

UNITED STATES CAPITOL POLICE

**Audit of the United States Capitol Police's
Fiscal Year 2013 Financial Statements**

Report No. OIG-2014-01



CliftonLarsonAllen

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Independent Auditors' Report

To The Inspector General
United States Capitol Police

To the United States Capitol Police Board
United States Capitol Police

Report on the Financial Statements

We have audited the accompanying balance sheets of the United States Capitol Police (USCP) as of September 30, 2013 and 2012, the related statements of net cost, changes in net position, the combined statements of budgetary resources, and the related notes to the financial statements for the years then ended (collectively referred to as "financial statements").

Management's Responsibility for the Financial Statements

USCP Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit 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, 2013 and 2012, 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.

Other Matters

Required Supplementary Information (RSI)

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 required by the Federal Accounting Standards Advisory Board, who considers it 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2013 on our opinion on USCP's internal control over financial reporting and on our tests of USCP's compliance with certain provisions of laws and regulations, contracts, 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* in considering USCP's internal control over financial reporting and compliance.

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2013



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Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

To the Inspector General
United States Capitol Police

To the United States Capitol Police Board
United States Capitol Police

We have audited, in accordance with the 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 United States Capitol Police's (USCP) as of and for the year ended September 30, 2013 (FY 2013), and have issued our report thereon dated December 19, 2013.

Management Responsibilities for Internal Control

USCP management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and (2) evaluating effectiveness of internal control over financial reporting based on criteria established under U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government (Green Book)*.

Auditors' Responsibilities

Our responsibility is to express an opinion on USCP's internal control over financial reporting. We conducted our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to audits of internal control contained in *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under GAO *Green Book*. Our audit also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We did not evaluate all internal control relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting based on an audit of financial statements and may not be sufficient for other purposes.

Internal Control over Financial Reporting

An entity's internal control over financial reporting (internal control) is a process effected by those charged by governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States, (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (3) transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

In planning and performing our audit of the financial statements, we considered USCP's internal control to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the effectiveness of USCP's internal control.

Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Exhibits A and B, we identified deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 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 summarized below and in Exhibit A to be a material weakness.

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

A *significant deficiency* is a 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 summarized below and in Exhibit B to be significant deficiencies.

Finding 2: CIP Accounting and Reporting Needs to be Strengthened

Finding 3: Control over Disbursements Needs Improvement

Finding 4: Application of Accounts Payable Accrual Methodology Needs Improvement

Opinion on Internal Control over Financial Reporting

In our opinion, because of the effects of the material weakness, summarized above and described in Exhibit A, on the achievement of the objectives of the control criteria, USCP did not maintain, in all material respects, effective internal control over financial reporting as of September 30, 2013, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected and corrected on a timely basis. Our opinion on internal control is based on criteria established under U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*.

We considered the material weakness identified above in determining the nature, timing, and extent of audit tests applied in our audit of the Fiscal Year 2013 financial statements, and this report does not affect our report dated December 19, 2013, which expressed an unmodified opinion on the financial statements.

USCP's Response to Findings

USCP's response to the findings identified in our audit is included in Exhibits A and B. USCP's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Year Findings

We have also reviewed the status of USCP's corrective actions with respect to the findings and recommendations included in prior year Independent Auditors' Report dated November 21, 2012. Exhibit C provides a discussion on the status of prior year findings and recommendations.

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2013

Summary of Internal Control Weaknesses
Fiscal Year 2013 Examination of Effectiveness of Internal Control over Financial Reporting
United States Capitol Police

In performing Fiscal Year (FY) 2013 examination of the effectiveness of USCP internal control over financial reporting, we identified a material weakness and three significant deficiencies.

We also examined the findings and recommendations reported in FY 2012 examination report and have included in this report as Exhibit C the status of those findings and recommendations as of September 30, 2013.

Below are brief summaries of the FY 2013 and the status of FY 2012 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made limited progress toward correcting payroll related findings. For the findings and recommendations open in FY 2012, one was closed and 6 were carried forward to FY 2013. We also identified 3 new findings in FY 2013. We concluded that payroll control deficiencies as an aggregate is a material weakness. See Finding 1.

The Office of Financial Management (OFM) made some progress in FY 2013 addressing the one material weakness related to construction in progress accounting and reporting. This finding was reported as a material weakness (MW) in FY 2012 and reclassified as a significant deficiency (SD) in FY 2013. OFM also made substantial progress in addressing the fixed asset accounting and analysis SD with all four of the FY 2012 findings being closed. However, there was a new finding in control over disbursements related to fixed asset acquisition in FY 2013. The FY 2012 SD related to the accounts payable accrual methodology was a repeat finding in FY 2013.

CRITERIA

We used four levels of progress to rank the prior year repeat 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 findings and 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 2013 Internal Control Deficiencies/Findings
Material Weakness

Finding No. 1: Payroll Processing

Summary Status: **Material Weakness Current Year**
Material Weakness Since 1999
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 related recommendations. Six of the 7 findings from FY 2012 were carried forward to FY 2013 with limited progress for 2, some progress for 1, and no progress for 3. One of the 7 FY 2012 findings was closed. We also identified 3 new findings in FY 2013.

As noted in prior year auditor's report, payroll control deficiency has been reported since FY 1999; similar findings existed as of September 30, 2013. We concluded that payroll related 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 47 employees, we found the following 41 instances where the certification report was not signed by the employee and/or their supervisor or was not signed timely:

- 2 Instances – OFM
- 4 instances – OHR
- 1 Instance – OIS
- 6 instances – OSB
- 8 instances – PSB
- 1 instance – SSB
- 1 instance – TSB
- 18 Instances – USB

We obtained all Certification Report Verifications submitted to the Office of Human Resources (OHR) for Pay Period (PP) 22 of calendar year 2012 and PP 02, 06, and 12 of calendar year 2013. From these Certification Report Verifications we reviewed the breakdown of completed and pending certification report verification. The Certification Report Verifications are considered pending when they do not have employee and/or supervisors signatures yet. There were 1,276 instances of pending certification reports in the four pay periods examined.

Recommendations:

We repeat our prior year (PY) recommendations 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): USCP should 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): USCP should continue to evaluate 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): USCP should continue its efforts to automate fully its labor management system, [REDACTED] In addition, we recommend that the USCP 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.

Status of Recommendations: Repeat Finding- No Progress (Recommendation 1) Limited Progress (Recommendation 2) Limited Progress (Recommendation 3)	Management Response: We concur with this finding. Policy changes will be recommended to specifically address realistic timelines for submitting Certification Reports. Additionally, process improvements will be recommended for handling missing signatures. OHR undertook a new initiative in 2013 to automate the employee concurrence and to move the department away from the existing paper-based Certification Report. A Decision Paper containing recommendations to address this finding is under development and will be submitted through the CAO to the ET for consideration and approval. OHR has established a working group, from Administration and Operations, to discuss T&A reports, based on customer feedback. OHR expects to complete this review during FY 2014 and the final product will produce a new report listing and standardized distribution. Regarding full automation, a Decision Paper containing recommendations to address this finding has been forwarded through the CAO to the ET for consideration and approval. These include implementing the [REDACTED] Virtual Time Clock for employees working offsite; Implementing an interface between the Leave Approval System and [REDACTED] and the [REDACTED]
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implementation has been fully successful; and modifying the [REDACTED] application to create an electronic certification process within the [REDACTED] application to replace the current paper based system.

