

UNITED STATES CAPITOL POLICE

**Audit of the United States Capital Police's
Fiscal Year 2014 Financial Statements**

Report No. OIG-2015-01



CliftonLarsonAllen

United States Capitol Police
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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, 2014 and 2013, 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 over financial reporting relevant to the preparation and fair presentation of these 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (U.S.) 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.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USCP as of September 30, 2014 and 2013, 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

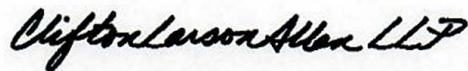
Required Supplementary Information (RSI)

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 (FASAB), 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 MD&A 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

We have also audited in accordance with *Government Auditing Standards* and the attestation standards established by the American Institute of Certified Public Accountants, USCP's internal control over financial reporting as of September 30, 2014 based on U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, and our report dated December 5, 2014 expressed an adverse opinion. We have also issued a report on our tests of USCP's compliance with certain provisions of laws, regulations and contracts. The purpose of our report on compliance is to describe the scope of our testing of compliance with certain provision of laws, regulations, and contracts and the results of that testing, and not to provide an opinion on compliance. Therefore, we do not express 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



Arlington, Virginia
December 5, 2014



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**Independent Auditors' Report on Internal Control over Financial Reporting
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

Report on Internal Control over Financial Reporting

We have audited United States Capitol Police's (USCP) internal control over financial reporting as of September 30, 2014, based on criteria established under U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government (Green Book)*.

Management Responsibilities for Internal Control

USCP management is responsible for (1) establishing and 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. GAO *Green Book*.

Auditors' Responsibilities

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

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and testing the operating effectiveness of internal control over financial reporting based on the assessed risk. 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.

Definition of Internal Control

An entity's internal control over financial reporting (internal control) is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the U.S., and that receipts and expenditures of the entity are being made only in accordance with laws, regulations, and contracts; authorizations of management; and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Inherent Limitations

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements due to fraud or error. We also caution that projecting our evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We found the deficiency summarized below and described in Exhibit A to be a material weakness.

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

Opinion on Internal Control over Financial Reporting

In our opinion, because of the effect of the material weakness summarized above and described in Exhibit A, on the achievement of the objectives of the control criteria, USCP has not maintained effective internal control over financial reporting as of September 30, 2014, based on criteria established under U.S. GAO *Green Book*.

We also have audited, in accordance with auditing standards generally accepted in the U.S., the accompanying balance sheet of the USCP as of September 30, 2014, the related statements of net cost, changes in net position, the combined statement of budgetary resources, and the related notes to the financial statements for the year then ended (collectively referred to as "financial statements"). 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 2014 financial statements, and this report does not affect our report dated December 5, 2014, which expressed an unmodified opinion on the financial statements.

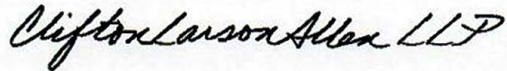
USCP's Response to the Findings

USCP's response to the findings identified in our audit is included in Exhibit A. USCP's response was not subjected to the auditing procedures applied in the audit of the internal control over financial reporting 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 the prior year Independent Auditors' Report dated December 19, 2013. Exhibit B provides a discussion on the status of prior year findings and recommendations.

CLIFTONLARSONALLEN LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Arlington, Virginia
December 5, 2014

Summary of Internal Control Weaknesses
Fiscal Year 2014 Examination of Effectiveness of Internal Control over Financial Reporting
United States Capitol Police

In performing Fiscal Year (FY) 2014 audit of the effectiveness of USCP internal control over financial reporting, we identified one material weakness.

We also examined the findings and recommendations reported in the FY 2013 audit report and have included in this report as Exhibit B the status of those findings and recommendations as of September 30, 2014.

Below are brief summary of the FY 2014 and the status of FY 2013 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made limited progress toward correcting payroll related findings. For the nine (9) findings and recommendations open in FY 2013, four (4) were closed and five (5) were carried forward to FY 2014.

We identified one (1) finding related to [REDACTED] database change control segregation of duties issue for the Office of Information Technology (OIS) in FY 2014.

We concluded that the OHR payroll findings carried forward to FY 2014 mentioned above, taken together with the OIS [REDACTED] segregation of duties finding as a material weakness.

The Office of Financial Management (OFM) made significant progress in FY 2014 by implementing corrective actions for all four (4) significant deficiencies reported in FY 2013.

CRITERIA

We used five levels of progress to rank the prior year repeat findings and recommendations:

- Substantial Progress
- Some Progress
- Limited Progress
- No 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's response, if necessary, is included in each specific finding.

Exhibit A
FY 2014 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, pay rates and deductions. USCP does not consistently and/or timely 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. Five (5) of the nine (9) findings from Fiscal Year (FY) 2013 were carried forward to FY 2014. We also identified one (1) new finding in FY 2014 (also referred to as CY or Current Year) on the Office of Information Services' segregation of duties issue related to [REDACTED] database change control.

As noted in prior years auditors' reports, a payroll control deficiency has been reported since FY 1999; similar findings existed as of September 30, 2014. We concluded that payroll related findings as an aggregate is a material weakness.

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

Although in the current year's audit, we did not identify missing approval signatures on the certification reports, we questioned the approval signatures on 4 of 45 certification reports examined. Our examination showed that based on the system's generated date stamped on the reports, the employees certification reports were printed with the date of our request during September 2014. Therefore, the signed reports were either not submitted or were not signed at the time of submission.

In addition, we obtained all Certification Report Verifications submitted to the Office of Human Resources (OHR) for Pay Period (PP) 22 of calendar year 2013 and PP 03, 11, and 12 of calendar year 2014. Based on the Certification Report Verifications submitted to OHR, we noted 644 of 3,897 certification reports were still pending in the four pay periods selected for testing. Certification reports are considered pending when they do not have employee and/or supervisors signatures yet. The exceptions are broken down as follows:

- LTA – 1
- OFM – 1
- OSB – 2
- PSB – 3
- SSB – 1
- USB – 11

Standard Operating Procedure (SOP) [REDACTED]
[REDACTED] requires employees and their supervisor to sign the certification report prior to the transmission of time and attendance data to the National Finance Center. Further, the

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

directive requires timekeepers to ensure the prompt return of signed certification reports. On the Tuesday following the end of a pay period, print the certification reports and the pay period checklist from the T&A checklist database. Distribute to each shift's administrative supervisor, assist the administrative supervisor with resolving any discrepancies in an employee's T&A. Reprint corrected certification reports as necessary.

