

UNITED STATES CAPITOL POLICE

Audit of the United States Capitol Police's

Fiscal Year 2012 Financial Statements

Report No. OIG-2013-01



CliftonLarsonAllen

United States Capitol Police
Table of Contents
September 30, 2012

Independent Auditor's Report.....	1
Independent Auditor's Report on Internal Control Over Financial Reporting.....	3
Summary of Internal Control Weaknesses.....	6
Exhibit A – Material Weaknesses	7
Exhibit B – Significant Deficiencies	17
Exhibit C – Status of Control Deficiencies Reported in FY 2011 Independent Auditor's Report.....	20
Independent Auditor's Report on Compliance with Laws and Regulations and Other Matters.....	22
United States Capitol Police Management's Discussion and Analysis.....	23
United States Capitol Police Financial Statements.....	38
Balance Sheet.....	39
Statement of Net Cost	40
Statement of Changes in Net Position	41
Statement of Budgetary Resources	42
Notes to the Financial Statements	43

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 sheets of the United States Capitol Police (USCP) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and the combined statements of budgetary resources for the years 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 audits. We conducted our audits 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 (US). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

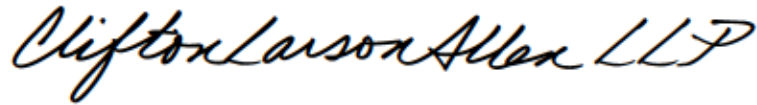
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USCP as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 29, 2012, 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 our report on compliance is to describe the scope of our testing of compliance with certain provision of laws and regulations and the results of that testing, and not to provide an opinion on compliance. These reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the US require that USCP Management's Discussion and Analysis (MD&A) be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is consider to be an essential part of financial reporting for placing the financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the US, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CLIFTONLARSONALLEN LLP

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The script is fluid and cursive, with the letters "CliftonLarsonAllen" written in a single line and "LLP" slightly separated at the end.

Arlington, VA
November 29, 2012

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, 2012, 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 that material misstatements, losses, or noncompliance material to the financial statements will be prevented or detected, and corrected on a timely basis. 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 prevention, 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, 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 Findings 1 and 2 below and described in detailed in 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 has not established policies and procedures to ensure that the Office of Financial Management (OFM) and the Program Offices have adequate internal control over the financial reporting of partner agencies' expenditures and appropriate accounting for the construction in progress. Moreover, the Program Offices have no formal process of documenting and communicating to the OFM when assets are placed in service.

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, 2012, 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.

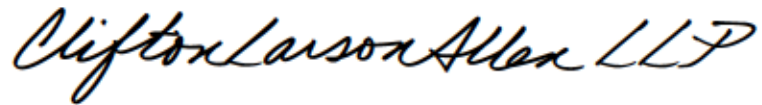
We have also reviewed the status of USCP's corrective actions with respect to the findings and recommendations included in prior year Independent Auditor's Report dated November 21, 2011. Exhibit C provides a discussion on the status of prior year findings and recommendations.

We also noted certain matters that we reported to management of USCP in a separate management letter dated November 29, 2012.

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 years ended September 30, 2012 (Fiscal Year 2012) and 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 2012 financial statements, and this report does not affect our report dated November 29, 2012, which expressed an unqualified opinion on the financial statements.

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, members of the United States Congress, and is not intended to be and should not be used by anyone other than these specified parties.

CLIFTONLARSONALLEN LLP

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The script is fluid and cursive, with the letters "Clifton" and "Larson" being more prominent and connected.

Arlington, VA
November 29, 2012

Summary of Internal Control Weaknesses
Fiscal Year 2012 Examination of Effectiveness of Internal Control over Financial Reporting
United States Capitol Police

In performing Fiscal Year (FY) 2012 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 2011 examination report and have included in this report as Exhibit C the status of those findings and recommendations as of September 30, 2012.

Below are brief summaries of the FY 2012 and the status of FY 2011 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made limited progress toward implementing payroll processing recommendations. For the 8 findings and recommendations open in FY 2011, 2 were closed and 6 were carried forward to FY 2012. We also identified 1 new finding in FY 2012. We concluded that payroll processing control deficiencies as an aggregate is a material weakness. See Finding 1.

The Office of Financial Management (OFM) made limited progress and continued in FY 2012 to address the one material weakness related to construction in progress accounting and reporting, and one significant deficiency related to accounts payable accrual methodology reported in FY 2011. Both FY 2011 findings were carried forward to FY 2012 as a material weakness (Finding 2), and a significant deficiency (Finding 4), respectively. We also identified 1 new finding in FY 2012 which we reported as a significant deficiency under Finding 3.

The Office of Information Systems (OIS) made substantial progress in FY 2012. For the 3 findings in Information Systems in FY 2011 reported as a significant deficiency, 1 was closed and 2 were combined as one finding and carried forward to FY 2012 as a management letter comment.

CRITERIA

We used four levels of progress to rank improvement of prior year findings and recommendations:

- 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 2012 Internal Control Deficiencies/Findings
Material Weaknesses

Finding No. 1: Payroll Processing

Summary Status: **Material Weakness Current Year**
 Material Weakness Prior Year
 Limited 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 limited progress toward implementing payroll processing recommendations. For the 8 findings in FY 2011, 2 were closed and 6 were carried forward to FY 2012. We also identified one new finding in FY 2012.

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, 2012. We concluded that payroll processing findings as an aggregate is a material weakness.

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

In our sample of 45 employees, we found 16 instances where the certification report was not signed by the employee and/or their supervisor and was not signed timely. In addition, we obtained all certification report verifications submitted to the OHR for Pay Periods (PP) 20 and 23 of calendar year 2011 and PP 04 and 12 of calendar year 2012 and found 1,628 instances where pending certification reports did not have employee and/or supervisor's signatures in the four pay periods examined.

Recommendations:

We recommend that USCP/OHR implement Recommendations 1, 3 and 6 from U.S. Capitol Police OIG Report 2012-04 July 2012. Appendix A (OIG Report) as follows:

Recommendation 1 (refer to recommendation 1 of the OIG Report): We recommend the USCP immediately enforce its Time and Attendance (T&A) policies and procedures to ensure consistency throughout the Department. In addition, the Department should include in performance standards, milestones, and evaluations criteria that will hold supervisors and employees accountable for a lack of compliance as it relates to T&A. The Department may also want to consider other disciplinary actions for noncompliance with time and attendance policies and procedures.

Recommendation 2 (refer to recommendation 3 of the OIG Report): We recommend the USCP consider evaluating the utility of all T&A related reports; revising/adding data elements

of those reports, such as summary and individual totals; and standardizing report distribution to appropriate management and timekeeper personnel.

Recommendation 3 (refer to recommendation 6 of the OIG Report): We recommend the USCP continue its efforts to automate fully its labor management system, [REDACTED] In addition, we recommend that the United States Capitol Police consider integrating the Scheduler, Shift Trading functionalities, Leave Approval Interface, Virtual Time Clock, Electronic Timesheet Certifications, and others that would make its labor management system more efficient and effective. Such integration of functions would allow the Department to understand fully the costs associated with performing a duty, such as staffing a door or entrance/exit point.

Note: Our prior year recommendations are not repeated and are replaced by the recommendations in this report.

