United States General Accounting Office

GAO

Report to the Subcommittee on Legislative, Committee on Appropriations, House of Representatives

May 2000

UNITED STATES CAPITOL POLICE

1999 Financial Audit Highlights Need to Address Internal Control Weaknesses

GAO

Accountability * Integrity * Reliability

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Abbreviations

NFC	National Finance Center
PwC	PricewaterhouseCoopers
USCP	United States Capitol Police

United States General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-285218

May 15, 2000

The Honorable Charles H. Taylor
Chairman
The Honorable Ed Pastor
Ranking Minority Member
Subcommittee on Legislative
Committee on Appropriations
House of Representatives

In November 1999, you requested a financial audit of the United States Capitol Police (USCP), an assessment of the USCP's accounting and recordkeeping controls over appropriated funds, and the status of USCP's progress in addressing the problems and related recommendations identified in Booz-Allen & Hamilton's January 1999 management review of the USCP.

To satisfy your request, we contracted with the independent public accounting firm of PricewaterhouseCoopers (PwC) to

- assess the effectiveness of the USCP's safeguarding, compliance, and financial reporting controls;
- test the USCP's compliance with selected provisions of laws and regulations;
- audit the USCP's receipt and use of fiscal year 1999 appropriated funds as reflected in a statement of receipts and disbursements prepared on a modified cash basis; and
- follow up on the USCP's actions to respond to Booz-Allen & Hamilton's recommendations.

The contract required that the audit be done in accordance with generally accepted government auditing standards and GAO's financial audit methodology. PwC has completed its audit and issued its final reports. In connection with PwC's audit of the USCP, we reviewed and monitored the audit's progress, including attending key meetings, holding discussions with PwC representatives and USCP management, and reviewing PwC's reports and related working papers.

Background

The 1,511 sworn officers and civilian personnel of the USCP are responsible for protecting and securing the Congress, its members, its staff, and visitors to the Capitol; congressional office buildings; and the surrounding area. The USCP Board, which consists of the Sergeants at Arms of the House of Representatives and Senate and the Architect of the Capitol, provides management direction and oversight. Congressional oversight is provided by the Committee on House Administration, the Senate Committee on Rules and Administration, the Subcommittee on Legislative of the House Committee on Appropriations and the Subcommittee on Legislative Branch of the Senate Committee on Appropriations. The Congress provides the USCP with annual appropriations for salaries and general expenses. In addition, the Congress has recently provided the USCP with two no-year appropriations to be used to improve physical security and make other security enhancements on Capitol Hill. With respect to use of its appropriations, the USCP does not prepare periodic financial reports or statements that present its use of these funds.

Results in Brief

In its audit, PwC found the following.

- USCP's internal control was not effective in ensuring that (1) assets are safeguarded against loss or misappropriation, (2) transactions are executed in accordance with management's authority and with laws and regulations, and (3) there are no material misstatements in the financial reports.
- On three occasions involving its salaries appropriations, the USCP violated the Anti-Deficiency Act, which prohibits an officer or employee of the United States from, among other things, making an expenditure from an appropriation that exceeds the amount available in the appropriation.
- The USCP's combining statement of receipts and disbursements for fiscal year 1999, prepared for purposes of this audit, presents fairly the receipts and disbursements of fiscal year 1999 appropriated funds on a modified cash basis, which is another comprehensive basis of accounting.

In addition, with respect to USCP action on the Booz-Allen & Hamilton 1999 recommendations, PwC obtained from the USCP its response to the recommendations and the status of efforts needed to address them. While

the USCP is in the process of making improvements in response to the previous recommendations, substantial work remains.

PwC's report also includes additional recommendations that are designed to address internal control weaknesses noted during its audit. The USCP management concurs with PwC's findings and conclusions and the thrust of its recommendations.

Ineffective Internal Controls

PwC's audit found, consistent with USCP management's assertion on internal control, that the USCP's internal control, during fiscal year 1999, was ineffective in assuring that assets were properly safeguarded from loss or misappropriation; transactions were executed in accordance with management's authority and with laws and regulations; and transactions were properly recorded, processed, and summarized to permit the preparation of reliable financial and management reports. USCP management based its assertion that internal control was ineffective on control criteria set forth in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.[1] Management concluded that internal control was ineffective because of material weaknesses[2] in USCP policies, procedures, and systems; controls over appropriated funds; and controls over processing and supporting payroll activity. Specifically, PwC found the following.

- USCP's financial and human resource management policies, procedures, and systems were inadequate, incomplete, and contributed to poor financial management and accountability. In addition, where procedures existed, they were not consistently implemented. Also, the USCP's current financial systems were unable to produce basic financial reports needed by management to manage operations effectively.

[1]The Federal Managers' Financial Integrity Act of 1982 requires GAO to issue standards of internal control for the federal government. The standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas of greatest risk of fraud, waste, abuse, and mismanagement. In November 1999, we issued an update of these standards to recognize, among other things, the increased importance of managing human capital and information technology as significant parts of internal control.

[2]A material weakness is a condition in which the design or operation of internal control does not reduce to a relatively low level the risk that losses, noncompliances, or misstatements in amounts that would be material in relation to the financial statement may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

- USCP controls did not allow management to accurately determine the available balance for each of its two salaries appropriations at any given time or to reconcile approved payroll transactions processed by the National Finance Center (NFC) to payment-related information processed by the Treasury. These internal control inadequacies contributed to the USCP authorizing payroll-related disbursements in excess of the amounts available in the appropriations which violated of the Anti-Deficiency Act (as discussed below).
- USCP systems, policies, and procedures did not ensure that payroll activity was properly supported, processed, and controlled. The USCP's outdated systems and control procedures failed to keep up with additional payroll-related requirements associated with managing payroll activities processed by NFC and implementing a significantly more complex pay rate structure. In addition, PwC found that (1) personnel folders did not always contain the documentation needed to support employee payroll deductions, (2) the USCP could not provide all the daily sign-in/sign-out sheets needed to support selected hourly payroll charges, and (3) sign-in/sign-out sheets that were provided did not always contain evidence of supervisory review of the total hours worked as required by USCP procedures.

Anti-Deficiency Act Violations

PwC's compliance tests found that on three occasions, the USCP violated the Anti-Deficiency Act, which prohibits an officer or employee of the United States from, among other things, making an expenditure from an appropriation that exceeds the amount available in the appropriation. Specifically, with respect to the USCP's two fiscal year 1999 salaries appropriations and one of its fiscal year 1998 salaries appropriations, the USCP authorized payroll disbursements in excess of the amounts available in those appropriations. While the deficiencies have subsequently been resolved with approved transfers from other appropriated funds available to the USCP, the violations occurred because the USCP could not accurately and promptly determine the amount of authorized payroll disbursements and the remaining balance in its salaries appropriations.

USCP's Combining Statement

Because the USCP does not prepare traditional financial statements or reports, a combining statement of receipts and disbursements of fiscal year 1999 appropriated funds, on a modified cash basis, was prepared for this audit. The combining statement and explanatory notes were prepared by using records and information maintained by the House of Representatives'

Finance Office, the Senate's Disbursing Office, the NFC, and the USCP. Given the three material weaknesses noted above and the lack of a routine financial reporting function at the USCP, significant time and effort were required to prepare and audit the combining statement and related notes. While, through this effort, PwC was able to complete its audit and conclude that the combining statement was fairly presented, the three material internal control weaknesses demonstrate the substantial difficulty the USCP faces in generating reliable financial information on a recurring timely basis. This impairs the USCP's ability to manage its financial operations effectively and limits effective oversight of the USCP.

Weaknesses Confirm USCP's Fragile Infrastructure

PwC concluded that the internal control and system weaknesses documented during the audit confirm Booz-Allen & Hamilton's 1999 assessment that the USCP's financial management infrastructure was fragile and unlikely to be able to provide adequate service in the future. While efforts are underway to deal with the USCP's system limitations,[3] PwC concluded that the USCP needs to have effective financial management leadership and staff with appropriate knowledge, skills, and abilities to realize the financial management improvements envisioned in Booz-Allen & Hamilton's recommendations.

Follow-up on 1999 Management Review Recommendations

With respect to USCP's actions taken to address the recommendations made in Booz-Allen & Hamilton's 1999 management review of selected USCP administrative operations, PwC inquired with the USCP on the status of the recommendations. Appendix II provides the USCP's response to each recommendation and USCP's actions—planned, underway, or completed—in response to the recommendations. To the extent that USCP's description of actions indicated that action had been taken on individual recommendations, PwC requested and reviewed evidence of the action taken. However, it was beyond the scope of PwC's audit to validate the merits or effectiveness of USCP-reported actions.

[3]The USCP has entered into a cross-servicing agreement with GAO that will enable it to begin processing initially non-payroll transactions through the financial management system maintained by GAO.