Once the certification reports are received from a shift's administrative supervisor, attach all scheduled leave slips and any overtime authorization forms to each employee's certification report. Once employees sign the certification and discrepancies are sorted out the Shift administrative supervisor is required to ensure all certification reports and unscheduled leave slips are compiled and submitted to the T&A clerk within the designated time constraints. Attach these documents to the T&A checklist and sign the bottom of the form certifying that all certification reports are accounted for.

Recommendations:

We repeat the prior year (PY) recommendations reported in USCP OIG report 2012-04 July 2012, Appendix A (OIG Report) and CLA FY 2013 Auditors' Report as follows:

Recommendation 1 (refer to recommendation 1 of the OIG Report):

1. USCP immediately enforces 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):

2. 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):

3. 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)

Management Response:
Concur

1. 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.

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

Limited Progress (Recommendation 3)	<p>USCP is coordinating with a vendor to assess and deploy various features within the time and attendance system. Implementation is contingent upon funding and project design.</p> <p>Funding has been approved and this effort will be included in the [REDACTED] update initiative. Currently has a target completion of 2016.</p> <p>2. OHR will continue to evaluate and improve upon T&A related reports based on the needs and issues that arise. Per responses, reports will be created and/or updated to address as deemed fit.</p> <p>More enhancements will also evolve within the [REDACTED] update initiative.</p> <p>3. This will be addressed via the [REDACTED] update initiative, to include:</p> <ul style="list-style-type: none">• Implement the [REDACTED] Virtual Time Clock for employees working offsite• Implement an interface between the Leave Approval System and [REDACTED]• Modify the [REDACTED] application to create an electronic certification process within the [REDACTED] application to replace the current paper based system• Other functionality and modules will be explored and tested as fiscal resources allow.• Currently developing project plan with vendor.
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2. Lack of Confirmation of Time and Attendance Certification Report Verification Completion (Repeat Finding) (Prior Year Finding 1.2)

We obtained all Certification Report Verifications for PP 22 of calendar year 2013 and PP 11 and 12 of calendar year 2014 as part of testing payroll processing. We noted 59 instances from our sample where the bureau/division did not send the Certification Report Verification to OHR in the four pay periods selected for testing.

[REDACTED] requires every division/bureau's timekeeper to submit a biweekly Certification Report Verification to OHR Time and Attendance.

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

Recommendation 4: We repeat PY recommendation, which is described in CY Finding No. 1.1, recommendation 1.

Status of Recommendation:
Repeat Finding – No Progress

Management Response:
Concur - OHR will continue to monitor certification and confirmation reports. Reports are consistent with Special Directive [REDACTED] OHR is improving upon developed reports for distribution to show percentages of compliance and to work with management officials to achieve compliance and will communicate results to Management as needed.

3. Difference in Leave Hours in NFC Payroll System and [REDACTED] (Repeat Finding) (Prior Year Finding 1.3)

We noted that 14 of 45 employees selected for testing had different leave balances (annual, compensatory and/or sick) reported on the on the Statement of Earnings and Leave (SEL) and on the Certification Report.

Two independent but related records or systems with the same information should agree or be reconciled to ensure that balances are correct. GAO *Standards for Internal Control for Federal Government* states that "Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparison, reconciliations, and other routine actions."

Recommendations:

We repeat the prior year recommendations as follows:

Recommendation 5: 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.

Recommendation 6: Ensure OHR implements corrective action timely.

Recommendation 7: OHR ensures record of the leave reconciliation, including the reason for any variances and corrective action to resolve variances, are readily available for examination.

Recommendation 8: 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.

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

Status of Recommendations: Repeat Finding – No progress	Management Response: Concur - Bi-weekly reconciliation reports are produced and all corrective actions shall be processed in a timely manner. Leave audits to be conducted to address inconsistencies between [REDACTED] and NFC. Both payroll systems are stand alone and the processing timeframes differ. Data inconsistencies will continue to exist until able to reconcile both systems based on transmission of data. This is a long term goal for USCP and part of the overall efforts to reform time and attendance management. OHR will continue to evaluate the system for improvement. Please note, accrual rates will remain the same in both systems per employee's status.
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4. Noncompliance with Employee Clock Usage Policy (Repeat Finding) (Prior Year Finding 1.4)

We reviewed the missing swipes report for FY 2014 and noted a total of 42,147 missing swipes. We selected 4 pay periods and 45 employees for testing. We found 133 missing swipes in the sample tested.

Management explained that there are six options that can be entered in the system if an employee did not swipe: (1) forgot to swipe; (2) forgot badge, (3) lost badge, (4) misdirection, (5) offsite, or (6) technical difficulty.

We excluded 49 'offsite' no swipes out of the 133 missing swipes in our request for supporting documentation because this is one situation where swipes are not possible. We requested supporting documentation for the remaining 84 missing swipes and our test found that:

- 69 missing swipes were adequately supported by supervisory approval;
- 12 missing swipes showed that the supporting documentation did not have proper approval;
- 3 missing swipes supporting documentation were not provided.

We also found that the 15 (12 + 3) missing swipes with exceptions were corrected in the [REDACTED] system without adequate approval or documentation.

[REDACTED] requires, when possible, all employees clock in and out daily.

[REDACTED] states that the Time and Attendance clerk provides the assigned Administrative Official with the names of any officers who failed to check in/out utilizing the [REDACTED] system and upon receiving the completed ODSR from the Administrative Official, enter any missing

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

information into the T&A system.

