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UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

Audit of USCP Budget Formulation Process

Report Number OIG-2010-03 June 2010

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UNITED STATES CAPITOL POLICE WASHINGTON, DC 20003



INSPECTOR GENERAL

PREFACE

The Office of Inspector General (OIG) prepared this report pursuant to the Inspector General Act of 1978, as amended. It is one of a series of audit, reviews, and investigative and special reports prepared furtherance of our responsibility to identify and prevent fraud, waste, abuse, and mismanagement within the programs and operations of the United States Capitol Police.

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

The recommendations herein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

and W Holcker

Carl W. Hoecker Inspector General

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June 2010

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Audit of USCP Budget Formulation Process

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June 2010

Executive Summary

The United States Capitol Police (USCP or Department) did not formulate its Fiscal Year (FY) 2010 budget submission accurately. During the Department's work with the House and Senate Appropriations Subcommittees, the Department was provided an opportunity to resubmit its FY 2010 budget request for further consideration. This resubmission was to be utilized by the Subcommittees to determine the enacted appropriation provided to the Department for FY 2010. After the first quarter budget execution review, the Department determined that the FY 2010 resubmission upon which appropriation was made also was calculated incorrectly. The Department then carried forward already noted miscalculations into its FY 2011 budget submission, which resulted in the Department submitting an erroneously amended FY 2011 budget request to Congress.

Therefore, on March 10, 2010, the Chief of Police (Chief) requested that the Office of Inspector General (OIG) conduct an audit to (1) assess whether the Department has established adequate controls over the budget formulation process to ensure accurate data is collected and developed; (2) if so, determine if staff complied with those controls during the formulation process of the FY 2010 and 2011 budgets; (3) if not, note exceptions and root causes; and (4) determine the reasonableness of the FY 2010 and 2011 revised budgets for personnel compensation and benefits. Our scope included the original and revised/amended FY 2010 and 2011 budget submissions and processes/controls utilized to formulate those submissions.

OIG found that the Department does not have adequate controls over the budget formulation process to ensure that accurate data is collected and developed. Specifically, the Department has insufficient policies and procedures to accurately document and define the budget formulation processes. The budget execution and monitoring SOPs also are incomplete and outdated. Additionally, the Department has not clearly delineated the roles of the Office of Financial Management (OFM), Office of Human Resources (OHR), and Operations in the formulation of the personnel compensation and benefits. Furthermore, the Department has not established a formal budget formulation process that links personnel compensation and benefits (more than 80 percent of its budget) to the Department's strategic and human capital plans.

During the formulation of the FY 2010 and 2011 budgets, the Department did not follow its proven past budget practices or comply with prior controls over the budget process. Specifically, during the formulation of the FY 2010 budget, the Department did not fully utilize its Force Development Process designed to analyze environmental risks and prioritize new general expense initiatives and resulting workforce requirements while linking all to its strategic goals. Moreover, the Department did not apply the FY 2009 format or consistently follow the past best practices for developing the personnel compensation and benefits. For instance, during the formulation of the FY 2010 budget, USCP utilized Full Time Equivalents (FTEs) in their budget submission as required by report language rather than positions as utilized in FY 2009, resulting in confusion among Department and Appropriations subcommittees staff.

Furthermore, an environment existed whereby noncompliance with the funds control process was permitted, or worse, the process was intentionally circumvented. This absence of consistent compliance with controls and monitoring processes results in the Department being at risk of requesting insufficient funding or overspending its appropriations.

Contrary to the Chief's vision, the Department's administrative management has failed to establish a strong "tone at the top" by allowing inadequate financial controls to persist, which have existed for years and by neglecting to hold individuals accountable for implementation of the recommendations pertaining to these weaknesses. The Department also continues to face major challenges in recruiting and retaining qualified civilian staff and, thus, has not made significant progress towards improving its financial management operations, to include the budget process, as well as other administrative operations. Combined with the inadequate controls, not following proven past practices, the untimely implementation of recommendations, which both the Chief and Board made a priority, and the ineffective management of the administrative operations, impaired the ability to fully support core mission operations, and has caused a severe decline in employee morale.

Consequently, OIG found that miscalculations, omissions, and other factors contributed to the insufficient budget submissions for FY 2010 and 2011, resulting in a significant deficit for the Department. For FY 2010, OIG projects the salary and benefits budget shortfall to range between \$3.8 million and \$5.1 million depending on the actual attrition for the remainder of FY 2010 and the impact of the Department cost-cutting measures implemented by the Chief in response to this budget crisis. In the Department's projected worst case scenario (only mandatory attrition), our projection for the budget shortfall is about \$1.7 million less than the Department's revised projection of \$6.8 million. This is primarily due to more attrition than expected and the Department cost-cutting measures, such as restricting new hires. OIG believes the Department's FY 2010 revised projection of \$6.8 million and resulting utilization of appropriation is reasonable.

For FY 2011, OIG projects the salary and benefits budget shortfall to range between \$9.3 million and \$14.8 million depending on the actual attrition and the Department's cost-cutting measures. OIG's projection for FY 2011 is about \$5.4 million more than the Department's amended budget submission of \$9.4 million. This difference is primarily because the Department miscalculated its number of FTEs.

Although, OIG's scope did not include the validation of general expenses, a review of documents and interviews indicated a potential funding shortfall in the radio modernization project budget estimate included in the FY 2011 budget submission. The \$16 million¹ indoor coverage estimate was based on a 32 percent vendor discount from vendor list price for economies of scale and did not include the NAVAIR labor costs associated with the Distributed Antenna System (DAS) installation, the Architect of the Capitol's (AoC) building infrastructure site costs to support the

¹ The Department requested the \$16 million for indoor coverage as a component of the total radio modernization project of \$97.6 million.

DAS installation, and the Department's insider fiber costs. Prior to requesting additional funding, the Department plans to conduct an internal project requirement and scope review.

Furthermore, other matters came to our attention during fieldwork, which we believe resulted from behavior which was considered deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Through interviews, review of emails and source documents, and analysis of testimony, we found indicators that individuals should have known there were serious problems with the FY 2010 and 2011 budgets earlier than February 2010. In March 2009, Appropriations staff pointed out that the Department salaries budget did not "appear" accurate. In fact, one staffer stated the "Salaries and benefits were 81.1 percent of the budget in FY 2009 and 65.5 percent in FY 2010." In May 2009, OFM and the CAO knew that they had omitted specific benefits and requested a 34 percent benefit rate to cover these omissions. This is confirmed by an email and by the Department receiving a higher benefit rate to cover these omissions. Furthermore, OIG identified potential conflicting statements, procurement, time and attendance, pay, and ethical issues. As required by *Government Auditing Standards*, Audits referred these issues to OIG Investigations.

One of the most immediate problems facing the USCP is their need to address a considerable lack of confidence in their ability to validate and justify its FY 2011 budget request and to build and formulate an FY 2012 budget request. Thus, our report recommendations, shown in Appendix A, provide a genuine opportunity to strengthen controls over processes involved in budget formulation and enable the Department to move toward the level of accountability and transparency expected.

We conducted an exit conference with the Department on May 24, 2010. In addition, we conducted a June 3, 2010, follow-up meeting with the Department to clarify its comments on the draft report. The Department generally agreed to take action to implement the recommendations and further stated that it believes that at least two of the recommendations are already being accomplished. However, the Department did not agree with all our findings and conclusions. Therefore, OIG has incorporated the Department's comments in the body of the report as applicable and in their entirety (except for the attachments to the comments, which contained sensitive and/or privacy information) in Appendix B and C. In accordance with *Government Auditing Standards*, OIG also evaluated the validity of the Department comments and explained our reasons for either agreement or disagreement in Appendix D.

Background

The Department incorrectly formulated both its FY 2010 original and revised budget submissions (revised projected shortfall of \$6,839,198). Further, the Department carried forward these miscalculations into its FY 2011 budget submission, which resulted in the Department submitting an amended FY 2011 budget request in March 2010, and projecting a shortfall of \$9,451,463.

According to 2 USC §1903, the Chief Administrative Officer (CAO) shall:

- Prepare and submit to the Capitol Police Board an annual budget for the Capitol Police; and
- Execute the budget and monitor through periodic examinations the execution of the Capitol Police budget in relation to actual obligations and expenditures.

Additionally, 2 USC §1903 states that the CAO shall develop and maintain an integrated accounting and financial system for the Capitol Police, including financial reporting and internal controls, which provides for complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to financial information needs of the Capitol Police. Furthermore, according to the FY 2010 budget submission dated March 2009, the CAO supervises the delivery of administrative services such as financial management, including budget development, planning and execution, accounting, procurement of supplies and services, personnel services and benefits, payroll, employee relations, work force planning, labor relations, staffing, training; employment law, fleet management and maintenance, asset management, internal controls, strategic planning, and information technology services.

The Budget Division within the Office of Financial Management (OFM) provides budget planning, execution, and funds control, maintains external liaison with Congressional entities and the Office of Management and Budget (OMB), and ensures compliance with appropriations law.

The Office of Human Resources (OHR) develops, implements, and administers human resource programs and services, including workforce planning, recruiting and hiring, personnel security, position classification, pay, staffing, employee relations, labor relations, payroll, and human resources systems and reporting.

The management and control of overtime is an effort that involves all bureaus/offices and divisions which fall under the Chief of Operations and the CAO. An individual within Operations provides the overtime calculations (based on overtime hours required and an overtime rate provided by OFM) to the Budget Division for rollup into the budget.

All bureaus and offices are involved in providing general expense (GE) data to the Budget Division for rollup during the annual budget call. Once the Budget Division has completed its analysis of the GE requests, a briefing book is prepared highlighting decision points to the Investment Review Board (IRB). Each of the Bureaus is represented on the IRB. Once the IRB and the Executive Team² (ET) review and concur with the budget request, the Budget Division prepares the budget for the CAO to submit to the Board. Following presentation to and concurrence of the budget by the Board, it is submitted to the Congress for consideration.

² The Chief, Assistant Chief, and the CAO comprise the Executive Team.

Objectives, Scope, and Methodology

March 10, 2010, the Chief requested that the OIG conduct an audit to (1) assess whether the Department has established adequate controls over the budget formulation process to ensure accurate data is collected and developed; (2) if so, determine if staff complied with those controls during the formulation process of the FY 2010 and 2011 budgets; (3) if not, note exceptions and root causes; and (4) determine the reasonableness of the FY 2010 and 2011 revised budgets for personnel compensation and benefits. Our scope included the original and revised/amended FY 2010 and 2011 budget submissions and practices/processes utilized to formulate those submissions. OIG utilized the Department's FY 2009 budget submission format and formulation processes as a baseline because the Department and Appropriators thought the FY 2009 format was better than FY 2010.

The Department receives two annual appropriations: Salaries and General Expenses for personnel and non-personnel expenses respectively. Funding levels for FY 2009 actual, 2010 enacted, and 2011 requests are shown in Table 1.

	\$0		
	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Personnel (Salaries, Benefits)	<u>\$246,179</u>	<u>\$265,188</u>	\$280,330
Non-Personnel (General Expenses)	56,409	63,130	63,507
New Initiatives (Annual & Multi-Year)			16,231
Radio Project (NAVAIR) ongoing			15,956
Total General Expenses	\$56,409	\$63,130	\$95,694

Table 1- Funding Levels

Source: USCP FY 2011 Budget Submission dated January 19, 2010. Current authorized FY 2010 position strength is Sworn 1800 and Civilian: 443 as a result of implementing a Committee approved realignment of one position from Civilian to Sworn.

To ensure that we did not duplicate any on-going work and place an undue burden on the Department, OIG coordinated with the Government Accountability Office (GAO). In the Conference Report (H.R. 2918), both the House and Senate reports requested the GAO work with the Department on improving workforce management systems, including overtime. Additionally, the Committees requested that GAO expand its work with the Department to include a review and validation of the accuracy of its FY 2011 budget request. "GAO reviewed the Department's initial budget submission and associated documents. It also interviewed relevant officials to gain an understanding of the assumptions and data underlying their FY 2011 budget request for the Salaries account. Where data were available, GAO looked at budget trends for comparison and overall direction of resource needs. GAO's review detected indications of problems with under budgeting for FY 2011 salaries and over budgeting for benefits."

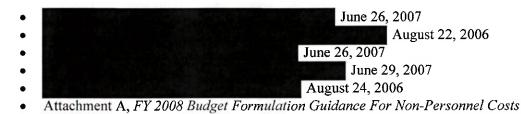
As the Department Bureaus/Offices did not identify any deficiencies with the formulation of the general expense budget submissions for FY 2010 and 2011, OIG limited its validation of the accuracy of the Department's FY 2010 and 2011 to the personnel compensation (salaries) and

benefits submissions. OIG also did not review overtime controls or validate the accuracy of the FY 2010 or FY 2011 overtime budget numbers or determine any impact of overtime on the FY 2010 or 2011 budget shortfall because overtime was a fixed amount "overtime cap" in the budget submissions.

Additionally, although the tone from the Chief for this audit was one of full cooperation, the auditors faced unexpected difficulties during their fieldwork, effectively limiting the scope of the audit. Instances occurred in which Department staff delayed responding to, and, in some cases, indicated that they did not know or could not locate documents necessary for supporting the numbers behind budget totals. Calculations were not located in central files, as we would have expected, and electronic files did not always have sufficient notations on how data was formulated, or when, or by whom that data was developed. In addition, two employees directly involved in the FY 2010 and 2011 budget formulation were placed on administrative leave by the CAO shortly before the audit. The remaining key administrative staff divested responsibility for any involvement in the budget formulation process. While most staff were responsive and cooperative with OIG's requests, several staff members were not. As required by Government Auditing Standards, Audits referred these issues to OIG Investigations. However, we do not believe the scope limitations presented by the Department undermined the validity of any of the audit findings, conclusions, or recommendations. However, conditions noted in this report may be more serious than reported, and there may be additional findings that OIG was unable to discover, develop, and report.

In planning the audit, we drew upon other Legislative Branch financial and budget offices, other Federal Law Enforcement Agencies' budget offices, and Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, OMB Circular A-123, *Management's Responsibility for Internal Control,* and GAO/AIMD-0021.3.1, *Standards for Internal Control in the Federal Government*. As a legislative branch agency, the Department is not statutorily required to comply with OMB requirements; however, USCP has agreed to follow the general guidelines as a best business practice.

We also reviewed the following OFM Standard Operating Procedures (SOPs):



To gain an understanding of the Department's budget formulation processes, controls, and policies and procedures, we interviewed 17 current and former USCP personnel and conducted 10 follow-up interviews with USCP personnel directly involved with the formulation of the FY 2010 and 2011 budgets. We also interviewed two contractors that were involved in the FY 2010 budget formulation process. Additionally, we interviewed a detailee from the Library of Congress (LOC), who assisted in the development of the FY 2009 budget submission,

specifically the salaries and benefits. We further reviewed pertinent business plans, testimony, Questions for Record (QFRs), budget data call guidance, the Board's and the Chief's priorities, and the Executive Management Team³ (EMT) Charter.

To determine what occurred because of unavailable data, we obtained pertinent FY 2008-2010 emails and Excel spreadsheets to build a chronology of events. Using FY 2009 budget (actual) as the baseline, we analyzed the final and revised budget submissions for FY 2010 salary projections (Revised Senate mark @ 2.0 percent as of September 21, 2009, which enacted the \$265,188,000 salary budget in Public Law 111-68 to an electronic copy of FY 2010 payroll projections with YTD Actual, which was the revised budget for salary submitted to the Committee on March 2, 2010). Additionally, we compared the FY 2010 original projected shortfall of \$5.5 million to the Department's revised FY 2010 shortfall of \$6.8 million to determine differences in budget categories such as Budget Object Class (BOC), assumptions, and calculations to determine if the projected budget shortfall was reasonable.

For FY 2011, we reviewed the submission of salary and benefits and recalculated the budget amounts based on information noted on an electronic copy of USCPLIB #444055-v7, FY 2011 Salary Projection (COLA @1.6 percent as of 12/3/09), which was submitted to the Committees on January 19, 2010. We recalculated and validated the FY 2011 budget submission to determine if there is a budget shortfall for FY 2011 salary. Additionally, we compared the electronic copy of FY 2011 Payroll Projections with YTD Actual-Final, which was the amended budget request for FY 2011 salary and submitted to the Committees on March 2, 2010 to determine if the projected budget amendment meant to address the shortfall in the Department's original FY 2011 budget submission was reasonable.

Additionally, to determine guidance provided by the panel, the differences in amounts and assumptions from the original budget submissions to the revised/amended submission, we interviewed the financial panel (Architect of Capitol, Chief Financial Officer and Director of Office of Security Programs; House Sergeant at Arms, Senior Advisor for Security and prior USCP Deputy Chief; and Senate Sergeant at Arms, Chief Financial Officer) appointed by the Board to review the Department's revised FY 2010 (total salary and benefits budget of \$269,099,921 dated February 26, 2010) and FY 2011 (total salary and benefits budget of \$275,283,802, undated) budget submissions. These projections showed a shortfall of \$5,538,522 for FY 2010 and \$6,423,385 for FY 2011.

To ascertain the overarching causes of the budget formulation deficiencies, we interviewed staff, reviewed personnel files for experience and performance evaluations, reviewed prior GAO, Grant Thornton (OFM consultant on internal controls) and OIG reports and recommendations and determined the status of applicable open recommendations, reviewed organization charts, staffing patterns, and current OFM staff vacancies.

³ Representatives from all Bureaus/Offices comprise the Executive Management Team.

Furthermore, we benchmarked the USCP budget formulation process against similar operations. We interviewed other Federal agencies' budget officials (Congressional Budget Office, GAO, Government Printing Office, LOC, Pentagon Force Protection Agency, Department of Homeland Security, and Department of Interior Park Police) to determine best practices, and benchmarking of staff requirements.

We conducted fieldwork in Washington, D.C. from March through May 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives, except for the effects, if any, of the scope limitations, as explained above.

We conducted an exit conference with the Department on May 24, 2010. In addition, we conducted a June 3, 2010, follow-up meeting with the Department to clarify its comments on the draft report. While, the Department agreed to take action or has already taken some action(s) to implement all of the report recommendations, the Department did not agree with all our findings and conclusions. Therefore, OIG incorporated the Department's comments in the body of the report as applicable and in their entirety in Appendix B and C. In accordance with *Government Auditing Standards*, OIG conducted an evaluation of the Department's comments and explained our reasons for either agreement or disagreement in Appendix D.

Results

Currently, the Department does not have adequate controls over the budget formulation process to ensure that accurate data is collected and developed, which resulted in a budget shortfall for FY 2010 and projected shortfall for FY 2011. During the formulation of the FY 2010 and 2011 budgets, the Department did not follow past proven budget practices or comply with prior controls over the budget process. Contrary to the Chief's vision, the Department's administrative management has failed to establish a strong "tone at the top" by allowing inadequate controls over financial weaknesses to persist for years and by neglecting to hold individuals accountable for implementation of those recommendations. The Department also continues to face major challenges in recruiting and retaining qualified civilian staff and, thus, has not made significant progress towards improving its financial management operations, to include the budget process.

OIG found that miscalculations, omissions, and other factors such as COLA and attrition contributed to the insufficient budget submissions for FY 2010 and 2011, resulting in a significant deficit for the Department. Our review of documents and interviews indicated a potential funding shortfall in the radio modernization project budget estimate. One of the most immediate problems facing the USCP is their need to address a considerable lack of confidence in their ability to validate and justify its FY 2011 budget request and to build and formulate an

FY 2012 budget request and improve overall financial management. Thus, our report recommendations provide a genuine opportunity to reduce the Department's vulnerability of preparing incorrect budgets and not requesting sufficient funds to cover personnel compensation and benefits, and for a new course toward accountability and transparency that the Chief, the Board, and the Congress expect and deserve.

Furthermore, other matters came to our attention during our fieldwork that involved behavior which was considered as deficient or improper conduct. As required by *Government Auditing Standards*, OIG Audits referred these issues to Investigations.

Inadequate Controls

The Department does not have adequate controls over the budget formulation process to ensure that accurate data is collected and developed. Specifically, the Department has insufficient policies and procedures to accurately document and define the budget formulation processes. The current execution and monitoring SOPs also are incomplete and outdated. Additionally, the Department has not clearly delineated the roles of OFM, OHR, Operations, and the EMT in the formulation of the personnel compensation and benefits. Furthermore, OIG noted that the Department has not established a formal budget formulation process that links personnel compensation and benefits (more than 80 percent of its budget) to the Department's strategic and human capital plans. As a result, the budget formulation process is inefficient and ineffective and has resulted in a significant deficit for the Department, which as impaired its ability to fully support the Department's mission. Exhibit 1 summarizes the Department's budget process.

