



UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

Independent Auditor's Report Financial Statements For Fiscal Years 2016 and 2015

Report Number OIG-2017-02

December 2016

Report Restriction Language

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INSPECTOR GENERAL

PREFACE

The Office of Inspector General (OIG) prepared this report pursuant to the Inspector General Act of 1978, as amended. It is one of a series of audits, reviews, and investigative and special reports OIG prepares periodically as part of its oversight responsibility with respect to the United States Capitol Police (USCP) to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and review of applicable documents.

We developed our recommendations based on the best knowledge available to OIG and discussed the draft with those responsible for implementation. It is my hope that the recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to those contributing to the preparation of this report.

Fay F. Ropella, CPA, CFE
Inspector Gene



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Abbreviations and Acronyms

American Institute of Certified Public Accountants	AICPA
Chief Administrative Officer	CAO
Fiscal Year	FY
Federal Accounting Standards Advisory Board	FASAB
Government Accountability Office	GAO
Management Discussion and Analysis	MD&A
Management Letter Comment	MLC
Material Weakness	MW
National Finance Center	NFC
Office of Financial Management	OFM
Office of Human Resources	OHR
Office of Inspector General	OIG
Period of Performance	POP
Required Supplementary Information	RSI
Significant Deficiency	SD
Time and Attendance	T&A
Undelivered Orders	UDO
United States	U.S.
United States Capitol Police	USCP or the Department

EXECUTIVE SUMMARY

In accordance with our annual plan, the United States Capitol Police (USCP or the Department) Office of Inspector General (OIG) conducted an audit of the Department's financial statements for the year ended September 30, 2016. Our objective was to express an opinion on the fairness of the financial statements in all material respects and render an opinion on controls over financial reporting and report on compliance with laws, regulations, contracts and grant agreements. Our audit was conducted in accordance with Government Auditing Standards.

Independent Auditor's Report - OIG rendered an unmodified opinion that the Department's financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2016, and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report on Internal Control over Financial Reporting - OIG rendered an adverse opinion with one material weakness concerning payroll controls and one significant deficiency related to undelivered orders.

Independent Auditor's Report on Compliance and Other Matters - OIG identified no instances of noncompliance with selected provisions of laws, regulations, contracts, and grant agreements tested.

On December 2, 2016, OIG provided a draft report to Department officials for comment and on December 8, 2016, we conducted an exit conference and incorporated the Department's comments as applicable.

See Exhibits A and B on internal controls over financial reporting for OIG recommendations.



**Independent Auditor's Report
On Financial Statements**



WASHINGTON, DC 20510

OFFICE OF INSPECTOR GENERAL

To: The United States Capitol Police Board

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying balance sheets of the United States Capitol Police (USCP) as of September 30, 2016, 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.

Auditor's 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 auditor's 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, 2016, 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 United States.

Other Matters

Prior Year Audit Report

The financial statements of USCP as of and for the year ended September 30, 2015, were audit by other auditors, whose report dated, December 1, 2015 expressed an unmodified opinion on those statements.

Required Supplementary Information (RSI)

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that USCP 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, 2016 based on *U.S. Government Accountability Office (GAO) Standards for Internal Control in the Federal Government*, and our report dated December 2, 2016 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.

**UNITED STATES CAPITOL POLICE
OFFICE OF INSPECTOR GENERAL**



Fay F. Ropella, CPA, CFE
Inspector General

December 2, 2016
Washington, DC



UNITED STATES CAPITOL POLICE

Financial Statements and Notes



UNITED STATES CAPITOL POLICE
Financial Statements
For the Years Ended
September 30, 2016 and 2015

UNITED STATES CAPITOL POLICE
Balance Sheet
As of September 30, 2016 and 2015

	FY 2016	FY 2015
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$86,541,867	\$73,405,133
Accounts Receivable (Note 4)	264,229	868,201
Advances to Others (Note 3)	447,536	880,802
Total Intragovernmental	<u>87,253,632</u>	<u>75,154,136</u>
 Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Net (Note 4)	39,066	24,727
General Property, Plant and Equipment, Net (Note 5)	<u>103,140,843</u>	<u>114,012,719</u>
 TOTAL ASSETS	<u>\$190,437,541</u>	<u>\$189,195,582</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$1,360,872	\$1,463,368
Accrued Funded Benefits (Note 12)	4,544,652	4,672,969
Advances from Others (Note 1H)	2,782,374	961,857
Total Intragovernmental	<u>8,687,898</u>	<u>7,098,194</u>
 Accounts Payable, Public	11,345,717	7,330,220
Accrued Salaries and Benefits	11,515,381	9,960,370
Accrued Unfunded Annual and Compensatory Leave (Note 6)	13,748,306	12,774,634
Actuarial FECA Liabilities (Note 6 & 12)	47,699,445	46,889,243
Other Liabilities (Note 7 & 8)	<u>156,022</u>	<u>364,756</u>
 TOTAL LIABILITIES	<u>93,152,769</u>	<u>84,417,417</u>
NET POSITION		
Cumulative Results of Operations	\$49,735,883	\$59,277,801
Unexpended Appropriations	<u>47,548,889</u>	<u>45,500,364</u>
 TOTAL NET POSITION	<u>\$97,284,772</u>	<u>\$104,778,165</u>
 TOTAL LIABILITIES AND NET POSITION	<u>\$190,437,541</u>	<u>\$189,195,582</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, 2016 and 2015