Recommendation 9:

We repeat prior year recommendations reported in OIG Report Recommendation 7 and CLA FY 2013 Auditors' Report that USCP/OHR develops a policy that specifically addresses swiping requirements for monitoring as well as a policy that prescribes consequences for failing to comply with swiping.

An additional prior year recommendation was for USCP to evaluate the need for exempt employees to swipe in lieu of alternate means of recording time and attendance within necessary controls. We understand that USCP has on-going pilot project for the "no swipe" policy for certain category of personnel. Accordingly, we update our recommendation that USCP assess the successes and failures of the pilot project and make the necessary changes to the policy and procedures prior to full implementation.

Status of Recommendations:

Repeat Finding – Limited Progress

Management Response:

Concur - This will be addressed via the [REDACTED] update initiative, to include:

- Implement the [REDACTED] Virtual Time Clock for employees working offsite.
- OHR has made modifications to [REDACTED] to allow for exempt employees not having to use the time clocks to have their time credited on a daily basis. This involved creation and testing of a new Calculation Group and OHR will put forth a position paper asking for permission to fully implement this functionality.
- OHR continues to review their processes to develop practical and enforceable procedures to enhance verification for those personnel required to clock.

5. Lack of Documentation to Support Overtime Approval (Repeat Finding) (PY Finding 1.8)

We noted that 17 of the 45 employees tested have worked overtime. Based on our testing of the overtime review and approval, CLA found that 12 employees with overtime did not have any overtime approval documentation.

SOP [REDACTED] states that

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

"Ensure each employee is properly accounted for in [REDACTED] by verifying start and end times, leave used, and overtime worked with the sign in/out sheet. Bring any discrepancies to the attention of the shift's administrative supervisor for resolution. The policy also requires the Time and Attendance clerk ensure all overtime is approved by an official and that a reason for additional duty is assigned in [REDACTED]. It specifically states that all overtime for Sergeants and above must have an approved "Request for Compensated Additional Duty" memorandum. All overtime must be approved by a supervisor at least one rank above the employee earning the overtime. Scheduled overtime for Sergeants and above is approved by the Division Commander or his/her designee. All overtime must be approved by a supervisor at least one rank above the employee earning the overtime. Scheduled overtime for Sergeants and above is approved by the Division Commander or his/her designee. Sergeants and above must complete a "Request for Compensated Additional Duty" memorandum for all additional duty. This form will be completed in advance for an unscheduled overtime occurrences. Forms for unscheduled overtime requests will be completed and forwarded to the highest ranking division official on duty for their approval prior to the end of the shift. If the highest ranking division official is the one working the overtime, the form will be completed and an email will be sent to the Division Commander explaining the reason for the additional duty."

Recommendation 10:

We repeat prior year recommendation that USCP:

- a) Enforce its overtime policy.

In addition, we recommend that USCP review its policy and procedures to:

- b) Ensure that the policy and procedures reflects the current procedures and practices.
- c) Evaluate the design of internal control relative to achieving its objectives of ensuring overtime are properly authorized, recorded, and documented. For example, the policy should clearly state when all types of overtime need to be approved; that is, whether approve in advance, before end of shift, or immediately or within a number of days after overtime is taken. Also, there should be a clear policy on exceptions, if any.

Status of Recommendations:

Prior Year Recommendation a – no progress

New recommendations b and c– Not Started

Management Response:

Concur with recommendations. We will take appropriate action to reflect current procedures and practices.

6. [REDACTED] Database Change Control Segregation of Duties Issues (New Finding)

In our audit of the information systems' control, we noted that four (4) accounts existed with access to both development code repository and [REDACTED] production databases. Three (3) of the accounts had administrator level access to the code repository.

Moreover, USCP was not independently monitoring the database activity of these accounts to mitigate the potential segregation of duties risk.

Management indicated that database monitoring was in initial planning phases.

Exhibit A
FY 2014 Internal Control Deficiencies/Findings
Material Weakness

This deficiency aggravates the weak control deficiencies identified in the payroll cycle.

National Institute of Standards and Technology Special Publication 800-53 revision 4, Security and Privacy Controls for Federal Information Systems and Organizations, Configuration Change control CM-3, which states: "The organization: Audits and reviews activities associated with configuration-controlled changes to the information system." Separation of Duties control AC-5, which states: "The organization: Separates [Assignment: organization-defined duties of individuals]; Documents separation of duties of individuals; and Defines Information system access authorizations to support separation of duties."

Recommendation 11:

We recommend USCP OIS develop and implement a process to monitor use of [REDACTED] database accounts.

Status of Recommendation:
New recommendation – Not Started

Management Response:
Concur - The USCP Office of Information Systems (OIS) will review in detail the access levels and permissions of those accounts in question. The intent of this review will be to remove accounts that are no longer required as well as reducing access/permissions to required accounts without hampering the account holder's ability to perform their job responsibilities. The USCP OIS Security Team will institute monitoring of database activity to insure that all activities are prudent and justifiable. This independent monitoring will mitigate any potential segregation of duties risk.

Exhibit B
Status of Control Deficiencies Reported in FY 2013 Independent Auditors' Report

We reviewed the status of FY 2013 (prior year) control deficiencies/findings, which are summarized below, as part of our FY 2014 financial statements audit.

We used the following three levels to determine the status of the FY 2013 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2014.
- Open – the condition(s) in the finding remain(s) the same in FY 2014.
- Open/Modified – one or more conditions in the finding have changed in FY 2014.

In addition, for those findings whose status are classified as Repeat Finding Open in FY 2014, we further classified the finding as a material weakness (MW), a significant deficiency (SD), or a management letter comment (MLC).

In summary, there were 13 findings in FY 2013, 5 were repeat findings and 8 were closed in FY 2014.