Insufficient Policies and Procedures

OIG found that the Department has insufficient policies and procedures to accurately document and define its budget formulation process. GAO/AIMD-0021.3.1, *Standards for Internal Control in the Federal Government* states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals or may be in paper or electronic form. All documentation should be properly managed and maintained.

However, the Department relies primarily on word of mouth and the annual budget call to provide guidance to the Bureaus/Offices for formulation of the annual budget request. The budget call is a formatted Excel worksheet provided to each USCP Bureau/Office with which to input their general expense budget request. Additionally, the Department has no specific guidance on formulating personnel compensation and benefits.

The lack of Department-wide written policies and procedures has caused consistencies and confusion for staff, which must administer policies without guidance, and can be a contributing factor to inadequate and incorrect budgets. Combined with the Department's high turnover rate these factors have created a deficiency in qualified staff that have institutional knowledge of the

budget formulation process. In just over two years there have been two CAOs, two OFM Directors, and three budget officers. Our analysis of position descriptions, resumes, and personnel files showed that 5 of 12 employees directly and indirectly involved in the budget formulation process did not have direct hands on budget formulation and execution experience. The average experience level of the Budget Division staff was about 10 years. In fact, of the current four budget staff, only one employee has been with the Department over two years. This lack of written policies and procedures places the Department at risk of justifying and obtaining necessary resources for operations. Insufficient policies and procedures to accurately document and define key processes have been reported previously by GAO and OIG, as well as Grant Thornton in its assessment of financial management processes and controls report dated May 2008.

Outdated and Incomplete Standard Operating Procedures

OFM's policies and procedures for budget execution and monitoring are outdated and incomplete. A second sec

According to a former budget officer, there are incomplete SOPs in USCP's Document

Management System, and the second sec

Office Roles and Responsibilities Not Clearly Delineated

The Department has not clearly delineated the roles of OFM, OHR, Operations, and the EMT in the budget formulation of the personnel compensation and benefits. *GAO/AIMD-0021.3.1, Standards for Internal Control in the Federal Government*, p. 10 states:

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Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. An agency's organizational structure should provide management's framework for planning, directing, and controlling operations to achieve agency objectives. A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting.

However, there is no Departmental guidance that establishes office accountability or methodology or data sources for the calculations of salaries, benefits, promotions, attrition, accessions, and overtime. A former OHR Director stated that:

OHR worked extremely close with the Budget Division, and was regularly consulted by the Budget Officer and staff on the construction of formulas and computations for salaries and benefits. As the recognized owner/administrator of payroll/personnel systems, OHR was the sole provider of data to OFM for such things as average salaries, average overtime, FTEs calculations, payroll calculations for night differential, Sunday premium, payments for clothing allowance, hazardous duty, specialty pay, etc. Because it was OHR's line-of-business, OHR was relied upon as being the subject matter experts with regard to all components of salary and pay and all the details that went into the computations of such matters.

Based on interviews, however, this OHR/OFM process has changed over time with the turnover of staff. According to staff, new Administrative managers disregarded previous processes because they considered past controls and processes broken.

OIG noted that OFM calculated salaries and benefits with minimal input from OHR except for attrition and accessions during the FY 2010 and 2011 budget formulation process. Additionally, Operations calculated overtime hours and funding requests (based on an overtime rate provided by OFM) and the Budget Division rolled these numbers up into the budget submissions without understanding what mission requirements were behind these numbers. The absence of well-defined roles and responsibilities creates a lack of accountability, a differing understanding of business process functions, inconsistencies in policy implementation and problem resolution, suboptimal decision making, and increased risk of incomplete and inaccurate budget formulation and resulting impacts on mission.

In further demonstration of unclear roles, OIG experienced delays by staff in responding to our requests because they did not know or could not locate documents supporting the numbers behind budget submission totals. This occurred primarily because calculations were not located in central file/location; electronic spreadsheets contained hard numbers instead of formulas, lacked dates and sources as to when data was calculated and by whom; two employees involved in the FY 2010 and 2011 budget formulation were placed on administrative leave; and some administrative staff who were involved in the Department's recalculation and resubmission of the amended FY 2011 budget denied responsibility, rather than providing the source data used to develop and validate the recalculations used for the revised/amended submissions.

Budget Formulation Process Does Not Link to Strategic Plan

Furthermore, OIG noted that the Department has not established a formal budget formulation process that links personnel compensation and benefits (more than 80 percent of its budget) to USCP's strategic and human capital plans. We noted that the Department does have a process where Bureau/Offices map out their strategic initiatives and required resources for general expenses (Force Development Process). However, the lack of a budget that ties all costs to the

strategic and human capital plans also contributes to insufficient support and funding for new initiatives.

During the financial statement audit, we recommended that OFM revise the Department's FY 2008 financial statements to add more detail about all costs in its *Statement of Net Costs* by breaking out all costs by USCP's four strategic goals:

- 1. Assess the Threat;
- 2. Prevent;
- 3. Respond; and
- 4. Support the Mission.

As the auditors had concerns with OFM's allocations and methodology, ultimately the ET reviewed and revised allocations and certified the costs.

As a legislative branch agency, the Department is not statutorily required to comply with OMB requirements; however, USCP has agreed to follow the general guidelines as a best business practice. *Government Performance Results Act of 1993 Sections 3 states* the strategic plan shall cover a period of not less than five years forward from the fiscal year in which it is submitted, and shall be updated and revised at least every three years. OMB shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency. Such plan shall:

- Establish performance goals to define the level of performance to be achieved by a program activity.
- Express such goals in an objective, quantifiable, and measurable form.
- Briefly describe the operational process, skills, and technology, and the human capital, information, or other resources required to meet the performance goals.
- Establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity.
- Provide for a basis for comparing actual program results with the established performance goals.
- Describe the means to be used to verify and validate measured values.

Furthermore, a poorly prepared and justified budget submission can contribute to fewer resources from Congress for the Department, although the Congress believes it has fully funded the Department's justified needs. Without clearly defined priorities tied to the USCP mission, there can be no established process for allocating appropriations that are less than the level requested.

Conclusions

The Department does not have written policies and procedures for its budget formulation process. OFM's SOPs for budget execution and monitoring also are outdated and incomplete. Neither has the Department established clear guidance on office roles and responsibilities nor

methodologies, sources of data, and records management in the budget formulation of personnel compensation. Furthermore, the Department has not established a formal budget formulation process that links all costs to its strategic and human capital plans. A lack of clear guidance creates inefficiencies when staff has no reference material to help them perform their duties. These overarching themes have been noted in prior GAO and OIG reports, as well as the Grant Thornton, *Assessment of Internal Controls,* report dated May 2008. Thus, OIG is making the following recommendation.

<u>Recommendation 1</u>: We recommend the United States Capitol Police immediately establish a formal budget formulation and allocation process that links all costs to its mission, goals, and objectives within its strategic and human capital plans. This process should include written policies and procedures delineating each office's roles and responsibilities to include specific methodology, sources of data, and records management for calculating personnel compensation and benefits, as well as general expenses. This will provide formal representation of the USCP's plan for accomplishing stated goals and objectives, more effective budget submissions, set priorities for the allocation of limited resources, and help define clear lines of accountability for those resources.

Past Processes and Practices not Followed

During the formulation of the FY 2010 and 2011 budgets, the Department did not follow its proven past budget practices or comply with prior controls over the budget process. For FY 2010, the Department did not fully utilize its Force Development Process designed to analyze environmental risks and prioritize new general expense initiatives and resulting workforce requirements, which links to its strategic and human capital goals. As for FY 2011, the Office of the Chief conducted the Force Development Process at the Chief's request, since he did not see the commitment from OFM to follow the process. The Department also did not apply the FY 2009 budget format or consistently follow the past practice for developing the personnel compensation and benefits. For instance, during the formulation of the FY 2010 budget and in response to report language, USCP utilized Full Time Equivalents (FTEs) in their budget submission instead of positions as utilized in FY 2009. However, the Department did not properly apply FTEs calculation methodology to its request formulations resulting in about \$5.5 million less than needed for the FTE level requested in its FY 2011 amended submission. The budget format also was different from previous budget submissions, which caused confusion with Department and Appropriations staff. Furthermore, the funds control process was circumvented. The lack of consistent controls and processes can lead to incorrect budgets, leaving the Department at risk of requesting insufficient funding to support its mission or over spending its appropriations.

Abbreviated Force Development Process

During FY 2010 and 2011 budget formulation process, OFM did not utilize the Force Development Process (FDP). FDP was created in FY 2007, designed to link business planning

to budget planning so that resource initiatives could be analyzed and prioritized from a Department-wide focus. Staff explained the FDP was recommended; however, staff stated that an environmental assessment was not done in FY 2010. In fact, according to staff, the former OFM Director would not participate in the FDP process. The FY 2011 process, which was conducted by the Office of the Chief, was condensed to make it work with the budget formulation timeline. OFM's role in the FY 2011 process was limited to leading the costing portion of the business cases that presented to the ET for consideration.

During interviews, staff complained that new employees disregarded past processes and considered these processes broken and inadequate. Additionally, a contractor, hired to assist OFM, conducted a project to understand the budget formulation process and business relationships. The contractor interviewed key personnel involved in the budget process, such as financial liaison officers (FLOs), OHR, OFM, and Operations personnel. However, this project covered only non-personnel costs. The contractor confirmed that staff does not share information and there is a total lack of communication and trust. The turnover of staff and numerous revisions and re-work of the budget occurred, causing the Department to lose sight of the end goal in preparing the budget, which should create the following:

- Logical and well organized budget justifications and necessary to secure resources to accomplish the mission.
- Construct strong, clear links to strategic plan.
- Demonstrate the use of best practices.
- Discontinue programs, projects, and activities that do not produce effective outcomes.
- Seek, find, or create ways to improve efficiency and effectiveness and leverage resources.

During the FY 2010 budget formulation process, on October 31, 2008, the Chief questioned the CAO and OFM as to why there had been no IRB and FDP meetings. The Chief explained that he sees FDP as a repeatable process. However, the Department did not conduct the environmental scan to identify budget initiatives for the FY 2010 budget submission as was done in FY 2009. As stated previously, the FY 2011 budget formulation followed FDP at the Chief's request, which focused on accomplishing the mission in the future. Full and consistent implementation of the FDP provides the Department with a standardized, repeatable, and uniform process for linking resources to goals and providing for transparent decision-making, as well as a higher level of accountability.

Inconsistent Practice in Usage of FTEs/Positions and Budget Format

The Department did not consistently follow proven past practices for developing budgeted personnel compensation and benefits. For instance, during the formulation of the FY 2010 budget, USCP utilized Full Time Equivalents (FTEs) in their budget submission instead of positions as utilized in FY 2009. Further, personnel involved in the formulation of the FY 2010 budget failed to apply the format and the assumptions used in the formulation of the FY 2009 budget. The FY 2009 format, which should have been used as a template, directly laid out in detail the necessary budget requirements, such as projected hires, COLA, sworn promotions, projected attrition, and pay types, i.e. Lump Sum Payment, Hazardous Duty Pay, and Holiday

Pay, all of which were elements omitted in the final FY 2010 budget submission. However, a former budget officer drafted simple procedures for staff to follow in formulating the salaries and benefits portion of the budget, which was stored in **Generative Constitution**. In fact, the Department followed these procedures in formulating its FY 2009 salaries and benefits projection, according to the Library of Congress (LoC) official who assisted the Department in its FY 2009 budget formulation.

The CAO explained that during the formulation of the FY 2010 budget, there was confusion regarding the change from using positions and managing to FTEs and recommended training for budget personnel. According to the CAO, 2009 appropriation language directed the Department to manage to FTEs as all other legislative branch agencies do.

GAO/AIMD-0021.3.1, Standards for Internal Control in the Federal Government states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals or may be in paper or electronic form. All documentation should be properly managed and maintained.

Additionally, *GAO/AIMD-01-1084SP*, *Results Oriented Budget Practices in Federal Agencies*, states:

Agency management should provide written guidance to program managers on budget formulation (sometimes called a "spring planning call" or "budget call") that sets the reporting requirements and funding targets for program-level budget formulation activities. The guidance contains the major factors program managers need to consider as they prepare their requests for resources. Major factors should include the agency's goals for the formulation year, performance issues, and funding targets that will constrain program proposals for increased spending.

The Department also did not use a consistent format for its budget presentation to Congress. According to staff, the Appropriations staff thought the FY 2010 budget format was confusing and preferred the FY 2009 budget format. A former contractor stated that the preference of the Committee staff is not primarily "how" the information is provided but it is also "what" information is provided and "disclosing" the complete and accurate story. For example, if funding is being requested to mitigate certain risks, what is the expected result if funding is not provided. The contractor's comparison of FY 2009 and 2010 budget submissions is shown in Table 2.

Table 2 – Comparison of FY 2009 and FY 2010 Budget Submissions

FY 2009	FY 2010			
Budget Request Summary				
Presentation of information in the FY 2009 summary is more succinct than FY 2010. For FY 2009, all program information is provided on one page using a bullet format, with an additional page for a pie chart reflecting the percentage each program represents of the total general expenses request.	The FY 2010 format used a full sentence structure.			
Summaries typically are a maximum of two pages. Charts and	d graphs in presentation enhance the reader's ability to quickly and easily			
understand the data being presented, in this case the magnitud	e each program represents of the total budget request.			
Bud	get Detail			
The FY 2009 request provides a narrative explanation for personnel within the Budget Detail section. The narrative for non-personnel is provided in the Budget Schedules section of the submission as part of the Analysis of Change explanation.	The FY 2010 request does not provide the narrative explanation for personnel or non-personnel in the Budget Detail section. The information is presented in two additional sections in the submission book entitled, Personnel Services and Requests by Program.			
Typically this section provides program funding in the current budget year and year being requested, along with the delta in dollars and percentage in chart format. If information is presented in narrative format, typically it is present in the Budget Detail section.				
	s by Program			
FY 2009 did not include this section following Budget Detail.	FY 2010 only – Additional Section following Budget Detail) The FY 2010 request provides comprehensive program information and depicts in chart format how the general expenses align with the strategic objectives of the organization. The presentation in FY 2010 is quite lengthy and does not fully meet the requirement of Circular A-11.			
Budge	rt Schedules			
The chart used for the Analysis of Change Explanation in the FY 2009 request presents information on each program's change in a format the reader can more quickly comprehend.	The FY 2010 request provided the information more succinctly but in a sentence structure, requiring more time for the reader to comprehend.			
FY 2009 justification included a pie chart of the percentage of each major object class's increase as a percentage of the total.	FY 2010 did not include a pie chart of the percentage of each major object class's increase as a percentage of the total.			
	easily comprehend the magnitude of each increase. The schedules in this section ncreases by major budget class and the delta between current and requested year.			

Source: September 3, 2009 email with attachment (FY 09 vs. FY 10 Req.doc).

OFM staff explained that they briefed Committee staff on the new format and thought there was agreement. In May 2009, in an email to the CAO, a Committee staffer stated "I would like to talk about going back to last year's justification format because this is very frustrating in not having a useful document." For its FY 2011 budget submission, the Department used a combination of FY 2009 and FY 2010 formats. For example, the first pages were similar to the FY 2009 format and OFM also included the additional material added in an "appendix" similar to the FY 2010 format. A consistent process would provide the Department, Board, and Congress a standardized and uniform format with sufficient information with which to make informed funding decisions.

Funds Control Circumvented

During our audit, OIG found an environment existed whereby noncompliance with the funds control process was permitted, or worse, the process was intentionally circumvented.

Currently, the funds control process within the Budget Division is inadequate to ensure that expenditures, specifically related to hiring, are made within budgetary guidelines. 31 USC §1301 states:

Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law. 31 U.S.C. 3528 states, "A Certifying Official is responsible for the legality of a proposed payment under the appropriation or fund involved."

OMB Circular A-11 Section 150- Administrative Control of Funds also states that the Antideficiency Act requires that your agency head prescribe, by regulation, a system of administrative control of funds. The system is also called the fund control system and the regulations are called fund control regulations. The purpose of your agency's fund control system is to:

- Restrict *both* obligations and expenditures (also known as outlays or disbursements) from each appropriation or fund account to *the lower of* the amount apportioned by OMB or the amount available for obligation or expenditure in the appropriation or fund account.
- Enable the head of your agency to identify the person responsible for any obligation or expenditure exceeding the amount available in the appropriation or fund account, the OMB apportionment or reapportionment, the allotment or sub-allotments made by your agency, any statutory limitations, and any other administrative subdivision of funds made by your agency.

The CAO is the responsible official within the Department for a system of administrative funds control. In response to a FY 2008 Financial Statement finding, OFM implemented an internal control whereby the Budget Officer was responsible for certifying funds availability for all new hires. However, during discussions with OHR and OFM, we learned that critical staffing decisions were being made without input from the Budget Division. As a result, the Department has experienced mismanagement of resources and has suffered significant payroll shortfalls.

According to the CAO, in May 2009, "the Budget Division stopped signing off that funds were available for new hires because it slowed the process." As of May 2010, this essential budget control is not in place. This lack of control to ensure funds availability impairs USCP's ability, specifically the CAO as certifying officer and the Chief as the disbursing officer, to maintain proper fund control, leaving the Department at risk of over obligating or overspending its appropriations in violation of the Antideficiency Act.

Conclusions

The Department did not follow past proven budget practices or comply with existing controls over the budget process. Specifically, the Department did not utilize the Force Development Process designed to analyze the environmental risks and prioritize new general expense initiatives, which link to its strategic goals. The budget format also was different from previous budget submissions, which caused confusion with Department and Appropriations staff and resulted in a deficit to the Department. Furthermore, the funds control process was circumvented. The lack of consistent processes and controls can lead to incorrect budgets

resulting in the Department being at risk of requesting insufficient funding to support its core mission or over spending its appropriations. Thus, OIG is making the following recommendations.

<u>Recommendation 2</u>: We recommend that the United States Capitol Police ensure that the Force Development Process is fully implemented during the annual budget formulation process. Further, establish a mechanism to review specific programs each year, evaluating their effectiveness, efficiency, and how they contribute to achieving a specific strategic goal(s). This would place a greater emphasis on examining programs and resource needs at the Investment Review Board/Executive Management Team and Executive Team levels.

<u>Recommendation 3</u>: We recommend that the United States Capitol Police immediately consult with Congressional stakeholders to determine the format for future budget submissions that would be useful and meet stakeholder needs.

<u>Recommendation 4</u>: We recommend the United States Capitol Police immediately reinstate the funds availability control. Further, USCP should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel, including funds certifying officials, are properly trained so that they can fulfill their responsibilities to prevent, identify, and report potential Antideficiency Act violations.

Overarching Cause "Tone at the Top"

"Tone at the top" refers to management's philosophy and operating style, which sets the degree of risk the organization is willing to take in its operations and programs, including the budget formulation process. OIG concluded that the overarching root cause is that the Department's administrative management failed to establish a strong "tone at the top." Administrative management has allowed inadequate financial weaknesses that persisted for years to continue, neglected to hold individuals accountable for implementation of those recommendations, and ineffectively managed its workforce. Weak tone at the top is contrary to the Chief's vision that change must occur from the top down. In a November 2006 memo, *Rising to the Challenge*, provided contemporaneously to EMT and to the CAO when hired in 2008⁴, the Chief stated

The key to achieving these goals rests with our supervisors. Officials at every level, from the Chief down, are expected to set the example....They must be attentive to their duties, consistently apply Department policies and procedures, identify and correct deficiencies, identify and commend good performance, and project a professional image. Most importantly, they must effectively communicate with the personnel under their command....This initiative underscores our need to attend to the basics of police service and police management. It provides direction,

⁴ The Board, upon appointing the Chief, also provided him with its priorities for the Department. The Board's priorities were consistent with the GAO and OIG reported findings and recommendations. 18

responsibility, accountability, reward and consequence. However, we cannot achieve our goals through punitive action. To do so invites resistance and failure. Rather, compliance at all levels should be achieved through encouragement, example, guidance, coaching, counseling, mentoring and pro-active supervision.

As the Chief emphasized, positive change, consistent process improvement, and transparency are all critical aspects of tone. However, the previously stated failure to establish adequate controls and not following proven past budget practices and existing controls, the untimely implementation of recommendations, which both the Chief and Board made an administrative priority, and the administration's ineffective workforce management, bring to light serious and pervasive leadership problems or weak tone at the top in the administrative area.

