United States General Accounting Office

GAO

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

June 1999

FINANCIAL AUDIT

Senate Restaurants Revolving Fund for Fiscal Years 1998 and 1997

GAO/AIMD-99-185

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

Accounting and Information
Management Division

B-281568

June 15, 1999

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

The Honorable Alan M. Hantman
Architect of the Capitol

As 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, 1998 and 1997, 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 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 reliable in all material respects.
- Management fairly stated its assertion that internal controls in place on September 30, 1998, were effective in safeguarding assets against 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.
- There was no reportable noncompliance with laws and regulations it tested.

With respect to weaknesses in the Fund's logical computer access controls reported by KPMG in its fiscal year 1997 audit report,[1] the Fund's management initiated actions designed to strengthen these important controls. Logical access controls involve the use of computer hardware, software, and related procedures to prevent or detect unauthorized access to computer software and data. While progress has been made in strengthening these important controls during fiscal year 1998, additional

[1]The results of KPMG's fiscal year 1997 financial audit can be found in our report entitled Financial Audit: Senate Restaurants Revolving Fund for Fiscal Years 1997 and 1996 (GAO/AIMD-98-193, June 23, 1998).

actions need to be taken. The need for further action on logical access controls along with other matters involving the Fund's internal controls identified by KPMG have been reported separately to the Fund's management. Also, the Fund's management is currently in the process of upgrading the Fund's computer systems and applications in response to the Year 2000 computing problem.[2] Management expects that testing and subsequent activation of Year 2000-compliant replacement software and related applications will be completed by July 1999.

As disclosed in KPMG's report and the Fund's financial statements, the Fund's operations are economically dependent on financial support provided--in various forms--by the Architect of the Capitol and the United States Senate. Specifically, the Fund's financial statements for the fiscal years ended September 30, 1998 and 1997, reflect the fact that the Architect and the Senate provided direct financial support in the form of transferred appropriations, loans, and/or appropriated capital totaling about $1.7 million and $2.1 million, respectively. In addition to direct financial support, the Architect provided other financial support in fiscal years 1998 and 1997 by providing about $123,000 and $209,000, respectively, for the purchase and maintenance of restaurant-related capital items. Finally, the Architect and the Government Printing Office provided the Fund with other support--the value of which cannot be readily determined--during fiscal years 1998 and 1997. As KPMG noted in its report, if operating trends continue, the Fund will continue to require future financial support to maintain continuing operations.

As discussed in note 3(a) to the Fund's financial statements, prior to fiscal year 1998, the Architect's use of appropriated funds to pay certain management personnel and miscellaneous expenses of the Restaurants had not been included in the Fund's Statement of Operations and Changes in U.S. Government Equity (Deficit). However, beginning with fiscal year 1998, the Architect, pursuant to Public Law 105-55, 111 stat. 1189, Title I, is required to transfer the appropriated funds to the Fund, which the Restaurants use to pay applicable management personnel and miscellaneous expenses. To enhance the comparability of the Fund's fiscal

[2]The Year 2000 problem is rooted in the way dates are recorded and calculated in many computer systems. For the past several decades, systems have typically used two digits to represent the year in order to conserve on electronic data storage and reduce operating costs. With this two-digit format, however, the year 2000 is indistinguishable from the year 1900. As a result, system or application programs that use dates to perform calculations, comparisons, or sorting may generate incorrect results when working with years after 1999.

year 1998 and 1997 financial statements, the Statement of Operations and Changes in U.S. Government Equity (Deficit) for fiscal year 1997 have been restated to show the use of appropriated funds to support Restaurant 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, inquired with KPMG representatives and the Fund's management. Our review, as differentiated from an audit in accordance with 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 assertion about the effectiveness of its internal controls 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 where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

This report is a matter of public record and 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 Dodd, Ranking Minority Member, Senate Committee on Rules and Administration; Senator Robert F. Bennett, Chairman, and Senator Dianne Feinstein, Ranking Minority 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 staffs have any questions concerning our review of the audits, please contact me on (202) 512-9406 or John J. Reilly, Assistant Director, on (202) 512-9517.