Item No.	FY 2013 Finding No.	FY 2013 Control Deficiency	Year Reported/ Reported as	FY 2014 Status
1	1.1 MW	Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report -	2008-2013/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, 2013/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, 2013/MW	Repeat Finding Open – Reported as MW 1.3
4	1.4 MW	Noncompliance with Employee Clock Usage Policy	2008-2013/MW	Repeat Finding Open – Reported as MW 1.4
5	1.5 MW	Inadequate Review of T&A Certification Completion	2009-2013/MW	Closed
6	1.6 MW	Lack of Supporting Documentation for OHR T&A Audit	2009, 2013/MW	Closed
7	1.7 MW	Lack of Documentation to Support Leave Hours Taken were Approved by Supervisor	2013/MW	Closed

Exhibit B
Status of Control Deficiencies Reported in FY 2013 Independent Auditors' Report

Item No.	FY 2013 Finding No.	FY 2013 Control Deficiency	Year Reported/ Reported as	FY 2014 Status
8	1.8MW	Lack of Documentation to Support Overtime Approval	2103 MW	Repeat Finding Open – Reported as MW 1.5
9	1.9 MW	Insufficient Controls Over Signature Stamps Used by USCP Employees	2013 MW	Closed
10	2.1 SD	Accounting and Reporting of CIP Activities	2012 MW, 2013 SD	Closed
11	2.2 SD	Formal Process of Documenting and Communicating Assets Placed in Service	2013 SD	Closed
12	3.1 SD	Fixed Assets related disbursement not properly approved	2013 SD	Closed
13	4.1 SD	Account Payable Accrual Methodology	2012 SD, 2013 SD	Closed



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Independent Auditors' Report on Compliance 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

Compliance with Laws, Regulations, and Contracts

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, 2014, and have issued our report thereon dated December 5, 2014.

In connection with our audits, we performed tests of the USCP's compliance with certain provisions of laws, regulations, and contracts consistent with our professional responsibilities discussed below. The results of our tests for the year ended September 30, 2014, disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*.

Management's Responsibility

Management is responsible for ensuring USCP's compliance with applicable laws, regulations, and contracts.

Auditors' Responsibilities

We are responsible for testing compliance with certain provisions of laws, regulations, and contracts that have a direct and material effect on the determination of financial statement amounts.

We did not test compliance with all laws, regulations, and contracts applicable to USCP. We limited our tests of compliance to certain provisions of laws, regulations, and contracts that 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 audits, and accordingly, we do not express such an opinion. We caution that noncompliance with laws, regulations, and contracts may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of this Report

The purpose of the Report on Compliance is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on 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 report is not suitable for any other purpose.

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 5, 2014

United States Capitol Police



Management's Discussion and Analysis FY 2014

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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 of Congress, 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.

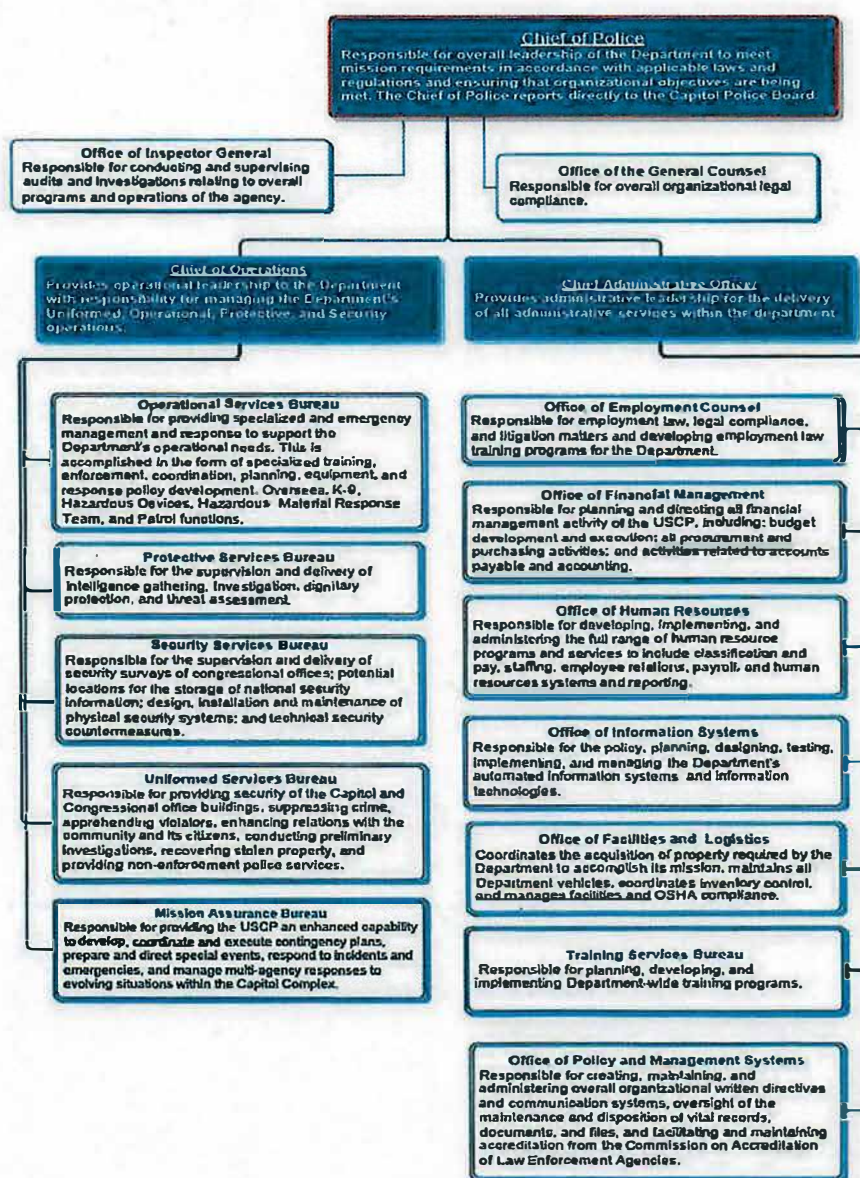
The operations side of the Department is led by the Chief Operating Officer and is comprised of five Bureaus: Mission Assurance Bureau, Operational Services Bureau, Protective Services Bureau, Security Services Bureau, and Uniformed Services Bureau.

