



UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

Independent Auditor's Report Financial Statements For Fiscal Years 2019 and 2018

Report Number OIG-2020-04

December 2019

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OFFICE OF 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.

Michael A. Bolton
Inspector General

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Abbreviations and Acronyms

Assistant Chief of Police	ACOP
Chief Administrative Officer	CAO
Federal Accounting Standards Advisory Board	FASAB
Fiscal Year	FY
Government Accountability Office	GAO
Management Discussion and Analysis	MD&A
Management Letter Comment	MLC
Material Weakness	MW
National Finance Center	NFC
Office of Human Resources	OHR
Office of Inspector General	OIG
Significant Deficiency	SD
Time and Attendance	T&A
United States of America	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 years ended September 30, 2019 and 2018. 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, and contracts. 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, 2019, and 2018, 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.

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

On December 6, 2019, OIG provided a draft report to Department officials for comment. See Exhibit A for OIG recommendations related to internal controls over financial reporting.





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



WASHINGTON, DC 20003

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 or Department) as of September 30, 2019 and 2018 and 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 USCP as of September 30, 2019, and 2018 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

Required Supplementary Information

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, 2019 based on U.S. Government Accountability Office (GAO) GAO-14-704G, *Standards for Internal Control in the Federal Government*, dated September 2014, and our report dated December 13, 2019 expressed an adverse opinion. We have also issued a report on our tests of USCP's compliance with certain provisions of laws, regulations, and contracts. The purpose of our report on compliance is to describe the scope and results of our testing of compliance with certain provision of laws, regulations, and contracts 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



Jacob T. Powell, CPA, CFE, CISA
Assistant Inspector General for Audits

December 13, 2019
Washington, DC



UNITED STATES CAPITOL POLICE

Financial Statements and Notes



UNITED STATES CAPITOL POLICE
Financial Statements
For the Fiscal Years Ended
September 30, 2019 and 2018

UNITED STATES CAPITOL POLICE
Balance Sheets
As of September 30, 2019 and 2018

	2019	2018
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$116,576,962	\$98,527,355
Accounts Receivable (Note 3)	551,770	296,101
Advances to Others (Note 4)	131,254	111,728
Total Intragovernmental	<u>117,259,986</u>	<u>98,935,184</u>
Cash and Other Monetary Assets	4,000	4,000
Accounts Receivable - Public, Net (Note 3)	268,920	25,473
General Property, Plant and Equipment, Net (Note 5)	<u>83,673,741</u>	<u>88,063,153</u>
TOTAL ASSETS	<u>\$201,206,647</u>	<u>\$187,027,810</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$812,044	\$907,038
Accrued Funded Benefits (Note 12)	4,836,941	4,734,556
Advances from Others	1,200,094	1,547,729
Total Intragovernmental Liabilities	<u>6,849,079</u>	<u>7,189,323</u>
Accounts Payable, Public	14,345,862	13,763,395
Accrued Salaries and Benefits (Note 7)	15,809,245	17,058,594
Accrued Unfunded Annual and Compensatory Leave (Note 6)	17,091,828	15,689,222
Actuarial FECA Liabilities (Note 6 & 12)	53,182,374	52,045,313
Contingent Liabilities (Note 15)	2,085,840	0
Other (Note 8)	<u>1,414,017</u>	<u>1,679,442</u>
TOTAL LIABILITIES	<u>110,778,245</u>	<u>107,425,289</u>
NET POSITION		
Unexpended Appropriations	\$4,714,157	42,978,100
Cumulative Results of Operations	<u>35,714,245</u>	<u>36,624,421</u>
TOTAL NET POSITION	<u>90,428,402</u>	<u>79,602,521</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$201,206,647</u>	<u>\$187,027,810</u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Net Cost
For the Fiscal Years Ended September 30, 2019 and 2018

	2019	2018
MISSION STANCES:		
Gross Program Costs		
<u>Assess the Threat</u>		
Gross Costs	\$86,306,426	\$81,311,370
<u>Prevent</u>		
Gross Costs	97,464,050	91,608,219
<u>Respond</u>		
Gross Costs	113,237,910	113,754,017
<u>Support the Mission</u>		
Gross Costs	206,224,067	201,759,758
Less: Earned Revenues	(7,616,849)	(6,194,684)
Net Cost	<u><u>198,607,218</u></u>	<u><u>195,565,074</u></u>
NET COST OF OPERATIONS	<u><u>\$495,615,604</u></u>	<u><u>\$482,238,680</u></u>

The accompanying notes are an integral part of these financial statements

UNITED STATES CAPITOL POLICE
Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2019 and 2018

	2019	2018
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$42,978,100	\$40,315,007
Budgetary Financing Sources		
Appropriations Received	456,308,000	426,500,000
Appropriations Used	(442,495,554)	(422,668,450)
Other Adjustments	<u>(2,076,389)</u>	<u>(1,168,457)</u>
Total Budgetary Financing Sources	<u>11,736,057</u>	<u>2,663,093</u>
TOTAL UNEXPENDED APPROPRIATIONS	<u>\$54,714,157</u>	<u>\$42,978,100</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$36,624,421	\$40,169,109
Budgetary Financing Sources		
Other Adjustments	(31,285)	0
Appropriations Used	442,495,554	422,668,450
Other Financing Sources (Nonexchange)		
Imputed Financing Sources (Note 11 & 13)	<u>52,241,159</u>	<u>56,025,542</u>
Total Financing Sources	<u>494,705,428</u>	<u>478,693,992</u>
Net Cost of Operations	<u>(495,615,604)</u>	<u>(482,238,680)</u>
Net Change	<u>(910,176)</u>	<u>(3,544,688)</u>
CUMULATIVE RESULTS OF OPERATIONS	<u>\$35,714,245</u>	<u>\$36,624,421</u>
NET POSITION	<u>\$90,428,402</u>	<u>\$79,602,521</u>

UNITED STATES CAPITOL POLICE
Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2019 and 2018

