



UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

Management Letter Related to the Audit of the United States Capitol Police's Fiscal Years 2020 and 2019 Financial Statements

Report Number OIG-2021-03

December 2020

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UNITED STATES CAPITOL POLICE

WASHINGTON, DC 20510

December 11, 2020

OFFICE OF INSPECTOR GENERAL

MEMORANDUM

TO: Steven A. Sund
Chief of Police

FROM: Michael A. Bolton 
Inspector General

SUBJECT: *Management Letter (Report No. OIG-2021-03) Related to the Audit of the United States Capitol Police's Fiscal Year 2020 Financial Statements (Report No. OIG-2021-02)*

We have attached the subject report for your review and action. This management letter discusses a number of internal control deficiencies identified during the audit of the financial statements. The Office of Inspector General (OIG) considers these control deficiencies important enough to merit management's attention, and if addressed, could enhance the efficiency and effectiveness of internal controls.

These deficiencies, although of concern, did not rise to the level necessary to be included in the report on the financial statement audit. OIG included your comments related to the Notice of Findings and Recommendations (NFRs). Department management did not have any additional comments beyond those that they provided on NFRs matrix during the audit. Therefore, we have incorporated management responses received in the NFRs matrix in the management letter.

Since we made and reported these comments in a management letter rather than within a material weakness or significant deficiency framework, OIG will not track these recommendations through our formal compliance process. However, we will evaluate compliance during our future audits of the Department financial statements.

I would like to express my appreciation for the cooperation and assistance provided by the Department during this effort. If you have any questions regarding this report, please contact me on  or have your staff contact Jacob Powell on .

Attachment: As stated.

cc: Ms. Sally Wood, Chief of Staff
Assistant Chief Chad B. Thomas, Uniformed Operations
Assistant Chief Yogananda D. Pittman, Protective and Intelligence Operations
Mr. Richard Braddock, Chief Administrative Officer
[REDACTED] Audit Liaison

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Abbreviations and Acronyms

Corrective Action Plan	CAP
Construction in Progress	CIP
Fiscal Year	FY
Management Letter Comment	MLC
Notice of Findings and Recommendations	NFR
National Institute of Standards and Technology	NIST
Office of Financial Management	OFM
Office of Inspector General	OIG
Office of Information Systems	OIS
<i>Purchase Card Holder/Approving Official Certification Report Form</i>	Certification Report Form
Significant Deficiency	SD
Standard Operating Procedure	SOP
Special Publication	SP
United States Capitol Police	USCP or the Department

Introduction

In planning and performing our audit of the financial statements of the United States Capitol Police (USCP or the Department) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered USCP's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements and on internal control over financial reporting.

The Office of Inspector General (OIG) previously issued our opinions on USCP financial statements and internal control over financial reporting as of September 30, 2020 and 2019 in our *Independent Auditor's Report* dated December 11, 2020, (Report No. OIG-2021-02), in which we communicated an unmodified opinion on internal control over financial reporting, but did identify one significant deficiency (SD) concerning payroll. However, during our audit the OIG became aware of control deficiencies other than the SD, which provide opportunities to strengthen USCP internal controls and improve the efficiency of your operations. This communication does not affect our *Independent Auditor's Report*, dated December 11, 2020.

While the nature and magnitude of these other deficiencies in internal control were not considered important enough to merit the attention of those charged with governance, they are considered of sufficient importance to merit management's attention.

OIG provided USCP management a Notice of Findings and Recommendations (NFR) matrix with 5 findings related to the Fiscal Year (FY) 2020 financial statements audit. A finding is a written communication to management of an issue identified during the audit. We categorized a finding or a combination of findings as a material weakness, a SD, or a management letter comment (MLC). We have included one finding categorized as an SD in our separate report titled *Independent Auditor's Report on Internal Control over Financial Reporting* dated December 11, 2020. We categorized 1 of 5 findings in the NFR matrix as an SD, and four as MLCs. USCP's *Management Letter Related to the Audit of the United States Capitol Police's Fiscal Years 2019 and 2018 Financial Statements* (Report No. OIG-2020-05) identified seven MLCs. We closed three of the previously reported MLCs, and modified four comments. OIG made no new findings during the FY 2020 financial statement audit.

Management Letter Comments

MLC 1: Construction in Progress (CIP) **(Modified Repeat Comment)**

In response to the Office of Inspector General (OIG)'s fiscal year (FY) 2019 CIP finding, the United States Capitol Police (USCP or the Department) indicated they developed and implemented a Corrective Action Plan (CAP) as of May 31, 2020, to identify and recognize CIP as expenses are incurred. The Department's process includes personnel from the Office of Financial Management (OFM) communicating with project leads in program offices on a monthly basis to verify when expenses are incurred for capital projects. OFM then makes accounting entries as necessary to recognize CIP costs as a result of their communications with program offices.

