

**UNITED STATES CAPITOL POLICE
FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT
FISCAL YEAR 2008
OIG-2009-01**

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United States Capitol Police Board

INDEPENDENT AUDITORS' REPORT

We have audited, the accompanying balance sheet of the United States Capitol Police (USCP) as of September 30, 2008, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended. These financial statements are the responsibility of USCP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 believe that our audit provides 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 USCP as of September 30, 2008, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our reports dated December 1, 2008, on our examination of USCP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of our report on compliance is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

COTTON & COMPANY LLP

Alan Rosenthal, CPA
Partner

December 1, 2008
Alexandria, Virginia

UNITED STATES CAPITOL POLICE
Balance Sheet
As of September 30, 2008

ASSETS

Intragovernmental:	
Fund Balance with Treasury (Note 2)	\$ 76,518,907
Account Receivable (Note 4)	45,714
Advances to Others (Note 3)	12,147,519
Total Intragovernmental	<u>88,712,140</u>
Cash and Other Monetary Assets	4,000
Accounts Receivable - Public, Net (Note 4)	45,050
General Property, Plant and Equipment, Net (Note 5)	69,175,229
	<u>157,936,419</u>
TOTAL ASSETS	<u>\$ 157,936,419</u>

LIABILITIES (Note 6)

Accounts Payable, Intragovernmental	\$ 4,820,107
Accounts Payable, Public	13,785,904
Accrued Salaries and Benefits	11,119,805
Accrued Unfunded Annual Leave	8,617,037
Actuarial FECA Liabilities (Note 10)	21,837,652
Other (Note 7)	132,801
	<u>60,313,306</u>
TOTAL LIABILITIES	<u>60,313,306</u>

NET POSITION

Cumulative Results of Operations	39,757,915
Unexpended Appropriations	57,865,198
	<u>97,623,113</u>
TOTAL NET POSITION	<u>97,623,113</u>
	<u>157,936,419</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 157,936,419</u>

The accompanying notes are an integral part of this financial statement

UNITED STATES CAPITOL POLICE
Statement of Net Cost
For the Fiscal Year Ended September 30, 2008

STRATEGIC GOALS:

Assess the Threat

Gross Costs	\$ 56,075,780	
Less: Earned Revenue	-	\$ 56,075,780

Prevent

Gross Costs	90,344,189	
Less: Earned Revenue	-	90,344,189

Respond

Gross Costs	75,671,723	
Less: Earned Revenue	-	75,671,723

Support the Mission

Gross Costs	92,943,256	
Less: Earned Revenue	(278,039)	92,665,217

NET COST

\$ 314,756,909

The accompanying notes are an integral part of this financial statement

UNITED STATES CAPITOL POLICE
Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2008

CUMULATIVE RESULTS OF OPERATIONS

Beginning Balance	\$	54,421,993
Budgetary Financing Sources		
Appropriations Used		282,626,423
Other Financing Sources		
Imputed Financing Sources		17,466,408
Net Cost of Operations		<u>(314,756,909)</u>
Net Change		<u>(14,664,078)</u>
TOTAL CUMULATIVE RESULTS OF OPERATION	\$	<u>39,757,915</u>

UNEXPENDED APPROPRIATIONS

Beginning Balance	\$	59,371,517
Budgetary Financing Sources		
Appropriations Received		282,576,000
Appropriations Used		(282,626,423)
Other Adjustments		<u>(1,455,896)</u>
Net Change		<u>(1,506,319)</u>
TOTAL UNEXPENDED APPROPRIATIONS		<u>57,865,198</u>
NET POSITION	\$	<u>97,623,113</u>

The accompanying notes are an integral part of this financial statement

UNITED STATES CAPITOL POLICE
Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2008

BUDGETARY RESOURCES

Unobligated Balance, October 1	\$	44,827,654
Recoveries of Prior Year Unpaid Obligations		2,271,944
Total Prior Resources		<u>47,099,598</u>
New Resources		
Appropriations		282,576,000
Spending Authority from Offsetting Collections		336,406
Total New Resources		<u>282,912,406</u>
Permanently Not Available		
Enacted Reduction		(704,250)
Canceled Authority		(751,646)
Total Permanently Not Available		<u>(1,455,896)</u>
TOTAL BUDGETARY RESOURCES	\$	<u>328,556,108</u>

STATUS OF BUDGETARY RESOURCES

Obligations Incurred, Direct	\$	290,291,268
Unobligated Balance Exempt from Apportionment		25,541,276
Unobligated Balance Not Available		12,723,564
TOTAL STATUS OF BUDGETARY RESOURCES	\$	<u>328,556,108</u>

CHANGE IN OBLIGATED BALANCES

Unpaid Obligations, October 1	\$	31,372,220
Gross Obligations Incurred		290,291,268
Gross Outlays		(281,261,251)
Recoveries of Prior Year Unpaid Obligations		(2,271,944)
NET OBLIGATED BALANCE	\$	<u>38,130,293</u>

NET OUTLAYS

Gross Outlays	\$	281,261,251
Offsetting Collections		(336,406)
NET OUTLAYS	\$	<u>280,924,845</u>

The accompanying notes are an integral part of this financial statement

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the financial position and budgetary resources of the United States Capitol Police (USCP). The mission of the USCP, an agency in the legislative branch of the federal government, is "to protect the Congress, its legislative processes, Members, employees, visitors, and facilities from crime, disruption, or terrorism." The USCP carries out its mission primarily by providing security for the Capitol and congressional office buildings, providing protective services for Members and dignitaries, installing and operating advanced security systems, and maintaining staff and equipment to respond to emergencies within its geographical jurisdiction. The agency's resources are organized into five operational units and seven administrative units as follows:

Operational

- Operational Services Bureau
- Protective Services Bureau
- Security Services Bureau
- Uniformed Services Bureau
- Office of Plans, Operations and Homeland Security

Administrative

- Office of Employment Counsel
- Office of Financial Management
- Office of Human Resources
- Office of Information Systems
- Office of Policy and Management Systems
- Office of Facilities and Logistics
- Training Services Bureau

B. Basis of Accounting

The financial statements were prepared from the USCP's books and records, in conformity with generally accepted accounting principles for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB). Accordingly, revenue is recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles, whereby funds availability is recorded based on legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements.

The statements were also prepared in conformity with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The Balance Sheet presents the financial position of the USCP; the Statement of Net Cost presents the expenses by strategic goal, net of revenues; the Statement of Changes in Net Position displays the changes in the equity accounts; and the Statement of Budgetary Resources presents information on total budgetary resources available, the status of those resources and net outlays.

Throughout these financial statements certain assets, liabilities, earned revenue, and costs are classified according to the type of entity with which transactions were made. Intra-governmental assets and liabilities are those received from or due to other federal entities. Intra-governmental earned revenue represents collections or accruals of revenue from other federal entities, and intra-governmental costs result from payments to or accruals of amounts due to other federal entities. These financial statements should be read with the understanding that they are for a component of the U.S. Government.

C. Budgetary Resources and Status

The USCP is funded through congressionally approved appropriations. The USCP is responsible for administering its salaries and expenses through the execution of these appropriations. Congress enacts annual appropriations that provide the USCP with authority to obligate funds within the respective fiscal year for necessary expenses to carry out its mission and related activities. In addition, Congress

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

periodically enacts permanent indefinite appropriations for long term projects and initiatives that are available until expended.

The USCP's budgetary resources for FY 2008 consist of:

- Unobligated balances or resources brought forward from the prior year,
- Recoveries of obligations in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Generally, unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are cancelled and may not be used. All cancelled appropriations are returned to the U.S. Treasury and the cancelled authority is reported as a line item on the Statement of Budgetary Resources and the Statement of Changes in Net Position.

D. Fund Balance with Treasury

Funds with the U.S. Treasury comprise the majority of intragovernmental assets on USCP's balance sheet and primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. The Department of the Treasury processes cash receipts and disbursements on behalf of USCP and the Agency's accounting records are reconciled with Treasury on a monthly basis.

E. Advances and Prepayments

The USCP advances funds to federal agencies to perform long-term capital projects. The advances are liquidated and recorded as expenses or capital assets as work is completed.

F. General Property, Plant and Equipment

General Property, Plant, and Equipment (PP&E) consists of equipment, structures, facilities, building improvements, internal use software, and construction-in-progress. The basis for recording purchased PP&E is full cost, which includes all costs incurred to bring the PP&E to a form and location suitable for its intended use. The capitalization threshold established by USCP is \$25,000. Capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from 3-10 years.

G. Liabilities

Liabilities represent amounts to be paid by the USCP as a result of transactions or events that have already occurred. Accounts payable consists of amounts owed to other federal agencies and commercial vendors for goods and services received and accepted prior to the end of the reporting period. No liability can be paid by USCP absent an appropriation of funds by Congress. Liabilities for which an appropriation has not been enacted are unfunded, the liquidation of which is dependent on future appropriations or other funding.

H. Federal Employee Benefits

The USCP recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to USCP. The pension expense recognized in the financial statements equals the current service costs for USCP employees less the amount contributed by the employees. The Office of Personnel Management (OPM), the administrator of the plan, supplies USCP with the factors to apply in the calculation of the current service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by USCP and employees represents the amount being financed directly through the Civil Service Retirement and Disability and administered by OPM. This amount is considered imputed financing to USCP.

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

The USCP recognizes a current period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. The agency accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USCP do not make current contributions to fund these future benefits.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and reduced as it is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates and balances. To the extent current or prior year appropriations are not available to fund accrued annual leave, funding will be obtained from future financing sources. Sick and other types of non-vested leave are expensed when taken. All leave is funded when expensed.

J. Judgment Fund

Certain tort claims over \$25,000 to which the USCP is a named party may be administrated and litigated by the Department of Justice in accordance with the Federal Tort Claims Act. Settlements and awards are paid from a special Judgment Fund maintained by the U.S. Department of the Treasury under title 31 of the United States Code, section 1304. Payments by the Judgment Fund on behalf of USCP do not require reimbursement.

K. Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the reporting period. Actual results could differ from these estimates.

Note 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury is the aggregate of accounts with the U.S. Treasury for which the USCP is authorized to make expenditures and pay liabilities. Use of amounts donated to the USCP Memorial Fund is restricted to the fund's intended purpose. The status of funds with the U.S. Treasury as of September 30, 2008 consists of the following balances:

Fund Type:	
Appropriated *	\$ 76,391,133
Special (Memorial Fund)	91,372
Suspense	580
Miscellaneous Receipt	35,822
Total	<u>\$ 76,518,907</u>
* Status of Appropriated Balance:	
Unobligated	
Available	\$ 25,541,276
Unavailable	12,723,564
Obligated, Not Yet Disbursed	38,126,293
Total	<u>\$ 76,391,133</u>

Note 3. ADVANCES TO OTHERS

The USCP enters into agreements with other federal agencies to design, develop, and test security systems. These agencies estimate funding necessary for payments to their contractors for labor and materials for certain periods of time and request advances of funds from USCP. The advances are periodically liquidated using information from expense reports provided by the other federal agencies. Any unliquidated advance balance remaining at the end of the project is refunded to USCP by the agencies holding the contract.