	2019	2018
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority, Net (Note 16)	\$38,103,991	\$28,592,154
Appropriations	456,308,000	426,500,000
Spending Authority from Offsetting Collections	7,269,214	3,968,974
TOTAL BUDGETARY RESOURCES	<u>\$501,681,205</u>	<u>\$459,061,128</u>
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments	\$460,749,369	\$426,222,526
Unobligated Balance, End of Year:		
Exempt From Apportionment, Unexpired Accounts	21,630,933	19,735,499
Unexpired Unobligated Balance, End of Year (Note 2)	<u>21,630,933</u>	<u>19,735,499</u>
Expired Unobligated Balance, End of Year (Note 2)	19,300,903	13,103,103
Unobligated Balance, End of Year	<u>40,931,836</u>	<u>32,838,602</u>
TOTAL BUDGETARY RESOURCES	<u>\$501,681,205</u>	<u>\$459,061,128</u>
NET OUTLAYS	<u>\$436,160,820</u>	<u>\$418,830,493</u>

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

OPERATIONAL

- Command and Coordination Bureau
- Operational Services Bureau
- Protective Services Bureau
- Security Services Bureau
- Uniformed Services Bureau

ADMINISTRATIVE

- Office of Acquisition Management
- Office of Background Investigations and Credentialing
- Office of Facilities and Logistics
- Office of Financial Management
- Office of Human Resources
- Office of Inclusion, Diversity, Equity and Action
- Office of Information Systems
- Office of Policy and Management Systems
- 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

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018

required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

Throughout these financial statements certain assets, liabilities, earned revenue and costs are classified according to the type of entity with whom transactions were made. 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 and deposits to the credit of the Employees' Compensation Fund in accordance with 2 U.S.C. 1907b, 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 U.S. Treasury processes cash receipts and disbursements on behalf of USCP and the Agency's accounting records are reconciled with the U.S. Treasury on a monthly basis.

E. 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 which are recorded at cost if the initial acquisition cost is \$250,000 or more. Capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from three to fifteen years.

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018

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.

F. 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 authority established by law (e.g. enacted appropriations). Liabilities for which an appropriation has not been enacted are unfunded, the liquidation of which is dependent on future appropriations or other funding.

G. 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.

H. Federal Employee Benefits

The USCP recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to USCP. The pension expense recognized in the financial statements equals the current service costs for USCP employees less the amount contributed by the employees. The Office of Personnel Management (OPM) 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.

I. Annual Leave, Compensatory Overtime, Sick and Other Leave

Annual leave and compensatory overtime leave are accrued as they are earned and reduced as they are taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates and balances. No portion of this liability has been obligated. To the extent current 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 Fiscal Years Ended September 30, 2019 and 2018

J. Capital Leases

Leases are accounted for as capital leases if they meet one or more of the following criteria: 1) the lease transfers ownership of the property to the USCP at the end of the lease term; 2) the lease contains an option to purchase the property at a bargain price; 3) the lease term is equal to or greater than 75% of the estimated useful life of the property; or 4) at the inception of the lease the present value of the minimum lease payment excluding that portion of the payments representing executory cost equals or exceeds 90% of the fair value of the leased property. Assets that meet the criteria are initially recorded at the present value of the future minimum 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.

K. Judgment Fund

Certain tort claims over \$25,000 to which the USCP is a named party may be administrated and litigated by the Department of Justice in accordance with the Federal Tort Claims Act. Settlements and awards are paid from a special Judgment Fund maintained by the U.S. Department of the Treasury under 31 U.S.C. 1304. Payments by the Judgment Fund on behalf of USCP do not require reimbursement and are recognized as imputed financing sources.

L. Office of Congressional Workplace Rights

Certain workplace rights claims to which the USCP is a named party may be administered and litigated in accordance with the Congressional Accountability Act, Public Law 104-1. Per section 415 of the Congressional Accountability Act, settlements and awards are paid from a special Office of Congressional Workplace Rights fund maintained by the U.S. Department of the Treasury. Payments by the Office of Congressional Workplace Rights 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.

N. Earned Revenue

USCP has reimbursable agreements with other Federal agencies to provide various security services. Consistent with Statement of Federal Financial Accounting Standard (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources, USCP recognizes revenue earned from these arrangements when the services are provided. USCP's pricing policy is to recover full cost for goods and services provided.

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

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 consists of the following balances:

	2019	2018
Status of Fund Balance with Treasury:		
Unobligated		
Available	\$21,630,933	\$19,735,499
Unavailable	19,300,903	13,103,103
Obligated, Not Yet Disbursed	75,037,705	65,091,432
Non-Budgetary	607,421	597,321
Total	\$116,576,962	\$98,527,355

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable from federal agencies arise from the provision of law enforcement services 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 the public are recorded for amounts due from vendor overpayments and 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 are:

	2019	2018
Accounts Receivable from the Public:		
Current and Former USCP Employees		
0-30 Days Outstanding	\$4,052	\$7,532
31-90 Days Outstanding	99	7,256
91-180 Days Outstanding	33,142	6,879
181-360 Days Outstanding	7,386	4,383
Over 360 Days Outstanding	8,698	9,386
Total Due from Current and Former USCP Employees	\$3,377	\$35,436
Allowance for Doubtful Accounts	(19,857)	(13,159)
Receivables Due from USCP Employees, Net	\$33,520	\$22,277
Vendor Refund	232,814	0
Other	2,586	3,196
Total Accounts Receivable - Public, Net	\$268,920	\$25,473

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 4. ADVANCES AND PREPAYMENTS

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. Advances also includes funds provided to the U.S. Department of Transportation for transit subsidy benefits. The composition of advances to others as of September 30 is as follows:

	2019	2018
Advances to Others:		
Security Projects	\$86,145	\$86,145
Transit Benefits	45,109	25,583
Total Advances to Others	<u>\$131,254</u>	<u>\$111,728</u>

NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT

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

Classification	2019		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$19,524,553	(\$15,399,644)	\$3,924,909
Other Structures and Facilities	443,267	(443,267)	0
Equipment	259,203,537	(189,332,686)	69,870,851
Internal Use Software	10,615,445	(10,305,783)	309,662
Construction-in-Progress	7,546,127	0	7,546,127
Assets Under Capital Lease	1,855,000	(737,576)	1,117,424
Software-in-Development	904,768	0	904,768
Total	<u>\$300,092,697</u>	<u>(\$216,418,956)</u>	<u>\$83,673,741</u>

Classification	2018		
	Cost	Accumulated Depreciation	Book Value
Building Improvements	\$19,524,553	(\$14,248,902)	\$5,275,651
Other Structures and Facilities	443,267	(443,079)	188
Equipment	257,643,927	(181,569,517)	76,074,410
Internal Use Software	10,615,445	(10,035,385)	580,060
Construction-in-Progress	3,920,626	0	3,920,626
Assets Under Capital Lease	1,855,000	(366,780)	1,488,220
Software-in-Development	723,998	0	723,998
Total	<u>\$294,726,816</u>	<u>(\$206,663,663)</u>	<u>\$88,063,153</u>

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

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 are summarized below:

	2019	2018
Non-Federal		
Accrued Unfunded Annual Leave	\$14,026,668	\$12,816,321
Accrued Unfunded Comp Overtime	3,065,160	2,872,901
Worker's Compensation Benefits (Actuarial PICA Liability)	53,182,374	52,045,313
Total Liabilities Not Covered by Budgetary Resources	<u>\$70,274,202</u>	<u>\$67,734,535</u>

NOTE 7. ACCRUED SALARIES AND BENEFITS

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 1, Accounting for Select Assets and Liabilities, USCP accrues funded personnel compensation and benefits for services rendered in the current reporting period for which paychecks will be issued and benefits paid in the following reporting period. Personnel compensation accrued includes amounts such as full time pay, Sunday and night differential pay, and hazardous duty pay. Personnel benefits accrued include amounts such as USCP's agency contribution for employees' health insurance, life insurance, Old Age Survivors and Disability Insurance, and retirement benefits. As of September 30, 2019 and 2018, a liability of \$15,809,245 and \$17,058,594 respectively, exists for accrued salaries and benefits.

NOTE 8. OTHER LIABILITIES

Other liabilities incurred by the USCP as of September 30 are:

	2019	2018
Non-Federal		
Capital Lease Liability (Note 10)	\$800,010	\$1,074,925
Custodial Receipts for Memorial Fund	611,421	601,321
Miscellaneous Receipts Due to U.S. Treasury General Fund	2,586	3,196
Total Other Liabilities	<u>\$1,414,017</u>	<u>\$1,679,442</u>

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 9. 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, as amended by Public Law 115-45. These activities are incidental to the primary mission of the USCP. A summary of the custodial activities as of September 30 is provided below:

	2019	2018
USCP Memorial Fund (Treasury Symbol 02X5083):		
Beginning Balance	\$601,321	\$153,665
Donations Collected and Deposited to the U.S. Treasury	10,100	563,503
Disbursements to Recipients	0	(115,847)
Ending Balance	<u>\$611,421</u>	<u>\$601,321</u>

NOTE 10. 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 Non-Federal net assets under capital leases and future minimum lease payments as of September 30:

	2019	2018
Assets Under Capital Lease:		
Armored Cars	\$1,855,000	\$1,855,000
Accumulated Amortization	(737,576)	(366,780)
Net Assets under Capital Lease	<u>\$1,117,424</u>	<u>\$1,488,220</u>
Future Minimum Lease Payments:		
	2019	
Fiscal Year		Lease Payments
2020		\$310,649
2021		296,489
2022		236,549
2023		44,694
Total Minimum Lease Payments		888,381
Less: Amount Representing Interest		(88,371)
Obligation under Capital Lease		<u>\$800,010</u>

	2018
Fiscal Year	
2019	\$339,809
2020	310,649
2021	296,489
2022	236,549
2023	44,694
Total Minimum Lease Payments	1,228,190
Less: Amount Representing Interest	(153,265)
Obligation under Capital Lease	<u>\$1,074,925</u>

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 11. FEDERAL EMPLOYEE BENEFITS

The USCP recognizes the costs of its employees' pension benefits. The liabilities associated with these costs are reported by the OPM, who administers the plans. Eligibility of employees to participate in FERS or CSRS is based on their hire date with the Federal Government. The USCP contributes a percentage of an employee's basic pay toward the employee's retirement plan. Employee pension benefit contribution rates for fiscal year 2019 are as follows:

Retirement Plan	Category	USCP Contribution
CSRS Rates	Civilian/Sworn	7.50%
FERS Rates Hired Prior to January 1, 2013	Civilian/Sworn	19.10%
FERS - Revised Annuity Rate Hired After December 31, 2012	Civilian Sworn	11.90% 17.30%
FERS - Further Revised Annuity Rate Hired After December 31, 2013	Civilian Sworn	11.90% 17.30%

The Thrift Savings Plan (TSP), is a defined contribution plan for retirement savings and investment for employees covered by FERS or CSRS. For fiscal year 2019, USCP contributed 1% of basic pay and matched participants' TSP contributions up to an additional 4% for FERS employees eligible for TSP. No agency matching contributions are made for employees participating in the 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. The USCP pays the employer's matching share of FICA contributions made for FERS and CSRS offset employees. An additional 1.45% of total pay is contributed toward Medicare on behalf of CSRS employees during fiscal year 2019.

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 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 Fiscal Years Ended September 30, 2019 and 2018

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, 2019 and 2018, an intragovernmental liability of \$4,836,941 and \$4,734,556, 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 \$53,182,374 and \$52,045,313 as of September 30, 2019 and 2018 respectively, which is expected to be paid in future periods.