**Status
of Recommendations:**
Repeat Finding-Not Started

Management Response:

We generally concur with the finding. In accordance with recommendations 1,3 & 6 of the OIG AUP, Office of Human Resources has taken and will continue to take the following steps:

1. The Office of Human Resources will undertake a new initiative in FY2013 to automate the employee concurrence with hours worked within a pay period and move the Department away from the existing paper based Certification Report.
2. Supervisors already have the responsibility for electronic authorization of employee timesheets, by including the ability for employee's certification, the data will be captured electronically to allow for automated reporting of the certification process.
3. OHR will work in conjunction with the Executive Management Team to establish milestones and goals for the eventual target of a 100% electronic process being implemented to improve efficiency and visibility across the organization.
4. OHR and Office of Information Systems have been working together to implement an automated leave approval system and this will be used to replace all paper based leave requests. Once OHR has concurred with the internal controls on the system, the system will be rolled out to the Department.

2. Lack of Confirmation of T&A Certification Report Verification Completion (Repeat Finding) (Prior Year Finding 1.2)

We obtained all certification report verifications for PP 20 and 23 of calendar year 2011 and PP 04 and 12 of calendar year 2012 as part of our testing of payroll processing. Our test disclosed the following ten instances where the Certification Report Verification form was not submitted to OHR:

- 1 instances – Office of Financial Management (OFM) (PP 20)
- 1 instance –Protective Service Bureau (PSB) (PP 04)
- 1 instance – Security Service Bureau (SSB) (PP 04)
- 2 instances-Uniformed Service Bureau (USB) (PP 04 and 12)
- 1 instance – Office of Employment Counsel (OEC) (PP 04)

Recommendation:

Refer to Recommendation 1 of the OIG Report, which is described above in Recommendation 1 of Finding 1.1.

Note: Our prior year recommendation is not repeated and is replaced by the recommendation in this report.

Status of Recommendations:
Repeat Finding-Limited Progress

Management Response:

We generally concur with the finding. In accordance with the recommendations 1 of the OIG AUP, OHR has taken and will continue to take the following steps:

OHR will continue to track and monitor the existing paper based process; However, the major focus of OHR will be to move to an all-electronic replacement of the paper based process. In conjunction with the automated approval and certification process, OHR will develop reports for distribution across the organization to show percentages of compliance and work hand in hand with management officials to achieve compliance on the part of employees and supervisors, thus having them be accountable to timesheet certification.

3. Difference in Annual Leave Hours within NFC payroll system and the [REDACTED] (Repeat Finding) (Prior Year Finding 1.3)

Our test of internal control over payroll processing disclosed that for 11 of 45 employees tested, there were 14 instances where the leave balances (annual, compensatory and sick) on the Statement of Earnings and Leave (SEL) did not agree with the leave balances reported on the T&A Certification Report.

Recommendations:

We repeat our prior year recommendations that OHR should:

1. Perform monthly reconciliation between NFC and [REDACTED] to ensure leave balance information is correctly reported in both systems.
2. Ensure corrective action is performed timely.

We further recommend that OHR:

3. Ensure record of the leave reconciliation, including the reason for any variances and corrective action to resolve variances, are readily available for examination.
4. Evaluate the feasibility of changing the leave accrual rate within [REDACTED] so that leave accrues in [REDACTED] at the same incremental rate as NFC. We believe such changes would significantly reduce the number of leave balance variances and allow OHR more time to investigate and resolve variances due to actual errors.

Status of Recommendation:
Repeat Finding-Limited Progress

Management Response:

We generally concur with the finding.

Bi-weekly reconciliation reports are produced and enhanced review will be accomplished bi-weekly.

Corrective action will be performed in a timely manner. To further ensure accountability, a new report will be produced that will be forwarded to the HR Director on a bi-weekly basis. The CAO will work with OHR to determine the best course of action to address the systems' incompatibility for leave accrual calculation between [REDACTED] and the National Finance Center. This will be resolved as a part of the overall efforts to reform the Department's Time and Attendance processes.

4. Noncompliance with Employee Clock Usage Policy(Repeat Finding) (Prior Year Finding 1.4)

We obtained clock usage reports for our sample of 45 employees and noted 38 instances where 27 sample employees failed to clock in and/or out for their respective shifts. USCP lacked documentation to support the time entered into [REDACTED] by supervisor or timekeeper on the employee's behalf and/or adequate justification for the employee not using the time clock to record the hours worked.

Recommendations:

We recommend that USCP implement Recommendations 7 and 8 from U.S. Capitol Police OIG Report 2012-04 July 2012, Appendix A.

Recommendation 1 (refer to OIG Report Recommendation 7): We recommend the USCP/OHR develop a policy that specifically addresses swiping requirements for monitoring as well as a policy that prescribes consequences for failing to comply with swiping. In addition, the Department should evaluate the need for exempt employees to swipe in lieu of alternate means of recording time and attendance within necessary internal controls.

Recommendation 2 (refer to OIG Report Recommendation 8) : We recommend the USCP/OIG create a standardized list of missed swipe explanations and incorporate those explanations into [REDACTED] through a drop-down menu for comments fields.

Note: Our prior year recommendations are not repeated and are replaced by the recommendations in this report.

Status of Recommendation:
Repeat Finding-Not Started**Management Response:**

We generally concur with the finding. In accordance with the recommendations 3,6,7 & 8 of the OIG AUP, OHR has taken and will continue to take the following steps:

1. OHR has created reports for certain elements within USB to identify employee's missing swipes. OHR will take the necessary steps for these reports to be available across the entire organization for usage by management personnel to assure that clock usage is as close to 100% compliance as is possible.
2. OHR will work with management officials to establish realistic benchmarks for employee clock usage. The goal of 100% is statistically impossible to achieve and hence there is a need for establishment of a realistic goal in order to get an accurate measure of compliance.
3. OHR will create a standardized list of exceptions for employees missing swipes and incorporate into the [REDACTED] application. This methodology will be documented in the related SOP.
4. OHR will begin the process of writing and implementing a policy wherein exempt employees are not required to use the time clocks for swiping in and out. These exceptions will also be documented in the related SOP.
5. OHR will review their processes to develop practical and enforceable procedures to enhance verification for those personnel required to clock.

5. Inadequate Review of T&A Certification Completion (Repeat Finding) (Prior Year Finding 1.5)

We reviewed the Confirmation of Time and Attendance Certification Reports tracker maintained by OHR for PP 20 and 23 of calendar year 2011 and PP 4 and 12 of calendar year 2012. Our test disclosed OHR did not populate the tracker with the date the Bureau/Division submitted their Certification Report Verification for the pay periods tested. Therefore, we were unable to assess whether the verification was submitted timely by the bureaus/divisions. The lack of a submission date also indicates OHR is not adequately monitoring timekeeper distribution and collection of certification reports in order to complete its T&A review procedures at the end of each pay period.

Recommendation:

We repeat our 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. OHR's monitoring procedures should include populating the Confirmation of Time and Attendance Certification Reports tracking sheet with the date the Certification Report Verification is submitted to allow OHR to monitor the bureau/divisions' adherence to USCP policy and perform timely follow-up procedures to obtain missing reports

Status of Recommendation
Modified Repeat Finding-
Limited Progress

Management Response:

We generally concur with the finding. The fact that USCP is still hampered by using a paper based system for over 2000 employees is the root of the problem and will be addressed by an eventual implementation of a fully electronic solution. OHR will focus on the automation of the time and attendance certification and monitoring process in FY 2013.

Implementation of automated tracking will allow this bi-weekly verification to be eliminated in lieu of real time reporting.

6. Lack of Supporting Documentation for OHR T&A Audit (Modified Repeat Finding) (Prior Year Finding 1.6)

We noted the following findings:

1. OHR has not updated the SOP [REDACTED] to include the procedures used to select bureaus and samples for their internal audit, as recommended by CLA in our prior year finding.
2. We verified that the official correspondence endorsement sheets and results letters had all the applicable signatures and showed evidence of communication of changes made to the investigated bureau's director, if applicable. However, there was 1 instance where the reviewer did not sign the Official Correspondence Endorsement Sheet.