MISSION STANCES: Gross Program costs (Note 9)	FY 2016	FY 2015
Assess the Threat		
Gross Costs	\$72,921,919	\$69,359,544
Prevent		
Gross Costs	82,839,767	76,675,286
Respond		
Gross Costs	100,376,640	93,233,220
Support the Mission		
Gross Costs	165,156,721	150,761,444
Less: Earned Revenues	<u>(2,928,726)</u>	<u>(2,377,083)</u>
	<u>162,227,995</u>	<u>148,384,361</u>
NET COST OF OPERATIONS	<u>\$418,366,321</u>	<u>\$387,652,411</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, 2016 and 2015

	FY 2016	FY 2015
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$59,277,801	\$67,903,211
Budgetary Financing Sources		
Appropriations Used	370,097,478	343,845,289
Other Financing Sources (Nonexchange)		
Imputed Financing Sources (Note 10 & 13)	<u>38,726,925</u>	<u>35,181,712</u>
Total Financing Sources	408,824,403	379,027,001
Net Cost of Operations	<u>(418,366,321)</u>	<u>(387,652,411)</u>
Net Change	(9,541,918)	(8,625,410)
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$49,735,883	\$59,277,801
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$45,500,364	\$45,147,664
Budgetary Financing Sources		
Appropriations Received	375,000,000	347,959,000
Appropriations Used	(370,097,478)	(343,845,289)
Other Adjustments	<u>(2,853,997)</u>	<u>(3,761,011)</u>
Net Change	2,048,525	352,700
TOTAL UNEXPENDED APPROPRIATIONS	<u>47,548,889</u>	<u>45,500,364</u>
NET POSITION	<u>\$97,284,772</u>	<u>\$104,778,165</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, 2016 and 2015

	FY 2016	FY 2015
BUDGETARY RESOURCES		
Unobligated Balance, October 1	\$21,393,692	\$20,640,830
Recoveries of Prior Year Unpaid Obligations	5,138,780	4,437,413
Other changes in Unobligated Balance	(2,646,326)	(3,822,755)
Unobligated Balance From Prior Year Budget Authority, Net	23,886,146	21,255,488
Appropriations	375,000,000	347,959,000
Spending Authority From Offsetting Collections	4,749,244	2,653,262
TOTAL BUDGETARY RESOURCES	\$403,635,390	\$371,867,750
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	\$377,793,725	\$350,474,058
Unobligated Balance, End of Year:		
Unexpired Unobligated Balance, End of Year (Note 2)	19,898,459	14,254,727
Expired Unobligated Balance, End of Year (Note 2)	5,943,206	7,138,965
Unobligated Balance, End of Year	25,841,665	21,393,692
TOTAL STATUS OF BUDGETARY RESOURCES	\$403,635,390	\$371,867,750
CHANGE IN OBLIGATED BALANCES		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$52,756,284	\$51,183,704
New Obligations and Upward Adjustments	377,793,725	350,474,058
Gross Outlays	(364,575,156)	(344,464,065)
Recoveries of Prior Year Unpaid Obligations	(5,138,780)	(4,437,413)
Unpaid Obligations, End of Year	60,836,073	52,756,284
Uncollected Payments:		
Uncollected payments, Federal Sources, Brought Forward, Oct 1	868,201	24,675
Change in Uncollected Payments, Federal Sources	(603,972)	843,526
Uncollected Customer Payments From Federal Sources, End of Year	264,229	868,201
Memorandum entries:		
Obligated balance, Start of Year	\$51,888,083	\$51,159,029
Obligated balance, End of Year	\$60,571,843	\$51,888,083
NET BUDGET AUTHORITY AND OUTLAYS		
Gross Budget Authority	\$379,749,244	\$350,612,262
Recoveries of Prior Year Paid Obligations (Discretionary and Mandatory)	250,640	0
Actual Offsetting Collections	(5,603,856)	(1,809,736)
Change in Uncollected Customer Payments From Federal Sources	603,972	(843,526)
NET BUDGET AUTHORITY	\$375,000,000	\$347,959,000
Gross Outlays	\$364,575,156	\$344,464,065
Actual Offsetting Collections	(5,603,856)	(1,809,736)
NET OUTLAYS	\$358,971,300	\$342,654,329

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, 2016 and 2015

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 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, 2016 and 2015

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 while under construction or development are recorded 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 other federal agencies to provide support for long-term capital projects. The advances are liquidated and recorded as revenue when USCP performs services on the projects.

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) 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 System (CSRS) or Federal Employee Retirement System (FERS) 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.