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 22 of calendar year 2012 and PP 06 and 12 of calendar year 2013 as part of testing payroll processing. Our tests disclosed the following 18 instances in 17 departments within the USCP where the Certification Report Verification was not submitted to OHR Time and Attendance:

- 1 instance - CC (PP02)
- 1 instance - CLS (PP02)
- 1 instance - COMM (PP02)
- 1 instance - COP (PP06)
- 1 instance - DPD (PP02)
- 1 instance - HIRD (PP02)
- 2 instances - HMRT (PP22 and 02),
- 1 instance - OEC (PP02)
- 1 instance - OIS (PP02)
- 1 instance - OSB (PP02)
- 1 instance - PMRD (PP02)
- 1 instance - PSB/INV (PP02)
- 1 instance - RPS (PP02)
- 1 instance - SD1 (PP12)
- 1 instance - SEU (PP22)
- 1 instance - SSB (PP02)
- 1 instance - USB (PP12)

Recommendation:

We repeat our prior year recommendation, which is described above in Recommendation 1 of Finding 1.2.

Status of Recommendation: Repeat Finding – No Progress	Management Response:
	We concur with the finding. OHR will administer training, provide guidance and job aids to improve the accuracy of information managed and processed by managers and timekeepers. OHR will conduct training and guidance on a recurring basis; establish a performance standard for all timekeepers and supervisors regarding timekeeping and payroll management compliance.

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 out of 47 employees tested, we found 15 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 Certification Report.

Recommendations:

We repeat the prior year recommendations as follows:

1. OHR Director (or designee) should ensure reconciliation between the [REDACTED] and the NFC records are performed for each employee at least monthly to ensure leave balance information is correctly reported in both systems.
2. Ensure OHR implements corrective action timely.
3. OHR ensures record of the leave reconciliation, including the reason for any variances and corrective action to resolve variances, are readily available for examination.
4. OHR evaluates 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 Recommendations: Repeat Finding – Limited Progress	Management Response:
	<p>We concur.</p> <p>Documentation was provided to CLA verifying corrective measures and accuracy of annual leave, sick leave and Comp Time balances to date.</p> <p>OHR will research methods of documenting corrective variance balances.</p> <p>Both payroll systems are stand alone and the processing timeframes differ. Data inconsistencies will continue to exist until the Department identifies a single time and attendance system of record that accommodates federal shift work and funding is available to make the system change. This is a long term goal and investment for USCP and part of the overall efforts to reform time and attendance management.</p> <p>A Monthly Reconciliation of [REDACTED] and NFC is planned and is a long term goal as well.</p>

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

We obtained clock usage reports for our sample of 47 employees and noted 69 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 the 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.

Recommendation:

We repeat prior year recommendation (refer to OIG Report Recommendation 7) that 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.

Status of Recommendation: Repeat Finding – Not started	Management Response: We concur. The data provided indicates less than a 2.5% error rate. Policy will be modified for requirements to clock in/out. Note: Supervisory approval of the Certification Report supports all time worked within the PP; therefore, recommendations will allow for a low percentage of missing swipes, or indicate when administratively feasible.
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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 22 of calendar year 2012 and PP 06 and 12 of calendar year 2013. 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. The lack of a submission date also indicates OHR is not adequately monitoring timekeeper distribution and collection of certification reports 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 Repeat Finding – No Progress	Management Response:
	<p>We concur with this finding. Policy changes will be recommended to specifically address realistic timelines for review of Time and Attendance Certification Completion. In addition, OHR will continue to work with Timekeepers to monitor T&A Certification Report Verifications in accordance with current policy; and later with, adjusted in the forthcoming revised policy.</p> <p>Note: A bi-weekly Confirmation Reminder is sent to all Departmental Timekeepers to ensure compliance with reporting requirements, while focusing on the automation of Time and Attendance certification and monitoring processes throughout 2013. This process will continue with policy and procedure enhancements.</p>

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

We reviewed the Time and Attendance Internal Audit of the Office of Facilities and Logistics Certification Reports performed during April 2013 and noted the following:

1. OHR has not updated the Standard Operating Procedures (SOP) [REDACTED] to include the procedures used to select bureaus and employees for their internal audit, as recommended by CLA in our prior year finding.
2. Internal Review Process Checklist did not include the audit results for 3 of the 7 procedures performed.
3. Sample selection methodology was not included in the workpapers.

Recommendations:

We repeat prior year recommendations as follows:

1. OHR should update the SOP [REDACTED] to include procedures used to select bureaus and employees for their internal audit.
2. OHR should ensure all testing results are included in the audit work papers.

In addition, we further recommend OHR to:

3. Revise the Internal Review Process Checklist to include a place for all audit results to be recorded.
4. Require the reviewer to document in the workpapers the methodology used to select the audit sample.

Status of Recommendations:	Management Response:
Modified Repeat – Some Progress	<p>We generally concur with the finding.</p> <p>SOP [REDACTED] now indicates the requirement of a 20% audit randomly, but does not include the methodology. 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.</p> <p>OHR will edit the current policy to indicate the Timekeeper and at least one supervisor is audited; but all other files are completely random with no methodology.</p> <p>Testing results are included in audit results, but the process change occurred after the dates of the 2013 audit. So OHR will include testing results in audit results.</p> <p>OHR will edit the Internal Review Process Checklist to include a place for all audit results to be recorded.</p>

7. Lack of Documentation to Support Leave Hours Taken were Approved by Supervisor (New Finding)

Our test of internal control over payroll processing disclosed that for 5 of 47 sample employees tested, 10 instances were noted where the supervisor did not complete the CP-506 Request for Approved Absences form or equivalent as follows:

- 3 instances – USB
- 1 instance – PSB
- 1 instance - OHR

Recommendation:

We recommend USCP enforce its leave policy.

Status of Recommendation:	Management Response:
New Finding - Not Started	<p>We concur with this finding. OHR will continue to conduct audits throughout the Department and communicate with timekeepers and managers the requirement to comply maintaining documents to support leave hours taken.</p> <p>OPOL is finalizing Departmental guidance on Absence and Leave to support this effort as well.</p>

8. Lack of Documentation to Support Overtime Approval (New Finding)

Our testing of internal control over payroll processing disclosed that for 5 of 47 sample employees, there were 5 instances where USCP did not provide documentation evidencing overtime hours were approved by the employee's supervisor.