Untimely Implementation of GAO and OIG Recommendations

OMB Circular A-123, Management's Responsibility for Internal Control, Section V, Correcting Internal Control Deficiencies, states:

Agency managers are responsible for taking timely and effective action to correct deficiencies identified by the variety of sources discussed in Section IV, <u>Assessing Internal Control</u>. Correcting deficiencies is an integral part of management accountability and must be considered a priority by the agency.

However, the Department continues to face major challenges in the implementation of GAO and OIG recommendations. This overarching issue continues to keep the Department from making significant progress towards improving its financial management operations and contributed to the latest incident related to the budget shortfall. Specifically, GAO, Grant Thornton in 2008, and OIG have all reported similar financial weaknesses and made recommendations to correct such weaknesses, such as establishing, documenting, and formalizing specific policies and procedures. However, as stated before, OFM has not established or documented its budget formulation process, a very basic and fundamental managerial responsibility.

OIG also noted that the Department has failed to establish meaningful timeframes for corrective actions in fully implementing recommendations made by GAO and OIG. Instead, managers continuously revise due dates in their action plans. We noted that the CAO has not held individuals accountable for adhering to established timeframes or linked managers' performance standards and evaluations to full implementation of prior audit recommendations, or any positive changes. As of April 2010, the CAO stated the Department has identified a total of 180 audit recommendations made by GAO (51) and USCP OIG (129). Of the 180 recommendations, 149 address financial management weaknesses and some recommendations date as far back as January 2004. GAO made 38 of these recommendations while OIG made the other 111. Of the 149 recommendations, 76 (12 GAO and 64 OIG) have been closed and 73 remain open (26 GAO and 47 OIG) as shown in Table 3.

Category	Source	Open
Financial Management - Asset Management	OIG	2
Financial Management – Financial Statement	OIG	1
Financial Management - Internal Controls	GAO	4
CARACTER CONTRACTOR	OIG	2
Financial Management – Procurement	GAO	9
	OIG	7
Financial Management- Staffing	GAO	2
Financial Management - Travel	OIG	2
Human Resources – Payroll	GAO	5
	OIG	16
Information Technology - Capital Investments	GAO	1
Information Technology - Enterprise	GAO	3
Architecture		
Information Technology - Security	GAO	1
	OIG	15
Linking Resources to Risks, Threats, and Vulnerabilities	GAO	1
Operational Efficiencies - Off Site Deployments	OIG	2
Subtotals:	C10	26
Subiotais.	GAO	26
TOTAL	OIG	47
TOTAL		73

Table 3 - Open Financial Management Recommendations

Source: Department QFRs (April 2010) and the Department's audit liaison Access database.

Ineffective Workforce Management

GAO/AIMD-0021.3.1, Standards for Internal Control in the Federal Government states:

Effective management of an organization's workforce—its human capital—is essential to achieving results and an important part of internal control. Management should view human capital as an asset rather than a cost. Only when the right personnel for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible. Management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved. Performance evaluation and feedback, supplemented by an effective reward system, should be designed to help employees understand the connection between their performance and the organization's success. As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.

The Department continues to face major challenges in recruiting and retaining qualified civilian staff and, thus, has not made significant progress towards improving its financial management operations or other administrative challenges. Our analysis of position descriptions, resumes,

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and personnel files showed that 5 of 12 employees directly and indirectly involved in the budget formulation process did not have direct hands on budget formulation and execution experience. The average experience level of the Budget Division staff was about 10 years. However, of the current four budget staff, only one employee has been with the Department over two years. There has been a high level of turnover and staff vacancies within OFM. According to the OFM organization chart dated March 8, 2010, there are five vacancies in the Procurement Division, one vacancy in the Accounts Payable Division, one employee is on administrative leave in the Budget Division, as well as the OFM Director having resigned in April 2010. As stated before, in just over two years there have been two CAOs, two OFM Directors, two OFM Deputy Directors, and three budget officers.

We also noted a lack of understanding of the causal effect of administrative practices on the Department's ability to support its core mission – the protection of the Congress and the legislative process. Many of the individuals within the administrative functions of the Department who were interviewed for this audit did not demonstrate a clear understanding or appreciate the mission of the Department and the resources needs required to fully support that mission.

OIG further noted that administrative management has not provided sufficient supervision to ensure that internal control objectives are achieved through performance evaluation. Such evaluations are designed to help employees understand the connection between their performance and the organization's success. Our review of 60 personnel files for 12 employees showed that 10 of 12⁵ or 83 percent did not have a current performance evaluation and, if applicable, there was no link to implementation of recommendations or the Department's strategic plan. In fact, one employee stated that OFM did not have a process for evaluating its staff. Moreover, we noted that several OFM employees were either granted within grade increases or promoted without a current performance evaluation or current position descriptions. According to OHR officials, the Department is piloting an electronic Performance Evaluation and Communication system (ePECS) with two Bureaus and two offices to assist in ensuring all employees receive performance appraisals. OHR officials expect the final ePECS systems implementation completed by July 2010.

According to OFM and OHR staff, civilian employees are constantly overwhelmed with an unmanageable workload and lack of performance feedback because resources are not always properly utilized. For example, one OFM employee was hired to assist in the financial statements; however, OFM assigned the employee to work in accounts payable. Thus, employees are often required to perform additional duty hours just to complete their simple day-to-day tasks as demonstrated during the current budget crisis.

According to an October 2009 contractor's report on the Department's budget process, USCP staff, both inside and outside of OFM, do not have a trust of each other and have a lack of confidence in OFM staff both in their technical and interpersonal skills. There has been a high

⁵ One employee had only been with the Department six months and an evaluation was not due and another employee's evaluation was due in April 2010, which we counted as current.

turnover of management and conflicting data provided by divisions within OFM. Processes have changed, but not for the best. For example, "new approvals for IQs⁶ used to take 1 to 2 days, now takes a month." Accordingly, civilian employees have no incentive to remain with the Department because of the high level of stress that accompanies their job and the lack of supervisory support from managers. This has caused a severe decline in civilian employee morale. These issues are indicative of not managing workforce and its processes effectively.

OIG did not conduct a workload study. However, we did benchmark with other Legislative Agencies' budget officials and Chief Financial Officers, and 6 of 8 stated that, once a budget process is established, vetted, and approved, four employees within USCP's Budget Division should be adequate to support such a simple budget, which is primarily salary driven. In fact, a former OFM contractor also stated that the USCP budget was simple and three to four employee should be sufficient to support the budget formulation and execution process.

Conclusions

Contrary to the Chief's vision, the Department's administrative management has failed to establish a strong "tone at the top" by allowing inadequate financial weaknesses to persist for years and by neglecting to hold individuals accountable for implementation of those recommendations. The Department also continues to face major challenges in recruiting and retaining qualified civilian staff and, thus, has not made significant progress towards improving its financial management operations to include the budget process. Combined with the inadequate controls, not following proven past practices, the untimely implementation of recommendations, which both the Chief and Board made a priority, and the lack of effective management of the administrative workforce, this lack of leadership and management has critically affected administrative operations, has impaired the ability to fully support mission requirements, and has caused a severe decline in civilian employee morale. Thus, OIG is making the following recommendations.

<u>Recommendation 5</u>: We recommend that the Chief of Police evaluate whether the Department has the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform the financial management activities of the Department and whether assistance is needed to sustain its administrative operations. Additionally, the Chief should evaluate whether the financial management weaknesses identified by the GAO and OIG and previously thought to be closed have recurred as demonstrated by the current audit.

<u>Recommendation 6</u>: We recommend that the United States Capitol Police ensure that skill needs are continually assessed and that the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives

⁶ IQs: Itemized Request.

are achieved. Performance evaluation and feedback, supplemented by an effective reward system, should be designed to help employees understand the connection between their performance and the organization's success. As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of operations.

Inaccurate Salaries and Benefits Budget Submissions

The Department submitted inaccurate salaries and benefits totals in its FY 2010 and 2011 budget submissions. OIG reviewed four salaries and benefits submissions (two for FY 2010 and two for FY 2011). We found miscalculations, omitted BOCs, and other factors such as COLA and attrition, which were unknown at the time of formulation, contributing to a significant shortfall in FY 2010 and 2011 salaries and benefits submissions.

After reviewing the data available and the assumptions utilized by the Department, OIG projects that the FY 2010 salary and benefits budget shortfall will range from \$3,763,845 to \$5,137,279 depending on the actual attrition from PP 07 to PP 20 in FY 2010 and Department cost-cutting measures. For FY 2011, OIG projects the salary and benefits budget shortfall to range from \$9,338,007 to \$14,848,263 depending on FY 2011 appropriations level, the actual attrition in FY 2011, and Department cost-cutting measures.

The submission of inaccurate salaries and benefits occurred primarily because the Department has not addressed the identified management challenges related to budgetary processes and does not have standardized procedures, methodology, or a template for formulating salaries and benefits. Additionally, the Department has not established a quality assurance process for ensuring the validity and integrity of data behind the salaries and benefits numbers. Unlike the Department's general expenses budget formulation process, which is decentralized and each Bureau/Office provides general expense input into the budget request, the formulation and execution of salaries and benefits is centralized within OFM with input from OHR.

This lack of integration and communication between the Bureau/Offices and the Administrative Offices related to salaries and benefits does not provide the checks and balances needed to ensure accurate salaries and benefits budgets or involvement of the EMT in the overall management of the Department. Communication between these bodies is essential for good business and effective governance. OIG believes that EMT would have identified most of these deficiencies had the opportunity been provided for such a review.

FY 2010 Salaries and Benefits Budget Deficiencies (Final Submission and Enacted)

OIG analyzed and recalculated the final FY 2010 submission of salaries and benefits and recalculated the budget amounts based on information noted on the spreadsheet [USCP FY 2010 Salary Projections (Revised Senate mark @ 2.0 percent as of 9/21/09)]. OIG found that miscalculations and omissions contributed to the FY 2010 budget shortfall as summarized on the next page in Table 4.

USCE	Budget Submiss	ion	Sample Land	and a start of	OIG Calculation	
Salary	Sworn	Civilian	Total Amount	OIG Amount	Difference	Cause
2009 Base Salary	\$137,275,532	\$31,920,000	\$168,891,532	\$169,195,532	\$(304,000)	Miscalculation
LOC Civilian		2,184,000	2,184,000	2,184,000	0	
Civilian Backfills (half year)		1,596,000	1,596,000	1,596,000	0	
Attrition (sworn 140)	(5,380,340)		(5,380,340)	(5,380,340)	0	
Attrition (civilian 30)		(1,260,000)	(1,260,000)	(1,260,000)	0	
Backfills (sworn-prorated for 1 class each QTR)	5,846, <mark>97</mark> 0		5,84 <mark>6,97</mark> 0	5,460,9 <mark>6</mark> 9	386,001	Miscalculation
Backfills (civilian-half year)		1,260,000	1,260,000	1,260,000	0	
WIGS and Promotion Annualized			0	2,239,701	0	Presentation
Specialty Assignment Pay			0	300,000	0	Presentation
2.0 New COLA (prorated)			0	2,635,228	0	Presentation
Incorrect FTEs assumption - Salary			0	157,652	(157,652)	Miscalculation
Incorrect FTEs assumption - COLA			0	2,365	(2,365)	Miscalculation
Night Diffential (1160)			0	2,641,159	(2,641,159)	Omission
Sunday Diffential (1163)			0	536,430	(536,430)	Omission
Night and Sunday Diffential (1164)			0	879,158	(879,158)	Omission
Holiday Pay (1180)			0	1,398,752	(1,398,752)	Omission
Lump Sum Terminal Leave (1183)	· · · · · · · · · · · · · · · · · · ·		0	653,524	(653,524)	Omission
Hazardous Duty Pay (1187)			0	140,777	(140,777)	Omission
COLA 2.42% (prorated)			0	113,434*	(113,434)	Omission
Total Salary	\$137,742,162	\$35,700,000	\$173,138,162	\$184,754,341	\$(6,441,250)	
Benefits and Other						
WIGS and Promotion Annualized	\$2,239,701		\$2,239,701		0	BOC Salary
Incentive Awards/Specialty Pay/Student Loan	800,000		800,000	800,000		
Specialty Assignment Pay	300,000		300,000		0	BOC Salary
Metro Transit Subsidy		347,566	347,566	347,566	0	
2.0 New COLA (prorated)	2,088,610	535,500	2,624,110		(11,118)**	Miscalculation
2009 Base Benefits	48,051,512	12,187,448	60,238,960	59,970,086		Miscalculation
Benefits Rate higher than Actual			0	(6,213,462)	6,213,462	
Incorrect FTEs assumption - Benefits			0	53,025	(53,025)	Miscalculation
Overtime Benefits (1201)			0	1,950,750	(1,950,750)	Omission
Benefits for Salary Left out			0	1,893,690	(1,893,690)	Omission
Benefits to Former Employees (1303)			0	191, <mark>00</mark> 0	(191,000)	Omission
Total Benefits and Other			66,550,337	58,992,654	2,382,753	
Overtime			25,500,000		0	
Total Overtime			25,500,000		0	
Total			\$265,188,499	\$269,246,995	\$(4,058,497)	

Table 4 - FY 2010 Salary Projections (June 2009)

Source: USCP FY 2010 Projections (Revised Senate Mark @ 2.0 percent as of 9/21/09 and OIG analyzes and recalculation.

OIG corrected the italicized items. Numbers may not add due to rounding.

*\$113,434 was COLA calculated for differential, lump sum payments, holiday pay and hazardous pay omitted from the salary.

**\$(11,118) is the difference of 2.0 New COLA (prorated) calculated by USCP, \$2,624,110, and OIG, \$2,635,228.

Presentation - The Department inappropriately included components in benefits, which should have been presented in base salaries.

Miscalculations

OIG noted that the Department incorrectly calculated the first line of its FY 2010 salary projection. Specifically, the 2009 base salary for sworn and civilians cumulative amounts did not total correctly, which resulted in a difference of \$304,000 less than the requested amount. Additionally, the Department calculated for one less FTE resulting in a difference of \$213,042 (\$157,652 salary, \$2,365 COLA increase, and \$53,025 benefits) less than requested. Specifically, the FTEs for sworn and civilian applied in the calculation of total salary (2,242) did not agree with authorized/requested FTEs (2,243).

OMB Circular No. A-11, Section 83 states that personnel compensation directly related to duties performed for the Government by Federal civilian employees, military personnel, and non-Federal personnel are BOC 11.1 through 11.8. Personnel benefits are covered in object classes 12.1 to 12.2. However, we noted that the Department inappropriately included three components of base salaries in benefits. Specifically, the "Total Salary" calculation did not include the following:

- a. WIGS and Promotion Annualized
- b. Specialty Assignment Pay
- c. 2.0 New COLA (prorated)

Furthermore, we recalculated and compared FY 2010 salary and benefits to the USCP submission, which showed \$643,757 in differences for three components, as shown in Table 5. The net impact to the FY 2010 salary budget due to miscalculations is \$126,715 as shown below in Table 5. USCP budget personnel could not find the electronic copy to justify the calculations or explain the differences. According to the CAO, two OFM employees placed on administrative leave were responsible for these calculations. However, an email dated May 2010, states the CAO was responsible for this resubmission.

	USCP Submission	OIG Calculation	Difference
FY 2009 Base Salary Error	\$168,891,532	\$169,195,532	\$(304,000)
Calculation for Less FTE	2,242	2,243	(213,042)
Backfills (sworn-prorated for 1 class each QTR)	\$5,846,970	\$5,460,969	386,001
2.0 New COLA (prorated)	\$2,624,110	\$2,635,228	(11,118)
2009 Base Benefits	\$60,238,960	\$59,970,086	<u>268.874</u>
Total difference of three components			643,757
Net Impact of Calculation Errors			\$126,715

Table 5 - Miscalcul	ation of Salar	v and Benefit Diffe	rences
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Source: OIG analysis of USCP FY 2010 Salary Projections (Revised Senate mark @ 2.0 percent as of 9/21/09). Numbers may not add due to rounding.

Omissions

OMB Circular A-11 Section 83 states agencies must report object class information because the law (31 U.S.C. 1104(b)) requires the President's Budget to present obligations by object class for each account. Section 83.6 states which BOC and definitions should be used as shown below.

10 PERSONNEL COMPENSATION AND BENEFITS	This major object class consists of object classes 11, 12, and 13.
11 Personnel compensation	Compensation directly related to duties performed for the Government by Federal civilian employees, military personnel, and non-Federal personnel. Object class 11 covers object classes 11.1 through 11.8.
12 Personnel benefits	Benefits for <i>currently</i> employed Federal civilian, military and certain non-Federal personnel. Covers object classes 12.1 and 12.2.
13 Benefits for former personnel	Benefits for former officers and employees or their survivors that are based (at least in part) on the length of service to the Federal Government.

Based on our review of the FY 2010 final submission and confirmed by the USCP personnel during interviews, the FY 2010 final submission did not include all BOCs for salaries and benefits. Thus, we requested the FY 2008 and 2009 actual payroll by BOC in order to project the FY 2010 amounts for the above BOCs. We first calculated the increase by BOCs from FY 2008 to FY 2009 and projected the FY 2010 amounts to be the FY 2009 actual plus the percentage of increase based on FY 2008 and 2009 actuals. We used FY 2009 actuals to be conservative. We determined that the BOCs omitted from the base salary and benefits would result in an additional estimated amount of \$10,398,674 as shown below in Table 6.

BOC	Description	Amount
1160	Night Differential	\$2,641,159
1163	Sunday Differential	536,430
1164	Night and Sunday Differential	879,158
1180	Holiday Pay	1,398,752
1183	Lump Sum Terminal Leave	653,524
1187	Hazardous Duty Pay	140,777
	COLA 2.42% (prorated)	113,434
	Total Salary	\$6,363,234
1201	Overtime Benefits (FICA – Agency Contribution)	1.950,750
	Benefits for Salary Left Out	\$1,893,690
1303	Benefits to former employees	191,000
	Total Benefits	\$4,035,440
Total		\$10,398,674

Table 6 FV 2010 Omitted Salary and Renefits

Source: OIG analysis of USCP FY 2008 and 2009 actual plus percentage of increase and comparison to FY 2010 Salary Projections (Revised Senate mark @ 2.0 percent as of 9/21/09). Numbers may not add due to rounding.

Based on interviews with Department personnel and review of emails, OFM was aware that differentials, lump sum payments, etc. were left out from the original FY 2010 budget submission, as well as the Department's resubmission in May 2009, and requested a higher benefit rate of 34 percent to cover the omissions. In June 2009, the Department received a 33.634 percent benefit, which OFM thought would cover the omitted BOCs. OFM personnel told the CAO that BOCs had been omitted and that was the reason for requesting a higher benefits rate. Moreover, an email confirmed this statement. We found no evidence that this information was provided to the Chief.

The benefits factor applied to the FY 2010 salary was 33.634%. The actual benefits factor in FY 2008 and FY 2009 was 29.16% and 29.00%, respectively. The benefits factor in FY 2010 payroll projection was 30.3% based on the FY 2010 payroll projection with actual data (PP 20 to PP 08 are based on actual payroll information). Based on our calculation, USCP has a cushion of \$6,213,462 because the appropriated benefit rate is higher than the actual benefit rate (33.634% - 30.3%). Nevertheless, the net impact of the miscalculations, \$126,715, and omissions \$(10,398,674) in the final FY 2010 budget submission resulted in a net shortage of \$4,058,497.

Other Factors

Furthermore, other factors not known at formulation contributed to the budget shortfall. We analyzed the impact of other factors to the FY 2010 salary and benefits and determined the following:

- 1. *COLA increase*: The actual COLA increase was 2.42%, which is 0.42% higher than the anticipated COLA used in the FY 2010 budget formulation. The calculated impact to FY 2010 salary and benefits was \$(721,061).
- 2. Average Salary Increase: USCP applied an average salary in FY 2010 salary and benefits submission; however, the actual average salary increased for both sworn and civilian employees, as shown in Table 7. Extrapolating the average salary increase to all sworn and civilian FTEs, the impact to the salary and benefits is \$(1,921,909).

Average Salary	Sworn	Civilian
Budget ("an average actual FY 2009 base pay" *)	\$76,862	\$84,000
Actual based on NFC report as of 12/21/09	77,366	85,349
Difference	\$ (504)	\$ (1,349)

Table 7 – Average Salary Difference

Source: *Quote from USCP FY 2010 Salary Projections (Revised Senate mark @ 2.0 percent-as of 9/21/09). Numbers may not add due to rounding.