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Years Ended September 30, 2016 and 2015

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 executory cost equals or exceeds 90% of the fair value of the leased property. Assets that meet the criteria are initially recorded at the present value of the future minimum 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, 2016 and 2015 consists of the following balances:

	2016	2015
Fund Balances:		
Appropriated	\$86,409,509	\$73,277,775
Special (Memorial Fund)	132,358	127,358
Total	\$86,541,867	\$73,405,133
Status of Fund Balance with Treasury:		
Unobligated		
Available	\$19,898,459	\$14,254,727
Unavailable	5,943,206	7,138,965
Obligated, Not Yet Disbursed	60,571,843	51,888,083
Non-Budgetary	128,359	123,358
Total	\$86,541,867	\$73,405,133

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Years Ended September 30, 2016 and 2015

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, 2016 and 2015 are as follows:

	2016	2015
Accounts Receivable from Federal Agencies:	<u>\$264,229</u>	<u>\$868,201</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, 2016 and 2015 are:

	2016	2015
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 days outstanding	\$26,994	\$8,160
31-90 days outstanding	2,473	910
91-180 days outstanding	0	1,083
181-360 days outstanding	779	6,557
Over 360 days outstanding	<u>4,731</u>	<u>17,424</u>
Total Due from USCP Employees	34,977	34,134
Allowance for Doubtful Accounts	<u>(5,165)</u>	<u>(19,369)</u>
Receivables Due from USCP Employees, Net	29,812	14,765
Other	9,254	9,962
Total Accounts Receivable - Public, Net	<u>\$39,066</u>	<u>\$24,727</u>

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2016 and 2015

NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

The composition of general property, plant and equipment as of September 30, 2016 and 2015 is as follows:

Classification	2016		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$19,524,553	(\$10,854,034)	\$8,670,519
Other Structures and Facilities	443,267	(440,888)	2,379
Equipment	253,846,928	(164,855,273)	88,991,655
Internal Use Software	9,803,509	(9,803,509)	0
Construction-in-Progress	4,799,814	0	4,799,814
Assets Under Capital Lease	229,238	(210,255)	18,983
Software-in-Development	657,493	0	657,493
Total	\$289,304,802	(\$186,163,959)	\$103,140,843

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

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, 2016 and 2015 are summarized below:

	2016	2015
Non-Federal		
Worker's Compensation Benefits (Actuarial FECA Liability)	\$47,699,445	\$46,889,243
Accrued Unfunded Annual Leave	11,849,715	11,322,878
Accrued Unfunded Comp Overtime	1,898,591	1,451,756
Total Liabilities Not Covered by Budgetary Resources	\$61,447,751	\$59,663,877

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Years Ended September 30, 2016 and 2015

NOTE 7. OTHER LIABILITIES

	2016	2015
Non-Federal		
Capital Lease Liability	\$14,410	\$227,436
Custodial Receipts for Memorial Fund	132,358	127,358
Miscellaneous Receipts due to U.S. Treasury General Fund	9,254	9,962
Total Other Liabilities	<u>\$156,022</u>	<u>\$364,756</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, 2016 and 2015.

	2016	2015
Assets Under Capital Lease:		
Armored Cars	\$229,238	\$1,408,348
Accumulated Amortization	(210,255)	(1,171,594)
Net Assets under Capital Lease	<u>\$18,983</u>	<u>\$236,754</u>

Future Minimum Lease Payments:

	2016	Lease Payments
Fiscal Year		
2017		\$14,500
Total Minimum Lease Payments		14,500
Less: Amount Representing Interest		(90)
Obligations under Capital Lease		<u>\$14,410</u>

	2015	Lease Payments
Fiscal Year		
2016		\$215,159
2017		14,500
Total Minimum Lease Payments		229,659
Less: Amount Representing Interest		(2,223)
Obligations under Capital Lease		<u>\$227,436</u>

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Years Ended September 30, 2016 and 2015

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Mission Stance	2016		
	Gross Cost	Less: Earned Revenue	Net Cost
Intragovernmental:			
Assess the Threat	\$23,754		\$23,754
Prevent	291,312		291,312
Respond	3,010,622		3,010,622
Support the Mission	46,106,320	(\$2,900,069)	43,206,251
TOTAL INTRAGOVERNMENTAL	\$49,432,008	(\$2,900,069)	\$46,531,939
With the Public:			
Assess the Threat	\$72,898,165		\$72,898,165
Prevent	82,548,455		82,548,455
Respond	97,366,018		97,366,018
Support the Mission	119,050,401	(\$28,657)	119,021,744
TOTAL WITH THE PUBLIC	\$371,863,039	(\$28,657)	\$371,834,382
TOTAL:			
Assess the Threat	\$72,921,919		\$72,921,919
Prevent	82,839,767		82,839,767
Respond	100,376,640		100,376,640
Support the Mission	165,156,721	(\$2,928,726)	162,227,995
TOTAL:	\$421,295,047	(\$2,928,726)	\$418,366,321

Mission Stance	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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2016 and 2015

NOTE 10. FEDERAL EMPLOYEE BENEFITS

The USCP's employees are provided retirement benefits under either the CSRS or FERS. Most employees hired after December 31, 1983 are automatically covered by FERS and 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 fiscal year 2016, the USCP contributed 19.1% of employee basic pay for employees under FERS hired prior to December 31, 2012, in order to fund FERS benefits. Further, for fiscal year 2016, the USCP contributed 11.9% of employee basic pay for civilian employees and 17.3% for sworn employees enrolled in FERS that were hired after December 31, 2012. The USCP also pays the employer's matching share of FICA contributions made for FERS and CSRS offset employees. Moreover, for fiscal year 2016, USCP made contributions equal to 7.5% of basic pay for employees under CSRS. An additional 1.45% of total pay is contributed toward Medicare on behalf of CSRS employees during fiscal year 2016.