Recommendation:

We recommend USCP enforce its overtime policy

Status of Recommendation: New Finding – Not Started	Management Response:
	We concur with this finding. OHR will continue to conduct audits throughout the Department, and vigorously work with Timekeepers to ensure documentation is provided to support overtime approval.

9. Insufficient Controls Over Signature Stamps Used by USCP Employees (New Finding)

USCP does not have a formal policy and procedures for the issuance, use and safe guarding of the signature stamps used by supervisors to sign Certification Reports and support documents.

Recommendation:

We recommend USCP establish and implement a formal policy and procedures for the issuance, use and safe guarding of the signature stamps used by supervisors to sign Certification Reports and support documents.

Status of Recommendation: New finding – Not Started	Management Response:
	We concur with this finding and will issue the appropriate policy.

Exhibit B
FY 2013 Internal Control Deficiencies/Findings

Significant Deficiencies

Finding No. 2: CIP Accounting and Reporting Needs to be Strengthened

Summary Status: Significant Deficiency Current Year

Material Weakness Prior Year

Substantial Progress

Inadequate control over the accounting and reporting of CIP remained a deficiency in FY 2013. While the USCP has worked to establish 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, the effectiveness of the policies and procedures needs further improvement. Also, although the Office of Information Services is able to obtain overall spending and performance data, and earned value data of the work completed, it is still unable to obtain detailed transactions data and support documentation. Moreover, the Program Offices still does not have an effective formal process of documenting and communicating to the OFM when assets are placed in service. Control over the formal process for placing assets into service therefore remained a deficiency in FY 2013.

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

The Office of Information Systems (OIS) which oversees the contract between USCP and the NAVAIR division of the U.S. Navy (NAVAIR) was unable to obtain detail transaction data and support documentation from NAVAIR to support its assessment that actual costs in the ERP System cost report included accrued expenses.

Monthly, OFM receives the Navy ERP System cost summary report from NAVAIR that provides cumulative cost data on the Radio System Modernization Project. OIS (Office of Information Systems) assesses costs reported in the Navy ERP System report for reasonableness against the Contract Performance Report (CPR), which measure the earned value of the work completed (a measure of the effectiveness of the contract work completed versus the resources used to date), received from NAVAIR and other internal documents. OFM uses the Navy ERP System cost summary report signed by OIS to update balances in GLAC 1410 Advances to Others and GLAC 1720 Construction in Progress. Our review of the September 2013 NAVAIR reports disclosed the following:

- The CPR and ERP system's financial data did not agree. The actual costs in the CPR are \$36.8 million at September 30, 2013 and the actual costs in the Navy ERP System cost report is \$40.3 million. OFM and OIS were unable to obtain documentation from NAVAIR to support these costs. However, based on its review of the project completion status measured by the CRP system, OIS felt that the work done to date was in line with the resources expended to date.
- OIS is approving the amounts without a thorough review at the detail level. USCP books showed NAVAIR CIP costs of \$50.7 million as of September 30, 2013 while the Navy ERP System cost report, approved by OIS, showed \$40.2 million in costs. The \$10.5 million

variance, explained by USCP, is due to costs incurred but not included in the cost report because NAVAIR had not completed the invoicing process. The additional \$10.5 million is not included in OIS' assessment of actual costs that is documented on the signed report. OIS provided its assessment of the CIP costs as part of the audit process.

Recommendations:

We repeat the following prior year recommendations:

1. 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 offices.
2. OFM, in consultation with the program offices, should conduct a more thorough analytical review of the CIP related advances and costs.
3. OIS and OFM to continue to work with NAVAIR in terms of requesting and maintaining additional documentation to support the cost reported in the cost summaries.

Status of Recommendation	Management Response:
Modified Repeat Finding – Substantial Progress	We concur with this finding. OFM will require future projects of this nature to have additional detailed accounting requirements than was established for this project.

2. Formal Process of Documenting and Communicating Assets Placed in Service (Modified Repeat Finding) (Prior Year Finding 2.2)

In FY 2013, we observed progress in the collaboration between OFM and the program offices. OFM has proactively sought out the program offices to review status of CIP and evaluate whether constructions were completed. OFM would document outcome of discussions between OFM and the Office of Facilities and Logistics (OFL) and would attach the documents analyzing status of constructions as support to its journal entries. OFM has also assigned a full time accountant to work with the SSB, and another accountant to work with other program offices. However, more needs to be done. Although the program offices document and communicate to the OFM when constructed property, plant and equipment are placed in service, there was an instance where the OFM and the OFL were unable to provide documentation to support the acquisition date recorded in [REDACTED] for \$1.5 million in equipment and labor for the completion of work at the [REDACTED]. Changes in project status and service dates for equipment that are not timely reflected in the accounting records increase the risk of misstatement to the financial statements.

Recommendation:

We repeat prior year recommendation as follows:

USCP should establish policies and procedures requiring all 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

program personnel on completing the form and the documentation necessary to support the activities.

Status of Recommendation:	Management Response:
Modified Repeat Finding-Substantial Progress	We concur with this finding and will establish a procedure to have program offices certify movement of assets placed in service from the Construction in Process account to general PP&E, including creating a form and instructing offices on how to complete the form.

Finding No. 3: Control over Disbursements Needs Improvement

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

USCP's internal control over disbursement needs to be strengthened. Our testing identified an instance where there was an approval for payment of an invoice that went beyond the billing period of performance without the Technical Representative's written approval.

1. Fixed Assets related disbursement not properly approved (New Finding)

In testing fixed assets acquisition for building improvements, we found one instance where that there was a disbursement made for an invoice related to a fixed asset acquisition for Building Improvements (labor cost), that was originally approved by the technical representative for a billing period that went beyond the contract period of performance as specified in the task order with the contractor. Although the invoice was rejected for payment, the contractor resubmitted a revised invoice with the billing period within the contract performance period. The revised invoice was paid without approval from the USCP technical representative.

Recommendation:

We recommend that the USCP technical representatives (TR) review invoices more closely to make sure they conform to the period of performance as specified in the contract and any subsequent modifications before approving for payment. Moreover, payments should not be made without proper approval from the responsible officer.

Status of Recommendation:	Management Response:
New Finding – Not Started	We concur with this finding and will provide additional guidance to technical representatives and financial liaisons regarding proper processes for approving goods/services.

Finding No. 4: Application of Accounts Payable Accrual Methodology Needs Improvement

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

1. Accounts Payable Accrual Methodology (Modified Repeat Finding) (Prior Finding 4.1)

USCP developed an accounts payable accrual methodology in FY 2013 based on analytical procedures applied to the three major areas of goods and services: training, travel and procurement. Our testing found that the formulas applied for training and travel were correct, however, the formulas for procurement accrual was incorrectly applied which resulted in an understatement of the accrued accounts payable at September 30, 2013 by \$3.68 million. We brought this error to USCP's attention during our audit.