3. There were 3 instances where audit workpapers were missing the supervisor signatures. Supervisor review signatures should be included on all audit papers to document that a review process was performed on corresponding workpapers.
4. There were 3 instances where documentation for all samples selected was missing or incomplete. A complete listing of the selected samples should be listed on the Time and Attendance Review Process Checklist Selected Samples form. For audit of Operational Service Bureau (OSB), the listing only included samples selected with exceptions. There was no selected sample checklist included for the USB Library of Congress division audit. Finally, the USB Capitol Division audit included the incorrect selected sample checklist template and was incomplete.
5. There were 2 instances where the Internal Review Process Checklist was missing.
6. There were 3 instances where documentation/support for findings were missing.

OHR indicated that if a certification report was discovered to be missing a signature, the Bureau was allowed to obtain the signature and no write-up would be performed. OHR should document all situations where the missing signatures were discovered.

Recommendations:

1. We repeat prior year recommendation of including the name of the sample tested (if less than 100) in test workpapers.

We further recommend that OHR:

2. Update the SOP [REDACTED] to include procedures used to select bureaus and employees for their internal audit.
3. Ensure all testing results are included in the audit work papers and audit work papers are reviewed, maintained and readily available for examination.

Status of Recommendation:
Modified Repeat-Substantial
Progress

Management Response:

We generally concur with the findings 1 – 6 above:

The SOP [REDACTED] will be reviewed and updated to include procedures used for selection.

OHR has already begun to document its selection methodology to include the name of the employee. A tracking sheet listing the names of those included in the audit is now included in the audit documentation which is signed by the OHR Director. A copy of all recommended documentation is now housed in the OHR Administrative Office and is readily available for examination. This documentation includes the approval of the OHR Director.

<p>7. Lack of Documentation to Support Leave Balances Paid to Separated Employees (New Finding)</p> <p>Our test of internal control over payroll processing disclosed that for 3 of 3 separated employees tested, OHR did not document and/or maintain the leave balance reconciliation performed to determine the amount of accrued leave.</p> <p>Additionally, accrued compensatory leave balance and associated rate of pay is not recorded on the Record of Leave Data.</p> <p>Recommendations:</p> <p>We recommend OHR:</p> <ol style="list-style-type: none"> 1. Ensure record of the leave reconciliation, including the reason for any variances and corrective action to resolve variances, is maintained and readily available for examination. 2. Revise the Record of Leave Data form to allow for recordation of compensatory leave balances and associated rate of pay. 	
<p>Status of Recommendation: New Finding - Not Started</p>	<p>Management Response:</p> <p>We generally concur with this finding. The internal controls have been updated to include a balance reconciliation sheet that is now included in the Separation package and filed in the Personnel file. 1.0 Comp Time is not paid out and is not included in the reconciliation. 1.5 Comp Time is paid out in accordance with the FLSA. The Record of Leave Data form (Form 1050) is a standardized NFC generated form and not something that OHR can modify. OHR will implement an internal control to ensure that 1.5 Comp Time balances are fully accounted for and documented in the balance reconciliation for separated employees.</p>

Finding No. 2: CIP Accounting and Reporting

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

Inadequate control over the accounting and reporting of CIP remained a deficiency in FY 2012. USCP has not established policies and procedures to ensure that the Office of Financial Management (OFM) and the Program Offices have adequate internal control over the financial reporting of partner agencies' expenditures and appropriate accounting for the CIP. Moreover, the Program Offices have no formal process of documenting and communicating to the OFM when assets are placed in service.

1. Accounting and Reporting of CIP Activities (Modified Repeat Finding) (Prior Year Finding 2.1)

Monthly, OFM receives summary cost reports from its partner agencies that provide cumulative cost data on major construction projects in process within the capitol complex. The USCP had contracts with the partner agencies to manage and carry out the construction projects. USCP advances funds to partner agencies based on approved project budgets, and the partner agencies draw down from the advanced funds for expenditures incurred for on-going construction.

Beginning in FY 2012, the program offices assess the cost summaries received from the partner agencies for reasonableness, based on their internal tracking reports of work performed and completion percentages. OFM uses these cost summaries signed by the program offices to record amounts from Advances to Others (GLAC 1410) to Construction in Progress (GLAC 1720). For the September 2012 cost summary from NAVAIR, a partner agency, the Office of Information Systems (program office) found "Actual Costs" in the cost summary included both "actual expenditures and forward funded expenditures". Forward funded expenditures meant "advances." OIS documented this finding of the actual costs on the cost summary provided to OFM for recording. Our test disclosed that OFM recorded the entire Actual Cost amount to CIP without investigating or clarifying with the OIS its finding. As a result, the Advance to Others account was understated, and the CIP account was overstated by \$23,191,231 as of the September 30, 2012 financial statements prior to our audit adjusting entry.

2. Formal Process of Documenting and Communicating Assets Placed in Service (New Finding)

The program offices have no formal process of documenting and communicating to the OFM when constructed property, plant and equipment (PPE) are placed in service. As a result, changes in project status are not timely reflected in the accounting records which increase the risk of a material misstatement in the financial statements. The following examples illustrate this condition:

- a. Costs associated with the ACF Data Center project for \$2,455,201 were classified as CIP even though the facility was placed in service in October 2010 until they were identified and adjusted during our audit.
- b. Costs associated with the Kiosk Upgrade Perimeter Security Project for \$3,482,287 were transferred from CIP to general PPE eight months after the asset was placed in service. The completion status associated with the Kiosk Upgrade Perimeter Security Project was discovered by the OFM during the course of the year.

Recommendations:

We recommend that:

1. USCP establish policies and procedures requiring the program offices (i.e. OIS, FMD, OFL, etc.) to certify to OFM monthly assets that have been deployed and placed in-service during the period. OFM should develop a standard form to use for such reporting and train

<p>program personnel on completing the form and the documentation necessary to support the activities.</p> <ol style="list-style-type: none"> 2. Program offices and the OFM should enhance their review of the monthly cost reports provided by the partner agencies to include procedures for clearly communicating findings/exceptions found by the program offices to OFM and for OFM to follow-up to resolve the program office's findings/exceptions before accounting entries are made. 3. Require a certification statement from the program office for the review of the reasonableness of the cost summaries and redesign the form to allow clear and effective communication to OFM of findings or exceptions identified by the program office. 4. OFM, in consultation with the program offices, should conduct a more thorough analytical review of the CIP related advances and costs. 5. USCP should include an OFM representative in key meetings held by the progress offices related to the CIP. 	
<p>Status of Recommendation:</p> <p>Finding 2.1 – Modified Repeat Finding – Limited Progress.</p> <p>Finding 2.2 – New Finding – Not Started.</p>	<p>Management Response:</p> <p>We concur with this finding. USCP will update our Capital Asset Policy to include the additional requirement of having program offices (i.e. OIS, FMD, OFL, SSB etc.) to report to OFM quarterly all assets that are deployed and placed in-service during the period. OFM will develop a standardize form to use for such reporting.</p> <p>OFM will request program offices invite OFM designated accountant or Director/Deputy Director [REDACTED] to key meetings of CIP projects to ensure that OFM has knowledge of the program developments in order to properly account for assets.</p>

Exhibit B
FY 2012 Internal Control Deficiencies/Findings

Significant Deficiencies

Finding No. 3: Fixed Assets Accounting and Analysis

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

USCP's internal control over fixed assets accounting and analysis should be strengthened. We found control deficiencies in the areas of Depreciations Analysis, Fixed Asset Acquisitions, [REDACTED] and [REDACTED] Reconciliation, and Accountable Property that collectively, we determined to be a significant deficiency.