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 fiscal year 2016, USCP contributed 1% of basic pay and matched participants' TSP contributions up to an additional 4% for FERS employees eligible for TSP. CSRS and CSRS offset employees may contribute up to \$18,000 in 2016 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.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2016 and 2015

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, 2016 and 2015 is provided below:

	2016	2015
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balances	\$127,358	\$126,358
Donations Collected and Deposited to the U.S. Treasury	5,000	1,000
Ending Balances	<u><u>\$132,358</u></u>	<u><u>\$127,358</u></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, 2016 and 2015, an intragovernmental liability of \$4,544,652 and \$4,672,969, 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 \$47,699,445 and \$46,889,243 as of September 30, 2016 and 2015 respectively, which is expected to be paid in future periods.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2016 and 2015

NOTE 13. IMPUTED FINANCING FROM COSTS ABSORBED BY OTHERS

The USCP occupies space within various buildings and on the grounds of the Capitol Hill campus that is leased or owned by the Architect of the Capitol (AOC), including the Fairchild Building. In addition, the USCP occupies space at the Federal Law Enforcement Training Center (FLETC), which is owned by the Department of Homeland Security (DHS), including the Practical Applications Center (PAC). The USCP is not required to reimburse either the AOC or DHS for the costs they incur to provide such space.

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, 2016 and 2015:

		2016	2015
USCP Buildings and Grounds	Architect of the Capitol	\$17,283,853	\$17,034,831
FLETC & Practical Applications Center	Department of Homeland Security	5,447,053	3,979,014
Future Benefits Payments	Office of Personnel Management	15,996,019	14,167,867
		<hr/> <u>\$38,726,925</u>	<hr/> <u>\$35,181,712</u>

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Years Ended September 30, 2016 and 2015

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	2016	2015
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	\$377,793,725	\$350,474,058
Less: Spending Authority from Offsetting Collections and Recoveries	(9,888,024)	(7,090,675)
Obligations Net of Offsetting Collections and Recoveries	<u>367,905,701</u>	<u>343,383,383</u>
Other Resources		
Imputed Financing Costs Absorbed by Others	38,726,925	35,181,712
Other	8,975	0
Total Resources Used to Finance Activities	<u>\$406,641,601</u>	<u>\$378,565,095</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	(736,948)	(1,976,922)
Resources that Finance the Net Acquisition of Fixed Assets	<u>(4,526,761)</u>	<u>(5,132,648)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(\$5,263,709)</u>	<u>(\$7,109,570)</u>
RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS		
	<u>\$401,377,892</u>	<u>\$371,455,525</u>
Increase in Annual and Compensatory Leave Liability	973,672	700,150
Increase in Actuarial FECA Liability	<u>810,202</u>	<u>49,036</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in the Future Periods	<u>\$1,783,874</u>	<u>\$749,186</u>
Depreciation and Amortization	15,158,822	15,356,761
Revaluation of Assets or Liabilities	15,097	2,225
Other	<u>30,636</u>	<u>88,714</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	<u>\$15,204,555</u>	<u>\$15,447,700</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	<u>\$16,988,429</u>	<u>\$16,196,886</u>
NET COST OF OPERATIONS	<u>\$418,366,321</u>	<u>\$387,652,411</u>

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Years Ended September 30, 2016 and 2015

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 and prepaid 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, 2016 and 2015 was \$32,516,985 and \$30,210,159, 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, 2016, USCP has determined that there is a reasonable possibility \$1,380,000 in present legal proceedings could result in an unfavorable outcome.



**Independent Auditor's Report on Internal Control
Over Financial Reporting**



WASHINGTON, DC 20510

OFFICE OF INSPECTOR GENERAL

To: The United States Capitol Police Board

Independent Auditor's Report

Report on Internal Control over Financial Reporting

We have examined the United States Capitol Police's (USCP) internal control over financial reporting as of September 30, 2016, based on criteria established under U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government (Green Book)*. USCP management is responsible for 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; as of September 30, 2016. Our responsibility is to express an opinion on USCP's internal control over financial reporting based on our audit.

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

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

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

Material Weakness

USCP Office of Human Resources (OHR) does not consistently deploy procedures to ensure that the comprehensive written policies over certain Time and Attendance (T&A) processes (certification reports, reconciliation of leave balances, and timeclock usage), and has not consistently implemented its existing policies and procedures are exercised 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.

In our opinion, because of the effect of the material weakness and significant deficiency described above on the achievement of the objectives of the control criteria, USCP has not maintained effective internal control over financial reporting as of September 30, 2016, based on U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*. Given these limitations, during our audit we found the combination of deficiencies summarized above 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.

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, 2016, 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 2, 2016, 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*.