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). 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:

Imputed Cost	Agency	2019	2018
USCP Occupied Buildings and Grounds	Architect of the Capitol	\$18,217,014	\$17,841,475
FLETC & Practical Applications Center	Department of Homeland Security	6,092,906	13,324,741
Future Benefits Payments	Office of Personnel Management	27,931,239	24,859,326
		\$52,241,159	\$56,025,542

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 14. 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 USCP has identified the following amount of budgetary resources obligated for undelivered orders as of September 30:

	2019	2018
Federal	\$1,669,626	\$1,770,479
Non Federal	<u>38,246,805</u>	<u>27,265,199</u>
Total Undelivered Orders	<u>\$39,916,431</u>	<u>\$29,035,678</u>

NOTE 15. 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 SFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFAS No. 12, *Recognition of Contingent Liabilities from Litigation*. As of September 30, USCP has the following legal contingencies as illustrated below:

Legal Contingencies	2019	
	Accrued Liabilities	Estimated Loss
Probable	\$2,085,840	\$2,085,840
Reasonably Possible		5,515,121
Total	<u>\$2,085,840</u>	<u>\$7,600,961</u>

Legal Contingencies	2018	
	Accrued Liabilities	Estimated Loss
Probable	\$0	\$0
Reasonably Possible		1,882,873
Total	<u>\$0</u>	<u>\$1,882,873</u>

UNITED STATES CAPITOL POLICE
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018

NOTE 16. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The USCP has prior period recoveries, including adjustments to unpaid orders and refunds of paid orders (both delivered and undelivered). The USCP has recorded the following amounts in net adjustments to unobligated balance, brought forward, October 1, as of September 30:

	2019	2018
Unobligated Balance, Brought Forward	\$32,838,602	\$27,740,371
Net Adjustments	5,265,389	851,783
Unobligated Balance From Prior Year Budget Authority, Net	\$38,103,991	\$28,592,154

NOTE 17. BUDGET AND ACCRUAL RECONCILIATION

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. The section entitled Components of Net Operating Cost Not Part of the Net Outlays reflects the allocation of assets to expenses over more than one reporting period and the temporary timing differences between outlays and receipts and operating expenses and revenue during the period. The section entitled Components of Net Outlays Not Part of Net Cost reflects amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the Balance Sheet. Net Cost of Operations and Net Outlays are also reported on the Statement of Net Cost and the Statement of Budgetary Resources, respectively.

UNITED STATES CAPITOL POLICE
 Notes to the Financial Statements
 For the Fiscal Years Ended September 30, 2019 and 2018

BUDGET AND ACCRUAL RECONCILIATION

	Intragovernmental	With the Public	Total 2019
Net Operating Cost (SNC)	\$54,022,134	\$441,593,470	\$495,615,604
Components of Net Operating Cost Not Part of the Net Outlays			
Property, Plant, and Equipment Depreciation	(11,367,535)	(11,367,535)	
Property, Plant, and Equipment Disposal & Revaluation	(3,186)	(3,186)	
Increase/(Decrease) in Assets:			
Accounts Receivable	255,669	243,447	499,116
Accrued Capital Assets	-	260,476	260,476
Other Assets	19,527		19,527
(Increase)/Decrease in Liabilities Not Affecting Net Outlays:			
Accounts Payable and Liability from Advances	442,629	(582,468)	(139,839)
Salaries and Benefits	(102,385)	1,249,349	1,146,964
Other Liabilities	-	(4,349,981)	(4,349,981)
Other Financing Sources			
Imputed Costs	(52,241,159)		(52,241,159)
Total Components of Net Operating Cost Not Part of the Net Outlays	(51,625,719)	(14,549,898)	(66,175,617)
Components of the Net Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	6,720,833	6,720,833	
Total Components of the Net Outlays That Are Not Part of Net Operating Cost	6,720,833	6,720,833	
Net Outlays	\$2,396,415	\$433,764,405	\$436,160,820
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net (SBR)			\$436,160,820



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



WASHINGTON, DC 20003

OFFICE OF INSPECTOR GENERAL

To: The United States Capitol Police Board

Independent Auditor's Report

Report on Internal Control over Financial Reporting

We have audited the United States Capitol Police's (USCP or Department) internal control over financial reporting as of September 30, 2019 and 2018, based on criteria established under United States (U.S.) Government Accountability Office (GAO) GAO-14-704G, *Standards for Internal Control in the Federal Government*, dated September 2014.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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 accounting principles generally accepted in the U.S. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., 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 assessment 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.

Basis for Adverse Opinion

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. The following material weakness has been identified.

USCP did not consistently comply with certain Time and Attendance (T&A) processes (bi-weekly timesheet certification and time clock usage), to ensure payroll is processed with approved and authorized documentation.

Adverse Opinion

In our opinion, because of the effect of the material weakness 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, 2019, based on GAO *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.

Report on Financial Statements

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, 2019, 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 13, 2019, which expressed an unmodified opinion on the financial statements.

Other Reporting Required by *Government Auditing Standards*

We have also issued a report on our tests of USCP's compliance with certain provisions of laws, regulations, and contracts. The purpose of our report on compliance is to describe the scope and results of our testing of compliance with certain provisions of laws, regulations, and contracts, 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 Exhibit A. The USCP 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 4, 2018. Exhibit B provides a discussion on the status of prior year findings and recommendations.

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



Jacob T. Powell, CPA, CFE, CISA
Assistant Inspector General for Audits

December 13, 2019
Washington, D.C.

**Summary of Internal Control Weaknesses
Fiscal Year 2019 Examination of Effectiveness of
Internal Control over Financial Reporting
United States Capitol Police**

In performing the September 30, 2019 Fiscal Year (FY) 2019 audit of the effectiveness of USCP internal control over financial reporting, we identified one material weakness.

We also examined the findings and recommendations reported in the FY 2018 audit report and have included in this report as Exhibit B the status of those findings and recommendations as of September 30, 2019. We reported 2 findings in the FY 2018 audit (OIG-2019-04). During our audit of the FY 2019 financial statements, we repeated 2 findings and recommendations related to payroll.