Recommendation:

We repeat prior year recommendation that 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- Some Progress	Management Response: We concur with this finding. The accounts payable accrual methodology will be reviewed and approved by either the CFO or Deputy CFO. Automation will be considered when the Department is in a more favorable fiscal environment.
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Exhibit C

Status of Control Deficiencies Reported in FY 2012 Independent Auditors' Report

We reviewed the status of prior year control deficiencies/findings as part of our FY 2013 financial statements audit.

We used the following three levels to determine the status of the FY 2012 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2013.
- Open – the condition(s) in the finding remain(s) the same in FY 2013.
- Open/Modified – one or more conditions in the finding have changed in FY 2013.

In addition, for those findings whose status are classified as Open or Open/Modified in FY 2013, we further classified the finding as a material weakness (MW), a significant deficiency (SD), or a management letter comment (MLC). We have also reclassified in FY 2013 some SD findings identified in FY 2013 as MLC.

In summary, there were 14 findings in FY 2012, 9 were repeat findings or modified repeat findings (6 as MW, 3 as SD) and 5 were closed in FY 2013.

	FY 2012 Finding No.	FY 2012 Control deficiency	Year Reported/ Reported as	FY 2013 Status
1	1.1 MW	Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report -	2008-2012/MW	Repeat Finding Open – Reported as MW 1.1
2	1.2 MW	Lack of Confirmation of T&A Certification Report Verification Completion	2008-2009, 2012/MW	Repeat Finding Open – Reported as MW 1.2
3	1.3 MW	Difference in Annual Leave Hours within NFC Payroll System and the [REDACTED]	2008-2009, 2012/MW	Repeat Finding Open – Reported as MW 1.3
4	1.4 MW	Noncompliance with Employee Clock Usage Policy	2008-2012/MW	Repeat Finding Open – Reported as MW 1.4
5	1.5 MW	Inadequate Review of T&A Certification Completion	2009-2012/MW	Repeat Finding Open – Reported as MW 1.5
6	1.6 MW	Lack of Supporting Documentation for OHR T&A Audit	2009, 2012/MW	Modified Repeat Finding Open – Reported as MW 1.6

	FY 2012 Finding No.	FY 2012 Control deficiency	Year Reported/ Reported as	FY 2013 Status
7	1.7 MW	Lack of Documentation to Support Leave Balances Paid to Separated Employees	2010 - 2012/MW	Closed
8	2.1 MW	Accounting and Reporting of CIP Activities	2008, 2012/MW	Modified Repeat Finding Open – Reported as SD1.1
9	2.2 MW	Formal Process of Documenting and Communicating Assets Placed in Service	2009-2010/MW 2012 MW	Modified Repeat Finding Open – Reported as SD 2.2
10	3.1 SD	Fixed Assets Accounting and Analysis – Depreciation Expense	2009-2012/SD	Closed
11	3.2 SD	Fixed Assets Accounting and Analysis – Fixed Assets Acquisitions	2009-2010/MW 2012/SD	Closed
12	3.3 SD	Fixed Assets Accounting and in Analysis - [REDACTED] to [REDACTED] Reconciliation	2012/SD	Closed
13	3.4 SD	Fixed Assets Accounting and Analysis - Controls Over Accountable Property	2012 SD	Closed
14	4.1 SD	Accounts Payable Accrual Methodology	2012 SD	Modified Repeat Finding Reported as SD 4.1



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**Independent Auditors' Report on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Inspector General
United States Capitol Police

To the United States Capitol Police Board
United States Capitol Police

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the United States Capitol Police (USCP) as of and for the year ended September 30, 2013, and have issued our report thereon dated December 19, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USCP's financial statements are free from material misstatement, we performed tests of USCP's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of reportable instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

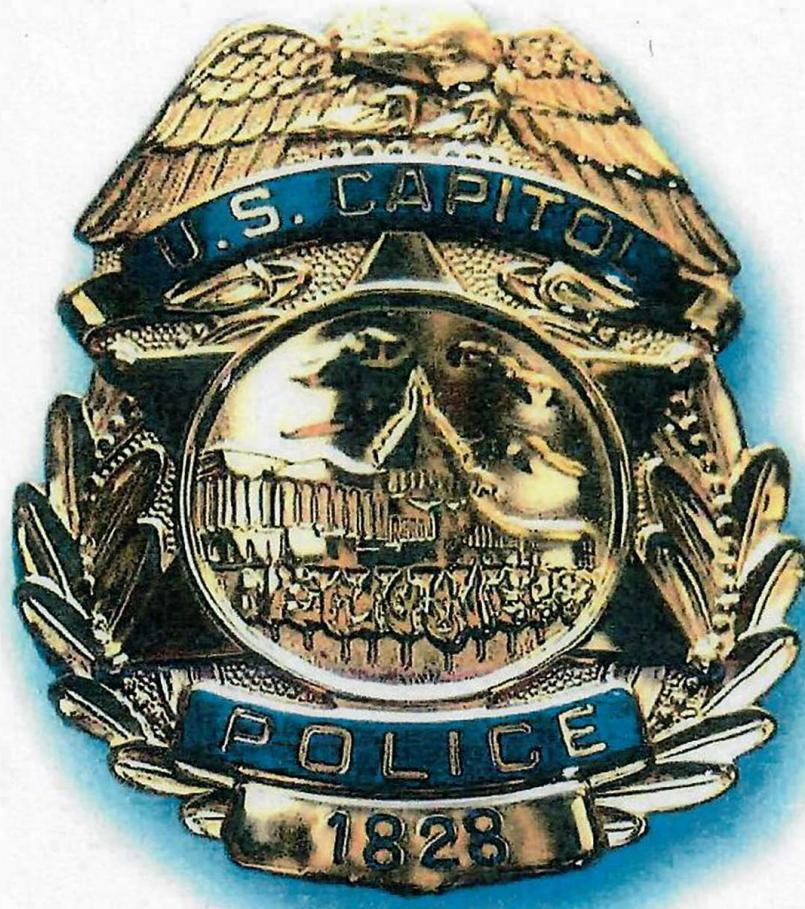
The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of USCP's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USCP's compliance. Accordingly, this communication is not suitable for other purpose.