PwC's Recommendations

To address the three material weaknesses and the related violations of law, PwC made a series of recommendations to the USCP. Principal among PwC's recommendations are (1) the need to develop and implement comprehensive policies and procedures covering USCP financial operations and performance, including a system of tracking and monitoring the availability and use of all USCP funds, and (2) the need to enforce existing procedures requiring supervisory review and approval of hours worked information prior to authorizing payroll processing.

PwC made additional, overarching recommendations focusing on the fundamental need to build a sound financial management infrastructure. These recommendations call for the USCP to identify and analyze its operational and control requirements applicable to financial operations and its existing financial management resources and capabilities as a basis for developing a financial management improvement plan that

- documents existing financial management resources and capabilities and how they can be applied to meet requirements,
- identifies requirements not being met with existing resources and capabilities, and
- documents the additional resources and capabilities needed to enable the USCP to meet its operational and control requirements consistently.

The USCP management concurs with PwC's findings and conclusions and the thrust of its recommendations.

USCP Comments

The USCP's Management Report on Internal Control[4] and written comments on PwC's draft report reflect the USCP's agreement with PwC's findings and conclusions related to ineffective internal control, material weaknesses, and Anti-Deficiency Act violations. In commenting on PwC's draft report, management stated that PwC's findings and conclusions confirm the inadequacy of the USCP financial management system—a conclusion USCP management noted was reached previously by the USCP in 1997 and Booz-Allen & Hamilton in 1999. Management's Report on

[4]In assessing the USCP's internal control, PwC evaluated management's assertion on internal control effectiveness that is included in the USCP's Management Report on Internal Control. Management's report describes its responsibilities for internal control and its assessment of and conclusion on the effectiveness of the USCP's internal control.

Internal Control and comments on PwC's draft report also noted recent USCP efforts to improve its financial management practices and a commitment—by USCP management and board—to institute measures intended to ensure effective internal control.

However, the USCP's Management Report on Internal Control also noted that additional management and administrative responsibilities taken on by the USCP in recent years have further strained the USCP's fragile financial management infrastructure. In its comments on the draft report, management observed that in the absence of resources needed to fully implement Booz-Allen & Hamilton's recommendations, it was not surprising that PwC's audit revealed material weaknesses and violations of laws. Management expressed its belief that the USCP's inability to implement Booz-Allen & Hamilton's recommendations related, in part, to an inability to obtain congressional approval for proposed increases in financial management staffing levels. In this regard, PwC's overarching recommendations call for the USCP to (1) identify its operational and control requirements, (2) determine how existing resources and capabilities can best be applied to meet those requirements, and (3) to the extent necessary, document any additional resources and capabilities needed to satisfy unmet requirements.

The full text of the USCP's Management Report on Internal Controls is reprinted in appendix I. The USCP's comments on PwC's draft report are reprinted in appendix III.

In connection with PwC's audit, our review and monitoring effort, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on management's assertion on internal control effectiveness or on the USCP's Combining Statement of Receipts and Disbursements—Modified Cash Basis, nor do we conclude on the USCP's compliance with applicable provisions of laws and regulations. PwC is responsible for the attached audit reports and for the conclusions expressed therein. However, our review disclosed no instance in which PwC did not comply, in all material respects, with generally accepted government auditing standards.

This report is a matter of public record and is intended for the use of the members of the Subcommittee on Legislative, House Committee on Appropriations; other members of Congress; USCP management; members

of the USCP Board; and other interested parties. We are sending copies of the report to the USCP Board and Chief. Copies will be made available to others upon request. Should you or your staffs have any questions concerning our review of PwC's audit, please contact me or John Reilly, Assistant Director, on (202) 512-9508.

Linda M. Calbom
Director

Independent Report on Management's Assertion on Internal Control

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1616 North Fort Myer Drive
Arlington VA 22209-3195
Telephone (703) 741 1000
Facsimile (703) 741 1616

Independent Report on Management's Assertion on Internal Control

United States Capitol Police Board:

We have examined management's assertion, included in the accompanying Management Report on Internal Control that, because of the material weaknesses described below, the USCP has not maintained effective internal control over the safeguarding of assets, compliance with laws and regulations, and financial reporting as of September 30, 1999, based on the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. Management is responsible for maintaining effective internal control. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of the internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting; testing and evaluating the design and operating effectiveness of the internal control; and, such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in management's assertion, the following material weaknesses exist in the design or operation of the internal control of the USCP in effect at September 30, 1999:

- The USCP has inadequate and incomplete accounting policies, methods, practices and systems that contributed to poor financial management;
- The USCP has poor funds control which allowed the USCP to overspend its available appropriations; and,
- The USCP lacks policies and procedures to ensure that payroll activity is processed consistently and properly supported.

A material weakness is a condition that precludes the entity's internal control from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. These conditions were considered in determining the nature, timing and extent of our audit tests applied in our audit of the fiscal year 1999 Combining Statement of Receipts and Disbursements – Modified Cash Basis and this report does not affect our report dated April 18, 2000, on this financial statement.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the USCP has not maintained effective internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting, for the year ended September 30, 1999, in accordance with the *Standards for Internal Control in the Federal Government*, issued by the Comptroller of the United States.

PRICEWATERHOUSECOOPERS

This report is intended solely for the information and use of the United States Capitol Police Board, management of the United States Capitol Police, Members of the United States Congress, and the General Accounting Office and is not intended to be, and should not be, used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

April 18, 2000
Arlington, Virginia

Report on Internal Control Weaknesses

Presented below are additional details on the three material weaknesses noted in our report on management's assertion on internal control. This includes example items which contributed to our assessment of the material weakness and their impact on the financial operations of the USCP. Recommendations for addressing the weaknesses are also presented.

In evaluating USCP management's assertion on the effectiveness of internal controls as of September 30, 1999, we identified three material internal control weaknesses. In discussing these weaknesses, USCP officials advised us that increased responsibilities arising from the receipt of the Security Enhancement appropriation and the transfer of USCP payroll processing to the National Finance Center have limited their ability to respond to the recommendations in the Booz-Allen, & Hamilton management review. The USCP officials stated that handling the daily administrative operations have consumed their current administrative resources and they have been working with applicable congressional committees on resource needs. Although evaluating the resources needed to manage and operate the USCP's administrative functions was not within the scope of our work, we believe that having effective financial management leadership and staff with the appropriate knowledge, skills, and abilities is fundamental to realizing the financial management improvements envisioned by the Booz-Allen & Hamilton recommendations.

The USCP has begun to address its existing financial system limitations by entering into a cross-servicing agreement with the General Accounting Office (GAO) to provide added system capabilities. The material weaknesses identified during our audit confirm the continuing fragile nature of the USCP financial management infrastructure discussed in the Booz-Allen, & Hamilton report. To enhance efforts to establish a sound financial management infrastructure and successfully implement the GAO cross-servicing arrangement, we add the following overarching recommendations to the more specific recommendations listed in this report:

- Review and analyze its current financial operations to determine those operational and control requirements that should apply to the USCP (including any new and/or revised requirements that will arise from the USCP efforts to implement the GAO cross-servicing arrangement).

- Develop a financial management improvement plan, which identifies USCP's existing financial management resources and capabilities and documents how they can be applied to meeting specific financial management requirements, and identifies those requirements that can not be met within existing financial management resources and capabilities and documents the additional resources and capabilities needed to enable the USCP to consistently meet these requirements.

The improvement plan should include the nature, timing, and extent of actions that need to be taken (and related resources) and milestones for completing the actions needed to enable the USCP to meet its financial management requirements.

Weakness 1: The USCP has inadequate and incomplete accounting policies, practices, and systems that contributed to poor financial management.

The mission of the USCP is to protect Members of Congress, staff, visitors, and the physical property within the Capitol area. The Financial Management, Human Resource Management, and Information Management Divisions work to support the mission of the USCP and to manage its financial operations. These three groups have traditionally relied upon a rudimentary set of operating procedures and outdated computer systems to manage the financial operations of the USCP. While these procedures and systems may have provided marginal support to management in the past, changes at the USCP during the past two years have overextended the administrative support services of the USCP, and exposed a number of weaknesses in their financial management operations. For example, effective November 8, 1998, the sworn officers became eligible to receive a number of pay differentials which are dependent not only on the day an officer is on-duty, but also the time of day an officer is on-duty. Prior to implementation of these differentials, and the intricate rules governing them, payroll calculations for sworn officers were relatively simple. Another workload change occurred when the USCP negotiated an inter-agency agreement with the National Finance Center (NFC) to process all payroll disbursements on behalf of the USCP. Once the move to NFC was complete, the USCP became responsible for maintaining employment information on each of its employees. The task of maintaining personnel files had previously been the responsibility of the Senate and the House of Representatives. These changes have had a significant impact on the workload of the USCP's support service staff. Other changes impacting the existing workloads of the USCP include the transfer of certain physical security tasks from the Architect of the Capitol and significant appropriation increases for other security enhancements.