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Note 4. ACCOUNTS RECEIVABLE

Accounts receivable from federal agencies arise from the provision of law enforcement services for special events in accordance with an interagency agreement. The receivables due from other federal entities are considered to be 100 percent collectible and do not require an allowance for doubtful accounts. Unbilled receivables reflect an amount previously advanced to a federal agency which will be returned to USCP because a project was completed and the remainder of the advance was no longer needed by the other federal agency. Accounts receivable from federal agencies as of September 30, 2008 is as follows:

Accounts Receivable from Federal Agencies:	
Billed	\$ 1,952
Unbilled	43,762
Total Accounts Receivable - Federal	<u>\$ 45,714</u>

Accounts receivable from the public are recorded for amounts due from current and former USCP employees for salary overpayments, missed deductions for benefits, and other indebtedness related to time and attendance corrections, advancement of leave or unreturned property. An allowance for doubtful accounts for amounts due from employees is calculated using risk of non-collection factors as applied to an aging of the payroll receivables provided by the U.S. Department of Agriculture National Finance Center (NFC). The accounts receivable from the public as of September 30, 2008 is:

Accounts Receivable from the Public:	
Current and Former USCP Employees	
0-30 days outstanding	\$ 14,170
31-90 days outstanding	4,521
91-180 days outstanding	4,525
181-360 days outstanding	32,853
Over 360 days outstanding	<u>21,073</u>
Total Due from USCP Employees	\$ 77,142
Allowance for Doubtful Accounts	<u>(37,119)</u>
Receivables Due from USCP Employees, Net	40,023
Other	<u>5,027</u>
Total Accounts Receivable - Public, Net	<u>\$ 45,050</u>

Note 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant, and equipment as of September 30, 2008 is as follows:

Classification	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$ 2,265,601	\$ (396,675)	\$ 1,868,926
Other Structures and Facilities	893,274	(388,975)	504,299
Equipment	117,215,793	(74,545,967)	42,669,826
Internal Use Software	10,141,386	(7,434,717)	2,706,669
Construction-in-Process	20,863,056	-	20,863,056
Software-in-Development	562,453	-	562,453
Total	<u>\$ 151,941,563</u>	<u>\$ (82,766,334)</u>	<u>\$ 69,175,229</u>

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Note 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Certain liabilities are not covered by appropriated funds or other budgetary resources. Therefore, they are dependent on future appropriations or other funding. Although future appropriations to fund these liabilities are likely, it is not certain such appropriations will be enacted. The USCP liabilities not covered by budgetary resources as of September 30, 2008 are summarized below:

Non-Federal	
Worker's Compensation Benefits (Actuarial FECA Liability)	\$ 21,837,652
Accrued Unfunded Annual Leave	<u>8,617,037</u>
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 30,454,689</u>

Note 7. OTHER LIABILITIES

Non-Federal	
Custodial Receipts for Memorial Fund	\$ 91,372
Miscellaneous Receipts due to U.S. Treasury General Fund	35,822
Payroll Receivables - Canceled Appropriations	5,027
Canceled Payments to be Reissued	<u>580</u>
Total Other Liabilities	<u>\$ 132,801</u>

Note 8. FEDERAL EMPLOYEE BENEFITS

The USCP's employees are eligible for benefits under either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). The FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS. Employees under FERS are also covered under the Federal Insurance Contributions Act (FICA), which imposes a tax on both employees and employers to fund Social Security and Medicare programs that provide benefits for retirees, the disabled, and children of deceased workers. Social Security benefits include old-age, survivors, and disability insurance. Medicare provides hospital insurance benefits. Federal employees hired prior to January 1, 1984 can elect to join FERS and Social Security or remain in CSRS.

For employees under FERS, USCP automatically withholds 1.3% of employee basic pay (excludes overtime, nighttime/Sunday/holiday differential, premium and specialty pay) for retirement. Federal agencies are required to fund a portion of FERS costs. In accordance with the 17.1% cost factor provided by OPM for FY 2008, USCP contributed 15.8% of employee basic pay in order to fund FERS benefits. These contributions, along with the 1.3% withholding, are transferred to the Federal Employees Retirement Fund maintained by OPM to finance payments to retirees made by the FERS Basic Benefit Plan. The USCP also withholds 7.65% of FERS employees' total pay for FICA taxes. The FICA withholdings and matching FICA contributions made by USCP are transferred to the Social Security Administration (SSA).

The Thrift Savings Plan (TSP), as authorized by the Federal Employees' Retirement System Act of 1986, provides retirement savings and investment plan for employees covered by FERS or CSRS. For FERS employees eligible for TSP, USCP contributes 1% of basic pay and matches participants' TSP contributions up to an additional 4 percent. Both employee and agency TSP contributions are transferred to the Thrift Savings Fund, maintenance of which is responsible by the Federal Retirement Thrift Investment Board.

For employees under CSRS, USCP withholds 7.5% percent of basic pay and matches this withholding with equal contributions. The sum of withholding and matching contributions is transferred to CSRS.

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

An additional 1.45% of total pay is contributed toward Medicare on behalf of CSRS employees. For CSRS offset employees, USCP withholds 7.65% of total pay for FICA taxes (up to the \$102,000 for Social Security based on the maximum taxable earnings for FY 2008). CSRS and CSRS offset employees may contribute up to \$15,500 of their basic pay to a TSP account, but there is no agency matching contribution.

In addition, all permanent employees are eligible to participate in the contributory Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance Program (FEGSLIP) and may continue to participate after retirement. The USCP makes contributions through OPM to FEHBP and FEGSLIP for active employees to pay for their current benefits. USCP's contributions for active employees are recognized as operating expenses.

The total cost of the primary benefits paid and accrued by the USCP on behalf of its employees for the fiscal year ended September 30, 2008 is as follows:

Retirement plan (CSRS/FERS) contributions	\$27,421,154
Health and life insurance plan (FEHBP/FEGSLIP) premiums	\$11,234,169
FICA contributions	\$11,803,446

As of September 30, 2008, the USCP owes \$2,461,961 in contributions for FEHBP, FEGSLIP, FICA, FERS, and CSRS to OPM and Treasury. This liability is accrued as part of accounts payable on the Balance Sheet.

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 4, *Managerial Cost Accounting Standards* and SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, USCP records, as a financing source and imputed cost, an estimate of the unfunded portion of pension and other post retirement benefits to be paid by OPM in the future. Imputed costs are recalculated annually by OPM actuaries with revised "cost factors". Imputed retirement "cost factors" represent a percentage of employees' basic pay. Such factors, which reflect certain economic and demographic assumptions, are used to estimate the value of pension benefits (CSRS and FERS) expected to be paid in the future. For Congressional employees, the FY 2008 cost factors were 33.9, 28.7, and 17.1 percent for CSRS, CSRS offset and FERS, respectively. The OPM calculates the present value of the pension to be paid to determine the contributions necessary today to sufficiently fund the future pension benefits. The OPM also provides "cost factors" for the other post retirement benefits it administers. For FEHBP, the factor is a per person amount for enrolled employees. For FEGSLIP, the factor is a percentage of basic pay for enrolled employees. Using the cost factors supplied by OPM, USCP recognized to following imputed costs for the fiscal year ended September 30, 2008:

Value of estimated future CSRS and FERS benefits to be paid	\$ 3,520,336
Value of estimated future FEHBP and FEGSLIP benefits to be paid	<u>9,162,044</u>
Total Imputed Cost to USCP for Future Benefits Payments	<u>\$ 12,682,380</u>

Note 9. INCIDENTAL CUSTODIAL ACTIVITY

The Capitol Police Board is responsible for administering and managing receipts and disbursements for the USCP Memorial Fund established under Public Law 105-223. These activities are incidental to the primary mission of the USCP. A summary of the custodial activities for the period ended September 30, 2008 is provided below:

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

USCP Memorial Fund (Treasury Symbol 02X5083):	
Beginning Balance (October 1, 2007)	\$ 65,185
Donations Collected and Deposited to the U.S. Treasury	26,187
Disbursements to Recipients	<u>-</u>
Ending Balance (as of September 30, 2008)	<u>\$ 91,372</u>

Note 10. WORKER'S COMPENSATION

The Federal Employee Compensation Act (FECA) provides income and medical cost protection to covered federal employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for USCP employees under FECA are administered by the Department of Labor (DOL) and are paid, ultimately by USCP. As of September 30, 2008, an intragovernmental liability of \$2,344,270 exists on the USCP's Balance Sheet for amounts paid by DOL on behalf of agency employees who had filed worker's compensation claims. This amount is reimbursable to DOL.

The actuarial FECA liability represents an estimate of future worker's compensation (FWC) benefits to be paid for death, disability, medical, and miscellaneous cases. The liability is computed using a formula provided by DOL annually as of September 30th based on a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefits are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for effects of inflations on liability for FWC benefits, wage inflation factors (Consumer Price Index-Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments so benefits are stated in current-year constant dollars. The USCP recorded an estimated liability for claims incurred but not reported as of September 30, 2008, which is expected to be paid in future periods. This actuarial liability of \$21,837,652 is reported on USCP's Balance Sheet.

Note 11. IMPUTED COST AND FINANCING SOURCE FOR LEASED SPACE

The USCP occupies commercial space in the Fairchild Building that is leased by the Architect of the Capitol. The USCP does not reimburse the Architect of the Capitol for its share of this lease. In accordance with SFFAS No. 4, USCP recognizes identified costs paid on its behalf by other agencies as expenses to USCP. Therefore, USCP recorded an imputed cost and financing source of \$4,641,528 for the Fairchild Building space it occupied during the fiscal year ended September 30, 2008.

Note 12. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

This footnote reconciles the net obligations with the net cost of operations. The section entitled Resources Used to Finance Activities reflects the budgetary resources obligated and other resources used to finance the activities of the agency. The section entitled Resources Used to Finance Items Not Part of Net Cost of Operations adjusts the total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. The section entitled Components Requiring or Generating Resources in Future Periods identifies items that are recognized as a component of the net cost of operations for the period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period. Net Cost of Operations is also reported on the Statement of Net Cost.

**UNITED STATES CAPITOL POLICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

RESOURCES USED TO FINANCE ACTIVITIES:

Budgetary Resources Obligated	\$ 290,291,268
Obligations Incurred	(2,608,350)
Less: Spending Authority from Offsetting Collections and Recoveries	<u>287,682,918</u>
Obligations Net of Offsetting Collections and Recoveries	(278,039)
Less: Offsetting Receipts	<u>287,404,879</u>
Net Obligations After Offsetting Receipts	
 Other Resources	
Imputed Financing Costs Absorbed by Others	<u>17,466,408</u>
Total Resources Used to Finance Activities	\$ 304,871,287

RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:

Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	(5,311,533)
Resources that Finance the Net Acquisition of Fixed Assets	(12,118,231)
Resources that Fund Expenses Recognized in Prior Periods	<u>3,427,895</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ (14,001,869)
	\$ 290,869,418

RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS

COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:

Change in Accrued Unfunded Annual Leave	\$ 763,044
Depreciation and Amortization	22,788,773
Change in Accounts Receivable	(51,034)
Other	(20,014)
Loss on Disposition of Capital Assets	<u>406,722</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	\$ 23,887,491
NET COST OF OPERATIONS	\$ 314,756,909

Note 13. UNDELIVERED ORDERS

Undelivered orders represent appropriations obligated for goods or services ordered but not yet received. These include unpaid and advanced amounts recorded in the fiscal year just ended, upward adjustments of unpaid undelivered orders originally recorded in a prior fiscal year, and recoveries resulting from downward adjustments of undelivered orders originally recorded in a prior fiscal year. The amount of budgetary resources obligated for undelivered orders as of September 30, 2008 was \$19,867,239.

