

UNITED STATES CAPITOL POLICE

**Audit of the United States Capitol Police's
Fiscal Year 2011 Financial Statements**

Report No. OIG-2012-02

United States Capitol Police
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September 30, 2011

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Independent Auditor's Report

To The Inspector General
United States Capitol Police

To the United States Capitol Police Board
United States Capitol Police

We have audited the accompanying balance sheet of the United States Capitol Police (USCP) as of September 30, 2011, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the year then ended (hereinafter referred to as "financial statements"). 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. The financial statements of USCP as of September 30, 2010, were audited by other auditors whose report dated June 20, 2011, expressed a qualified opinion on those financial statements due to scope limitation. The predecessor auditor was unable to obtain sufficient appropriate audit evidence to substantiate balances in Construction in Progress and Advances to Others.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 also 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USCP as of September 30, 2011, and its 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 also issued our reports dated November 21, 2011, on our opinion on USCP's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of the 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. These 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.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We reviewed this information for consistency with the financial statements and discussed the methods of measurement and presentation with the USCP officials. Based on this limited work, we found no material inconsistencies with the financial statements and the accounting principles generally accepted in the United States. However, we do not express an opinion on this information.

Clifton Gundersen LLP

Arlington, Virginia
November 21, 2011

Independent Auditor's Report on Internal Control over Financial Reporting

To the Inspector General
United States Capitol Police

To the United States Capitol Police Board
United States Capitol Police

We have audited the United States Capitol Police's (USCP) internal control over financial reporting as of September 30, 2011, based on *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. USCP's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on USCP's internal control over financial reporting based on our examination.

We conducted our audit 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with Accounting Principles Generally Accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Accounting Principles Generally Accepted in the United States of America, and that receipts and expenditures of the entity are being made in accordance with authorization of management and those charged with governance; and (3) provide reasonable assurance regarding preventing, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect or correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in USCP's internal control briefly described in the following paragraph and specified in Findings 1 and 2 of Exhibit A to be material weaknesses.

Finding 1: USCP Office of Human Resources (OHR) has not consistently implemented its policies and procedures to ensure payroll is processed with approved and authorized documentation.

Finding 2: USCP program offices that oversee construction have no formal reporting process to the Office of Financial Management (OFM) Chief Financial Officer (CFO) to provide assurance that the expenditures reported by the partner agencies have been reviewed by the program office for conformance to the terms agreed to at the inception of construction and any subsequent amendments. Moreover, the program offices have no formal process of documenting and communicating to the CFO the approval of the placement of assets in service, as various phases are completed and operational.

In our opinion, because of the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, USCP has not maintained effective control over financial reporting as of September 30, 2011, based on the *Standards for Internal Control in the Federal Government*.

A *significant deficiency* is a control deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in USCP's internal control specified in Findings 3 and 4 of Exhibit B to be significant deficiencies.

We have reviewed the status of USCP's corrective actions with respect to the findings and recommendations included in prior year Independent Auditor's Report dated June 20, 2011. Exhibit C provides a discussion on the status of prior year findings and recommendations.

We also noted certain matters that we reported to management of USCP in a separate management letter dated November 21, 2011.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the USCP as of and for the year ended September 30, 2011 (Fiscal Year 2011). We considered the material weaknesses identified above in determining the nature, timing, and extent of audit tests applied in our audit of the Fiscal Year 2011 financial statements, and this report does not affect our report dated November 21, 2011, which expressed an unqualified opinion on the financial statements. The financial statements of USCP as of September 30, 2010, were audited by other auditors whose report dated June 20, 2011, expressed a qualified opinion on those financial statements due to scope limitation. The predecessor auditor was unable to obtain sufficient appropriate audit evidence to substantiate balances in Construction in Progress and Advances to Others.

This report is intended solely for the information and use of the United States Capitol Police Board, USCP management, USCP Office of the Inspector General, and members of the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gundersen LLP

Arlington, Virginia
November 21, 2011

**Summary of Internal Control Weaknesses
Fiscal Year 2011 Examination of Effectiveness of Internal Control
United States Capitol Police**

In performing Fiscal Year (FY) 2011 examination of the effectiveness of USCP internal control over financial reporting, we identified two material weaknesses and two significant deficiencies.

We also examined the findings and recommendations reported in FY 2010 examination report and have included in this report as Exhibit C the status of those findings and recommendations as of September 30, 2011.

Below are a brief summary of the FY 2011 and the status of FY 2010 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made some progress toward implementing payroll processing recommendations. For the 12 findings and recommendations open in FY 2010, 5 were closed and 7 were carried forward to FY 2011. We also identified one new finding in FY 2011. We concluded that payroll processing control deficiencies as an aggregate is a material weakness. See Finding 1.

The Office of Financial Management (OFM) made substantial progress in FY 2011 toward addressing the conditions that resulted in a material weakness in FY 2010. For the 27 findings open in FY 2010, 20 were closed and 7 were carried forward to FY 2011 as one material weakness (Finding 2), 3 significant deficiencies (Finding 3) and 3 management letter comments. We also identified a new finding which we reported as a significant deficiency under Finding 4.

The Office of Information Systems (OIS) made substantial progress in FY 2011. For the three findings in Information Systems open in FY 2010, two were closed and one was carried forward to FY 2011 as a management letter comment.

CRITERIA

We used three levels of progress to rank improvement of prior year findings.

- Substantial Progress
- Some Progress
- Limited Progress

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

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

USCP MANAGEMENT'S RESPONSE AND OUR EVALUATION OF THE RESPONSE

USCP management generally agreed with our recommendations. We included USCP management's response in this report but did not perform audit procedures on the response. Accordingly, we express no opinion on USCP management's response. Our evaluation of management response, if necessary, is included each specific finding.

Exhibit A
FY 2011 Internal Control Deficiencies/Findings

Material Weaknesses

Finding No. 1: Payroll Processing

Summary Status: **Material Weakness Current Year**
 Material Weakness Prior Year
 Some Progress

The National Finance Center (NFC) processes payroll for USCP. USCP reports time and attendance to NFC and is responsible for maintaining pay and leave records and documents that support pay rates and deductions. USCP does not consistently implement its policies and procedures to ensure payroll is processed with approved and authorized documentation.

The Office of Human Resources (OHR) made some progress toward implementing payroll processing recommendations. For the 12 findings open in FY 2010, 5 were closed and 7 were carried forward to FY 2011. We also identified one new finding in FY 2011.

As noted in prior year auditor's report, payroll processing control deficiency has been reported since FY 1999; similar findings existed as of September 30, 2011. We concluded that payroll processing findings as an aggregate is a material weakness.

1. Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report (Repeat Finding) (Prior Year Finding 1.1)

In our sample of 45 employees, we found that one certification report of a separated employee did not have a supervisor's signature. In addition, we obtained all certification confirmation reports submitted to the Office of Human Resources (OHR) for Pay Period (PP) 23 of FY 2010, and PPs 04, 10, and 16 of FY 2011. From the certification confirmation reports, we reviewed the breakdown of completed and pending certification reports. Certification reports are considered pending when they don't have employee and/or supervisors signatures yet. There were 1,272 instances of pending certification reports in the four pay periods examined.

Although USCP has developed Special Directive [REDACTED] which require employees and their supervisors to sign their respective certification reports in a timely manner, the implementation of the directive has not been consistent throughout the year.

Recommendations:

1. We reiterate prior year recommendation that USCP consistently implement time-and-attendance certification policies and procedures and that timekeepers review all certification reports to ensure that employees and supervisors sign and date reports. USCP management needs to enforce the revised policies and procedures in Special Directive [REDACTED]
2. Since this condition has been in existence for many years, we also recommend that the supervisor/timekeeper procedures for monitoring of employees' time and attendance to include identifying habitual failures in submitting certification reports so that corrective actions can be targeted to those employees.

3. Lastly, we recommend OHR to evaluate the feasibility of using [REDACTED], a time and attendance system, to automate the Time and Attendance Certification process. Consider [REDACTED] capability to allow manual certification of hours by an employee/supervisor, and to allow remote access to the system for certification purposes. We believe enabling these [REDACTED] features would eliminate a significant amount of the failures to submit certification reports. Also, we believe it will allow the timekeepers to devote less effort to tracking down employees who have not submitted certification reports and manually gathering/storing the certification collected. The automation process will free up timekeepers to perform reviews.

Status of Recommendations:

Open – Limited Progress on Recommendation 1
Open – Not Started on Recommendations 2 and 3

Management Response:

We generally concur with the finding.

1. We will continue our efforts to enforce the revised Time and Attendance Certification Process Interim Guidance (TA CPIG) implemented in PP 16, and our new Inspections and Review Section has begun 100% certification reviews by bureau/office.
2. An electronic tracker for submission of Certification reports has been created. Failure to submit certification reports will trigger Bureau Commander/Office Director notification.
3. Efforts are underway to use the automated Time and Attendance system as a pilot within various Office of Administration elements for electronic certification.

In addition, the Department's time and attendance process will be reviewed to validate the procedures currently employed and evaluate more efficient and effective means for conducting this process within control environments.

2. Lack of Confirmation of Time-and-Attendance (T&A) Certification Completion (Repeat Finding) (Prior Year Finding 1.2)

We obtained all certification report confirmations for PP23 for FY 2010, and PPs 04, 10, and 16 for FY 2011 as part of testing payroll processing. Our test disclosed six instances shown below where a certification confirmation email was not submitted to OHR.

- 3 instances – OIS (PP4, 10, and 16)
- 1 instance – OGC (PP16)
- 1 instance – MAB's immediate office (PP16)
- 1 instance – the entire MAB bureau (PP4)

Although USCP has developed Special Directive [REDACTED] which require employees and their supervisors to sign their respective certification reports in a timely manner, the implementation of the directive has not been consistent throughout the year.