1. **Depreciation Expense Analysis (New Finding)** - USCP could not readily provide explanation of a significant decrease in the depreciation balance from prior year to current year. Initial explanations of the change provided to us were inconsistent with the data we evaluated that led us to question the effectiveness of OFM's analytical reviews as an internal control activity. OFM was eventually able to provide satisfactory explanation to the decrease in the depreciation expense.
2. **Fixed Assets Acquisitions (New Finding)** - OFM used the payment date as the in-service date rather than the actual date that the asset was put into service for two fixed assets acquisitions tested. The resulting depreciation expense was understated by about \$103,000 since the payment dates were later than the dates the assets were placed in service.
3. **[REDACTED] to [REDACTED] Reconciliation (New Finding)** - We tested USCP's reconciliation of the property records in [REDACTED] (general ledger) and [REDACTED] (property system) and noted that [REDACTED] report filters limit the scope of the reconciliation. This filtering resulted in significant variances between [REDACTED] and [REDACTED] which were not disclosed in the reconciliation. This test, however, did not result in an adjustment to the general ledger. The following examples illustrate the types of variances:
 - Six fixed assets were recorded in the general ledger but did not appear in the reconciliation because the assets were not assigned a catalog code, a filter used by OFM to perform the reconciliation.
 - Three fixed assets were recorded in the general ledger but did not appear in the reconciliation because the assets were misclassified as CIP in [REDACTED] CIP is excluded from the [REDACTED] to [REDACTED] reconciliation.
4. **Controls Over Accountable Property (New Finding)** - Our tests disclosed 2 instances where the Property Custodian Certification was not signed timely. Our tests also revealed 2 instances where the Inventory Summary Report was not signed by the property custodian.

Recommendations:

We recommend that:

1. OFM conduct more thorough analytical substantive reviews of significant and/or unusual changes in account balances to assess overall reasonableness. The reviews should be collaborated by substantive data. For example, in reviewing the activities of fixed asset costs and accumulated depreciation, it should review the major activities in the underlying accounts such as new purchases, disposal and asset sales.
2. OFM and PAMD should perform a comprehensive reconciliation between [REDACTED] and the [REDACTED] General Ledger. The reconciliation should be properly designed to disclose all fixed asset cost variances between the two systems and implement timely corrective action to resolve those differences.
3. USCP should enforce its Accountable Property policies and procedures.

Status of Recommendation:
Not Started

Management Response:

1. We concur with this finding. OFM will perform additional analytical procedures on fixed asset account balances to assess the overall reasonableness.
2. We concur with this finding. OFM will follow its standard operating procedures for the input of in-service dates for fixed asset acquisitions.
3. We concur with this finding. OFM will perform a comprehensive reconciliation between [REDACTED] and [REDACTED]. Reconciling items will be noted in the schedule and/or cross- referenced as applicable.
4. We concur with this finding. On October 19, 2012, the United States Capitol Police published its updated Directive on [REDACTED] [REDACTED].

Finding No. 4: Accounts Payable Accrual Methodology

Summary Status: **Significant Deficiency Current Year**
 Significant Deficiency in Prior Year
 Substantial Progress

Accounts Payable Accrual Methodology (Modified Repeat Finding) - USCP performed a "look-back" or validation analysis of its accrual methodology in FY 2012 as a corrective action on a prior year significant deficiency. An accrual look-back analysis involves reviewing past accrual estimates and analyzing whether the past estimates are reasonable when compared to the actual. This validation process provides support as to the soundness of USCP's accrual methodology. Also, the validation process identifies drivers/factors that may affect the reasonableness of the

methodology.

We tested USCP's validation analysis comparing estimated accrued costs as of June 30, 2012 to actual disbursement made in the subsequent period. Our test disclosed 9 instances where costs associated with goods and services received as of quarter end but not paid until the subsequent quarter were not included in OFM's calculation of actual costs.

Recommendation:

We recommend OFM develop and implement procedures to ensure the validation process of the accrual amount and the methodology is performed properly and accurately. While developing these procedures OFM should evaluate ways to further automate the process and enhance the methodology, if appropriate, using the additional drivers/factors identified during the process.

Status of Recommendation:

Modified Repeat Finding-
Substantial Progress

Management Response:

We concur with this finding. OFM will update the accounts payable accrual methodology to include procedures for ensuring that the actual cost calculation for items that should be included in the AP accrual is complete and accurate.

Additionally, OFM will evaluate ways to further automate the process and implement as feasible.

Exhibit C
Status of Control Deficiencies Reported in FY 2011 Independent Auditor's Report

We reviewed the status of prior year's control deficiencies/findings as part of our FY 2012 financial statements audit.

We used the following three levels to determine the status of the FY 2011 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2012.
- Open – the condition(s) in the finding remain(s) the same in FY 2012.
- Open/Modified – one or more conditions in the finding have changed in FY 2012.

In addition, for those findings whose status are classified as Open or Open/Modified in FY 2012, we further classified the finding as a material weakness (MW), a significant deficiency (SD), or a management letter comment (MLC). We have also reclassified as MLC in FY 2012 some SD findings in FY 2011.

In summary, there were 13 findings in FY 2011, 10 of which were repeat findings or modified repeat findings (7 as MW, 1 as SD, 2 as MLC) and 3 were closed.

	FY 2011 Finding No.	FY 2011 Control Deficiency	Year Reported/ Reported as	FY 2012 Status
1	1.1 MW	Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report -	2008-2011/MW	Repeat Finding Open – Reported as MW 1.1
2	1.2 MW	Lack of Confirmation of Time-and-Attendance (T&A) Certification Completion	2008-2009, 2011/MW	Repeat Finding Open – Reported as MW 1.2
3	1.3 MW	Difference in Annual Leave Hours in NFC and the [REDACTED]	2008-2009, 2011/MW	Repeat Finding Open – Reported as MW 1.3
4	1.4 MW	Noncompliance with Employee Clock Usage -	2008-2011/MW	Repeat Finding Open – Reported as MW 1.4
5	1.5 MW	Untimely Review of Time and Attendance (T&A) Certification Completion	2009-2011/MW	Repeat Finding Open – Reported as MW 1.5
6	1.6 MW	Inadequate Documentation of OHR T&A Audit	2009, 2011/MW	Modified Repeat Finding Open – Reported as MW 1.6

	FY 2011 Finding No.	FY 2011 Control Deficiency	Year Reported/ Reported as	FY 2012 Status
7	1.7 MW	████████ Segregation of Duties -	2010 - 2011/MW	Closed
8	1.8 MW	Waiver for Compensatory Time Balance in Excess of 240 Hours at the end of Leave Year	2011/MW	Closed
9	2.1 MW	Construction in Progress – GL Account 1720	2008, 2011/MW	Modified Repeat Finding Open – Reported as MW 2.1
10	3.1 SD	Review of User Logging for ██████████ Access	2009-2010/MW	Modified Repeat Finding Open – Reported as MLC
11	3.2 SD	Segregation of Duties ██████████ and ██████████	2009-2011/SD	Closed
12	3.3 SD	████████ Account Management -	2009-2010/MW 2011/SD	Modified Repeat Finding Open - Reported as MLC
13	4.1 SD	Accounts Payable Accrual Methodology	2011/MW	Modified Repeat Finding Open – Reported as SD

