

UNITED STATES CAPITOL POLICE
Audit of the United States Capital Police's
Fiscal Year 2015 Financial Statements

Report No. OIG-2016-01



CliftonLarsonAllen



CliftonLarsonAllen LLP
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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, 2015 and 2014, the related statements of net cost, changes in net position, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); 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 audits. We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the U.S., and the standards applicable to financial audits contained in the *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 USCP'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 the United States Capitol Police as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information (RSI)

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that USCP's Management 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 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 U.S., 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, 2015 based on U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, and our report dated December 1, 2015 expressed an adverse opinion. We have also issued a report on our tests of USCP's compliance with certain provisions of laws, regulations, contracts, and grants agreements. The purpose of our report on compliance is to describe the scope and results of our testing of compliance with certain provision of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the financial statements amounts. The purpose of our report on compliance is 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 1, 2015



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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* and AICPA Attestation 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 the United States Capitol Police's (USCP) internal control over financial reporting as of September 30, 2015, based on criteria established under the U.S. Government Accountability Office's (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 and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; (2) evaluating effectiveness of internal control over financial reporting based on criteria established under the GAO Green Book, and (3) providing its assertion about the effectiveness of internal control over financial reporting based on its evaluation as of September 30, 2015.

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 (AICPA) and contained in *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.

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 USCP's process for evaluating and reporting on internal control over financial reporting based on criteria established under GAO's Green Book. Our audit also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operations objectives as defined below, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

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

GAO's Green Book defines Internal Control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following categories:

- Operations – effectiveness and efficiency of operations
- Reporting – reliability of reporting for internal and external use
- Compliance – compliance with applicable laws and regulations

The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budgetary authority; regulations; contracts; and grant agreements; noncompliance with which could have a direct and material effect on the financial statement amounts.

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 *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 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. A *significant deficiency* is a deficiency, or 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.

During our audit we found the combination of deficiencies summarized below and described in Exhibit A to be a material weakness. We also identified a deficiency in internal control summarized below and described in Exhibit B to be a significant deficiency.

Material Weakness

USCP Office of Human Resources (OHR) does not have comprehensive written policies over certain Time and Attendance (T&A) processes (holdover overtime approval and approval of the timesheet entries without clock swipes), and has not consistently implemented its existing policies and procedures to ensure payroll is processed with approved and authorized documentation.

Significant Deficiency

Controls over de-obligation of undelivered orders/open obligations were weak. Open obligations were not being de-obligated on a timely basis.

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 has not maintained effective internal control over financial reporting as of September 30, 2015, based on criteria established under GAO Green Book.

Other Reporting Required by Government Auditing Standards

We also have audited, in accordance with auditing standards generally accepted in the U.S., the accompanying balance sheet of USCP as of September 30, 2015, the related statements of net cost, changes in net position, 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 financial statements, and this report does not affect our report dated December 1, 2015, which expressed an unmodified opinion on the financial statements.

We have also issued a report on our tests of USCP's compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of our report on compliance is to describe the scope and results of our testing of compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the financial statements amounts. The purpose of our report on compliance is 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*.

USCP's Response to the 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 internal control over financial reporting and, accordingly, we express no opinion on USCP management's response.

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 on Internal Control over Financial Reporting dated December 5, 2014. Exhibit C 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 1, 2015

Summary of Internal Control Weaknesses
Fiscal Year 2015 Examination of Effectiveness of Internal Control over Financial Reporting
United States Capitol Police

In performing the September 30, 2015 [Fiscal Year (FY) 2015] audit of the effectiveness of USCP internal control over financial reporting, we identified one material weakness (MW) and one significant deficiency (SD).

We also examined the findings and recommendations reported in the FY 2014 audit report and have included in this report as Exhibit C the status of those findings and recommendations as of September 30, 2015.

Below are brief summary of the FY 2015 and the status of FY 2014 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made limited progress toward correcting payroll related findings. For the five (5) findings and recommendations open in FY 2014, one (1) was closed and four (4) were repeated in FY 2015. Also, the Office of Information Technology (OIS) finding on [REDACTED] database change control segregation of duties identified in FY 2014 was also repeated in FY 2015. There was no OHR related new finding in FY 2015.

We concluded that the repeated OHR payroll findings in FY 2015 mentioned above constitute a material weakness.

The Office of Financial Management (OFM) and Procurement Office made limited progress on the finding related to untimely de-obligation of outstanding undelivered orders reported as a management letter comment (MLC) in FY 2014. This finding is reported as a significant deficiency in FY 2015.

CRITERIA

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

- Substantial Progress
- Some Progress
- Limited Progress
- No Progress

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 2015 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 have comprehensive written policies regarding certain Time and Attendance (T&A) process such as "holdover overtime approval" or "timesheet entry without clock swipes", and does not consistently and/or timely implement its policies and procedures to ensure payroll is processed with approved and authorized documentation.

The OHR made limited progress toward implementing payroll related recommendations. Four (4) of the five (5) findings from Fiscal Year (FY) 2014 were repeated in FY 2015. Moreover, the OIS finding on [REDACTED] database change control segregation of duties identified in FY 2014 was also repeated in FY 2015.

As noted in prior year's auditors' reports, a payroll control deficiency has been reported since FY 1999; similar findings existed as of September 30, 2015. We concluded that payroll related findings as an aggregate is a material weakness.