3. New Hires: During interviews with USCP personnel, we learned that the front-loading of recruit classes and the faster rate for hiring new civilian employees in the First Quarter of FY 2010 could have contributed to the budget shortfall. As such, spending was not conforming to the budget

submission and Operating Plan. We analyzed the actual FTEs for sworn and civilian employees and agreed that the front loading classes resulted in the sworn FTEs to be more than the authorized sworn FTEs; however, the civilian FTEs were actually less than the authorized FTEs. In each pay period in FY 2010 (actual from PP 20 to PP 06 and projection from PP07 to PP20), the total FTEs for sworn and civilian are less than total authorized FTEs of 2,243. The front loading recruit class in the First Quarter of FY 2010 did not result in any budget shortfall. We found that the Department hired less FTEs in FY 2010 than projected FTEs for new hires in the budget submission; the financial impact is \$4,961,669 (\$3,807,881 in salary and \$1,153,788 in benefits

4. Attrition: The attrition numbers presented in the FY 2010 budget submission were 140 for sworn and 30 for civilian. OHR was responsible for projecting attrition and providing that data to OFM for utilization in the budget formulation. OHR stated that the projected attrition numbers were based on eleven years of historical data. However, after interviewing USCP personnel and conducting a review of OHR's FTEs Attrition Projection Tables, we determined attrition is actually being used as a plug figure in order to reach the Department's authorized FTEs level. Attrition was initially changed from 140 to 127 for sworn and from 30 to 38 for civilian on October 1, 2009. Further, attrition was changed again from 127 to 81 for sworn and from 30 to 52 for civilian on March 1, 2010. Of 81 projected sworn attritions, only 12 sworn attritions were for mandatory retirement in FY 2010.

USCP projected 140 attritions for sworn officers and 30 civilian attritions in FY 2010 but it did not specify the timeframe for these 170 attritions for budget purposes. The salary give back for 140 sworn positions was budgeted for half year, which was \$5,380,340 for 70 FTEs; the salary for 30 civilian positions was budgeted for half year, which was \$1,260,000 for 15 FTEs. We noted that FY 2010 attrition decreased significantly from prior years. Using the actual attrition through PP 06 and projected attrition from PP 07 to PP 20 or mandatory retirement from PP 07 to PP 20, we calculated that the impact to the FY 2010 salary budget is between \$(2,024,047) (including \$(1,514,620) salary and \$(509,427) benefits) and \$(3,397,481) (including \$(2,542,378) salary and \$(855,103) benefits) depending on the actual attrition between PP 07 and PP 20 and Department cost-cutting measures.

The net impact to the FY 2010 salary budget due to other factors is between \$294,652 if using projected attrition between PP 07 and PP 20 and \$(1,078,782) if accounting for only mandatory retirement.

Conclusions

The Department FY 2010 budget submission was inaccurate due to miscalculations, omissions, and other factors as shown in Table 8. OIG projects the FY 2010 salary and benefits budget shortfall to range from \$3,763,845 to \$5,137,279 depending on the actual attrition from PP 07 to PP 20 in FY 2010 and Department cost-cutting measures implemented by the Chief as a result of this budget crisis.

Impact to FY 2010 Salary Budget	Amount
Miscalculations	\$126,715
Omissions	(10,398,674)
Offset from Higher Benefit Rate	6,213,462
Net of Other Factors (Projected Attrition*)	294,652
Total Budget Shortfall	(3,763,845)
Net of Other Factors (Mandatory Retirement**)	(1,078,782)
Total Budget Shortfall	\$(5,137,279)

Table 8 - Net Impact to FY 2010 Budget

Source: OIG generated based on recalculations of USCP FY 2010 Final Budget Submission and enacted. Numbers may not add due to rounding. *Includes both sworn and civilian attrition.

**Mandatory Retirement sworn only.

Review of Revised Submission of FY 2010 Salary and Benefits Budget (March 2010)

OIG also analyzed the Department's revised FY 2010 salary benefits budget dated March 2010 to determine reasonableness. Based on mandatory attrition only, however, our projection totaling \$5,137,279 for FY 2010 budget shortfall is \$1,701,919 less than the Department's projection of \$6,839,198. The difference is detailed below:

- 1. Eleven sworn officers and 5 civilian employees separated from the Department between PP 03 and PP 06; therefore, USCP should decrease the budget shortfall by \$989,284 due to salary and benefits for 16 attritions.
- 2. USCP budgeted for the NFC Check Reissue (BOC 1195) for \$14,700; this BOC should NOT be budgeted because the actual amounts in FY 2009 and FY 2010 (through PP02) are credit amounts, which were \$(4,599) and \$(2,169), respectively.
- 3. USCP budgeted for the Limited Payability Credit (BOC 1198) for \$123,403; we did not include this BOC in our projection because personnel compensation covers object classes 11.1 through 11.8 per OMB A-11.
- 4. The revised budget included an increase of \$168,067 for transit plan in the payroll projection.
- 5. USCP budgeted \$460,588 the "Effect of Promotions"; we did not include this amount in our projection because the effect of promotions should be covered in the actual amount for full time permanent staff (BOC 1101) through PP 02 and projected WIGS of \$1,648,929 and projected Promotions Sworn of \$129,540 between PP 03 to PP 20.

OIG also noted that the Department's revised budget did not include an amount for new hires for sworn; a class of 24 is scheduled for pay period 14 should attrition require the class for the Department to remain at its authorized sworn strength.

Furthermore, we noted that the procedures, methodology, and assumptions used in preparing the revised submission were not documented. We also noted that there was no quality assurance of the budget for accuracy. Although the Board appointed a financial panel to review the budget revision, panel members when interviewed for this audit characterized the review as a limited scope review. One member stated "We looked at the best information as of that day. There was no time to look at source documents or calculations. This was not an audit." Another panel

member stated "This review had a window to resubmit and was to be done very quickly in order for the Chief to resubmit the USCP FY 2011 budget." According to all members, the individuals that prepared the revised budget "were struggling and did not understand the numbers or where they came from."

Conclusions

OIG concluded that the March 2010 revised submission of FY 2010 salary and benefits budget is reasonable and that the revised submission included BOCs previously omitted and those amounts were reasonable. OIG projected the FY 2010 salary and benefits budget shortfall to range from \$3,763,845 to \$5,137,279 depending on the actual attrition from PP 07 to PP 20 in FY 2010 and Department cost-cutting measures. Based on mandatory retirement only, our projection for FY 2010 budget shortfall is \$1,701,919less than the Department's projection of \$6,839,198 as shown in Table 9.

THE COLUMN TALEND AND AND AND AND AND AND AND AND AND A	Amount
OIG FY 2010 Payroll Projection	\$(5,137,279)
USCP FY 2010 Payroll Projection	\$(6,839,198)
Difference	\$1,701,919
16 attrition between PP02 and PP06	\$989,284
NFC Check Reissue (BOC 1195)	14,700
Limited Payability Credit (BOC 1198)	123,403
Increase in Transit Plan	168,067
Effect of Promotions	460,588
Different Projection Methods*	(54,123)
Total	\$1,701,919

Table 9 - FY	2010 Pa	yroll Proj	jection Com	parison
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Source: OIG generated from analysis. Numbers may not add due to rounding. *Due to different projection methods in developing the payroll projection, USCP projected the FY 2010 payroll based on actual payroll through PP 02 and projected payroll from PP 03 to PP 20. OIG projected the FY 2010 payroll using the FY2010 enacted salary budget and adjusted it to correct for mistakes and factors or assumptions changed during the FY 2010.

Additionally, the Department did not document its procedures, methodology, and assumptions used in preparing the original or revised submissions and USCP staff had a difficult time explaining what was behind the numbers to the Board's financial panel, as well as to OIG during this audit.

FY 2011 Salary and Benefits Budget Deficiencies (January 2010)

OIG reviewed the original FY 2011budget submission dated January 2010 related to salary and benefits noted on the spreadsheet [USCPLIB #444055-v7, FY 2011 Salary Projection (COLA

(@1.6 percent as of 12/3/09)] and found the original FY 2011 budget submission had deficiencies similar to the FY 2010 submission. We recalculated and validated the FY 2011 budget submission to determine if there is a budget shortfall for FY 2011 salary and benefits. OIG found that miscalculations and omissions contributed to the FY 2011 budget shortfall as summarized in Table 10.

USCP Budget Submission			OIG Calculation			
Salary	Sworn	Civilian	Total Amount	OIG Amount	Difference	Cause
2010 Base Salary	\$137,556,748	\$37,894,956				
Annualization of Authorized Level	615,482	and the second division of the second divisio	615,482	the second division in	-	
Attrition (sworn 121)	(4,666,426)		(4,666,426)			
Backfills of FTEs (6 sworn-prorated in						
classes of 24)	3,919,651		3,919,651	3,919,651	0	
Attrition (civilian 47)		(1,984,481)	(1,984,481)	(1,984,481)	0	
Civilian Backfills (half year)		1,984,481	1,984,481	1,984,481	0	
New Sworn (sworn-prorated in classes of 48)	1,684,985		1,684,985	1,684,478	507	Miscalculation
New Civilian		645,550	645,550	512,094	133,456	Miscalculation
WIGS and Promotion Annualized	1,674,845	142,317	1,817,162	1,817,162		
Annualized FY 2010 COLA			1,327,403	1,327,403		
1.6% 2011 COLA (prorated)			2,205,735	2,205,735		
Specialty Assignment Pay				600,000		Presentation
Incorrect FTEs assumption - Salary				, 1,827,975		Miscalculation
Incorrect FTEs assumption - COLA				22,467		Miscalculation
Night Differential (1160)			0	3,022,769		
Sunday Differential (1163)			0	642,048		Omission
Night and Sunday Differential (1164)			0	1,024,889		
Holiday Pay (1180)			0	1,046,739	the second se	
Lump Sum Terminal Leave (1183)			0	678,385		
Hazardous Duty Pay (1187)			0	158,384		
COLA 2.42% (prorated)			0	78,879*		Omission
Total Salary	\$140,785,285	\$38,682,823	\$183,001,246			
Benefits and Other						
Incentive Awards/Specialty						
Pay/Student Loan			1,600,000	1,600,000	0	
Specialty Assignment Pay			600,000		0	BOC Salary
Metro Transit Subsidy			315,000	315,000	0	
Workers Compensation			3,500,000	3,500,000	0	
2011 Benefits			62,220,424	62,220,424	0	
Benefits Rate higher than Actual			0	(5,673,039)	5,673,039	
ncorrect FTEs assumption – Benefits				621,512	All states of the second	Miscalculation
Overtime Benefits (1201)				2,036,556	(2,036,556)	
Benefits for Salary Left out				2,031,123	(2,031,123)	
Benefits to Former Employees (1303)				191,000	(191,000)	
Total Benefits and Other			68,635,424	66,842,576	792,848	
Overtime			29,093,661	29,093,661	0	
Total Overtime	137,742,162		29,093,661	29,093,661	0	
FOTAL			6200 220 200	6207 C24 257	A/2 222 24 1	
OTAL			\$280,330,331	\$287,906,056	\$(7,575,724)	

Table 10 - FY 2011 Original Salary Projection (January 2010)

Source: USCPLIB #444055-v7, FY 2011 Salary Projection (COLA @1.6 percent as of 12/3/09). OIG analysis and recalculations. OIG corrected items that are italicized. Numbers may not add due to rounding.

*\$78,879 was COLA calculated for differential, lump sum payments, holiday pay and hazardous pay omitted from the salary,

Miscalculations

Miscalculations in the original FY 2011 submission contributed to a shortfall in salary and benefits. We compared our calculation of FY 2011 salary and benefits to the USCP submission and noted differences totaling \$133,963 for two components as shown in Table 11. The current budget officer could not explain the calculations in the original submission and stated he was not involved in the FY 2011 original submission.

and the second sec	USCP Submission	OIG Calculation	Difference
New Swom (swom-prorated in classes of 48)	\$1,684.985	\$1,684,478	\$507 ⁷
New Civilian	\$ 645,550	\$512,094	133,456 ⁸
Total			\$133,963

Table 11 - FY 2011 Salar	y and Benefit Misca	lculations
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Source: OIG generated based on recalculations of USCP FY 2011 January 2010 Budget. Numbers may not add due to rounding.

We also noted there was still confusion over FTEs and positions during the formulation of the FY 2011 budget submission. For FY 2011, the Department requested 1,852 FTEs for sworn and 455 FTEs for civilian. However, the Department did not request sufficient funding to support these 2,307 FTEs. The Department applied 1,834 FTEs in its calculation of sworn salary, which are 18 less than the requested 1,852 FTEs, and applied 450 FTEs in the calculation of civilian salary, which are 5 less than the requested 455 FTEs. As a result, the Department calculated for 23 less FTEs resulting in a difference of \$(2,471,954), including \$(1,827,975) of salary, \$(22,467) of COLA increase, and \$(621,512) of benefits (34%). For miscalculations, the net impact to the FY 2011 salary budget is \$(2,337,991) as shown below in Table 12.

Table 12 -Miscalculation Impact to FY 20	011 Salary Budget
Deficiency	Amount
Miscalculation of Salary and Benefit	\$133,963
Incorrect FTEs calculation	(2,471,954)
Total	\$(2,337,991)

Source: OIG generated. Numbers may not add due to rounding.

Omissions

OMB Circular No. A-11 Section 83.6 states the major object class consists of object classes 11 (personnel compensation), 12 (personnel benefits), and 13 (benefits for former employees). However, OIG noted that the Department neglected to include these specific BOCs in its FY 2011 submission, contributing to a shortfall in salary and benefits. Based on our review of the FY 2011 submission and confirmed by the USCP personnel during interviews, the Department left out base salary and benefits as shown in Table 16. We compared the FY 2010 payroll

⁷ The difference was a mistake when entering the amount from one cell to another in Excel, probably the use of a hard number rather than a formula.

⁸ Per USCP FY 2011 Salary Projections (COLA @ 1.6 Percent-as of 12/3/09), civilian attrition and new civilian accessions based on one-half year @ Dept average salary (FY 2010 avg. w prorated AD.) Therefore, 12 new civilian should be \$512,094 = \$85,349 x 12 x 50% (half year). 32

projection with YTD Actual to the FY 2009 actual and found that the total of BOC 1160 to BOC 1187 increased 7 percent. Therefore, we projected the amounts for BOC 1160 to BOC 1187 in FY 2011 to be FY 2010 amounts plus a 7 percent increase. We determined that the BOCs left out from the base salary and benefits would result in an additional estimated amount of \$10,910,772. See Table 13 below for breakout.

BOC	Description	Amount
1160	Night Differential	\$3,022,769
1163	Sunday Differential	642,048
1164	Night and Sunday Differential	1,024,889
1180	Holiday Pay	1,046,739
1183	Lump Sum Terminal Leave	678,385
1187	Hazardous Duty Pay	158,384
	COLA 1.6% (prorated)	78,879
	Total Salary	\$6,652,093
1201	Overtime Benefits (FICA – Agency	
	Contribution)	2,036,556
	Benefits for Salary Left Out (30.9%)	2,031,123
1303	Benefits to former employees	191,000
	Total Benefits	\$4,258,679
Total		\$10,910,772

Table 12 EV 2011 Omitted Calam and Panafite

Source: USCPLIB #444055-v7, FY 2011 Salary Projection (COLA @1.6 percent as of 12/3/09). OIG analysis and recalculations. Numbers may not add due to rounding.

The benefits factor applied to the FY 2011 salary was 34%. The actual benefits factor in FY 2008, FY 2009 and FY 2010 (actual through PP 08 and projection) is 29.16%, 29% and 30.3%, respectively. We determined the benefit rate to be 30.9% (30.3% in FY 2010 + 0.6% FERS increase) in FY 2011 because the agency contribution for FERS increased 0.6% per Public Law 111-84. Because the benefit rate for budget is higher than the actual benefit factor. USCP has a cushion of \$5,673,039 from the higher benefit rate (34% - 30.9%) to cover a portion of the miscalculation of \$(2,337,991) and omissions of \$(10,910,772) in the FY 2011 budget submission, therefore, the FY 2011 budget submission resulted in a net shortage of \$(7,575,724) as shown in Table 14.

Table 14 - Net Impact of Miscalculations and Omissions to FY 2011 Budget			
	Amount		
Miscalculation	\$(2,337,991)		
Omissions	(10,910,772)		
Offset from Higher Benefit Rate	5,673,039		
Total	\$(7,575,724)		

Table 14 - Net Impact of Miscalculations and	Omissions to FY 2011 Budget
--	------------------------------------

Source: OIG Generated based on analysis and recalculations. Numbers may not add due to rounding.

Other Factors

Furthermore, other factors not known at formulation contributed to the budget shortfall. We reviewed the FY 2011 payroll projection and analyzed the impact of changes to the original submission of FY 2011 salary and benefits and determined the following:

- 1. COLA decreased from 1.6% to 1.4%: USCP adjusted the COLA from 1.6% to 1.4%; thus the FY 2011 salary and benefits was over by \$360,914.
- Increase in FY 2011 Average Salary: USCP applied the average salary in FY 2011 salary budget submission and applied \$1,327,403 for 2010 COLA; however, the average salary for sworn is lower than the one applied in the original FY 2011 payroll projection. For details see below. Extrapolating the average salary increase to all sworn and civilian FTEs, the impact to the salary and benefits is \$(211,913). The difference in FY 2011 average salary is shown in Table 15.

	Sworn	Civilian
Budget (average salary per Dec 2009 NFC report*)	77,366	85,349
Applied FY 2010 COLA	79,238	87,414
Revised Budget (FY 2011 Payroll Projections March 2010)	79,455	86,946
Difference	(217)	468

Table 15 – Difference in FY 2011 Average	ge Salary
--	-----------

Source: OIG generated. Numbers may not add due to rounding.

*USCP FY 2011 Salary Projections (COLA @ 1.6 Percent-as of 12/3/09) showed that average salary for civilian and sworn is \$84,446 and \$77,131 per Nov 2009 NFC report; however, USCP used \$85,349 and \$77,366 per Dec 2009 NFC report (prorated AD) in the calculation of base salary.

- 3. Attrition: In its original budget submission, USCP projected a total of 168 attrition, 121 for sworn and 47 for civilian. The FY 2011 attrition then decreased to 80 for sworn and 40 for civilian. Of 80 sworn attritions, only 20 are mandatory retirement. The salary give back for 168 sworn positions was budgeted for half year. USCP budgeted \$(4,666,426) for 60.5 sworn FTEs and \$(1,984,481) for 23.5 civilian FTEs. The impact to the FY 2011 salary budget is between \$(1,947,702) (including \$(1,487,931) salary and \$(459,771) benefits) and \$(7,457,958) (including \$(5,697,447) salary and \$(1,760,511) benefits) depending on the actual attrition in FY 2011.
- 4. Overtime: USCP decreased the budget for overtime from \$29,093,661 in the original submission to \$29,059,784 (\$27,250,155 w/o benefit and \$1,809,629⁹ w/o benefits) in the revised submission. The impact of this change is \$36,418 including benefits.

The net impact to the FY 2011 salary budget due to other factors is between (1,762,283) using projected attrition and (7,272,539) accounting for only mandatory retirement as shown in Table 16.

⁹ Per Payroll FY 11 Projection 3-1-10 Final Rev1.xls, AOC Dome Project/R Tunnel related OT (with benefits) is \$1,945,351 = \$1,809,629*1.075.

	Amount
COLA change from 1.6 to 1.4	\$360,914
Average Salary Increase	(211,913)
Overtime Changes	36,418
Attrition (Projected 120)	(1,947,702)
Attrition (Mandatory 20)	(7,457,958)
Total (Projected Attrition)	\$(1,762,283)
Total (Mandatory Retirement)	\$(7,272,539)

Table 16 - Impact to FY 2011 Salary Budget

Source: OIG generated from analysis and recalculations. Numbers may not add due to rounding.

Conclusions

The Department's FY 2011 budget submission was inaccurate due to miscalculations, omissions, and other factors. We project the FY 2011 salary and benefits budget shortfall to be between \$9,338,007 and \$14,848,263 depending on the actual attrition in FY 2011 and Department costcutting measures as summarized in Table 17.