Note 14. COMMITMENTS AND CONTINGENCIES

The USCP is involved in various lawsuits incidental to its operations. When a condition, situation or set of circumstances gives rise to a possible or probable loss to the agency due to the likelihood of one or more future events occurring or failing to occur, the USCP recognizes and/or discloses a contingent liability in accordance with SFFAS No. 5, as amended by SFFAS No. 12. As of September 30, 2008, there were no litigation related contingencies that required recognition or disclosure.



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United States Capitol Police Board

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

We have examined the effectiveness of the United States Capitol Police (USCP) internal control over financial reporting as of September 30, 2008, based on the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. USCP management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, issued by the Comptroller General of the United States. Thus, our examination included obtaining an understanding of internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We have identified three material weaknesses briefly described in the following paragraph and discussed in further detail, in the attachment to this report.

USCP lacked policies and procedures to ensure that payroll activity was processed consistently and adequately supported. USCP had incomplete financial management policies, methods, and procedures that did not ensure complete, accurate, and timely reporting of financial information. USCP's information technology lacked controls to ensure network access and account administration were appropriately maintained and monitored.

In our opinion, because of the effects of the material weaknesses described in the preceding paragraph on achieving objectives of the control criteria, USCP has not maintained effective internal control over financial reporting as of September 30, 2008, based on *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

~~This report is intended solely for the information for and use of United States Capitol Police Board,
is not intended to be, and should not be, used by any one other than those specified parties.~~

COTTON & COMPANY LLP



Alan Rosenthal, CPA
Partner

December 1, 2008
Alexandria, Virginia

REPORT ON INTERNAL CONTROL WEAKNESSES
FISCAL YEAR 2008 EXAMINATION OF EFFECTIVENESS OF INTERNAL CONTROL
UNITED STATES CAPITOL POLICE

In performing the Fiscal Year (FY) 2008 examination of the effectiveness of internal control of the United States Capitol Police (USCP) three control deficiencies were identified. All three are considered to be material weaknesses. These findings are reported here.

These three findings were also reported in the FY 2007 examination report. USCP has made some progress toward implementing recommendations. While some progress was noted for some of the payroll conditions and two conditions that previously existed were closed, one new condition was identified, which results in our conclusion that a material weakness associated with payroll processing still exists. It should be noted that the Office of Human Resources (OHR) has made progress in addressing prior year issues by providing tools for USCP supervisors to ultimately address many of these issues. It has been identified that corrective actions are not consistently implemented at the supervisory and timekeeper level, leaving gaps in documentation needed to ensure that USCP is complying with OHR policies and procedures, and eliminating the potential for fraud, waste, and abuse. The Office of Financial Management (OFM) made limited progress toward addressing the conditions that resulted in a material weakness associated with managing financial operations. Several deficiencies regarding operations, reporting, and coordination were noted during FY 2007. While some of those findings were closed during FY 2008, additional new deficiencies were noted. The Office of Information Systems (OIS) has made limited progress in addressing prior year conditions. While two prior year conditions were closed, three new conditions were identified. Therefore, we recommend that the Chief Administrative Officer (CAO) continue actions to implement prior recommendations, as well as any new recommendations described herein.

This document begins with a list of criteria we applied to internal control weaknesses and concludes with details about specific weaknesses we identified.

CRITERIA

We used three levels of progress to rank improvement of prior findings:

- Substantial Progress
- Some Progress
- Limited Progress

We based the status of prior recommendations on the following criteria:

- Closed
- Substantial Progress
- Some Progress
- Limited Progress
- Not Started

DETAILS OF INTERNAL CONTROL WEAKNESSES

Finding No. 1: Payroll Processing

Summary Status: Material Weakness
 Prior Finding
 Substantial Progress

The National Finance Center (NFC) processes payroll for USCP. USCP must report time and attendance to NFC and is responsible for maintaining pay and leave records and documents that support pay rates and deductions. USCP lacked procedures to ensure that payroll and personnel activity, for which it was responsible, was processed consistently and properly supported by approved and authorized documentation.

This finding has been reported since FY 1999, and similar elements of the finding existed as of September 30, 2008. The prior-year audit identified thirteen conditions; three of those conditions closed in FY 2007, leaving ten, which are addressed herein. While four of those prior conditions were closed during the current fiscal year and limited progress was noted on others, two new conditions were also noted, resulting in eight deficiencies making up this material weakness. The recommendations for many of the open conditions are discussed below.

<p>1. USCP employee personnel folders did not contain documents to support various payroll actions, and documents found did not agree to current payroll actions reported. Documentation was not always present to support current employee salaries.</p> <p>We recommend that the CAO develop and implement policies and procedures to ensure that employee personnel files are current and clearly document grade, step, and benefit information for each employee, and that supporting documentation for all payroll disbursements is readily available.</p>	
<p>Status of Recommendation: Closed.</p>	<p>Management Response: <i>USCP management concurs with this closure.</i></p>
<p>2. The USCP policy requiring all employees to positively attest to the accuracy of pay-period information transmitted to NFC is not consistently implemented.</p> <p>We recommend that the CAO develop and implement policies and procedures requiring all employees to positively attest to the accuracy of pay-period information transmitted to NFC.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>USCP procedures adopted during FY 2007 to monitor implementation of USCP policy regarding this issue were not in operation during FY 2008. USCP has developed procedures that require employees to acknowledge the review of the bi-weekly Certification Report to the extent practical. Employees are required to sign and date reports, and to promptly disclose discrepancies to supervisors. Exceptions to the</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>As a result of staff changes and increased demands, the procedures adopted in 2007 were not consistently monitored for compliance. OHR will remind the Executive Management Team of the importance of following these procedures within their units and will provide increased oversight to ensure this compliance during 2009 once replacement staff is hired and cross-trained. USCP will strive for 100% compliance; however, we believe that our compliance monitoring procedures</i></p>

<p>implementation of these procedures were found. Control deficiencies noted at the Command Center for FY 2006 and 2007 have shown no improvement. Additional controls to assist in monitoring the implementation of this USCP policy were observed to be ineffective during FY 2008. Further, the results of USCP's monitoring were not reported to superiors.</p> <p>USCP should re-visit monitoring procedures created during FY 2007. USCP must strictly adhere to the policies and procedures related to time and attendance.</p>	<p><i>will provide sufficient assurance that this condition will not have a material impact on our FY2009 internal controls.</i></p>
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3. USCP did not enforce its policy requiring supervisors to approve the accuracy of pay-period information submitted to NFC.

We recommend that the CAO enforce existing policies and procedures to require supervisors to approve the accuracy of pay-period information transmitted to NFC.

<p>Status of Recommendation: Limited Progress.</p> <p>USCP has not adhered to existing policies and procedures.</p> <p>USCP needs to consistently implement policies and procedures. USCP must continue the monitoring activities that began during FY 2007 until 100% compliance is achieved.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>As a result of staff changes and increased demands in 2008, the procedures adopted in 2007 were not consistently monitored for compliance. OHR will remind the Executive Management Team of the importance of following these procedures within their units and will provide increased oversight to ensure this compliance during 2009 once replacement staff is hired and cross-trained. USCP will strive for 100% compliance; however, we believe that our compliance monitoring procedures will provide sufficient assurance that this condition will not have a material impact on our FY 2009 internal controls.</i></p>
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4. USCP did not maintain adequate timekeeping records. Signed Certification Reports could not be located. Without signed Certification Reports, it is not possible to verify that information in the time collection system is authorized and accurate. Additionally, [redacted] and [redacted] are not consistently used.

We recommend that the CAO continue monitoring implementation of policies and procedures to permit USCP to efficiently and effectively track and certify all hours incurred by all employees.

<p>Status of Recommendation: Some Progress.</p> <p>The Certification Report is intended to be the</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>As a result of staff changes and increased demands</i></p>
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<p>primary control for time attestation; therefore, these documents must be retained. The Audit confirmed that 100% compliance with this USCP directive has not been achieved. Additionally, in numerous instances other records, such as leave slips or additional duty forms were missing from the timekeeping records.</p> <p>USCP needs to ensure that all time is attested to before this condition can be considered closed. Certification Reports should be kept in a central location and controls put in place to ensure that all reports and supporting documentation are accounted for and maintained.</p>	<p><i>in 2008, the procedures adopted in 2007 were not consistently monitored for compliance. OHR will remind the Executive Management Team of the importance of following these procedures within their units and will provide increased oversight to ensure this compliance during 2009 once replacement staff is hired and cross-trained. USCP will strive for 100% compliance; however, we believe that our compliance monitoring procedures will provide sufficient assurance that this condition will not have a material impact on our FY 2009 internal controls.</i></p>
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<p>5. OHR did not have controls in place to ensure compliance with the objectives of the USCP Student Loan Repayment Program (SLRP).</p> <p>We recommend that the CAO develop detailed procedures to guide employees and supervisors responsible for the implementation of the program. Additionally, performance metrics must be defined in order to measure the success of the program.</p>	
<p>Status of Recommendation: Closed.</p> <p>This program has been suspended for two years.</p>	<p>Management Response: <i>USCP management concurs with this closure.</i></p>

<p>6. Office of Human Resources (OHR) did not perform a timely reconciliation of payroll data before and after transmission to NFC.</p> <p>Pay Period reconciliations are exceeding four weeks to prepare. Reconciliations lose value and become increasing difficult to resolve as time passes.</p> <p>We recommend that the CAO develop policies and procedures that specifically outlines when reconciliations are to be completed to whom the reconciliations are to be provided for supervisory review.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>As a result of staff changes and increased demands in 2008, the detailed payroll reconciliation procedures adopted in 2007 were not consistently performed in a timely manner. OHR will amend its payroll processing policies and procedures to require the reconciliations to be consistently</i></p>

	<i>completed in a timely manner and will provide increased oversight to ensure this compliance during 2009, once replacement staff is hired and cross-trained.</i>
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<p>7. Enforce policies and procedures regarding physical security of personnel records and personnel related information was inadequate.</p> <p>We recommend that the CAO monitor compliance with policies and procedures to properly safeguard sensitive information related to personnel to prevent unauthorized access and loss and implement them. Employees with access to sensitive data should attend privacy training and supervisors should monitor those employees' work space to ensure compliance.</p>	
<p>Status of Recommendation: Closed.</p>	<p>Management Response: <i>USCP management concurs with this closure.</i></p>

<p>8. OHR did not have controls in place to ensure that documentation with regard to separated employees is maintained.</p> <p>We recommend that the CAO develop detailed procedures to guide employees and supervisors responsible for the maintenance of separated employee documentation. Testing found two forms [REDACTED] were missing from thirty-eight employee files tested. Two of these 38 were also missing the final [REDACTED] and one was missing the SF-50.</p>	
<p>Status of Recommendation: Some Progress.</p> <p>During FY 2008, while it was noted that procedures were implemented regarding separation documentation, additional procedures should be developed to direct OHR staff to audit folders subsequent to return from other divisions such as Internal Affairs Division.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP management believes that OHR has achieved substantial progress in the maintenance of its documentation for all employees' personnel files and especially those of separated employees. All files have been inventoried and audited and we are confident that personnel files processed in OHR are complete. We fully implemented an automated file check system in 2008 and are now consistently implementing our file review procedures. We generally agree that we should amend our file review procedures to include a 'return audit' of files removed from the file room to ensure that documentation integrity is maintained.</i></p>

<p>9. OHR does not have procedures to verify employee hours worked when the employee fails to clock in or clock out.</p> <p>We recommend that the CAO develop detailed procedures to guide timekeepers and supervisors responsible with procedures to document and/or obtain collaborating evidence to support employee assertions.</p>	
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<p>Status of Recommendation: Limited Progress.</p> <p>OHR has developed reports for supervisors to use to assist in monitoring potential timekeeping abuse. However, it is not documented that these reports are used by supervisors.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>As a result of staff changes and increased demands in 2008, we have not monitored and documented the use of these reports by supervisors; however, we have no reason to believe that the procedures are not being followed when instances of potential timekeeping abuse are suspected. Over seventy-five percent of our employees must appear at roll call and respond when their names are called. This process alone assures most supervisors that employees are present at the designated time. However, OHR will remind the Executive Management Team of the importance of documenting suspected timekeeping abuse within their units and will provide increased oversight to ensure compliance with these documentation procedures during 2009, once additional staff is hired and cross-trained. We believe that our compliance monitoring will provide sufficient assurance that this condition will not have a material impact on our FY 2009 internal controls.</i></p>
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10. OHR does not have controls in place to ensure that civilians assigned to day shifts do not receive night differential pay for which they are not entitled.