Recommendations: Our recommendations are the same as in Finding 1.1 above.	
Status of Recommendations: Open – Limited Progress on Recommendation 1 Open – Not Started on Recommendations 2 and 3	Management Response: We generally concur with the finding. 1. We will continue our efforts to enforce the revised Time and Attendance Certification Process Interim guidance (TA CPIG) which replaced SD [REDACTED]. OHR's T &A Section along with the new Inspections and Review Section will enhance monitoring of timely submission of certification reports, confirmation emails, and enforcement of corrective actions. 2. An electronic tracker for submission of Certification reports has been created. Failure to submit certification reports will trigger Bureau Commander/Office Director notification. 3. Efforts are underway to use automated Time and Attendance system as a pilot within various Office of Administration elements. In addition, the Department's time and attendance process will be reviewed to validate the procedures currently employed and evaluate more efficient and effective means for conducting this process within control environments.

3. Difference in Annual Leave Hours in NFC and the [REDACTED] (Repeat Finding) (Prior Year Finding 1.4) Our test of internal control on payroll processing disclosed that for 24 of 46 employees tested, there were 34 instances where the leave balances (annual, compensatory, and sick) on the Leave and Earnings Statement did not agree with the leave balances reported on the T&A Certification.	
Recommendations: 1. As in prior year recommendation, USCP should perform monthly reconciliation between NFC and [REDACTED] to ensure leave balance information is correctly reported in both systems. 2. We also recommend that OHR implement corrective actions timely.	
Status of Recommendation: Open – Limited Progress	Management Response: We generally concur with the finding. 1. Bi-weekly reconciliation reports are produced and an enhanced review will be accomplished bi-weekly. 2. Corrective action will be performed in a timely manner.

4. Noncompliance with Employee Clock Usage (Repeat Finding) (Prior Year Finding 1.6)

We obtained clock usage reports for our sample of 46 employees and noted that 13 employees failed in 24 instances to clock in and/or out for their respective shifts and their time was entered into [REDACTED] by supervisors or timekeepers with little or no explanation beyond "forgot to clock" or the listing of their scheduled start/end time.

In addition, for all of FY 2011, there were 27,967 instances of failure to swipe in or out by USCP employees.

Recommendation:

As in prior year recommendation, USCP should ensure that its employees comply with USCP Special Directive No. [REDACTED] addressing responsibility to record daily worked hours using the Department's [REDACTED] time clocks. We also recommend USCP to enhance its procedures for monitoring employees who show a pattern of not clocking in or out and verify if hours entered into [REDACTED] are actual hours worked by the employees.

Status of Recommendation:
Open – Limited Progress

Management Response:

We generally concur with the finding.

1. Irregular Clock Usage reports are being created and used in conjunction with the 100% audit of Time and Attendance records. OHR will identify potential habitual offenders to the Bureau Commander who will determine appropriate corrective action.
2. OHR will review their processes to develop practical and enforceable procedures to enhance verification for those personnel required to clock.

In addition, the Department's time and attendance process will be reviewed to validate the procedures currently employed and evaluate more efficient and effective means for conducting this process within control environments.

5. Untimely Review of Time and Attendance (T&A) Certification Completion (Repeat Finding) (Prior Year Finding 1.10)

We obtained all certification confirmation reports for PP23 of FY 2010, PPs 04, 10, and 16 of FY 2011 for our test of internal control over T&A. We noted four instances, as shown below, where the confirmation certification report email had not been completed timely (within one month of the pay period close).

PP	Bureau/ Division	Date Pay Period Ended	Date Report Submitted
23-2010	PSB	11/20/2010	3/8/2011
23-2010	COO	11/20/2010	2/25/2011
16-2011	OHR	8/13/2011	9/28/2011
16-2011	TSB	8/13/2011	9/14/2011

Recommendations: Our recommendations are the same as recommendations 1 through 3 of Finding 1.1 above. In addition, we repeat prior year recommendation that OHR T&A Division monitor timekeeper distribution and collection of certification reports to complete its T&A review procedures at the end of each pay period. We also recommend that OHR emphasize deadlines or include a deadline for T&A staff to complete the T&A confirmation of certification report.	
Status of Recommendation Open – Limited Progress	Management Response: We generally concur with the finding. 1. We will continue our efforts to enforce the revised Time and Attendance Certification Process Interim guidance (TA CPIG) and emphasize deadlines. 2. An electronic tracker for submission of Certification reports has been created. Failure to submit certification reports will trigger Bureau Commander/Office Director notification. 3. Efforts are underway to use automated Time and Attendance system as a pilot within various Office of Administration elements. In addition, the Department's time and attendance process will be reviewed to validate the procedures currently employed and evaluate more efficient and effective means for conducting this process within control environments.

6. Inadequate Documentation of OHR T&A Audit (Modified Repeat Finding) (Prior Year Finding 1.12) OHR performed T&A audits on approximately 20 percent of USCP employees during FY 2011. Our review of the audit workpapers showed that there were inconsistent and inadequate documentation to support the results of the summary audit testing. For example, the time and attendance sheets tested and the criteria (or attributes) applied to the tests were not documented. Although the preparer submits the results of the T&A audits to his/her supervisor, there was no evidence of a supervisory review prior to submission to the Director of OHR. Recommendation: OHR has implemented most of the recommendations in prior year finding, our current year recommendation is focused on OHR's need to enhance the adequacy of documenting the audits or tests performed and the supervisory review of the test results. We recommend including the name of the sample tested (if less than 100%) in test workpapers. Also, develop a test worksheet that will include the test attributes (criteria), results, and corrective actions, if applicable.	
Status of Recommendation Open – Substantial Progress	Management Response: We generally concur with the finding.

	<p>OHR has already begun to document its selection methodology to include the name of the employee. A testing worksheet has been developed, and review by the supervisor is completed and documented.</p> <p>OHR's Inspections and Review Section has initiated a 100% review initiative beginning in PP16 which meets all recommended documentation.</p>
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<p>7. [REDACTED] Segregation of Duties (Repeat Finding) (Prior Year Finding 1.13)</p> <p>USCP has not properly segregated incompatible duties in the [REDACTED] application. Users with privileged access also had operational responsibilities for the application. We noted the following segregation of duties issues:</p> <ol style="list-style-type: none"> 1. Four (4) Office of Human Resources (OHR) personnel had System Administrator access to the [REDACTED] time and attendance application. 2. Two (2) of the individuals with System Administrator access do not require the ability to manage access. The individuals were assigned the system administrator role since they need access to view specific screens that no additional role had been set up to view. 3. The two (2) administrators that require the ability to manage access also had security administrator access to the United States Department of Agriculture's National Finance Center (NFC). The individuals are each other's backups. Due to limited civilian personnel with administrator knowledge within OHR, these individuals were required to have overlapping responsibilities. 4. The OHR IT Specialist has write access to both the development and production environment to the [REDACTED] database without oversight. <p>Recommendation:</p> <p>We recommend that USCP develop, document, and implement a segregation-of-duties matrix to identify incompatible functions across [REDACTED] and NFC. We also recommend that management review all user accounts and ensure that users are assigned appropriate roles within and across applications to prevent control over incompatible functions.</p>	
<p>Status of Recommendation: Open – Limited Progress</p> <p>Auditor's Evaluation of Management Response:</p> <p>We noted that USCP's response concurred with the conditions of the finding and USCP went on to include several steps to further enhance segregation of duties controls within its current staffing.</p>	<p>Management Response:</p> <p>USCP Management generally concurs with the initial finding and recommendation, and have already taken the following steps:</p> <ul style="list-style-type: none"> • Changed the security profiles in [REDACTED]. Only one individual has System Administrator access now. • The two individuals with [REDACTED] System Administrator access who only needed view to limited information access were moved to a new security role and the necessary

	<p>screens are being made available as identified by the users.</p> <ul style="list-style-type: none"> • The second [REDACTED] administrator has had access reduced to super user level as well. • Requested that NFC system access be reduced for the one individual with [REDACTED] System Administrator access. <p>However, without additional qualified development staff, it remains necessary for the one individual with write access to maintain that access in order to carry out the responsibilities required of that position. We believe that the adoption of the existing OIS Change Management Policy and Procedures for any changes to the [REDACTED] system that can impact database information or compromise the integrity of payroll information mitigate this condition.</p> <p>The USCP will develop and implement segregation-of duties matrix, as well as implement log reviews to monitor access by privileged users.</p>
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8. Waiver for Compensatory Time Balance in Excess of 240 Hours at the end of Leave Year (Reported as a Non-Compliance with Laws and Regulations in FY 2010) (New Finding as Internal Control Finding)

USCP Leave Regulations states that annual leave which is not used by a member or civilian employee accumulates for use in succeeding years until it totals not more than 240 hours at the beginning of the first full biweekly pay period occurring in a leave year. Also, USCP Leave Regulations provide that when it is impossible to grant leave to members and civilian employees due to unusual emergencies, the Chief of Police or his/her designee has the authority to temporarily waive the above restrictions on accrued annual leave.

For leave year ending in December 2010, the Chief of Police signed a waiver on March 18, 2011, which was applied in the subsequent pay period, restoring compensatory time earned in lieu of overtime in excess of 240 hours accrued through February 13, 2011 in 45 instances. We believe that the waiver should be obtained more timely to establish the hours in excess of 240 hours that can be carried over the next leave year.

Recommendation:

We recommend that USCP OHR obtained a waiver, if appropriate, from the Chief of Police within 2 pay periods before or after the end of the leave year so that excess hours can be reinstated or carried over timely.

Status of Recommendation: Open - Substantial Progress Auditor's Evaluation of Management Response: Although there is no time limitation on the approval or denial of waiver requests, we believe USCP management should establish the timeline for approval or denial especially for leave year-end to timely establish the hours that can be carried over to the next leave year.	Management Response: The Capitol Police Board leave regulations do not have time limitations on the approval or denial of waiver requests. The Department reviews the individual requests for carryover waiver to ensure they satisfy the waiver requirements before approval is granted or the request is denied.
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Finding No. 2: Control over Construction in Progress

Summary Status: **Material Weakness Current Year**
Material Weakness Prior Year
Some Progress

The OFM made substantial progress in FY 2011 addressing the findings in the Financial Management area reported as a material weakness in FY 2010.

