

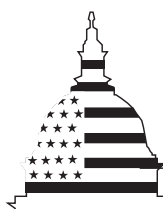
GAO

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

March 2001

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 2000 and 1999



G A O

Accountability * Integrity * Reliability

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Abstract As you requested, we provided for an audit of the financial statements of the United States Senate Restaurants Revolving Fund (the Fund) for the fiscal years ended September 30, 2000 and 1999, by contracting with the independent public accounting firm of KPMG Peat Marwick LLP (KPMG). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards and GAOs Financial Audit Manual. In its audit of the Fund, KPMG found the following: The financial statements were fairly presented in conformity with U.S. generally accepted accounting principles. Managements assertion that internal control in place on September 30, 2000, was effective in safeguarding assets against loss from unauthorized acquisition, use, or disposition; assuring material compliance with laws and regulations; and assuring that there have been no material misstatements in the financial statements is fairly stated. There was no reportable noncompliance with selected provisions of laws and regulations it tested.		Monitoring Agency Acronym
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Contents

Letter		3
Appendix		
	Appendix I: Report on the Audit of the United States Senate Restaurants Revolving Fund	6
	Independent Auditors' Report	6
	Balance Sheets	10
	Statements of Operations and Changes in U.S. Government Equity (Deficit)	11
	Statements of Cash Flows	12
	Notes to Financial Statements	13
	Management's Report on Its Assertion About the Effectiveness of Controls Over Financial Reporting	19

Abbreviation

KPMG KPMG Peat Marwick LLP



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

March 23, 2001

The Honorable Mitch McConnell
Chairman, Committee on Rules
and Administration
United States Senate

The Honorable Alan M. Hantman
Architect of the Capitol

As you requested, we provided for an audit of the financial statements of the United States Senate Restaurants Revolving Fund (the Fund) for the fiscal years ended September 30, 2000 and 1999, by contracting with the independent public accounting firm of KPMG Peat Marwick LLP (KPMG). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards and GAO's *Financial Audit Manual*.

In its audit of the Fund, KPMG found the following:

- The financial statements were fairly presented in conformity with U.S. generally accepted accounting principles.
- Management's assertion that internal control in place on September 30, 2000, was effective in safeguarding assets against loss from unauthorized acquisition, use, or disposition; assuring material compliance with laws and regulations; and assuring that there have been no material misstatements in the financial statements is fairly stated.
- There was no reportable noncompliance with selected provisions of laws and regulations it tested.

Although KPMG found that management fairly stated its assertion regarding the effectiveness of the Fund's internal control, KPMG did identify certain matters involving the Fund's internal control that were not significant enough to be considered reportable conditions.¹ These matters were reported to management in a separate letter.

As disclosed in KPMG'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 primarily by the Architect of the Capitol and the United States Senate.

- The Fund's financial statements for fiscal years 2000 and 1999 include direct financial support provided by the Architect and the Senate in the form of transferred appropriations and/or appropriated capital totaling \$0.7 million and \$1.1 million, respectively.
- The Fund's financial statements for fiscal years 2000 and 1999 do not include other support that benefits the operation of the restaurants. Specifically, the Architect of the Capitol provided about \$133,000 and \$205,000, in fiscal years 2000 and 1999, respectively, for the purchase and maintenance of restaurant-related capital items, which remain the property of the Architect. In addition, during fiscal years 2000 and 1999, the Architect and the Government Printing Office provided the Fund with support services—the value of which cannot be readily determined.

As disclosed in KPMG's report and note 1 to the Fund's financial statements, if operating trends continue, the Fund will continue to require future support to maintain continuing operations.