The following tables describe the findings and recommendations of the FY 2015 audit:

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 we found no missing approval signatures on the 45 sample employees' certification reports, our test identified one out of 45 sample employees' certification report not being approved timely. The one employee certification report was not generated timely based on the system's stamp date on the certification report. The certification report for the sample employee was generated and approved on August 26, 2015 for the pay period May 17, 2015 to May 30, 2015.

Standard Operating Procedure (SOP) [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 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.

We modified our prior year recommendations to consider USCP's management response regarding upgrades on its T&A system being in process:

Recommendation 1, 2, and 3 (Modified Repeat)

Exhibit A
FY 2015 Internal Control Deficiencies/Findings
Material Weakness

<ol style="list-style-type: none"> 1. While the upgrading of the T&A system is on-going, USCP OHR should continue to enforce its manual processes in its T&A policies and procedures to ensure consistent implementation 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. 2. As USCP upgrades its T&A system, it should 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. 3. As USCP is automating fully its labor management system, [REDACTED] it should 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 Finding and Recommendations: Modified Repeat – Substantial Progress	Management Response: We concur. USCP is in the process of upgrading it's Time and Attendance system which will include electronic certifications and eliminate the need for paper documentation. The Project will deploy in FY 2016.

2. Difference in Leave Hours in NFC Payroll System and [REDACTED] (Repeat Finding) (Prior Year Finding 1.3) We noted that 17 of 45 employees selected for testing had different leave balances (annual, compensatory and/or sick) reported 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 <i>Standards for Internal Control for Federal Government</i> 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." We repeat the prior year recommendations as follows: Recommendations 4, 5, 6 and 7 (Repeat): <ol style="list-style-type: none"> 4. OHR Director (or designee) ensures reconciliation between the [REDACTED] and the NFC
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Exhibit A
FY 2015 Internal Control Deficiencies/Findings
Material Weakness

<p>records are performed for each employee at least monthly to ensure leave balance information is correctly reported in both systems.</p>	
<p>5. Ensure OHR implements corrective action timely.</p>	
<p>6. OHR ensures record of the leave reconciliation, including the reason for any variances and corrective action to resolve variances, are readily available for examination.</p>	
<p>7. 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.</p>	
<p>Status of Finding and Recommendations: Repeat – No progress</p>	<p>Management Response: We concur. The National Finance Center (NFC) database is the official payroll system of record. [REDACTED] processes data real time versus NFC which is on a delayed pay period basis. OHR will continue to reconcile the process</p>

3. Noncompliance with Employee Clock Usage Policy (Modified Repeat Finding) (PY Finding 1.4)

OHR provided a report showing missing or no swipes (No Swipe Report) for the period Oct 1, 2014 - July 10, 2015 [pay periods 19 (four days), 20 -26 in 2014 and pay periods 1-13 in 2015]. The No Swipe Reports show that there were a total of 55,530 missing swipes. Each missing swipe in or swipe out is counted as one no swipe. The total number of missing swipes for our sample of 44 non-exempt employees from October 1, 2014 - July 10, 2015 was 1,417. There are five reasons entered for the 1,417 missing swipes: (1) forgot to swipe, (2) forgot badge, (3) misdirection, (4) offsite, or (5) technical difficulty. Our review of the No Swipe Reports shows that the 1,417 missing swipes were: (1) forgot to swipe - 145, (2) forgot badge - 36, (3) misdirection - 70, (4) offsite - 352, or (5) technical difficulty - 52. In addition, the missing swipes with no reason provided (Blank in the Reason field) is 762.

Among the 1,417 no swipes, 352 are off site no swipe and legitimately did not require swiping and were excluded from our test. We judgmentally selected a random sample of 121 missing swipes from the remaining 1,065 (1,417-352) missing/no swipes to test the internal controls over the time entered into [REDACTED] system without clock swipes and to verify that the hours were verified and approved by the supervisor of the employee who missed the clock swipes. Our testing results show that all time entries for the missing swipes were subsequently approved as evidenced by a supervisor's signature on manual timesheets, or roll call roster used as documentation to enter time into [REDACTED]

We were made aware that USCP is migrating to a system that will automate the existing manual clock swipe process and the scheduling process. USCP is also circulating a new draft of payroll

Exhibit A
FY 2015 Internal Control Deficiencies/Findings
Material Weakness

policy to include specifically internal controls over missing clock swipes and other time entry related process. USCP has made progress in strengthening the internal controls over the time entries without clock swipes to ensure timely approval of hours worked. However, we find that missing swipes are still at an unacceptable level, and that policies and procedures about time entries with no clock swipes approval process currently practiced should be in writing to ensure consistent and standard implementation by all timekeepers and supervisors.

████████████████████ requires, when possible, all employees clock in and out daily.

██████████ 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 ██████████ system and upon receiving the completed ODSR from the Administrative Official, enter any missing information into the T&A system.

Recommendations 8, 9, and 10

8. USCP OHR modifies its policy over Supervisors role in time sheet approval by replacing the word "encouraged" to "required" as follows: "Supervisors are required to daily review and certify employee time sheets for accuracy of all time worked,..." and adding a sentence to specifically refers to the missing swipes: "Supervisors are required to daily verify and approve the time sheet for missing swipes."
9. USCP OHR provides training to educate employees on OHR policies and procedures including:
 - (a) the importance of clock swiping and considers compliance with the USCP swiping policy as part of an employee performance metrics; and
 - (b) how to properly use the clock swipes to reduce human errors when swiping, such as "misdirection" swipes, or incorrectly identifying a reason for offsite no swipes.
10. USCP OHR improves the "no swipe report" to eliminate the "holdover" no swipes on a single working day, and eliminates the PDP division off-site no swipes from the "no swipe report."