We recommend that the CAO develop procedures to guide supervisors, responsible for reviewing and approving certification reports, in identifying circumstances in which civilian personnel would be entitled to night differential pay. As an alternative, [REDACTED] could be programmed to incorporate the rule.

<p>Status of Recommendation: Limited Progress.</p> <p>OHR has verbally communicated guidelines to supervisors and timekeepers regarding this subject, however, there was no evidence that supervisors or timekeepers are addressing this deficiency.</p>	<p>Management Response: <i>USCP management believes this control is in place but will document the procedures.</i></p> <p><i>Applicability of night differential pay is covered by federal pay regulations. Supervisors are responsible for approving or disapproving night differential pay when they certify their employees' time and attendance. USCP is a 24 hour operation and all of our employees are expected to work whenever they are needed to accomplish the mission of our organization, as authorized by their supervisors. Some instances in which night differential pay would be authorized are those where OHR employees must provide in-service training to employees working non-dayshift hours; table top exercises; emergency responses to critical incidents; projects on short deadline; and roll call</i></p>
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	<p><i>attendance for field operations. Additionally, OIS employees must be available at all times of the day to respond to network and server issues that may arise unexpectedly. As a result, we cannot prescribe all the specific circumstances in which civilian personnel would be 'entitled' to night differential pay. Our supervisors are responsible for determining these circumstances when they arise and to counsel their employees if they suspect abuse. We will document our procedures related to the use of night differential pay by our civilian employees and will remind our Executive Management Team of the importance of continuing to monitor their staff for possible misuse.</i></p>
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<p>11. OHR did not sufficiently monitor controls established to ensure that allocation of pay period 20 was properly communicated to NFC during the transmission of payroll data.</p>	
<p>We recommend that the CAO develop additional procedures to ensure that when payroll expenses for an individual pay period fall into two fiscal years, USCP should send NFC the proper timesheet codes needed to apply the appropriate allocation between fiscal years.</p>	
<p>Status of Recommendation: Closed.</p>	<p>Management Response: <i>USCP management concurs with this closure.</i></p>

<p>12. OHR does not have procedures to prevent or detect timekeepers from altering information in [REDACTED] after Certification Reports have been printed.</p>	
<p>It was noted during the audit that timekeepers can alter time records prior to OHR lock down of [REDACTED] and after certification reports are printed.</p>	
<p>We recommend that the CAO implement a procedure to add a system date to the certification reports to document the date when timekeepers print the reports.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP acknowledges that it is conceivable that timekeepers could alter time records after the certification reports are printed and have added a system date to our certification reports as requested; however, we do not agree that this condition is a problem for the USCP or that the addition of this system date will prevent or necessarily detect changes to time records without employee or supervisory approval. As an additional control, we plan to implement a monitoring system to evaluate this condition and if we find it is a deficiency, we will take appropriate steps to alleviate it.</i></p>

Finding No. 2: Financial Management

Summary Status: Material Weakness
Prior Finding
Limited Progress

The prior-year internal control examination disclosed that USCP had inadequate and incomplete accounting policies, methods, practices, and systems, which contributed to poor financial management. While USCP has made improvements since FY 1999, the FY 2008 examination found that this finding continued to exist as of September 30, 2008, and additional factors limited the improvement of this finding. During FYs 2004, 2005, 2006, and 2007 USCP implemented many recommended policies and procedures; however, severe loss of human capital resources had a significant impact on USCP's financial reporting capability for FY 2007. During FY 2008, there were additional human capital losses and the resultant transition of new personnel.

The environment surrounding USCP financial management continues to evolve as a new CAO, a new Chief Financial Officer (CFO) took over financial management responsibilities. However, there was limited time for the new personnel to make a significant impact in resolving the financial management weaknesses in FY 2008. At the time of this report, USCP understands the severity of the issues and is taking positive steps to react to these conditions.

<p>1. OFM did not fully implement and monitor policies and procedures for managing financial operations.</p> <p>OFM developed and implemented policies and procedures for managing financial operations, but consistent application was not enforced due to the turnover in manpower. The most important aspect of implementing new policies is to follow-up on how well the staff is employing the new procedures. Unless new and existing policies and procedures are clearly presented by management and understood and followed by all employees with management's enforcement, USCP will continue to have deficiencies in financial operations.</p> <p>A. USCP does not have controls in place to prevent payments from being applied to incorrect accounting lines on Receiving Documents (REC). Of the 13 samples identified, 7 were manual corrections to fix misapplication of REC's entered into [REDACTED] by Finance Liaison Officer's (FLO). This condition is a contributing factor to late payments.</p> <p>We recommend that the CAO develop policies and procedures to identify and prevent these types of errors from occurring in the future.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>USCP continues to misapply payments to incorrect accounting lines on REC's. OFM has taken steps to begin identifying problem invoices and tracing the issues to the FLOs.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will update its internal monitoring procedures to identify and prevent errors as soon as practical and will update the procedures and training to its Finance Liaison Officers (FLOs), if applicable, based on its evaluation of the types of errors occurring that cause the FLOs to misapply the Receiving Documents they enter into its [REDACTED] financial system.</i></p>

<p>B. OFM does not have procedures in place to ensure that restricted use funds are used as described in statute. The audit found one contract that obligated funds from the Security Enhancement Fund (SEF), Capitol Complex Security fund (CCS), and No Year fund (NOY) totaling \$77,771 to pay for OFM contract staff.</p> <p>We recommend that the CAO develop a procedure that documents the justification for the use of restricted funds.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>OFM has drafted an interim policy to address this condition. However, the effectiveness of the policy has not been tested.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM issued a policy notice to all [redacted] users on October 24, 2008, that effective November 24, 2008; an additional level of approval by the OFM Budget Office is required for all non-travel commitment documents to help ensure the correct appropriation is used for the funding source. This process requires a higher level of review before restricted-use funds may be obligated.</i></p>
<p>C. USCP policy requiring OFM to log and deposit cash receipts within 72 hours is not adhered to consistently. The audit noted five instances in which OFM procedures were not followed. Of the 39 cash receipts reviewed, 18 were not deposited within 72 hours.</p> <p>We recommend that the CAO adhere to all of USCP's policies.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>OFM has indicated that the policy and procedure will be revised in FY 2009 to ensure that the substance of the policy can be achieved. However, the efficiency and effectiveness of any revisions has not been tested.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM has begun depositing funds via an overnight delivery service. Additionally, OFM will be revising its procedures to require a weekly deposit, with an exception for the receipt of unusually large numbers of checks, such as those from a Memorial Fund fundraising event.</i></p>
<p>D. OFM's Corrective Action Plan identified the reconciliation matrix, "USCP Periodic Accounting Reconciliation and Other Control Activities and Approval Dates" as the process for ensuring that control activities are completed and/or reviewed in a timely manner. It was noted that the checklist is not consistently completed and reviewed in a timely manner.</p> <p>We recommend that the CAO develop procedures to ensure that all corrective actions implemented are performed consistently.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>Evidence of use of this checklist was</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will require the use of the checklist more</i></p>

<p>inconsistent. Several activities or reconciliations throughout the year did not have indications of completion or approval.</p>	<p><i>regularly and document its review to monitor that it is conducted in a timely manner and the checklist is used more consistently.</i></p>
<p>E. OFM does not have controls in place to ensure timely recording of budgetary authority occurs after USCP has received spending authority from offsetting collections.</p> <p>We recommend that the CAO amend cash collection procedures to include immediate notification of the Budget Office, with follow-up to ensure the budgetary entry is made in [REDACTED] (D4001)</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>Budgetary authority was not recorded in [REDACTED] until after this condition was reported by the auditor.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM has implemented new procedures whereby its Accounting Office sends detailed information on the receipt of budgetary authority from offsetting collections to its Budget Office as they are received. The Accounting Office will conduct a monthly review of the general ledger to determine if the budget authority is correctly entered and will alert the Budget Office of any missing entries.</i></p>
<p>F. The Payroll Certification prepared by OFM and signed by the CAO uses a cost factor to estimate/project payroll benefits each pay period. OFM did not evaluate actual costs to these estimated costs until the end of FY 2008. OFM determined that the factor used during FY 2008 was 11% too low. The auditor estimated that the payroll certification was understated each pay period by approximately \$450,000.</p> <p>We recommend that the CAO develop procedures to evaluate the actual cost verses the certification each pay period and make adjustments to the cost factor throughout the year as needed.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will develop a procedure to compare the bi-weekly estimates against the actual payroll amount calculated by NFC. The differences will be evaluated periodically to determine whether the benefit factor needs to be revised to ensure that certifications are not based on understated estimates.</i></p>
<p>G. Vendors are not promptly paid. Although not required by law as Executive Branch Agencies, 24 out of 35 payments were not paid in accordance with contract terms. (C4001)</p> <p>We recommend that the CAO develop procedures to accurately track the receipt of invoices, to</p>	

<p>ensure that vendors are paid promptly. OFM needs to determine the actual dates of when services or goods are delivered and develop a policy of holding FLOs accountable when vendors cannot be paid timely and transactions are inaccurately entered into [REDACTED]</p>	
<p>Status of Recommendation: Some Progress.</p> <p>OFM has taken steps to begin identifying problem invoices and tracing the issues to either the vendor or FLO.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM has initiated procedures, including the development of a database to track all submitted invoices, to facilitate the identification of vendors and FLO's with problem invoices and ensure that invoices are paid in a timely manner.</i></p>
<p>H. USCP did not have controls in place to prevent duplicate payments from occurring in FY 2008. Two different conditions existed; first, a vendor submits two invoices for the same service or good and the FLO and Accounts Payable Specialist does not have controls in place to identify duplicate vendor submissions and second, a batch of payments thought to be rejected was certified twice and disbursed twice by Treasury.</p> <p>We recommend that the CAO track the receipt of invoices and evaluate the possibility of duplicates before they occur. Additionally, the CAO should conduct training of FLOs and provide the tools that the FLOs need in order to accurately track invoices against the receipt of goods and services to prevent duplicate invoices from being accepted.</p>	
<p>Status of Recommendation: Some Progress.</p> <p>OFM has taken steps to begin identifying problem invoices and tracing the issues to either the vendor or FLO.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM has begun developing procedures to accurately track invoices submitted and assist FLO's in monitoring the receipt of goods and services to prevent duplicate invoices from being accepted. This includes the development of a database to track all submitted invoices, as mentioned above. Additionally, existing procedures will be updated to cover the steps needed to reject or cancel a Treasury payment schedule.</i></p>
<p>I. USCP did not have controls in place to ensure that the semi-annual review of vendor additions and modifications is completed in a timely manner. Additionally, the form to request current vendor addition or modification is not accompanied by proper approval or justification.</p> <p>a) We recommend that the CAO modify Directive [REDACTED] to include a timeline for the semi annual review.</p> <p>b) We recommend that the CAO strengthen the approval process for the vendor request/modification form.</p>	
<p>Status of Recommendation: Some Progress.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p>