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 19, 2013

United States Capitol Police



**Management's Discussion and Analysis
FY 2013**

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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

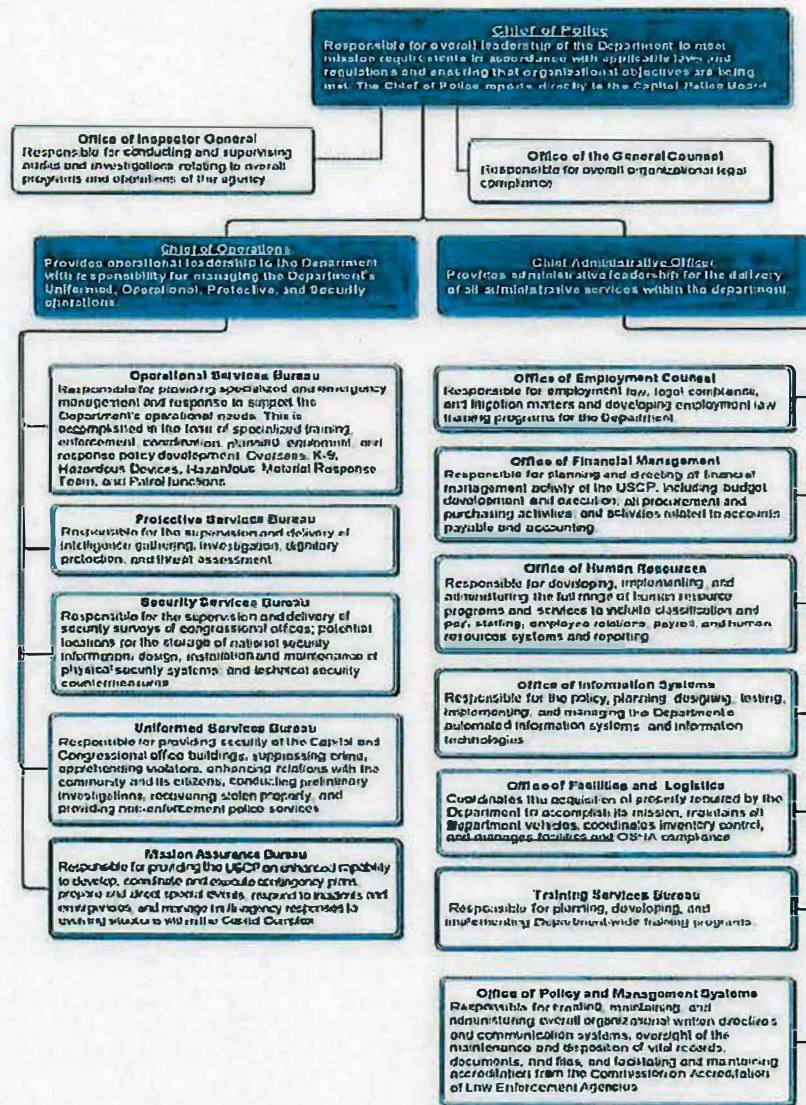
The USCP aligns its management functions into an operations and administrative structure. The operations structure carries out the law enforcement/security activities of the Department, and the administrative structure provides business processes/administrative support to the Department.

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 2,076 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.

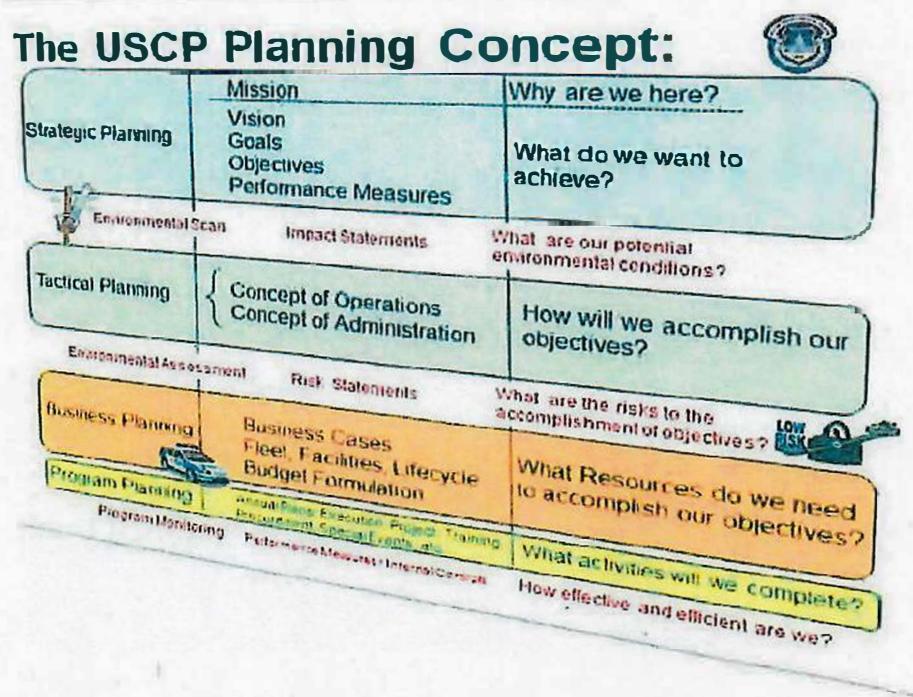
The USCP exercises Planning Concept that links strategic, tactical and lower-level planning efforts (see graphic below). To accomplish our mission it is important to have an excellent strategy. To determine the effectiveness of USCP activities, it is important to have a first-rate planning and performance management system. In FY 2014, 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 (FD) Business Process to focus the planning, programming, 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 2013 marked a period of transition for the Department. During FY 2013, the USCP continued its process to update its Strategic Plan. In FY 2014, we will continue to develop a new Strategic Plan. The goals of our update are to develop a plan that:

1. Employs results-oriented data-driven approaches that effectively meet current and future threats and challenges.
2. Provides safety and security by deploying the most effective law enforcement services through collaboration, adaptability and innovation.
3. Maximizes efficiency and effectiveness through best practices and promote accountability through employee engagement and a positive work environment.

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 2013 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.	<p>A.1. Inter-Agency Collaboration: To collaborate with other federal agencies and local law enforcement to increase the collection and sharing of intelligence information.</p> <p>A.2. Intelligence Collection & Analysis: To maximize the collection and use of intelligence and counter-surveillance information for identifying threats. This includes process improvement internally and externally both for counter-surveillance and the dissemination of threat warnings.</p>	<p>Conducted [REDACTED] Vulnerability Assessments</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Coordinated 626 Special Events</p>

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. P.4. Event Management: To enable individuals to safely participate in major events and demonstrations while not disrupting legislative operations. P.5. Member Protection: To protect Members of Congress and visiting officials against criminal and terrorist activities.	Conducted 616 Community Outreach Visits Conducted 78 Evacuation Drills Conducted 98 Life Safety Drills (Shelter-in-Place & Internal Relocation (new measure)) Conducted 152,607 K-9 Sweeps Conducted 1,569 Bomb Sweeps Screened 27,482 Delivery Vehicles Offsite Conducted 26,658 HMRT Delivery Vehicle Inspections (new measure) Screened 27,482 Vehicles offsite Screened 1,573,505 Visitors at the Capital Visitor Center (CVC) Screened 9,860,560 people at various buildings on Capitol Hill Supported 10 POTUS Visits Supported 14 VPOTUS Visits Conducted 76 Security Awareness Briefings Received 1999 Visiting Dignitary (VIP Notifications)