Robert W. Gramling

Robert W. Gramling
Director, Corporate Audits
and Standards

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Report on Audit of United States Senate Restaurants Revolving Fund

Independent Auditors' Report

KPMG

2001 M Street, N.W.
Washington, DC 20036

INDEPENDENT AUDITORS' REPORT

Comptroller General
United States General Accounting Office:

We have audited the fiscal years 1998 and 1997 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, 1998. 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 years 1998 and 1997 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and
- management fairly stated its assertion that internal controls in place on September 30, 1998 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, 1998 and 1997, 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 3, the financial statements present 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, the operations of the Fund are economically dependent on direct support provided through the United States Senate and the Architect. If operating trends continue, the Fund will continue to require financial support to maintain continuing operations.

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, 1998 and 1997, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in note 3, the Architect financed certain operating costs for the Fund, which were not reflected in the Fund's financial statements. Beginning in fiscal year 1998, however, the Architect transferred appropriations to the Fund for use in paying these costs. For comparability, the fiscal year 1997 statements of operations and changes in U.S. government equity and cash flows have been restated to recognize operating costs incurred by the Architect on behalf of the Fund of approximately $1.7 million.

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

We have examined management's assertion at September 30, 1998, included in the accompanying *Management's Report on Its Assertion About the Effectiveness of Control over Financial Reporting*, found on page 16, 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, 1998 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.*

We noted certain matters involving the internal controls and their operation that we do not consider to be reportable conditions that we are reporting to management in a separate letter dated December 23, 1998.

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 generally accepted accounting principles,
- establishing, maintaining, and assessing the internal control structure 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 generally accepted accounting principles 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 selected provisions of laws and regulations.

In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

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- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall financial statement presentation;
- obtained an understanding of the internal control structure 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 system of internal control, fraud, errors, or irregularities may occur and not be detected. Also, projections of any evaluation of internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit 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 conducted our examination of management's assertion regarding the effectiveness of the Fund's internal controls over financial reporting in place at September 30, 1998 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

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of the Senate Restaurant 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

December 23, 1998, except for Note 6,
footnotes (2) and (3), as to which the
date is May 17, 1999

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Balance Sheets

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Balance Sheets

September 30, 1998 and 1997

Assets	1998	Restated 1997
Cash:		
Funds with U.S. Treasury	$ 427,166	396,649
Petty cash and change funds	20,500	20,500
Accounts receivable, Senate customer accounts (note 4)	123,263	222,296
Food, beverage, and merchandise inventory	156,157	141,772
China, glassware, silverware, and tableware	39,925	95,490
Total assets	$ 767,011	876,707
Liabilities and U.S. Government Equity (Deficit)		
Accounts payable and accrued expenses:		
Due to vendors	$ 596,747	357,534
Payroll and related benefits	221,441	262,959
Deferred income (note 2)	34,210	32,119
Total accounts payable and accrued expenses	852,398	652,612
Other liabilities:		
Employees' accrued leave	208,020	208,423
Loans from Senate contingent fund (note 6)	990,000	925,000
Total other liabilities	1,198,020	1,133,423
Total liabilities	2,050,418	1,786,035
U.S. Government equity:		
Appropriated capital (note 6)	1,957,144	1,747,144
Cumulative results of operations (deficit)	(3,240,551)	(2,656,472)
Total U.S. Government equity (deficit)	(1,283,407)	(909,328)
Total liabilities and U.S. Government equity	$ 767,011	876,707

See accompanying notes to financial statements.