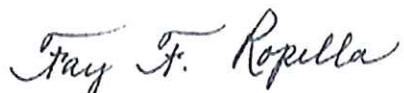
USCP's Response to the Findings

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 Auditor's Report on Internal Control over Financial Reporting dated December 1, 2015. Exhibit C provides a discussion on the status of prior year findings and recommendations.

**UNITED STATES CAPITOL POLICE
OFFICE OF INSPECTOR GENERAL**



Fay F. Ropella, CPA, CFE
Inspector General

December 2, 2016
Washington, D.C.

Summary of Internal Control Weaknesses
Fiscal Year 2016 Examination of Effectiveness of Internal Control over
Financial Reporting
United States Capitol Police

In performing the September 30, 2016 Fiscal Year (FY) 2016 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 2015 audit report and have included in this report as Exhibit C the status of those findings and recommendations as of September 30, 2016.

Below are brief summary of the FY 2016 and the status of FY 2015 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 2015, two (2) were closed and three (3) were repeated in FY 2016.

We concluded that the repeated OHR payroll findings in FY 2016 mentioned above constitute a material weakness.

The Office of Financial Management (OFM) and Procurement Office made some progress on the finding related to untimely de-obligation of outstanding undelivered orders 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 2016 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 the United States Capitol Police (USCP or Department). USCP reports time and attendance to NFC and is responsible for maintaining pay and leave records and documents that support pay, pay rates and deductions. USCP does not consistently deploy procedures to ensure that the current written policies over certain Time and Attendance (T&A) processes (certification reports, reconciliation of leave balances, and timeclock usage), and has not consistently implemented or exercised its existing policies and procedures to ensure payroll is processed with approved and authorized documentation.

The Office of Human Resources (OHR) made some progress toward implementing payroll related recommendations. Three (3) of the five (5) findings from Fiscal Year (FY) 2015 were repeated in FY 2016. As noted in prior years, auditor's reported a payroll control deficiency since FY 1999; similar findings existed as of September 30, 2016. We concluded that payroll related findings, as an aggregate is a material weakness.

The following tables describe the findings and recommendations of the FY 2016 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)

Employee and/or supervisors did not sign and date the bi-weekly certification report in a timely manner. Of the 45 certification reports sampled, 6 employees did not include the date with their signatures on the certification. Four employees also signed the certification report 14, 15, 16, and 20 days after the timekeeper generated the report. In another instance, an employee dated the certification report 13 days before the generation of the certification report.

Of our sample of 45, 5 approving officials did not sign the certification report. In 4 other instances, the approving official signed the certification report 14, 16, 20, and 30 days after the generation the report.

During this testing observations were made regarding the consistency of signatures when samples contained more than one required signature. We noted four instances in which the employee's signature varied greatly from document to document. The variances created doubt in the authenticity of the signatures, which will be reviewed separately.

[REDACTED], issued September 20, 2011, states that Biweekly

Exhibit A
FY 2016 Internal Control Deficiencies/Findings

Material Weakness

certification reports must be promptly prepared and distributed by timekeepers to employees and approving officials to ensure receipt when the information is of maximum benefit for management purposes prior to transmission to NFC. Review of certification reports by employees and approval by officials are indicated by their respective signatures and date on a hard-copy document. Employees and approving officials acknowledge awareness and understanding of their responsibilities for reporting accurate and complete data when they sign a certification report.

We repeat the prior year recommendations to USCP's management as follows:

Recommendation 1: USCP OHR should continue to enforce its manual processes identified 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.

Recommendation 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.

Recommendation 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:

Repeat – Substantial Progress
Recommendation #2 - Closed

Management Response:

We concur. The USCP is upgrading its Time and Attendance system to include automation of employee's attestation and supervisor's certification. USCP will concurrently issue a revised [REDACTED] Directive, which will require both employee and supervisor certification within 48 hours after the end of the pay period. Until then, existing [REDACTED] guidance will be enforced and reported to the Executive Team and Executive Management Team.

Exhibit A
FY 2016 Internal Control Deficiencies/Findings

Material Weakness

**2. Difference in Leave Hours in NFC Payroll System and [REDACTED] (Repeat Finding)
(Prior Year Finding 1.2)**

The leave balances recorded at the National Finance Center (NFC) did not agree with balances recorded in [REDACTED]. Eight of 45 employees selected for testing had different leave balances (annual, compensatory and/or sick) reported on the NFC *Statement of Earnings and Leave* (SEL) and the [REDACTED] *Certification Report*.

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

We repeat the prior year recommendations as follows:

Recommendation 4: OHR Director (or designee) ensures reconciliation between the [REDACTED] and the NFC records are performed for each employee at least monthly to ensure leave balance information is correctly reported in both systems.

Recommendation 5: Ensure OHR implements corrective action timely.

Recommendation 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.

Recommendation 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.