Status of Finding and Recommendations:

Modified Repeat Finding – No progress on compliance with swiping policy. However, substantial progress on obtaining the documentation evidencing the supervisor's approval for no swipes and obtaining them timely.

Management Response:

We concur. As part of the ██████████ Upgrade Project, the Department has revised its T&A policy to reinforce the need for accurate swipes and improved accountability.

4. Lack of Documentation to Support Overtime Approval (Repeat Finding) (PY Finding 1.5)

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.

Exhibit A
FY 2015 Internal Control Deficiencies/Findings
Material Weakness

SOP [REDACTED]: states that "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."

We repeat prior year recommendation as follows:

Recommendation 11

11. USCP OHR (a) enforces its overtime policy; (b) ensures that the policy and procedures reflects the current procedures and practices; and (c) evaluates 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 approval is required 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:
Repeat finding – no progress

Management Response:
We concur. As part of the [REDACTED] Upgrade Project, the Department has recently approved and distributed an Additional Duty Directive which addresses the deficiencies noted in this audit finding.

5. [REDACTED] Database Change Control Segregation of Duties Issues (Repeat Finding) (PY Finding 1.6)

Our test found two (2) accounts existed with administrator level access to both development code repository and [REDACTED] production databases. 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 is planned to be included in the agency Security Information and Event Management (SIEM) Solution. However, this did not occur during

Exhibit A
FY 2015 Internal Control Deficiencies/Findings
Material Weakness

FY 2015.

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 states that "The organization: Audits and reviews activities associated with configuration-controlled changes to the information system." Separation of Duties AC-5 states that "The organization: Separates [Assignment: organization-defined duties of individuals]; Documents separation of duties of individuals; and Defines information system access authorization to support separation of duties."

We repeat prior year recommendation as follows:

Recommendation 12

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

Status of Recommendation:
Repeat Finding - limited Progress

Management Response:
We concur. We are working on obtaining logs into our SIEM that will enable us to monitor various admin accounts.

Exhibit B
FY 2015 Internal Control Deficiencies/Findings

Significant Deficiency

6. Undelivered Orders (UDO)/Open Obligations are not De-obligated Timely (Repeat Finding) (Prior Year MLC)

USCP controls over de-obligation of undelivered orders or open obligations were weak. Open obligations were not being de-obligated on a timely basis.

CLA selected a judgmental sample of 11 outstanding undelivered orders (UDO) as of September 30, 2015. Our UDO sample items ranged from prior to 2000 and through 2014. All eleven sampled UDOS are outstanding since inception, i.e., they have no activities since their obligation date. We found that 9 out of 11 UDOS should be de-obligated as of 9/30/2015, but are not de-obligated; among them:

- 5 out of 9 UDOS where the vendor has not performed work on the contract; 1 of the 5 UDOS was for a contract where the award was not submitted to the vendor;
- 4 had email communication either from the Procurement office to the program managers or from the bureau program manager to the vendor requesting de-obligation, but the de-obligation requests have not been processed for a long time.

GAO Standards for Internal Control states that control activities are the policies, procedures, techniques and mechanisms that enforce management directives. An example of a control activity is the accurate and timely recording of transactions and events, including timely recording of funding and budgetary activities.

We repeat prior year recommendations as follows:

Recommendations 13 and 14

13. USCP Office of Procurement enforces its policy to de-obligate inactive contract obligations timely in accordance with the Federal Acquisition Regulation (FAR).
14. USCP OFM evaluates the design and effectiveness of its internal control over the de-obligation process to ensure timely de-obligation.

Status of Recommendations:

Modified Repeat Finding – limited progress – upgraded from MLC to SD

Management Response:

We concur. The Office of Procurement (OP) will continue reviewing the closeout/de-obligation strategy to determine if the current practice is providing optimal results. OP will make the necessary shift in priority/staff alignment to address de-obligations.

Exhibit C
Status of Control Deficiencies Reported in FY 2014 Independent Auditors' Report

We reviewed the status of FY 2014 (prior year) control deficiencies/findings, which are summarized below, as part of our FY 2015 financial statements audit.

We used the following three levels to determine the status of the FY 2014 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2015.
- Open – the condition(s) in the finding remain(s) the same in FY 2015.
- Open/Modified – one or more conditions in the finding have changed in FY 2015.

In addition, for those findings whose status are classified as Repeat Finding Open in FY 2015, we further classified the finding as a material weakness (MW), a significant deficiency (SD), or a management letter comment (MLC).

Item No.	FY 2014 Finding No.	FY 2014 Control Deficiency	Year Reported/ Reported as	FY 2015 Status
1	1.1 MW	Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report	2008-2014/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, 2013-2014/MW	Closed
3	1.3 MW	Difference in Leave Hours in NFC Payroll System and [REDACTED]	2008-2009, 2013-2014/MW	Repeat Finding Open – Reported as MW 1.2
4	1.4 MW	Noncompliance with Employee Clock Usage Policy	2008- 2014/MW	Modified Repeat Finding Open – Reported as MW 1.3
5	1.5 MW	Lack of Documentation to Support Overtime Approval	2013-2014/MW	Repeat Finding Open – Reported as MW 1.4
6	1.6 MW	[REDACTED] Database Change Control Segregation of Duties Issues	2014 MW	Repeat finding Open – MW 1.5



CliftonLarsonAllen

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, Contracts and Grant Agreements

We have audited, in accordance with the auditing standards generally accepted in the United States 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, 2015, and have issued our report thereon dated December 1, 2015.