The following weaknesses were noted during our audit of the USCP. When viewed as a whole these weaknesses significantly reduce the USCP's ability to adequately manage its finances.

- The Financial Management Division and the Human Resource Management Division lack a comprehensive set of current policies and procedures with which to manage the USCP. Furthermore, the rudimentary procedures, which have been developed, have not been implemented on a consistent basis. Many of the employees to whom we spoke were unaware of existing procedures and therefore were not complying with them. For example, payroll certification reports are circulated to each of the divisions within the USCP prior to payroll disbursements. These reports are distributed to ensure the accuracy of hours worked by USCP employees before the payroll distributions are made. While some divisions comply with these procedures, other divisions simply discarded the certification reports. The lack of documented policies and procedures was noted during a previous review of USCP operations. In response to this previous study, the USCP agreed with the need to develop a comprehensive set of operating policies and procedures, but indicated that limited resources prevented them from developing these standards. Without a comprehensive set of current policies and procedures, which are adhered to by all employees, we believe the USCP will find it increasingly difficult to manage its financial operations.

- Testing completed during our audit indicated that vendor invoices for goods or services provided to the USCP are not paid in a timely manner. Throughout the Federal government, most agencies are either required to, or strive to, pay valid invoices within 30 days. Based on the work we completed, we noted that an average of 59 days elapsed from the time an invoice is received by the USCP Financial Management Division until the invoice is processed to the House of Representatives Office of Finance for payment. A number of factors contribute to the delay in paying vendor invoices. One of the most significant factors contributing to the lengthy period of payment is the fact that the USCP is dependent on a mixture of manual and automated processes to procure goods and services. Current system limitations make it difficult to track the status of outstanding purchases, and the current system will not allow the USCP to track partial payments against open procurements. Thus, several manual systems are being used to track these procurements. In addition, USCP divisions have, on occasion, purchased goods or services without first obtaining a purchase order. When this occurs, Financial Management Division staff spend a significant amount of time researching the invoice to ensure its validity before processing it for payment. Also adding to the delay in making timely payments is the fact that all USCP payments, regardless of the amount, required the approval

of the Chief of Police and the Chairman of the Capitol Police Board. To facilitate vendor payments organizations throughout the Federal government have adopted policies of establishing stepped approval threshold levels based on the dollar value of each vendor payment.

- The financial systems currently in use by the USCP are incapable of producing basic financial reports needed to effectively manage USCP operations. The USCP does not have adequate systems capable of tracking all obligations, fund balances, accounts payable, general and security-related expenses, and payroll expense. Instead, the USCP has tried to manage its financial operations using a series of manual and non-integrated systems. The use of non-integrated systems and USCP's reliance on manual operations to keep track of expenditures, makes it is difficult for the USCP to monitor its financial activity. For example, during our audit, we asked the USCP to provide us with a systems report detailing all outstanding general expense obligations as of September 30, 1999. Financial Management Division staff informed us that its existing system could have produced this type of report on September 30, 1999; however, it would not be possible to produce this type report as of September 30, after that date had passed. Furthermore, existing systems and reporting limitations prevented the USCP from providing us with any reports that contained the detail data needed to accurately reconcile the various components of payroll expense (i.e., regular pay, overtime pay, other pay, benefit expense, etc.) to the payroll amounts processed by the U.S. Treasury on behalf of the USCP. Without the ability to run these basic financial reports, USCP management is unable to monitor its operations, or to analyze unusual operating anomalies.

  In a previous management review, the USCP management acknowledged the weaknesses with its existing systems, and indicated that it was pursuing a cross-servicing agreement for financial services with the General Accounting Office (GAO) which uses American Management Systems' (AMS) Federal Financial System (FFS). Per discussion with GAO, the cross-servicing agreement will be phased in over an extended period. Initially, only non-payroll expenses incurred by the USCP will be processed through GAO's financial management systems beginning October 1, 2000. Payroll expenses, which comprise over 95 percent of USCP's current expenditures, will not be processed through FFS until a later phase of the cross-servicing agreement. Therefore, the full benefits of this cross-servicing agreement are not planned to be realized in the near future, and the length of time needed to fully implement the agreement is dependent on a number of factors including the USCP's ability to effectively support the cross-servicing agreement. In our opinion, unless the USCP can develop and implement a comprehensive set of policies and procedures to manage its financial operations, the full benefits of this cross-servicing agreement may never be realized.

Recommendations:

1. The USCP needs to develop and implement policies and procedures covering all matters which impact the financial performance of the USCP. Steps should be taken to ensure that the developed policies and procedures are implemented consistently throughout the USCP, and that training is provided to all employees to ensure that they are aware of the stated policies.

2. The USCP needs to adopt an efficient and effective way to automate procurement of goods and services. The system used to automate the procurement of goods and services should be capable of interfacing with FFS.

3. The USCP should implement strict enforcement standards to ensure that divisions and employees submit vendor invoices/expense reports in a timely manner. Furthermore, we recommend that the USCP work with the appropriate oversight Committee to establish approval thresholds for expense disbursements.

4. The USCP should ensure that procedures are developed and implemented which will enable the USCP to enter accurate, complete, and timely financial data into FFS, and to reconcile and monitor all financial operations on an on-going basis.

5. The USCP should ensure that financial management reports produced by FFS will allow the USCP to adequately manage its own operations. If customized reports are needed by the USCP to manage its

operations, then the USCP needs to ensure that provisions are established in the cross-servicing agreement to have the customized management reports produced.

Weakness 2: The USCP has poor funds control which allowed the USCP to overspend its available appropriations

The USCP received multiple appropriations during fiscal year 1999 to cover its payroll and operational expenses for the fiscal period and for long-term security enhancements. As is the case for other Federal entities, the U.S. Department of Treasury is actually responsible for issuing checks from these appropriations. The information used by Treasury to issue the check payments is generated by the USCP and transmitted to the Treasury by one of the USCP's disbursing agents. Historically, the U.S. Senate Disbursing Office (SDO) has been responsible for transmitting payment data to Treasury related to the USCP payroll funded by the U.S. Senate. Likewise, the U.S. House of Representatives Office of Finance (HOF) has been responsible for transmitting payment data to Treasury related to the USCP payroll funded by the U.S. House of Representatives. The HOF has also been responsible for transmitting payment data related to the USCP general expense and security-related appropriations to Treasury on behalf of the USCP. During 1998, the National Finance Center (NFC) became responsible for transmitting all payroll disbursement information for the USCP to Treasury. Once the transition to NFC was completed, NFC became the sole processor of information for all payroll payments, while the HOF has continued to process information related to general expenses and Security Enhancements. This arrangement complicates the funds tracking and reconciliation process; however, these processes are manageable with the proper monitoring controls.

While the USCP has tried to develop controls to monitor payroll related expenses, the payroll related controls do not allow the USCP to determine the remaining balance of each of its payroll appropriations at any given point in time. Furthermore, the USCP has not developed or implemented any controls to reconcile USCP approved financial transactions to information processed by Treasury. For example, NFC prepares summary and detail level reports after processing payroll data for each payperiod. As these reports contain information that should agree with payroll disbursements made on behalf of the USCP, the information could be used to reconcile the USCP records to the actual payroll disbursements made by Treasury on behalf of the USCP. These reports could also be used to track the status of payroll funding at the conclusion of each payperiod. During fiscal year 1999, the USCP did not have the procedures in place to reconcile the detailed NFC data to the payments charged to the payroll appropriations. Because of the weaknesses related to monitoring the payroll appropriations, we noted three separate instances in which disbursements made from payroll appropriations were made in excess of the funding authorized by the Congress.

- The first instance occurred in October 1998 when payroll disbursements made from the 1998 USCP Salaries Appropriation for Senate personnel costs exceeded available funding by $45,013.43. Although some miscellaneous receipts were received subsequent to October 1998, the overdrawn condition lasted throughout fiscal year 1999. During October 1999, $50,000 was transferred from the 1998 Senate Appropriation for Salaries, Officers and Employees to correct the deficiency.

- The second and third instances occurred during October 1999 and impacted the 1999 USCP Salaries Appropriation for Senate personnel costs and the 1999 USCP Salaries Appropriation for House personnel costs. Payroll disbursements from the USCP Salaries Appropriation for Senate exceeded available funding by $71,662.23, while payroll disbursements from the USCP Salaries Appropriation for House exceeded available funding by $224,510.95. Both deficiencies were corrected after funds were transferred from the Security Enhancement Appropriation to the Salary Appropriations during November 1999.