Status of Finding and Recommendations:	Management Response:
Repeat – Some progress	We concur. [REDACTED] and NFC are stand-alone systems and, as such, reconciliations will always be needed. A regular estimate to stay “current” with the reconciliations is about 30 a month. Reconciliation reports are generated biweekly and corrective actions are taken as needed and in a timely manner to minimize new leave balance issues. OHR is currently

Exhibit A
FY 2016 Internal Control Deficiencies/Findings

Material Weakness

	undergoing a major leave audit project, which includes a detail of an employee and contractor resources, to address the backlog of reconciliations needed. We should reach the point that we are performing only current audits by June 30, 2017.
--	---

3. Noncompliance with Employee Clock Usage Policy (Repeat Finding) (PY Finding 1.3)

OHR provided a report showing missing or no swipes (No Swipe Report) that reported 70,434 missing or no swipes related to 1,845 employees for our sample period September 21, 2015 - July 17, 2016. From a sample of 45 employees 36 were required to clock and there were 1,234 missing swipes. Comments related to these missing swipes included; (1) forgot to swipe - 77, (2) forgot badge - 8, (3) misdirection -52, (4) technical difficulty – 12, and most importantly (5) no reason provided – 1,085.

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 are not effective to ensure consistent and standard implementation by all timekeepers and supervisors.

[REDACTED] requires, when possible, all employees clock in and out daily. The USCP Policy states everyone needs to swipe in and out except those employees exempt from the Fair Labor Standard Act, or certain employees as determined by the Chief of Police.

Recommendation 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."

Recommendation 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.

Recommendation 10: USCP OHR improves the "no swipe report" to eliminate the "holdover" no swipes on a single working day, and eliminates the Protective Services

Exhibit A
FY 2016 Internal Control Deficiencies/Findings

Material Weakness

Bureau off-site no swipes from the "no swipe report."	
Status of Finding and Recommendations: Repeat Finding – Limited progress on noncompliance with swiping policy.	Management Response: We concur. OHR will work with the Office of Information Systems (OIS) to update the no-swipe report, as recommended. The OHR will also continue to emphasize the importance of utilizing the clock in all instances. This will be reemphasized with Commanders as most of the remaining employees who utilize the clock are in Operations.

Exhibit B
FY 2016 Internal Control Deficiencies/Findings
Significant Deficiency

Finding No. 2: Undelivered Orders/Open Obligations

Summary Status: **Significant Deficiency Current Year**
 Significant Deficiency Since 2015
 Some Progress

**1. Undelivered Orders (UDO)/Open Obligations are not De-obligated Timely (Repeat Finding)
(Prior Year Finding 1.6)**

USCP controls over de-obligation of undelivered orders or open obligations were weak. The Department did not deobligate undelivered orders in a timely manner. Auditors selected a sample of 60 UDO's from the UDO population as of June 30, 2016. Our sample ranged from obligations prior to 2002 and through 2016.

Based on our sample of 60 UDOs totaling \$4,043,317.53, the Department should have de-obligated 25 open obligations totaling \$154,518.92, as of June 30, 2016. For each of these obligations the period of performance had passed. In addition, we noted nine instances in which the period of performance in [REDACTED] required updating to support the obligation being open. *GAO Standards for Internal Control in the Federal Government* 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 11: USCP Office of Procurement enforces its policy to de-obligate inactive contract obligations in a timely manner.

Recommendation 12: USCP Office of Financial Management evaluates the design and effectiveness of its internal control over the de-obligation process to ensure timely de-obligation and prevent misstatement of Budgetary Resources.

Status of Recommendations: Repeat Finding – Some progress	Management Response: We concur. USCP will be even more proactive in the process of de-obligating excess funds remaining on contract actions. A de-obligation process established in FY 2016 will be fully enforced in FY 2017 to remove all excess funds prior to the contract closeout process. As a result, only substantiated obligations will remain with an unliquidated balance by June 30, 2017. Period of Performances (POPs) will be adjusted when the actual performance period needs to be extended but will not when the USCP is still awaiting a final voucher for work done in the documented POP.
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Exhibit C
Status of Control Deficiencies Reported in FY 2015 Independent Auditor's Report

We reviewed the status of FY 2015 (prior year) control deficiencies/findings, as part of our FY 2016 financial statements audit. The status is summarized in the table below.

We used the following three levels to determine the status of the FY 2015 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2016.
- 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 is classified as Repeat Finding Open in FY 2016, we further classified the finding as a material weakness (MW), a significant deficiency (SD) or a management letter comment (MLC).

Item No.	FY 2015 Finding No.	FY 2015 Control Deficiency	Year Reported/ Reported as	FY 2016 Status
1	1.1 MW	Employee and/or Supervisor's Failure to Sign Bi-Weekly Certification Report	2008-2015/MW	Repeat Finding Open – Reported as MW 1.1
2	1.2 MW	Difference in Leave Hours in NFC Payroll System and [REDACTED]	2008-2009, 2013-2015/MW	Repeat Finding Open – Reported as MW 1.2
3	1.3 MW	Noncompliance with Employee Clock Usage Policy	2008-2015/MW	Repeat Finding Open – Reported as MW 1.3
4	1.4 MW	Lack of Documentation to Support Overtime Approval	2013-2015/MW	Closed
5	1.5 MW	[REDACTED] Database Change Control Segregation of Duties Issues	2014-2015/ MW	Closed (MLC)
6	1.6 SD	Undelivered Orders/Open Obligations	2015/SD	Repeat finding Open – SD 2.1



**Independent Auditor's Report
Compliance with Laws, Regulations, Contracts and Grant
Agreements**



WASHINGTON, DC 20510

OFFICE OF INSPECTOR GENERAL

To: The United States Capitol Police Board

Independent Auditor's Report

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, 2016, and have issued our report thereon dated December 2, 2016.