Independent Auditor's Report on Compliance and Other Matters

To the Inspector General
United States Capitol Police

To the Capitol Police Board
United States Capitol Police

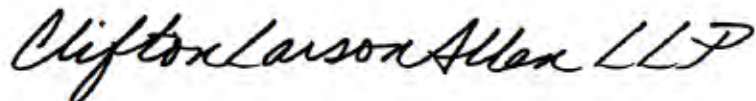
We have audited the financial statements of the United States Capitol Police (USCP) as of and for the year ended September 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The management of USCP is responsible for complying with laws and regulations applicable to the USCP. 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 all laws and regulations applicable to USCP. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

CLIFTONLARSONALLEN LLP



Arlington, VA
November 29, 2012

United States Capitol Police



Management's Discussion and Analysis FY 2012

CONTENTS

UNITED STATES CAPITOL POLICE MISSION AND VALUES	3
PERFORMANCE HIGHLIGHTS.....	7
ANALYSIS OF FINANCIAL STATEMENTS	12
LIMITATIONS OF THE FINANCIAL STATEMENTS	15

THE UNITED STATES CAPITOL POLICE MISSION AND VALUES

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.

USCP Mission

To protect the Congress, its legislative processes, Members, employees, visitors, and facilities from crime, disruption, or terrorism. We protect and secure Congress so it can fulfill its constitutional responsibilities in a safe and open environment.

USCP Vision

To be a model federal law enforcement agency that occupies the forefront in developing and implementing state-of-the-art counter-terrorism, emergency preparedness & 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.

USCP Values

USCP employees are committed to providing quality services to the community we serve. We believe that each one of us makes the difference between a good and an excellent organization.

Our organizational values are as follows:



HOW ARE WE ORGANIZED

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.

UNITED STATES CAPITAL POLICE

ORGANIZATIONAL CHART



HOW THE USCP WORKS TO ACHIEVE ITS STRATEGIC OBJECTIVES AND PERFORMANCE GOALS

The USCP has a critical mission that helps to ensure that the Nation's legislative and democratic process of government is conducted without disruption. That mission is achieved through a variety of operational activities, supporting administrative processes and the work and dedication of approximately 2,130 employees. In order to effectively deliver on our mission, the Strategic Plan defines the objectives of the Department and the path we will take to meet our goals.

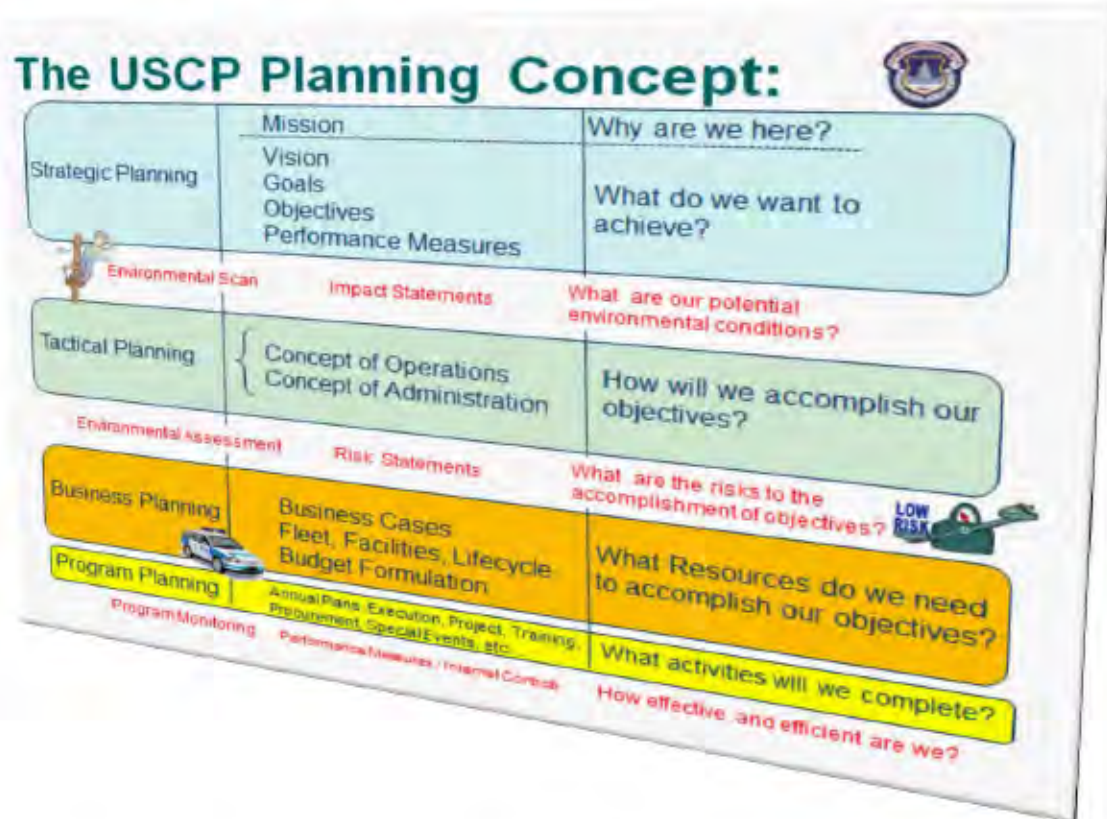
The USCP exercises Planning Concept that links strategic, tactical and lower-level planning efforts (see graphic below). To accomplish our mission it is important to have an excellent strategy. To determine the effectiveness of USCP activities, it is important to have a first-rate planning and performance management system. In FY 2013, the USCP will develop a core set of outcome-based performance measures and targets that we monitor, report and hold ourselves accountable to achieve.

The USCP employs its annual Force Development Business Process to focus the planning, programing, and budget functions of the USCP on accomplishing the existing mission with a view to the future. The FD Business Process provides a transparent decision-making process that is results-driven, based on meeting operational needs. Through this process, the USCP sets timetables and accountability standards for planning resource requirements, and engages a high level of managerial communication with an integrated peer team approach to support and evaluate program goals and viability.

FY 2012 marked a period of transition for the Department. During FY 2012, the USCP initiated its process to update its Strategic Plan. In FY 2013, we will continue to evaluate the current Strategic Plan, and update it. The objectives of our update are to develop a plan that.

1. Addresses the mission needs and stakeholder expectations for today and the next 3-5 years.
2. Reflects a realistic relationships to the current environment and real-world context; threats, constraints, resources, and organizational capacity.
3. Takes a future-focused approach to taking the USCP to a desired end-state by 2028 (The 2028 Vision).

The USCP Planning Concept



Serving the Members of Congress, staff, the public, and employees means that we must excel at our operational work and effectively manage resources to fully support the mission. This work is captured in four 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.
- **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.

PERFORMANCE HIGHLIGHTS

The USCP continues to track many of the measures found in the following pages, but as the agency builds upon progress in improving our programs and developing new strategic priorities, some measures may be removed and new ones developed.

FY 2012 results indicate that USCP continues to provide core services that support our primary objective to protect and secure Congress so it can fulfill its Constitutional responsibilities in a safe and open environment. However, like any organization there are areas that we can improve upon. A brief discussion of our results by strategic objective follows.