Below is a brief summary of the FY 2019 and the status of FY 2018 control deficiencies (also referred herein as findings):

The Office of Human Resources (OHR) made limited progress toward correcting payroll related findings. For the two (2) findings open in FY 2018, both were repeated in FY 2019. We concluded that the repeated OHR payroll findings constitute a material weakness.

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 2019 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 (T&A) to NFC and is responsible for maintaining pay and leave records and documents that support pay, pay rates and deductions. USCP did not consistently comply with certain T&A processes (certification reports and time clock usage), to ensure payroll is processed with approved and authorized documentation.

The Office of Human Resources (OHR) made limited progress toward implementing payroll related recommendations. Both findings from Fiscal Year (FY) 2018 were repeated in FY 2019. As noted in prior years, auditors reported a payroll control deficiency since FY 1999; similar findings existed as of September 30, 2019. We concluded that payroll related findings, as an aggregate, is a material weakness.

The following tables describe the findings and recommendations of the FY 2019 audit:

1. Employee and/or Supervisor's Failure to Attest or Approve Bi-Weekly Timesheets Timely (Repeat Finding) (Prior Year Finding 1.1)

During FY 2019 employees did not consistently attest to their time in [REDACTED]. Additionally, supervisors did not consistently certify timesheets for their employees in [REDACTED]. The current guidance, USCP [REDACTED] dated April 9, 2019, states that final attestation and certification of T&A data must be completed by no later than close of business (COB) on the Monday after the processing pay period ends. The directive requires that the employees attest to their own time and requires supervisors to certify timesheets on a bi-weekly basis.

Using [REDACTED] data retrieved by the [REDACTED] reporting tool from October 1, 2018 to September 28, 2019, there were 765,545 instances where an employee and supervisor should have attested to and certified time. The [REDACTED] reports show employee attestation and supervisory approval data for each employee throughout the entire year. On a day-to-day basis, the reports

Exhibit A
FY 2019 Internal Control Deficiencies/Findings

Material Weakness

show each employee's bureau, team, date worked, if they attested to their time, and if the supervisor certified the employee's time.

Employees did not attest to their time in 13,535 instances, a noncompliance rate of 1.77%. This is an increase from the 9,851 missing attestation count for FY 2018. Noncompliance increased from 1.13% Department wide in FY 2018 to 1.77% for FY 2019.

In addition, supervisors did not certify timesheets in 79,158 instances, a noncompliance rate of 10.34%. This is an increase from FY 2018's noncompliance count of 39,113. The Department's overall increase in noncompliance for supervisory certification of timesheets is 5.85%.

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

Recommendation 1: We recommend that the United States Capitol Police (USCP or the Department) should continue its effort to enforce its Time and Attendance (T&A) policies and procedures to ensure consistency throughout the Department. In addition, USCP should continue to strongly encourage compliance by using performance standards, milestones, and evaluations criteria that 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 T&A policies and procedures.

Status of Finding and Recommendations: Repeat – No Progress	Management Response: Concur. The CAO and ACOPs have communicated with their subordinates on multiple occasions stressing their role in ensuring compliance. However, the Department is considering different measures of performance evaluation criteria and escalating discipline to ensure full certification accountability. The Executive Team will be actively monitoring weekly supervisory compliance and in follow up to the November 7, 2019, Department issued Bulletin [REDACTED] [REDACTED] more Department-wide and individual messages will be communicated to further stress the importance of compliance.
---	--

Exhibit A
FY 2019 Internal Control Deficiencies/Findings

Material Weakness

2. Noncompliance with Employee Clock Usage Policy (Repeat Finding) (Prior Year Finding 1.2)

Employees did not fully comply with USCP Directive, [REDACTED], dated April 4, 2019, as it relates to clock usage.

OHR provided a report showing missing or no swipes (No Swipe Report) that reported 74,878 missing or no swipes related to 1,949 employees for our 9-month test period. The No Swipe Report included the field "Comments" for personnel to enter explanations related to their timesheet. The No Swipe Report also included a field labeled "Reason" related to these missing swipes. Of the 74,878 missing swipes, 60,037 did not have a reason. Of the 60,037 missing swipes with no reason, 51,175 also did not have a comment provided.

From the sample of 45 employees, 39 employees had a total of 2,907 missing or no swipes. Reasons related to the missing swipes were: (1) forgot badge – 8, (2) forgot to swipe – 54, (3) misdirection – 35, (4) technical difficulty – 99, and most importantly (5) no reason provided – 2,711. Of the 2,711 missing swipes with no reason, 2,643 also did not have a comment provided.

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

Recommendation 2: We recommend the United States Capitol Police modify the time sheet approval policy to include a sentence that explicitly refers to missing swipes: "Supervisors are required to verify and approve the time sheet for missing swipes daily."

Recommendation 3: We recommend the United States Capitol Police (USCP) provide training to educate employees regarding Office of Human Resources policies and procedures including:

- (a) the importance of clock swiping and identify it as part of their performance metrics in terms of being compliant with USCP policies; 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.

Status of Finding and Recommendations: Repeat Finding – Limited Progress	Management Response: Concur. On November 7, 2019, the Department issued Bulletin [REDACTED] [REDACTED]. The bulletin specified that detailed instructions on how to use the time clocks are posted at each time clock location. It further stated that anyone
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Exhibit A
FY 2019 Internal Control Deficiencies/Findings

Material Weakness

	<p>who requires assistance utilizing the time clocks can contact OHR for assistance. More Department-wide and individual supervisor messages will be communicated to better educate the workforce and further stress the importance of compliance.</p> <p>Additionally, the Department is considering different measures of performance evaluation criteria and escalating discipline for supervisors to ensure full accountability of their subordinates' compliance with current swiping requirements and policies.</p>
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Exhibit B
Status of Control Deficiencies Reported in FY 2018 Independent Auditor's Report

We reviewed the status of Fiscal Year (FY) 2018 (prior year) control deficiencies/findings, as part of our FY 2019 financial statements audit. The status is summarized in the table 1.