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

¹Reportable conditions are matters coming to the auditor's attention that in the auditor's judgement should be communicated because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the entity's ability to meet the internal control objectives described in the report.

of its internal control or conclude on compliance with laws and regulations. KPMG is responsible for the attached Auditors' Report and for the conclusions expressed in the report. However, our review disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

This report is a matter of public record and is intended for the use of the U.S. Senate, the Architect of the Capitol, the management of the Senate Restaurants, and other interested parties. We are sending copies of this report to Senator Christopher J. Dodd, Ranking Member, Senate Committee on Rules and Administration; Senator Robert F. Bennett, Chairman, and Senator Richard Durbin, Ranking Member, Subcommittee on Legislative Branch, Senate Committee on Appropriations; Senator Trent Lott, Majority Leader; and Senator Tom Daschle, Minority Leader. Copies will be made available to others upon request. Should you or your staff have any questions concerning our review of the audits, please contact me on (202) 512-2600 or Jeanette M. Franzel, Acting Director, on (202) 512-9406.



Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

Report on the Audit of the United States Senate Restaurants Revolving Fund

Independent Auditors' Report



2001 M Street, N.W.
Washington, D.C. 20036

INDEPENDENT AUDITORS' REPORT

Comptroller General
United States General Accounting Office:

We have audited the fiscal year 2000 and 1999 financial statements of the United States Senate Restaurants Revolving Fund (the Fund). We also have examined management's assertion regarding the effectiveness of the Fund's internal controls over financial reporting that were in place as of September 30, 2000. In connection with our audit, we also tested the Fund's compliance with certain provisions of applicable laws and regulations.

We found that:

- the Fund's fiscal year 2000 and 1999 financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, and
- management fairly stated its assertion that internal controls in place on September 30, 2000 were effective in safeguarding assets against loss from unauthorized acquisition, use, or disposition; in assuring material compliance with laws governing the use of budgetary authority and with other relevant laws and regulations; and in assuring that there have been no material misstatements in the financial statements.

We noted no reportable noncompliance with laws and regulations we tested.

Our conclusions and the scope of our work are discussed in more detail below.

Opinion on Financial Statements

We have audited the accompanying balance sheets of the Fund as of September 30, 2000 and 1999, and the related statements of operations and changes in U.S. Government equity (deficit) and cash flows for the fiscal years then ended.

As discussed in note 1, the financial statements present the financial positions 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. Amounts for capital expenditures and related repairs and maintenance purchased by the Architect of the Capitol (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, in fiscal years 1999 and prior, the United States Senate (Senate) provided loans and transfers of appropriated capital (equity) from the Senate contingent fund to the Fund to finance



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

recurring operating losses. In fiscal year 2000, the Fund repaid a portion of its outstanding loan to the Senate contingent fund and received no new loans and transfers of appropriated capital (equity) from the Senate contingent fund. Pursuant to Public Law 105-55, the Fund also receives transfers of appropriations from the Architect to pay certain management personnel and miscellaneous operating expenses.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United States Senate Restaurants Revolving Fund as of September 30, 2000 and 1999, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Opinion on Management's
Assertion About the Effectiveness
of Internal Controls over
Financial Reporting**

We have examined management's assertion at September 30, 2000, included in the accompanying *Management's Report on Its Assertion About the Effectiveness of Controls over Financial Reporting*, found on page 14, regarding the effectiveness of internal controls designed by management to:

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with laws governing the use of budgetary authority and with other laws and regulations that have a direct and material effect on the financial statements; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and maintain accountability for assets.

In our opinion, management's assertion that internal controls in place as of September 30, 2000 were effective in safeguarding assets against loss from unauthorized acquisition, use, or disposition; assuring compliance with laws governing the use of budgetary authority and with other laws and regulations that have a direct and material effect on the financial statements; and assuring that there have been no material misstatements or omissions of amounts or disclosures in the financial statements, is fairly stated in all material respects. Management made its assertion based upon criteria established by the General Accounting Office (GAO) *Standards for Internal Controls in the Federal Government*.

Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitation in any internal control, misstatements due to error or fraud may occur and not be detected. However, we noted certain matters involving the internal control and its operation that we do not consider to be material weaknesses as defined above and we are reporting to management in a separate letter dated January 12, 2001.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Compliance with Laws and Regulations

The results of our tests of compliance with laws and regulations that have a direct and material effect on the financial statements disclosed no instances of noncompliance that would be reportable under *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.

Responsibilities

Management's Responsibility. The Fund's management is responsible for:

- preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- establishing, maintaining, and assessing internal control to provide reasonable assurance that control objectives are met, and
- complying with applicable laws and regulations.