In connection with our audit, we performed tests of USCP's compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to USCP; noncompliance with which could have a direct and material effect on the financial statements amounts. The results of our tests for the year ended September 30, 2015 disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*.

Management's Responsibility

Management is responsible for complying with applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for testing compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to USCP.

We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USCP. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements applicable to USCP; noncompliance with which could have a direct and material effect on the 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. We caution that noncompliance with laws, regulations, contracts, and grant agreements may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of this Report

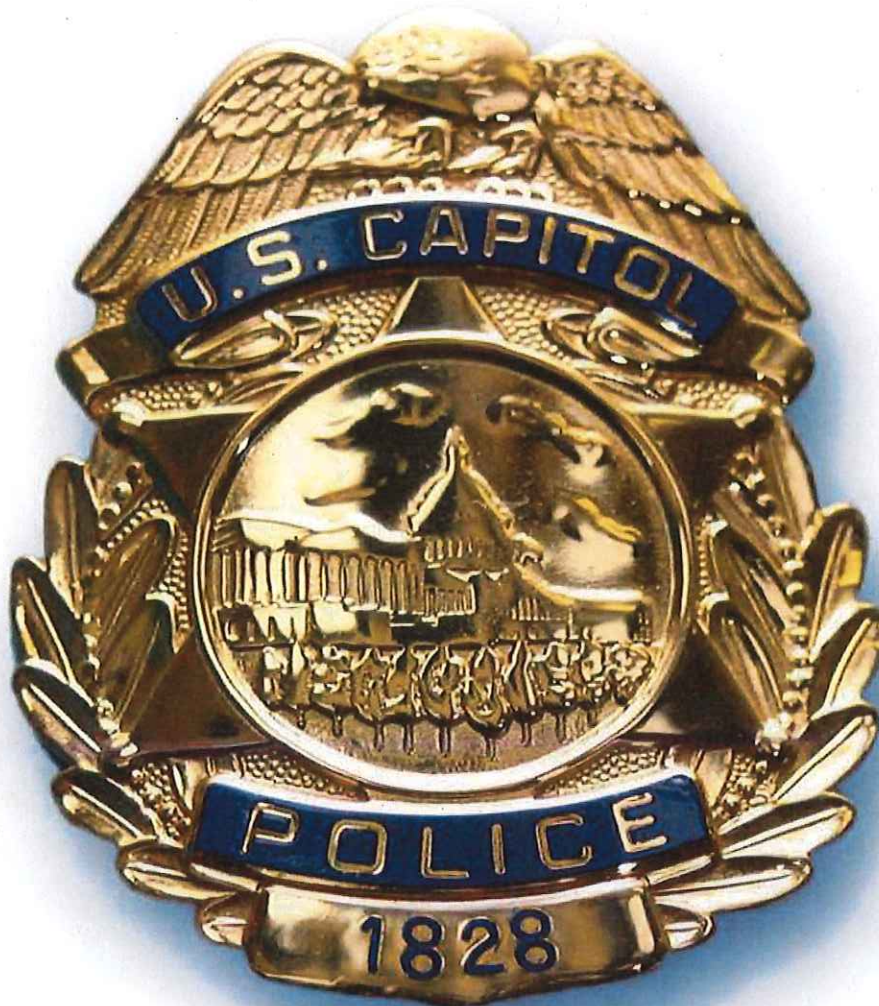
The purpose of the Report on Compliance is solely to describe the scope of our testing and the results of that testing, and not to provide an opinion on USCP's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USCP's compliance.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

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 1, 2015

United States Capitol Police



Management's Discussion and Analysis FY 2015

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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 Members of Congress, visitors, the entire Capitol Complex, the U.S. Capitol Building, Capitol Visitor Center, the U.S. House and Senate Office Buildings, U.S. Botanic Garden, Library of Congress, the Capitol Power Plant, and various other support facilities. The USCP is led by the Chief of Police with oversight by the Capitol Police Board, comprised of the House and Senate Sergeants at Arms and the Architect of the Capitol.

Mission

To protect the Congress – its Members, employees, visitors, and facilities – so it can fulfill its constitutional and legislative responsibilities in a safe, and secure and open environment.

Vision

The United States Capitol Police will be nationally recognized as a results-oriented law enforcement agency that demonstrates the highest standards for professionalism, security, and management

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:

Professionalism describes the way USCP employees conduct themselves. As a prominent presence within the Legislative Branch, USCP employees always demonstrate actions that are Unflinching, Sincere, Courteous, and Principled. Both civilian and sworn employees perform the vital duties of their roles in ways that reflect well on the reputation of the Department and its stakeholders.

Pride describes the feeling that every employee has for the service they give, the weight of the mission and the community they serve. This is demonstrated in respect for the institutions of the USCP and the legislative process, as well as the way in which employees conduct themselves and present themselves as employees of the USCP.

Effectiveness describes every employee's commitment to performing to the highest standards possible, utilizing the best approaches. This is demonstrated by each employee's commitment to achieving the highest personal standards, as

well as contributing to the success of the Department. This is accomplished through a commitment to self-evaluation, continuous improvement and an approach among leadership, supervisors and colleagues to constructively motivate, coach and support each other – to be the best that we can be.

