



# UNITED STATES CAPITOL POLICE

WASHINGTON, DC 20003

August 26, 2008

**INSPECTOR GENERAL**

## MEMORANDUM

**TO:** Phillip D. Morse, Sr.  
Chief of Police

**FROM:** Carl W. Hoecker  
Inspector General

**SUBJECT:** Independent Accountant's Report to Apply Agreed-Upon Procedures *Property, Plant, and Equipment and Related Accumulated Depreciation as of September 30, 2007 (OIG-2008-07)*

The subject report is attached for your information. Consistent with our partnership to improve financial management and reporting at the Department and in preparation of the fiscal year 2008 financial statement audit, the Office of Inspector General's (OIG) contracted with Cotton and Company to conduct agreed-upon procedures solely to assist in evaluating the recorded book value of property, plant, and equipment (PP&E) accounts, and related accumulated depreciation as of September 30, 2007.

We recommended adjusting entries to Department accounting records and the Office of Financial Management concurred with all identified adjustments. Overall the adjustments are not material to the financial statements and do not require a prior period adjustments. OIG will use the adjusted balance for PPE and accumulated depreciation as the beginning balance for the FY 2008 financial statements. ~~This report is intended solely for the information and use of OIG and the Department and is not intended to be and should not be used by anyone other than the specified party.~~

I would like to express my appreciation for the cooperation and assistance provided by USCP staff during this effort. If you have any questions regarding this report, please contact me on [REDACTED] or have your staff contact Fay Ropella on [REDACTED].

Attachment: As stated.

cc: Asst. Chief Daniel R. Nichols, Chief of Operations  
Ms. Gloria L. Jarmon, Chief Administrative Officer  
[REDACTED], Audit Liaison



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## **Independent Accountants' Report to Apply Agreed-Upon Procedures**

**To the Inspector General  
United States Capitol Police**

We have performed the procedures enumerated below, which were agreed to by the United States Capitol Police (USCP) Office of Inspector General (OIG), solely to assist you in evaluating the recorded book value of property, plant, and equipment (PP&E) accounts, and related accumulated depreciation as of September 30, 2007. USCP's management is responsible for the fair presentation of all existing owned capital property. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the results of those procedures are as follows:

1. Obtain property sub-ledgers from [REDACTED]. Sub-ledgers are to include asset number, bar code number, in-service date, and useful life. Verify that data agrees to [REDACTED] and Fiscal Year (FY) 2007 financial statements. Obtain a reconciliation of differences between [REDACTED] and [REDACTED].

### **Results**

The [REDACTED] general ledger balance for PP&E accounts, as of September 30, 2007 totaled \$125,541,078. Subsequent to September 30, adjustments to ten assets were identified that reduced asset bases by \$294,121. In addition, one asset was identified as construction-in-process for \$129,661. Further, another asset required reclassification, from construction-in-process to completed projects, resulting in a reduction of \$80,744. The net adjustments of \$343,038 resulted in an adjusted PP&E balance of \$125,198,040, as of September 30, 2007.

2. Select 45 samples, based upon high dollar value, from the population of 393 items previously reported by the Office of Financial Management (OFM). This is intended to represent at least 85 percent of gross property dollars. Request evidence/documentation that supports the transaction or characterization of the item recorded. Inspect evidence provided and compare the amount recorded. Identify and quantify any differences.

### **Results**

From the sample population, one item was noted to have three exceptions that resulted in three adjusting journal entries (AJE's). An FB document (document type in [REDACTED], used to add value to an existing asset), FB20070155 was capitalizing an amount of \$3,138 that was never received and, therefore, should have been de-obligated. The second exception was the result of seven FB documents that were capitalized, totaling \$1,669,484, yet those portions of the project are still under construction and not yet in service. Lastly, the third exception identified \$336,944 in costs that had previously been expensed and should have been capitalized. For this sampled item of \$8,434,780, the total carrying value was overstated by \$1,335,678, for a corrected balance of \$7,099,102.

3. From the samples selected above, recalculate the accumulated depreciation for each asset and compare to the amount recorded in [REDACTED]. Quantify any differences.

### **Results**

Results of the recalculations identified exceptions in eight samples, resulting in 13 AJE's, for a net accumulated depreciation reduction of \$1,159,761. Four of the adjustments were caused by data entry errors, and resulted in an accumulated depreciation understatement of \$81,668. Three of the exceptions were the result of using incorrect in-service dates, creating a \$1,102,999 increase in accumulated depreciation. Two of the exceptions resulted from using incorrect useful lives creating a \$10,775 increase in accumulated depreciation. Lastly, four depreciation AJE's were required because of the change in the acquisition value of the item noted in step 2 above, resulting in a net reduction of accumulated depreciation of \$35,681.

Contact the designated property custodian and coordinate inspection of selected items. Verify serial number and USCP asset ID number. Record location, condition and status (in use, in storage, etc.). Identify any discrepancies.

### **Results**

No exceptions noted.

4. In conjunction with inspection of property in the preceding procedure select a minimum of 45 samples and trace to property sub-ledgers.

### **Results**

No exceptions were noted.

5. Communicate differences to OFM and request feedback. Document feedback. Make any necessary changes to findings outlines.

### **Results**

OFM concurred with all identified adjustments.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on PP&E account balances. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of USCP OIG and USCP management to include OFM, Property Asset Management Division (PAMD), and Security Services Bureau (SSB), and is not intended to be and should not be used by anyone other than the specified party.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Alan Rosenthal", with a long horizontal flourish extending to the right.

Alan Rosenthal, CPA  
Partner

Alexandria, Virginia  
May 16, 2008