We used the following three levels to determine the status of the FY 2018 findings:

- Closed – the condition(s) in the finding was (were) not identified in FY 2019.
- Open – the condition(s) in the finding remain(s) the same in FY 2019.
- Open/Modified – one or more conditions in the finding have changed in FY 2019.

In addition, for those findings whose status is classified as Repeat Finding Open in FY 2019, we further classified the finding as a material weakness (MW), a significant deficiency (SD) or a management letter comment (MLC).

Table 1. Status of Findings and Recommendations

FY 2018 Finding No.	FY 2018 Rec. ³ No.	FY 2018 Control Deficiency	Year Reported/ Reported as	FY 2019 Finding Status	FY 2019 Rec. Status
1.1 MW	1	Employee and/or Supervisor's Failure to Attest or Approve Bi-Weekly Timesheets Timely	2008-2018/MW	Repeat Finding Open – Reported as MW 1.1	1. Open
1.2 MW	2 3 4	Noncompliance with Employee Clock Usage Policy	2008-2018/MW	Repeat Finding Open – Reported as MW 1.2	2. Open 3. Open 4. Closed

Source: OIG generated.

³ Rec. – Recommendation.



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



WASHINGTON, DC 20003

OFFICE OF INSPECTOR GENERAL

To: The United States Capitol Police Board

Independent Auditor's Report

Compliance with Laws, Regulations, and Contracts

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, 2019, and have issued our report thereon dated December 13, 2019.

In connection with our audit, we performed tests of USCP's compliance with certain provisions of laws, regulations, and contracts applicable to USCP noncompliance with which could have a direct and material effect on the financial statement amounts. The results of our tests for the year ended September 30, 2019 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, and contracts.

Auditor's Responsibilities

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

We did not test compliance with all laws, regulations, and contracts applicable to USCP. We limited our tests of compliance to certain provisions of laws, regulations, and contracts 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.

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

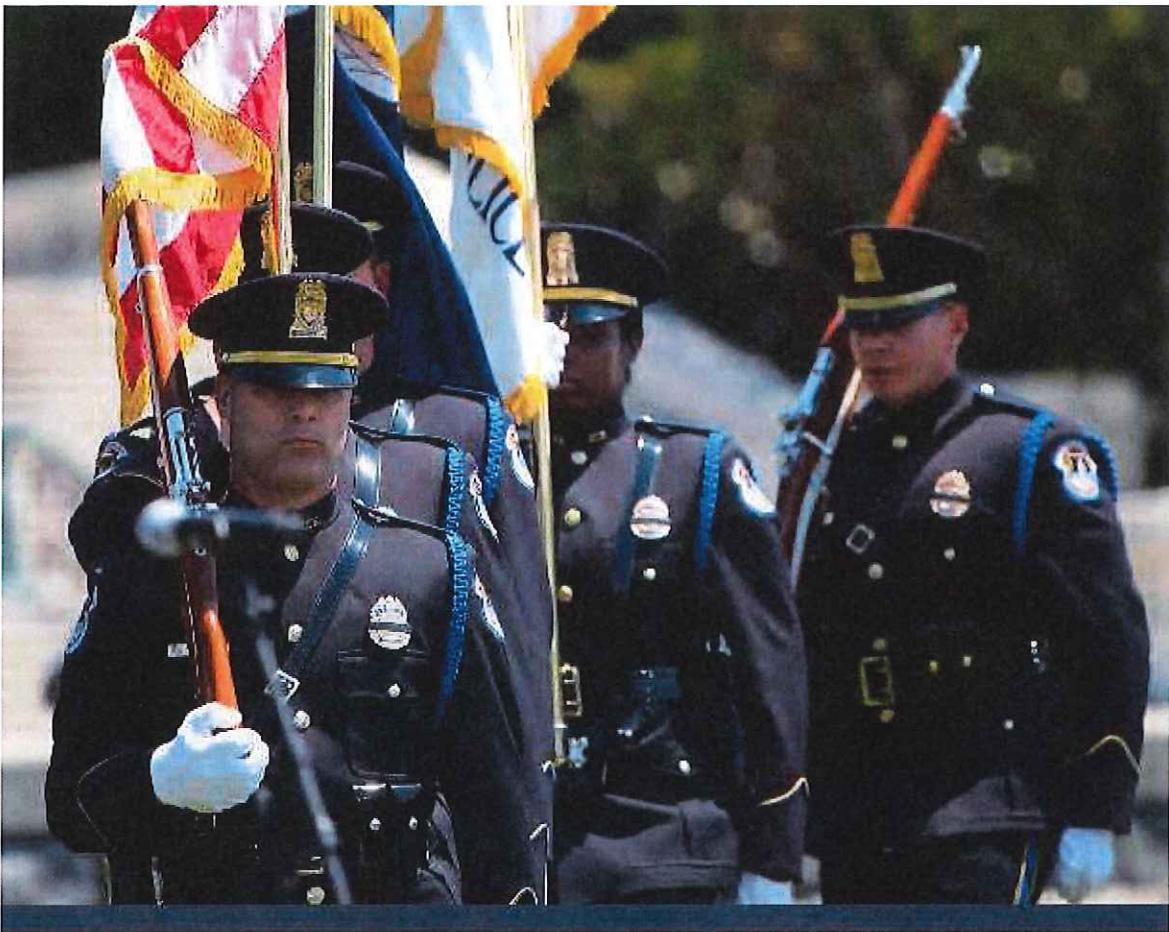


Jacob T. Powell, CPA, CFE, CISA
Assistant Inspector General for Audits

December 13, 2019
Washington, DC



UNITED STATES CAPITOL POLICE
Management's Discussion and Analysis



UNITED STATES CAPITOL POLICE
Management Discussion and Analysis
Fiscal Year 2019



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THE UNITED STATES CAPITOL POLICE MISSION, VISION 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 protecting Members of Congress, staff, visitors, and the entire Capitol Complex, which includes the U.S. House and Senate Office Buildings, Capitol Visitor Center, U.S. Botanic Garden, Library of Congress, 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, as well as Congressional oversight from appropriation and authorization committees in both the U.S. House of Representatives and U.S. Senate.