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 CAPITOL POLICE ORGANIZATIONAL CHART



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

The USCP has a critical mission 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 2015, the USCP completed a process to assess the Department's programmatic metric and developed a strategy ensuring their accuracy and efficacy. In FY 2016, 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 2015 marked a period of transition for the Department. During FY 2015, the USCP published its new FY 2015 – 2019 Strategic Plan. Beginning in FY 2016, the USCP will continue to function under a new Strategic Plan and begin to establish a performance management framework that supports the department in obtaining the strategies and objectives outlined in the plan.

This new plan defines an ambitious vision to achieve three strategic outcomes.

Strategic Outcomes

Smart Policing

Develop data driven approaches to making decisions and managing programs. Refine capabilities to monitor our activities, identify trends and constantly look for ways to improve our mission effectiveness.

Continuous Improvement and Adaptation

Conduct routine analysis of operations, outputs and outcomes will enable us to continuously adapt and evolve to the needs of the mission.

Improved Management and Performance

Improve the way we define the purpose and scope of our programs. Identify and monitor relevant organizational metrics to evaluate and improve the Department's performance by defining clear expectations for each mission set and major line of business.

USCP Planning Concept

Serving the Members of Congress, the public, and staff means that we must excel at our operational work and effectively manage resources to fully support the mission. USCP mission stances define the specific categories of activity under which the USCP will achieve its mission. The mission stances are broad-based and remain relatively unchanged in future years. The Department uses these mission stances as a means for determining whether potential programs and activities are consistent with the USCP mission.

The mission stances and their purposes are described below.

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 2015 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 25 Security Awareness Briefings

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>	<p>Conducted 132,815 K-9 sweeps</p> <p>Conducted 9,541 bomb sweeps</p> <p>Screened 32,727 delivery vehicles offsite</p> <p>Conducted 31,259 HMRT delivery vehicle inspections</p> <p>Screened 1,510,119 persons entering the Capital Visitor Center (CVC)</p> <p>Screened 8,982,459 persons at Capitol Hill building entrances and interior checkpoints</p> <p>Coordinated 677 Special Events</p> <p>Prepared notifications for 3 POTUS visits</p> <p>Prepared notifications for 19 VPOTUS visits</p> <p>Prepared notifications for 105 Heads of State visits</p> <p>Prepared 2,806 notifications for VIP/Dignitary visits</p>

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 the department's mission critical operations are not disrupted by having organizational Continuity of Operations Plans (COOP) in place to be activated upon Capitol Police Board declared emergencies; to support the congressional community with the execution of their COOPs, and, when necessary, assist with implementation of Legislative Branch Continuity of Government plans.</p>	<p>Responded to [REDACTED] suspicious package reports</p> <p>Responded to [REDACTED]</p> <p>Processed 458 arrests</p> <p>Conducted 1,149 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 having a culture and environment that encourages continuous improvement through innovation and creativity.</p>	<p>Hired 23 civilian employees</p> <p>Hired 62 sworn personnel</p> <p>Processed 21 civilian employee separations</p> <p>Processed 75 sworn personnel separations</p> <p>Maintained 99.98% average information technology server uptime</p> <p>Maintained 97.18% primary fleet readiness</p> <p>Maintained 96.97% motorcycle fleet readiness</p> <p>Maintained 97.96% equipment fleet readiness</p> <p>Maintained 94.59% special 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 2015. The complete set of financial statements, related notes, and the opinion of the Department's auditors are attached to this document.

Assets: As of September 30, 2015 the Department had \$189 million in total assets, a decrease of \$9 million (5 percent) from the previous year's total assets of \$198 million. The primary change was in the Department's General Property, Plant and Equipment, which was \$10 million less than amounts in fiscal year 2014. The decrease is the result of a net increase in accumulated depreciation of \$13 million coupled with a net increase of \$3 million in the recorded cost of General Property, Plant and Equipment.

Liabilities: Total Department liabilities were \$84 million as of September 30, 2015, a decrease of \$1 million (1 percent) from the previous year's total liabilities of \$85 million.

Net Position: The Department's total net position as of September 30, 2015 was \$105 million, a decrease of \$8 million (7 percent) from the previous year's total net position of \$113 million.

Budgetary Resources: The Department's fiscal year 2015 Combined Statement of Budgetary Resources shows \$372 million in total budgetary resources, an increase of \$15 million (4 percent) from the previous year's total budgetary resources of \$357 million.

Net Outlays: The Department's fiscal year 2015 Combined Statement of Budgetary Resources shows \$343 million in net outlays, an increase of \$16 million (5 percent) from the previous year's total net outlays of \$327 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 \$388 million for the year ended September 30, 2015, an increase of \$14 million (4 percent) from the previous year's net cost of operations of \$374 million.