For the 27 findings open in FY 2010, 20 were closed and 7 were carried forward to FY 2011 as one material weakness, 3 significant deficiencies and 3 management letter comments.

The three significant deficiencies mentioned above were related to financial management systems and reported in the Financial Management area as material weaknesses in FY 2010. We reported these findings under Finding 3 in FY 2011.

Also, in FY 2011, two key leadership positions, the Chief Administrative Officer and the Chief Financial Officer (CFO), which have been filled in acting capacity since during FY 2010 were permanently filled in February 2011.

1. Construction in Progress – GL Account 1720 (Modified Repeat Finding) (Prior Year Finding 2.22)

Monthly, OFM senior accountant receives summary cost reports from the Naval Air Warfare Center Aircraft Division (NAVAIR), the Architect of the Capitol (AOC), and the U.S. Department of Transportation Volpe Center (VOLPE) that provide cumulative cost data on major construction projects in process within the capitol complex. The partner agencies have been advanced funds from USCP, based on approved project budgets, and use these funds for expenditures incurred for the ongoing construction.

The senior accountant uses these project cost summaries to determine to journal entries to be made to reduce the Advances to Others [General Ledger Account Code (GLAC) 1410] and increase Construction in Progress (GLAC 1720) without concurrence of the program offices. The USCP progress offices that oversee construction have no formal reporting process to the Office of Financial Management (OFM) Chief Financial Officer (CFO) to provide assurance that the expenditures reported by the partner agencies have been reviewed by the program office for conformance to the terms agreed to at the inception of construction and any subsequent amendments. Moreover, the program offices have no formal process of documenting and communicating to the CFO the approval of the placement of assets in service, as various phases are completed and operational.

The current practices do not assign responsibility to the program offices overseeing the projects to certify the financial reports, including status of the projects such as percentage or stages of completion, submitted by the partner agencies.

Recommendation:

We recommend that USCP develop a formal monthly reporting process from the program offices overseeing Construction in Progress to OFM to provide signed confirmation that the financial reports from the partner agencies have been reviewed and accepted. We also recommend OFM to continue to work with the program offices in terms of requesting and maintaining additional documentation for the cost incurred from partner agencies.

Status of Recommendation:

Open – Some Progress

Management Response:

We concur and will work with the ET and affected bureaus and offices to institute procedures for program offices' monthly reporting to OFM to ensure that financial reports from the partner agencies have been reviewed and accepted.

Exhibit B
FY 2011 Internal Control Deficiencies/Findings

Significant Deficiencies

Finding No. 3: Financial Management Controls Related to Information Systems

Summary Status: **Significant Deficiency Current Year**
 Material Weakness Prior Year
 Substantial Progress

The Office of Information Systems (OIS) made substantial progress in FY 2011. For the three findings in Information Systems open in FY 2010, two were closed and one was carried forward to FY 2011 as a management letter comment.

For open findings in FY 2010 related to financial management systems and reported in the Financial Management area as components of a material weakness, we have reclassified these open findings as significant deficiencies in FY 2011.

1. Review of User Logging for [REDACTED] Access (Repeat Finding) (Prior Year Finding 2.38)	
USCP did not have adequate controls to ensure that supervisors routinely reviewed user activity logs for access to [REDACTED] (general ledger system) for incompatible actions. See related finding no. 3.2 below.	
Recommendation: We recommend that USCP develop and implement a methodology to ensure that user activity is routinely reviewed through logs generated by the [REDACTED] application.	
Status of Recommendation: Open – Limited Progress	Management Response: See response under Finding 3.2 below.

2. Segregation of Duties [REDACTED] and [REDACTED] (Repeat Finding) (Prior Year Finding 2.39)	
We reviewed the active list of current [REDACTED] (property management system) users and noted that four (4) accounts had system administrator privileges with complete access to [REDACTED]. This level of access enables privileged users to modify records.	
CG also reviewed the active list of current [REDACTED] users and identified the following segregation of duties issues:	
<ul style="list-style-type: none">• Five accounts have system administrator privileges with complete access to [REDACTED]. One of the accounts is a generic system account and the remaining four (4) are systems accountants.• One system administrator, the Lead Systems Accountant, also maintains the incompatible functions of internal control and serving as a system administrator.• USCP [REDACTED] users have more than one active account. These multiple accounts	

allow users to perform backup functions when the primary account user is not available. Since these accounts are active all the time, users are not restricted from performing incompatible duties.

- USCP has not completed a segregation-of-duties matrix for [REDACTED] to ensure incompatible duties are not combined. [REDACTED] administrators use Delegations of Authority documentation as the basis for reviewing user roles. USCP maintains the Delegations of Authority documentation as authorized, however this documentation does not map to roles in [REDACTED]

Recommendation:

We recommend that USCP develop, document, and implement an OFM segregation-of-duties matrix to identify incompatible functions within [REDACTED]. We also recommend that USCP review all user accounts and ensure that users are assigned appropriate roles within and across financial applications to prevent control over incompatible functions.

Status of Recommendation:

Open – Some Progress

Auditor's Evaluation of Management Response:

We noted that USCP's response concurred with the condition and went on to include several steps to further enhance segregation of duties within its current staffing. USCP began to identify and reduce the number of duplicate accounts and reduce the privileged user cross functionality. However, certain finding conditions remained present that have not been fully addressed.

Management Response:

A Systems Accountant is scheduled to retire on 12/31/11. It is both urgent and critical that the Lead Systems Accountant train to learn the retiring Systems Accountant's duties to ensure continuation of duties. The OFM Director has provided guidance that the Lead Systems Accountant should only have one ID activated at a time.

Although incompatible system roles are reviewed, a Segregation of Duties Matrix will be developed and implemented to enhance the review. Using the matrix, a new review will be developed and added to the Financial Systems Internal Control Review Schedule, Attachment 1, to identify and correct incompatible roles.

Due to extenuating circumstances, a person may be assigned more than one active user ID. Occasionally, users are provided an active ID for a new USCP employment position while transitioning workload, training a new employee, preparing and training for planned staff attrition, or due to emergencies. Supporting documentation is maintained which justifies the need for more than one ID. Especially in the case of dual roles for training purposes (as this was the case with one of the dual roles found), there is no conflict of interest as there is no difference in the role, just an additional internal organization that can be accessed.

Also, to identify system users with incompatible

	<p>duties, the Delegations of Authority will be mapped to the roles in [REDACTED] and reviewed.</p> <p>Effective in FY12, the Director of OFM will review and approve each Financial Systems Internal Control Review, instead of the Lead Systems Accountant. This will eliminate the Lead Systems Accountant's incompatible duties of performing the systems administrator role and approving internal control reviews.</p> <p>The [REDACTED] reviews will be expanded to include failed logon attempts, completed transactions outside of assigned roles, and changes to key system settings. [REDACTED] reviews will also be expanded once the software is upgraded and logging functionality is available. Modifications to the [REDACTED] and [REDACTED] Internal Control Review Schedule for FY12, Attachment 1, were made to capture this change.</p>
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<p>3. [REDACTED] Account Management (Modified Repeat Finding) (Prior Year Finding 2.40)</p> <p>Access control documentation for the [REDACTED] and [REDACTED] systems was not available for review. Samples of user's access documentation including approval forms and signed rules of behavior were requested; however, the samples were not available for review.</p> <p>USCP also was not able to produce the Last Password Change Date, Last Logon Date, and Account Creation Date from the [REDACTED] and [REDACTED] systems.</p> <p>Recommendation:</p> <p>We recommend that USCP implement account management controls within [REDACTED] to remove access of terminated individuals in a timely manner. We also recommend that USCP update the mechanism (user request form) to request and approve access to [REDACTED] to provide requestors with the ability to select specific access roles that agree to roles assigned within [REDACTED]</p>	
<p>Status of Recommendation: Open – Limited Progress</p> <p>Auditor's Evaluation of Management Response:</p> <p>We noted that USCP's response concurred with the condition and went on to include several steps to further enhance access controls.</p> <p>Terminated personnel retaining active accounts were not identified during current year testing;</p>	<p>Management Response:</p> <p>All [REDACTED] and [REDACTED] Access Approvals and Signed Rules of Behavior for system users are maintained and on file for review in OFM. Unfortunately, the time line for this audit is very short, and the [REDACTED] and [REDACTED] samples were provided near the end of the fieldwork. As a result, there was not enough time to review and evaluate all of the supporting documentation provided prior to issuance of this NFR. Once the additional supporting</p>

<p>however, documentation supporting access granting and technical account management were not provided to us during fieldwork.</p> <p>We received sample documentation following the end of fieldwork and noted the following issues:</p> <ol style="list-style-type: none"> 1. One out of a sample of ten [REDACTED] accounts was created and never used. 2. For two out of a sample of ten [REDACTED] accounts did not have signed rules of behavior. 3. For seven out of a sample of ten [REDACTED] accounts access forms/tickets could not be provided. 4. For one out of a sample of seventeen [REDACTED] accounts signed rules of behavior could not be provided. 5. For seventeen out of a sample of seventeen [REDACTED] accounts, access forms/tickets could not be provided. 6. Account Last Password Change Date, Last Logon Date, and Account Creation Date from the [REDACTED] and [REDACTED] systems could not be provided. 	<p>documentation is reviewed many of the concerns identified in this NFR should be addressed.</p> <p>A comprehensive list of supporting documentation which was delivered but not analyzed prior to issuance of the NFR is in Attachment 1.</p> <p>To strengthen [REDACTED] and [REDACTED] Internal Control Reviews, modifications will be made to the Financial Systems Internal Control Review Schedule for FY12, Attachment 2. The [REDACTED] reviews were expanded to include failed logon attempts, completed transactions outside of assigned roles, and changes to key system settings. [REDACTED] reviews will also be expanded once the software is upgrade and logging functionality is available.</p>
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Finding No. 4: Accounts Payable Accrual Methodology

Summary Status: **Significant Deficiency Current Year
Not Started**

1. Accounts Payable Accrual Methodology (Current Year New Finding)

USCP does not review the nature of the liability that is accrued to determine proper classification as to an asset (capitalized cost) or an expense. Accrued liabilities are automatically recorded as an expense without reviewing whether the liability is related to a capitalizable asset. In addition, USCP does not evaluate whether its accrual methodology is sound and the estimated amounts accrued is reasonable by comparing its estimates to actual in subsequent period.