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 2,100 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 a planning concept that links strategic, tactical, and lower-level planning efforts. To accomplish our mission it is important to have an effective and realistic strategy. In FY 2014, the USCP began a process to assess the Department's programmatic metrics, to develop a strategy for ensure their accuracy and efficacy. In FY 2015, the USCP will begin to revalidate these metrics and will begin developing a more robust data model which will ultimately allow for the development of performance measures.

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

FY 2014 marked a period of transition for the Department. During FY 2014, the USCP completed the process to update its Strategic Plan. Beginning in FY 2015, the USCP will function under a new Strategic Plan (FY 2015 – FY 2019).

This enhanced plan defines an ambitious vision to achieve three important outcomes:

- To more effectively monitor our activities, identify trends, and improve mission performance;
- To continuously adapt and evolve to the needs of the mission; and,
- To improve management, planning, and program performance.

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. The USCP Strategic Plan that was in effect for FY 2014 focuses on four areas that define the specific categories of activity under which the USCP will achieve its mission.

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 2014 results indicate that USCP continues to provide core services that support our primary objective to protect and secure Congress so it can fulfill its Constitutional responsibilities in a safe and open environment. However, like any organization there are areas that we can improve upon. A brief discussion of our results by strategic objective follows.

ANALYSIS OF PERFORMANCE INFORMATION

ASSESS THE THREAT		
Strategic Goal	Strategic Objectives	Performance Outputs
ASSESS THE THREAT Provide a comprehensive internal assessment capability to identify and validate threats to Members of Congress; the legislative process; and the buildings, staff, and visitors that make up the Capitol Community.	A.1. Inter-Agency Collaboration: To collaborate with other federal agencies and local law enforcement to increase the collection and sharing of intelligence information. A.2. Intelligence Collection & Analysis: To maximize the collection and use of intelligence and counter-surveillance information for identifying threats. This includes process improvement internally and externally both for counter-surveillance and the dissemination of threat warnings.	Conducted █ Vulnerability Assessments Conducted 38 Security Awareness Briefs Coordinated 682 Special Events

PREVENT		
Strategic Goal	Strategic Objectives	Performance Outputs
PREVENT Prevent criminal or terrorist activity from disrupting the legislative process and normal business operations	<p>P.3. Congressional Community Protection: To prevent criminal, terrorist and other disruptive activities from reaching the Capitol Buildings and Grounds and protect the people, legislative processes, and the facilities from criminal and other disruptive activities within the Capitol Complex.</p> <p>P.4. Event Management: To enable individuals to safely participate in major events and demonstrations while not disrupting legislative operations.</p> <p>P.5. Member Protection: To protect Members of Congress and visiting officials against criminal and terrorist activities.</p>	Conducted 126,947 K-9 sweeps Conducted 1,241 bomb sweeps Screened 26,877 delivery vehicles offsite Conducted 25,656 HMRT delivery vehicle inspections Screened 1,410,049 visitors at the Capital Visitor Center (CVC) Screened 9,637,939 persons at Capitol Hill building entrances and interior checkpoints Prepared notifications for 3 POTUS visits Prepared notifications for 8 VPOTUS visits Prepared notifications for 78 Heads of State visits Prepared 2,661 notifications for VIP/Dignitary visits

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.	<p>R.6. Law Enforcement: To patrol areas of statutory responsibility and diligently investigate and prosecute persons who commit criminal acts.</p> <p>R.7. Incident Management & Communication: To coordinate decisively and efficiently all activities and communications in response to a critical incident.</p> <p>R.8. Specialized Response Capabilities: To enhance our specialized response capabilities to ensure readiness to all types of incidents.</p> <p>R.9. Continuity of Operations: To ensure Continuity of Operations (COOP) for USCP while supporting the Congressional Community in the execution of their COOP plans and, when necessary, assist in the implementation of Legislative Branch Continuity of Government (COG) plans.</p>	<p>Responded to [REDACTED] suspicious package reports</p> <p>Responded to [REDACTED]</p> <p>Conducted 693 arrests</p> <p>Conducted 1,174 Containment and Emergency Response Team (CERT) related responses</p>

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>Hired 14 Civilian Employees</p> <p>Hired 113 Sworn Personnel</p> <p>Processed 16 Civilian Employees Separations</p> <p>Processed 87 Sworn Personnel Separations</p> <p>Maintained 99.92% Average Information Systems Uptime</p> <p>Maintained 97% Primary Fleet Readiness</p> <p>Maintained 97% Motorcycles Fleet Readiness</p> <p>Maintained 99% Equipment Fleet Readiness</p> <p>Maintained 96% Operations Fleet Readiness</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 2014. 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, 2014 shows \$198 million in total assets, an increase of \$4 million (2 percent) from the previous year's total assets of \$194 million. The primary change was in the Department's Fund Balance with the U.S. Treasury, which was \$8 million more than in fiscal year 2013. An increase in the Department's fiscal year 2014 appropriations is the primary cause of the increase.

Liabilities: Total Department liabilities were \$85 million as of September 30, 2014, an increase of \$4 million (5 percent) from the previous year's total liabilities of \$81 million.

Net Position: The Department's total net position as of September 30, 2014 was \$113 million, the same as the prior year.

Budgetary Resources: The Department's fiscal year 2014 Combined Statement of Budgetary Resources shows \$357 million in total budgetary resources, an increase of \$16 million (5 percent) from the previous year's total budgetary resources of \$341 million.

Net Outlays: The Department's fiscal year 2014 Combined Statement of Budgetary Resources shows \$327 million in net outlays, a decrease of \$19 million (5 percent) from the previous year's total net outlays of \$346 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 \$374 million for the year ended September 30, 2014, a decrease of \$8 million (2 percent) from the previous year's net cost of operations of \$382 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 2014 was \$338 million.