	Amount
Miscalculation	\$(2,337,991)
Omissions	(10,910,772)
Offset from Higher Benefit Rate	5,673,039
Net of Other Factors (Projected Attrition)	(1,762,283)
Total Budget Shortfall	\$ (9,338,007)
Net of Other Factors (Mandatory Retirement)	(7,272,539)
Total Budget Shortfall	\$(14,848,263)

Table 17 - Impact to FY 2011 Salary Budget

Source: OIG generated from recalculations. Numbers may not add due to rounding. Numbers may not add due to rounding.

Additionally, the Department did not document its procedures, methodology, and assumptions used in preparing the original or revised submissions and OFM staff had a difficult time explaining what was behind the numbers to the Board's financial panel, as well as to OIG during this audit.

Review of Amended FY 2011 Payroll Projection (submitted on March 2, 2010)

The current budget officer and the Acting OFM Director created an amended FY 2011 Payroll projection showing an FY 2011 budget shortfall of \$9,451,463. However, OIG noted the following deficiencies and differences:

1. The FTEs for salary in FY 2011 is based on 2,248 (1,824 sworn and 424 for civilian), which is less than the budget request of 2,307 (1,852 for sworn and 455 for civilian). The financial impact is \$5,519,778 less than what is needed for the FTE level of 2,307 as shown in Table 18.

	Sworn	Civilian	Total
FY 2011 Revised Projection FTEs ¹⁰	1,824	424	2,248
FY 2011 FTEs Request ¹¹	1,852	455	2,307
Difference	(28)	(31)	(59)
Average Salary	\$54,338*	\$86,946	
Impact to Salary			(4,216,790)
Impact to Benefits (30.9%)			(1,302,988)
Total			\$(5,519,778)

Table 18 - FY 2011 Revised Projection FTEs Difference

Source: OIG generated from recalculations. Numbers may not add due to rounding.

- *OIG applied the new recruit salary for swom in the calculation.
- 2. Incorrect calculation for 12 new civilian hires and 52 new sworn hires on the revised FY 2011 payroll projection caused the revised submission to be over-budget for salary by \$570,028. The Department used the same budget amount for 12 new civilian and 52 new sworn on the original submission without checking the formula or verifying the calculation. In addition, USCP used the 34% benefits rate in the original submission, not the 32% benefits rate applied in the revised payroll projection.
- 3. USCP budgeted for the Employee Indebtedness (BOC 1105) \$25,000; we did not include this BOC in our projection because this BOC is an immaterial amount and actual amounts in FY 2009 and FY 2010 (through PP02) are \$7,101 and \$4,845, respectively.
- 4. The Department budgeted NFC Check Reissue (BOC 1195) for \$15,032; as stated before, this BOC should **NOT** be budgeted because the actual amounts in FY 2009 and FY 2010 (through PP02) are credit amounts, which were negative \$4,599 and \$2,169, respectively.
- 5. USCP budgeted for the Limited Payability Credit (BOC 1198) for \$132,583; we did not include this BOC in our projection because personnel compensation covers object classes 11.1 through 11.8 per OMB A-11.
- 6. The Department included a potential saving of \$1,032,915 from 10 sworn on average on extended absence section. We did not include this in our projection because we did not find such potential saving in FY 2010 budget.
- 7. The Department applied a worst case scenario in estimating attrition and only accounted for mandatory retirement. We also noted that the attrition decreased \$7.5 million from the original submission to the revised submission. The attrition rate decreased significantly in FY 2010 but there were 60 attritions as of PP 06 in FY2010 (half year). Thus, accounting for only 20

¹⁰ FTEs are based on Payroll FY 11 Projection 3-1-10 Final Rev1.xls

¹¹ FTEs are based on FY11 Revised Submission (March 2010), page 10, FTEs level will grow to 1,852 for sworn and 455 for civilians for a total of 2,307.

mandatory attritions in FY 2011 does not seem reasonable or the best practice, which will most likely result in a salary lag. Although, according to staff, during the development of the resubmission of the FY 2011, the Board and the Department decided to "stick" with only mandatory attrition, so that the worst case scenario was demonstrated. Additionally during briefings to the Committees on the shortfall issues, it was suggested to the Department to look at worst case, so we did not replicate the shortfall.

Furthermore, we noted that the procedures, methodology, and assumptions used in preparing the revised submission were not documented. We also noted that there was no quality assurance of the budget for accuracy. As stated before, although, the Board appointed a financial panel to review the budget revision, panel members, interviewed for this audit, characterized the review as a limited scope review for reasonableness.

Conclusions

Overall, mandatory retirement only, OIG's projection for FY 2011 budget shortfall is \$14,848,263, which is \$5,396,800 more than the Department's revised projection of \$9,451,463 as shown in Table 19.

OIG understands the Board's and Committees' guidance related to the worst case scenario in using only mandatory retirement for attrition; however, the \$7.5 million budget increase due to an adjustment to attrition may not be reasonable in developing a revised budget to justify what the Department actually needs and will most likely result in a salary lag.

	Amount
OIG FY 2011 Payroll Projection	\$(14,848,263)
USCP FY 2011 Payroll Projection	\$ (9,451,463)
Difference	\$(5,396,800)
Incorrect FTEs calculation	\$(5,519,778)
Incorrect calculation of New Hires	\$570.027
Employee Indebtedness (BOC 1105)	\$25,000
NFC Check Reissue (BOC 1195)	\$15,032
Limited Payability Credit (BOC 1198)	\$132,583
Potential Saving from EAS	\$(1,032,915)
Difference in Mandatory Retirement Estimate	\$344,009
Different Projection Methods *	\$69,242
Total	\$(5,396,800)

Source: OIG generated from analysis. *Due to different projection methods in developing the payroll Projection, USCP projected the FY 2010 payroll based on actual payroll through PP 02 and projected payroll from PP 03 to PP 20. OIG projected the FY 2010 payroll using the FY 2010 enacted salary budget and adjusted it to correct for mistakes and factors or assumptions changed during the FY 2010. Numbers may not add due to rounding. Furthermore, as stated before, the Department did not document the procedures, methodology, and assumptions used in preparing any of its revised submissions and there was no quality assurance of any of the budget submission for accuracy. As stated before, the Capitol Police Board appointed a financial panel to review the budget revision. However, panel members interviewed for this audit characterized the review as a limited scope review for reasonableness and described Department personnel struggling to explain what was behind the numbers as well as OIG did during this audit.

OIG benchmarked the USCP budget formulation process against similar operations to determine best practices. We interviewed other Federal agencies' budget officials to determine best practices and benchmarking of staff requirements. About half of those agencies interviewed used a decentralized approach in formulating salaries and benefits. For example, the Pentagon Force Protection Agency utilizes their Bureaus and Offices to formulate its salaries and benefits budget. The budget office then checks the accuracy of the calculations and rolls up the data into the budget by cost center. Guidance is provided during the annual budget call and a template is provided to assist in the salary and benefit calculation.

A decentralized approach provides a genuine opportunity to reduce the Department's vulnerability of preparing incorrect salary budgets; incorporates checks and balances as well as integration of strategic goals and performance measurements; and training of employees in the budget formulation process. As stated before, the Department uses this type of approach in formulating its general expense budget. Furthermore, this will place the Department on a course toward accountability and transparency that the Chief, the Board, Congress, and the public expect and deserve. One of the most immediate problems facing the USCP is their need to address a considerable lack of confidence in their ability to build and formulate an FY 2012 budget request. Thus, OIG is making the following recommendations.

<u>Recommendation 7</u>: We recommend that the United States Capitol Police ensure that Bureau and Office units, in accordance with clear and definitive guidance, provide and/or review position/FTEs input information (numbers and levels of staff and timing for new additions) and review draft budget to ensure that unit inputs are incorporated into the draft budget.

<u>Recommendation 8</u>: We recommend that the United States Capitol Police take action to formally integrate the Investment Review Board and Executive Management Team into the review and approval process for the salary and benefit components of the draft budget request (in addition to their existing role in reviewing and approving the general expense component of the draft budget request) to enhance the accountability and quality assurance of the review and approval process.

Potential Shortfall in the Radio Modernization Project

Although, OIG's scope did not include general expenses, our review of documents and interviews showed there is also a potential funding shortfall in the radio modernization project budget estimate. According to GAO Cost Estimating and Assessment Guide, Best Practices for Developing and Managing Capital Program Costs:

It is reasonable to expect the unit costs decrease not only as more units are produced but also as the production rate increases. This theory accounts for cost reductions that are achieved through economies of scale....Conversely, if the number of quantities to be produced decreases, then unit costs can be expected to increase. Because certain fixed costs have to be spread over fewer units. At times, an increase in production rate does not result in reduced costs....

Accordingly, GAO (GAO-05-183, Sensitivity Analysis, form Defense Acquisitions) found that analysts often factored in savings based on expected efficiencies that never materialized.

We noted that the \$16 million¹² indoor coverage estimate, which was requested in the Department's FY 2011 budget submission and most recently submitted to OMB for inclusion in an emergency supplemental funding bill, was based on 32 percent vendor discount from vendor list price for economies of scale. No vendor discounts have been realized to date as NAVAIR has not issued the request for proposals for solicitation. Thus, OIG projects that a minimum of \$7 million dollars will be needed if the discounts are not realized.

This funding request for \$16 million also did not include the NAVAIR labor costs associated with the DAS installation and the AoC's building infrastructure site costs to support the DAS installation or the Department's insider fiber costs, both of which have funding estimates that are higher than originally anticipated.

In March 2010, the Chief appointed an Executive Sponsor. Prior to that, the CAO was responsible for this project. The Department subsequently discovered the appropriation for contingencies of the radio project may have been allocated for expenditure in the absence of sufficient and accurate estimates. "It appears prior to the change in Executive Sponsorship, the project management did not track changes between estimates, which supported the appropriation and the actual radio project expenditures."

At the direction of the Chief, the new Executive Sponsor has executed a Radio Modernization Project Charter, which provides detail for the roles and responsibilities of the Department, AoC, and NAVAIR. Prior to requesting additional funding to replenish contingency funds to meet projected cost overruns, the Department plans to conduct an internal project requirements and scope review with NAVAIR in order to identify potential project savings from the use of new technology, as well as grade of service, coverage, and "up time" needs vs. requirements. Actual

¹² According to the Department's comments on the draft report, the \$16 million for indoor coverage estimate was requested as a component of the total radio modernization project of \$97.6 million.

costs for the major NAVAIR procurements will not be known until responses to the requests for proposal are received from vendors.

Conclusions

Our review of documents and interviews showed there is also a potential funding shortfall in the radio modernization project budget estimate. We noted that the \$16 million indoor coverage estimate, which was requested in the Department's FY 2011 budget submission and most recently submitted to OMB for inclusion in an emergency supplemental funding bill, was based on 32 percent vendor discount from vendor list price for economies of scale. Thus, OIG projects that a minimum of \$7 million will be needed if the discounts are not realized. Additionally, this FY 2011 request for \$16 million did not include the NAVAIR labor costs associated with the DAS installation and AoC's building infrastructure site costs to support the DAS installation or the Department's insider fiber costs, both of which have funding estimates that are higher than originally anticipated. The Department is conducting an internal project requirements and scope review with NAVAIR. Thus, OIG is not making a recommendation at this time.

OTHER MATTERS

Other matters came to our attention during fieldwork, which involved behavior that was considered either deficient or improper when compared with behavior established that a prudent person would consider reasonable and necessary business practice when given the facts and circumstances. Instances occurred in which Department staff delayed responses and in some cases did not know or could not locate documents supporting the numbers behind budget totals. Necessary calculations were not located in central files. Electronic spreadsheets did not always have formulas on how data was formulated, or when, or by whom. Two employees directly involved in the FY 2010 and 2011 budget formulation were placed on administrative leave by the CAO shortly before the audit. The remaining key administrative staff divested responsibility for any involvement in the budget formulation process. While most staff were responsive and cooperative with the OIG's requests, several key staff members were not. Our audit brought to light serious and pervasive issues in the administrative management of the Department. There was insufficient oversight over the budget formulation process by the Office of Administration leadership and the Department did not have adequate systems in place to protect the Department. To the degree the Department had these systems in place; they were not always followed, and, in one significant case, circumvented.

Through interviews, review of emails and source documents, and analysis of testimony, we found indicators that individuals should have known there were serious problems with the FY 2010 and 2011 earlier than February 2010. In fact, in March 2009, Appropriation staff pointed out that the Department salaries did not "appear" accurate. In fact, one staffer stated the "Salaries and benefits were 81.1 percent of the budget in FY 2009 and 65.5 percent in FY 2010." In May 2009, OFM and the CAO knew that they had omitted specific BOCs and requested a 34 percent benefit rate to cover these omissions. This is confirmed by an email and by the Department receiving a higher benefit rate to cover these omissions. Furthermore, OIG

identified potential conflicting statements, procurement, time and attendance, pay, and ethical issues, which Audits referred to OIG Investigation for review and final disposition.

SUMMARY OF RECOMMENDATIONS

<u>Recommendation 1</u>: We recommend the United States Capitol Police immediately establish a formal budget formulation and allocation process that links all costs to its mission, goals, and objectives within its strategic and human capital plans. This process should include written policies and procedures delineating each office's roles and responsibilities to include specific methodology, sources of data, and records management for calculating personnel compensation and benefits, as well as general expenses. This will provide formal representation of the USCP's plan for accomplishing stated goals and objectives, more effective budget submissions, set priorities for the allocation of limited resources, and help define clear lines of accountability for those resources.

<u>Recommendation 2</u>: We recommend that the United States Capitol Police ensure that the Force Development Process is fully implemented during the annual budget formulation process. Further, establish a mechanism to review specific programs each year, evaluating their effectiveness, efficiency, and how they contribute to achieving a specific strategic goal(s). This would place a greater emphasis on examining programs and resource needs at the Investment Review Board/Executive Management Team and Executive Team levels.

<u>Recommendation 3</u>: We recommend that the United States Capitol Police immediately consult with Congressional stakeholders to determine the format for future budget submissions that would be useful and meet stakeholder needs.

<u>Recommendation 4</u>: We recommend the United States Capitol Police immediately reinstate the funds availability control. Further, USCP should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel, including funds certifying officials, are properly trained so that they can fulfill their responsibilities to prevent, identify, and report potential Antideficiency Act violations.

<u>Recommendation 5</u>: We recommend that the Chief of Police evaluate whether the Department has the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform the financial management activities of the Department and whether assistance is needed to sustain its administrative operations. Additionally, the Chief should evaluate whether the financial management weaknesses identified by the GAO and OIG and previously thought to be closed have recurred as demonstrated by the current audit.

SUMMARY OF RECOMMENDATIONS (Continued)

<u>Recommendation 6</u>: We recommend that the United States Capitol Police ensure that skill needs are continually assessed and that the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved. Performance evaluation and feedback, supplemented by an effective reward system, should be designed to help employees understand the connection between their performance and the organization's success. As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of operations.

<u>Recommendation 7</u>: We recommend that the United States Capitol Police ensure that Bureau and Office units, in accordance with clear and definitive guidance, provide and/or review position/FTEs input information (numbers and levels of staff and timing for new additions) and review draft budget to ensure that unit inputs are incorporated into the draft budget.

<u>Recommendation 8</u>: We recommend that the United States Capitol Police take action to formally integrate the Investment Review Board and Executive Management Team into the review and approval process for the salary and benefit components of the draft budget request (in addition to their existing role in reviewing and approving the general expense component of the draft budget request) to enhance the accountability and quality assurance of the review and approval process.

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DEPARTMENT RESPONSE

STATES CAPTION BY	Pick≢ 202 224
	UNITED STATES CAPITOL POLICE OFFICE OF THE CHIEF 119 D STREET, NE WASHINGTON, DC 20510-7218
	June 1, 2010
MEMORAN	COP 100579
TO:	Mr. Carl W. Hoecker Inspector General
FROM:	Phillip D. Morse, Sr. Chief of Police
SUBJECT:	Response to OIG draft report on its Audit of USCP Budget Formulation Process (Report No. OIG-2010-03).
recommendat	of this memorandum is to provide the United States Capitol Police response to the ions contained within the Office of the Inspector General's (OIG's) draft report <i>P Budget Formulation Process</i> (Report No. OIG-2010-03).
information p verified and v recommendat	ses are provided to the best of our ability based on our limited knowledge of the rovided by the respondents during the audit. Should the Inspector General have alidated information which effects the Department's responses to these ions, we will gladly review and revise our responses, if appropriate. Additional the draft audit report will be provided under separate cover.
investigatory documents ini involved until we would ask removed to pr reference is "A	he Department's policy to refrain from including information or references to matters that might implicate, allege or make references to wrong doing in tended for distribution, in order to protect the due process rights of the individuals such time as the investigative findings are documented and reported. Therefore, that a single reference be placed in the report and that all other references be rotect the due process rights of the individuals involved. (Suggested investigatory As required by <i>Government Auditing Standards</i> , any matters identified as deficient uring the audit were referred to the Assistant Inspector General for Investigation.")
formal budge	ation 1: We recommend the United States Capitol Police immediately establish a formulation and allocation process that links all costs to its mission, goals, and hin its strategic and human capital plans. This process should include written
policies and p methodology, and benefits, a plan for accor	rocedures delineating each office's roles and responsibilities to include specific sources of data, and records management for calculating personnel compensation as well as general expenses. This will provide formal representation of the USCP's nplishing stated goals and objectives, more effective budget submissions, set the allocation of limited resources and help define clear lines of accountability for es.

Audit of USCP Budget Formulation Process

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Department Response (Continued)

USCP Response: The Department generally agrees with this recommendation. In an effort to formalize the Department's budget formulation and allocation processes which are linked to our strategic and human capital plans, the Department is currently developing in an incremental manner the necessary standard operating procedures governing the processes, roles and responsibilities for the formulation of the annual budget request, as well as for the overall allocation and execution of the budget. As you know, the Department has acquired new software to use in our budget formulation and execution and the Office of Financial Management will begin deploying it as personnel and resources become available for training, testing, and validation.

Recommendation 2: We recommend that the United States Capitol Police ensure that the Force Development Process is fully implemented during the annual budget formulation process. Further establish a mechanism to review specific programs each year, evaluating their effectiveness, efficiency, and how they contribute to achieving a specific strategic goal(s). This would place a greater emphasis on examining programs and resource needs at the Investment Review Board/Executive Management Team and Executive Team levels.

USCP Response: The Department generally agrees with this recommendation for the review of specific programs, in order to evaluate their effectiveness, efficiency, and contribution to achieving our strategic goals as well as for greater involvement by the IRB, the EMT and the ET in the overall budget review process. As a part of the Department's efforts to implement Recommendation 1, the Department will ensure that the Force Development Process is implanted and utilized annually in the development of our budget request. For the FY 2012 budget process, the Department plans to utilize a process based approach for the evaluation of program effectiveness, efficiency, and contribution to the Department's strategic and human capital goals and objectives. Further, the Department plans to follow the principles of GPRA, to include the issuance of a Performance Accountability Report Through our Investment Review Board's annual environmental assessment, specific programs will be identified for this evaluation process.

The Department does not however agree with the total decentralization of the formulation of the Salaries and Benefits portion of the USCP budget, as it has the potential to cause more extensive errors and an undo burden on operational commanders, as well as requiring significantly increased training, controls, and oversight of each unit's submissions and updates which the Budget Division does not have the resources to do. The Department will examine ways to work collaboratively with burcaus and offices in the development of the Salaries and Benefits portion of the budget to ensure greater controls and oversight of the budget formulation process without creating control weaknesses.

Recommendation 3: We recommend that the United States Capitol Police immediately consult with Congressional stakeholders to determine the format for future budget submissions that would be useful and meet stakeholder needs.

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<u>USCP Response:</u> The Department generally agrees with this recommendation. Following the issuance of the Inspector General's audit report, the Department plans to consult with its stakeholders to identify a unified method for the development and presentation of our annual budget request. This unified method will be institutionalized

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Department Response (Continued)

into our standard operating procedures and verified annually to confirm the stakeholder's agreement based on current circumstances.

As you know, stakeholders change and do not always agree on a single format that is most useful to all of their individual needs from one year to the next. Consequently, we strive to satisfy as many of their needs as possible with the budget submission format.

Recommendation 4: We recommend the United States Capitol Police immediately reinstate the funds availability control. Further, USCP should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel, including funds certifying officials, are properly trained so that they can fulfill their responsibilities to prevent, identify, and report potential Antideficiency Act violations.

<u>USCP Response:</u> The Department agrees that funds availability controls are important and that it has these controls in place. While the processes are not formally documented, they are followed and do provide for the funds control recommended by the Inspector General.