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 USCP 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 WE ARE ORGANIZED

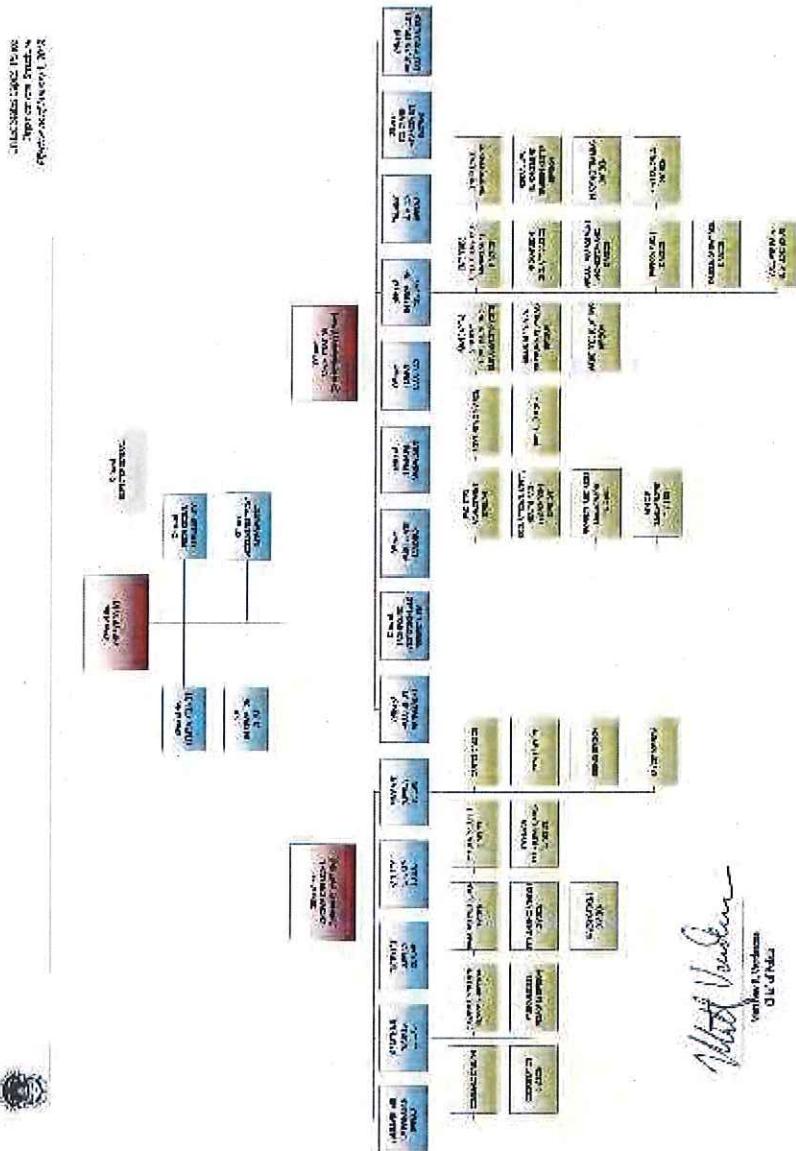
The USCP aligns its management functions into an operations and administrative structure. The operations structure carries out the law enforcement/security activities of the Department, and the administrative structure provides business processes/administrative support to the Department.

In Fiscal Year (FY) 2019, the operations side of the Department was led by the Assistant Chief of Police and was comprised of five Bureaus: Command and Coordination Bureau; Operational Services Bureau; Protective Services Bureau; Security Services Bureau; and Uniformed Services Bureau.

The administrative side of the Department was led by the Chief Administrative Officer and was comprised of eight Offices and one Bureau: Office of Acquisition Management; Office of Background Investigations and Credentialing; Office of Facilities and Logistics; Office of Financial Management; Office of Human Resources; Office of Information Systems; Office of Inclusion, Diversity, Equity and Action; Office of Policy and Management Systems; and the Training Services Bureau.

Outside of the operations and administrative hierarchy are the Office of the General Counsel; Office of Accountability and Improvement; Office of Professional Responsibility; and the 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



Note: The OGC is independent and reports to the Capitol Police Board.

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 over 2,250 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 2019, the USCP continued work on its performance management system by identifying performance measures for over 97 percent of USCP Programs, which is an increase from 95 percent reported in FY 2018. In FY 2017, the Department published a new policy for verifying and validating performance data statistics. Continuing to build on this success in FY 2019, the Data Working Group (DWG) which consists of personnel from across the operational and administrative elements kicked off its review of new program performance measures. The DWG ensures agency data and/or statistics are correctly utilized and validated as accurate and complete. As we transition into FY 2020, the Department will continue to strengthen its performance management system by increasing program accountability through established processes that help program managers set performance targets, monitor and track progress, and address gaps to achieve desired outcomes.

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 and based on meeting operational needs. Through this process, the USCP sets timetables and accountability standards for planning resource requirements, and engages in high level managerial communication with an integrated peer team approach to support and evaluate program goals and viability.

In FY 2015, the USCP published its FY 2015-2019 Strategic Plan. In FY 2016, the USCP began to establish a performance management framework that supports the Department in obtaining the strategies and objectives outlined in the strategic plan. This work continued into FY 2017 and FY 2018 as the Department worked to establish programmatic performance measures and report quarterly progress towards implementing key initiatives in support of our strategic plan.

Transitioning into FY 2020 the Department is drafting its new strategic plan for FY 2020-2024. In FY 2019 the Department assessed progress made towards implementing the FY 2015-2019 Strategic Plan which includes a status on successfully completed activities and initiatives supporting the following strategic outcome areas:

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, staff, and the public 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 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 Department builds upon progress in improving our programs and developing new strategic priorities, some measures may be removed and new ones developed.