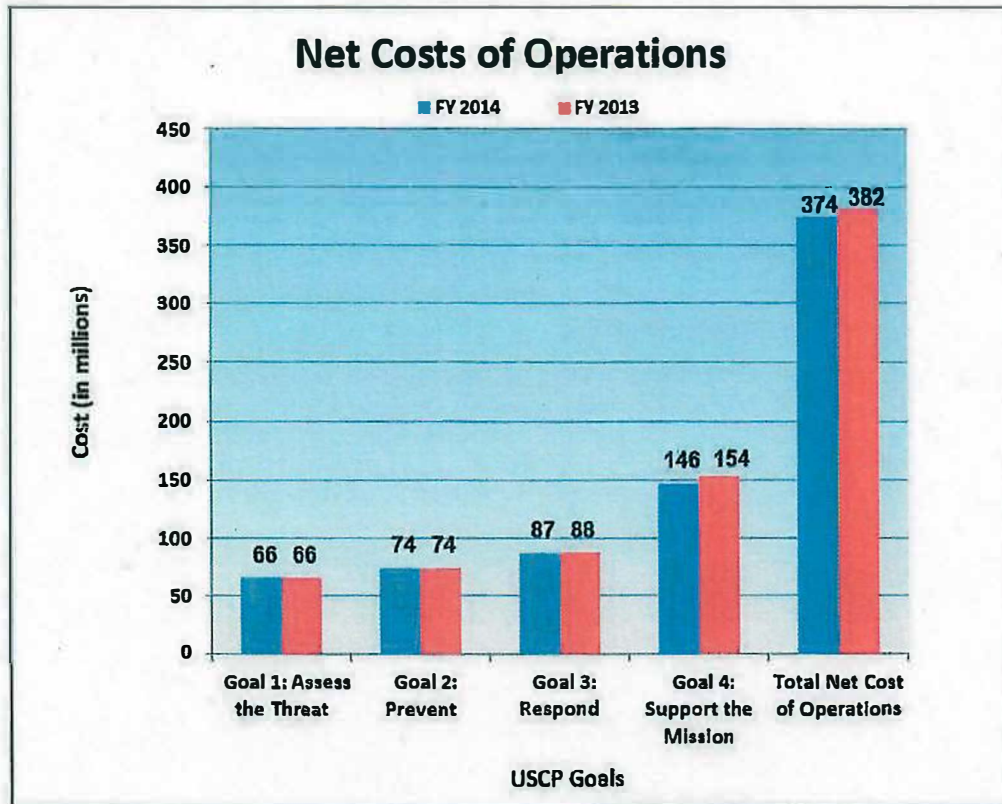
In fiscal year 2014, our total assets were \$198 million, consisting mostly of property, plant and equipment, followed by our Fund Balance with Treasury. Total liabilities of \$85 million were composed primarily of Worker's Compensation (FECA) liability, accounts payable to the public and other federal agencies and accrued employees' salaries & benefits.

The net cost of operating the U.S. Capitol Police during fiscal year 2014 and fiscal year 2013 was approximately \$374 million and \$382 million, respectively. Overall, our net cost of

operations decreased by \$8 million, due primarily to less expense for the Federal Employees Compensation Act (FECA) liability in fiscal year 2014. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2014 and fiscal year 2013 costs break down by each strategic goal.

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

	FY 2014	FY 2013	% Change
Total Assets	198	\$194	2%
Total Liabilities	85	81	5%
Appropriations			
Salaries	279	262	6%
General Expenses	59	59	0%
Total Annual Appropriations	338	321	5%
Total Budgetary Resources	357	341	5%
Total Outlays	327	346	-5%
Net Cost of Operations			
Goal 1: Assess the Threat	66	66	0%
Goal 2: Prevent	74	74	0%
Goal 3: Respond	87	88	-1%
Goal 4: Support the Mission	146	154	-5%
Total Net Cost of Operations	374	382	-2%



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 Department's transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in audit guidance.

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, 2014 and 2013**

UNITED STATES CAPITOL POLICE
Balance Sheets
As of September 30, 2014 and 2013

	FY 2014	FY 2013
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$71,922,217	\$63,723,245
Accounts Receivable (Note 4)	24,675	0
Advances to Others (Note 3)	1,327,448	1,688,218
Total Intragovernmental	<u>73,274,340</u>	<u>65,411,463</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Net (Note 4)	58,187	60,083
General Property, Plant and Equipment, Net (Note 5)	<u>124,537,252</u>	<u>128,835,933</u>
TOTAL ASSETS	<u>\$197,873,779</u>	<u>\$194,311,479</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$1,231,396	\$707,688
Accrued Funded Benefits (Note 12)	4,486,812	4,802,506
Other, Intragovernmental	917,883	0
Total Intragovernmental	<u>\$6,636,091</u>	<u>\$5,510,194</u>
Accounts Payable, Public	10,832,159	11,235,118
Accrued Salaries and Benefits	7,771,523	6,559,351
Accrued Unfunded Annual and Compensatory Leave (Note 6)	12,074,484	11,786,002
Actuarial FECA Liabilities (Note 6 & 12)	46,840,207	45,438,472
Other Liabilities (Note 7)	<u>668,440</u>	<u>945,643</u>
TOTAL LIABILITIES	<u>84,822,904</u>	<u>81,474,780</u>
NET POSITION		
Cumulative Results of Operations	67,903,211	72,954,167
Unexpended Appropriations	<u>45,147,664</u>	<u>39,882,532</u>
TOTAL NET POSITION	<u>\$113,050,875</u>	<u>\$112,836,699</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$197,873,779</u>	<u>\$194,311,479</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, 2014 and 2013

STRATEGIC GOALS:	FY 2014	FY 2013
Gross Program costs (Note 9)		
Assess the Threat		
Gross Costs	\$66,076,326	\$65,962,185
Prevent		
Gross Costs	\$73,878,089	74,333,725
Respond		
Gross Costs	\$87,415,761	87,592,895
Support the Mission		
Gross Costs	\$147,091,084	154,485,974
Less: Earned Revenues	<u>(\$653,185)</u>	<u>(226,227)</u>
	<u>\$146,437,899</u>	<u>154,259,747</u>
NET COST OF OPERATIONS	<u>\$373,808,075</u>	<u>\$382,148,552</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, 2014 and 2013