As of June 30, 2020, USCP had recorded 12 CIP additions, and OIG performed testing on all 12 additions. Due to the implementation of the CAP, OFM identified a number of prior year expenses that should have previously been recognized as CIP. 3 of the 12 CIP additions included invoiced amounts that should have been recorded in FYs prior to FY 2020. In total, \$594,030 of CIP additions which should have been recorded in FYs 2017 – 2019 were not recorded until FY 2020.

Although there has been notable progress since the FY 2019 audit, the documentation provided by OFM did not always include communication and clear documentation supporting CIP transactions. OIG reviewed the Department's new procedures for reviewing and verifying CIP, which state that OFM researches CIP projects, communicates with appropriate program offices to verify amounts, and obtains and attaches supporting documentation to CIP transactions when they are recorded in [REDACTED]. While documentation existed at a high level, it was not always readily available to support specific CIP transactions at the time of our testing. For example, during our testing of CIP additions, OFM personnel were not always able to direct OIG personnel to where specific amounts from CIP accounting entries could be located within the supporting documentation. In addition, documentation which could have supported CIP transactions, such as complete vendor invoices, were not always attached to the CIP transaction in [REDACTED]. Controls should be strengthened to ensure documentation is maintained to demonstrate that OFM reviews and scrutinizes responses from project leads and program offices.

The Government Accountability Office's *Standards for Internal Control in the Federal Government*, dated September 2014, states that, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination...Documentation and records are properly managed and maintained."

The Department developed a process for identifying expenses that should be recognized as CIP prior to formal billing by vendors and/or finalization of CIP projects by program offices.

However, as this process was only put into place in FY 2020, prior year expenses that should have been accrued as CIP in their respective years were not identified until FY 2020.

In addition, the process that the Department developed to address the FY 2019 control deficiency did not explicitly impose any specific requirements for documenting OFM's review and verification or CIP amounts reported by the program offices.

Without such processes, the Department risks materially misstating their financial statements. Due to USCP not recognizing these purchases as CIP in a timely manner, the Property, Plant, and Equipment line on the Balance Sheet was understated by \$594,030 as of September 30, 2019, \$66,000 as of September 30, 2018, and \$22,000 as of September 30, 2017.

Additionally, without sufficient, readily available documentation to support CIP transactions, the Department risks reporting incorrect amounts and misstating their financial statements.

Recommendation 1: We recommend that the United States Capitol Police enhance its new procedures over the timely recognition of Construction in Progress (CIP) to include specific requirements for the Office of Financial Management to support CIP entries with adequate, readily available documentation.

Status of Recommendation: Modified Repeat Finding. Some Progress.

Management Response: We concur with the recommendation. OFM will further enhance procedures for support of CIP entries, to include readily noting/highlighting supporting documentation for the totals/amounts recorded.

**MLC 2: Purchase Cards – Certification Report Forms are not Properly Prepared
(Modified Repeat Comment)**

Department internal controls that ensure successful implementation and administration over its Purchase Card Program need continued oversight to ensure compliance with USCP Standard Operating Procedure (SOP) [REDACTED], dated January 5, 2018.

A sample of 30 credit card payments were tested as part of the FY 2020 financial statement audit. Multiple internal control exceptions were noted. For four transactions, the cardholder did not sign and date the *Purchase Card Holder/Approving Official Certification Report Form* (Certification Report Form) within the 7 day required period, indicating untimely completion of the reconciliation of the *Purchase Card Buying Log* (Purchase Log) and Citibank statement. For five transactions, the purchase cardholder-approving official did not properly approve the Certification Report Form within the 9 day required period. For two transactions, the Certification Report Form was not completed at all. For four transactions, the cardholders made a purchase prior to receiving approval on their purchase card request form. These exceptions were all identified in the first quarter of FY 2020, prior to the Office of Acquisition Management

implementing a waiver for some of the purchase card requirements as a result of the change in the operation environment due to the coronavirus pandemic.

The Department's process of monitoring reconciliation packages for timeliness was not operating effectively during FY 2020. Additionally, the Department's process for ensuring that purchase card requests are approved prior to making purchases was not operating effectively during FY 2020. Control weaknesses surrounding the process to monitor the purchase card policies increases the risk of misstatement due to either fraud or error. The untimeliness of the Certification Report Forms creates potential for errors in amounts paid by the Department. Additionally the lack of review by the approving official increases the risk for improper payments. Finally, making purchases prior to approval of purchase card requests increases the risk for improper purchases and put the Department at risk for having purchases that exceed budgetary authority.