Auditors' Responsibility. We are responsible for obtaining reasonable assurance about whether (1) the financial statements are free of material misstatement and, in our opinion, are presented fairly in conformity with accounting principles generally accepted in the United States of America; and (2) management's assertion about the effectiveness of internal controls is fairly stated, in all material respects, based on the criteria established by the *GAO Standards for Internal Controls in the Federal Government*. We are also responsible for testing compliance with certain 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 financial statement presentation;
- obtained an understanding of internal control related to safeguarding assets, compliance with laws and regulations including execution of transactions in accordance with budget authority, and financial reporting;
- tested relevant internal controls over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of internal controls; and
- tested compliance with selected provisions of 40 U.S.C. 174j-1 through j-9, certain provisions of the Legislative Branch Appropriation 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 those controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control, misstatements due to error or fraud, may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that internal control may become inadequate

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted our examination of management's assertion regarding the effectiveness of the Fund's internal controls over financial reporting in place at September 30, 2000 in accordance with standards established by the American Institute of Certified Public Accountants. We believe that our audits and examination provide a reasonable basis for our opinions.

This report is intended solely for the information and use of the General Accounting Office, the Architect of the Capitol, management of the Senate Restaurants and the United States Senate, and is not intended to be and should not be used by anyone other than these specified parties.

**Agency Comments and Our
Evaluation**

Senate Restaurant management has agreed with our conclusions.

KPMG LLP

January 12, 2001

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Balance Sheets

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Balance Sheets

September 30, 2000 and 1999

Assets	2000	1999
Cash:		
Funds with U.S. Treasury	\$ 874,819	694,404
Petty cash and change funds	20,500	20,500
Prepaid expenses	11,353	—
Accounts receivable, Senate customer accounts (note 3)	113,489	197,489
Vendor commissions receivable (note 2(d))	15,123	15,018
Food, beverage, and merchandise inventory (note 2(b))	143,055	146,264
China, glassware, silverware, and tableware (note 2(b))	75,669	75,181
Total assets	<u>\$ 1,254,008</u>	<u>1,148,856</u>
Liabilities and U.S. Government Equity (Deficit)		
Accounts payable and accrued expenses:		
Due to vendors and customers	\$ 358,064	532,259
Payroll and related benefits	303,842	315,394
Deferred income (note 2(e))	27,201	48,667
Total accounts payable and accrued expenses	<u>689,107</u>	<u>896,320</u>
Other liabilities:		
Employees' accrued leave (note 2(f))	183,019	182,213
Loans from Senate contingent fund (note 5)	400,000	450,000
Total other liabilities	<u>583,019</u>	<u>632,213</u>
Total liabilities	<u>1,272,126</u>	<u>1,528,533</u>
U.S. Government equity:		
Appropriated capital (note 5)	2,847,144	2,847,144
Cumulative results of operations (deficit)	(2,865,262)	(3,226,821)
Total U.S. Government equity (deficit)	<u>(18,118)</u>	<u>(379,677)</u>
Total liabilities and U.S. Government equity	<u>\$ 1,254,008</u>	<u>1,148,856</u>

See accompanying notes to financial statements.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Statements of Operations and Changes in U.S. Government Equity (Deficit)

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Statements of Operations and Changes in U.S. Government Equity (Deficit)