GAO Standards for Internal Control for Federal Government provides examples of control activities. Internal Control activities help ensures management directives are carried out. Two examples of control activities are proper execution of transactions and events, and accurate and timely recording of transactions and events.

Recommendation:

We recommend OFM to review the nature of the accrued liabilities to determine proper classification as to an asset or an expense. Also, we recommend that OFM perform periodic

comparison of actual to estimated accrued liability to ensure its accrual methodology procedures results in a reasonable estimate of goods and services received but not paid.	
Status of Recommendation: Open – Not Started	Management Response: We concur and will review the nature of the accrued liability to determine proper classification as to asset or expense and record accordingly. We will also modify our accrual methodology to include a step for periodically comparing the actual to the estimated accrued liability.

Exhibit C
Status of Control Deficiencies Reported in FY 2010 Independent Auditor's Report

During our FY 2011 internal control testing, we examined the status of control deficiencies (findings) reported in FY 2010 Independent Auditor's Report on Internal Control over Financial Reporting.

We used the following three levels to determine the status of the FY 2010 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2011.
- Open – the condition(s) in the finding remain(s) the same in FY 2011.
- Open/Modified – one or more conditions in the finding have changed in FY 2011.

In addition, for those findings whose status are classified as Open or Open/Modified in FY 2011, we further classified the finding as a material weakness (MW), a significant deficiency (SD), or a management letter comment (ML). We have also reclassified some findings identified in FY 2010 as a component of MW to either a SD or a ML, and from a SD to a ML in FY 2011.

A summary of the status of the 42 findings in FY 2010 is shown below:

- 26 Closed Findings
- 16 Open or Open/Modified Findings

FY 2010 Finding No.	FY 2010 Control Deficiencies/Findings	Years Reported/ Reported as	FY 2011 Status
1.1	Employee and Supervisor failure to sign bi-weekly certification reports	2008-2010/ MW	Open Reported as MW Finding 1.1
1.2	Lack of confirmation of time-and-attendance certification completion	2008-2009/ MW	Open Reported as MW Finding 1.2
1.3	Timekeeper's failure to maintain employee bi-weekly certification reports	2008-2010/ MW	Closed
1.4	Difference of annual leave hours in NFC and [REDACTED]	2008-2009/ MW	Open Reported as MW Finding 1.3
1.5	U.S. Capitol Police separation checklist and personnel actions forms missing	2008-2009/ MW	Closed
1.6	Noncompliance with employee clock usage	2008-2010/ MW	Open Modified Reported as MW Finding 1.4
1.9	Missing personnel information	2010/ MW	Closed

FY 2010 Finding No.	FY 2010 Control Deficiencies/Findings	Years Reported/ Reported as	FY 2011 Status
1.10	Untimely review of time-and-attendance certification completion	2009-2010/ MW	Open Reported as MW Finding 1.5
1.11	Lack of Review of [REDACTED] Report over NFC	2010/ MW	Closed
1.12	Lack of supporting documentation for OHR's June Time-and-Attendance Audit	2009/ MW	Open Modified Reported as MW Finding 1.6
1.13	Segregation of Duties [REDACTED]	2010/ MW	Open Reported as MW Finding 1.7
1.14	Health and Life Insurance forms absent from employee personnel files	2009/ NW	Closed
2.5	GL Account 4210 – Anticipated Reimbursements	2008/ MW	Closed
2.7	Accounts Payable – Untimely vendor payments	2008-2010/ MW	Open Reported as ML
2.8	Accounts Payable invoice tracking spreadsheet maintenance	2008/ MW	Closed
2.9	Lack of justification for vendor additions/modifications in [REDACTED]	2008/ MW	Open Reported as ML
2.13	Fleet card program training	2008/ MW	Open Reported as ML
2.16	SBR and Footnotes	2008/ MW	Closed
2.17	Facts II Submission at Year-end	2008/ MW	Closed
2.20	Misrepresentation of cost factors used to calculate federal employee benefits	2008-2010/ MW	Closed
2.22	Construction in progress – GL Account 1720 and Advances to Others – GL Account 1410	2008/ MW	Open Modified Reported as MW Finding 2.1
2.24	Coordination with Office of General Counsel	2008/ MW	Closed
2.26	Insufficient reconciliation of [REDACTED] and [REDACTED]	2008-2010/ MW	Closed
2.27	Misstatement of imputed costs	2008-2010/ MW	Closed

FY 2010 Finding No.	FY 2010 Control Deficiencies/Findings	Years Reported/ Reported as	FY 2011 Status
2.28	Compensatory Time accrual	2009-2010/ MW	Closed
2.29	Accounts Payable accrual methodology	2009-2010/ MW	Closed
2.30	Misstated categories in the statement of net costs	2009-2010/ MW	Closed
2.31	Differences noted during reconciliations of budgetary and proprietary accounts	2009-2010/ MW	Closed
2.32	Financial Statement Checklist	2009-2010/ MW	Closed
2.33	Statement of net costs prepared in accordance with the USSGL Crosswalk	2009-2010/ MW	Closed
2.34	Unnatural balances	2009-2010/ MW	Closed
2.35	Year-end adjustments not carried forward	2008-2010/ MW	Closed
2.36	Unobligated balance brought forward, October 1	2008-2010/ MW	Closed
2.37	Offsetting receipts	2009-2010/ MW	Closed
2.38	Review of User Logging for [REDACTED] Access	2009-2010/ MW	Open Reported as SD Finding 3.1
2.39	Segregation of Duties ([REDACTED] and [REDACTED])	2009-2010/ MW	Open Modified Reported as SD Finding 3.2
2.40	[REDACTED] Account Management	2009-2010/ MW	Open Reported as SD Finding 3.3
2.41	Reprogramming tracking log	2009-2010/ MW	Closed
2.42	CFO Approval of purchases	2009-2010/ MW	Closed
3.12	OFM Continuity of Operations Plan Insufficient	2009-2010/ SD	Closed
3.16	Oversight of Outsourced Systems	2009-2010/ SD	Open Reported as ML
3.17	Baseline Configuration	2009-2010/ SD	Closed

**Independent Auditor's Report on Compliance with Laws and Regulations
and Other Matters**

To the Inspector General
United States Capitol Police

To the Capitol Police Board
United States Capitol Police

We have audited the financial statements of the United States Capitol Police (USCP) as of and for the year ended September 30, 2011 (FY 2011), and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of USCP as of September 30, 2010 (FY 2010), were audited by other auditors whose report dated June 20, 2011, expressed a qualified opinion on those financial statements due to scope limitation. The predecessor auditor was unable to obtain sufficient appropriate audit evidence to substantiate balances in Construction in Progress and Advances to Others.

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 misstatements, we performed tests of USCP's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to those provisions and we did not test compliance with laws and regulations applicable to USCP. Providing an opinion on compliance with certain provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported under generally accepted government audit standards and is described below.

Fair Labor Standard Act (FLSA), Section 207 (o), states that employees who "work in a public safety activity...[or] emergency response activity...may not accrue more than 480 hours of compensatory time for overtime hours worked." It further states that an employee who has accrued 480 hours of compensatory time will be paid under FLSA for additional overtime hours of work. During the first quarter of leave year 2011, 4 employees accrued more than 480 hours at the end of multiple pay periods. USCP paid the hours in excess of the 480 hours in April 2011. This noncompliance was also identified in FY 2010.

USCP management generally concurs with the finding and stated that "While employees were not harmed as their FLSA overtime work was credited. The OHR eliminated the possibility of anyone exceeding the 480 hour limit with a [REDACTED] system change which now prohibits earning over 480 hours of 1.5 compensatory time. In addition, OHR continues to monitor compensatory time balances (via bi-weekly reports) to Bureaus/Divisions Commanders identifying those nearing/at/over the CPB limitation and/or FLSA limit." We did not audit USCP management response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the United States Capitol Board, USCP management, USCP Office of the Inspector General, and members of the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Arlington, Virginia
November 21, 2011

United States Capitol Police



**Management's Discussion and Analysis
FY 2011**

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The United States Capitol Police (USCP) was established by Congress in 1828 with the sole mission of protecting the U.S. Capitol Building. This area of responsibility has grown to include the entire Capitol Complex, which includes the Capitol Building and Capitol Visitor Center, the House and Senate Office Buildings, the U.S. Botanic Garden, Library of Congress buildings, the Capitol Power Plant, and various other support facilities. The USCP is led by the Chief of Police with oversight by the Capitol Police Board, comprised of the House and Senate Sergeants at Arms and the Architect of the Capitol.

MISSION

The mission of the United States Capitol Police, as reflected in our Strategic Plan is as follows:

"To protect the Congress, its legislative processes, Members, employees, visitors, and facilities from crime, disruption, or terrorism."

The vision of the United States Capitol Police is to be a model federal law enforcement agency in the forefront of developing and implementing state-of-the-art counterterrorism, emergency preparedness and response, security, and law enforcement programs. In meeting our mission of protecting the Congress and legislative process in a changing threat environment, we will leverage partnerships, enable our personnel to meet increasing challenges, demand accountability, perform at the highest level of professionalism, and achieve unity of purpose.

We are committed to providing quality services to the community we serve and believe that each one of us makes the difference between a good and an excellent organization. Our organizational values are outlined below:



STRATEGIC AND ANNUAL PLANNING

To accomplish our mission it is important to have an excellent strategic plan. However, it is even more important to have a first-rate strategic planning system that not only designs and improves strategic plans, but also builds the strategic thinking for the entire Department. This strategic planning system enables the Department to develop the leadership and management capacity to drive this plan into action.