Recommendation 2: We recommend the United States Capitol Police enforce the requirements of the Standard Operating Procedure [REDACTED], dated January 5, 2018.

Status of Recommendation: Modified Repeat Finding. Limited Progress.

Management Response: We concur with the recommendation. All of the findings noting incomplete files have been fully addressed/ completed by OAM.

OAM will enforce the requirements identified in Standard Operating Procedure [REDACTED], and Directive [REDACTED], for cardholders who make purchases prior to receiving approval on their purchase card request forms.

OAM will also conduct Refresher Purchase Card Training for all Cardholders and Approving Officials in FY 2021.

MLC 3: [REDACTED] Database Change Control Segregation of Duties Issue (Modified Repeat Comment)

In FY 2020, the Office of Information Systems (OIS) development team for [REDACTED] did not have proper segregation of duties for its [REDACTED] in the [REDACTED] environment. A [REDACTED] held the responsibility to develop and transfer code from [REDACTED] of the [REDACTED] environment.

USCP has implemented capturing of the Windows Event Log for [REDACTED] database servers in the [REDACTED]. With a goal to act as a compensating control to monitor and remediate any [REDACTED] of [REDACTED]. However, [REDACTED]

In order to outline the process and how responsibilities are segmented, OIS established SOP [REDACTED], dated October 6, 2020. The SOP specifies the software development roles and responsibilities of the Enterprise Applications and Management Division Team while performing [REDACTED] application [REDACTED] or system upgrades. However, the SOP was effective as of October 6, 2020 and was not fully evaluated for correcting segregation of duties during FY 2020.

The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, control AC-5 states, "the organization: separates [Assignment: organization-defined duties of individuals]; documents separation of duties of individuals; and defines information system access authorizations to support separation of duties."

Due to the small [REDACTED] development group, inherent separation of duties issues exist. USCP has implemented [REDACTED] on the [REDACTED] servers. However, [REDACTED] privileged database actions and functions exist with adequate monitoring to address compensating controls for segregation of duties concerns. OIS indicated they had planned to add personnel to take the responsibility of code movement; however, that [REDACTED] planned in FY 2020. Without proper segregation of roles within the [REDACTED] of [REDACTED], [REDACTED] of [REDACTED].

Recommendation 3: We recommend that the United States Capitol Police Office of Information Systems implement mitigating controls to [REDACTED] development.

Status of Recommendation: Repeat Finding. Limited Progress.

Management Response: We concur with the recommendation. The Standard Operating Procedure has been published and the OIS-EAMD team will follow the current procedure as published when changes are made to the [REDACTED] application base.

MLC 4: Vulnerability Management Process Needs Improvement (Modified Repeat Comment)

In FY 2020, OIS updated USCP Directive [REDACTED], dated July 23, 2020, and USCP SOP [REDACTED], dated June 3, 2020, reflect achievable remediation timeframes including patching high risk vulnerabilities within [REDACTED], medium risk vulnerabilities within [REDACTED] and low risk vulnerabilities as determined by the Chief Information Officer. However, review of September 2020 Network Device vulnerability scans of [REDACTED] vulnerabilities past the [REDACTED] day patch window. [REDACTED]

NIST SP 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organization*, control RA-5 states, “the organization: Remediate legitimate vulnerabilities [Assignment: organization-defined response times] in accordance with an organizational assessment of risk.”

USCP OIS updated the Patch Management directive and is working towards remediating vulnerabilities within required timeframes. However, vulnerabilities remain outside of the patching window. USCP [REDACTED]

Recommendation 4: We recommend that the United States Capitol Police Office of Information Systems address vulnerabilities in required timeframes or document mitigating controls and acceptance of risk.

Status of Recommendation: Repeat Finding. Limited Progress.

Management Response: We concur with the recommendation. OIS will create a process that will include a strategy for Network maintenance and patching.

FY 2020 Status of Prior Year (FY 2019) Management Letter Comments

OIG reported seven comments in the FY 2019 Management Letter. We closed three of the MLCs, and modified four comments.

FY 2019 Comment No.	Comment	FY 2020 Status
1	[REDACTED] Database Change Control Segregation of Duties Issues	Modified Repeat Comment. See MLC 3.
2	Multifactor Authentication was not Fully Implemented	Closed
3	Purchase Cards – Certification Report Forms are not Properly Prepared	Modified Repeat Comment. See MLC 2.
4	Performance Reports – Not Completed and Returned to the Office of Human Resources	Closed
5	Vulnerability Management Process Needs Improvement	Modified Repeat Comment. See MLC 4.
6	Unliquidated Obligations	Closed
7	Construction in Progress	Modified Repeat Comment. See MLC 1.

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