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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, 1998 and 1997

	1998	Restated 1997 (note 3)
Sales and other operating income		
Sales (note 7):		
Regular food services	$ 3,728,577	3,702,311
Catering	3,431,268	3,047,815
Sundry shop sales	466,525	464,052
Other operating income	162,219	163,053
Total sales and other operating income	7,788,589	7,377,231
Cost of sales		
Food and beverages	2,467,252	2,369,189
Sundry shop merchandise	322,729	311,320
Vendor fees	6,833	27,376
Total cost of sales	2,796,814	2,707,885
Gross income from sales and other operating income	4,991,775	4,669,346
Operating expenses (note 3):		
Personnel and benefits	5,586,674	6,284,067
Supplies and materials	384,307	375,079
Miscellaneous	284,591	121,480
Total operating expenses	6,255,572	6,780,626
Loss from sales and other operating income	(1,263,797)	(2,111,280)
Other sources (uses) of funds:		
Employee buy-out expense (note 8)	(753,282)	—
Appropriated funds (note 3)	1,433,000	1,679,324
Net loss	(584,079)	(431,956)
U.S. Government equity (deficit) – beginning of year	(909,328)	(477,372)
Appropriated capital (note 6)	210,000	—
U.S. Government equity (deficit) – end of year	$ (1,283,407)	(909,328)

See accompanying notes to financial statements.

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Statements of Cash Flows

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Statements of Cash Flows

Years ended September 30, 1998 and 1997

	1998	Restated 1997
Cash flow from operating activities:		
Net loss	$ (584,079)	(431,956)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase)/decrease in assets:		
Accounts receivable	99,033	(27,107)
Food, beverage, and merchandise inventory	(14,385)	3,309
China, glassware, silverware, and tableware	55,565	25,921
Increase/(decrease) in liabilities:		
Due to vendors	238,823	(95,948)
Payroll and related benefits	(41,128)	43,097
Employees' accrued leave	(403)	(9,770)
Deferred income	2,091	32,119
Net cash used for operating activities	(244,483)	(460,335)
Cash flows from financing activities:		
Net loan proceeds from Senate contingent fund	65,000	450,000
Transfer from Senate contingent fund	210,000	—
Net increase (decrease) in cash	30,517	(10,335)
Funds with U.S. Treasury, beginning of year	396,649	406,984
Funds with U.S. Treasury, end of year	$ 427,166	396,649

See accompanying notes to financial statements.

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Notes to Financial Statements

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

(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 and the Committee approves them.

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 (See note 3). 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 6). For the fiscal years ended September 30, 1998 and 1997 (restated—as discussed in note 3), 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 $1,708,000 and $2,129,324, respectively, as follows:

		1998	1997 (restated)
Transfers of appropriations from the Architect	$	1,433,000	1,679,324
Net loan proceeds		65,000	450,000
Increase in appropriated capital		210,000	—
Total direct support	$	1,708,000	2,129,324

The Fund has received its appropriated funds from the Architect for fiscal year 1999 and has budgeted them to support the Fund at current operating levels.

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, 1998 and 1997 this support totaled $123,167 and $209,390, respectively. (See note 3(b)). In addition, the Architect and the Government Printing Office use appropriated funds—the value of which can not 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 continue to require future support, as described above, to maintain continuing operations.

(Continued)

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

(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

Inventory consisting of food, beverages, and merchandise is valued at cost using the first-in, first-out method.

China, glassware, silverware, and tableware purchased by the Fund are valued at cost, using a first-in, first-out method. Charges for breakage and shortages, based on physical count, are charged to operations. During fiscal years 1995 through 1997, replacements of and additions to china, glassware, silverware, and tableware were purchased using appropriated funds provided through the Architect and, accordingly, were not recorded in the Fund's financial statements. Beginning in fiscal year 1998, the Architect is statutorily required to transfer appropriated funds to the Fund to pay for certain operating expenses (see note 3). As a result, purchases of china, glass, silverware and tableware are recorded in the Fund's financial statements. No inventory replacements or additions were purchased in fiscal year 1998.

(c) Use of Estimates

The preparation of financial statements in accordance with 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 could differ from management's estimates.