The Strategic Plan consists of the following components:

- Mission, Vision and Values
- Strategic Plan Framework
- Strategic Goals
- Breakdown of Strategic Goals into Objectives
- List of Strategic Initiatives to advance Strategic Objectives

The Strategic Planning System consists of a number of leadership, management, and process improvement mechanisms that deploy the strategic plan, making it a component of the organizational culture and building a strategic thinking system (organizational learning, collaborative problem-solving, and strategic action according to the Concepts of Operation). The elements of our Strategic Planning System include the following:

- Strategic Leadership: The Chief's Vision of *Rising to the Challenge*
- Strategic Communication: Executive Management Team, Senior Management Team, and Frontline Managers Team
- Concept of Operations
- Scenario-Based Planning/Worst Case Scenario as Bedrock for Preparedness
- Business Planning and Performance Planning System
- Internal Controls and Business Process Improvement
- Force Development: Promoting Integration of Strategic Planning with Budget Planning
- Building Quality Management and Program Management Systems

The graphic below illustrates the USCP Strategic Plan framework. The top of the strategic pyramid includes the Department's stakeholders: Members of Congress, staff, the public, and employees. Serving our stakeholders means that we must excel at our operational work and effectively manage resources to fully support the mission. This operational work is captured in three strategic goals:

- **Assess the Threat:** Provide a comprehensive internal assessment capability to identify and validate threats to Members of Congress; the legislative process; and the buildings, staff, and visitors that make up the Capitol Community.
- **Prevent:** Prevent criminal or terrorist activity from disrupting the legislative process and normal business operations.
- **Respond:** Respond promptly and with the right resources to threats, disruptions, or other unlawful activities in order to quickly and safely return Congress to normal operations.

The fourth strategic goal addresses how we manage our resources and people to support our operational goals:

- **Support the Mission:** Improve the efficiency and effectiveness of internal business processes and procedures in support of delivering mission responsibilities at the highest possible level.



Every year, since building our first Strategic Plan in 2004, we have been moving forward integrating our strategic and budget planning. In 2005, we created the "Business Planning" system for cascading the strategic plan throughout the organization. Bureau Commanders and Office Directors devised their piece of the strategic plan, using the business plans to outline their way forward during the fiscal year, measuring program and project performance to accomplish strategic initiatives that corresponded to strategic objectives, which in turn supported our four strategic goals. All of this supported the effort to link approaches to using resources more efficiently to produce results more effectively.

In 2006, the Department continued to develop the business planning system, incorporating internal controls to better ensure targets were reached and strengthening the program to build standardized, uniform, repeatable processes that can be validated. Business planning became further integrated into the organizational culture with Executive Management Team meetings becoming business process meetings, with collaborative problem-solving (oriented around challenges to project and program performance). The Department further developed its Concept of Operations for accomplishing the strategic goals, whereby key process improvements could be identified and accomplished, so that they could accomplish strategic differences in mission performance. Examples of this included process improvements with the Truck Interdiction Program (TIPs), the Virtual Fence (posting assets out and around the Capitol to better detect and deter threats), and Community Outreach (a framework for Community Policing)—all of which have provided measurable results of reducing risk and vulnerability in protecting against terrorism and improving law enforcement.

In 2007, the Department saw the advent of the increased structure for linking business planning to budget planning, called Force Development. This method of corporate planning created a framework for integrating business planning so that resource initiatives could be analyzed and prioritized from a Department-wide focus. Managers were also trained in a business case methodology to provide greater depth and breadth to budget justifications related to potential Return on Investment. Other programs introduced in 2007 that show excellent promise for improving the business process approach to resource management include the ELS facilitated Manpower Project and Training Transformation Project. The Manpower Project yielded process maps for improving resource employment in reducing risk. The Training Transformation Project has developed standard business processes for establishing training needs and priorities, training resource management, source selection and evaluation, participant selection, training administration, and performance measurement (tying back to training needs).

In 2008, the Force Development process evolved to include Scenario and Capabilities Planning for Critical Incidents, with our Uniform Services Bureau providing a key example for the Department to follow. In 2009, progress continued toward the development of a Performance and Accountability Report, culminating in development of the Department's first PAR prototype in 2010.

The GPRA Modernization Act of 2010 required changes in the performance planning process to strengthen the use of outcome measures. This requirement was met by using a hybrid model developed from benchmarking the performance reporting of DHS, State Dept (Diplomatic Security) and Navy NCIS. The key feature is a multi-year performance output analysis for strategic initiatives. This model was employed for 2010 and 2011 Performance Reports to capture the increase in productivity outcomes for Strategic Initiatives (from the Strategic Plan), based on Key Performance Indicator analysis.

Strategic Goals and Objectives

As stated in our Strategic Plan, the strategic goals describe the conceptual components essential to the USCP succeeding at our mission. The strategic objectives assigned to each goal represent the measurable direct actions that define that success.

Strategic Goals	Strategic Objectives
Assess the Threat: Provide a comprehensive internal assessment capability to identify and validate threats to Members of Congress; the legislative process; and the buildings, staff, and visitors that make up the Capitol Community.	A.1. Inter-Agency Collaboration: To collaborate with other federal agencies and local law enforcement to increase the collection and sharing of intelligence information. A.2. Intelligence Collection & Analysis: To maximize the collection and use of intelligence and counter-surveillance information for identifying threats. This includes process improvement internally and externally both for counter-surveillance and the dissemination of threat warnings.
Prevent: Prevent criminal or terrorist activity from disrupting the legislative process and normal business operations.	P.3. Congressional Community Protection: To prevent criminal, terrorist and other disruptive activities from reaching the Capitol Buildings and Grounds and protect the people, legislative processes, and the facilities from criminal and other disruptive activities within the Capitol Complex. P.4. Event Management: To enable individuals to safely participate in major events and demonstrations while not disrupting legislative operations. P.5. Member Protection: To protect Members of Congress and visiting officials against criminal and terrorist activities.
Respond: Respond promptly and with the right resources to threats, disruptions, or other unlawful activities in order to quickly and safely return Congress to normal operations.	R.6. Law Enforcement: To patrol areas of statutory responsibility and diligently investigate and prosecute persons who commit criminal acts. R.7. Incident Management & Communication: To coordinate decisively and efficiently all activities and communications in response to a critical incident. R.8. Specialized Response Capabilities: To enhance our specialized response capabilities to ensure readiness to all types of incidents. R.9. Continuity of Operations: To ensure Continuity of Operations (COOP) for USCP while supporting the Congressional Community in the execution of their COOP plans and, when necessary, assist in the implementation of Legislative Branch Continuity of Government (COG) plans.

Strategic Goals	Strategic Objectives
<p>Support the Mission: Improve the efficiency and effectiveness of internal business processes and procedures in support of delivering mission responsibilities at the highest possible level.</p>	<p>S.10. Human Capital: To create and sustain a vigorous and motivated workforce that is highly trained and armed with the necessary knowledge, skills and abilities to achieve the mission.</p> <p>S.11. Technology: To provide responsive, high quality, cost-effective information technology services and solutions in a timely manner.</p> <p>S.12. Facilities Management: To provide USCP employees with state-of-the-art facilities to meet its mission, workload, and personnel requirements.</p> <p>S.13. Financial Management: To provide timely, reliable, and responsive financial management services, and ensure accountability for assets and resources.</p> <p>S.14. Logistics Management: To make resources available to those who need it, when they need it by improving the ordering, procurement, distribution, and tracking of USCP resources.</p> <p>S.15. Legal Counsel: To ensure legal counsel for overall organizational legal compliance.</p> <p>S.16. Continuous Improvement: To create a best practices organization that through an environment of continuous incremental improvement encourages innovation and creativity while balancing practical considerations.</p>

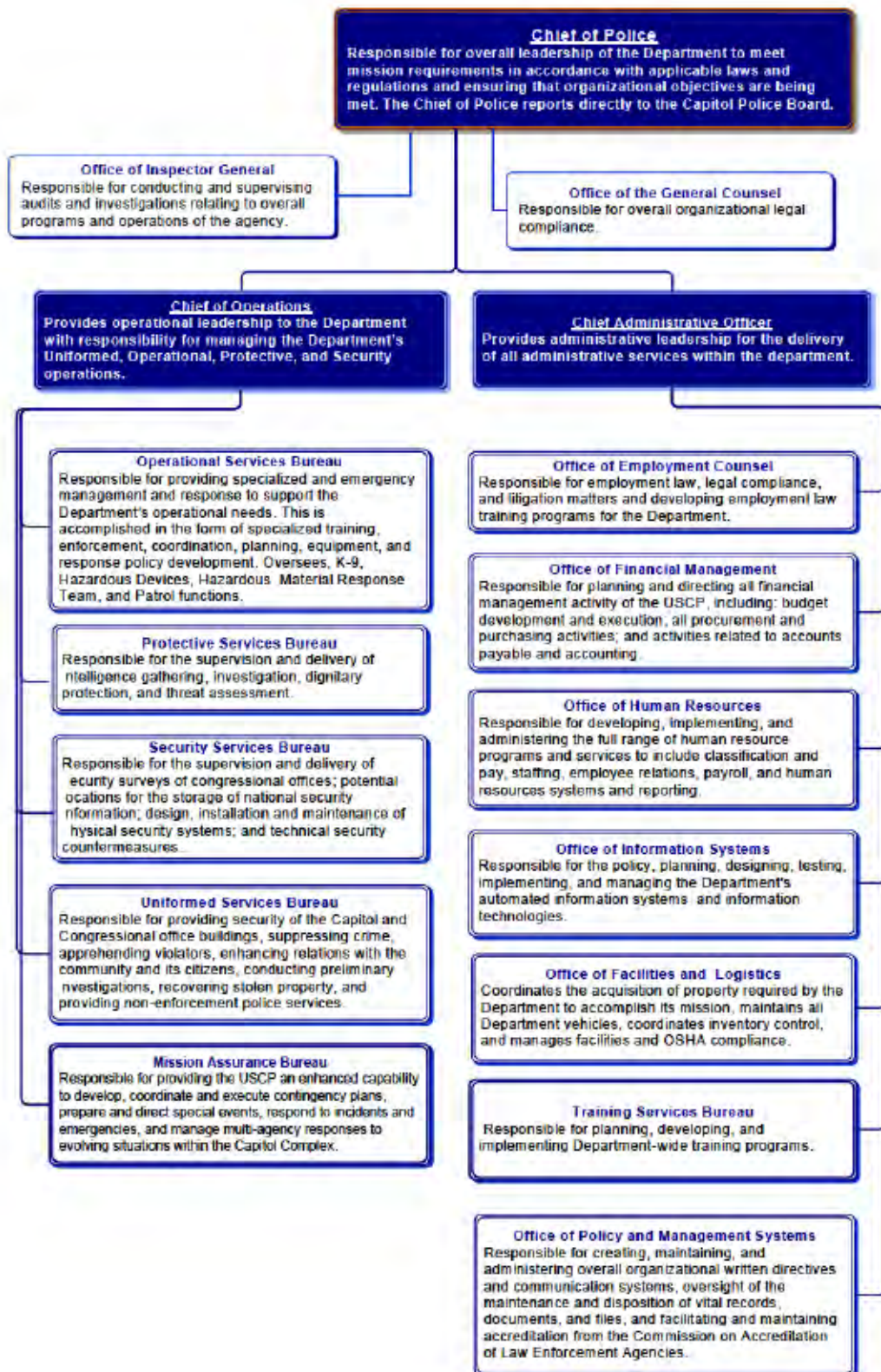
ORGANIZATIONAL AND FINANCIAL STRUCTURE

The USCP aligns its management functions into an operations and administrative structure. The operations structure carries out the law enforcement/security activities of the Department, and the administrative structure provides business processes/administrative support to the Department.