Years ended September 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Sales and other operating income (note 6)		
Sales:		
Regular food services	\$ 3,653,383	3,660,128
Catering	4,217,783	3,892,926
Sundry shop sales	654,605	636,845
Vending machine commissions and other operating income	<u>176,852</u>	<u>205,347</u>
Total sales and other operating income	<u>8,702,623</u>	<u>8,395,246</u>
Cost of sales		
Food and beverages	2,470,304	2,526,432
Sundry shop merchandise	502,950	435,574
Vendor fees	<u>—</u>	<u>379</u>
Total cost of sales	<u>2,973,254</u>	<u>2,962,385</u>
Gross income from sales and other operating income	<u>5,729,369</u>	<u>5,432,861</u>
Operating expenses (note 1):		
Personnel and benefits (note 4)	5,021,594	5,105,559
Supplies and materials	486,775	535,552
Miscellaneous	<u>609,441</u>	<u>470,289</u>
Total operating expenses	<u>6,117,810</u>	<u>6,111,400</u>
Loss from sales and other operating income	(388,441)	(678,539)
Other sources (uses) of funds:		
Employee buy-out expense (note 7)	—	(57,731)
Appropriated funds (note 1)	<u>750,000</u>	<u>750,000</u>
Net income	361,559	13,730
U.S. Government equity (deficit) – beginning of year	(379,677)	(1,283,407)
Increase in appropriated capital (note 5)	<u>—</u>	<u>890,000</u>
U.S. Government equity (deficit) – end of year	<u>\$ (18,118)</u>	<u>(379,677)</u>

See accompanying notes to financial statements.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Statements of Cash Flows

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Statements of Cash Flows

Years ended September 30, 2000 and 1999

	2000	1999
Cash flow from operating activities:		
Net income (loss)	\$ 361,559	13,730
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
(Increase)/decrease in assets:		
Accounts receivable	83,895	(89,244)
Food, beverage, and merchandise inventory	3,209	9,893
China, glassware, silverware, and tableware	(488)	(35,256)
Prepaid expenses	(11,353)	—
Increase/(decrease) in liabilities:		
Due to vendors	(173,178)	(64,488)
Payroll and related benefits	(11,552)	93,953
Employees' accrued leave	806	(25,807)
Deferred income	(22,483)	14,457
Net cash used for operating activities	230,415	(82,762)
Cash flows from financing activities:		
Net loan proceeds (payments) from (to) Senate contingent fund	(50,000)	(540,000)
Transfers from Senate contingent fund	—	890,000
Net increase in cash	180,415	267,238
Funds with U.S. Treasury, beginning of year	694,404	427,166
Funds with U.S. Treasury, end of year	\$ 874,819	694,404

See accompanying notes to financial statements.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Notes to Financial Statements

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

(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 positions 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.

Economic Dependency

The Fund's operations are economically dependent on direct financial support provided by the Architect of the Capitol (the Architect) and the United States Senate (the Senate). Beginning with fiscal year 1998, the Architect is required to transfer appropriated funds to the Fund, pursuant to Public Law 105-55, 111 stat. 1189, Title 1, for use in paying certain management personnel and miscellaneous operating expenses of the Restaurants. Support provided directly by the Senate consists of loans and transfers of appropriated capital (equity) to the Fund from the Senate's contingent fund. Loan proceeds and increases in appropriated capital provided by the Senate are used to finance the Fund's recurring operating losses (see note 5). For the fiscal years ended September 30, 2000 and 1999, the Fund's financial statements include direct financial support received from the Architect and the Senate through transferred appropriations, loan proceeds, and/or increases in appropriated capital totaling \$700,000 and \$1,100,000, respectively, as follows:

	2000	1999
Transfers of appropriations from the Architect	\$ 750,000	750,000
Net increases (decreases) in loans from Senate contingent fund	(50,000)	(540,000)
Increase in appropriated capital	—	890,000
Total direct support	\$ 700,000	1,100,000

Subsequent to September 30, 2000, the Fund has received its appropriated funds from the Architect for fiscal year 2001 and has budgeted them to support the Fund at current operating levels.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

The Architect also provides other financial support that is not included in the Fund's financial statements. The Architect uses appropriated funds to purchase and maintain Restaurant-related capital items which remain the property of the Architect. For the fiscal years ended September 30, 2000 and 1999, this support totaled \$133,033 and \$205,203, respectively. Identifiable costs paid directly by the Architect on behalf of the Fund for these items in fiscal years 2000 and 1999, are as follows:

	2000	1999
Equipment maintenance	\$ 10,869	11,375
China, glassware, silverware, and tableware	9,266	28,732
Equipment purchases	112,898	165,096
Total	\$ 133,033	205,203

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. If operating trends for the Restaurants continue, the Fund will require future support, as described above, to maintain continuing operations.