In April 2010, following the identification of our recent salaries shortfall, the Department implemented a funds availability control related to civilian hiring, career ladder promotions and reclassifications. This control is designed to determine the salary and benefits funding made available from the salaries base as a result of each civilian departure. The cumulative total of the available funding from departing civilians is tracked, so that critical civilian hiring may be made against those funds. For each critical civilian position that the Department wishes to hire, the salary and benefits impact of the hiring action is calculated to determine the impact to our salaries funding. The hiring action funding impacts are then balanced against the available funding from departing civilians to ensure that we have sufficient funding from within the base to support the critical hiring action prior to finalizing the hiring action. Additionally, career ladder promotions and reclassification actions are also intended to be balanced against available funding from within the base.

Per the Chief Administrative Officer, who serves as the Department's certifying officer; the funds availability control referenced in the draft report was not effective and in fact was inconsistent with effective and efficient operation of our financial management activities. Consequently, this control was eliminated. Therefore, we do not believe that we need to reinstate the control of having our Budget Officer sign off that funds are available when we have and had other mitigating controls that achieve the same objective.

However, the CAO believes that the bi-weekly funds availability certification reports which she signs related to payroll processing and the Office of Financial Management's funds execution validation through the bi-weekly salaries projection, as well as the process for funds availability related to civilian hiring mentioned above, provide for more efficient and effective funds availability control and oversight. Furthermore, the CAO believes that the effectiveness of these mitigating controls as well as other controls in place in all aspects of our financial management processes are evidenced by the significant decrease in Departmental reprogramming requests in the past fiscal year.

Department Response (Continued)

The Department plans to fully document these processes, procedures, and controls to ensure they are followed. Before formalizing these processes the Department will evaluate government best practices in this area and may amend our procedures, if necessary. Furthermore, the Department will ensure that financial management and funds control personnel receive and understand these documented processes and their responsibility in complying with them, in order to prevent, identify and report potential Antideficiency Act violations.

<u>Recommendation 5:</u> We recommend that the Chief of Police evaluate whether the Department has the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform the financial management activities of the Department. Additionally, the Chief should evaluate whether the financial management weaknesses identified by the GAO and OIG and previously thought to be closed have reoccurred as demonstrated by the current audit.

<u>USCP Response:</u> The Department generally agrees that continual workforce assessments should be accomplished to provide assurance that the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform our financial management activities are in place. We believe that we can and do evaluate each position according to our current structure upon the advertisement and hiring for the position to assure that the position requires the requisite level of knowledge, skills and abilities to perform the specific positional duties. Additionally, the candidates for vacant civilian positions are evaluated against the identified and documented knowledge, skills and abilities. However, the Department believes that to further strengthen our existing processes, we must undertake several additional steps.

First, we believe that we must evaluate the current structure of the Office of Administration against the mission support functions it provides and implement revisions and enhancements if necessary. Second, following this evaluation, we believe we must undertake a comprehensive civilian staffing assessment to determine the knowledge skills and abilities necessary to perform the documented functions. This may be accomplished by either finishing the work started in the most recent Grant Thornton evaluation of our financial management activities or undertaking a new study to demonstrate if we have the appropriate structure, management and supervision necessary to perform the responsibilities of the necessary positions. We also believe that in order for the Department to be competitive in recruiting and retaining civilian positions to perform critical mission support functions, we will need to work with our stakeholders to address the current pay structure and line of succession staffing. Recently, while trying to recruit best qualified candidates for civilian leadership positions, the Department was unable to be competitive with other federal entities as a result of the pay structure limitations.

<u>Recommendation 6:</u> We recommend that the United States Capitol Police ensure that skill needs are continually assessed and the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved. Performance evaluation and feedback, supplemented by an effective reward system, should be designed to help employees understand the connection between their performance and the organization's success. As a part of its human capital planning, management should also

Appendix B Page 5 of 5

Department Response (Continued)

consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of operations.

USCP Response: We generally agree and believe that this is already being accomplished through our strategic human capital planning process.

<u>Recommendation 7:</u> We recommend that the United States Capitol Police ensure that Bureau and Office units, in accordance with clear and definitive guidance, provide position/FTE input information (numbers and levels of staff and timing for new additions) and review draft budgets to ensure that unit inputs are incorporated into the draft budgets.

USCP Response: We generally agree and currently do this with our general expense budget formulation procedures. We will develop procedures to incorporate the involvement of our Bureau and Office units in the formulation of our Salaries budget, as well as the review of the draft budget submission prior to its presentation.

<u>Recommendation 8:</u> We recommend that the United States Capitol Police take action to formally integrate the Investment Review Board and Executive Management Team into the review and approval process for the salary and benefit components of the draft hudget request (in addition to their existing role in reviewing and approving the general expense component of the draft hudget request) to enhance the accountability and quality assurance of the review and approval process.

USCP Response: We generally agree and currently do this with our general expense draft budget review processes. We will develop procedures to integrate the review and approval of the Investment Review Board and the EMT in the salary and benefit components of the draft budget request.

Thank you for the opportunity to respond to the OIG's draft report. We will be available to meet and discuss any changes to your report that you make as a result of the Department's comments.

Very respectfully,

Worse

Phillip D. Morse, Sr. Chief of Police

Attachments

cc: Chief Administrative Officer Assistant Chief of Police USCP Audit Liaison

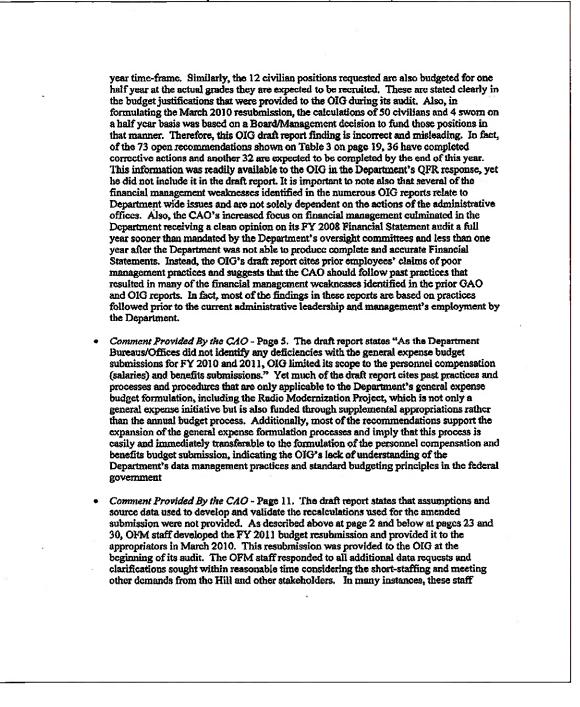
Audit of USCP Budget Formulation Process

June 2010

Appendix C Page 1 of 7

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DEPARTMENT COMMENTS



	responded to calls from the OIG auditors without prior notice and provided impromptu information as requested.
•	Comment Provided By the CAO - Page 17. Conclusions. None of the 3 findings related to the conclusions that resulted in Recommendations 2, 3, and 4 are relevant to the errors in the Department's budget submissions. "The Department did not follow past practices or comply with prior controls over the budget process. Specifically, the Department did not utilize the Force Development Process designed to analyze the environmental risks and prioritizing new general expense initiatives, which link to its strategic goals." This conclusion has no bearing on the Salaries and Benefits portion of the budget formulation process and therefore has no relevance to the scope of the audit and the problems with the Department's budget submission errors. "The budget format also was different from previous budget submissions, which caused confusion with the Department and Appropriations staff and resulted in a deficit to the Department." The Department was required in report language by the appropriators to use FTEs in its reports rather than only positions. The different submission format was discussed with the appropriators and the differences cited in the draft report at Table 2 were only related to the general expense submission, not the salaries and benefits. The draft report does not show a causal relationship to the Department," As stated in the Department response to the draft audit report's recommendations, the Department utilized other mitigating controls that precluded the need to have the Budget Officer sign off that funds are available for each individual civilian hire. Again, the draft report does not show a causal relationship of not
. •	using this specific fund control procedure to the budget submission errors. Comment Provided By the CAO - Page 21. "OIG did not conduct a workload study.
	However, we did benchmark with other Legislative Agencies' budget offices and Chief Financial Officers, and 8 of 10 stated that, once a budget process is established, vetted, and approved, four employees within USCP's Budget Division should be adequate to support such a simple budget." The Department's budget is not "simple" and as a Legislative Branch law-enforcement agency it has many more complexities than most civilian agencies. This additional complexity requires an understanding of differing payroll requirements, different expenses and requirements related to civilian and law-
	enforcement personnel as well as differences in laws and regulations applicable to both the legislative and executive branches. In addition, The Department has multiple appropriation types to deal with simultaneously - multi-year, no-year, annual, and supplemental appropriations - all of which require expertise and knowledge to handle regulatory and reporting requirements, in addition to managing the funds control process.
	USCP Benchmarks: The following table illustrates how several legislative branch and law enforcement organizations have staffed their budget operations to manage their annual budget submissions. The staff numbers cited below only includes FTBs, as we do not have information on any additional contractual help that are employed.
	2 <u>8</u>

AGENCY	BUDGET REQUESTS FY11	Budget Staff #
CSOSA (LEO)	212,000,000	6
LOC	674,785,000	10
AOC	650,735,000	11
GAO	581,679,000	9

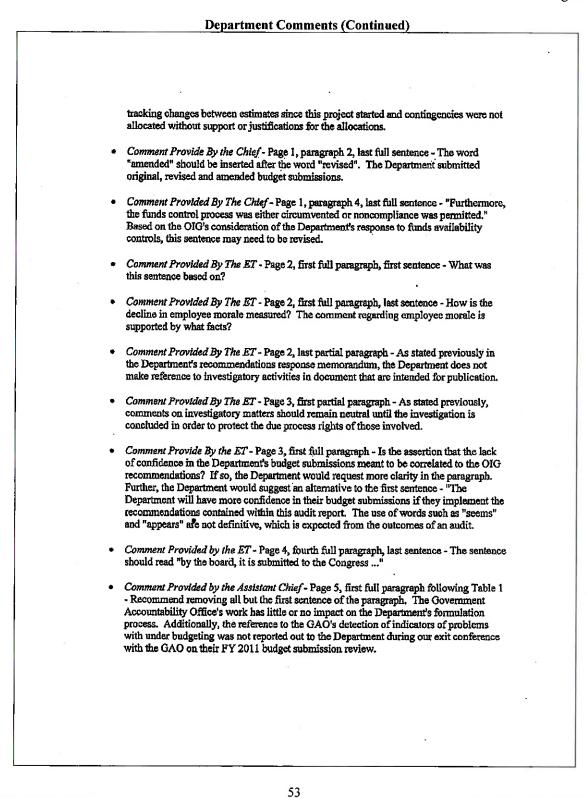
Given the problems noted in the draft report with the Department's budget formulation process, it seems illogical to assert that more can be done more efficiently and effectively with the same level of resources. Many of the changes recommended have not been implemented in the past due to a lack of financial management resources.

• Comment Provided By the CAO - Page 23 and 30. "OIG found that miscalculations and omissions contributed to the FY 2010 budget shortfall as summarized ... in Table 4 ...and...to the FY 2011 budget shortfall as summarized in Table 10." Actually, the miscalculations and omissions cited in Table 4 and Table 10 were found by the staff the OIG accuses of being non-cooperative. The shortfall ("worst case") calculated by the OFM staff was \$6.8 million for FY 2010, which the OIG agreed was reasonable. The shortfall eacuated by the OFM staff was \$9.4 million for FY 2011 and as explained above, the OIG inaccurately calculated its estimated shortfall. The original submissions were calculated by the previous Budget Officer who was placed on administrative leave. The individuals that prepared the revised submission in March 2010 were not responsible or involved in the original budget submission which is why they had a difficult time explaining what was behind the original numbers to the Board's financial panel, as well as the OIG. As the panel member stated "this review was to be done very quickly in order for the Chief to resubmit the USCP FY 2011 budget".

Comments Provided By the CAO - Page 36. Average sworn salary shown in Table 18
and used to calculate the draft report's FY 2011 revised projection FTE difference which
is carried forward into Table 19 is inaccurate and disagrees with the average salary shown
in Table 15 on page 34. It appears the OIG used the average new recruit salary to arrive
at the average salary in Table 18 in error. The Department uses the average salary of all
sworn officers (both new recruits and on-board sworn officers) for budget purposes.

Comment Provided By the CAO - Pages 38-40. The section on the potential shortfall in the radio modernization project is misleading since it implies that the \$16 million was being requested in isolation rather than as a component of the total radio modernization project estimate of \$97.6 million. The CAO relied on the NAVAIR experts who assured her in December 2009 that they were comfortable with the amount of additional funds that were requested in the fiscal year 2011 budget submission. Subsequent to December 2009, other matters occurred such as AOC's revision to their building infrastructure site costs where estimates are higher than originally anticipated. Also, the Chief appointed an Executive Sponsor in March 2010 not in January 2010, and the CAO was never formally appointed as the Executive Sponsor prior to that date. She was and remains in an oversight role related to this project. The other comments in the paragraph on the Executive Sponsor "change" are inaccurate. The project management team has been

Appendix C Page 5 of 7



Appendix C Page 6 of 7

Department Comments (Continued)

 Comment Provided by the ET - Page 6, first partial paragraph, second to the last sentence If the scope limitations presented by the Department did not undernine the validity of the audit roport findings, conclusions, or recommendations, then why is this referenced within the report? Comment Provided By The ET - Page 20, first full paragraph - The Department visites to provide the attached chart to demonstrate the current OFM vacancies data for your consideration, which includes the following vacancles: Procurrent Specialist, Contrar Specialist, Deputy Procurement Of Defails, Contrar Specialist, Deputy Procurement Of Defails, Contrar Specialist, Deputy Procurement Of Defails, and the provided By The ET - Page 24, Table 1 - The Department bolieves that a third column representing the rovised (465.8 Million) FY 2010 budget reposes should be added in order to provide admity in comparing budget submission version. Additionally, we believe that the word "Onission" should be removed. All overtime, regardless of for sworn or civilian vertime benefits should be removed. All overtime, regardless of for sworn or civilian speconnel, is included within the \$25.5 Million overtime cap. Comment Provided By The ET - Page 31, Table 10 - The Department believes that a third overtime and civilian overtime believe should be removed. All overtime, regardless of for sworn or civilian speconnel, is included within the \$25.5 Million overtime cap. Comment Provided By The ET - Page 31, Table 10 - The Department believes that a find column overtime benefits should be removed. All overtime, regardless of for sworn or civilian vertime benefits theough the COLA 2.42% (provated) in order to provide larity in comparing budget aubmission versions. Additionally, we believe that the word "Onision" should be removed. All overtime, regardless of for sworn or civilian overtime benefits should be removed. All overtime, regardless of for sworn or civilian overtime benefits should be removed. All			
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Comment Provided By The Chief - Page 39, third full paragraph - The new Executive Sponsor was appointed in March 2010, rather than January 2010. Comment Provided By The ET - Page 40, first full paragraph under "OTHER MATTERS" - As stated previously in the Department's recommendations response memorandum, the Department does not make reference to investigatory activities in document that are intended for publication in order to protect the due process rights of those involved. Thank you for the opportunity to provide comments to the draft audit report and we look forward to meeting with you on these issues at your earliest convenience prior to the final report being published. Should you have questions of concerns in the meantime, please let me know. Respectfully, Jore Phillip D. Morse, Sr. Chief of Police Chief Administrative Officer cc: Assistant Chief of Police USCP Audit Liaison 55

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OIG Evaluation of Department Response to Draft Report

Government Auditing Standards state that when the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or when planned corrective actions do not adequately address the auditors' recommendations, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported OIG's evaluation of the Department responses (COP100579 and COP100576 both dated June 1, 2010) to the draft report as follows.

Department Comments (COP100579)

<u>Recommendation 1</u>: We recommend the United States Capitol Police immediately establish a formal budget formulation and allocation process that links all costs to its mission, goals, and objectives within its strategic and human capital plans. This process should include written policies and procedures delineating each office's roles and responsibilities to include specific methodology, sources of data, and records management for calculating personnel compensation and benefits, as well as general expenses. This will provide formal representation of the USCP's plan for accomplishing stated goals and objectives, more effective budget submissions, set priorities for the allocation of limited resources and help define clear lines of accountability for those resources.

USCP Response: The Department generally agrees with this recommendation. In an effort to formalize the Department's budget formulation and allocation processes which are linked to our strategic and human capital plans, the Department is currently developing in an incremental manner the necessary standard operating procedures governing the processes, roles and responsibilities for the formulation of the annual budget request, as well as for the overall allocation and execution of the budget. As you know, the Department has acquired new software to use in our budget formulation and execution and the Office of Financial Management will begin deploying it as personnel and resources become available for training, testing, and validation.

<u>OIG Response</u>: The Department's reply is responsive and if the proposed corrective actions are fully implemented in a timely manner this should assist in its formulation and allocation processes.

<u>Recommendation 2</u>: We recommend that the United States Capitol Police ensure that the Force Development Process is fully implemented during the annual budget formulation process. Further establish a mechanism to review specific programs each year, evaluating their effectiveness, efficiency, and how they contribute to achieving a specific strategic goal(s). This would place a greater emphasis on examining programs and resource needs at the Investment Review Board/Executive Management Team and Executive Team levels.

USCP Response: The Department generally agrees with this recommendation for the review of specific programs, in order to evaluate their effectiveness, efficiency, and contribution to achieving our strategic goals as well as for greater involvement by the IRB, the EMT and the ET in the overall budget review process. As a part of the Department's efforts to implement Recommendation 1, the Department will ensure that the Force Development Process is implanted and utilized annually in the development of our budget request. For the FY 2012 budget process, the Department plans to utilize a process based approach for the evaluation of program effectiveness, efficiency, and contribution to the Department's strategic and human capital goals and objectives. Further, the Department plans to follow the principles of GPRA, to include the issuance of a Performance Accountability Report. Through our Investment Review Board's annual environmental assessment, specific programs will be identified for this evaluation process.

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Audit of USCP Budget Formulation Process

The Department does not however agree with the total decentralization of the formulation of the Salaries and Benefits portion of the USCP budget, as it has the potential to cause more extensive errors and an undue burden on operational commanders, as well as requiring significantly increased training, controls, and oversight of each unit's submissions and updates which the Budget Division does not have the resources to do. The Department will examine ways to work collaboratively with bureaus and offices in the development of the Salaries and Benefits portion of the budget to ensure greater controls and oversight of the budget formulation process without creating control weaknesses.

<u>OIG Response</u>: The Department's reply is responsive and if the proposed corrective actions are fully implemented in a timely manner this should assist in its formulation and allocation processes. However, recommendation two did not recommend that the Department decentralize the formulation of the salaries and benefits portion of the USCP budget.

<u>Recommendation 3</u>: We recommend that the United States Capitol Police immediately consult with Congressional stakeholders to determine the format for future budget submissions that would be useful and meet stakeholder needs.

USCP Response: The Department generally agrees with this recommendation. Following the issuance of the Inspector General's audit report, the Department plans to consult with its stakeholders to identify a unified method for the development and presentation of our annual budget request. This unified method will be institutionalized into our standard operating procedures and verified annually to confirm the stakeholder's agreement based on current circumstances.

As you know, stakeholders change and do not always agree on a single format that is most useful to all of their individual needs from one year to the next. Consequently, we strive to satisfy as many of their needs as possible with the budget submission format.

<u>OIG Response</u>: The Department's reply is responsive and if the proposed corrective actions are fully implemented in a timely manner this should assist in the development and presentation of its annual budget submission.

<u>Recommendation 4</u>: We recommend the United States Capitol Police immediately reinstate the funds availability control. Further, USCP should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel, including funds certifying officials, are properly trained so that they can fulfill their responsibilities to prevent, identify, and report potential Antideficiency Act violations.

USCP Response: The Department agrees that funds availability controls are important and that it has these controls in place. While the processes are not formally documented, they are followed and do provide for the funds control recommended by the Inspector General.

In April 2010, following the identification of our recent salaries shortfall, the Department implemented a funds availability control related to civilian hiring, career ladder promotions and reclassifications. This control is designed to determine the salary and benefits funding made available from the salaries base as a result of each civilian departure. The cumulative total of the available funding from departing civilians is tracked, so that critical civilian hiring may be made against those funds. For each critical civilian position that the Department wishes to hire, the salary and benefits impact of hiring action is calculated to determine the impact to our salaries funding. The hiring action funding impacts are then balanced against the available funding from departing civilians to ensure that we have sufficient funding from within the base to support critical hiring action prior to finalizing the hiring action.