	FY 2014	FY 2013
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$72,954,167	\$48,475,371
Budgetary Financing Sources		
Appropriations Used	330,358,926	368,202,571
Other Financing Sources		
Imputed Financing Sources (Note 10 & 13)	38,398,193	38,424,777
Net Cost of Operations	<u>(373,808,075)</u>	<u>(382,148,552)</u>
Net Change	(5,050,956)	24,478,796
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$67,903,211	\$72,954,167
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$39,882,532	\$91,277,247
Budgetary Financing Sources		
Appropriations Received	338,459,000	339,137,000
Appropriations Used	(330,358,926)	(368,202,571)
Other Adjustments	<u>(2,834,942)</u>	<u>(22,329,144)</u>
Net Change	5,265,132	(51,394,715)
TOTAL UNEXPENDED APPROPRIATIONS	<u>45,147,664</u>	<u>39,882,532</u>
NET POSITION	<u>\$113,050,875</u>	<u>\$112,836,699</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, 2014 and 2013

	FY 2014	FY 2013
BUDGETARY RESOURCES		
Unobligated Balance, October 1	\$16,277,433	\$20,506,740
Recoveries of Prior Year Unpaid Obligations	2,962,349	3,344,868
Other changes in unobligated balance	<u>(2,847,569)</u>	<u>(4,539,938)</u>
Unobligated balance from prior year budget authority, net	16,392,213	19,311,670
Appropriations	338,459,000	321,347,794
Spending authority from offsetting collections	<u>1,853,409</u>	<u>648,820</u>
TOTAL BUDGETARY RESOURCES	<u>\$356,704,622</u>	<u>\$341,308,284</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred, Direct	\$336,063,792	\$325,030,851
Unobligated Balance, end of year		
Exempt from Apportionment (Note 2)	16,117,900	11,297,331
Unapportioned (Note 2)	<u>4,522,930</u>	<u>4,980,102</u>
Total unobligated balance, end of year	20,640,830	16,277,433
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$356,704,622</u>	<u>\$341,308,284</u>
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1	\$47,333,455	\$72,583,069
Obligations incurred	336,063,792	325,030,851
Gross Outlays	(329,251,194)	(346,935,597)
Recoveries of Prior Year Unpaid Obligations	<u>(2,962,349)</u>	<u>(3,344,868)</u>
Unpaid Obligations, end of year	51,183,704	47,333,455
Uncollected Payments:		
Change in uncollected payments, Federal Sources	<u>24,675</u>	<u>0</u>
Uncollected customer payments from Federal Sources, end of year	24,675	0
Memorandum entries:		
Obligated balance, start of year	<u>\$47,333,455</u>	<u>\$72,583,069</u>
Obligated balance, end of year	<u>\$51,159,029</u>	<u>\$47,333,455</u>
NET BUDGET AUTHORITY AND OUTLAYS		
Gross Budget Authority	\$340,312,409	\$321,996,614
Actual offsetting collections	(1,828,734)	(648,820)
Change in uncollected customer payments from Federal Sources	<u>(24,675)</u>	<u>-</u>
NET BUDGET AUTHORITY	<u>\$338,459,000</u>	<u>\$321,347,794</u>
Gross Outlays	\$329,251,194	\$346,935,597
Actual Offsetting Collections	<u>(1,828,735)</u>	<u>(648,820)</u>
NET OUTLAYS	<u>\$327,422,459</u>	<u>\$346,286,777</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, 2014 and 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

OPERATIONAL

- Operational Services Bureau
- Protective Services Bureau
- Security Services Bureau
- Uniformed Services Bureau
- Mission Assurance Bureau

ADMINISTRATIVE

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

B. Basis of Accounting and Presentation

In accordance with 2 U.S.C. 1903, the financial statements were prepared from the USCP's books and records in conformity with generally accepted accounting principles for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB). Accordingly, revenue is recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles, whereby funds availability is recorded based on legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements.

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

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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2014 and 2013

Throughout these financial statements certain assets, liabilities, earned revenue and costs are classified according to the type of entity with whom transactions were made. Intragovernmental assets and liabilities are those received from or due to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs result from payments to or accruals of amounts due to other federal entities. These financial statements should be read with the understanding that USCP is 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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2014 and 2013

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

G. Liabilities

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

H. Advances from Others

The USCP receives funds in advance from a federal agency to provide support for a long-term capital project. The advance is liquidated and recorded as revenue when USCP performs services on the project.

I. 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.

J. 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.

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

L. 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.

M. 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, 2014 and 2013 consists of the following balances:

	2014	2013
Fund Balances:		
Appropriated	\$71,795,859	\$63,606,887
Special (Memorial Fund)	126,358	116,358
Total	\$71,922,217	\$63,723,245
 Status of Fund Balance with Treasury:		
Unobligated		
Available	\$16,117,900	\$11,297,331
Unavailable	4,522,929	4,980,102
Obligated, Not Yet Disbursed	51,159,029	47,333,455
Non-Budgetary	122,359	112,357
Total	\$71,922,217	\$63,723,245

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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 and building infrastructure. These agencies estimate funding necessary for payments to their contractors for labor and materials for certain periods of time and request advances of funds from USCP. The advances are periodically liquidated using information from expense reports provided by the other federal agencies. Any unliquidated advance remaining at the end of the project will be refunded to USCP by the agencies holding the contracts.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable from federal agencies arise from the provision of law enforcement services for special events in accordance with an interagency agreement. The receivables due from other entities are considered to be fully collectible and do not require an allowance for doubtful accounts. Accounts receivable from other federal agencies as of September 30, 2014 and 2013 is as follows:

	2014	2013
Accounts Receivable from Federal Agencies:	<u><u>\$24,675</u></u>	<u><u>\$0</u></u>

Accounts receivable from the public are recorded for amounts due from current and former USCP employees for salary overpayments, missed deductions for benefits, and other indebtedness related to time and attendance corrections, advancement of leave or unreturned property. An allowance for doubtful accounts for amounts due from employees is calculated using risk of non-collection factors as applied to an aging of the payroll receivables provided by the U.S. Department of Agriculture National Finance Center (NFC). The accounts receivable from the public as of September 30, 2014 and 2013 is:

	2014	2013
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$15,698	\$14,661
31-90 days outstanding	6,136	3,090
91-180 days outstanding	4,054	331
181-360 days outstanding	20,551	5,607
Over 360 days outstanding	7,794	14,684
Total Due from USCP Employees	<u>54,233</u>	<u>38,373</u>
Allowance for Doubtful Accounts	<u>(19,073)</u>	<u>(16,557)</u>
Receivables Due from USCP Employees, Net	35,160	21,816
Other	23,027	38,267
Total Accounts Receivable - Public, Net	<u><u>\$58,187</u></u>	<u><u>\$60,083</u></u>

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NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2014 and 2013 is as follows:

Classification	2014		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$19,524,553	(\$7,066,137)	\$12,458,416
Other Structures and Facilities	443,267	(435,552)	7,715
Equipment	251,170,279	(142,606,256)	108,564,023
Internal Use Software	9,886,009	(9,742,567)	143,442
Construction-in-Progress	2,845,516	0	2,845,516
Assets Under Capital Lease	1,408,348	(890,208)	518,140
Total	\$285,277,972	(\$160,740,720)	\$124,537,252

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
Total	\$278,955,521	(\$150,119,588)	\$128,835,933

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, 2014 and 2013 are summarized below:

	2014	2013
Non-Federal		
Worker's Compensation Benefits (Actuarial FECA Liability)	\$46,840,207	\$45,438,472
Accrued Unfunded Annual Leave	10,775,896	10,617,803
Accrued Unfunded Comp Overtime	1,298,588	1,168,199
Total Liabilities Not Covered by Budgetary Resources	\$58,914,691	\$57,224,474

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NOTE 7. OTHER LIABILITIES

	2014	2013
Non-Federal		
Capital Lease Liability	\$519,053	\$805,546
Custodial Receipts for Memorial Fund	126,358	116,358
Miscellaneous Receipts due to U.S. Treasury General Fund	23,029	19,999
Accounts Payable from Cancelled Appropriations	0	3,740
Total Other Liabilities	\$668,440	\$945,643

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, 2014 and 2013.

	2014	2013
Assets Under Capital Lease:		
Armored Car	\$1,408,348	\$1,408,348
Accumulated Amortization	(890,208)	(608,822)
Net Assets under Capital Lease	\$518,140	\$799,526

Future Minimum Lease Payments:

	2014
Fiscal Year	Lease Payments
2015	298,940
2016	215,159
2017	14,500
Total Minimum Lease Payments	528,599
Less: Amount Representing Interest	(9,546)
Obligations under Capital Lease	519,053

	2013
Fiscal Year	Lease Payments
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

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NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Strategic Goal	2014		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$1,306,819		\$1,306,819
Prevent	1,447,674		1,447,674
Respond	34,791,047		34,791,047
Support the Mission	81,790,296	(\$639,619)	81,150,677
TOTAL INTRAGOVERNMENTAL	\$119,335,836	(\$639,619)	\$118,696,217
With the Public:			
Assess the Threat	\$64,769,507		\$64,769,507
Prevent	72,430,415		72,430,415
Respond	52,624,714		52,624,714
Support the Mission	65,300,788	(\$13,566)	65,287,222
TOTAL WITH THE PUBLIC	\$255,125,424	(\$13,566)	\$255,111,858
TOTAL:			
Assess the Threat	\$66,076,326		\$66,076,326
Prevent	\$73,878,089		73,878,089
Respond	\$87,415,761		87,415,761
Support the Mission	\$147,091,084	(\$653,185)	146,437,899
TOTAL:	\$374,461,260	(\$653,185)	\$373,808,075

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

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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 2014 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, 2014 and 2013 is provided below:

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	2014	2013
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$116,358	\$115,358
Donations Collected and Deposited to the U.S. Treasury	10,000	1,000
Ending Balances	<u>\$126,358</u>	<u>\$116,358</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, 2014 and 2013, an intragovernmental liability of \$4,486,812 and \$4,802,506 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 \$46,840,207 and \$45,438,472 as of September 30, 2014 and 2013 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, 2014 and 2013:

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		2014	2013
USCP Buildings and Grounds	Architect of the Capitol	\$16,533,857	\$16,114,167
FLETC & Practical Applications Center	Department of Homeland Security	4,201,591	6,830,130
Future Benefits Payments	Office of Personnel Management	17,662,745	15,480,480
		<u>\$38,398,193</u>	<u>\$38,424,777</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

	2014	2013
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$336,063,792	\$325,030,851
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(4,815,758)</u>	<u>(3,993,688)</u>
Obligations Net of Offsetting Collections and Recoveries	331,248,034	321,037,163
Other Resources		
Imputed Financing Costs Absorbed by Others	<u>38,398,193</u>	<u>38,424,777</u>
Total Resources Used to Finance Activities	\$369,646,227	\$359,461,940
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	(1,554,370)	46,939,181
Resources that Fund Expenses Recognized in Prior Periods	(3,740)	(552,477)
Resources that Finance the Net Acquisition of Fixed Assets	<u>(10,661,189)</u>	<u>(44,034,742)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(\$12,219,299)</u>	<u>\$2,351,962</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$357,426,928	\$361,813,902
Increase in Annual and Compensatory Leave Liability	288,482	0
Increase in Actuarial FECA Liability	1,401,735	8,173,980
Other	<u>0</u>	<u>3,740</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	\$1,690,217	\$8,177,720
Depreciation and Amortization	14,358,941	12,020,183
Revaluation of Assets or Liabilities	302,010	132,404
Other	<u>29,979</u>	<u>4,343</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	\$14,690,930	\$12,156,930
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	\$16,381,147	\$20,334,650
NET COST OF OPERATIONS	<u>\$373,808,075</u>	<u>\$382,148,552</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, 2014 and 2013 was \$28,189,263 and \$25,717,010, 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, 2014, USCP has determined that there is a reasonable possibility that \$4 million in present legal proceedings could result in an unfavorable outcome.