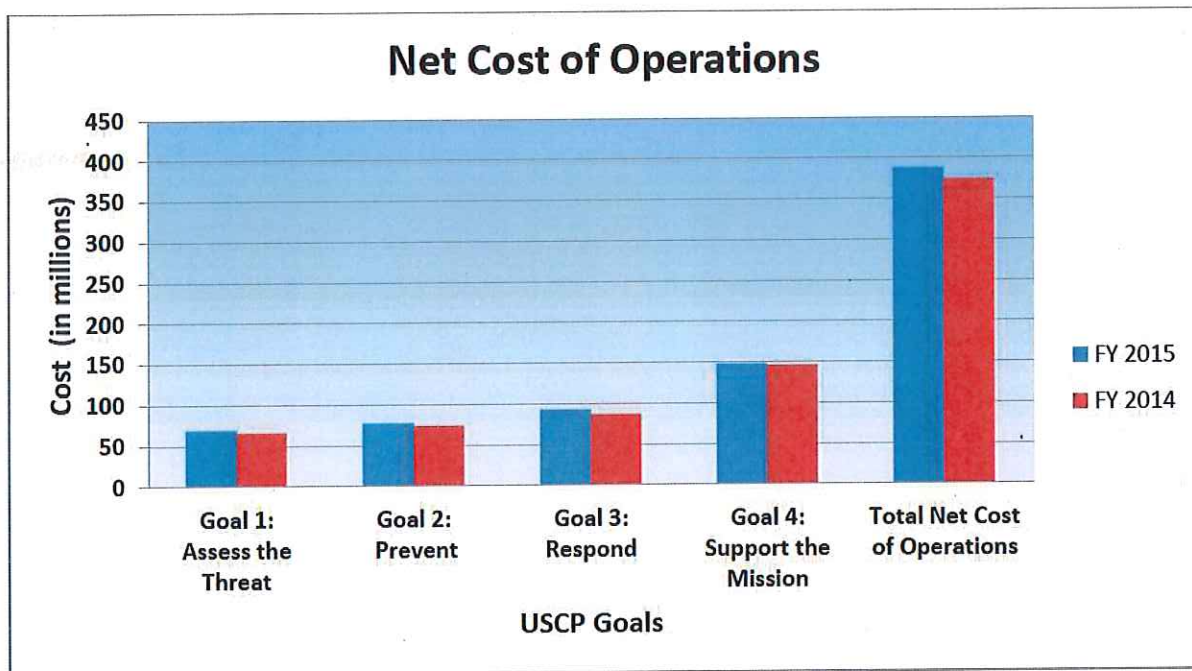
Our budget consists of an annual appropriation that funds the salaries and benefits for our staff, and general expenses such as motor vehicles, communications and other equipment, security equipment, uniforms, weapons, supplies, materials, training, medical services, forensic services, professional services, 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 2015 was \$348 million.

In fiscal year 2015, our total assets were \$189 million, consisting mostly of property, plant and equipment, followed by our Fund Balance with Treasury. Total liabilities of \$84 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 2015 and fiscal year 2014 was approximately \$388 million and \$374 million, respectively. Overall, our net cost of operations increased by \$14 million, due primarily to increased payroll and benefits and depreciation expenses in fiscal year 2015. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2015 and fiscal year 2014 costs break down by each strategic goal.

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

	FY 2015	FY 2014	% Change
Total Assets	189	198	(5%)
Total Liabilities	84	85	(1%)
Appropriations			
Salaries	287	279	3%
General Expenses	61	59	3%
Total Annual Appropriations	348	338	3%
Total Budgetary Resources	372	357	4%
Total Outlays	343	327	5%
Net Cost of Operations			
Goal 1: Assess the Threat	69	66	5%
Goal 2: Prevent	77	74	4%
Goal 3: Respond	93	87	7%
Goal 4: Support the Mission	148	146	1%
Total Net Cost of Operations	388	374	4%



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, the Department cannot liquidate its liabilities (i.e., pay its 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, 2015 and 2014**

UNITED STATES CAPITOL POLICE

Balance Sheets

As of September 30, 2015 and 2014

	FY 2015	FY 2014
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$73,405,133	\$71,922,217
Accounts Receivable (Note 4)	868,201	24,675
Advances to Others (Note 3)	880,802	1,327,448
Total Intragovernmental	<u>75,154,136</u>	<u>73,274,340</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Net (Note 4)	24,727	58,187
General Property, Plant and Equipment, Net (Note 5)	<u>114,012,719</u>	<u>124,537,252</u>
TOTAL ASSETS	<u>\$189,195,582</u>	<u>\$197,873,779</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$1,463,368	\$1,231,396
Accrued Funded Benefits (Note 12)	4,672,969	4,486,812
Other, Intragovernmental	961,857	917,883
Total Intragovernmental	<u>7,098,194</u>	<u>6,636,091</u>
Accounts Payable, Public	7,330,220	10,832,159
Accrued Salaries and Benefits	9,960,370	7,771,523
Accrued Unfunded Annual and Compensatory Leave (Note 6)	12,774,634	12,074,484
Actuarial FECA Liabilities (Note 6 & 12)	46,889,243	46,840,207
Other Liabilities (Note 7)	<u>364,756</u>	<u>668,440</u>
TOTAL LIABILITIES	<u>84,417,417</u>	<u>84,822,904</u>
NET POSITION		
Cumulative Results of Operations	\$59,277,801	\$67,903,211
Unexpended Appropriations	<u>45,500,364</u>	<u>45,147,664</u>
TOTAL NET POSITION	<u>\$104,778,165</u>	<u>\$113,050,875</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$189,195,582</u>	<u>\$197,873,779</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, 2015 and 2014

STRATEGIC GOALS:	FY 2015	FY 2014
Gross Program costs (Note 9)		
Assess the Threat		
Gross Costs	\$69,359,544	\$66,076,326
Prevent		
Gross Costs	76,675,286	73,878,089
Respond		
Gross Costs	93,233,220	87,415,761
Support the Mission		
Gross Costs	150,761,444	147,091,084
Less: Earned Revenues	(2,377,083)	(653,185)
	<u>148,384,361</u>	<u>146,437,899</u>
NET COST OF OPERATIONS	<u>\$387,652,411</u>	<u>\$373,808,075</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, 2015 and 2014