Additionally, career ladder promotions and reclassification actions are also intended to be balanced against available funding from within the base.

Per the Chief Administrative Officer, who serves as the Department's certifying officer; the funds availability control referenced in the draft report was not effective and in fact was inconsistent with effective and efficient operation of our financial management activities. Consequently, this control was eliminated. Therefore, we do not believe that we need to reinstate the control of having our Budget Officer sign off that funds are available when we have and had other mitigating controls that achieve the same objective.

However, the CAO believes that the bi-weekly funds availability certification reports which she signs related to payroll processing and the Office of Financial Management's funds execution validation through the bi-weekly salaries projection, as well as the process for funds availability related to civilian hiring mentioned above, provide for more efficient and effective funds availability control and oversight. Furthermore, the CAO believes that the effectiveness of these mitigating controls as well as other controls in place in all aspects of our financial management processes are evidenced by the significant decrease in Departmental reprogramming requests in the past fiscal year.

The Department plans to fully document these processes, procedures, and controls to ensure they are followed. Before formalizing these processes the Department will evaluate government best practices in this area and may amend our procedures, if necessary. Furthermore, the Department will ensure that financial management and funds control personnel receive and understand these documented processes and their responsibility in complying with them, in order to prevent, identify and report potential Antideficiency Act violations.

<u>OIG Response</u>: Based on interviews, staff was aware of only the funds availability control and practice referred to in this draft report. In fact, emails and interviews confirm that several employees requested that this control be reinstated because of concerns of over execution of the budget. GAO/AIMD-0021.3.1, *Standards for Internal Control in the Federal Government* states internal control and all transactions and other significant events need to be clearly documented, *Furthermore*, management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. An agency's organizational structure should provide management's framework for planning, directing, and controlling operations to achieve agency objectives. A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting.

In our follow-up meeting on June 3, 2010, the CAO contended this funds availability was not effective and inconsistent with effective and efficient operation of financial management activities. However, OIG does not agree with the CAO that effective funds availability controls were in place during June 2009, to April 2010. In contending that effective funds availability controls are in place, the CAO provided the Bi-weekly Hiring Chart, Payroll Certification, Funds Certification Report, and Payroll Projection. Yet, these documents are prepared on a bi-weekly basis and the information contained in the documents is primarily based on actual amounts, which is after the fact that new employees are hired. Additionally, these documents do not provide any certifications. Additionally, none of the mentioned controls are linked to the Department's operating plan, which exposes the Department to unnecessary risk or potential over execution. GAO, Standards for Internal Control in the Federal Government states that the fund availability control should be an internal control to "serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud." Therefore, these procedures cannot serve as a control to certify if the Department has sufficient funds available to hire new employees, make promotions or reclassify positions.

Surprisingly, staff informed OIG that in April 2010, to assist in managing the budget crisis, the Office of the Chief implemented a funds availability control related to civilian hiring, career ladder promotions, and

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reclassifications. OIG noted the purpose of this control is almost identical to the funds control that was eliminated by the CAO.

OIG does agree that the April 2010, control put in place by the Chief to manage the FY 2010 budget crisis, if fully and consistently implemented, is adequate to ensure that expenditures are made within budgetary guidelines. Proper funds control has become critical because significant excess or end-of-year funds are not available as they have been in the past. This risk of being deficient has wide ranging impact including political, budgetary, programmatic, and public.

<u>Recommendation 5:</u> We recommend that the Chief of Police evaluate whether the Department has the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform the financial management activities of the Department. Additionally, the Chief should evaluate whether the financial management weaknesses identified by the GAO and OIG and previously thought to be closed have reoccurred as demonstrated by the current audit.

USCP Response: The Department generally agrees that continual workforce assessments should be accomplished to provide assurance that the appropriate leadership and management within the Office of Administration with the necessary skill-sets to perform our financial management activities are in place. We believe that we can and do evaluate each position according to our current structure upon the advertisement and hiring for the position to assure that the position requires the requisite level of knowledge, skills and abilities to perform the specific positional duties. Additionally, the candidates for vacant civilian positions are evaluated against the identified and documented knowledge, skills and abilities. However, the Department believes that to further strengthen our existing processes, we must undertake several additional steps.

First, we believe that we must evaluate the current structure of the Office of Administration against the mission support functions it provides and implement revisions and enhancements if necessary. Second, following this evaluation, we believe we must undertake a comprehensive civilian staffing assessment to determine the knowledge skills and abilities necessary to perform the documented functions. This may be accomplished by either finishing the work started in the most recent Grant Thornton evaluation of our financial management activities or undertaking a new study to demonstrate if we have the appropriate structure, management and supervision necessary to perform the responsibilities of the necessary positions. We also believe that in order for the Department to be competitive in recruiting and retaining civilian positions to perform critical mission support functions, we will need to work with our stakeholders to address the current pay structure and line of succession staffing.

<u>OIG Response</u>: OIG believes that it is imperative that the Department immediately evaluate its administrative operations to ensure that it does not impair its ability to fully support core mission operations. The Department's response did address our recommendation as to whether the financial management weaknesses identified by the GAO and OIG and previously thought to be closed have reoccurred, as demonstrated by the current audit. OIG, through its usual practice of evaluating the Department's progress on recommendations, will close this recommendation when both the evaluation of the Office of Administration and of those recommendations previously thought to be closed are evidenced.

<u>Recommendation 6</u>: We recommend that the United States Capitol Police ensure that skill needs are continually assessed and the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved. Performance evaluation and feedback, supplemented by an effective reward system, should be designed to help employees understand the connection between their performance and the organization's

success. As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of operations.

<u>USCP Response</u>: We generally agree and believe that this is already being accomplished through our strategic human capital planning process.

<u>OIG Response</u>: OIG does not agree with USCP that the recommendation related to performance evaluation and feedback has already been accomplished. OIG did not find performance evaluations for employees in the personnel file during the fieldwork of this audit and in one instance there was no current position description.

<u>Recommendation 7</u>: We recommend that the United States Capitol Police ensure that Bureau and Office units, in accordance with clear and definitive guidance, provide position/FTE input information (numbers and levels of staff and timing for new additions) and review draft budgets to ensure that unit inputs are incorporated into the draft budgets.

USCP Response: We generally agree and currently do this with our general expense budget formulation procedures. We will develop procedures to incorporate the involvement of our Bureau and Office units in the formulation of our Salaries budget, as well as the review of the draft budget submission prior to its presentation.

<u>OIG Response</u>: The Department's reply is responsive and if the proposed corrective actions are fully implemented in a timely manner this should assist in the development and presentation of its annual budget submission.

<u>Recommendation 8</u>: We recommend that the United States Capitol Police take action to formally integrate the Investment Review Board and Executive Management Team into the review and approval process for the salary and benefit components of the draft budget request (in addition to their existing role in reviewing and approving the general expense component of the draft budget request) to enhance the accountability and quality assurance of the review and approval process.

<u>USCP Response</u>: We generally agree and currently do this with our general expense draft budget review processes. We will develop procedures to integrate the review and approval of the Investment Review Board and the EMT in the salary and benefit components of the draft budget request.

<u>OIG Response</u>: The Department's reply is responsive and if the proposed corrective actions are fully implemented in a timely manner this should assist in the development and presentation of its annual budget submission.

Department Comments (COP100576)

<u>Comment Provided By the CAO</u> - Page 2. "Contrary to the Chief's vision, the Department's administrative management has failed to establish a strong "tone at the top" by allowing inadequate financial management weaknesses to persist which have existed for years and by neglecting to hold individuals accountable for implementation of the recommendations pertaining to those weaknesses." The current CAO has focused most of her attention on improving the financial management of the Department - from aggressively hiring highly qualified and experienced civilian staff (as referenced on page 27 of the draft report) to holding weekly meetings with senior administrative office managers where each office is required to report regularly on their individual office business plans, internal controls practices, and audit recommendation corrective actions.

<u>OIG Response</u>: GAO, Grant Thornton in 2008, and OIG have all reported similar financial weaknesses and made recommendations to correct such weaknesses, such as establishing, documenting, and formalizing specific policies and procedures since 1998. In fact, OIG has identified material weakness in financial management since 2006, and as referred in the draft report, there are 73 open GAO and OIG financial management recommendations.

<u>Comment Provided By the CAO</u> - Page 2. "OIG's projection for FY 2011 is \$5,396,800 more than the Department's amended budget submission. This difference is primarily because the Department miscalculated its number of FTEs. OIG believes the Department's FY 2011 amended budget submission is not reasonable and may not be sufficient." Based on standard budgeting principles, the new sworn positions requested are for one half year and are calculated based on class schedules to coincide with the half year time-frame. Similarly, the 12 civilian positions requested are also budgeted for one half year at the actual grades they are expected to be recruited. These are stated clearly in the budget justifications that were provided to the OIG during its audit. Also, in formulating the March 2010 resubmission, the calculations of 50 civilians and 4 sworn on a half year basis was based on a Board/Management decision to fund those positions in that manner.

<u>OIG Response</u>: OMB Circular A-11 has no reference of new hires budgeted for one half year or average salary. OMB Circular A-11, Section 32.1 Personnel Compensation, (d) Vacancies, states for vacancies expected to be filled in the budget year, use the entrance salary for the vacancies involved. Based on the auditors' judgment and understanding of USCP's past budget practices, OIG accepted that the Department applied the average salary for new civilian positions.

The CAO stated that the Department calculated the 12 new civilians at their actual grade. However, we found that the Department did not use the actual grade. Instead they used an average salary for civilians. For the 52 new sworn positions, the Department stated they calculated using the average salary; however, we found the Department used the new recruit salary in projecting the salary amounts.

OIG attempted to reconcile the CAO's comment that the calculations were based on a Board/Management decision. However, neither the Department nor the Capitol Police Board Executive Assistant found any decision memo related to this issue. In fact, in a June 4, 2010, email the CAO stated "I am not aware of a decision memo or email supporting this decision. I just looked and don't see anything related to this issue in my files. From my recollection, it was based on discussions with the Board representative who reviewed the budget and internal management discussions." Although, one panel member that reviewed the FY 2011 amended budget stated "the FY 2011 payroll projection chart distributed to us at the first review meeting included references to 52 (sworn) and 12 (civilian) new positions funded for half of the year. The half-year funding decision was made before we began our review. I think we concurred that it was a reasonable approach to take."

CAO stated the Department followed standard budgeting principles. However, OMB Circular A-11, Section 85, Estimating Employment Levels and the Employment Summary (Schedule Q) states:

85.1 How should my agency's budget address workforce planning and restructuring?

Your budget submission must identify the human capital management and development objectives, key activities, and associated resources that are needed to support agency accomplishment of programmatic goals.

Furthermore, your budget submission should describe the specific activities and/or actions planned to meet the standards for success under human capital initiatives, the associated resources, the expected outcomes, and how performance will be measured. For example, you should:

Identify the organizational changes you are proposing to:

- Reduce the number of managers, reduce organizational layers, and reduce the time it takes to make decisions.
- Increase the span of control and redirect positions within the agency to ensure that the largest number of
 employees possible are in direct service delivery positions and retrain and/or redeploy employees as part of
 restructuring efforts to make the organization more citizen centered.

Identify the training, development, leadership development, and staffing actions you propose to take to:

- Ensure continuity of leadership.
- Ensure that leaders and managers effectively manage people.
- Sustain a learning environment that drives continuous improvement in performance.
- Prepare for and respond to changes driven by e-Government and competitive sourcing.

Present agency competency and skill needs (or gaps) you identify as part of your workforce planning effort and how you plan to address those needs through recruitment, development, and related strategies.

85.3 What should be the basis for my personnel estimates?

(1) Staffing requirements. Base estimates for staffing requirements on the assumption that improvements in skills, organization, procedures, and supervision will produce a steady increase in productivity.

85.5 What do I need to know about FTE budgeted levels?

(b) Determining FTE usage. To determine current year and budget year FTE employment estimates, divide the estimated total number of regular hours by the number of compensable hours in each fiscal year.

<u>Comment Provided by CAO</u>: Therefore, this OIG draft report finding is incorrect and misleading. In fact, of the 73 open recommendations shown on Table 3 on page 19, 36 have completed corrective actions and another 32 are expected to be completed by the end of this year. This information was readily available to the OIG in the Department's QFR response, yet he did not include it in the draft report. It is important to note also that several of the financial management weaknesses identified in the numerous OIG reports relate to Department wide issues and are not solely dependent on the actions of the administrative offices. Also, the CAO's increased focus on financial management culminated in the Department receiving a clean opinion on its FY 2008 Financial Statement audit a full year sooner than mandated by the Department's oversight committees and less than one year after the Department was not able to produce complete and accurate Financial Statements. Instead, the OIG's draft report cites prior employees' claims of poor management weaknesses identified in the prior GAO and OIG reports. In fact, most of the findings in these reports are based on practices followed prior to the current administrative leadership and management's employment by the Department.

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<u>OIG Response</u>: The CAO has not provided the supporting documentation to address the open recommendations to GAO or OIG. Thus, corrective actions have not been tested to conclude that recommendations can be closed. Additionally, the Independent Auditors issued a clean opinion that the financial statements present fairly, in all material respects, the financial position of the USCP as of September 30, 2008. However, in that same audit report, the auditors reported three material weaknesses in the internal controls of payroll processing, financial management, and information systems. Furthermore, to ensure that the auditors were fair with the new CAO and administrative managers, the auditors stated that there was limited time for the new administrative personnel to make a significant impact in resolving the financial management weaknesses in FY 2008.

OIG recognizes the significance of accomplishing a clean opinion. However, we will not make or agree with an assertion that a clean opinion on the financial statements equals the budget formulation and execution processes and controls are effective and efficient. The budget processes and controls of the Department operate separately from the financial reporting system.

Comment Provided By the CAO - Page 5. The draft report states "As the Department Bureaus/Offices did not identify any deficiencies with the general expense budget submissions for FY 2010 and 2011, OIG limited its scope to the personnel compensation (salaries) and benefits submissions." Yet much of the draft report cites past practices and processes and procedures that are only applicable to the Department's general expense budget formulation, including the Radio Modernization Project, which is not only a general expense initiative but is also funded through supplemental appropriations rather than the annual budget process. Additionally, most of the recommendations support the expansion of the general expense formulation processes and imply that this process is easily and immediately transferable to the formulation of the personnel compensation and benefits budget submission, indicating the OIG's lack of understanding of the Department's data management practices and standard budgeting principles in the federal government.

<u>OIG Response</u>: As stated in this report, OIG's scope included the original and revised/amended FY 2010 and 2011 budget submissions and practices/processes utilized to formulate those submissions. OIG utilized the Department's FY 2009 budget submission format and formulation processes as a baseline because the Department and Appropriators thought the FY 2009 format was better than FY 2010. As the Department Bureaus/Offices did not identify any deficiencies with the formulation of the general expense budget submissions for FY 2010 and 2011, OIG limited its validation of the accuracy of the Department's FY 2010 and 2011 to the personnel compensation (salaries) and benefits submissions. OIG also did not review overtime controls or validate the accuracy of the FY 2010 or FY 2011 overtime budget numbers or determine any impact of overtime on the FY 2010 or 2011 budget shortfall because overtime was a fixed amount "overtime cap" in the budget submissions.

During our June 3, 2010 follow-up meeting with the ET, OIG asked that the CAO clarify "data management practices". CAO later clarified via email on June 4, 2010, that "The data management practices referred to in the last sentence of the first bullet on page 2 was that FTE are not decentralized and assigned to individual bureaus and offices consistently or maintained this way currently, which would prevent us from using a decentralized process for formulating our salary and benefit portion of the budget in the near term. Currently, the incremental increases in FTE and salary and benefits are calculated by OFM when a new initiative is approved because they understand how to calculate these more effectively using standard budgeting principles...When we get to the point where FTE are correctly assigned and tracked by bureau and office and the FTE are tied to our strategic goals effectively, we might be able to have a decentralized or hybrid approach, but we are a long way from that point and could not do this immediately in our current environment."

OIG fully understands how FTEs are calculated by OFM. However, OIG noted that the FTEs level applied in the Department's FY 2011 amended submission submitted to Committee on March 2, 2010, did not agree with the FTEs level presented in its budget book.

Comment Provided By the CAO - Page 11. The draft report states that assumptions and source data used to develop and validate the recalculations used for the amended submission were not provided. As described above at page 2 and below at pages 23 and 30, OFM staff developed the FY 2011 budget resubmission and provided it to the appropriators in March 2010. This resubmission was provided to the OIG at the beginning of its audit. The OFM staff responded to all additional data requests and clarifications sought within reasonable time considering the short-staffing and meeting other demands from the Hill and other stakeholders. In many instances, these staff responded to calls from the OIG auditors without prior notice and provided impromptu information as requested.

OIG Response: As stated in this report, instances occurred in which Department staff delayed responding to, and, in some cases, indicated that they did not know or could not locate documents necessary for supporting the numbers behind budget totals. Calculations were not located in central files, as we would have expected, and electronic files did not always have sufficient notations on how data was formulated, or when, or by whom that data was developed. In addition, two employees directly involved in the FY 2010 and 2011 budget formulation were placed on administrative leave by the CAO shortly before the audit. The remaining key administrative staff divested responsibility for any involvement in the budget formulation process. The CAO in an email sent to the IG on May 5, 2010, stated a specific employee had responsibility for the original FY 2011 budget projection. However, that employee in an email sent to the auditors on May 5, 2010, stated no involvement in the FY 2011 original budget projection. Thus, to clarify these conflicting statements and determine who could assist in providing calculations and electronic files, OIG immediately provided the conflicting emails to this employee and requested clarification.

Comment Provided By the CAO - Page 17. Conclusions. None of the 3 findings related to the conclusions that resulted in Recommendations 2, 3, and 4 are relevant to the errors in the Department's budget submissions. "The Department did not follow past practices or comply with prior controls over the budget process. Specifically, the Department did not utilize the Force Development Process designed to analyze the environmental risks and prioritizing new general expense initiatives, which link to its strategic goals." This conclusion has no bearing on the Salaries and Benefits portion of the budget formulation process and therefore has no relevance to the scope of the audit and the problems with the Department's budget submission errors. "The budget format also was different from previous budget submissions, which caused confusion with the Department and Appropriations staff and resulted in a deficit to the Department." The Department was required in report language by the appropriators to use FTEs in its reports rather than only positions. The different submission format was discussed with the appropriators and the differences cited in the draft report at Table 2 were only related to the general expense submission, not the salaries and benefits. The draft report does not show a causal relationship to the Department's budget submission errors. "Furthermore, the funds control process was circumvented." As stated in the Department response to the draft audit report's recommendations, the Department utilized other mitigating controls that precluded the need to have the Budget Officer sign off that funds are available for each individual civilian hire. Again, the draft report does not show a causal relationship of not using this specific fund control procedure to the budget submission errors.

<u>OIG Response</u>: It is clear that the Department did not prepare its FY 2010 and 2011 accurately. In our draft audit report, OIG made solid recommendation (recommendations two, three, and four) and the Department agreed with these recommendations.

As stated in this report, the Department did not follow <u>proven</u> past budget practices or comply with existing controls over the budget process. Specifically, the Department did not utilize the Force Development Process 64

designed to analyze the environmental risks and prioritize new general expense initiatives, which link to its strategic goals. The budget format also was different from previous budget submissions, which caused confusion with Department and Appropriations staff and resulted in a deficit to the Department. Furthermore, the funds control process was circumvented. The lack of consistent processes and controls can lead to incorrect budgets resulting in the Department being at risk of requesting insufficient funding to support its core mission or over spending its appropriations.

OIG acknowledged in this report that 2009 appropriation language directed the Department to manage to FTEs as all other legislative branch agencies do. An OFM contractor also pointed out the differences in the FY 2009 and 2010 formats and noted that the FY 2009 request provided a narrative explanation for personnel within the Budget Detail section.

Additionally, the Force Development Process (FDP) has an impact on staffing requirements (FTEs) based on risks and in achieving the Department's strategic goals. During the June 3, 2010, follow-up meeting with the ET, the Chief and Assistant Chief re-confirmed that FDP had an impact in developing Salaries and Benefits portion of the budget formulation.

As stated previously, OIG does not agree with the CAO that funds availability controls were in place during June 2009 to April 2010. Staff informed OIG that in April 2010, to assist in managing the budget crisis, the Office of the Chief implemented a funds availability control "similar to a check book record" related to civilian hiring, career ladder promotions, and reclassifications, which is managed by the Budget Division. OIG noted that the purpose of this control is almost identical to the funds control that was eliminated by the CAO.