The operations side of the Department is led by the Chief Operating Officer and is comprised of five Bureaus: Mission Assurance Bureau (formerly the Office of Plans, Operations, and Homeland Security), Operational Services Bureau, Protective Services Bureau, Security Services Bureau, and Uniformed Services Bureau.

The administrative side of the Department is led by the Chief Administrative Officer and is comprised of seven Bureaus/Offices: Office of Human Resources, Office of Financial Management, Office of Information Systems, Training Services Bureau, Office of Facilities and Logistics, Office of Policy and Management Systems, and Office of Employment Counsel.

Outside of the operations and administrative hierarchy are the Office of the General Counsel, Office of Professional Responsibility, and Public Information Office, which fall directly under the leadership of the Chief of Police. The Office of Inspector General is an independent function of the USCP and reports directly to the Capitol Police Board.



ANALYSIS OF PERFORMANCE INFORMATION

Strategic Goals	Strategic Objectives	Representative Performance Measures and Results
<p>Assess the Threat: Provide a comprehensive internal assessment capability to identify and validate threats to Members of Congress; the legislative process; and the buildings, staff, and visitors that make up the Capitol Community.</p>	<p>A.1. Inter-Agency Collaboration: To collaborate with other federal agencies and local law enforcement to increase the collection and sharing of intelligence information.</p> <p>A.2. Intelligence Collection & Analysis: To maximize the collection and use of intelligence and counter-surveillance information for identifying threats. This includes process improvement internally and externally both for counter-surveillance and the dissemination of threat warnings.</p>	<ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED]
<p>Prevent: Prevent criminal or terrorist activity from disrupting the legislative process and normal business operations.</p>	<p>P.3. Congressional Community Protection: To prevent criminal, terrorist and other disruptive activities from reaching the Capitol Buildings and Grounds and protect the people, legislative processes, and the facilities from criminal and other disruptive activities within the Capitol Complex.</p> <p>P.4. Event Management: To enable individuals to safely participate in major events and demonstrations while not disrupting legislative operations.</p> <p>P.5. Member Protection: To protect Members of Congress and visiting officials against criminal and terrorist activities.</p>	<ul style="list-style-type: none"> • Community Outreach Visits – 1,258 • Evacuation Drills – 88 • K-9 Sweeps – 156,381 • Bomb Sweeps – 1,324 • # of Permits for Demonstrations – 211 • # of POTUS Visits – 7 • # of VPOTUS Visits – 9 • # of Heads of State Visits – 65 • Security Awareness Briefings – 43 • Congressional Delegations (CODELs) - 17 in town and 26 out of town

Strategic Goals	Strategic Objectives	Representative Performance Measures and Results
<p>Respond: Respond promptly and with the right resources to threats, disruptions, or other unlawful activities in order to quickly and safely return Congress to normal operations.</p>	<p>R.6. Law Enforcement: To patrol areas of statutory responsibility and diligently investigate and prosecute persons who commit criminal acts.</p> <p>R.7. Incident Management & Communication: To coordinate decisively and efficiently all activities and communications in response to a critical incident.</p> <p>R.8. Specialized Response Capabilities: To enhance our specialized response capabilities to ensure readiness to all types of incidents.</p> <p>R.9. Continuity of Operations: To ensure Continuity of Operations (COOP) for USCP while supporting the Congressional Community in the execution of their COOP plans and, when necessary, assist in the implementation of Legislative Branch Continuity of Government (COG) plans.</p>	<p>■ [REDACTED]</p> <p>■ [REDACTED] —</p>

Strategic Goals	Strategic Objectives	Representative Performance Measures and Results
<p>Support the Mission: Improve the efficiency and effectiveness of internal business processes and procedures in support of delivering mission responsibilities at the highest possible level.</p>	<p>S.10. Human Capital: To create and sustain a vigorous and motivated workforce that is highly trained and armed with the necessary knowledge, skills and abilities to achieve the mission.</p> <p>S.11. Technology: To provide responsive, high quality, cost-effective information technology services and solutions in a timely manner.</p> <p>S.12. Facilities Management: To provide USCP employees with state-of-the-art facilities to meet its mission, workload, and personnel requirements.</p> <p>S.13. Financial Management: To provide timely, reliable, and responsive financial management services, and ensure accountability for assets and resources.</p> <p>S.14. Logistics Management: To make resources available to those who need it, when they need it by improving the ordering, procurement, distribution, and tracking of USCP resources.</p> <p>S.15. Legal Counsel: To ensure legal counsel for overall organizational legal compliance.</p> <p>S.16. Continuous Improvement: To create a best practices organization that through an environment of continuous incremental improvement encourages innovation and creativity while balancing practical considerations.</p>	<ul style="list-style-type: none"> • Civilian Hires – 20 • Sworn Hires – 57 • Civilian Separations – 28 • Sworn Separations – 70 • % of Information Systems Uptime – 99.93% annual average • % Primary Fleet Readiness – 95% • % Special Operations Fleet Readiness – 90% • % Motorcycles Fleet Readiness – 90% • % Equipment Fleet Readiness – 97%

ANALYSIS OF FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of the Department in accordance with the accounting principles generally accepted in the United States of America, prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The following information provides highlights of the Department's financial position and results of operations in fiscal year 2011. The complete set of financial statements, related notes, and the opinion of the Department's auditors are attached to this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2011 shows \$221 million in total assets, an increase of \$2 million (1 percent) from the previous year's total assets of \$219 million. The Department's Fund Balance with the U.S. Treasury was \$87 million, which represents 39 percent of the total assets.

Liabilities: Total Department liabilities were \$73 million as of September 30, 2011, an increase of \$4 million (6 percent) from the previous year's total liabilities of \$69 million.

Net Position: The Department's total net position as of September 30, 2011 was \$148 million, a decrease of \$2 million (1 percent) from the previous year's total net position of \$150 million.

Budgetary Resources: The Department's fiscal year 2011 Combined Statement of Budgetary Resources shows \$381 million in total budgetary resources, a decrease of \$55 million (13 percent) from the previous year's total budgetary resources of \$436 million.

Net Outlays: The Department's fiscal year 2011 Combined Statement of Budgetary Resources shows \$372 million in net outlays, an increase of \$6 million (2 percent) from the previous year's total net outlays of \$366 million.

Net Cost of Operations: The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of Department operations totaled \$384 million for the year ended September 30, 2011, equivalent to the previous year's net cost of operations of \$384 million.

Our budget consists of an annual appropriation that funds the salaries and benefits for our staff, and general expenses such as motor vehicles, communications and other equipment, security equipment, uniforms, weapons, supplies, materials, training, medical services, forensic services, professional services, the employee assistance program, the awards program, postage, communication services, travel, and relocation of instructor and liaison personnel for the Federal Law Enforcement Training Center. Our annual appropriation for fiscal year 2011 was \$341 million.

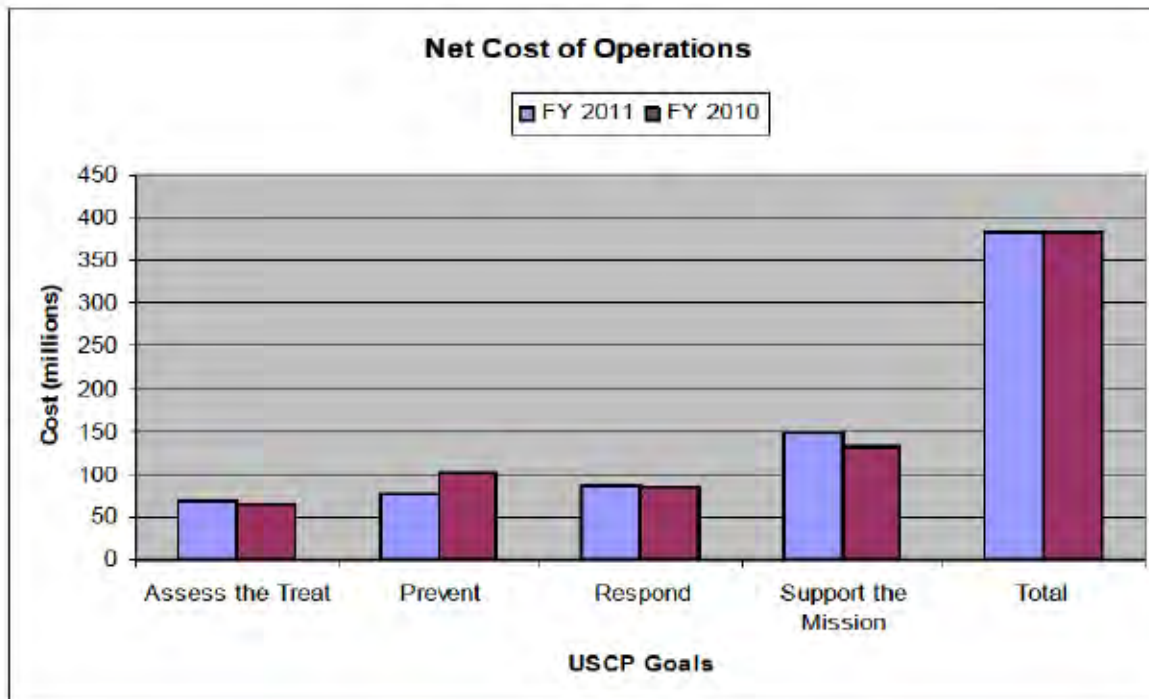
In fiscal year 2011, our total assets were \$221 million, consisting mostly of our fund balance with Treasury, advance to other Federal agencies and properties and equipments. Total liabilities of \$73 million were composed largely of Worker's Compensation (FECA) liability, accounts payable, accrued employees' salaries & benefits, and employees' accrued annual leave.