ANALYSIS OF PERFORMANCE INFORMATION

ASSESS THE THREAT		
Strategic Goal	Strategic Objectives	Performance Outputs
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.	<div style="background-color: black; width: 100%; height: 1.2em; margin-bottom: 0.4em;"></div> <div style="background-color: black; width: 100%; height: 1.2em; margin-bottom: 0.4em;"></div> <div style="background-color: black; width: 100%; height: 1.2em;"></div>

PREVENT		
Strategic Goal	Strategic Objectives	Performance Outputs
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.	Conducted 1,806 Community Outreach Visits Conducted 98 Evacuation Drills Conducted 119,238 K-9 Sweeps Conducted 861 Bomb Sweeps Supported 3 POTUS Visits Supported 4 VPOTUS Visits Supported 34 of Heads of State Visits
	P.4. Event Management: To enable individuals to safely participate in major events and demonstrations while not disrupting legislative operations.	Conducted 94 Security Awareness Briefings Conducted 9 Congressional Delegations (CODELs)
	P.5. Member Protection: To protect Members of Congress and visiting officials against criminal and terrorist activities.	Processed 168 Permits for Demonstrations

RESPOND		
Strategic Goal	Strategic Objectives	Performance Outputs
<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>Responded to ■ suspicious package reports.</p> <p>Responded to 13 nuclear, biological, or chemical suspicious substance or incidents.</p>

SUPPORT THE MISSION		
Strategic Goal	Strategic Objectives	Performance Outputs
<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>Recruit and Hired 16 Civilian Employees</p> <p>Recruit and Hired 63 Sworn Personnel</p> <p>Processed Separations for 19 Civilian Employees</p>
	<p>S.11. Technology: To provide responsive, high quality, cost-effective information technology services and solutions in a timely manner.</p>	<p>Processed 59 Separations for Sworn Personnel</p> <p>Maintained 99.92% Average Information Systems Uptime</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>Maintained 97% Primary Fleet Readiness</p> <p>Maintained 94% Motorcycles Fleet Readiness</p>
	<p>S.13. Financial Management: To provide timely, reliable, and responsive financial management services, and ensure accountability for assets and resources.</p>	<p>Maintained 99% Equipment Fleet Readiness</p> <p>Maintained 95% Operations Fleet Readiness</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.</p>	

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 2012. 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, 2012 shows \$222 million in total assets, an increase of \$1 million (less than one percent) from the previous year's total assets of \$221 million. The Department's Fund Balance with the U.S. Treasury was \$93 million, which represents 42 percent of the total assets.

Liabilities: Total Department liabilities were \$82 million as of September 30, 2012, an increase of \$9 million (12 percent) from the previous year's total liabilities of \$73 million.

Net Position: The Department's total net position as of September 30, 2012 was \$140 million, a decrease of \$8 million (five percent) from the previous year's total net position of \$148 million.

Budgetary Resources: The Department's fiscal year 2012 Combined Statement of Budgetary Resources shows \$378 million in total budgetary resources, a decrease of \$3 million (less than one percent) from the previous year's total budgetary resources of \$381 million.

Net Outlays: The Department's fiscal year 2012 Combined Statement of Budgetary Resources shows \$332 million in net outlays, a decrease of \$40 million (11 percent) from the previous year's total net outlays of \$372 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 \$383 million for the year ended September 30, 2012, a decrease of \$1 million (less than one percent) from the previous year's net cost of operations of \$384 million.

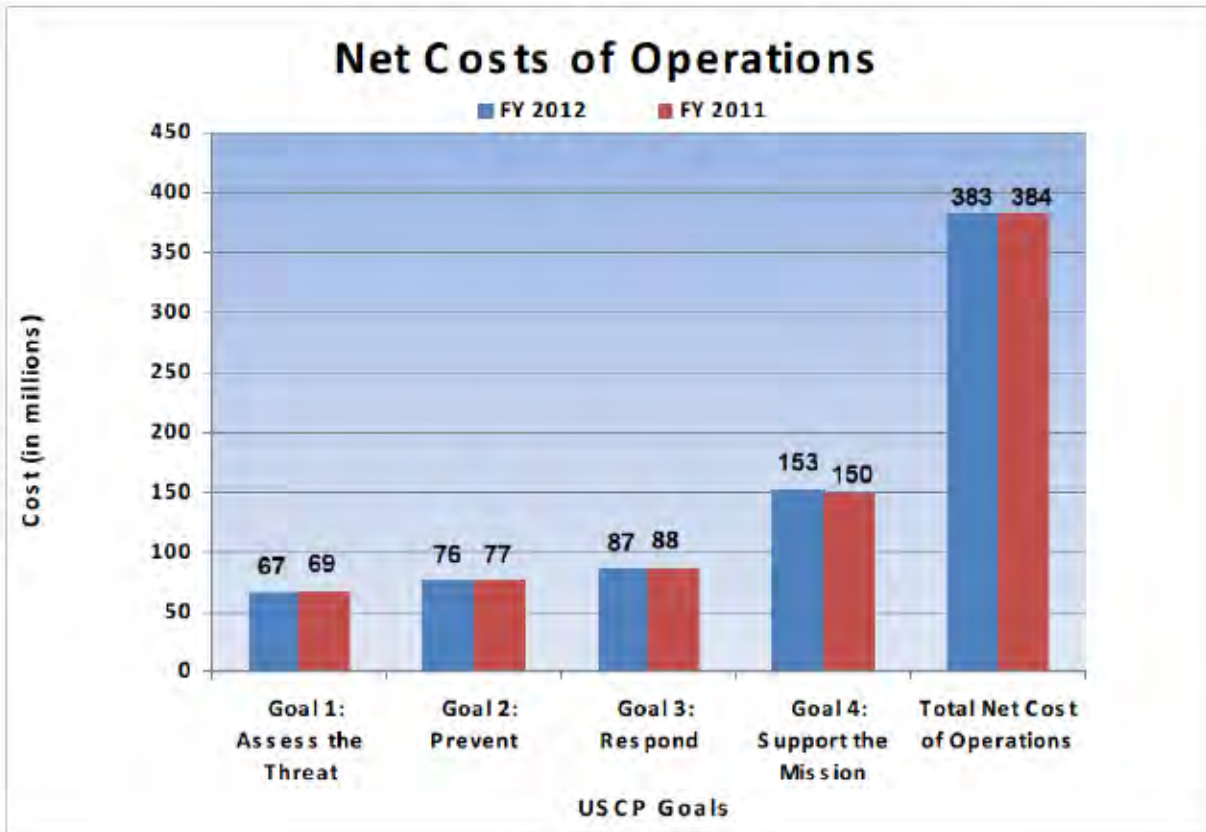
Our budget consists of an annual appropriation that funds the salaries and benefits for our staff, and general expenses such as motor vehicles, communications and other equipment, security equipment, uniforms, weapons, supplies, materials, training, medical services, forensic services, professional services, 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 2012 was \$340 million.

In fiscal year 2012, our total assets were \$222 million, consisting mostly of our fund balance with Treasury, property and equipment, followed by Advances to other Federal agencies. Total liabilities of \$82 million were composed primarily of Worker's Compensation (FECA) liability, accrued employees' salaries & benefits, employees' accrued annual leave, and accounts payable,

The net cost of operating the U.S. Capitol Police during fiscal year 2012 and fiscal year 2011 was approximately \$383 million and \$384 million, respectively. Overall, our net cost of operations decreased by \$1 million, due primarily to decreased imputed costs for fiscal year 2012. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2012 and fiscal year 2011 costs break down by each strategic goal.