The weaknesses in the USCP's funds control were identified in the Booz-Allen & Hamilton (BAH) report issued during 1998. In its response to the BAH report, the USCP management asserted that the cross-servicing agreement recently signed by GAO and the USCP would resolve this issue. This cross-servicing agreement was negotiated and currently is scheduled for a phased completion. During the first stages of the changeover, all non-payroll expense transactions (e.g., vehicles, equipment, supplies, uniforms, etc.) will be processed through the

FFS. During the later portion of the project, payroll expenses will be processed through FFS. We agree that having the financial transactions processed through one financial system would simplify the funds control for the USCP. However, the USCP must still develop and implement a comprehensive set of procedures to reconcile receipt and disbursement transactions processed on behalf of the USCP for their appropriations. Regardless of the system used to process financial transactions, FFS or some other system, until a comprehensive set of financial policies and procedures are developed and implemented, the ability of the USCP to ensure that funds are not disbursed in excess of available appropriations will be diminished.

Recommendations:

1. The USCP should develop and implement a system of tracking and monitoring the availability and use of all USCP appropriated funds, including salary appropriations, prior to incurring a liability for goods or services.

2. The USCP should ensure that all transactions processed on behalf of the USCP are reconciled to amounts charged to each USCP appropriation.

3. The USCP should ensure that the appropriate personnel in the Financial Management Division and the Human Resource Management Division receive training from NFC to correctly interpret and reconcile the NFC detail payroll reports to the payroll disbursements made by Treasury on behalf of the USCP.

Weakness 3: The USCP lacks policies and procedures to ensure that payroll activity is processed consistently and properly supported.

As previously mentioned, a number of changes made during the past two years at the USCP have significantly impacted the workload of the Human Resources Management Division. USCP staff now perform functions previously performed by Senate and House employees, such as personnel file maintenance. The USCP has also implemented a pay rate structure, which is significantly more complex than the previous pay structure. Adequate control procedures to monitor these additional responsibilities have not been developed or implemented. We believe that the following weaknesses noted during our audit are directly related to the fact that outdated systems and procedures have failed to keep up-to-date with the current USCP operating requirements.

During our audit, we reviewed the supporting documentation for 88 randomly selected payroll disbursements made during fiscal year 1999.

- Based on our review of personnel folders, we noted that documents to support various deductions from an employee's gross pay were often missing or did not correspond to the current deduction. For example, information contained in one employee's file indicated that they "opted" out of the Federal Employees Group Life Insurance (FEGLI) program. However, a deduction was currently being made from the employee's gross pay for life insurance coverage. In other instances, no documentation could be located within the employee's personnel file to support any of the deductions. This included deductions for bond allotments, child support payments, Thrift Savings Plan contributions, tax withholdings, and other deductions. Failure to maintain correct documentation for these types of deductions could have significant repercussions for the USCP. For example, life insurance claims could be denied if the USCP was unable to provide supporting documentation to the carrier that the employee had authorized life insurance coverage.

- The daily "Sign-in/Sign-out" sheets are considered to be the source documents for hours worked by an employee. These sheets are used as the source for hourly information that is entered into the USCP Time and Attendance (T&A) system. Hourly data from the T&A system is used by NFC to calculate the employee's gross pay. Because these sheets are completed daily, our review of 88 payroll disbursements necessitated the review of 1,238 sign-in/sign-out sheets. The USCP was able to provide 1,077 of the requested sign-in/sign-out sheets. The remaining 161 sheets were unavailable to review because they either had been misplaced or had not been maintained by the corresponding division. Of

the 1,077 sheets made available for review, 134 contained no evidence of supervisory approval. Standard practice throughout the Federal government, including the USCP, requires a supervisor to evidence his or her review of the total hours worked by subordinates prior to payroll distribution. Furthermore, we noted that USCP employees are not required to review or positively attest to the total number of hours worked for each payperiod. A standard control technique followed by most Federal and private sector employers requires employees to make this assertion prior to payroll disbursements.

During our audit, we judgmentally selected 32 payroll disbursements made to the individuals with the highest number of recorded overtime hours during September 12 – 25, 1999. After selecting our disbursements, we requested the USCP to provide the supporting documentation for all overtime hours worked (i.e., sign-in/sign-out sheets). Current USCP procedures allow officers to work overtime hours in the division to which they are normally assigned. An officer could also be temporarily detailed to another division in which the overtime hours could be incurred. Documentation to support all overtime hours worked was available for 19 of the 32 selected disbursements. However, the USCP was unable to provide all of the sign-in/sign-out sheets for the other 13 of the 32 selected disbursements. As was the case with our other payroll testing, we were informed that the sign-in/sign-out sheets were unavailable because they either had been misplaced or had not been maintained by the corresponding division. We were also informed that the USCP's inability to provide supporting documentation for all overtime hours worked could be related to the policy of temporarily detailing officers to other divisions. Because these temporary details occur on a regular basis, complete documentation of these temporary details is not always maintained. Therefore, it can be very difficult to "reestablish" a complete history of all hours incurred by an officer who has been temporarily detailed during any given payperiod.

Recommendations:

1. The USCP needs to ensure that personnel files are up-to-date and clearly document the grade, step and benefit information for each employee. Furthermore, the USCP should establish procedures to ensure that supporting documentation for all payroll disbursements is readily available should questions arise related to a payroll disbursement.

2. The USCP should develop and implement policies requiring all employees to positively attest to the accuracy of pay period information, prior to transmitting pay period information to NFC.

3. The USCP should enforce existing procedures that require the corresponding supervisors to approve the accuracy of pay period hours prior to transmitting pay period information to NFC.

4. The USCP should develop and implement procedures which would allow the USCP to efficiently track all hours incurred by an officer who has been temporarily detailed during a payperiod.

Report on Compliance With Laws and Regulations

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1616 North Fort Myer Drive
Arlington VA 22209-3195
Telephone (703) 741 1000
Facsimile (703) 741 1616

Report on Compliance with Laws and Regulations

United States Capitol Police Board:

We have audited the Combining Statement of Receipts and Disbursements – Modified Cash Basis of the United States Capitol Police (USCP) for the year ended September 30, 1999, and have issued our report thereon dated April 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

Compliance with laws, rules, and regulations is the responsibility of the management of the USCP. As part of obtaining reasonable assurance about whether the combining financial statement is free of material misstatement, we performed tests of the USCP's compliance with selected provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards*.

During our audit we noted three instances of noncompliance with the Anti-Deficiency Act, which prohibits an officer or employee of the United States from, among other things, making an expenditure from an appropriation that exceeds the amount available in the appropriation. The first instance occurred during October 1998, when payroll disbursements incurred in fiscal year 1998 caused the 1998 USCP Salaries Appropriation for Senate personnel costs to become deficient by $45,013. This deficiency was corrected during October 1999 when a nonexpediture transfer of $50,000 was made from the 1998 Senate Appropriation for Salaries, Officers and Employees, as approved by the appropriate Committee. The second and third instances of noncompliance occurred during October 1999, when payroll disbursements for the last payperiod of fiscal year 1999 caused the USCP Salaries Appropriation for Senate personnel costs to become deficient by $71,662, and the USCP Salaries Appropriation for House personnel costs to become deficient by $224,511. When the disbursements for the last payperiod were made, there were funds in the Security Enhancement Fund that were available for transfer to the Salaries Appropriations accounts in accordance with procedural requirements in the laws governing the USCP's fiscal year 1999 funding. However, the USCP did not request the necessary transfer until after the Salaries Appropriations became deficient. Both deficiencies were corrected during November 1999 when nonexpenditure transfers were made to the Senate and House appropriations from the Security Enhancement Fund, as approved by appropriate Committees.

Except as noted in the preceding paragraph, our tests for compliance with selected provisions of applicable laws, rules, and regulations disclosed no other instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the United States Capitol Police Board, management of the United States Capitol Police, Members of the United State Congress and the General Accounting Office and is not intended to be, and should not be, used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

April 18, 2000
Arlington, Virginia

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1616 North Fort Myer Drive
Arlington VA 22209-3195
Telephone (703) 741 1000
Facsimile (703) 741 1616

Report of Independent Accountants

United States Capitol Police Board:

We have audited the accompanying Combining Statement of Receipts and Disbursements – Modified Cash Basis, arising from cash transactions of the United States Capitol Police (USCP) from fiscal year 1999 appropriations for the year ended September 30, 1999. This financial statement is the responsibility of the USCP management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and with *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 combining financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement was prepared on the basis of cash receipts and disbursements modified to include obligated balances as of September 30, 1999, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the combining statement referred to above presents fairly, in all material respects, the receipts and disbursements arising from the cash transactions of the USCP for the year ended September 30, 1999 in conformity with the accounting principles outlined in Note 2.

In accordance with *Government Auditing Standards*, we have issued a report dated April 18, 2000 on our consideration of the USCP's internal control and a report dated April 18, 2000 on its compliance with applicable laws, rules, and regulations.