(2) Summary of Significant Accounting Policies

(a) 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.

(b) 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 cost using a first-in, first-out method.

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 statement of operations.

Additionally, the Architect of the Capitol may use Senate Office Building and Capitol Building appropriations to purchase china, glassware, silverware, and tableware for restaurant operations (See note 1). Because these assets are owned by the Architect of the Capitol and not the Fund, they are not recorded in the Fund's financial statements.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

(c) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 could differ from management's estimates.

(d) Vendor Commissions Receivable

Vendor commissions receivable represents vending machine commissions earned in the current fiscal year but not received until after September 30.

(e) Deferred Income

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

(f) 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 carryover a maximum of 240 hours each calendar year.

(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, 2000 and 1999 follows:

Days outstanding	<u>September 30, 2000</u>		<u>September 30, 1999</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$ 82,256	72.5 %	\$ 101,054	51.2 %
31 to 60	205	0.2	10,051	5.1
61 to 90	11,545	10.2	32,443	16.4
Over 90	<u>19,483</u>	<u>17.1</u>	<u>53,941</u>	<u>27.3</u>
Total	<u>\$ 113,489</u>	<u>100 %</u>	<u>\$ 197,489</u>	<u>100 %</u>

In accordance with policies established by the Committee, the Fund's accounting office mails monthly delinquent notice letters. These letters are signed by the Architect and are mailed to customers whose

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

accounts are delinquent for over 30 days. Approximately 62 percent of the accounts receivable balance at September 30, 2000 had been collected within 60 days subsequent to year-end.

(4) Employee Benefits

Fund employees are covered by the Civil Service Retirement System (CSRS) or the newer Federal Employees Retirement System (FERS), to which the Fund contributes. For employees covered by FERS, the Fund also contributes one percent of pay to the Thrift Savings Plan (TSP) and matches employee contributions to the TSP, up to an additional four 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 the Office of Personnel Management.

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. Contributions made by the Fund during fiscal years 2000 and 1999 are listed in the following table:

	<u>Fiscal year</u>	
	<u>2000</u>	<u>1999</u>
Pension-related		
CSRS	\$ 62,670	67,606
FERS	360,105	358,442
TSP	<u>81,592</u>	<u>75,635</u>
Total pension-related benefits	<u>504,367</u>	<u>501,683</u>
Other		
FEHBP	339,752	348,084
FEGLI	6,322	6,715
FICA	191,555	191,335
HIT	55,500	57,484
Leave expense	229,171	242,309
Employee meals	81,765	89,225
Others	<u>13,826</u>	<u>14,642</u>
Total nonpension-related benefits	<u>917,891</u>	<u>949,794</u>
Total benefits	<u>\$ 1,422,258</u>	<u>1,451,477</u>

(5) Financing Activities

In managing the Fund, the Architect has access to two types of supplemental funding: (1) appropriations and (2) loans. Under 40 U.S.C. 174j-4, 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. Also, 40 U.S.C. 174j-9 allows the

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

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 items appropriation account of the Senate's contingent fund and loan repayments are deposited to the same account.

From October 1988 through September 1998, under the authority provided by 40 U.S.C. 174j-9, the Architect of the Capitol requested and received various loans from the Senate's contingent fund totaling \$2,250,000. With respect to these amounts, the Fund received a new loan in the amount of \$275,000 in FY 1998 and no new loans in FY 1999 and FY 2000.

Between October 1989 and September 1999, the Fund paid all but \$450,000 of these loans with transfers of appropriated funds, referred to as "appropriated capital", pursuant to 40 U.S.C. 174j-4, from the Senate's contingent expense appropriation account. During fiscal year 1999, the Fund received transfers of appropriated capital from the Senate's contingent expense appropriations account totaling \$890,000. The fund used \$540,000 of the \$890,000 transfer received in fiscal year 1999 to repay loans from the Senate's contingent fund. These loan repayments reduced the outstanding balance of loans from the Senate's contingent fund at September 30, 1999 to \$450,000. In fiscal year 2000, the Fund repaid \$50,000 of the outstanding loan balance with operating funds, reducing the outstanding balance of loans at September 30, 2000 to \$400,000. The transfer of appropriated capital received during fiscal year 1999 increased the Fund's appropriated capital to \$2,847,144 at September 30, 1999. No appropriated capital transfer was received by the Fund in fiscal year 2000.