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

	FY 2012	FY 2011	% Change
Total Assets	\$222	\$221	0%
Total Liabilities	82	73	12%
Appropriations			
Salaries	277	277	0%
General Expenses	63	63	0%
Total Annual Appropriations	340	340	0%
Total Budgetary Resources	378	381	1%
Total Outlays	332	372	11%
Net Cost of Operations			
Goal 1: Assess the Threat	67	69	-3%
Goal 2: Prevent	76	77	-1%
Goal 3: Respond	87	88	-1%
Goal 4: Support the Mission	153	150	2%
Total Net Cost of Operations	\$383	\$384	0%



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, 2012 and 2011

UNITED STATES CAPITOL POLICE
Balance Sheet
As of September 30, 2012 and 2011

	FY 2012	FY 2011
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$93,201,167	\$87,349,800
Advances to Others (Note 3)	31,381,348	62,937,762
Total Intragovernmental	<u>124,582,515</u>	<u>150,287,562</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Net (Note 4)	35,897	37,818
General Property, Plant and Equipment, Net (Note 5)	<u>97,252,718</u>	<u>70,798,195</u>
TOTAL ASSETS	<u>\$221,875,130</u>	<u>\$221,127,575</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$980,055	\$628,579
Accrued Funded Benefits	4,139,976	3,775,757
Total Intragovernmental	<u>5,120,031</u>	<u>4,404,336</u>
Accounts Payable, Public	9,441,430	5,770,878
Accrued Salaries and Benefits	16,746,767	16,074,752
Accrued Unfunded Annual and Compensatory Leave (Note 6)	12,338,479	12,289,675
Actuarial FECA Liabilities (Note 6 & 12)	37,264,492	33,013,824
Other Liabilities (Note 7 & 8)	<u>1,211,313</u>	<u>1,274,957</u>
TOTAL LIABILITIES	<u>82,122,512</u>	<u>72,828,422</u>
NET POSITION		
Cumulative Results of Operations	48,475,371	26,037,123
Unexpended Appropriations	<u>91,277,247</u>	<u>122,262,030</u>
TOTAL NET POSITION	<u>\$139,752,618</u>	<u>\$148,299,153</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$221,875,130</u>	<u>\$221,127,575</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statement of Net Cost
For the Years Ended September 30, 2012 and 2011

STRATEGIC GOALS:	FY 2012	FY 2011
Gross Program costs (Note 9)		
Assess the Threat		
Gross Costs	\$67,160,479	\$69,425,447
Prevent		
Gross Costs	75,527,635	77,308,215
Respond		
Gross Costs	87,353,503	87,722,588
Support the Mission		
Gross Costs	152,944,977	150,276,563
Less: Earned Revenues	(212,022)	(352,425)
	<u>152,732,955</u>	<u>149,924,138</u>
NET COST OF OPERATIONS	<u>\$382,774,572</u>	<u>\$384,380,388</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statement of Changes in Net Position
For the Years Ended September 30, 2012 and 2011

	FY 2012	FY 2011
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$26,037,123	\$20,716,735
Budgetary Financing Sources		
Appropriations Used	369,148,848	345,628,166
Other Financing Sources		
Imputed Financing Sources	36,063,972	44,072,610
Net Cost of Operations	<u>(382,774,572)</u>	<u>(384,380,388)</u>
Net Change	22,438,248	5,320,388
TOTAL CUMULATIVE RESULTS OF OPERATIONS	<u>\$48,475,371</u>	<u>\$26,037,123</u>
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$122,262,030	\$129,386,032
Adjustments	<u>0</u>	<u>0</u>
Beginning Balances, as Adjusted	\$122,262,030	\$129,386,032
Budgetary Financing Sources		
Appropriations Received	340,137,000	340,818,000
Appropriations Used	(369,148,848)	(345,628,166)
Appropriations Transferred In/Out, Net	0	76,389
Other Adjustments	<u>(1,972,935)</u>	<u>(2,390,225)</u>
Net Change	(30,984,783)	(7,124,002)
TOTAL UNEXPENDED APPROPRIATIONS	<u>91,277,247</u>	<u>122,262,030</u>
NET POSITION	<u>\$139,752,618</u>	<u>\$148,299,153</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statement of Budgetary Resources
For the Years Ended September 30, 2012 and 2011

	FY 2012	FY 2011
BUDGETARY RESOURCES		
Unobligated Balance, October 1	\$21,339,121	\$40,174,689
Recoveries of Prior Year Unpaid Obligations	2,032,674	1,409,915
Other changes in unobligated balance	(1,972,935)	(1,708,589)
Unobligated balance from prior year budget authority	21,398,860	39,876,015
Appropriations	340,137,000	340,818,000
Spending authority from offsetting collections	<u>16,006,272</u>	<u>133,358</u>
TOTAL BUDGETARY RESOURCES	<u>\$377,542,132</u>	<u>\$380,827,373</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred, Direct	\$357,035,392	\$359,488,252
Unobligated Balance, end of year		
Exempt from Apportionment (Note 2)	14,720,535	16,144,334
Unapportioned (Note 2)	<u>5,786,205</u>	<u>5,194,787</u>
Total unobligated balance, end of year	<u>20,506,740</u>	<u>21,339,121</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$377,542,132</u>	<u>\$380,827,373</u>
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations, October 1	\$65,908,773	\$80,604,440
Obligations incurred	357,035,392	359,488,252
Gross Outlays	(348,328,422)	(372,774,003)
Recoveries of Prior Year Unpaid Obligations	<u>(2,032,674)</u>	<u>(1,409,915)</u>
NET OBLIGATED BALANCES, END OF YEAR	<u>\$72,583,069</u>	<u>\$65,908,774</u>
NET BUDGET AUTHORITY AND OUTLAYS		
Gross Budget Authority	356,143,272	340,951,358
Actual offsetting collections	<u>(16,006,272)</u>	<u>(785,862)</u>
NET BUDGET AUTHORITY	<u>340,137,000</u>	<u>340,165,496</u>
Gross Outlays	\$348,328,422	\$372,774,003
Actual Offsetting Collections	<u>(16,006,272)</u>	<u>(785,862)</u>
NET OUTLAYS	<u>\$332,322,150</u>	<u>\$371,988,141</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

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, 2012 and 2011

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 multi-year and permanent indefinite appropriations for long term capital 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 and spending authority from offsetting collections.

Generally, unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are cancelled and may not be used. Remaining funds in cancelled appropriations are returned to the U.S. Treasury.

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. The USCP capitalization threshold is \$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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

depreciated on a straight-line basis over their estimated useful lives, which range from three to ten years. Stand-alone assets under construction or development are referred to as construction-in-progress. Costs capitalized as construction-in-progress include contractor services for design and engineering, materials, parts and freight.

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. Accrued payroll liabilities relate to services rendered by USCP employees, for which USCP accrues the amount of salaries and benefits earned, but not yet paid at year end. 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. Capital Leases

Leases are accounted for as capital leases if they meet one or more of the following criteria: 1) the lease transfers ownership of the property to the USCP at the end of the lease term; 2) the lease contains an option to purchase the property at a bargain price; 3) the lease term is equal to or greater than 75% of the estimated useful life of the property; or 4) at the inception of the lease the present value of the minimum lease payment excluding that portion of the payments

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

representing executor cost equals or exceeds 90% of the fair value of the leased property. Assets that meet the criteria are initially recorded at the present value of the future minimum lease payments or fair market value, whichever is less. In general, equipment acquired under capital leases is amortized over the lease term. If the agreement contains a bargain purchase option or otherwise provides for transferring title of the asset to USCP, the asset is depreciated over a useful life of up to five years.