<p>OFM staff provided the semi-annual review, however, it was completed four months subsequent to the period under review.</p> <p>Strengthening the approval process is a new recommendation.</p>	<p><i>OFM has modified Directive [REDACTED] to include a timely semi-annual review and will develop forms to document the approval process for vendor request/modification prior to modifying [REDACTED]</i></p>
<p>J. USCP did not perform a periodic reconciliation of Automobile Certificates of Origin/Title and the list of vehicles maintained by the Vehicle Maintenance Division (VMD).</p> <p>We recommend that the CAO develop a policy requiring a quarterly reconciliation between the legal certificates/titles and the VMD list, to ensure that all certificates/titles can be accounted for and are available when needed.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>OFM stated that the reconciliation was not conducted during the year.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM has begun quarterly reconciliations between the legal certificates/titles and the Vehicle Maintenance Division list and forms are being developed to require proper approval or justification prior to modifying [REDACTED] and to document that all certificates/titles are accounted for and available when needed.</i></p>
<p>K. USCP did not have controls in place to ensure that data regarding purchase cardholders is current and up to date. Information requested by the auditor regarding cardholder names/titles and purchase limits was outdated by at least one year. The lack of current information does not provide assurance that appropriate monitoring of purchase cards is occurring.</p> <p>We recommend that the CAO develop more rigorous policies and procedures for the monitoring of purchase card users.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will revise its policies and procedures to monitor its list of purchase card users on a monthly basis and document the results.</i></p>
<p>L. USCP did not have controls in place to ensure that purchase cardholders are creating obligation documents in [REDACTED] within 24 hours of using the procurement card or making upward adjustments to obligations within a timely manner.</p> <p>We recommend that the CAO develop procedures to conduct detailed reviews of purchase card holder transactions on a sample basis.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p>

OFM will develop and implement procedures to conduct detailed reviews of purchase card holder transactions on a sample basis and will enforce consequences for purchase card holders that do not follow guidance.

M. USCP controls to detect misuse or abuse of USCP Fleet cards are not operating as designed. OFM has created controls and developed training for USCP Fleet Card Coordinators. However, the audit found the controls not in use and the training not attended. Additionally, USCP could not provide accurate information as to who all of the Fleet Coordinators were.

We recommend that the CAO develop procedures to verify the implementation of new controls, as well as procedures to insure all that require training receive training.

Status of Recommendation:
Not Started – New Condition.

Management Response:
USCP management generally concurs.

OFM will develop and implement procedures to verify the implementation of new controls and document that Fleet Card Coordinators attend required training. In addition, OFM will implement a monthly data call to the operational bureaus to update its Fleet Coordinator database and increase oversight of the Fleet Card program implementation.

N. OFM has not made necessary updates to Directive No. [REDACTED] [REDACTED].

We recommend that the CAO update Directives immediately as procedures change. OFM indicated that an updated Directive would be provided.

Status of Recommendation:
Not Started – New Condition.

Management Response:
USCP management generally concurs.

OFM has updated its directive [REDACTED] to reflect the change in procedures and source documents and will update its procedures for future changes in a timely manner.

2. OFM had inadequate quality assurance procedures for year-end closing and financial statement preparation.

As detailed below, OFM continues to have difficulties producing reliable and accurate interim and fiscal year-end financial statements. FY 2008 was OFM's second year preparing a complete set of financial statements, and while OFM did present financial statements in accordance with established timelines developed to meet USCP directed deadlines several deficiencies were noted indicating that

stronger quality assurance procedures are needed.

- A. A significant adjustment was posted to the Fund Balance with Treasury (FBwT) account in error. An adjustment for \$9,777,198 to cancel FY 2003 funds was incorrectly entered into [REDACTED] during fiscal month 4 of FY 2008. OFM detected and corrected this error in fiscal month 9.

We recommend that the CAO develop procedures to prevent significant erroneous entries as well as procedures to detect significant errors in a timelier manner. Preparing complete financial statements each fiscal quarter would be integral to this recommendation.

Status of Recommendation:
Not Started – New Condition.

Management Response:
USCP management generally concurs.

OFM will develop more rigorous procedures to analyze general ledger accounts throughout the year to prevent erroneous entries and detect significant errors in a timely manner in the preparation of its complete quarterly and year-end financial statements and notes.

- B. OFM made a number of errors on the Statement of Budgetary Resources (SBR) and Note 12, "Reconciliation of Net Cost of Operations to Budget" (RNCB), resulting in misstated line items due to either the exclusion of accounts or the use erroneous account balances.

We recommend that the CAO develop a more rigorous quality assurance process.

Status of Recommendation:
Not Started – New Condition.

Management Response:
USCP management generally concurs.

OFM will include a check for errors and inconsistencies on its Statement of Budgetary Resources (SBR) and Reconciliation of Net Cost of Operations to Budget (RNCB) note in its quality assurance process and procedures for its yearend financial statements. However, OFM notes that the process does require the inclusion of the beginning balances of GL accounts 4971 and 4972 for the agreement of the SBR and RNCB lines.

- C. OFM did not submit its budgetary data to the Federal Agencies' Centralized Trial-Balance System II (FACTS II) at year end. While USCP is currently not required to submit this data, USCP had set a precedent for submitting this data in FY 2007 that was not followed during FY 2008. OFM indicated that failure to pass an edit check prevented submission of the data for FY 2008. The edit check failure is an indicator that undetected errors reside in the budgetary data.

We recommend that the CAO allocate resources to resolve any discrepancies that are preventing data submission. Additionally, the CAO should direct OFM to submit FACTS II data consistent with Office of Management and Budget (OMB) guidance.

<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP agrees that it is not required to submit FACTS II data to Treasury. However, OFM will establish procedures to submit FACTS II data on a quarterly basis and resolve any edit check errors in a timely manner.</i></p>
<p>D. OFM did not correctly state accrued benefits liability in Note 8 of the financial statements. OFM had correctly recorded the value in the Trial Balance but failed to carry the correct number into the footnote disclosures. Additionally, an undetected typographical error in Note 6 understated Accrued Unfunded Leave by \$7.8 million.</p> <p>We recommend that the CAO develop a more rigorous quality assurance process.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will include a check on accrued benefits liability for typographical errors and trial balance consistency as part of its quality assurance process and procedures for its year-end financial statements, notes, and crosswalks.</i></p>
<p>E. OFM did not correctly adjust the Workers Compensation Benefits, Federal Employees Compensation Act (FECA) liability account by \$1,607. The \$1,607 error in the liability account additionally created a \$6,690 misstatement in the FECA actuarial account.</p> <p>We recommend that the CAO develop a more rigorous quality assurance process.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will include a check on the correct Workers Compensation Benefit (FECA) liability account and any associated statements in the FECA actuarial account as part of its quality assurance process and procedures for its yearend financial statements. This process will include the consideration of refund adjustments on the annual billing by the Department of Labor for Worker’s Compensation benefits paid on behalf of USCP employees.</i></p>
<p>F. OFM did not correctly state the normal cost percentage for the Federal Employee Retirement System (FERS) in Note 8. OFM reported 17.9% as opposed to the cost factor provided by the Office of Personnel Management (OPM) of 17.1%.</p>	

<p>We recommend that the CAO develop a more rigorous quality assurance process.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will include a check on the correct normal cost percentage for FERS as part of its quality assurance process and procedures for its yearend financial statements notes.</i></p>
<p>G. OFM did not correctly calculate the imputed financing benefits expense for FERS and the Civilian Service Retirement System (CSRS). OFM used the incorrect salary base to compute the imputed expense and overstated the amount by \$7,458,229.</p> <p>We recommend that the CAO develop a more rigorous quality assurance process.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will include a check on the correct salary base and calculations for the imputed financing benefits expenses for FERS and CSRS as part of its quality assurance process and procedures for its yearend financial statements.</i></p>
<p>H. OFM did not correctly account for the “Advance to Others” Balance sheet line item. USCP advances other federal agencies funds to design, develop and install security systems. OFM is incorrectly evaluating the advance account by using budget data provided by the agency that advanced the funds.</p> <p>We recommend that the CAO evaluate the advance account by considering percentage of completion reports that have been certified by the USCP technical point of contact for the project.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will update its procedures for evaluating the advance account to consider the monthly percentage of completion reports certified by the USCP technical point of contact for the project or as provided in expenditure reports by other Federal agencies, rather than the budget data provided by the agency.</i></p>
<p>I. OFM did not correctly present canceled authority from FY 2003 funds on the SBR. OMB and Treasury guidance indicate that expired balances that cancel must be reported as canceled on the year-end SBR.</p>	

We recommend that the CAO develop a more rigorous quality assurance process.	
Status of Recommendation: Not Started – New Condition.	Management Response: <i>USCP management generally concurs.</i> <i>OFM will complete the necessary pre-close transactions to record canceled authority prior to inclusion into SBR as part of its quality assurance process and procedures for its year-end financial statements.</i>

<p>3. USCP did not have policies and procedures to ensure coordination between the Office of General Counsel (OGC) and OFM.</p> <p>To comply with Statement of Federal Financial Accounting Standards No. 5, Accounting for Liabilities, and No. 12, Recognition of Contingent Liabilities Arising from Litigation, management is responsible for adopting policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted accounting principles. Coordination between OGC and OFM will allow OFM to consider the need for appropriate financial statement disclosure.</p> <p>We recommend that the CAO develop and implement policies and procedures to facilitate the flow of information from the General Counsel to OFM.</p>	
Status of Recommendation: Not Started. OFM has recorded imputed financing sources in the FY 2008 financial statements to reflect payments made by the Judgment Fund. However, policies and procedures have not been adopted or implemented for coordination between OGC and OFM to ensure that financial statements are prepared in conformity with GAAP and, therefore, properly account for litigation, claims, and assessments.	Management Response: <i>USCP management generally concurs.</i> <i>OFM will develop and implement a formal monthly email request for information from the Office of General Counsel in order to facilitate the flow of information.</i>

<p>4. The USCP information provided could not be reconciled to property information from the accounting system.</p> <p>USCP's efforts to comply with the requirement to properly account for property and equipment on the balance sheet required all major stakeholders (OFM, SSB, and PAMD) to reconcile and identify all capital property in the custody of USCP. Reconciliation consisted of a three-way match between OFM accounting records, property records in [REDACTED] and property records maintained by SSB. OFM prepared spreadsheets to facilitate the reconciliation. These spreadsheets were not provided to the auditor until late October, since OFM was using them to assist with the input of updated information into [REDACTED] which fed into the financial statements provided November 1. The auditor was not able to reconcile the spreadsheets to [REDACTED] trial balance property accounts. From the spreadsheet samples selected by the auditor, the auditor was able to agree the acquisition cost to supporting</p>	
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documentation with minor exceptions due to shipping fees and sales tax. Physical inspection of sample stand alone property revealed one instance in which an item could not be found. Another instance revealed that components of the property had been removed and property records were not adjusted accordingly. Other concerns noted in Property Management include: a significant amount of assets were removed from service but still in USCP custody; items were disposed of; or significant modifications were made that either changed the nature of the asset or impacted the life expectancy, and were not tested.