	FY 2015	FY 2014
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$67,903,211	\$72,954,167
Budgetary Financing Sources		
Appropriations Used	343,845,289	330,358,926
Other Financing Sources (Nonexchange)		
Imputed Financing Sources (Note 10 & 13)	<u>35,181,712</u>	<u>38,398,193</u>
Total Financing Sources	379,027,001	368,757,119
Net Cost of Operations	<u>(387,652,411)</u>	<u>(373,808,075)</u>
Net Change	(8,625,410)	(5,050,956)
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$59,277,801	\$67,903,211
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$45,147,664	\$39,882,532
Budgetary Financing Sources		
Appropriations Received	347,959,000	338,459,000
Appropriations Used	(343,845,289)	(330,358,926)
Other Adjustments	<u>(3,761,011)</u>	<u>(2,834,942)</u>
Net Change	352,700	5,265,132
TOTAL UNEXPENDED APPROPRIATIONS	<u>45,500,364</u>	<u>45,147,664</u>
NET POSITION	<u><u>\$104,778,165</u></u>	<u><u>\$113,050,875</u></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, 2015 and 2014

	FY 2015	FY 2014
BUDGETARY RESOURCES		
Unobligated Balance, October 1	\$20,640,830	\$16,277,433
Recoveries of Prior Year Unpaid Obligations	4,437,413	2,962,349
Other changes in Unobligated Balance	(3,822,755)	(2,847,569)
Unobligated Balance From Prior Year Budget Authority, Net	21,255,488	16,392,213
Appropriations	347,959,000	338,459,000
Spending Authority From Offsetting Collections	2,653,262	1,853,409
TOTAL BUDGETARY RESOURCES	<u>\$371,867,750</u>	<u>\$356,704,622</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred, Direct	\$350,474,058	\$336,063,792
Unobligated Balance, End of Year		
Exempt From Apportionment (Note 2)	14,254,727	16,117,900
Unapportioned (Note 2)	7,138,965	4,522,930
Total Unobligated Balance, End of Year	21,393,692	20,640,830
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$371,867,750</u>	<u>\$356,704,622</u>
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$51,183,704	\$47,333,455
Obligations Incurred	350,474,058	336,063,792
Gross Outlays	(344,464,065)	(329,251,194)
Recoveries of Prior Year Unpaid Obligations	(4,437,413)	(2,962,349)
Unpaid Obligations, End of Year	52,756,284	51,183,704
Uncollected Payments:		
Uncollected payments, Federal Sources, Brought Forward, Oct 1	24,675	0
Change in Uncollected Payments, Federal Sources	843,526	24,675
Uncollected Customer Payments From Federal Sources, End of Year	868,201	24,675
Memorandum entries:		
Obligated balance, Start of Year	\$51,159,029	\$47,333,455
Obligated balance, End of Year	\$51,888,083	\$51,159,029
NET BUDGET AUTHORITY AND OUTLAYS		
Gross Budget Authority	\$350,612,262	\$340,312,409
Actual Offsetting Collections	(1,809,736)	(1,828,734)
Change in Uncollected Customer Payments From Federal Sources	(843,526)	(24,675)
	<u>\$347,959,000</u>	<u>\$338,459,000</u>
NET BUDGET AUTHORITY		
Gross Outlays	\$344,464,065	\$329,251,194
Actual Offsetting Collections	(\$1,809,736)	(1,828,735)
NET OUTLAYS	<u>\$342,654,329</u>	<u>\$327,422,459</u>

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

OPERATIONAL

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

ADMINISTRATIVE

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

B. Basis of Accounting and Presentation

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

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

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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014

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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014

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 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, the lease liability acquired under capital leases is amortized over the term of the lease. 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, 2015 and 2014 consists of the following balances:

	2015	2014
Fund Balances:		
Appropriated	\$73,277,775	\$71,795,859
Special (Memorial Fund)	127,358	126,358
Total	<u><u>\$73,405,133</u></u>	<u><u>\$71,922,217</u></u>
Status of Fund Balance with Treasury:		
Unobligated		
Available	\$14,254,727	\$16,117,900
Unavailable	7,138,965	4,522,929
Obligated, Not Yet Disbursed	51,888,083	51,159,029
Non-Budgetary	123,358	122,359
Total	<u><u>\$73,405,133</u></u>	<u><u>\$71,922,217</u></u>

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Notes to the Financial Statements
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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 interagency agreements. 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, 2015 and 2014 are as follows:

	2015	2014
Accounts Receivable from Federal Agencies:	<u>\$868,201</u>	<u>\$24,675</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, 2015 and 2014 are:

	2015	2014
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$8,160	\$15,698
31-90 days outstanding	910	6,136
91-180 days outstanding	1,083	4,054
181-360 days outstanding	6,557	20,551
Over 360 days outstanding	17,424	7,794
Total Due from USCP Employees	34,134	54,233
Allowance for Doubtful Accounts	(19,369)	(19,073)
Receivables Due from USCP Employees, Net	14,765	35,160
Other	9,962	23,027
Total Accounts Receivable - Public, Net	<u>\$24,727</u>	<u>\$58,187</u>

UNITED STATES CAPITOL POLICE
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NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2015 and 2014 is as follows:

Classification	2015		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$19,524,553	(\$8,969,002)	\$10,555,551
Other Structures and Facilities	443,267	(439,790)	3,477
Equipment	252,439,911	(153,241,477)	99,198,434
Internal Use Software	9,803,509	(9,803,509)	0
Construction-in-Progress	3,631,369	0	3,631,369
Assets Under Capital Lease	1,408,348	(1,171,593)	236,755
Software-in-Development	387,133	0	387,133
Total	\$287,638,090	(\$173,625,371)	\$114,012,719