The loan outstanding at September 30, 2000 and September 30, 1999 is as follows:

	<u>2000</u>	<u>1999</u>
Loan issued October 1996, due by September 30, 2003	\$ <u>400,000</u>	<u>450,000</u>
	\$ <u>400,000</u>	<u>450,000</u>

**Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund**

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 2000 and 1999

(6) Sales

The following schedule provides a comparison of sales, commissions, and other operating income (loss) for the various Fund activities during fiscal years 2000 and 1999. Catering sales and profits have been included in Capitol dining rooms and cafeteria activities.

	<u>Fiscal year 2000</u>		<u>Fiscal year 1999</u>	
	<u>Sales and commissions</u>	<u>Other operating income (loss)</u>	<u>Sales and commissions</u>	<u>Other operating income (loss)</u>
Food and beverage operations:				
Special functions	\$ 4,045,154	902,770	3,721,429	741,705
Capitol dining room	379,078	(542,860)	389,209	(693,769)
Cafeterias	2,419,287	(740,623)	2,429,203	(873,882)
Coffee shop	133,859	(37,677)	144,666	(75,172)
Snack bar	168,114	(57,081)	160,139	(53,585)
Senate chef	725,674	(49,367)	708,408	30,629
Total	<u>7,871,166</u>	<u>(524,838)</u>	<u>7,553,054</u>	<u>(924,074)</u>
Sundry shop operations:				
Capitol dining room	27,521	7,735	29,885	8,407
Dirksen office building ⁽¹⁾	—	—	9,635	(3,391)
Southside Deli	210,560	(18,443)	175,172	15,369
Hart office building	416,524	(29,747)	422,153	19,803
Total sundry	<u>654,605</u>	<u>(40,455)</u>	<u>636,845</u>	<u>40,188</u>
Vending machine commissions and other operating income	<u>176,852</u>	<u>176,852</u>	<u>205,347</u>	<u>205,347</u>
Total	<u>\$ 8,702,623</u>	<u>(388,441)</u>	<u>8,395,246</u>	<u>(678,539)</u>

⁽¹⁾The Dirksen office building closed operations during the first quarter of fiscal year 1999.

(7) Employee Buy-out Expense

In an effort to reduce the present workforce and cut operating costs, the Fund was authorized, pursuant to the Legislative Branch Appropriation Act, 1998, Public Law 105-55, Section 310, to offer early retirement or voluntary separation incentive payments to not more than 50 eligible employees, effective beginning October 7, 1997, the enactment date of this Legislation, through September 30, 1999. As a result, the Fund paid separation payments of \$57,731 in 1999.

Appendix I
Report on the Audit of the United States
Senate Restaurants Revolving Fund

Management's Report on Its Assertion About the Effectiveness of Controls Over Financial Reporting



Washington, DC 20515

January 12, 2001

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Dear Sir/Madam:

In connection with your examination of our assertion regarding internal controls over financial reporting of the U.S. Senate Restaurants, as of September 30, 2000, we make the following assertions.

1. Senate Restaurants' management is responsible for ensuring the existence and effective operation of internal controls over financial reporting.
2. Management has assessed the effectiveness of internal controls over financial reporting for the Senate Restaurants' as of September 30, 2000, in accordance with criteria set forth in GAO's Standard for Internal Controls in the Federal Government. Based on that assessment, management believes that, as of September 30, 2000, Senate Restaurants maintained effective internal controls over financial reporting, the objectives of which are to provide management with reasonable, but not absolute, assurance of achieving the following objectives.
 - Assets were safeguarded against loss from unauthorized acquisition, use or disposition;
 - Transactions were executed in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the financial statements; and,
 - Transactions were properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for assets.

Sincerely,

Michael A. Marinaccio
Director of Food Services
U.S. Senate Restaurants

14

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