,429,367	\$(488,865)	\$1,514,364	\$(605,012)
Senators' dining room	73,779	(51,555)	85,187	(57,987)
Cafeterias	3,432,978	189,896	3,383,620	72,201
Coffee shop ^a	353,033	3,904	480,571	64,903
Snack bar	242,786	2,814	246,355	42,344
Senate Chef	694,364	113,842	710,476	165,117
	6,226,307	(229,964)	6,420,573	(318,434)
Sundry shop operations:				
Capitol dining rooms	60,633	2,128	67,119	4,050
Dirksen Office Building	355,370	40,298	343,285	38,341
Russell Office Building ^a	85,004	9,853	109,721	(4,398)
Hart Office Building	394,863	50,550	368,263	46,833
	895,870	102,829	888,388	84,826
Vending machine commissions	38,597	38,597	56,553	56,553
Total	\$7,160,774	\$(88,538)	\$7,365,514	\$(177,055)

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

Note 6. Restatement of Fiscal Year 1988 Financial Statements

The fiscal year 1988 financial statements have been restated from those previously presented to include the effect of (1) additional fiscal year 1988 and 1987 costs of employer contributions paid to the Federal Employees' Retirement System's Thrift Savings Plan 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 actually paid in 1989 and 1990. Key effects of the restatement follow.

Table 4: Effects of Restating Fiscal Year 1988 Financial Statements

	Previously reported amount	Adjustment	Adjusted amount
Employee benefits expenses (food and beverage operations) ^a	\$698,688	\$+19,245	\$717,933
Operating expenses (sundry shop operations) ^a	140,354	+256	140,610
Net loss ^a	157,554	+19,501	177,055
Prior year's adjustment to fund balance		-5,517	-5,517
End of year fund balance ^b	-1,813	-25,018	-26,831
Total government equity ^b	95,331	-25,018	70,313

^aSee 1988 Statement of Operations.

^bSee 1988 Balance Sheet.

Note 7. 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 he may determine necessary to carry out his 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 by the Secretary of the Senate to the Architect.

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 reprogramming of \$400,000 from the miscellaneous items appropriation account to the Senate Restaurants Revolving Fund to increase the capitalization of the Fund.

Note 8. Subsequent Event

In October 1989, the Senate Restaurants Revolving Fund received \$400,000. This money was then used to repay the \$400,000 loan which the Fund had received in October 1988.

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