PricewaterhouseCoopers LLP

April 18, 2000
Arlington, Virginia

Financial Statement

Combining Statement of Receipts and Disbursements—Modified Cash Basis

United States Capitol Police
Combining Statement of Receipts and Disbursements - Modified Cash Basis
September 30, 1999

	Senate Salaries	House Salaries	General Expenses	Security Enhancements	Physical Security	Combined
Beginning Balance	$ 0	$ 0	$ 0	$ 0	$ 4,372,326	$ 4,372,326
Receipts:						
Appropriations Received (Note 2B)	$ 39,807,000	$ 37,037,000	$ 6,237,000	$ 106,782,000	$ 0	$ 189,863,000
Transfers In/(Out) (Note 2B)	4,350,000	4,050,000	72,800	(12,561,000)	3,960,000	(128,200)
Other	0	0	43,085	0	0	43,085
Total Receipts	$ 44,157,000	$ 41,087,000	$ 6,352,885	$ 94,221,000	$ 8,332,326	$ 194,150,211
Disbursements:						
Salaries (Note 2C)						
Regular Pay	$ 27,868,293	$ 26,302,651	$ 0	$ 0	$ 0	$ 54,170,944
Overtime Pay	4,660,500	3,986,005	0	0	0	8,646,505
Other Pay	1,107,322	1,005,761	0	0	0	2,113,083
Benefits (Note 2C)	8,073,012	7,599,784	0	0	0	15,672,796
Equipment (Note 2C)	0	0	1,330,797	703,316	2,338,269	4,372,382
Supplies and Materials (Note 2C)	0	0	849,469	8,346	0	857,815
Contract Services (Note 2C)	0	0	526,524	21,595	0	548,119
Travel (Note 2C)	0	0	453,174	17,259	0	470,433
Other (Note 2C)	0	0	65,432	1,925	0	67,357
Total Disbursements	$ 41,709,127	$ 38,894,201	$ 3,225,396	$ 752,441	$ 2,338,269	$ 86,919,434
Excess of Receipts over Disbursements	2,447,873	2,192,799	3,127,489	93,468,559	5,994,057	107,230,777
Obligated Balance	2,519,535	2,417,310	2,740,067	7,407,234	3,523,758	18,607,904
Ending Balance	$ (71,662)	$ (224,511)	$ 387,422	$ 86,061,325	$ 2,470,299	$ 88,622,873

The accompanying notes are an integral part of this financial statement.

Notes to the Combining Statement

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The United States Capitol Police (USCP) has the responsibility for protecting and securing Congress, its Members, staff and visitors, as well as the entire Capitol area. The USCP Board (the Board) oversees the USCP. The Board is comprised of the Sergeant of Arms of the Senate, Sergeant of Arms for the House and the Architect of the Capitol. The Committee on House Administration and the Senate Committee on Rules and Administration provide legislative oversight of the USCP. Annually, budget requests are made to the Subcommittee on Legislative in the House and the Subcommittee on Legislative Branch in the Senate. The USCP is funded as a Joint Item in the Legislative Branch.

The USCP is reliant on other entities in the Legislative Branch and Executive Branch for support services. The official financial records of the USCP are maintained by the Senate Disbursing Office (for Salary Appropriation for Senate personnel costs) and the House of Representatives Office of Finance (for Salary Appropriation for House personnel costs, the general expense appropriations, and the security-related appropriations). The Architect of the Capitol (AOC) provides for the headquarters building as well as other space utilized by the USCP. The AOC also provides for the furniture and other fixtures within the buildings. The Office of the Senate Sergeant at Arms provides for computer services and equipment as well as telecommunications equipment and services. The USCP's payroll was processed by the National Finance Center (NFC) located in New Orleans, LA pursuant to an inter-agency agreement with NFC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The combining statement has been prepared on a modified cash basis from data maintained on behalf of the USCP by the House of Representatives Office of Finance (OF), the Senate Disbursing Office (DO), the NFC, and records of the USCP. The amounts reflect the receipt and use of the following appropriations authorized for the USCP use during fiscal year 1999:

- Fiscal Year 1999 - Contingent Expenses, Senate, Salaries, Capitol Police
- Fiscal Year 1999 - Contingent Expenses, House of Representatives, Salaries, Capitol Police
- Fiscal Year 1999 - General Expenses, Capitol Police, House of Representatives
- No-Year - Security Enhancements, Capitol Police Board, House of Representatives
- No-Year – General Expense, Physical Security, Capitol Police Board, House of Representatives

The statement has been prepared on a modified cash basis, which as defined for the purpose of this statement represents transactions that are recognized in the period when cash is received or disbursed from the appropriations listed above, modified to recognize applicable obligated balances outstanding at September 30, 1999. The obligated balances have been determined based on a combination of applicable cash transactions subsequent to September 30, 1999 and other obligations as of September 30,1999. This method of accumulating financial data is considered another comprehensive basis of accounting.

B. Receipts

1. Appropriations

Like most government organizations, the USCP finances its operations with appropriations. These appropriations provide the USCP with the authorization to expend funds for specified purposes. During fiscal year 1999, the USCP received three annual appropriations and two no year appropriations. Annual Salary appropriations were provided to the Capitol Police Board for Senate

personnel costs disbursed by the Secretary of the Senate and for the House of Representatives personnel costs to be disbursed by the Chief Administrative Officer. An annual "General Expense" appropriation was also provided to the Capitol Police Board and disbursed by the House of Representatives. In addition, a new no year appropriation was provided to the Capitol Police Board in fiscal year 1999 for security enhancements to the Capitol complex and a no year appropriation was transferred to the Capitol Police Board for design and installation of security systems for the Capitol Complex.

2. Transfers In/(Out)

The amounts noted represent transfers between budget accounts. The majority of transfers were made from the Security Enhancement fund, as provided in statutes. The following table summarizes all transfers processed by Treasury during fiscal year 1999.

Transfer From	Transfer To	Transfer Amount	Net To/(From) USCP
Security Enhancement	USCP Salaries – Senate	4,350,000	0
Security Enhancement	USCP Salaries - House	4,050,000	0
Security Enhancement	Library of Congress	3,651,000	(3,651,000)
Security Enhancement	Architect of the Capitol	510,000	(510,000)
General Accounting Office	General Expense	72,800	72,800
Architect of the Capitol	Physical Security	3,960,000	3,960,000
			(128,200)

C. Disbursements

1. Salaries

USCP employees are paid on an hourly (non-exempt) or salaried (exempt) basis. The USCP is responsible for collecting and summarizing information used by the NFC to calculate the biweekly salary for each employee. The salary information is transmitted electronically to NFC, which is responsible for calculating the actual wages earned during each payperiod. NFC then authorizes the U.S. Treasury to disburse the salary payments from the applicable USCP salary appropriations to each USCP employee.

Regular Pay. A U.S. Capitol Police employee's gross salary is based on the *Schedule of Rates of Basic Pay for Members of the U.S. Capitol Police*. A separate schedule exists for sworn officers and civilian employees.

Overtime Pay. Non-exempt sworn (Sergeants and below) and certain civilian (security aides, clerical personnel, CCTV operators, mechanics and freight handlers) employees are eligible for overtime pay at one and one-half the rate of regular pay.

Other Pay – Effective November 1999, certain USCP employees became eligible for various pay differentials for work performed on Sundays, holidays, and at night. Amounts included in Other Pay consists of: Sunday Pay, Holiday Pay, Night Differential Day, Hazardous Duty Allowances, Clothing Allowances, and Home Dog Care (K-9 Technicians).

2. Benefits

Benefits is comprised of expenses incurred by the USCP on behalf of its employees. This includes, but is not limited to: employer matching contributions to the Civil Service Retirement Service plan, the

Federal Employees Retirement System, the Thrift Savings Plan, medical insurance premium payments, and life insurance premium payments.

3. Equipment
Equipment disbursements include payments made for vehicles, weapons, x-ray machines, intrusion alarm systems, CCTV cameras and monitors, and card access systems. Equipment expenditures generally fall into one of two categories, recurring and non-recurring. Recurring expenditures are generally made each year and enable the USCP to fulfill basic mission. The non-recurring expenditures were incurred to fulfill the mandate given to the USCP in improve the overall security of the Capitol complex.

4. Supplies and Materials
Disbursements for supplies and materials include disbursements for range and weapon supplies, fuel, K-9 supplies, uniforms and ammunition.

5. Contract Services
Contract services includes disbursements made for tuition and registration fees, veterinarian services, testing services, computer services, information security systems, maintenance of security systems, and the Interagency Agreement with NFC.

6. Travel
Travel includes all official travel disbursements, such as training, protective detail, and travel to seminars.

7. Other
Disbursements for other operating expenses includes payments made for mobile telephone service, postage, copiers, and telephone service.

8. Obligated Balance
Obligated balance represents obligations incurred for which payment has not been made as of September 30, 1999. Due to limitations with its financial systems and operating capabilities, the USCP does not maintain a formal system of record for all obligations incurred for which payment has not been made.