RESPOND		
Strategic Goal	Strategic Objectives	Performance Outputs
RESPOND Respond promptly and with the right resources to threats, disruptions, or other unlawful activities in order to quickly and safely return Congress to normal operations.	R.6. Law Enforcement: To patrol areas of statutory responsibility and diligently investigate and prosecute persons who commit criminal acts. R.7. Incident Management & Communication: To coordinate decisively and efficiently all activities and communications in response to a critical incident. R.8. Specialized Response Capabilities: To enhance our specialized response capabilities to ensure readiness to all types of incidents. R.9. Continuity of Operations: To ensure Continuity of Operations (COOP) for USCP while supporting the Congressional Community in the execution of their COOP plans and, when necessary, assist in the implementation of Legislative Branch Continuity of Government (COG) plans.	Responded to [REDACTED] suspicious package reports. Responded to [REDACTED] Conducted 850 Arrests Conducted 989 Containment and Emergency Response Team (CERT) Related Responses

SUPPORT THE MISSION		
Strategic Goal	Strategic Objectives	Performance Outputs
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>S.10. Human Capital: To create and sustain a vigorous and motivated workforce that is highly trained and armed with the necessary knowledge, skills and abilities to achieve the mission.</p> <p>S.11. Technology: To provide responsive, high quality, cost-effective information technology services and solutions in a timely manner.</p> <p>S.12. Facilities Management: To provide USCP employees with state-of-the-art facilities to meet its mission, workload, and personnel requirements.</p> <p>S.13. Financial Management: To provide timely, reliable, and responsive financial management services, and ensure accountability for assets and resources.</p> <p>S.14. Logistics Management: To make resources available to those who need it, when they need it by improving the ordering, procurement, distribution, and tracking of USCP resources.</p> <p>S.15. Legal Counsel: To ensure legal counsel for overall organizational legal compliance.</p> <p>S.16. Continuous Improvement: To create a best practices organization that through an environment of continuous incremental improvement encourages innovation and creativity.</p>	<p>Recruit and Hired 5 Civilian Employees</p> <p>Recruit and Hired 1 Sworn Personnel</p> <p>Processed Separations for 19 Civilian Employees</p> <p>Processed 42 Separations for Sworn Personnel</p> <p>Maintained 99.95% Average Information Systems Uptime</p> <p>Maintained 99% Primary Fleet Readiness</p> <p>Maintained 95% Motorcycles Fleet Readiness</p> <p>Maintained 99% Equipment Fleet Readiness</p> <p>Maintained 95% Operations Fleet Readiness</p> <p>Accomplished 91.95% of Radio Project on Milestones on Target.</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 2013. 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, 2013 shows \$194 million in total assets, a decrease of \$28 million (13 percent) from the previous year's total assets of \$222 million. The primary change was in the Department's Fund Balance with the U.S. Treasury, which was \$29 million less than in fiscal year 2012. A lower salary accrual (due to a salary disbursement on the last day of the fiscal year) and a decrease in the Department's fiscal year 2013 appropriations are the primary causes of the decrease.

Liabilities: Total Department liabilities were \$81 million as of September 30, 2013, a decrease of \$1 million (1 percent) from the previous year's total liabilities of \$82 million.

Net Position: The Department's total net position as of September 30, 2013 was \$113 million, a decrease of \$27 million (19 percent), from the previous year's total net position of \$140 million.

Budgetary Resources: The Department's fiscal year 2013 Combined Statement of Budgetary Resources shows \$341 million in total budgetary resources, a decrease of \$37 million (ten percent) from the previous year's total budgetary resources of \$378 million.

Net Outlays: The Department's fiscal year 2013 Combined Statement of Budgetary Resources shows \$346 million in net outlays, an increase of \$14 million (4 percent) from the previous year's total net outlays of \$332 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 the Department operations totaled \$382 million for the year ended September 30, 2013, a decrease of \$1 million from the previous year's net cost of operations of \$383 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 2013 was \$321 million.

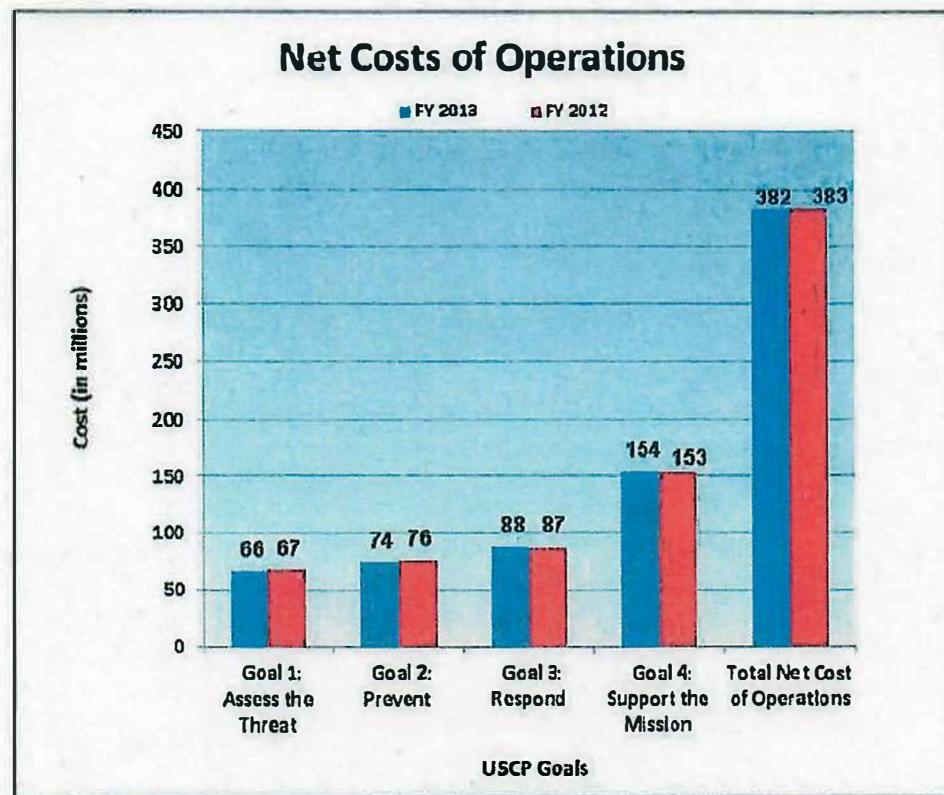
In fiscal year 2013, our total assets were \$194 million, consisting mostly of property, plant and equipment, followed by our Fund Balance with Treasury. Total liabilities of \$81 million were composed primarily of Worker's Compensation (FECA) liability, employees' accrued annual leave, accounts payable, and accrued employees' salaries & benefits.

The net cost of operating the U.S. Capitol Police during fiscal year 2013 and fiscal year 2012 was approximately \$382 million and \$383 million, respectively. Overall, our net cost of operations

decreased by \$1 million, due primarily to the sequestration, which affected all federal agencies in fiscal year 2013. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2013 and fiscal year 2012 costs break down by each strategic goal.