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

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Certain liabilities are not currently covered by appropriated funds or other budgetary resources. Congressional action is needed before budgetary resources can be provided. 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, 2015 and 2014 are summarized below:

	2015	2014
Non-Federal		
Worker's Compensation Benefits (Actuarial FECA Liability)	\$46,889,243	\$46,840,207
Accrued Unfunded Annual Leave	11,322,878	10,775,896
Accrued Unfunded Comp Overtime	1,451,756	1,298,588
Total Liabilities Not Covered by Budgetary Resources	\$59,663,877	\$58,914,691

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NOTE 7. OTHER LIABILITIES

	2015	2014
Non-Federal		
Capital Lease Liability	\$227,436	\$519,053
Custodial Receipts for Memorial Fund	127,358	126,358
Miscellaneous Receipts due to U.S. Treasury General Fund	9,962	23,029
Total Other Liabilities	<u><u>\$364,756</u></u>	<u><u>\$668,440</u></u>

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, 2015 and 2014.

	2015	2014
Assets Under Capital Lease:		
Armored Cars	\$1,408,348	\$1,408,348
Accumulated Amortization	(1,171,594)	(890,208)
Net Assets under Capital Lease	<u><u>\$236,754</u></u>	<u><u>\$518,140</u></u>
Future Minimum Lease Payments:		
2015		
Fiscal Year		Lease Payments
2016		\$215,159
2017		14,500
Total Minimum Lease Payments		229,659
Less: Amount Representing Interest		(2,223)
Obligations under Capital Lease		<u><u>\$227,436</u></u>
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		<u><u>\$519,053</u></u>

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NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Strategic Goal	2015		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$26,777		\$26,777
Prevent	(102,625)		(\$102,625)
Respond	2,703,225		\$2,703,225
Support the Mission	43,577,263	(\$2,423,343)	\$41,153,920
TOTAL INTRAGOVERNMENTAL	\$46,204,640	(\$2,423,343)	\$43,781,297
With the Public:			
Assess the Threat	\$69,332,768		\$69,332,768
Prevent	\$76,777,911		\$76,777,911
Respond	\$90,529,995		\$90,529,995
Support the Mission	\$107,184,180	\$46,260	107,230,440
TOTAL WITH THE PUBLIC	\$343,824,854	\$46,260	\$343,871,114
TOTAL:			
Assess the Threat	\$69,359,544		\$69,359,544
Prevent	\$76,675,286		76,675,286
Respond	\$93,233,220		93,233,220
Support the Mission	\$150,761,444	(\$2,377,083)	148,384,361
TOTAL:	\$390,029,494	(\$2,377,083)	\$387,652,411

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

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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 hired prior to December 31, 2012, the USCP contributed 18.4% of employee basic pay in order to fund FERS benefits. For employees enrolled in FERS that were hired after December 31, 2012, the USCP contributed 11.1% of employee basic pay for civilian employees and 16.1% for sworn employees. 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, is a 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 \$18,000 in 2015 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 Concepts* 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, 2015 and 2014 is provided below:

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	2015	2014
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$126,358	\$116,358
Donations Collected and Deposited to the U.S. Treasury	1,000	10,000
Ending Balances	<u>\$127,358</u>	<u>\$126,358</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, 2015 and 2014, an intragovernmental liability of \$4,672,969 and \$4,486,812, 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 \$46,889,243 and \$46,840,207 as of September 30, 2015 and 2014 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 Standards and Concepts*, USCP recognizes the following identified costs paid on its behalf by other agencies as expenses to USCP as of September 30, 2015 and 2014:

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		2015	2014
USCP Buildings and Grounds	Architect of the Capitol	\$17,034,831	\$16,533,857
FLETC & Practical Applications Center	Department of Homeland Security	3,979,014	4,201,591
Future Benefits Payments	Office of Personnel Management	14,167,867	17,662,745
		<u>\$35,181,712</u>	<u>\$38,398,193</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

	2015	2014
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$350,474,058	\$336,063,792
Less: Spending Authority from Offsetting Collections and Recoveries	(7,090,675)	(4,815,758)
Obligations Net of Offsetting Collections and Recoveries	<u>343,383,383</u>	<u>\$331,248,034</u>
Other Resources		
Imputed Financing Costs Absorbed by Others	<u>35,181,712</u>	<u>38,398,193</u>
Total Resources Used to Finance Activities	<u>\$378,565,095</u>	<u>\$369,646,227</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	(1,976,922)	(1,554,370)
Resources that Fund Expenses Recognized in Prior Periods	(0)	(3,740)
Resources that Finance the Net Acquisition of Fixed Assets	<u>(5,132,648)</u>	<u>(10,661,189)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(\$7,109,570)</u>	<u>(12,219,299)</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$371,455,525	\$357,426,928
Increase in Annual and Compensatory Leave Liability	700,150	288,482
Increase in Actuarial FECA Liability	49,036	1,401,735
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	\$749,186	\$1,690,217
Depreciation and Amortization	15,356,761	14,358,941
Revaluation of Assets or Liabilities	2,225	302,010
Other	<u>88,714</u>	<u>29,979</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	\$15,447,700	\$14,690,930
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	\$16,196,886	\$16,381,147
NET COST OF OPERATIONS	<u><u>\$387,652,411</u></u>	<u><u>\$373,808,075</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, 2015 and 2014 was \$30,210,159 and \$28,189,263, 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, 2015, USCP has determined that there is no reasonable possibility that present legal proceedings could result in an unfavorable outcome.