- For salaries appropriations, the amount noted as of September 30, 1999, represents disbursements to employees and other benefit expenditures made in October 1999 for time worked during September 1999.
- For general and security-related appropriations, the amount noted as obligated balances as of September 30, 1999, represents disbursements made between October 1, 1999 and March 31, 2000 and estimated future payments for goods and services ordered prior to October 1, 1999. The estimated future payments, as of September 30, 1999, are based on obligated balances in the USCP's Budget System and related supporting USCP documentation.

9. Ending Balance
The deficiencies in the Senate and House Salaries appropriations were corrected after the fiscal year end with nonexpenditure transfers from the Security Enhancement Appropriation. The ending balances for the annual general expense appropriation represents the unobligated portion of the annual appropriation as of September 30, 1999. The ending balances for security-related appropriations

remain available to fund future obligations consistent with the purpose and availability of the applicable appropriations.

Management Report on Internal Control

UNITED STATES CAPITOL POLICE
Management Report on Internal Control

The United States Capitol Police (USCP) is funded as a Joint Item in the Legislative Branch. Separate House and Senate "Salaries" appropriations are provided to the Capitol Police Board to be disbursed by the Chief Administrative Officer (CAO) of the House of Representatives and the Disbursing Office of the Secretary of the Senate. A "General Expenses" appropriation is provided to the Capitol Police Board to be disbursed by the CAO of the House of Representatives. Other security related appropriations are also disbursed by the CAO of the House of Representatives.

The Capitol Police Board is comprised of the Sergeant at Arms of the United States Senate, the Sergeant at Arms of the United States House of Representatives and the Architect of the Capitol.

Management of the USCP is responsible for establishing and maintaining internal control. Our internal control objectives are based on the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. These objectives include the following:

- Safeguarding assets from waste, loss, unauthorized use, and misappropriation;
- Assuring the execution of transactions in accordance with management authority and with laws and regulations that have a direct and material effect on the combining financial statement; and
- Recording, processing, and summarizing transactions properly and timely to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

Due to the existence of the following material weaknesses in our internal controls, the USCP has not maintained effective internal control over the safeguarding of assets, compliance with laws and regulations and financial reporting for the year ended September 30, 1999.

- The USCP has inadequate and incomplete accounting policies, methods, practices and systems that contributed to poor financial management;
- The USCP has poor funds control which allowed the USCP to overspend its available appropriations; and
- The USCP lacks policies and procedures to ensure that payroll activity is processed consistently and properly supported.

The potential for each of these material weaknesses was cited in the 1999 Booz-Allen & Hamilton management review which found the Department's infrastructure to be "fragile" and "unlikely to be able to provide adequate support services in the future without changes in strategy, organization and business processes." This conclusion had been reached more than a year earlier in 1997 when the Department, at the direction of the Board, reviewed its administrative operations and determined that existing information systems for financial, human resource and information technology were inadequate from both a technical and functional perspective. Shortly after the Booz-Allen & Hamilton review was published, the Department's administrative infrastructure was further strained by the passage of a $106,000,000 supplemental appropriation which significantly increased the Department's operating expense budget that, as recently as 1995, was $2,000,000 and easily tracked utilizing a rudimentary accounting system. Bringing further pressure to insufficient and inadequate resources was the Department's conversion to a unified payroll where, for the first time, the Capitol Police assumed responsibility for administering its personnel/payroll system which had previously been supported by the House Office of Finance, House Information Resources, the Senate Disbursing Office and the Senate Computer Center. Succinctly stated, lacking proper systems and adequate personnel assets in the functional areas of financial management and human resources, the Department has been overwhelmed by the requirements of managing its rapidly expanding financial responsibilities.

In the past fifteen months, the Department has initiated a number of steps to address and ameliorate the conditions contributing to the material weaknesses found in our internal controls. These steps include:

- repeatedly requesting congressional approval to increase professional staffing levels in our financial management, budget and payroll transaction and reconciliation functions. Although five financial management positions and seven human resource positions were fully funded in Public Law 105-277, approval to staff these positions has still not been granted by House committees.

- obtaining temporary financial and accounting assistance from the Office of the Senate Sergeant at Arms and the General Accounting Office (GAO).

- developing a Strategic Plan which assigns critical success factors, milestones and timetables for implementing the recommendations offered by Booz-Allen & Hamilton.

- reorganizing the Department's administrative elements into one Bureau to enhance functional coordination, communication and management attention.

- establishing an Interagency Agreement with the GAO and initiating activities to permit the Department to migrate to the GAO accounting system by October 1, 2000, and

- identifying information technology requirements to support current and future financial management operations including the Federal Financial Management System and the National Finance Center.

The Capitol Police Board and Capitol Police management are committed to instituting measures to ensure the internal control of all financial assets and intend to continue the intensive pursuit of resources necessary to correct existing material weaknesses. Provided that adequate resources are made available, the Board and the Department fully expect future audits to reveal our compliance with all applicable laws and regulations, the existence of effective funds control and the effective implementation of written policies and procedures to facilitate this agency's management functions.

Gary L. Abrecht 4/18/00
Gary L. Abrecht Date
Chief of Police

GLA:1717

Auditor's Update on the Status of Booz-Allen & Hamilton's Recommendations

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

This table presents the results of our follow-up inquiries on the status of recommendations from Booz-Allen & Hamilton's 1999 management review of selected USCP administrative operations. Specifically, for each recommendation, the table presents the USCP's March 1999 response and the USCP's comments, obtained during our audit, on the status of USCP's actions – planned, underway or completed – to address the recommendations. To the extent that action had been taken to respond to an individual recommendation, we requested and reviewed evidence of action taken. However, we did not evaluate the merits or effectiveness of the actions taken that was beyond the scope of our audit.