We recommend that the CAO continue efforts to integrate the data between the accounting system and property management system. Additionally, policies and procedures for regular and systematic communication and coordination between PAMD and OFM must be improved to facilitate asset recognition, current status of assets and proper disposal of assets. Lastly, all property custodians must have real time access to the property management system to ensure that all data is accurate regarding the disposition and location of all USCP property.

Status of Recommendation:
Closed.

Management Response:
USCP management concurs with this closure.

5. USCP did not have policies and procedures to ensure coordination between the Office of Budget and OFM.

We recommend that the CAO develop and implement policies and procedures to facilitate communication between the Budget Office and OFM.

Only one issue was noted during FY 2008 regarding this condition and it was reported above as item #1. E.

Status of Recommendation:
Closed.

Management Response:
USCP management concurs with this closure.

6. USCP did not properly classify Asset Additions (FA) and Asset Disposals (FD) in accordance with the true nature of the transactions.

OFM was required to make numerous property account adjustments to [REDACTED] as a result of correcting prior year errors.

We recommend that the CAO develop procedures to ensure that [REDACTED] transactions classified as FA are in fact new additions and not corrections of previously existing assets. Additionally, FD transactions should be actual disposals and not corrections.

Status of Recommendation:
Not Started – New Condition.

Management Response:
USCP management generally concurs.

However, OFM notes that various types of transactions are captured in limited [REDACTED] classification fields. We will pursue developing procedures to identify FA and FD documents that are corrections through the use of transaction codes or some other field in the [REDACTED] document. A

	<i>work around will be needed since [REDACTED] does not provide options for classifying these transaction types without system customization.</i>
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7. USCP is not conducting a thorough Property reconciliation on a consistent basis.

OFM and Property Asset Management Division (PAMD) made significant progress in the previous year and early this current year to clean up capital property asset records. The audit identified two assets that had the wrong barcode recorded in [REDACTED] and a new asset that was reported by PAMD that was not recorded in [REDACTED]. These discrepancies indicate that reconciliation efforts have begun to deteriorate.

We recommend that the CAO insure that OFM and PAMD need to continue to work vigorously together to insure that their past efforts are not wasted.

Status of Recommendation: Not Started – New Condition.	Management Response: <i>USCP management generally concurs.</i> <i>OFM and PAMD continue to meet on a biweekly basis and typically identify discrepancies as part of the reconciliation process. As a result, OFM does not necessarily agree that reconciliation efforts have deteriorated. However, OFM generally agrees that its reconciliations may need to be more proactive and rigorous and will closely monitor its capital property asset reconciliations to identify and correct discrepancies in a timelier manner.</i>
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Finding No. 3: Information Systems

Summary Status: Material Weakness
 Prior Finding
 Limited progress was made on prior year conditions

In FY 2007, 14 conditions existed that cumulatively resulted in a significant deficiency in the internal controls report. Based on our audit procedures performed for FY 2008, we found that two of the 14 conditions were closed. For the other 12 conditions, we noted varying degrees of progress; five prior-year conditions had some progress made, three prior-year conditions had limited progress made, and four prior-year conditions had no progress made. Several of the existing conditions from FY 2007 had been carried over from prior years. Further, it was noted that the lack of progress made regarding corrective action on these prior year conditions is symptomatic of a lack of management commitment in maintaining and improving information systems security, resulting in an unacceptable risk.

The corrective action plans for 12 of the prior year conditions were updated by management and provided to the audit team at the end of the audit. The status for each prior year recommendation reflects the October 2008 updates.

During the current FY 2008 audit cycle we also identified three new conditions. The cumulative risk associated with these conditions is being reported as a material weakness.

Status of Existing Conditions from FY 2007 Internal Controls Report:

<p>1. USCP does not have policies and procedures for identifying and protecting privacy sensitive information.</p> <p>A Chief Privacy Officer (CPO) has not been appointed who ensures that all personally identifiable information (PII) is identified and appropriately secured. USCP management has not conducted a privacy impact assessment or documented their procedures for protecting PII stored in major information systems.</p> <p>We recommend that the CAO officially appoint a CPO and develop policies and procedures to ensure all personally identifiable information is identified and safeguarded.</p>	
<p>Status of Recommendation: Some Progress.</p> <p>During the FY 2007 audit, we noted the CAO issued a memorandum assigning CPO duties to the Chief Information Officer (CIO).</p> <p>DRAFT Guidelines for Determining Information Sensitivity & PII were developed; however this only includes a checklist and not formal policies or procedures. Additionally, we noted formal policies and procedures have not been developed to ensure that all PII is identified and safeguarded.</p>	<p>Management Response: USCP management generally concurs.</p> <p><i>USCP distributed a policy on safeguarding sensitive employee data (personally identifiable information (PII)) in June 2006 via [REDACTED]. This policy is in effect until cancelled by the Chief of Police. Additionally, USCP's Chief Information & Privacy Officer has drafted policies, procedures, a PII survey form, a Privacy Impact Assessment template, training materials for employees, contractors and managers, as well as a data breach response plan. Finalization of all materials will be conducted via the Department's Privacy Board and Data Breach Response Team, respectively and documentation of approval</i></p>

	<p><i>procedures will be accomplished in 2009. USCP will also purchase software to identify PII on USCP's systems in 2009. Further, because OIS has limited resources, the Associate Director for Programs and Analysis will be assigned additional duties to assist the lead for USCP's Privacy and Security Programs, when he returns from the SES training in early February 2009.</i></p>
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2. USCP has not implemented a comprehensive security baseline configuration for its operating systems that protects against known security weaknesses.

Controls are not adequate to ensure that commonly known risks are mitigated through a secure configuration of systems. Specifically we found that the configuration checklist used by the organization contains limited specific configuration settings for the organization's environment. This checklist is not comprehensive enough to ensure that all commonly known risks are identified and addressed.

We recommend that the CAO ensure that a standard security benchmark for all systems is developed and implemented. Organizations such as the National Institute for Standards and Technology and the Center for Internet Security provide guidance on security benchmarks for Federal government systems.

<p>Status of Recommendation: Some Progress.</p> <p>A security benchmarking product (Security Expressions) was installed and has been customized for the USCP environment. Additionally system administrators received training for the security benchmarking product through working with the contractor who created the user documentation.</p> <p>By installing Security Expressions USCP has made some progress in addressing the prior-year audit recommendation to ensure that a standard security benchmark for all systems is developed and implemented; however USCP has not begun the monitoring of servers, desktops, and laptops with the security benchmarking product. Furthermore, the Security Expressions product is not being used to push out configured baselines; it is only being used to monitor the use of baselines. We continued to note that secure configuration baselines are not implemented on all platforms, such as servers, network equipment, workstations, and other infrastructure within the environment.</p>	<p>Management Response: USCP management generally concurs.</p> <p><i>USCP has purchased and installed a security benchmarking product, Security Expressions, which has been customized for the USCP environment, and system administrators have been trained on its use. NIST policy is being followed for the vulnerability scans which are being conducted regularly on servers, desktops and laptops. However, since Security Expressions does remediation and does not produce security configurations, USCP will use its Altiris deployment server to store the server images for restoration of its server files. OIS agrees that the baseline configuration security standard needs to be implemented on all platforms and a project plan will be developed to monitor and document the progress and implementation of this item.</i></p> <p><i>OIS intends to hire a full-time Project Manager to assist with better utilization of its limited resources. Additionally, OIS has requested two full-time security positions in its FY'09 budget and once these positions are filled we expect OIS' Security Program will be able to expedite the full implementation of its secure configuration</i></p>
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	<i>baselines and security applications. OIS is committed to implement and maintain a stellar security program to secure the USCP's information and systems.</i>
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3. Management has not ensured that all information system users receive security awareness training and accept the system Rules of Behavior for using the USCP Network.

Rules of Behavior for the USCP Network are documented and made available to all users in the Office of Information Systems (OIS) Policy Handbook. However, users are not required to officially accept the Rules of Behavior until they participate in the online security awareness training program. Through sample testing we noted that 6 out of 45 users (13%) had not yet completed the security awareness training. Additionally, we noted that only USCP employees are required to take the security awareness training. The current policy does not require contractors working for USCP and using the network to take security awareness training.

We recommend that the CAO ensure that all system users (including contractors) receive security awareness training on an annual basis, and that management develops procedures to ensure all users agree to abide by the Rules of Behavior for using USCP systems.

<p>Status of Recommendation: Some Progress.</p> <p>USCP has developed adequate security awareness training and is tracking users who complete the training; however, we noted that 3 out of 45 sampled users did not receive full security awareness training.</p> <p>Additionally, the Rules of Behavior has been at the Office of Policy since June of 2007 and has not been distributed to any new employees since this date.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP does not agree that its employees and contractors did not receive security awareness training in 2008. OIS developed Security Awareness training which was successfully completed by active employees and contractors for a total of 2038 students in 2008. The three students mentioned in the report were former contractors no longer working at USCP.</i></p> <p><i>USCP generally agrees that it has not yet finalized and distributed its Rules of Behavior which OIS drafted in 2007. We anticipate finalization and distribution to all employees and contractors in early 2009.</i></p>
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4. Management has not ensured that all system users for the major financial applications [redacted] and [redacted] have officially acknowledged and accepted the system specific Rules of Behavior.

The current procedures for distributing and ensuring that major application users acknowledge system specific Rules of Behavior requires that all users review the rules individually and reply to an email stating they acknowledge the requirements. This procedure is currently in place for [redacted] and is soon to be implemented for [redacted]. However, management does not have procedures in place to ensure that all system users comply and agree to abide by the Rules of Behavior. The [redacted] system has been in place since October 2005 and during our sample testing, management was not able to provide evidence for 6 out of 45 selected users having

acknowledged the system rules of behavior.

We recommend that the CAO develop new procedures to ensure that all users of major financial applications review and acknowledge system specific Rules of Behavior prior to gaining system access.

Status of Recommendation:
Some progress.

USCP has developed a [REDACTED] which includes a section containing specific Rules of Behavior. The manual includes an acknowledgment form which is required to be signed by users of [REDACTED] and [REDACTED]. We noted through sample testing that 5 out of 36 [REDACTED] users sampled did not sign the Rules of Behavior acknowledgement form.

Management Response:
USCP management generally concurs.

OFM will revise its new procedures to fully document its [REDACTED] and [REDACTED] user reviews and that system specific Rules of Behavior are acknowledged prior to gaining access to the systems.

5. Management has not conducted risk assessments in accordance with industry best practices that consider a holistic view of system risks for all of their major systems.

Controls are not adequate to ensure that the USCP conducts risk assessments in accordance with industry best practices that consider a holistic view of system risks for all of their major systems.

Specifically we found that:

- The risk assessments prepared for the Wide Area Network (WAN) and Local Area Network (LAN) were conducted in early FY 2007. The risk assessment identified a number of possible threat sources in three categories; human, natural, and environmental. However, the methodology used to identify specific system vulnerabilities only utilized a vulnerability scanning tool and manual configuration reviews. This approach identified logical access control and configuration vulnerabilities. It did not identify all potential vulnerabilities that could be associated with the human, natural, or environmental threats that were identified.
- Management has not conducted a risk assessment that covers the major application, [REDACTED].
- The risk assessment procedures for the new system, [REDACTED] produced a risk matrix spreadsheet that documented potential system risks associated with implementation. However the process for identifying risks did not provide documented evidence of a standardized approach to addressing risks in a manner consistent with industry best practices. There was not evidence of a holistic approach to risk management that extended past the system implementation phase.