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

	FY 2013	FY 2012	% Change
Total Assets	\$194	\$222	-13%
Total Liabilities	81	82	-1%
Appropriations			
Salaries	262	277	-5%
General Expenses	59	63	-6%
Total Annual Appropriations	321	340	-6%
Total Budgetary Resources	341	378	-10%
Total Outlays	346	332	4%
Net Cost of Operations			
Goal 1: Assess the Threat	66	67	-1%
Goal 2: Prevent	74	76	-3%
Goal 3: Respond	88	87	1%
Goal 4: Support the Mission	154	153	1%
Total Net Cost of Operations	\$382	\$383	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, 2013 and 2012

UNITED STATES CAPITOL POLICE
Balance Sheets
As of September 30, 2013 and 2012

	FY 2013	FY 2012
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$63,723,245	\$93,201,167
Advances to Others (Note 3)	1,688,218	31,381,348
Total Intragovernmental	<u>65,411,463</u>	<u>124,582,515</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Net (Note 4)	60,083	35,897
General Property, Plant and Equipment, Net (Note 5)	<u>128,835,933</u>	<u>97,252,718</u>
TOTAL ASSETS	<u>\$194,311,479</u>	<u>\$221,875,130</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$707,688	\$980,055
Accrued Funded Benefits (Note 12)	4,802,506	4,139,976
Total Intragovernmental	<u>\$5,510,194</u>	<u>\$5,120,031</u>
Accounts Payable, Public	11,235,118	9,441,430
Accrued Salaries and Benefits	6,559,351	16,746,767
Accrued Unfunded Annual and Compensatory Leave (Note 6)	11,786,002	12,338,479
Actuarial FECA Liabilities (Note 6 & 12)	45,438,472	37,264,492
Other Liabilities (Note 7 & 8)	<u>945,643</u>	<u>1,211,313</u>
TOTAL LIABILITIES	<u>81,474,780</u>	<u>82,122,512</u>
NET POSITION		
Cumulative Results of Operations	72,954,167	48,475,371
Unexpended Appropriations	<u>39,882,532</u>	<u>91,277,247</u>
TOTAL NET POSITION	<u>\$112,836,699</u>	<u>\$139,752,618</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$194,311,479</u>	<u>\$221,875,130</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Net Cost
For the Years Ended September 30, 2013 and 2012

STRATEGIC GOALS: Gross Program costs (Note 9)	FY 2013	FY 2012
Assess the Threat Gross Costs	\$65,962,185	\$67,160,479
Prevent Gross Costs	74,333,725	75,527,635
Respond Gross Costs	87,592,895	87,353,503
Support the Mission Gross Costs	154,485,974	152,944,977
Less: Earned Revenues	(226,227)	(212,022)
	<u>154,259,747</u>	<u>152,732,955</u>
NET COST OF OPERATIONS	<u>\$382,148,552</u>	<u>\$382,774,572</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Changes in Net Position
For the Years Ended September 30, 2013 and 2012

	FY 2013	FY 2012
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$48,475,371	\$26,037,123
Budgetary Financing Sources		
Appropriations Used	368,202,571	369,148,848
Other Financing Sources		
Imputed Financing Sources (Note 13)	38,424,777	36,063,972
Net Cost of Operations	<u>(382,148,552)</u>	<u>(382,774,572)</u>
Net Change	24,478,796	22,438,248
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$72,954,167	\$48,475,371
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$91,277,247	\$122,262,030
Budgetary Financing Sources		
Appropriations Received	339,137,000	340,137,000
Appropriations Used	(368,202,571)	(369,148,848)
Other Adjustments	<u>(22,329,144)</u>	<u>(1,972,935)</u>
Net Change	(51,394,715)	(30,984,783)
TOTAL UNEXPENDED APPROPRIATIONS	<u>39,882,532</u>	<u>91,277,247</u>
NET POSITION	<u>\$112,836,699</u>	<u>\$139,752,618</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Budgetary Resources
For the Years Ended September 30, 2013 and 2012

	FY 2013	FY 2012
BUDGETARY RESOURCES		
Unobligated Balance, October 1	\$20,506,740	\$21,339,121
Recoveries of Prior Year Unpaid Obligations	3,344,868	2,032,674
Other changes in unobligated balance	<u>(4,539,938)</u>	<u>(1,972,935)</u>
Unobligated balance from prior year budget authority	19,311,670	21,398,860
Appropriations	321,347,794	340,137,000
Spending authority from offsetting collections	<u>648,820</u>	<u>16,006,272</u>
TOTAL BUDGETARY RESOURCES	<u>\$341,308,284</u>	<u>\$377,542,132</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred, Direct	\$325,030,851	\$357,035,392
Unobligated Balance, end of year		
Exempt from Apportionment (Note 2)	11,297,331	14,720,535
Unapportioned (Note 2)	<u>4,980,102</u>	<u>5,786,205</u>
Total unobligated balance, end of year	<u>16,277,433</u>	<u>20,506,740</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$341,308,284</u>	<u>\$377,542,132</u>
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1	\$72,583,069	\$65,908,773
Obligations incurred	325,030,851	357,035,392
Gross Outlays	<u>(346,935,597)</u>	<u>(348,328,422)</u>
Recoveries of Prior Year Unpaid Obligations	<u>(3,344,868)</u>	<u>(2,032,674)</u>
Unpaid Obligations, end of year	<u>47,333,455</u>	<u>72,583,069</u>
Memorandum entries:		
Obligated balance, start of year	<u>\$72,583,069</u>	<u>\$65,908,773</u>
Obligated balance, end of year	<u>\$47,333,455</u>	<u>\$72,583,069</u>
NET BUDGET AUTHORITY AND OUTLAYS		
Gross Budget Authority	\$321,996,614	\$356,143,272
Actual offsetting collections	<u>(648,820)</u>	<u>(16,006,272)</u>
NET BUDGET AUTHORITY	<u>\$321,347,794</u>	<u>\$340,137,000</u>
Gross Outlays	\$346,935,597	\$348,328,422
Actual Offsetting Collections	<u>(648,820)</u>	<u>(16,006,272)</u>
NET OUTLAYS	<u>\$346,286,777</u>	<u>\$332,322,150</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, 2013 and 2012

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.

Throughout these financial statements certain assets, liabilities, earned revenue and costs are classified according to the type of entity with whom transactions were made.

