



# UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

## Audit of the United States Capitol Police Memorial Fund

Report Number OIG-2018-03

December 2017

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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 by OIG periodically as part of its oversight responsibility with respect to the United States Capitol Police to identify and prevent fraud, waste, abuse, and mismanagement.

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


The recommendations therein 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.

A handwritten signature in cursive script that reads "Fay F. Ropella".

Fay F. Ropella, CPA, CFE  
Inspector General

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## Abbreviations and Acronyms

Capitol Police Board	Board
Fiscal Year	FY
Government Accountability Office	GAO
Memorial Fund	Fund
Office of the Chief of Police	OCOP
Office of Financial Management	OFM
Office of Inspector General	OIG
United States Capitol Police	USCP or Department
Department of the Treasury	Treasury



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## EXECUTIVE SUMMARY

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On August 4, 2017, Congress passed the *Wounded Officers Recovery Act*, Public Law 115-45, which authorizes the Board to use the Memorial Fund (Fund) to disburse payments to United States Capitol Police (USCP or Department) employees who sustain serious injuries in the line of duty, specifically, amounts for treatment received in response to the shooting incident involving Capitol Police officers at a practice on June 14, 2017, for the annual Congressional Baseball Game for Charity. According to the legislation establishing the Fund, Public Law 105-223,<sup>1</sup> the Capitol Police Board (Board) is responsible for administering and managing the Fund, established in the Department of the Treasury (Treasury), including determining the timing and manner of disbursements from the Fund. Board regulations state that the USCP Director of the Office of Financial Management (OFM) is responsible for receiving contributions to the Fund, depositing contributions, and recording contributions in the Department's financial management system.

In accordance with its FY 2018 Annual Plan, the Office of Inspector General (OIG) initiated an audit of the Fund. Our objectives were to determine if USCP (1) properly accounted for contributions and distributions made to and from the Fund, (2) established adequate internal controls over Fund processes, and (3) complied with applicable laws, Board regulations, and guidance pertaining to management and administration of the Fund. Our scope included contributions received from October 1, 2016, through September 30, 2017. USCP did not make any distributions from the Fund during that period. As of November 16, 2017, the Department did not have new regulations from the Board to effect operation of the new legislation.

Overall, the Department properly accounted for contributions made to and from the Fund. According to OFM records, the Fund received 39 contributions totaling [REDACTED] in Fiscal Year (FY) 2017 and as of September 30, 2017, had a balance of [REDACTED]. The records agreed with Treasury's Fund balance, as shown in Table 1.

Table 1: USCP Memorial Fund as of September 30, 2017	
Beginning Balance (as of October 1, 2016)	[REDACTED]
Contributions Collected and Deposited with Treasury	[REDACTED]
Disbursements to Recipients	[REDACTED]
Ending Balance (as of September 30, 2017)	[REDACTED]

Source: The OIG generated this information from USCP and U.S. Treasury Symbol (02x5083) records as of September 30, 2017. Amounts are rounded to the nearest dollar.

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<sup>1</sup> Public Law 105-223, *Establishment of United States Capitol Police Memorial Fund*, August 7, 1998. Congress established the Fund on behalf of the families of Detective Gibson and Private First Class Chestnut, who were killed in the line of duty, July 24, 1998.



The Department could strengthen design of internal control activities over cash receipts. Specifically, an individual independent of the cash receipts and deposits process should perform the reconciliations between the checks recorded in the receipts and deposit log and the checks deposited in the bank. In addition, written procedures for contributions donations received through the Office of the Chief of Police would ensure that donations are recorded in a timely manner. Without such procedures, an increased risk exists that assets will not be properly safeguarded. Subsequent to the issuance of this report, the Department developed written procedures<sup>2</sup> to safeguard donations received in the Office of the Chief of Police. Thus, OIG closed the recommendation related to this matter.

The Department complied with Board and USCP regulations related to the Memorial Fund.

After September 30, 2017, and subsequent to completion of this audit, the Department continued to receive donations. The Fund received a significant donation of [REDACTED] from the [REDACTED].