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
OVERARCHING RECOMMENDATIONS FOR ALL ADMINISTRATIVE FUNCTIONS		
Recommendation 1: The USCP should modify its organization to ensure that operations and the administrative infrastructure are fully integrated and to maximize the coordination of the administrative functions.	The necessary support services are being provided, but improvements are needed given the additional demands, which are being made on the USCP system of internal control.	The Financial Management, Human Resources Management and Information Management Divisions have been reorganized and given division-level status within the USCP. Several internal working groups, including the Investment Review Board and the Information Management Technology Council, have been established to facilitate communication within the USCP.
Recommendation 2: The USCP should institute a strategic planning process to ensure that the goals and objectives for the administrative infrastructure are coordinated with the operational mission.	Improvements in the organizational structure should be made to facilitate integration of the administrative operations and improve communications with the operational side of the organization.	A Department-wide strategic plan has been developed, linking the goals and objectives of the administrative functions with the goals and objectives of the operational divisions. The administrative functions have been reorganized, and the Department is endeavoring to implement the strategic plan.
Recommendation 3: The administrative infrastructure of the USCP should develop and execute a plan for reviewing, documenting and distributing policies and procedures for all support services, Financial Management Division (FMD), Human Resource Management Division (HRMD) and Information Management Division (IMD).	There is an urgent need for a cohesive set of policies and procedures, and the USCP is working to develop new policies and procedures to support the GAO cross-servicing agreement.	Complete implementation of this recommendation is dependent on the approval of additional resources.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
FINANCIAL MANAGEMENT DIVISION		
Recommendation 1: USCP should develop and execute a plan for evaluating and implementing a cost-effective, automated financial management system through a cross-servicing arrangement. This system will support the processing, control, and reporting requirements of the FMD.	In general, USCP concurs with this finding. A mission statement will serve as a blueprint for implementing and measuring progress of necessary corrective actions. USCP is working with GAO to migrate to the American Management Systems' Federal Financial System (FFS).	USCP has implemented a cross-servicing agreement with the GAO to process financial transactions through American Management Systems – Federal Financial System (FFS). This agreement will be phased over an extended period. Initially, only non-payroll expenses incurred by the USCP will be processed through FFS beginning October 1, 2000. Payroll expenses will not be processed through FFS until a later phase of the cross-servicing agreement.
Recommendation 2: USCP should streamline procedures for paying employee reimbursements and vendor invoices to improve operational efficiency and effectiveness and reduce the number of delinquent payments.	Delegations of authority need to be addressed in the context of sound internal controls and in conjunction with an automated financial management system. However, the USCP must follow current House of Representative policies to pay vendors and employees. Current policies voucher approval policies are very restrictive.	The USCP is planning to address this issue after the migration to FFS is completed.
Recommendation 3: USCP should reevaluate procurement practices to identify methods that best meet the purchasing needs of the USCP.	USCP concurs with this finding. The noted redundancy is a direct result of current system limitations, which has limited the efficiency of staff as well as the timeliness of procurement actions.	FMD has begun to model to the Federal Acquisition Regulations (FAR) for purchasing with the assistance of the Senate Sergeant at Arms. While this does not address the full intent of the recommendation, the actions taken will help ensure that USCP procurements are completed in accordance with Federal guidelines.
Recommendation 4: USCP should develop an efficient management reporting system that provides accurate, pertinent, and timely information to managers at all levels.	The system in use provides minimal reporting capabilities. When cost analyses are required, data must be manually retrieved and entered into spreadsheet software. Migration to FFS should enable the USCP to begin managing its financial operations.	The cross-servicing agreement will be phased over an extended period. Initially, only non-payroll expenses incurred by the USCP will be processed through FFS beginning October 1, 2000. Payroll expenses will not be processed through FFS until a later phase of the GAO cross-servicing agreement.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
FINANCIAL MANAGEMENT DIVISION		
Recommendation 5: USCP should include the inventory and asset reporting requirements in the development of the management reporting system.	The USCP concurs that the systems in use are not integrated with the accounting system and lack the reporting capability that would be useful to management.	USCP has received some funding to contribute to the modernization of systems. A contractor has been hired to map the features of the existing systems, and to help define the information technology system architecture needed to support the overall mission and vision of the USCP.
Recommendation 6: USCP should establish a Standard Operating Procedures Manual for internal FMD financial management activities and initiate cross-training within the office.	There is a need for an administrative handbook that would formalize all administrative and financial policies and procedures. The cross-training of staff has been hampered by limited staff and skill sets. Providing cross-training for certain key positions could be accomplished only if FMD's staffing level is increased.	Job descriptions for key support positions have been created and are pending approval by committees.
Recommendation 7: USCP should evaluate job descriptions and skill sets of the FMD staff and develop and implement a hiring and training plan.	The USCP concurs with the need to develop job descriptions and positions for employees within FMD.	Job descriptions for these positions have been created and are pending approval by committees.
Recommendation 8: USCP should establish a formal budget formulation process linked to USCP mission, goals, and objectives.	Current automation does not support the budget process. Department-wide planning and training is needed to improve this process. The budget formulation process needs to be an integral part of operations management. A formal budget formulation process will be implemented and linked to the USCP mission, goals and objectives. The improvements to the automated financial management system will greatly enhance this capability.	A Department-wide strategic plan has been developed, linking the goals and objectives of the administrative functions with the goals and objectives of the operational divisions. Future budgets will be tied to this strategic plan. However, comprehensive actual-to-budget analysis will be hampered until the full implementation of FFS.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
FINANCIAL MANAGEMENT DIVISION		
Recommendation 9: USCP should develop a comprehensive strategic plan with specific goals and objectives linked to the mission of the USCP and including the articulation of FMD authority and responsibility.	In general, USCP concurs with this finding. A mission statement will serve as a blueprint for implementing and measuring progress of necessary corrective actions.	USCP prepared a strategic plan with a Department-wide mission and vision. In addition, on a division level, USCP has identified goals with detailed critical success factors necessary to meet these goals.
Recommendation 10: USCP should establish communication mechanisms for the dissemination and collection of information between FMD and its customers, which include oversight entities, servicing agencies, USCP senior management, bureau chiefs, financial liaison officers, employees, and vendors.	The USCP agrees that improvements could be made to integrate the administrative operations and improve communications.	The USCP has implemented "Executive Officer" assignments in bureaus and divisions to improve coordination and communication. Additional work is necessary to realize the full potential and affix accountability to aid in communication. Communication has begun between senior staff and FMD, in the form of the Investment Review Board and senior staff evaluations, to identify budget and funds control needs. However, the area of funds control relies on the FFS migration, which is not completed.
Recommendation 11: USCP should implement an automated inventory tracking system, such as a bar coding system.	The USCP concurs that the systems in use are not integrated with the accounting system and lack the reporting capability that would be useful to management.	USCP has received some funding to contribute to the modernization of systems. A contractor has been hired to map the features of the existing systems, and to help define the information technology system architecture needed to support the overall mission and vision of the USCP.
Recommendation 12: The USCP should consider implementing cost accounting methodology and evaluate the costs and benefits of such a program for the USCP.	The current system in use provides minimal cost accounting. FFS, when fully implemented, provides for cost accounting through the use of project codes. In conjunction with the implementation of FFS, a Management Accounting Structure Code (MASC) will need to be developed to identify and track costs centers and to use the data to better manage the USCP.	USCP has signed a cross-servicing agreement with the GAO to process financial transactions through FFS. This agreement will be phased over an extended period. Initially, only non-payroll expenses incurred by the USCP will be processed through FFS beginning October 1, 2000. Payroll expenses will not be processed through FFS until a later phase of the GAO cross-servicing agreement.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
HUMAN RESOURCES MANAGEMENT DIVISION		
Recommendation 1: USCP should develop a strategic plan that provides HRMD with clear guidelines for supporting the USCP mission. USCP should also provide the necessary infrastructure to accomplish established objective.	The USCP will prepare a strategic plan which establishes goals of selecting and hiring civilian personnel to provide the infrastructure needed to effectively support the USCP.	USCP prepared a strategic plan with a department-wide mission and vision. In addition, on a division level, USCP has identified goals with detailed critical success factors necessary to meet these goals.
Recommendation 2: USCP should reorganize HRMD to align its structure with the roles, responsibilities, and objectives developed in the strategic plan.	HRMD will be restructured so that its roles and responsibilities are supportive of the USCP mission and goals.	As part of the justification for the release of the 18 administrative civilian positions, authorized under the Staffing Proposal, comprehensive organizational structures have been developed, taking into account internal controls, functional roles, reporting relationships and resource assessment and allocation. A request for additional positions was submitted to the committee for approval. The committee has requested more detailed information before granting approval.
Recommendation 3: USCP should develop, clarify, and document policies, procedures, and processes to reflect HRMD roles and responsibilities.	The USCP will develop a United States Capitol Police Classification and Compensation Program. Schedule and conduct desk audits, as necessary. Update position descriptions and develop an internal appeal process. The USCP will identify and document human resource policies and procedures to be included in an administrative manual. The USCP will develop a comprehensive HRMD internal reference manual.	A request for additional positions was submitted to the committee for approval. The committee has requested more detailed information before granting approval. The classification program is in the development process. With regard to position reviews, there are six phases and HRMD is currently in Phase IV. The process involves receiving input from supervisors and employees detailing roles and responsibilities. Based on this information, HRMD then creates a formal job description and position classification. HRMD has begun to gather, on an informal basis, data for these manuals. Further progress will be made when additional human resource positions are approved.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
HUMAN RESOURCES MANAGEMENT DIVISION		
Recommendation 4: USCP should implement strategies and tools to enhance HMRD communication internally and externally.	The USCP has made an effort to illuminate the organization change to the human resource function through the issuance of official notices. The USCP plans to conduct outreach programs, such as pamphlets, brochures, and interactive multimedia kiosks to communicate more effectively.	In addition, HRMD has issued numerous Bulletin Board Notices and other procedural documentation with HRMD information to increase external awareness of HRMD's roles and responsibilities and to communicate policy and procedure requirements. HRMD has also implemented weekly division meetings to increase internal communication as well as becoming more involved in external meetings with other divisions.
Recommendation 5: USCP should increase attention and resources devoted to recruiting, selecting, training, and maintaining quality civilian employees.	The USCP plans to create a civilian position to recruit other civilian employees. Also, the USCP plans to link merit increases to individual performance.	Position descriptions to perform these actions have been developed and submitted to the committee.
Recommendation 6: USCP should redesign the current performance appraisal process and incorporate performance into promotional decisions to provide clear performance feedback, reduce inefficiencies, emphasize the importance of job performance, and identify optimal candidates for advancement.	The USCP concurs that the current evaluation system should be revised.	HRMD has developed a draft plan for re-engineering the performance appraisal process, however, more resources, in the form of personnel are needed to continue the process.
Recommendation 7: USCP should develop policies, processes, and procedures to better manage the time, attendance, and payroll oversight function.	Identify and document human resource polices and procedures to be included in an administrative manual. Develop a comprehensive HRMD internal reference manual.	HRMD has begun to gather, on an informal basis, data for these manuals. Progress will be made when additional human resource positions are approved.
Recommendation 8: USCP should evaluate the current training standards and analyze individual performance issues into developing an organization-wide, ongoing training needs assessment.	The USCP plans to develop, implement, and maintain an organization-wide training program.	Progress will be made when additional human resource positions are approved.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
INFORMATION MANAGEMENT DIVISION		
Recommendation 1: USCP should develop an IT mission, vision, and strategic plan that complements the broader mission and objectives of the USCP.	The Department will establish an IT Steering Committee, chaired by the Director of Information Management.	The USCP has filled the position of Director of Information Management on a full-time basis. In addition, the Information Management Council has been established to identify and oversee information processes to provide the management, oversight and level of products and services expected by USCP internal and external users. The Information Technology Coordinating Group has been established to identify critical IT issues, provide overall policy guidance, and represent the IT community and IT issues to upper management. Furthermore, a five-year strategic plan for IT has been developed which outlines the mission and vision of IT and links the IT mission and vision to the USCP's overall mission and vision. This plan outlines six broad goals for improving the overall performance of information management.
Recommendation 2: USCP should elevate and restructure the IT organization to better support the mission, vision, and strategic plan established by USCP senior management.	The USCP will hire a full-time Director of Information Management, responsible for developing outsourcing and cross-servicing agreements, and addressing other know IT deficiencies.	The position of Director of Information Management was filled in September 1999. Currently, an independent contractor is working to define the IT system architecture needed to support the overall mission and vision of the USCP. As part of the effort, the contractor will also make recommendations related to the organizational composition of the IT Division needed to support the proposed system architecture.
Recommendation 3: USCP should develop and implement IT policies, standard operating procedures, and service level agreements.	Action will be taken to develop an IT plan that establishes a systematic approach to developing and implementing policies and procedures.	The Information Management Council and Coordinating Group are addressing the issues of coordination and communications. The development of IT standards and policies are currently listed as goals in IT's five-year strategic plan.