We recommend that the CAO conduct risk assessments in accordance with guidelines and recommendations for protecting Federal information systems. This risk assessment process and the documented results should be integrated into a comprehensive process for Certifying and Accrediting major systems.

Status of Recommendation:
Limited Progress.

Management Response:
USCP management generally concurs.

The risk assessment for the General Support System (GSS) identified a number of possible threat sources in three categories; human, natural, and environmental; however these risks were not tailored to be specific to the GSS. The methodology used to identify specific system vulnerabilities only utilized a vulnerability scanning tool and manual configuration reviews. This approach identified logical access control and configuration vulnerabilities. It did not identify all potential vulnerabilities that could be associated with the human, natural, or environmental threats that were identified.

Additionally the Risk Assessment included recommendations for the vulnerabilities that were identified by the vulnerability scan and the manual scripts run. However control recommendations that could mitigate or eliminate all identified risks (human, natural, environmental) were not provided.

USCP has completed a risk assessment for [REDACTED] however it does not include control recommendations to mitigate or eliminate the risks identified. Additionally risks specific to the financial system, [REDACTED] were not identified.

USCP has conducted its risk assessments in accordance with NIST guidelines. USCP will update the risk assessment for GSS and [REDACTED] following best industry standards for human, environmental, and natural risks.

OIS, in coordination with OFM, will develop an effective risk assessment study and mitigation plan for the [REDACTED] system. OIS will similarly coordinate with OFL on the development and implementation of a risk assessment study and mitigation plan for the [REDACTED] system. A project plan will be created to monitor and document the progress and implementation of these actions into a comprehensive process for certifying and accrediting all of USCP's major systems.

6. Management has not created and approved system security plans in accordance with industry best practices that fully document the controls protecting major systems.

Controls are not adequate to ensure that a system security plan has been created in accordance with industry best practices and approved for all major systems.

Specifically we found that:

- Management has not created a system security plan that covers the major application, [REDACTED]
- The system security plans that have been created for the WAN, LAN, and Operational Data Store (ODS) systems do not include descriptions of recommended controls or specific information about how those controls have been applied to the systems.
- The system security plans for the WAN, LAN, and ODS (which includes [REDACTED] systems have not been finalized and approved by management.

We recommend that the CAO create system security plans in accordance with guidelines and recommendations for protecting Federal information systems. System security plans should document all controls protecting the system and the final document should be approved by management before it is integrated into a comprehensive process for Certifying and Accrediting major systems.

<p>Status of Recommendation: Some Progress.</p> <p>The identified minimum security controls in the GSS System Security Plan (SSP) do not include control descriptions, which indicate how the security control is being implemented or planned to be implemented specifically for the GSS. Additionally, the majority of the controls point to the <i>US Capitol Police OIS Policy and Procedure Handbook</i>, which is no longer in existence.</p> <p>We noted that although an SSP was developed for [REDACTED] the SSP did not include descriptions of recommended controls, including how the security control is being implemented, or specific information about how those controls have been applied to [REDACTED]</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OIS will revise its security controls and control descriptions based on NIST'S recommended security controls for Federal Information. OIS' policies and procedures for its System Security Plan (SSP) will updated and remapped to reference the appropriate directives and SOPs.</i></p> <p><i>OIS will also update [REDACTED] SSP with NIST's recommended controls and control implementation descriptions. OIS will develop an action plan to monitor and document the progress and implementation of these actions, in coordination with OFM.</i></p>
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<p>7. An independent security assessment has not been conducted for controls over major information systems.</p> <p>Controls are not adequate to ensure that an independent security assessment is performed for controls listed in the system security plans for major systems as part of the certification and accreditation process.</p> <p>Specifically we found that there is no evidence of independent security testing of all the controls identified in the SSPs as part of the Certification and Accreditation process. Additionally, the certification agent for major systems is also the system's Information System Security Officer. This puts him in the position of evaluating his own performance and does not allow for a completely independent and objective assessment.</p> <p>We recommend that the CAO ensure that there is an independent assessment of security controls conducted as part of a comprehensive Certification and Accreditation process.</p>	
<p>Status of Recommendation: Not Started.</p> <p>USCP has created a corrective action plan regarding this condition. We noted that the status stated in the corrective action plan is "Not Started."</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP has requested funding to procure an independent assessment of its comprehensive Certification and Accreditation in its FY 2009 budget. Once the FY 2009 budget is approved, outside contractors will be solicited to provide the Independent Verification & Validation work for the Certification & Accreditation security controls. This outside contractor will also assist OIS in the development of a specific project plan to monitor and document the progress and implementation of the assessments and their resulting actions.</i></p>

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8. Management has not developed a policy and procedure to track and monitor corrective actions for known system security weaknesses.

Controls are not adequate to ensure that management developed a policy and procedure to track and monitor corrective actions for known system deficiencies.

Specifically we found that management has a process to document responses and corrective actions for audit recommendations. However, this process only addresses audit issues and does not provide a mechanism for tracking and addressing all known system weaknesses such as those identified through the Certification and Accreditation process.

We recommend that the CAO develops a process to track and manage all known system weakness. This process should include a centralized method of documenting and managing known issues, their associated corrective action plans, and the status of change implementations.

**Status of Recommendation:
Limited Progress**

USCP has implemented a process for tracking and monitoring audit recommendations; however this process does not capture all system weaknesses. We noted two prior-year audit conditions have not been captured in any tracking documentation. USCP has developed a consolidated Plan of Action & Milestones (POA&M) which captures system specific security weaknesses; however for the majority of weaknesses there is no status indicated and no completion date is stated.

Management Response:

USCP management generally concurs.

OIS agrees that the system weaknesses for the WAN/LAN were completed however, the Blackberry and T&A applications were not completed pending agreement on Baseline Security Configuration. The baseline configuration security standard will be implemented through Altiris and Security Expressions. OIS will include the two prior-year audit conditions, in coordination with OFM, and will complete the Plan of Action & Milestones (POA&M) documentation with updated status and completion dates. In addition, OIS will develop a project plan for tracking and managing corrective actions for known system deficiencies.

9. Management has not received and reviewed a Statement on Auditing Standards (SAS) No. 70 report for the [REDACTED] system for FY 2007.

Per the [REDACTED] Service Level Agreement (SLA), the Department of Interior's (DOI) National Business Center (NBC) should provide an annual SAS No. 70 report that establishes NBC's compliance with control objectives as examined by an independent firm. Through interview, we noted that USCP has not received and reviewed a SAS No. 70 report for the [REDACTED] system for FY 2007.

A SAS No. 70 report would indicate NBC's compliance with control objectives and control activities as examined by an independent accounting and auditing firm. Without a SAS No. 70 report or equivalent, USCP management does not have assurance that the controls protecting their financial data are in place and operating effectively. This risk is increased for a new system such as [REDACTED] where management does not have control reports from previous years to rely upon. Furthermore, reviewing the SAS No. 70 report would also enable USCP management to identify policies and procedures that need to be implemented to compliment the controls already in place at NBC.

We recommend that the CAO obtain and review a SAS No. 70 report or equivalent for the [REDACTED] system as part of their continuous monitoring process.

Status of Recommendation:
Not Started.

USCP has not received or reviewed a SAS 70 report for the [REDACTED] system for FY 2008.

Management Response:

USCP management concurs with the need for security control assurances.

USCP believes this can be best accomplished by continuing to monitor the security access to [REDACTED] and obtaining a copy of the NBC Enterprise Data Center (NEDC), General Support System (GSS) accreditation from the Department of Interior, National Business Center (NBC), related to [REDACTED]. According to USCP's cross-service provider, NBC, SAS-70s are only performed on Major Applications. [REDACTED] USCP's Asset Management System is not a Major Application subject to SAS-70 review nor is it integrated with or a subsidiary ledger to [REDACTED]. USCP's core financial system. A subsidiary ledger is a ledger that contains more detail and supporting detail to the summary balances in the general ledger and this is not the case with [REDACTED]. [REDACTED] is a Minor Application that tracks the location of assets and it is not used to update or adjust balances in [REDACTED]. Minor Applications are included as part of the NEDC GSS accreditation that the Enterprise Data Center, where [REDACTED] resides, is a professionally managed and operated facility that has met or exceeded established physical and operational standards as baselined by industry best practices.

10. Management has not ensured that network accounts for terminated employees are disabled in a timely manner.

Through testing of the OIS quarterly network account review, we noted that for the 28 employees that terminated employment in the third quarter of FY 2007, the average number of days between the termination date and account disable date was 44.5 days.

The excessive length of time between the termination-date and the account-disable date increases risk that an account may be used for fraudulent purposes after the date of employee termination.

We recommend that the CAO ensure that terminated employees accounts are disabled in a timely manner (e.g. 24 hours). To accomplish this objective, we further recommend that the employee exit procedures are enhanced to ensure that OIS is an integral part of the termination process.

Status of Recommendation:
Closed.

Management Response:

USCP management concurs with this closure.

<p>We determined through review of the [redacted] manual that the Office of Information Systems (OIS) is included in the termination process.</p> <p>Through sample testing, we noted that all terminated accounts were disabled in a timely manner.</p>	
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11. Management has not ensured that inactive network accounts are periodically reviewed and addressed in a timely manner.

Through review of all accounts on the USCP network, we noted that inactive accounts are not addressed in a timely manner. Inactive accounts for current employees are not consistently disabled after a set period of inactivity. Furthermore, accounts that have been disabled for a set period of time are not removed from the system. Because of the large number of inactive accounts, the risk that these accounts could be fraudulently accessed or enabled to perform malicious acts increases.

Additionally, we reviewed the Office of Information Systems (OIS) draft policy on Account and Access Management which states that inactive accounts are to be deleted after 90 days of inactivity. Detailed testing revealed a number of accounts that have been inactive. Based on the controls in OIS draft policy, we considered an account to be inactive if it has never been used or has not been used within 90 days.

- 383 accounts have previously logged on but have not been used within 90 days and are considered inactive (Average 324 days since last logon)
- 765 total accounts are inactive (27.5% of all accounts)
- Of the 765 inactive accounts, 435 (57%) accounts have not been disabled. These accounts represent the highest risk because they are potentially the easiest targets for attack.
- Of the 765 inactive accounts, 330 (43%) accounts are disabled and according to the draft policy, should be deleted. These accounts represent a moderate risk because they are additional targets for attackers.

We recommend that the CAO establish and implement policies and procedures that ensure inactive network accounts are periodically reviewed and addressed in a timely manner.