The net cost of operating the U.S. Capitol Police during fiscal year 2011 and fiscal year 2010 was approximately \$384 million for both years. Overall, our net cost of operations increased by

\$0.5 million, due primarily to increased imputed costs for fiscal year 2010. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2011 and fiscal year 2010 costs break down by each strategic goal.

Table 1: USCP's Financial Highlights: Resource Information (in millions)

	FY 2011	FY 2010	% Change
Total Assets¹	\$221	\$219	1%
Total Liabilities¹	73	69	6%
Appropriations²			
Salaries	277	278	0%
General Expenses	63	63	0%
Total Annual Appropriations	340	341	0%
Total Budgetary Resources	381	436	-13%
Total Outlays	372	366	2%
Net Cost of Operations			
Goal 1: Assess the Threat	69	65	6%
Goal 2: Prevent	77	101	-24%
Goal 3: Respond	88	86	2%
Goal 4: Support the Mission	150	132	14%
Total Net Cost of Operations	\$384	\$384	0%



¹ The net cost of operations figures include non-budgetary items, such as imputed pension and depreciation costs, which are not included in the figures for total budgetary resources or total outlays.

² Includes enacted across the board reduction of 0.2% in FY 2011.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Department's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the United States Capitol Police, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the financial statements. While these statements have been prepared from the books and records of the Department, they are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The statements should be read with the understanding that as an agency of a sovereign entity, the United States Government, we cannot liquidate our liabilities (i.e., pay our bills) without legislation that provides resources to do so. Although future appropriations to fund these liabilities are likely and anticipated, they are not certain.



UNITED STATES CAPITOL POLICE

Financial Statements
As of and for the Years Ended
September 30, 2011 and 2010

UNITED STATES CAPITOL POLICE
Balance Sheets
As of September 30, 2011 and 2010

	FY 2011	FY 2010
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$87,349,800	\$121,141,047
Accounts Receivable (Note 4)	0	187,260
Advances to Others (Note 3)	62,937,762	36,745,465
Total Intragovernmental	<u>150,287,562</u>	<u>158,073,772</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Public, Net (Note 4)	37,818	63,783
General Property, Plant and Equipment, Net (Note 5)	<u>70,798,195</u>	<u>60,753,860</u>
TOTAL ASSETS	<u>\$221,127,575</u>	<u>\$218,895,415</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$628,579	\$616,357
Accrued Funded Benefits	\$3,775,757	\$3,242,481
Total Intragovernmental	<u>\$4,404,336</u>	<u>\$3,858,838</u>
Accounts Payable, Public	5,770,878	8,949,339
Accrued Salaries and Benefits	16,074,752	14,375,434
Accrued Unfunded Annual and Compensatory Leave (Note 6)	12,289,675	11,906,863
Actuarial FECA Liabilities (Note 6 & 10)	33,013,824	29,275,619
Capital Leases and Other Liabilities (Note 7)	<u>1,274,957</u>	<u>426,555</u>
TOTAL LIABILITIES	<u>72,828,422</u>	<u>68,792,648</u>
NET POSITION		
Cumulative Results of Operations	26,037,123	20,716,735
Unexpended Appropriations	<u>122,262,030</u>	<u>129,386,032</u>
TOTAL NET POSITION	<u>\$148,299,153</u>	<u>\$150,102,767</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$221,127,575</u>	<u>\$218,895,415</u>

UNITED STATES CAPITOL POLICE
Statements of Net Cost
For the Years ended September 30, 2011 and 2010

	FY 2011	FY 2010
STRATEGIC GOALS:		
Assess the Threat		
Gross Costs	\$69,425,447	\$64,957,754
Prevent		
Gross Costs	77,308,215	100,569,906
Respond		
Gross Costs	87,722,588	86,223,337
Support the Mission		
Gross Costs	150,276,563	132,388,687
Less: Earned Revenues	(352,425)	(241,116)
	<u>149,924,138</u>	<u>132,147,571</u>
NET COST OF OPERATIONS	<u>\$384,380,388</u>	<u>\$383,898,568</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Changes in Net Position
For the Years ended September 30, 2011 and 2010

	FY 2011	FY 2010
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$20,716,735	\$23,353,083
Adjustments	<u>0</u>	<u>(169,347)</u>
Beginning Balances, as Adjusted	\$20,716,735	\$23,183,736
 Budgetary Financing Sources		
Appropriations Used	345,628,166	341,791,280
 Other Financing Sources		
Imputed Financing Sources	44,072,610	39,640,287
 Net Cost of Operations	<u>(384,380,388)</u>	<u>(383,898,568)</u>
 Net Change	<u>5,320,388</u>	<u>(2,467,001)</u>
 TOTAL CUMULATIVE RESULTS OF OPERATIONS	 <u>\$26,037,123</u>	 <u>\$20,716,735</u>
 UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$129,386,032	\$130,965,110
Adjustments	<u>0</u>	<u>172,602</u>
Beginning Balances, as Adjusted	\$129,386,032	\$131,137,712
 Budgetary Financing Sources		
Appropriations Received	340,818,000	341,274,000
Appropriations Used	(345,628,166)	(341,791,279)
Appropriations Transferred In/Out, Net	76,389	387,472
Other Adjustments	<u>(2,390,225)</u>	<u>(1,621,873)</u>
 Net Changes	<u>(7,124,002)</u>	<u>(1,751,680)</u>
 TOTAL UNEXPENDED APPROPRIATIONS	 <u>122,262,030</u>	 <u>129,386,032</u>
 NET POSITION	 <u>\$148,299,153</u>	 <u>\$150,102,767</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Budgetary Resources
For the Years ended September 30, 2011 and 2010

	FY 2011	FY 2010
BUDGETARY RESOURCES		
Unobligated Balances, October 1	\$40,174,689	\$94,953,691
Recoveries of Prior Year Unpaid Obligations	1,409,915	1,074,964
Total Prior Resources	41,584,604	96,028,655
Budget Authority		
Appropriations Received	340,818,000	341,274,000
Spending Authority from Offsetting Collections	738,605	365,267
Nonexpenditure Transfers, Net	76,389	387,472
Total Budget Authority	341,632,994	342,026,739
Permanently Not Available		
Enacted Reduction	(681,636)	0
Canceled Authority	(1,708,589)	(1,621,873)
Total Permanently Not Available	(2,390,225)	(1,621,873)
TOTAL BUDGETARY RESOURCES	\$380,827,373	\$436,433,521
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred, Direct	\$359,488,252	\$396,258,831
Unobligated Balance Exempt from Apportionment (Note 2)	16,144,334	32,773,359
Unobligated Balance Not Available (Note 2)	5,194,787	7,401,331
TOTAL STATUS OF BUDGETARY RESOURCES	\$380,827,373	\$436,433,521
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations, October 1	\$80,604,440	\$51,383,581
Gross Obligations Incurred	359,488,252	396,258,831
Gross Outlays	(372,774,003)	(365,963,009)
Recoveries of Prior Year Unpaid Obligations	(1,409,915)	(1,074,964)
NET OBLIGATED BALANCES	\$65,908,774	\$80,604,439
NET OUTLAYS		
Gross Outlays	\$372,774,003	\$365,963,009
Offsetting Collections	(785,862)	(365,267)
NET OUTLAYS	\$371,988,141	\$365,597,742

The accompanying notes are an integral part of these financial statements

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
- Mission Assurance Bureau

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 and Presentation

In accordance with 2 U.S.C. 1903, 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 USCP follows the federal standards for financial reporting and internal controls in a manner consistent with a legislative branch agency. The USCP has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act and the Government Performance and Results Act, as these standards are not applicable to the USCP. However the USCP uses these sources as guidance and reference in its operations.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The USCP is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

Throughout these financial statements certain assets, liabilities, earned revenue and costs are classified according to the type of entity with whom transactions were made. Intragovernmental assets and liabilities are those received from or due to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental 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 periodically enacts permanent indefinite appropriations for long term projects and initiatives that are available for obligation over a period of years or until expended.

The USCP's budgetary resources 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, spending authority from offsetting collections, and non-expenditure transfers.

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. Remaining funds in 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 when funds advanced are expensed for the project.

F. General Property, Plant and Equipment

General Property, Plant and Equipment (PP&E) consists of equipment, structures, facilities, building improvements, internal use software, capital leases 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. For fiscal years prior to fiscal year

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

2011, the capitalization threshold established by USCP was \$25,000. Starting in fiscal year 2011, the USCP capitalization threshold remains \$25,000, except for internal use software and building improvements. The assets are recorded at cost if the initial acquisition cost is \$250,000 or more. Capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from three to ten 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 Fund administered by OPM. This amount is considered imputed financing to USCP.

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 Leave, Compensatory Overtime, Sick and Other Leave

Annual leave and compensatory overtime leave are accrued as they are earned and reduced as they are 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 and compensatory overtime, funding will be obtained from future financing sources. Sick and other types of non-vested leave are expensed when taken.