Status of Recommendations from Booz-Allen & Hamilton's January 1999 Management Review of Selected USCP Administrative Operations

Recommendations	US Capitol Police Response	US Capitol Police's Position on Actions Intended to Address the Recommendations
INFORMATION MANAGEMENT DIVISION		
Recommendation 4: USCP should improve USCP information management capabilities by developing IT principles, guidelines, and objectives to initiate and support the transition to new information architecture.	A major responsibility of the Information Management Director, will be to develop an IT architecture that will permit the efficient transition to a desired target architecture.	In 1999, a contract was negotiated with an independent contractor to establish the current and target architecture for the USCP's technology environment. Specifically, the contractor will: 1) Identify and Analyze the User Requirements, 2) Identify and Analyze the Functional Requirements, 3) Define Application Functionality, 4) Develop System Design, and 5) Conduct a Functional Requirements Validation. The contractor has completed the draft plan for the required system architecture. The effort to modernize will start in fiscal year 2000 and be completed in fiscal year 2001. Current plans call for implementation of the target architecture during 2002.
Recommendation 5: USCP should conduct a business requirement analysis and identify alternatives for outsourcing, cross-servicing, or initiating in-house developments for selected systems.	The Information Management Director will work with the Director of Finance Management and Director of Human Resource Management to conduct the suggested analysis and identify alternatives for outsourcing or cross-servicing IMD systems.	The Information Management Council and the Information Management Coordinating Group have reviewed the US Secret Service Business Case Process and adopted it. They are currently reviewing the Systems Life Cycle Analysis for incorporation into the USCP strategic plan. Preliminary plans have been negotiated with GAO to cross-service certain financial management functions.
Recommendation 6: USCP should develop an infrastructure and mechanisms to support evolution of the target architecture.	USCP will establish an Information Management Steering Committee and develop a strategic plan for creating a target IT architecture.	The appropriate committees have been established to provide IT support to the USCP. In addition, the Director of Information Management has contracted with an independent firm to assess the current IT architecture and to make recommendations for a target architecture.

Comments From the U.S. Capitol Police

PHONE: 224-9806

UNITED STATES CAPITOL POLICE
OFFICE OF THE CHIEF
119 D STREET, NE
WASHINGTON, DC 20510-7218

April 18, 2000

COP 000877

Sharon Fitzsimmons
PricewaterhouseCoopers LLP
1616 North Fort Myer Drive
Arlington, VA 22209

Dear Ms. Fitzsimmons:

The PricewaterhouseCoopers (PwC) audit of the Combined Statement of Receipts and Disbursements - Modified Cash Basis of the United States Capitol Police (USCP) for the year ended September 30, 1999 is welcomed by the Department and serves to confirm, once more, the findings that led Booz-Allen & Hamilton in January 1999 to observe, "During the course of our review, it became clear that OFM [Office of Financial Management] is limited in its abilities to perform its functions primarily as a result of inadequate financial management systems." While the material weaknesses identified in the PwC audit report are disconcerting and significant, they come as no surprise to the Department which, in 1997, concluded its information systems for financial, human resources and information technology were technically and functionally inadequate. Similarly, it is not surprising to the Department that, given the absence of professional personnel resources to fully implement the recommendations proposed by Booz-Allen & Hamilton, the PwC audit would reveal poor financial management practices, inadequate policies and procedures, and poor funds control. Thus, it is particularly gratifying to note early in the audit report, "Although evaluating the resources needed to manage and operate the USCP's administrative functions was not within the scope of our work, we believe having effective financial management leadership and staff with the appropriate knowledge, skills and abilities is fundamental to realizing the financial management improvements envisioned by the Booz-Allen & Hamilton recommendations."

As expected, the audit confirmed three instances of noncompliance with the Anti-Deficiency Act, two of which had been remedied through transfer approvals of authorized and available funds by the funding committees. These transfers were necessitated by actual payroll expenses exceeding projections that were based on incomplete reporting data from non-integrated systems encompassing the USCP, National Finance Center, House Finance and Senate Disbursing Office. In addition to its reliance on data from non-integrated systems, the Department had no automated internal system to identify on-going personnel (i.e., time and attendance) and overtime (i.e., assignment) costs, but had to rely on historical data to base its projections. These systems and integration problems were addressed in the Booz-Allen & Hamilton information technology (IT) recommendation that the Department prepare an IT strategic plan. The third instance of noncompliance was occasioned by the need for an additional $500,000 in overtime funding required in the aftermath of the shootings at the Capitol. Transfers totaling this amount were approved by the funding committees. The subsequent $45,000 deficit

cited in the report was not identified and brought to the attention of the USCP until nearly one year after the violation occurred. This violation was a result of incomplete data used for projections, as well as the absence of internal management controls to identify, plan and manage the assignment of overtime. This violation was remedied by a non-expenditure transfer of available funds.

Fundamental to the violations cited above are the weaknesses identified in the previously cited Booz-Allen & Hamilton management review. This review accurately described the Department's administrative infrastructure as "fragile" and predicted certain consequences should the Department not change its strategy, organization and business processes. The violations of the Anti-Deficiency Act may be seen as one consequence of the Department's inability to fully implement recommendations offered in the management review – an inability which may be attributed, in large part, to significant delays in receiving congressional approval to hire the administrative personnel provided for in Public Law 105-277.. To the extent that these positions have been funded and, thus, do not pose an additional budgetary burden to the Department or to Congress and, further, in recognition of the fact that the Department requested Committee approval to staff these positions in December 1998, it is particularly dismaying to the USCP that professional staffing levels in the Department's several financial management functions remain inadequate today.

Also highlighted in the PwC audit report was an over-arching issue of policies and procedures which, again, was a recurring theme in the Booz-Allen & Hamilton review. It is striking to note the consistency between PwC and Booz-Allen & Hamilton, as each firm concludes that rudimentary and outdated policies, procedures and systems have failed to keep pace with current business requirements and have over-extended the Department's administrative support services. As recounted in the PwC audit report, new or expanded responsibilities such as calculating employee pay differentials, maintaining employment information pursuant to an inter-agency agreement with the National Finance Center, and managing certain physical security tasks recently transferred from the Architect of the Capitol have overwhelmed the Department and have forcefully impacted its workload.

Notwithstanding the impediments posed by insufficient administrative staff resources and inadequate information management systems, the Department has made progress since September 1999 in improving its ability to responsibly manage its financial resources. In September 1999, a task force of employees from the USCP, U.S. General Accounting Office (GAO) and the Office of the Senate Sergeant at Arms inventoried, organized and processed a backlog of nearly 150 FY 99 vendor payment vouchers. In December 1999, a second task force of GAO and USCP employees initiated a series of comprehensive activities to implement a cross-servicing agreement with the GAO to process selected Department financial transactions through the American Management Systems – Federal Financial System (FFS). In November 1999, the *United States Capitol Police Strategic Plan,* which responded to the recommendations of the Booz-Allen & Hamilton report, was completed and submitted to congressional oversight

committees for review and comment. In February 2000, the Department reorganized its financial management function, creating a new budget office within the Administrative Services Bureau and restructuring the Financial Management Division into two sections – Accounting and Procurement/Contracts. The Department has also completed a *Report on Information Technology Architecture Assessment* which addresses the structural, procedural and policy requirements of the Department's IT functions. This month consultant support was retained to develop a standard operating procedures manual for internal financial management activities and to conduct a workload analysis for each of the Department's financial, human resources and information management functions.

As expressed in the Department's *Management Report on Internal Control*, the Capitol Police Board and Capitol Police management are committed to instituting measures to ensure effective internal control. To achieve this goal and to implement the recommendations and corrective activities cited in the Booz-Allen & Hamilton review, the Department's strategic plan and this audit report, the Department critically needs committee authorization to increase professional staffing in its administrative elements and sustained funding to support an information systems modernization initiative. Given these resources, it would be reasonable to expect future audits to reveal Department compliance with all applicable laws and regulations, the existence of effective funds control and the effective implementation of written policies and procedures to facilitate USCP management functions.

Sincerely,

Gary L. Abrecht
Chief of Police

GLA:1717

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