(d) Deferred Income

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

(e) Change in Presentation

Deposits of $32,119 received as of September 30, 1997 for catered events occurring subsequent to year-end have been reclassified as deferred income (see note 4). These amounts were shown

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

in the fiscal year 1997 financial statements as reductions to accounts receivable – Senate customer accounts.

(3) Costs of Operations

(a) Restatement of Fiscal Year 1997 Financial Information

Prior to fiscal year 1998, the Architect was authorized to use funds appropriated to the Architect to pay certain management personnel and miscellaneous expenses associated with operating the Senate Restaurants. Because these expenses were not paid by the Fund, they were not included as operating expenses on the Fund's Statement of Operations and Changes in Equity (Deficit). However, as described in note 1, Public Law 105-55,111 stat. 1189, Title I requires that, effective October 1, 1997, funds appropriated to the Architect for management personnel and miscellaneous restaurant expenses be transferred to the Fund and used to pay applicable expenses.

While the statutory change was effective for fiscal year 1998, selected line items from the Fund's fiscal year 1997 Statement of Operations and Changes in Government Equity (Deficit) have been restated to provide comparative financial information consistent with the presentation for fiscal year 1998. As noted below, the restatement had no net effect on the Fund's equity because the net increase in operating expenses was offset by an equal amount of appropriated funds.

	1997 (restated)	Operating expenses paid by the Architect	1997 (before restatement)
Operating expenses:			
Personnel compensation	$ 3,971,865	930,255	3,041,610
Personnel benefits	1,645,567	233,789	1,411,778
Other services	666,635	193,112	473,523
Supplies and materials	375,079	322,168	52,911
Miscellaneous	121,480	—	121,480
Total operating expenses	6,780,626	1,679,324	5,101,302
Other sources of funds:			
Appropriated funds	1,679,324	1,679,324	—
Operating expenses, net of appropriated funds	$ 5,101,302	—	5,101,302

(b) Other Costs of Operations

The costs of capital items and related repairs and maintenance purchased by Architect for the beneficial use of the Fund, but for which the Architect retains ownership, are not reflected in the

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

Fund's financial statements. Identifiable costs paid directly by the Architect on behalf of the Fund for these items in fiscal years 1998 and 1997 are as follows:

		1998	1997 (restated)
Equipment maintenance	$	24,434	26,174
China, glass, silverware, and tableware		—	28,895
Equipment purchases		98,733	154,321
Total	$	123,167	209,390

(4) 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, 1998 and 1997 follows. Aged receivable amounts at September 30, 1997 have been restated to present deposits received at September 30, 1997 as deferred income (see note 2(e)).

	September 30, 1998		September 30, 1997 (restated)	
Days outstanding	**Amount**	**Percent**	**Amount**	**Percent**
0 to 30	$ 76,500	62.1 %	$ 186,703	84.0 %
31 to 60	2,065	1.7	1,139	0.5
61 to 90	14,497	11.8	21,526	9.7
Over 90	30,201	24.5	12,928	5.8
Total	$ 123,263	100 %	$ 222,296	100 %

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 accounts are delinquent for over 30 days. Approximately 85 percent of the accounts receivable balance at September 30, 1998 had been collected within 60 days subsequent to year-end.

(5) 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

(Continued)

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

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 1998 and 1997 are listed in the following table.

	Fiscal year 1998	Fiscal year Restated 1997 (note 3)
Pension-related		
CSRS	$ 84,888	88,124
FERS	390,465	410,275
TSP	76,202	65,624
Total pension-related benefits	551,555	564,023
Other		
FEHBP	374,336	383,514
FEGLI	7,801	8,414
FICA	201,122	189,229
HIT	70,620	65,267
Leave expense	315,692	319,464
Employee meals	100,729	93,725
Others	19,397	21,931
Total nonpension-related benefits	1,089,697	1,081,544
Total benefits	$ 1,641,252	1,645,567

(6) 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 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.