FY 2019 results indicate that the 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 [REDACTED] Vulnerability Assessments Conducted 117 Security Awareness Briefings

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 771 Special Events Conducted 196,785 K-9 sweeps Conducted 12,115 bomb sweeps Screened 38,556 delivery vehicles off-site Conducted 33,407 hazardous material inspections of delivery vehicles Screened 1,787,367 visitors at the Capitol Visitor Center (CVC) Screened 9,101,321 persons at Capitol Hill building entrances and interior check points Prepared notifications for 11 POTUS visits Prepared notifications for 59 VPOTUS visits Prepared notifications for 106 Heads of State visits Prepared 3,501 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 [REDACTED] suspicious package reports</p> <p>Responded to [REDACTED]</p> <p>Processed 1,660 arrests</p> <p>Conducted 2,465 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>	<p>Hired 42 Civilian Employees</p> <p>Hired 96 Sworn Personnel</p> <p>Processed 24 Civilian Employees Separations</p> <p>Processed 104 Sworn Personnel Separations</p> <p>Maintained 99.81% Information Technology Server Uptime</p> <p>Maintained 97.39% Primary Fleet Readiness</p> <p>Maintained 95.20% Motorcycles Fleet Readiness</p> <p>Maintained 98.71% Equipment Fleet Readiness</p> <p>Maintained 89.36% Special Operations Fleet Readiness</p>

ANALYSIS OF FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of the Department in accordance with the accounting principles generally accepted in the United States of America, prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The following information provides highlights of the Department's financial position and results of operations in FY 2019. 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, 2019, shows \$201M in total assets, an increase of \$14M over the previous year's total assets of \$187M. Although the Department's Fund Balance with the U.S. Treasury was \$18M more than in FY 2018, primarily related to the increase in Appropriations from FY 2018 to FY 2019, General Property, Plant and Equipment was approximately \$4.4M less than in FY 2018.

Liabilities: Total Department liabilities were \$111M as of September 30, 2019, an increase of \$4M (4 percent) over the previous year's total liabilities of \$107M. Contingent Liabilities of \$2M for FY 2019 that did not exist in FY 2018 is the substantial reason for the increase.

Net Position: The Department's total net position as of September 30, 2019 was \$90M, an increase of \$10.8M over the previous year's net position of \$79.6M, primarily related to the aforementioned increase in appropriations.

Budgetary Resources: The Department's FY 2019 Combined Statement of Budgetary Resources shows \$502M in total budgetary resources, an increase of \$43M (9 percent) from the previous year's total budgetary resources of \$459M.

Net Outlays: The Department's FY 2019 Combined Statement of Budgetary Resources shows \$436M in net outlays, an increase of \$17M (4 percent) over the previous year's total net outlays of \$419M.

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 \$496M for the year ended September 30, 2019, an increase of \$14M (3 percent) over the previous year's net cost of operations of \$482M.

Our budget consists of annual appropriations that fund 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 employee recognition program, postage, communication services,

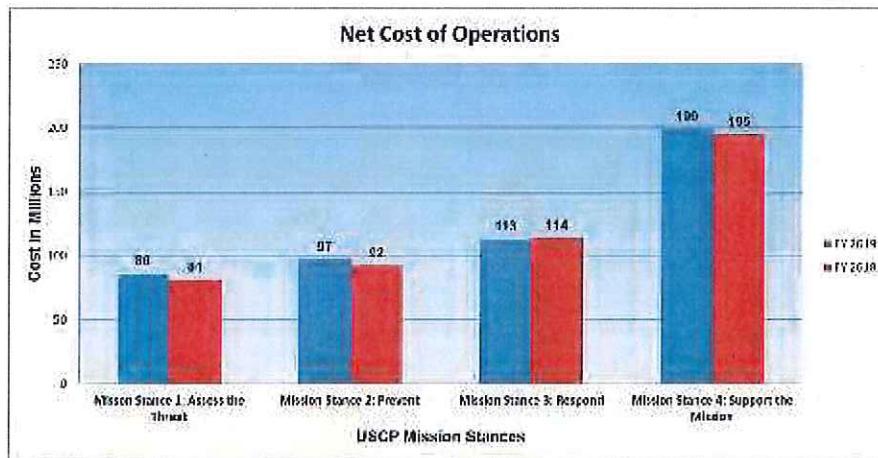
travel, and relocation of instructor and liaison personnel for the Federal Law Enforcement Training Center. Our annual appropriation for FY 2019 was \$456M.

In FY 2019, our total assets were \$201M, consisting mostly of Fund Balance with Treasury followed by our property, plant and equipment. Total liabilities of \$111M were comprised primarily of Worker's Compensation (FECA) liability, accrued employees' salaries and benefits, annual and compensatory leave, and accounts payable to the public.

The net cost of operating the USCP during FY 2019 and FY 2018 was approximately \$496M and \$482M, respectively. Overall, our net cost of operations increased by \$14M, due primarily to increased payroll and benefits. We report net cost of operations according to our four mission stances, consistent with our strategic plan. Table 1 shows how our FY 2019 and FY 2018 costs break down by each mission stance.

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

	FY 2019	FY 2018	% Change
Total Assets	201	187	7%
Total Liabilities	111	107	4%
Appropriations			
Salaries	375	352	7%
General Expenses	81	75	8%
Total Annual Appropriations	456	427	7%
Total Budgetary Resources	502	459	9%
Total Outlays	436	419	4%
Net Cost of Operations			
Mission Stance 1: Assess the Threat	86	81	6%
Mission Stance 2: Prevent	97	92	6%
Mission Stance 3: Respond	113	114	(1%)
Mission Stance 4: Support the Mission	199	195	2%
Total Net Cost of Operations	496	482	3%



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 USCP, 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.

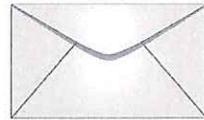
Call us at 202-593-3868 or toll-free at 866-906-2446. A confidential or anonymous message can be left 24 hours a day/7 days a week.



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 20003*



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.