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, 2016 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.

Auditor's Responsibilities

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

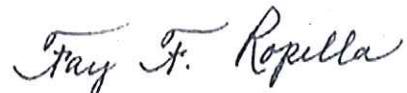
We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USCP. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements applicable to USCP; noncompliance with which could have a direct and material effect 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.

UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL



Fay F. Ropella, CPA, CFE
Inspector General

December 2, 2016
Washington, DC



UNITED STATES CAPITOL POLICE
Management's Discussion and Analysis

United States Capitol Police



Management's Discussion and Analysis FY 2016

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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, safety 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 2016, the USCP revalidated metrics and began to develop a more robust data model which ultimately allows for the development of performance measures.

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

FY 2015, the USCP published its new FY 2015 – 2019 Strategic Plan. In FY 2016, the USCP continued to function under a new Strategic Plan and began 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 2016 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		
Mission Stance	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 24 Security Awareness Briefs

PREVENT		
Mission Stance	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>	Coordinated 652 Special Events Conducted 167,109 K-9 sweeps Conducted 11,295 bomb sweeps Screened 31,903 delivery vehicles offsite Conducted 29,550 hazardous material inspections of delivery vehicles Screened 1,566,426 visitors at the Capitol Visitor Center (CVC) Screened 9,482,851 persons at Capitol Hill building entrances and interior checkpoints Prepared notifications for 3 POTUS visits Prepared notifications for 4 VPOTUS visits Prepared notifications for 72 Heads of State visits Prepared 2,190 notifications for VIP/Dignitary visits

RESPOND		
Mission Stance	Strategic Objectives	Performance Outputs
<p>RESPOND Respond promptly and with the right resources to threats, disruptions, or other unlawful activities in order to quickly and safely return Congress to normal operations.</p>	<p>R.6. Law Enforcement: To patrol areas of statutory responsibility and diligently investigate and prosecute persons who commit criminal acts.</p> <p>R.7. Incident Management & Communication: To coordinate decisively and efficiently all activities and communications in response to a critical incident.</p> <p>R.8. Specialized Response Capabilities: To enhance our specialized response capabilities to ensure readiness to all types of incidents.</p> <p>R.9. Continuity of Operations: To ensure Continuity of Operations (COOP) for USCP while supporting the Congressional Community in the execution of their COOP plans and, when necessary, assist in the implementation of Legislative Branch Continuity of Government (COG) plans.</p>	<p>Responded to █ suspicious package reports</p> <p>Responded to █</p> <p>Processed 1,718 arrests</p> <p>Conducted 2,158 Containment and Emergency Response Team (CERT) related responses</p>

SUPPORT THE MISSION		
Mission Stance	Strategic Objectives	Performance Outputs
SUPPORT THE MISSION Improve the efficiency and effectiveness of internal business processes and procedures in support of delivering mission responsibilities at the highest possible level.	<p>S.10. Human Capital: To create and sustain a vigorous and motivated workforce that is highly trained and armed with the necessary knowledge, skills and abilities to achieve the mission.</p> <p>S.11. Technology: To provide responsive, high quality, cost-effective information technology services and solutions in a timely manner.</p> <p>S.12. Facilities Management: To provide USCP employees with state-of-the-art facilities to meet its mission, workload, and personnel requirements.</p> <p>S.13. Financial Management: To provide timely, reliable, and responsive financial management services, and ensure accountability for assets and resources.</p> <p>S.14. Logistics Management: To make resources available to those who need it, when they need it by improving the ordering, procurement, distribution, and tracking of USCP resources.</p> <p>S.15. Legal Counsel: To ensure legal counsel for overall organizational legal compliance.</p> <p>S.16. Continuous Improvement: To create a best practices organization that through an environment of continuous incremental improvement encourages innovation and creativity.</p>	Hired 39 Civilian Employees Hired 119 Sworn Personnel Processed 22 Civilian Employees Separations Processed 85 Sworn Personnel Separations Maintained 99.8% Information Technology Server Uptime Maintained 96.8% Primary Fleet Readiness Maintained 96.6% Motorcycles Fleet Readiness Maintained 98.2% Equipment Fleet Readiness Maintained 93.1% Special Operations Fleet Readiness

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 2016. The complete set of financial statements, related notes, and the opinion of the Department's auditors are attached to this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2016 shows \$190 million in total assets, an increase of \$1 million (1 percent) from the previous year's total assets of \$189 million. The primary change was in the Department's Fund Balance with the U.S. Treasury, which was \$13 million more than in fiscal year 2015.

Liabilities: Total Department liabilities were \$93 million as of September 30, 2016, an increase of \$9 million (10 percent) from the previous year's total liabilities of \$84 million.

Net Position: The Department's total net position as of September 30, 2016 was \$97 million, a decrease of \$7 million (7 percent) from the previous year's total net position of \$105 million.