K. 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 and are recognized as imputed financing sources.

L. 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, 2012 and 2011 consists of the following balances:

	2012	2011
Fund Balances:		
Appropriated	\$93,085,809	\$87,243,894
Special (Memorial Fund)	115,358	95,022
Miscellaneous Receipt	0	10,884
Total	\$93,201,167	\$87,349,800
 Status of Fund Balance with Treasury:		
Unobligated		
Available	\$14,720,535	\$16,144,334
Unavailable	5,786,205	5,194,787
Obligated, Not Yet Disbursed	72,583,069	65,908,773
Non-Budgetary	111,358	101,906
Total	\$93,201,167	\$87,349,800

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

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 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, 2012 and 2011 is:

	2012	2011
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$16,527	\$15,769
31-90 days outstanding	8,167	5,424
91-180 days outstanding	831	3,310
181-360 days outstanding	1,751	29,602
Over 360 days outstanding	17,396	35,114
Total Due from USCP Employees	44,672	89,219
Allowance for Doubtful Accounts	(17,722)	(60,994)
Receivables Due from USCP Employees, Net	26,950	28,225
Other	8,947	9,593
Total Accounts Receivable - Public, Net	\$35,897	\$37,818

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2012 and 2011 is as follows:

Classification	2012		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$12,267,423	(\$3,702,416)	\$8,565,007
Other Structures and Facilities	807,534	(574,685)	232,849
Equipment	139,620,226	(124,066,805)	15,553,421
Internal Use Software	11,661,588	(9,868,408)	1,793,180
Construction-in-Process	69,905,344	0	69,905,344
Assets Under Capital Lease	1,408,348	(327,436)	1,080,912
Software-in-Development	122,005	0	122,005
Total	\$235,792,468	(\$138,539,750)	\$97,252,718

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

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, 2012 and 2011 are summarized below:

	2012	2011
Non-Federal		
Worker's Compensation Benefits (Actuarial FECA Liability)	\$37,264,492	\$33,013,824
Accrued Unfunded Annual Leave	10,804,688	10,698,184
Accrued Unfunded Comp Overtime	1,533,791	1,591,491
Total Liabilities Not Covered by Budgetary Resources	\$49,602,971	\$45,303,499

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

NOTE 7. OTHER LIABILITIES

	2012	2011
Non-Federal		
Capital Lease Liability	\$1,087,008	\$1,159,458
Custodial Receipts for Memorial Fund	115,358	95,022
Miscellaneous Receipts due to U.S. Treasury General Fund	8,947	20,477
Total Other Liabilities	<u>\$1,211,313</u>	<u>\$1,274,957</u>

NOTE 8. CAPITAL LEASES

The USCP has leases for property that meet the criteria as a capital lease in accordance with SFAS No 6. *Accounting for Property, Plant and Equipment*. The following is a summary of net assets under capital leases and future minimum lease payments as of September 30, 2012 and 2011.

	2012	2011
Assets Under Capital Lease:		
Armored Car	\$1,408,348	\$1,179,110
Accumulated Amortization	(327,436)	(64,235)
Net Assets under Capital Lease	<u>\$1,080,912</u>	<u>\$1,114,875</u>

Future Minimum Lease Payments:

	2012	
Fiscal Year		Lease Payments
2013		298,941
2014		298,941
2015		298,941
2016		215,158
2017		14,500
Total Minimum Lease Payments		1,126,481
Less: Amount Representing Interest		(39,473)
Obligations under Capital Lease		<u>1,087,008</u>

	2011	
Fiscal Year		Lease Payments
2012		250,964
2013		250,964
2014		250,964
2015		250,964
2016		209,010
Total Minimum Lease Payments		1,212,866
Less: Amount Representing Interest		(53,408)
Obligations under Capital Lease		<u>1,159,458</u>

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Strategic Goal	2012		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$169,452		\$169,452
Prevent	215,244		215,244
Respond	2,787,919		2,787,919
Support the Mission	48,507,559	(\$210,224)	48,297,335
TOTAL INTRAGOVERNMENTAL	\$51,680,174	(\$210,224)	\$51,469,950
With the Public:			
Assess the Threat	\$66,991,027		\$66,991,027
Prevent	75,312,391		75,312,391
Respond	84,565,584		84,565,584
Support the Mission	104,437,418	(\$1,798)	104,435,620
TOTAL WITH THE PUBLIC	\$331,306,420	(\$1,798)	\$331,304,622
TOTAL:			
Assess the Threat	\$67,160,479		\$67,160,479
Prevent	75,527,635		75,527,635
Respond	87,353,503		87,353,503
Support the Mission	152,944,977	(\$212,022)	152,732,955
TOTAL:	\$382,986,594	(\$212,022)	\$382,774,572

Strategic Goal	2011		
	Gross Cost	Less: Earned Revenue	Net Cost
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, 2012 and 2011

NOTE 10. 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 16.7% 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 \$17,000 in 2012 of their basic pay to a TSP account, but there is no agency matching contribution.

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

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 11. 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 as of September 30, 2012 and 2011 is provided below:

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

	2012	2011
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$95,022	\$94,522
Donations Collected and Deposited to the U.S. Treasury	20,336	500
Ending Balances	<u>\$115,358</u>	<u>\$95,022</u>

NOTE 12. 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, 2012 and 2011, an intragovernmental liability of \$4,139,976 and \$3,749,292 respectively 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 \$37,264,492 and \$33,013,824 as of September 30, 2012 and 2011 respectively, which is expected to be paid in future periods.

NOTE 13. 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 Federal Law Enforcement Training Center (FLETC) and 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.

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 as of September 30, 2012 and 2011:

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

		2012	2011
USCP Buildings and Grounds	Architect of the Capitol	\$ 14,885,830	\$22,334,755
FLETC & Practical Applications Center	Department of Homeland Security	5,227,426	4,342,172
Future Benefits Payments	Office of Personnel Management	15,950,716	17,395,683
		<u>\$36,063,972</u>	<u>\$44,072,610</u>

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	2012	2011
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$357,035,392	\$359,488,252
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(18,038,947)</u>	<u>(2,148,520)</u>
Obligations Net of Offsetting Collections and Recoveries	338,996,445	357,339,732
Less: Offsetting Receipts	<u>0</u>	<u>0</u>
Net Obligations After Offsetting Receipts	338,996,445	357,339,732
Other Resources		
Imputed Financing Costs Absorbed by Others	<u>36,063,972</u>	<u>44,072,610</u>
Total Resources Used to Finance Activities	<u>\$375,060,417</u>	<u>\$401,412,342</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	29,940,380	(12,250,064)
Resources that Finance the Net Acquisition of Fixed Assets	<u>(36,552,980)</u>	<u>(28,557,577)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(\$6,612,600)</u>	<u>(\$40,807,641)</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$368,447,817	\$360,604,701
Increase in Annual and Compensatory Leave Liability	48,803	331,755
Increase in Actuarial FECA Liability	4,250,668	3,738,205
Increase in Capital Lease Liability	<u>0</u>	<u>1,159,458</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	\$4,299,471	\$5,229,418
Depreciation and Amortization	9,547,048	16,897,569
Revaluation of Assets or Liabilities	454,081	1,621,461
Other	<u>26,155</u>	<u>27,239</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	\$10,027,284	\$18,546,269
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	\$14,326,755	\$23,775,687
NET COST OF OPERATIONS	<u>\$382,774,572</u>	<u>\$384,380,388</u>

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2012 and 2011

NOTE 15. 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, 2012 and 2011 was \$72,656,190 and \$102,596,569, respectively.

NOTE 16. 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, 2012, USCP is involved in employment-related legal actions for which an unfavorable outcome is reasonably possible, but for which an estimate of potential loss cannot be determined at this time. It is not expected that these cases will have a material adverse effect on the agency's financial position or results.