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 the title 31 of the United States Code, section 1304. Payments by the Judgment Fund on behalf of USCP do not require reimbursement.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

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, 2011 and 2010 consist of the following balances:

	2011	2010
Fund Balances:		
Appropriated	\$87,243,894	\$120,775,129
Special (Memorial Fund)	95,022	94,522
Miscellaneous Receipt	10,884	271,396
Total	<u><u>\$87,349,800</u></u>	<u><u>\$121,141,047</u></u>
 Status of Fund Balance with Treasury:		
Unobligated		
Available	\$16,144,334	\$32,773,359
Unavailable	5,194,787	7,401,331
Obligated, Not Yet Disbursed	65,908,773	80,600,439
Non-Budgetary	101,906	365,918
Total	<u><u>\$87,349,800</u></u>	<u><u>\$121,141,047</u></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 remaining at the end of the project will be refunded to USCP by the agencies holding the contracts.

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 fully 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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

remainder of the advance was no longer needed by the other federal agency. Accounts receivable from other federal agencies as of September 30, 2011 and 2010 is as follows:

	2011	2010
Accounts Receivable from Federal Agencies:		
Billed	\$0	\$187,260
Unbilled	0	0
Total Accounts Receivable - Federal	<u><u>\$0</u></u>	<u><u>\$187,260</u></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, 2011 and 2010 is:

	2011	2010
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$15,769	\$31,389
31-90 days outstanding	5,424	7,846
91-180 days outstanding	3,310	7,107
181-360 days outstanding	29,602	14,053
Over 360 days outstanding	35,115	37,089
Total Due from USCP Employees	<u>89,220</u>	<u>97,484</u>
Allowance for Doubtful Accounts	<u>(60,994)</u>	<u>(43,282)</u>
Receivables Due from USCP Employees, Net	28,226	54,202
Other	9,592	9,581
Total Accounts Receivable - Public, Net	<u><u>\$37,818</u></u>	<u><u>\$63,783</u></u>

NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2010 and 2011 is as follows:

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

Classification	2011		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$8,750,604	(\$2,823,670)	\$5,926,934
Other Structures and Facilities	875,901	(590,941)	284,960
Equipment	134,743,802	(119,386,716)	15,357,086
Internal Use Software	11,193,630	(9,567,364)	1,626,266
Construction-in-Process	46,366,069	0	46,366,069
Assets Under Capital Lease	1,179,110	(64,235)	1,114,875
Software-in-Development	122,005	0	122,005
Total	\$203,231,121	(\$132,432,926)	\$70,798,195

Classification	2010		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$5,479,329	(\$1,263,274)	\$4,216,055
Other Structures and Facilities	875,901	(533,862)	342,039
Equipment	138,597,930	(109,003,022)	29,594,908
Internal Use Software	11,193,630	(9,170,472)	2,023,158
Construction-in-Process	23,147,515	0	23,147,515
Software-in-Development	1,430,185	0	1,430,185
Total	\$180,724,490	(\$119,970,630)	\$60,753,860

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, 2010 and 2011 are summarized below:

	2011	2010
Non-Federal		
Worker's Compensation Benefits (Actuarial FECA Liability)	\$33,013,824	\$29,275,619
Accrued Unfunded Annual Leave	10,698,184	10,067,656
Accrued Unfunded Comp Overtime	1,591,491	1,839,207
Total Liabilities Not Covered by Budgetary Resources	\$45,303,499	\$41,182,482

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

NOTE 7. OTHER LIABILITIES

	2011	2010
Non-Federal		
Capital Lease Liability	\$1,159,458	\$0
Custodial Receipts for Memorial Fund	95,022	94,522
Miscellaneous Receipts due to U.S. Treasury General Fund	20,477	280,976
Accounts Payable from Cancelled Appropriations	0	51,057
Total Other Liabilities	\$1,274,957	\$426,555

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Strategic Goal	2011		Net Cost
	Gross Cost	Less: Earned Revenue	
Intragovernmental:			
Assess the Threat	\$300,878		\$300,878
Prevent	295,580		295,580
Respond	327,788		327,788
Support the Mission	48,642,309	(\$323,295)	48,319,014
TOTAL INTRAGOVERNMENTAL	\$49,566,555	(\$323,295)	\$49,243,260
With the Public:			
Assess the Threat	\$69,124,569		\$69,124,569
Prevent	77,012,635		77,012,635
Respond	87,394,800		87,394,800
Support the Mission	101,634,254	(\$29,130)	101,605,124
TOTAL WITH THE PUBLIC	\$335,166,258	(\$29,130)	\$335,137,128
TOTAL:			
Assess the Threat	\$69,425,447		\$69,425,447
Prevent	77,308,215		77,308,215
Respond	87,722,588		87,722,588
Support the Mission	150,276,563	(\$352,425)	149,924,138
TOTAL:	\$384,732,813	(\$352,425)	\$384,380,388

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

Strategic Goal	2010		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$581,687		\$581,687
Prevent	2,513,732		2,513,732
Respond	4,225,543		4,225,543
Support the Mission	23,970,170	(\$198,148)	23,772,022
TOTAL INTRAGOVERNMENTAL	\$31,291,132	(\$198,148)	\$31,092,984
With the Public:			
Assess the Threat	\$64,376,067		\$64,376,067
Prevent	98,056,174		98,056,174
Respond	81,997,794		81,997,794
Support the Mission	108,418,517	(\$42,968)	108,375,549
TOTAL WITH THE PUBLIC	\$352,848,552	(\$42,968)	\$352,805,584
TOTAL:			
Assess the Threat	\$64,957,754		\$64,957,754
Prevent	100,569,906		100,569,906
Respond	86,223,337		86,223,337
Support the Mission	132,388,687	(\$241,116)	132,147,571
TOTAL:	\$384,139,684	(\$241,116)	\$383,898,568

NOTE 9. FEDERAL EMPLOYEE BENEFITS

The USCP's employees are provided retirement benefits under either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). Most employees hired after December 31, 1983 are automatically covered by FERS and were not eligible for CSRS. 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.

For employees under FERS, the USCP contributed 16.40% of employee basic pay in order to fund FERS benefits. The USCP also pays the employer's matching share of FICA contributions made for FERS and CSRS offset employees. For employees under CSRS, USCP makes contributions equal to 7.5% of basic pay. An additional 1.45% of total pay is contributed toward Medicare on behalf of CSRS employees.

In addition, 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%. CSRS and CSRS offset employees may contribute up to \$16,500 in 2011 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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

current benefits. USCP's contributions for active employees are recognized as operating expenses.

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.

NOTE 10. 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 twelve months ended September 30, 2011 and 2010 is provided below:

	2011	2010
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$94,522	\$91,372
Donations Collected and Deposited to the U.S. Treasury	500	3,150
Ending Balances	<u>\$95,022</u>	<u>\$94,522</u>

NOTE 11. 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, 2011 and 2010, an intragovernmental liability of \$3,749,292 and \$3,242,481 exists for amounts paid by DOL on behalf of USCP to 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 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 of \$33,013,824 and \$29,275,619 as of September 30, 2011 and 2010 respectively, which is expected to be paid in future periods.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years ended September 30, 2011 and 2010

NOTE 12. IMPUTED FINANCING FROM COSTS ABSORBED BY OTHERS

The USCP occupies commercial spaces in various buildings and grounds throughout the Capitol Hill campus that are leased or owned by the Architect of the Capitol (AOC), including the Fairchild Building. In addition, the USCP occupies the Practical Applications Center (PAC) which is owned by the Department of Homeland Security. The USCP does not reimburse the Architect of the Capitol for its share of the leases or the Department of Homeland Security for space utilized in the PAC.

Additionally, the USCP calculates the value of estimated future employee benefits to be paid by OPM. In accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards*, USCP recognizes the following identified costs paid on its behalf by other agencies as expenses to USCP for the years ended September 30, 2011 and 2010:

		2011	2010
USCP Buildings and Grounds	Architect of the Capitol	\$22,334,755	\$13,434,209
FLETC & Practical Applications Center	Department of Homeland Security	4,342,172	7,344,800
Future Benefits Payments	Office of Personnel Management	17,395,683	18,861,277
		<u>\$44,072,610</u>	<u>\$39,640,286</u>

NOTE 13. 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.

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RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	2011	2010
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$359,488,252	\$396,258,831
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(2,148,520)</u>	<u>(1,440,231)</u>
Obligations Net of Offsetting Collections and Recoveries	357,339,732	394,818,600
Less: Offsetting Receipts	<u>0</u>	<u>0</u>
Net Obligations After Offsetting Receipts	357,339,732	394,818,600
Other Resources		
Imputed Financing Costs Absorbed by Others	<u>44,072,610</u>	<u>39,640,287</u>
Total Resources Used to Finance Activities	<u>\$401,412,342</u>	<u>\$434,458,887</u>
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	(12,250,064)	(53,238,665)
Resources that Fund Expenses Recognized in Prior Periods	0	3,822,400
Resources that Finance the Net Acquisition of Fixed Assets	<u>(28,557,577)</u>	<u>(19,318,617)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(\$40,807,641)</u>	<u>(\$68,734,882)</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$360,604,701	\$365,724,005
Increase in Annual and Compensatory Leave Liability	331,755	610,496
Increase in Actuarial FECA Liability	3,738,205	0
Increase in Capital Lease Liability	1,159,458	0
Other	<u>0</u>	<u>(51,057)</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	\$5,229,418	\$559,439
Depreciation and Amortization	16,897,569	17,350,536
Revaluation of Assets or Liabilities	1,621,461	249,925
Other	<u>27,239</u>	<u>14,663</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	\$18,546,269	\$17,615,124
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	\$23,775,687	\$18,174,563
NET COST OF OPERATIONS	<u>\$384,380,388</u>	<u>\$383,898,568</u>

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NOTE 14. 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 period 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, 2011 and 2010 was \$102,596,569 and \$90,411,350 respectively.

NOTE 15. 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, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities from Litigation*. As of September 30, 2011 and 2010, there were no litigation related contingencies that required recognition or disclosure.