Budgetary Resources: The Department's fiscal year 2016 Combined Statement of Budgetary Resources shows \$404 million in total budgetary resources, an increase of \$32 million (9 percent) from the previous year's total budgetary resources of \$372 million.

Net Outlays: The Department's fiscal year 2016 Combined Statement of Budgetary Resources shows \$359 million in net outlays, an increase of \$16 million (5 percent) from the previous year's total net outlays of \$343 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 \$418 million for the year ended September 30, 2016, an increase of \$30 million (8 percent) from the previous year's net cost of operations of \$388 million.

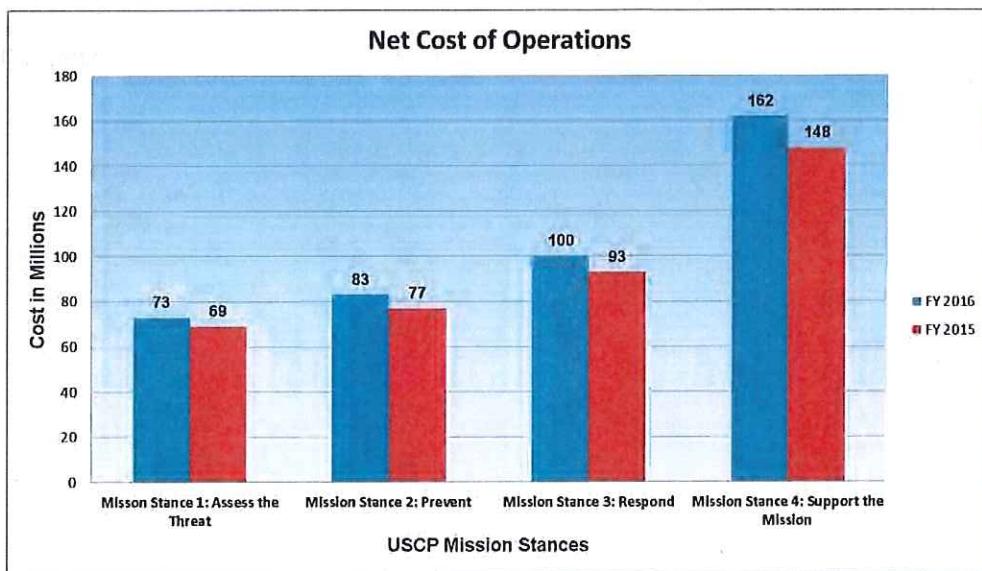
Our budget consists of an annual appropriation that funds the salaries and benefits for our staff, and general expenses such as motor vehicles, communications and other equipment, security equipment, uniforms, weapons, supplies, materials, training, medical services, forensic services, professional services, 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 2016 was \$375 million.

In fiscal year 2016, our total assets were \$190 million, consisting mostly of property, plant and equipment, followed by our Fund Balance with Treasury. Total liabilities of \$93 million were composed primarily of Worker's Compensation (FECA) liability, accrued unfunded annual and compensatory leave, accrued employees' salaries & benefits and accounts payable to the public and other federal agencies.

The net cost of operating the U.S. Capitol Police during fiscal year 2016 and fiscal year 2015 was approximately \$418 million and \$388 million, respectively. Overall, our net cost of operations increased by \$31 million, due primarily to increased payroll and benefits. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Table 1 shows how our fiscal year 2016 and fiscal year 2015 costs break down by each strategic goal.

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

	FY 2016	FY 2015	% Change
Total Assets	190	189	1%
Total Liabilities	93	84	10%
Appropriations			
Salaries	309	287	8%
General Expenses	66	61	8%
Total Annual Appropriations	375	348	8%
Total Budgetary Resources	404	372	9%
Total Outlays	369	346	5%
Net Cost of Operations			
Mission Stance 1: Assess the Threat	73	69	6%
Mission Stance 2: Prevent	83	77	8%
Mission Stance 3: Respond	100	93	8%
Mission Stance 4: Support the Mission	162	148	9%
Total Net Cost of Operations	418	387	8%



LIMITATIONS OF THE FINANCIAL STATEMENTS

The Department's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the United States Capitol Police, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the financial statements. While these statements have been prepared from the books and records of the Department, they are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The Department's transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in audit guidance.

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



CONTACTING THE OFFICE OF INSPECTOR GENERAL

Success of the OIG mission to prevent fraud, waste, abuse, or mismanagement depends on the cooperation of employees and the public. There are several ways to report questionable activity.

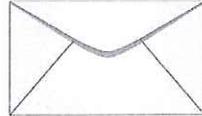
Call us at 202-593-3868 or toll-free at 866-906-2446. A confidential or anonymous message can be left 24 hours a day/7 days a week.



Toll-Free
1-866-906-2446

Write us:

*United States Capitol Police
Attn: Office of Inspector General
499 South Capitol St. SW, Suite 345
Washington, DC 20510*



Or visit us:

*499 South Capitol Street, SW, Suite 345
Washington, DC 20003*



You can also contact us by email at: OIG@USCP.GOV

**When making a report, convey as much information as possible such as:
Who? What? Where? When? Why? Complaints may be made anonymously or you may
request confidentiality.**

Additional Information and Copies:

To obtain additional copies of this report, call OIG at 202-593-4201.