OIG does agree that the April 2010, control put in place by the Chief to manage the FY 2010 budget crisis, if fully and consistently implemented, is adequate to ensure that expenditures are made within budgetary guidelines. Proper funds control has become critical because significant excess or end-of-year funds are not available as they have been in the past. This causal relationship is further demonstrated by the projected salary shortfall after the first quarter execution in FY 2010 and the Department's current budget crisis.

Comment Provided By the CAO - Page 21. "OIG did not conduct a workload study. However, we did benchmark with other Legislative Agencies' budget offices and Chief Financial Officers, and 8 of 10 stated that, once a budget process is established, vetted, and approved, four employees within USCP's Budget Division should be adequate to support such a simple budget." The Department's budget is not "simple" and as a Legislative Branch law-enforcement agency it has many more complexities than most civilian agencies. This additional complexity requires an understanding of differing payroll requirements, different expenses and requirements related to civilian and law-enforcement personnel as well as differences in laws and regulations applicable to both the legislative and executive branches. In addition, The Department has multiple appropriation types to deal with simultaneously - multi-year, no-year, annual, and supplemental appropriations - all of which require expertise and knowledge to handle regulatory and reporting requirements, in addition to managing the funds control process.

USCP Benchmarks: The following table illustrates how several legislative branch and law enforcement organizations have staffed their budget operations to manage their annual budget submissions. The staff numbers cited below only includes FTEs, as we do not have information on any additional contractual help that are employed.

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AGENCY	BUDGET REQUESTS FY11	Budget Staff #
CSOSA (LEO)	212,000,000	6
LOC	674,785,000	10
AOC	650,735,000	11
GAO	581,679,000	9

Given the problems noted in the draft report with the Department's budget formulation process, it seems illogical to assert that more can be done more efficiently and effectively with the same level of resources. Many of the changes recommended have not been implemented in the past due to a lack of financial management resources.

<u>OIG Response</u>: As stated in this report, OIG did not conduct a workload study. However, to assist the Department and our stakeholders, we did benchmark with other Legislative Agencies' budget officials and Chief Financial Officers, and 6 of 8 stated that, once a budget process is established, vetted, and approved, four employees within USCP's Budget Division should be adequate to support such a simple budget, which is primarily salary driven.

A former OFM contractor involved in the budget process also stated that the USCP budget was simple and three to four employee should be sufficient to support the budget formulation and execution process. The contractor further stated while at the House financial office, there were only five FTEs in budget. The contractor also pointed out that the House has a much larger appropriation and more complex issues and, at the time, processed a portion of the USCP budget. Additionally, LOC's and AOC's budget are much more complex and more than double the size of USCP's budget. For example, AOC budget is not salary driven and has over ten appropriation accounts, which are mostly construction projects. Further, the LOC budget is more complex, which include revolving funds.

Comment Provided By the CAO - Page 23 and 30. "OIG found that miscalculations and omissions contributed to the FY 2010 budget shortfall as summarized ... in Table 4 ...and...to the FY 2011 budget shortfall as summarized in Table 10." Actually, the miscalculations and omissions cited in Table 4 and Table 10 were found by the staff the OIG accuses of being non-cooperative. The shortfall ("worst case") calculated by the OFM staff was \$6.8 million for FY 2010, which the OIG agreed was reasonable. The shortfall calculated by the OFM staff was \$9.4 million for FY 2011 and as explained above, the OIG

inaccurately calculated its estimated shortfall. The original submissions were calculated by the previous Budget Officer who was placed on administrative leave. The individuals that prepared the revised

submission in March 2010 were not responsible or involved in the original budget submission which is why they had a difficult time explaining what was behind the original numbers to the Board's financial panel, as well as the OIG.

<u>OIG Response</u>: Although, OIG mentioned the non-cooperative actions in the report, OIG did not accuse or indicate which staff was non-cooperative. However, the CAO stated that the staff who OIG reports as being uncooperative actually found the miscalculation and omission cited in Table 4 and Table 10." During the OIG audit, as indicated in the draft report, there were non-cooperative actions. Whether these same individuals discovered some of the errors in the Department's budget is unrelated to their cooperation during an OIG audit.

As stated previously, OIG does not agree that we inaccurately calculated the FY 2011 amended budget submission. As stated in this report, the difference in estimated shortfall was primarily because the Department miscalculated its number of FTEs. We found that the number of FTEs (2,248) used in the calculations for amended submission does not agree with the number of FTEs (2,307) requested in the budget 66 book for a difference of 59 FTEs totaling \$5,519,778 (salary \$4,216,790 and benefits \$1,302,988). In addition, as shown in Table 19, there is a FY 2011 payroll projection comparison of OIG and USCP calculations. The CAO explained that the original submissions were calculated by the previous Budget Officer who was placed on administrative leave. The individuals that prepared the revised submission in March 2010 were not responsible or involved in the original budget submission which is why they had a difficultly explaining what was behind the original numbers to the Board's financial panel, as well as the OIG. Regardless, OIG believes the assumptions underlying the budget estimates should be readily available.

<u>Comments Provided By the CAO</u> - Page 36. Average sworn salary shown in Table 18 and used to calculate the draft report's FY 2011 revised projection FTE difference which is carried forward into Table 19 is inaccurate and disagrees with the average salary shown in Table 15 on page 34. It appears the OIG used the average new recruit salary to arrive at the average salary in Table 18 in error. The Department uses the average salary of all sworn officers (both new recruits and on-board sworn officers) for budget purposes.

<u>OIG Response</u>: OIG did not use the average salary identified in Table 15 to calculate the projected payroll deficit identified in Table 19. OIG added a clarifying footnote to Table 18 that we applied the new recruit salary for sworn in that calculation. For the 52 new sworn positions, the Department stated they calculated using the average salary; however, we found the Department used the new recruit salary in projecting the salary amounts.

Comment Provided By the CAO - Pages 38-40. The section on the potential shortfall in the radio modernization project is misleading since it implies that the \$16 million was being requested in isolation rather than as a component of the total radio modernization project estimate of \$97.6 million. The CAO relied on the NAVAIR experts who assured her in December 2009 that they were comfortable with the amount of additional funds that were requested in the fiscal year 2011 budget submission. Subsequent to December 2009, other matters occurred such as AOC's revision to their building infrastructure site costs where estimates are higher than originally anticipated. Also, the Chief appointed an Executive Sponsor in March 2010 not in January 2010, and the CAO was never formally appointed as the Executive Sponsor prior to that date. She was and remains in an oversight role related to this project. The other comments in the paragraph on the Executive Sponsor "change" are inaccurate. The project management team has been tracking changes between estimates since this project started and contingencies were not allocated without support or justifications for the allocations.

OIG Response: To clarify that the \$16 million is a component of the total \$97.6 million radio modernization project estimate, OIG added a footnote in the Executive Summary and Body of the report. As previously stated, through our quality control process, OIG found and corrected the appointment date of the new Executive Sponsor and added that prior to that the CAO was responsible for this project, as opposed to being the Executive Sponsor. The other comments in the paragraph on the Executive Sponsor "change" are inaccurate. OIG added quote marks to show this information is a direct quote from an email dated May 2010. In a June 3, 2010, email, the CAO stated "As for the radio project, prior to March, we were in phases I (estimating the overall projects cost) and II (the design engineering work), and NAVAIR's monthly reports included their costs incurred each month along with cumulative totals...We did a detailed review of the outdoor fiber estimate and submitted it to GAO for review. I believe this happened in early FebruaryWe also had several meetings with appropriators on the cost of the radio facilities work (parts of obligation plans submitted prior to March). In addition, after NAVAIR submitted their detailed estimate based on the design engineering work (date January or early February...this wasn't due form NAVAIR until 1/31/10), we then met with NAVAIR to go over their new estimate in detail. This meeting occurred in February." The CAO did not provide any evidence that prior to March 2010, the project management team tracked changes between estimates since this project started.

<u>Comment Provide By the Chief</u> - Page 1, paragraph 2, last full sentence - The word "amended" should be inserted after the word "revised". The Department submitted original, revised and amended budget submissions.

OIG Response: Through our quality control process, OIG found and revised the report.

<u>Comment Provided By The Chief</u> - Page 1, paragraph 4, last full sentence - "Furthermore, the funds control process was either circumvented or noncompliance was permitted." Based on the OIG's consideration of the Department's response to funds availability controls, this sentence may need to be revised.

<u>OIG Response</u>: As previously stated, OIG does not agree with the CAO that funds availability controls were in place during June 2009 to April 2010. OIG did revise the final report to show that the Office of the Chief implemented a funds availability control "similar to a check book record" related to civilian hiring, career ladder promotions, and reclassifications. OIG noted that the purpose of this control is almost identical to the funds control that was eliminated by the CAO.

Comment Provided By The ET - Page 2, first full paragraph, first sentence - What was this sentence based on?

<u>OIG Response</u>: As stated during our June 3, 2010, follow-up meeting with the ET, this sentence was based on interviews of staff, observations, and review of an OFM contractor's report. As pointed out by the Chief, someone could draw the conclusion that there was decline in both civilian and sworn morale. Thus, OIG revised the report to state a decline in civilian morale.

<u>Comment Provided By The ET</u> - Page 2, first full paragraph, last sentence - How is the decline in employee morale measured? The comment regarding employee morale is supported by what facts?

<u>OIG Response</u>: As stated during our June 3, 2010, follow-up meeting with ET, this sentence was based on interviews of staff, observations, and review of an OFM contractor's report.

<u>Comment Provided By The ET</u> - Page 2, last partial paragraph - As stated previously in the Department's recommendations response memorandum, the Department does not make reference to investigatory activities in document that are intended for publication.

Comment Provided By The ET - Page 3, first partial paragraph - As stated previously, comments on investigatory matters should remain neutral until the investigation is concluded in order to protect the due process rights of those involved.

<u>OIG Response</u>: As previously stated, as required by *Government Auditing Standards*, when auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, or significant abuse either has occurred or is likely to have occurred, they should report the matter as finding. OIG also must consider whether the omission could distort the audit results or conceal improper and illegal practices. In consult with legal counsel, OIG has concluded that the reporting of the other matters would not compromise investigative or legal proceedings or violate due process rights. Additionally, in accordance with OIG's reporting protocols, the *Executive Summary*; *Objectives, Scope, and Methodology*; and *Body* of the report must all stand alone and can be read as separate documents. Thus, this issue is reported in the *Executive Summary* as well as other areas of the report.

Comment Provide By the ET - Page 3, first full paragraph - Is the assertion that the lack of confidence in the Department's budget submissions meant to be correlated to the OIG recommendations? If so, the Department would request more clarity in the paragraph. Further, the Department would suggest an alternative to the first sentence - "The Department will have more confidence in their budget submissions if they implement the recommendations contained within this audit report. The use of words such as "seems" and "appears" are not definitive, which is expected from the outcomes of an audit.

<u>OIG Response</u>: The lack of confidence in the Department's ability to validate and justify its FY 2011 budget request and to build and formulate an FY 2010 budget request is not only within the Department but external. Thus, OIG did not revise its final report.

<u>Comment Provided by the ET</u> - Page 4, fourth full paragraph, last sentence - The sentence should read "by the board, it is submitted to the Congress ..."

<u>OIG Response</u>: Through OIG's quality control process, this was found and the report was revised accordingly.

Comment Provided by the Assistant Chief - Page 5, first full paragraph following Table 1 - Recommend removing all but the first sentence of the paragraph. The Government Accountability Office's work has little or no impact on the Department's formulation process. Additionally, the reference to the GAO's detection of indicators of problems with under budgeting was not reported out to the Department during our exit conference with the GAO on their FY 2011 budget submission review.

<u>OIG Response</u>: As required by *Government Auditing Standards*, OIG coordinated with GAO. To clarify who made this statement, OIG added quote marks around the language provided by GAO.

<u>Comment Provided by the ET</u> - Page 6, first partial paragraph, second to the last sentence - If the scope limitations presented by the Department did not undermine the validity of the audit report findings, conclusions, or recommendations, then why is this referenced within the report?

<u>OIG Response</u>: As required by *Government Auditing Standards*, OIG included the context and perspective regarding what is reported, and any significant limitations in audit objectives, scope, and methodology. Additionally, auditors should also report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials of access to certain records or individuals.

Comment Provided By The ET - Page 20, first full paragraph - The Department wishes to provide the attached chart to demonstrate the current OFM vacancies data for your consideration, which includes the following vacancies: Procurement Specialist, Contract Specialist, Deputy Procurement Officer, Director, Financial Management, Financial Programs Operations Specialist.

OIG Response: OIG utilized an OFM organization chart dated March 8, 2010 for documenting its staff vacancies.

<u>Comment Provided By The ET</u> - Page 24, Table 1 - The Department believes that a third column representing the revised (\$6.8 Million) FY 2010 budget request should be added in order to provide clarity in comparing budget 69

submission versions. Additionally, we believe that the word "Omission" should be removed from the COLA 2.42% (prorated) line under "Salary", as all Legislative Branch entities had this issue and it was therefore, not an omission.

<u>OIG Response</u>: OIG does not agree because the original and revised/amended submissions are totally different with different assumptions and methodologies. Additionally, OIG does not agree that word "omission" should be removed because the Department omitted the COLA calculation for differential, lump sum payments, holiday pay and hazardous pay under "Salary". Although, OIG did add a footnote the applicable Tables to explain the omission.

<u>Comment Provided By The Assistant Chief</u> - Page 24, Table 1 - The references to civilian overtime and civilian overtime benefits should be removed. All overtime, regardless of for sworn or civilian personnel, is included within the \$25.5 Million overtime cap.

<u>Comment Provided By The Assistant Chief</u> - Page 26, Table 6 - The references to civilian overtime and civilian overtime benefits should be removed. All overtime, regardless of for sworn or civilian personnel, is included within the \$25.5 Million overtime cap.

<u>OIG Response</u>: OIG agreed and revised the final report.

<u>Comment Provided By The ET</u> - Page 31, Table 10 - The Department believes that a third column representing the revised (\$9.4 Million) FY 2011 budget request should be added in order to provide clarity in comparing budget submission versions. Additionally, we believe that the word "Omission" should be removed from the COLA 2.42% (prorated) line under "Salary", as all Legislative Branch entities had this issue and it was therefore, not an omission.

<u>OIG Response</u>: As previously stated, OIG does not agree because the original and revised/amended submissions are totally different with different assumptions and methodologies. Additionally, OIG does not agree that word "omission" should be removed because the Department omitted the COLA calculation for differential, lump sum payments, holiday pay and hazardous pay under "Salary". Although, OIG did add a footnote the applicable Tables to explain the omission.

<u>Comment Provided By The Assistant Chief</u> - Page 33, Table 13 - The references to civilian overtime and civilian overtime benefits should be removed. All overtime, regardless of for sworn or civilian personnel, is included within the \$25.5 Million overtime cap.

<u>OIG Response</u>: OIG agreed and revised the final report.

Comment Provided By the *ET* - Page 38, second full paragraph - As stated in our comments related to Page 3, is the assertion that the lack in confidence in the Department's budget submissions meant to be correlated to the OIG recommendations? If so, the Department would request more clarity in the paragraph. Further, the Department would suggest an alternative to the first sentence - "The Department will have more confidence in their budget submissions if they implement the recommendations contained within this audit report. The use of words such as "seems" and "appears" are not definitive, which is expected from the outcomes of an audit.

<u>OIG Response</u>: The lack of confidence in the Department's ability to validate and justify its FY 2011 budget request and to build and formulate an FY 2010 budget request is not only within the Department but external. Thus, OIG did not revise its final report.

<u>Comment Provided By The Chief</u> - Page 39, third full paragraph - The new Executive Sponsor was appointed in March 2010, rather than January 2010.

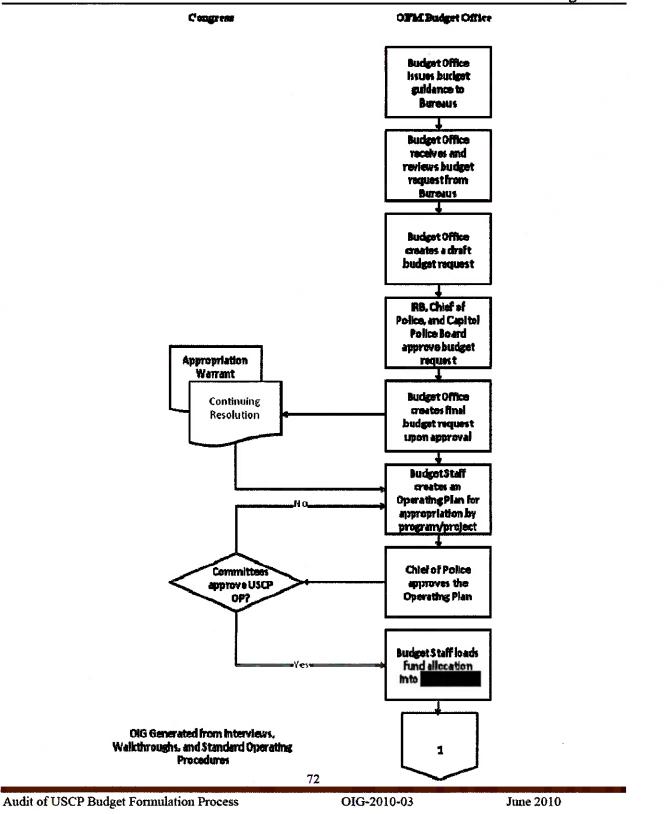
<u>OIG Response</u>: As previously stated, through our quality control process, OIG found and corrected the appointment date of the new Executive Sponsor.

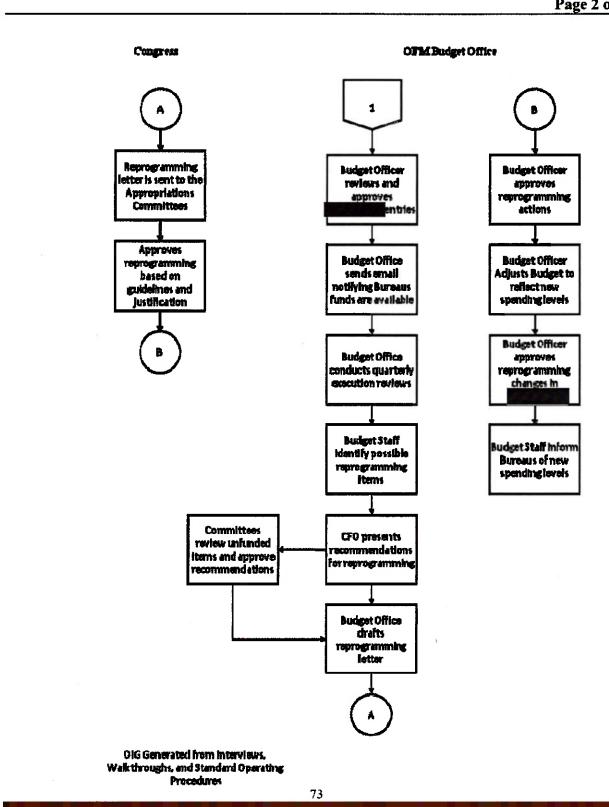
<u>Comment Provided By The ET</u> - Page 40, first full paragraph under "OTHER MATTERS" - As stated previously in the Department's recommendations response memorandum, the Department does not make reference to investigatory activities in document that are intended for publication in order to protect the due process rights of those involved.

OIG Response: As previously stated, as required by *Government Auditing Standards*, when auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, or significant abuse either has occurred or is likely to have occurred, they should report the matter as finding. OIG also must consider whether the omission could distort the audit results or conceal improper and illegal practices. Our enabling legislation requires OIG to report to the Chief, Capitol Police Board, and Congress, as demonstrated by the Semiannual Report to Congress. In reporting this audit, OIG did not disclose the identities of those suspected of misconduct. Thus, we have accurately reported our activity to our stakeholders and without compromising the investigation. Additionally, in accordance with OIG's reporting protocols, the *Executive Summary*; *Objectives, Scope, and Methodology*; and *Body* of the report must all stand alone and can be read as separate documents. Thus, this issue is reported in the *Executive Summary* as well as other areas of the report.

USCP Budget Formulation Process

Exhibit 1 Page 1 of 2





USCP Budget Formulation Process

Exhibit 1 Page 2 of 2

FRAUD, WASTE, ABUSE AND MISMANAGEMENT

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