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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. These assets are recorded at cost if the initial acquisition cost is \$250,000 or more. Capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from three to ten years. Stand-alone assets under construction or development are referred to as

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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 representing executory 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

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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, 2013 and 2012 consists of the following balances:

	2013	2012
Fund Balances:		
Appropriated	\$63,606,887	\$93,085,809
Special (Memorial Fund)	116,358	115,358
Total	<u>\$63,723,245</u>	<u>\$93,201,167</u>
 Status of Fund Balance with Treasury:		
Unobligated		
Available	\$11,297,331	\$14,720,535
Unavailable	4,980,102	5,786,205
Obligated, Not Yet Disbursed	47,333,455	72,583,069
Non-Budgetary	112,357	111,358
Total	<u>\$63,723,245</u>	<u>\$93,201,167</u>

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NOTE 3. ADVANCES TO OTHERS

The USCP enters into agreements with other federal agencies to design, develop, test and implement security and communication 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, 2013 and 2012 is:

	2013	2012
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$14,661	\$16,527
31-90 days outstanding	3,090	8,167
91-180 days outstanding	331	831
181-360 days outstanding	5,607	1,751
Over 360 days outstanding	14,684	17,396
Total Due from USCP Employees	<u>38,373</u>	<u>44,672</u>
Allowance for Doubtful Accounts	(16,557)	(17,722)
Receivables Due from USCP Employees, Net	<u>21,816</u>	<u>26,950</u>
Other	38,267	8,947
Total Accounts Receivable - Public, Net	<u>\$60,083</u>	<u>\$35,897</u>

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NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2013 and 2012 is as follows:

Classification	2013		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$14,340,660	(\$5,279,415)	\$9,061,245
Other Structures and Facilities	443,267	(406,644)	36,623
Equipment	158,418,680	(134,276,241)	24,142,439
Internal Use Software	9,856,551	(9,548,466)	308,085
Construction-in-Progress	94,488,015	0	94,488,015
Assets Under Capital Lease	1,408,348	(608,822)	799,526
Software-in-Development	0	0	0
Total	\$278,955,521	(\$150,119,588)	\$128,835,933

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-Progress	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

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, 2013 and 2012 are summarized below:

	2013	2012
Non-Federal		
Worker's Compensation Benefits (Actuarial FBCA Liability)	\$45,438,472	\$37,264,492
Accrued Unfunded Annual Leave	10,617,803	10,804,688
Accrued Unfunded Comp Overtime	1,168,199	1,533,791
Total Liabilities Not Covered by Budgetary Resources	\$57,224,474	\$49,602,971

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NOTE 7. OTHER LIABILITIES

	2013	2012
Non-Federal		
Capital Lease Liability	\$805,546	\$1,087,008
Custodial Receipts for Memorial Fund	116,358	115,358
Miscellaneous Receipts due to U.S. Treasury General Fund	19,999	8,947
Accounts Payable from Cancelled Appropriations	3,740	0
Total Other Liabilities	\$945,643	\$1,211,313

NOTE 8. CAPITAL LEASES

The USCP has leases for property that meet the criteria as a capital lease in accordance with SFFAS 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, 2013 and 2012.

	2013	2012
Assets Under Capital Lease:		
Armored Car	\$1,408,348	\$1,408,348
Accumulated Amortization	(608,822)	(327,436)
Net Assets under Capital Lease	\$799,526	\$1,080,912

Future Minimum Lease Payments:

	2013	Lease Payments
Fiscal Year		
2014		298,940
2015		298,940
2016		215,159
2017		14,500
Total Minimum Lease Payments		827,539
Less: Amount Representing Interest		(21,993)
Obligations under Capital Lease		805,546

	2012	Lease Payments
Fiscal Year		
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		1,087,008

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NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Strategic Goal	2013		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$25,866		\$25,866
Prevent	169,032		169,032
Respond	3,419,999		3,419,999
Support the Mission	63,570,422	(\$202,042)	63,368,380
TOTAL INTRAGOVERNMENTAL	\$67,185,319	(\$202,042)	\$66,983,277
With the Public:			
Assess the Threat	\$65,936,319		\$65,936,319
Prevent	74,164,693		74,164,693
Respond	84,172,896		84,172,896
Support the Mission	90,915,552	(\$24,185)	90,891,367
TOTAL WITH THE PUBLIC	\$315,189,460	(\$24,185)	\$315,165,275
TOTAL:			
Assess the Threat	\$65,962,185		\$65,962,185
Prevent	74,333,725		74,333,725
Respond	87,592,895		87,592,895
Support the Mission	154,485,974	(\$226,227)	154,259,747
TOTAL:	\$382,374,779	(\$226,227)	\$382,148,552
 2012			
Strategic Goal	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

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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 prior to December 31, 2012, the USCP contributed 16.7% of employee basic pay in order to fund FERS benefits. After December 31, 2012, the USCP contributed 9.6% of employee basic pay for civilian employees and 14.4% for sworn employees hired in 2013 who are enrolled in FERS. 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 \$17,500 in 2013 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 (FEGLIP) and may continue to participate after retirement. The USCP makes contributions through OPM to FEHBP and FEGLIP 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, 2013 and 2012 is provided below:

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	2013	2012
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$115,358	\$95,022
Donations Collected and Deposited to the U.S. Treasury	1,000	20,336
Ending Balances	<u>\$116,358</u>	<u>\$115,358</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, 2013 and 2012, an intragovernmental liability of \$4,802,506 and \$4,139,976 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 inflation 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 \$45,438,472 and \$37,264,492 as of September 30, 2013 and 2012 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, 2013 and 2012:

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	2013	2012
USCP Buildings and Grounds	Architect of the Capitol	\$14,885,830
FLETC & Practical Applications Center	Department of Homeland Security	5,227,426
Future Benefits Payments	Office of Personnel Management	15,950,716
	<u>15,480,480</u>	<u>36,063,972</u>
	<u>\$38,424,777</u>	<u>\$36,063,972</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.

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RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	2013	2012
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$325,030,851	\$357,035,392
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(3,993,688)</u>	<u>(18,038,947)</u>
Obligations Net of Offsetting Collections and Recoveries	<u>321,037,163</u>	<u>338,996,445</u>
Other Resources		
Imputed Financing Costs Absorbed by Others	<u>38,424,777</u>	<u>36,063,972</u>
Total Resources Used to Finance Activities	<u>\$359,461,940</u>	<u>\$375,060,417</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	46,939,181	29,940,380
Resources that Fund Expenses Recognized in Prior Periods	<u>(552,477)</u>	0
Resources that Finance the Net Acquisition of Fixed Assets	<u>(44,034,742)</u>	<u>(36,532,980)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>\$2,351,962</u>	<u>(\$6,612,600)</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS		
Increase in Annual and Compensatory Leave Liability	0	48,803
Increase in Actuarial FECA Liability	8,173,980	4,250,668
Other	<u>3,740</u>	0
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	<u>\$8,177,720</u>	<u>\$4,299,471</u>
Depreciation and Amortization	12,020,183	9,547,048
Revaluation of Assets or Liabilities	132,404	454,081
Other	<u>4,343</u>	<u>26,155</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	<u>\$12,156,930</u>	<u>\$10,027,284</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	<u>\$20,334,650</u>	<u>\$14,326,755</u>
NET COST OF OPERATIONS	<u><u>\$382,148,552</u></u>	<u><u>\$382,774,572</u></u>

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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, 2013 and 2012 was \$25,717,010 and \$72,656,189, 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, 2013, USCP has determined that there is a reasonable possibility that between \$1.5 million and \$2.7 million in present legal proceedings could result in an unfavorable outcome.