<p>Status of Recommendation: Limited Progress.</p> <p>USCP has not developed policies and procedures for conducting account reviews. Additionally, an adequate process to track inactive contractor accounts has not been developed. We noted the following from testing:</p> <ul style="list-style-type: none"> • 254 accounts have previously logged on but have not been used within 90 days and are considered inactive (Average 353 	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OIS currently reviews Active Directories (Domain User Accounts) monthly to assess account status – active, inactive, disabled, locked out, and the common account list. However, OIS will update its account review policy and procedures in conjunction with the Systems Operations staff responsible for managing accounts, to document that inactive accounts are periodically reviewed and addressed in a timely manner. OIS will create a project plan to monitor and document the</i></p>
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<ul style="list-style-type: none"> • 312 accounts have never been logged on. This includes accounts that have been disabled and also accounts that have not been disabled. • 566 total accounts are inactive (21.6% of all accounts). This includes both accounts that were created but never logged into (312) and also accounts that have not been logged on for 90 days (254). • Of the 566 inactive accounts, 488 (86.2%) accounts have not been disabled (This includes 235 accounts that have never been logged into and 253 accounts that have previously logged on but have not been used within 90 days). • Of the 566 inactive accounts, 78 (13.8%) accounts are disabled and should be deleted. 	<p><i>progress and implementation of this item.</i></p> <p><i>USCP notes that more than 100 accounts identified by the auditors as inactive are system accounts which cannot be logged on but are used by the operating and email systems. However, we agree that there are many dormant user accounts used by former contractors, transferred over from windows NT to Active Directory, and setup for special events. All Windows servers' accounts that have not been used within 90 days will be deleted by December 12, 2008 and regularly scheduled reviews of all accounts will be conducted and appropriate action will be taken and documented.</i></p>
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<p>12. Management has not ensured that information system logs are being monitored in a timely manner for security violations and malicious activities.</p> <p>Controls are not adequate to ensure that active monitoring of the general support system is being performed. We noted that the Senate is monitoring the USCP network externally; however active monitoring of the network internally is not being performed. We also noted that log monitoring software is scheduled to be purchased in FY 2009.</p> <p>We recommend that the CAO ensure that key infrastructure components of the general support system are continuously monitored for security violations and malicious activities, and reported to management in a timely manner.</p>	
<p>Status of Recommendation: Limited Progress.</p> <p>While USCP servers are configured to log security events, management has not developed policies or procedures regarding the monitoring and review of the security logs. Additionally, logs are only reviewed when a security violation is detected, or after the fact of a security incident. We noted through interview that logging and monitoring correlation software will be purchased in FY 2009.</p> <p>Furthermore, we learned that USCP is now responsible for the control of external</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>USCP is currently reviewing log management software solutions for purchase and implementation. Additionally, a log management policy will be developed to implement the logging software that is purchased. This policy and its monitoring procedures for security violations and malicious activities will include procedures for reporting such violations and activities to USCP management in a timely manner. Additionally USCP will review existing policy and make any necessary adjustments. OIS has created a project plan to monitor and document the progress and</i></p>

<p>boundaries for the GSS. This increases the security risk for the GSS and raises the importance of performing monitoring of system logs.</p>	<p><i>implementation of this item.</i></p>
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<p>13. The OFM Continuity of Operations Plan (COOP) is not complete and up to date.</p> <p>Through review of the OFM COOP, we noted that it has not been updated since 2005. Additionally, we determined through inquiry that OFM is in the process of revising the entire COOP. OFM is working with the established COOP coordinators for both USCP and for the Chief Administrative Office. We also noted that the COOP is incomplete and lacks specific recovery procedures. Management does not have assurance that the current plan would allow OFM to recover operations in the specified recovery timeframes. The current recovery timeframes call for immediate recovery of all operations and systems however the supporting plan cannot provide this type of transition.</p> <p>We recommend that the CAO revise and update the OFM COOP in accordance with best practices for Federal organizations, as well as ensure that all key areas of the COOP are adequately tested and documented. We further recommend that the recovery timeframes are appropriately established as part of COOP revision process.</p>	
<p>Status of Recommendation: Not Started.</p> <p>The OFM has begun draft revisions of the OFM COOP; however the COOP is not complete.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM will revise and update the OFM Continuity of Operations Plan (COOP), including appropriately established recovery timeframes, in coordination with OIS, and in accordance with best practices for Federal organizations. In addition, OFM and OIS will ensure that the action plan includes adequate testing and documentation of all key areas of the COOP.</i></p>

<p>14. USCP does not have an approved final policy in place governing the creation of network accounts.</p> <p>We determined that there is not an officially approved policy or procedure governing network account creation. Through interviews we noted that initial requests are made directly through Altiris or via email and then subsequently entered in to Altiris. In both cases, a ticket should be created to track the account creation and approval process. We reviewed the draft OIS policy for Account and Access Management and noted that the account creation request must be made through the OIS helpdesk with an assigned ticket number. However, OIS management stated that these policies are in draft and not required for implementation. OIS management further stated that emails represent the approval for the account creation and are a sufficient level of documentation. The OIS Policy and Procedure Manual does not cover specific requirements for creating accounts on the network.</p> <p>Without a standardized account approval and creation process, management increases the risk that unauthorized accounts could be created. Additionally they decrease their ability to review existing accounts for approvals and appropriateness.</p>
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<p>We recommend that the CAO finalize and implement policies and procedures governing account creation that allow for centralized tracking of access requests.</p>	
<p>Status of Recommendation: Closed.</p> <p>USCP has developed a policy titled [REDACTED]. This document includes a formal policy governing the creation of network accounts.</p>	<p>Management Response: <i>USCP management concurs with this closure.</i></p>

New IS Conditions from FY 2008 Audit Procedures

<p>15. USCP has not developed formal documentation regarding contingency plan testing for the GSS.</p> <p>We noted that USCP conducted a limited contingency plan test. However, a report, such as a lessons learned document, was not developed formally stating the results of the conducted contingency plan test. Additionally, we noted that no test plans were created.</p> <p>Without test objectives and success criteria the effectiveness of the overall test cannot be accurately assessed. Furthermore, without a formal report of results or lessons learned, the contingency plan may not be adequately updated to address deficiencies in the plan.</p> <p>We recommend that the CAO implement policies and procedures to require that a test plan and objectives be developed prior to testing contingency plans. The test plan should include a clear scope, scenario, and logistics as well as indicate the personnel who will be involved. Additionally, we recommend that a formal report be documented upon completion of the test. The report usually includes successful and non-successful steps as well as lessons learned. Furthermore, we recommend that the contingency plan be updated to reflect the discovered deficiencies.</p>	
<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OIS will implement policies and procedures that require its test plan and objectives be developed prior to testing its contingency plans. OIS' existing procedures will be updated to include a formal report that documents the comprehensive test plan, a test checklist, communication requirements, approvals by CCB, test results, and lessons learned, as well as identified deficiencies.</i></p>

<p>16. USCP has not ensured that all [REDACTED] users' roles are appropriately assigned.</p> <p>Through sample testing we noted that 2 out of 45 users sampled were not included in the USCP User Role Review.</p>	
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Without ensuring that users' have the appropriate roles, users may be granted access to perform actions that are not in their job descriptions. The risk also increases that there may also be a breakdown in adequate segregation of duties between [REDACTED] users.

We recommend that the CAO perform account reviews for all [REDACTED] users and ensure that all users have appropriate access and assigned roles.

<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM, in coordination with OIS, will update its procedures to regularly conduct and document the results of its [REDACTED] user account reviews to ensure that all users have appropriate access and assigned roles.</i></p>
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17. USCP has not ensured that all [REDACTED] user accounts are periodically reviewed and addressed to ensure all system account statuses are appropriate.

Through sample testing we noted that 2 out of 45 [REDACTED] users sampled were not verified as having an appropriate 'Active' account status.

The risk of fraudulently accessing an account that is not assigned to a current [REDACTED] user escalates. There is a possibility that malicious acts could be performed using the account.

We recommend that that the CAO perform account reviews and ensure that all active accounts are assigned to an active [REDACTED] user or are otherwise disabled.

<p>Status of Recommendation: Not Started – New Condition.</p>	<p>Management Response: <i>USCP management generally concurs.</i></p> <p><i>OFM, in coordination with OIS, will update its procedures to regularly conduct and document the results of its [REDACTED] user account reviews to ensure that all active accounts are assigned to active [REDACTED] users or are otherwise disabled.</i></p>
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United States Capitol Police Board

**INDEPENDENT AUDITOR’S REPORT ON
 COMPLIANCE WITH LAWS AND REGULATIONS**

We have audited the Balance Sheet of the United States Capitol Police (USCP) as of September 30, 2008, and the related statements of Net Cost, Changes in Net Position, and Budgetary Resources for the year then ended. We have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

USCP management is responsible for complying with laws and regulations applicable to the entity. As part of obtaining reasonable assurance about whether USCP’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the following paragraph.

Title 31, Section 1301 states that appropriations can only be used for the purposes for which they were made, except as otherwise provided by law. USCP used the Security Enhancement Fund (SEF) to pay for professional services in the amount of \$4,336 in support of the Office of Financial Management hiring of contract specialists, which is not an allowable use of the SEF. Public Law 105-277 Security Enhancements, enacted in Fiscal Year 1999, provided USCP with \$106.7 million for security enhancements to the Capitol complex. Additionally, our testing found the underlying contract was obligated in the amount of \$131,840. The obligation, which was created in FY 2007 and disbursed during FY 2008, was allocated to the following appropriated funds:

Funds	Amount
CCS	\$11,268
SEF	\$4,336
USP6/7	\$30,000
USP	\$24,069
NOY	\$62,167

The auditor believes that use of the CCS (Capital Campus Security), and NOY (No Year), both residing in Treasury fund 02X0476, originate from the Emergency Response Fund, cited in legislation, PL 107-38, PL107-117 and PL107-206, and supplemental appropriations subsequently designated as emergency requirement funds used to engage the help of temporary civilian employees, as hiring contract specialists

is not allowable and does not comply with the intended use of these funds. Accordingly, appropriations totaling \$77,771 were not used in compliance with the purpose in the applicable statutes.

USCP's response to the finding identified in our audit and stated above is described in Attachment A. We did not audit USCP's response and, accordingly, we express no opinion on it.

~~This report is intended solely for the information and use of the United States Capitol Police board, USCP management, USCP management, Members of the United States Congress, and the Comptroller General~~
~~these specified parties.~~

COTTON & COMPANY LLP



Alan Rosenthal, CPA
Partner

December 1, 2008
Alexandria, Virginia

USCP Response to Instance of Non-Compliance***USCP management partially concurs.***

We agree the use of the Capitol Campus Security (CCS) fund and Security Enhancement Fund (SEF) for a portion of a task order paid in the fall of 2007 for contractor support services was not in compliance with the original intended purpose of the funds. We have recently recorded transactions in [REDACTED] that returned the \$11,268 and \$4,336 in CCS and SEF funding to unobligated status after identifying available FY 2007 General Expenses funding to cover the services that had been provided to OFM under the task order.

However, we are conferring with USCP's and Government Accountability Office's General Counsel to determine whether a subsequent adjustment or additional approval is required related to USCP's use of \$62,167 for these contractor support services during the fall of 2007. The \$62,167 came from General Expenses No-Year appropriation funds, and these funds were specifically earmarked for use by the Chief of Police for OFM contractual support services as a distinct budgetary project. In the House Report (108-88) that accompanied H.R. 2657 for the House Appropriations Bill of 2004, the Chief of Police was directed to re-prioritize the request to equip all sworn members with personal protective equipment, the items funded in the fiscal year 2003 supplemental, and the revised general expenses for fiscal year 2004 prior to requesting the transfer of the salary funds. In response, USCP drafted a transfer request letter dated July 17, 2003, which itemized and prioritized the uses of the fiscal year 2004 budget request and the fiscal year 2003 Supplemental to provide USCP with enabling infrastructure for it to grow into an organization that could combat and prevent terrorism in the post-9/11 environment. The letter was signed by both Appropriations Committees.