 (Continued)

UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

From October 1988 through September 1996, under 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 $1,525,000. Between October 1989 and April 1998, the Fund repaid all but $265,000 of these loans with transfers of appropriated funds from the Senate's contingent expense appropriation account. The due date for repayment of the $265,000 loan was extended from June 30, 1998 to March 31, 1999. The appropriated fund transfers used to repay loans and other transfers have increased the Fund's total appropriated capital to $1,747,144 at September 30, 1997 and $1,957,144 at September 30, 1998.

In October 1996, the Fund received proceeds from an additional loan for $450,000 from the miscellaneous items appropriation account of the Senate's contingent fund to cover continuing operating losses and pay expenses. This loan is scheduled for repayment by June 30, 2000. In September 1998, the Committee approved an additional loan from the contingent fund to the Restaurants in the amount of $275,000. The loan is scheduled for repayment in March 1999.

Accordingly, the loans outstanding at September 30, 1998 and September 30, 1997 are as follows:

	1998	1997
Loan issued September 1995, due September 30, 1997 [1]	$ —	210,000
Loan issued September 1995, due March 31, 1999 [2]	265,000	265,000
Loan issued October 1996, due June 30, 2000	450,000	450,000
Loan issued September 1998, due March 31, 1999[3]	275,000	—
	$ 990,000	925,000

[1] Repaid by equity transfer from Senate contingent fund, April 1998
[2] Repaid by equity transfer from Senate contingent fund, January 1999
[3] The due date of the loan has been extended to September 30, 1999 at the direction of the Committee

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UNITED STATES SENATE RESTAURANTS REVOLVING FUND

Notes to Financial Statements

September 30, 1998 and 1997

(7) Sales

The following schedule provides a comparison of sales, commissions, and operating income (loss) for the various Fund activities during fiscal years 1998 and 1997. Catering sales and profits have been included in Capitol dining rooms and cafeteria activities.

		Fiscal year 1998		Fiscal year 1997 Restated (see note 3)	
		Sales and commissions	Operating income (loss)	Sales and commissions	Operating income (loss)
Food and beverage operations:					
Special functions	$	3,276,557	371,408	2,891,678	94,389
Capitol dining room		333,673	(667,929)	329,963	(854,651)
Cafeterias		2,493,678	(835,801)	2,500,728	(1,118,481)
Coffee shop		244,434	(153,179)	199,617	(164,260)
Snack bar		146,665	(55,027)	155,219	(89,983)
Senate chef		664,838	(87,117)	672,921	(141,712)
Tota		7,159,845	(1,427,645)	6,750,126	(2,274,698)
Sundry shop operations:					
Capitol dining room		19,279	6,755	17,185	3,434
Dirksen office building		158,751	(7,556)	182,572	8,884
Hart office building		288,495	2,430	264,295	(11,953)
Total sundry		466,525	1,629	464,052	365
Vending machine commissions and other income		162,219	162,219	163,053	163,053
Tota	$	7,788,589	(1,263,797)	7,377,231	(2,111,280)

(8) Employee Buy-out Expense

In an effort to reduce the present work force 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. A total of 35 employees, which represents approximately 18 percent of Fund employees on board at the end of fiscal year 1997, have opted out under this program. As a result, the Fund paid approximately $753,000 in separation payments in fiscal year 1998.

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

THE ARCHITECT OF THE CAPITOL 1793

Washington, DC 20515

December 23, 1998

KPMG Peat Marwick, 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, 1998, 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, 1998, 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, 1998, 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 statement; and,
   - Transactions were properly recorded, processed, and summarized to permit the preparation of reliable financial statements and maintain accountability for asserts.

Sincerely,

Alan M. Hantman, AIA
Architect of the Capitol

John S. Porter
Assistant Director
U.S. Senate Restaurants

Lynne M. Theiss
Executive Officer
Architect of the Capitol

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