Organizations pledged contributions to the Fund because of the June 14, 2007, shooting at the practice for the annual Congressional Baseball Game. [REDACTED] Obtaining additional information, such as a charitable pledge agreement, regarding the donations would provide the Board with a more complete understanding of the funds available for award.

We conducted an exit conference with Department officials on November 28, 2017, and incorporated the comments in the body of the report as applicable. OIG recommends that the Department strengthen internal controls over the Fund to ensure compliance with applicable USCP and Board regulations.

## Background

The United States Capitol Police (USCP or Department) Memorial Fund (Fund) was established within the Department of the Treasury (Treasury) in August 1998 by Public Law 105-223. Public Law 105-223 was enacted to provide support to the families of Officer Jacob Joseph Chestnut and Detective John Michael Gibson, USCP officers who were killed in the line of duty. Initial deposits for the Fund totaled approximately [REDACTED]. Public Law 105-223 required that the [REDACTED] in Fund proceeds be disbursed to the families of Officer Chestnut and Detective Gibson within 6 months of the Fund's establishment. As seen in Figure 1, Chestnut and Gibson lay in state in the Capitol Rotunda on July 28, 1998.

<sup>2</sup> [REDACTED]



The U.S. House of Representatives (House) originally accounted for the Fund on behalf of the Department but in 2002 transferred custodianship to the Department. At the time, the Fund had a balance of approximately [REDACTED]. As administrator and manager of the Fund, the USCP Board (Board) determined the timing and manner of disbursements, subject to the approval of the Committee on House Administration and the Senate Committee Rules and Administration.

In November 2005, the Senate Committee on Rules and Administration and the Committee on House Administration approved an amendment to the Board regulations authorizing USCP to make a one-time Fund distribution of [REDACTED] to the family of USCP Sergeant Christopher Sherman Eney, who had died in the line of duty in 1984. The amendment also established procedures for future distributions of Fund assets to families of USCP members who become a victim of a tragedy.

On August 4, 2017, Congress passed Public Law 115-45, the *Wounded Officers Recovery Act*, which authorizes the Board to use the Fund to disburse payments to USCP employees sustaining serious injuries in the line of duty.

Board regulations identify the Department's Director of the Office of Financial Management (OFM) as responsible for maintaining detailed records of collections, sending acknowledgement receipts to donors, requesting authorization from the Board to make distributions, and reporting Fund activity.

Congressional interest in the Fund was renewed as a result of the shooting on June 14, 2017, involving Capitol Police special agents at a practice for the annual Congressional Baseball Game for Charity. In addition to the increased volume of donations, there were announcements from both the Congressional Baseball and Congressional Football Games for Charity committing part of future proceeds from those events would go to the Fund.



Figure 1: The Final Salute



Source: Arlingtoncemetery.net.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine if the Department (1) properly accounted for contributions and distributions made to and from the Fund, (2) established adequate internal controls over Fund processes, and (3) complied with applicable laws, Board regulations, and guidance pertaining to the management and administration of the Fund. Our scope included contributions received from October 1, 2016, through September 30, 2017.

OIG contracted with the independent firm of Cotton & Company (Cotton) to conduct the audit of the Fund as of September 30, 2017. The contract required that the audit be performed in accordance with the standards applicable to audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

To accomplish the objectives, we tested 39 Fund contributions, totaling [REDACTED], that OFM recorded in its receipts and deposits log for the period from October 1, 2016, through September 30, 2017, and traced amounts from deposit tickets and supporting schedules to donor acknowledgement receipts. We also reviewed OFM's general ledger detail and Fund balance with Treasury reconciliation, USCP's annual financial statements, and OFM's semi-annual Fund status reports for FY 2017 to verify whether the documents agreed with the supporting schedules.<sup>4</sup> In addition, we reviewed Board and Department regulations, Public Law 105-223, Public Law 115-45, written policies and procedures, delegations of authority, and supporting documentation related to the Fund. We also interviewed the Fund custodian and OFM staff.

To determine USCP's compliance with applicable laws, Board regulations, and guidance, we compared control procedures, records, and data with applicable criteria such as the:

- Public Law 105-223, *An Act to establish the United States Capitol Police Memorial Fund on behalf of the families of Detective John Michael Gibson and Private First Class Jacob Joseph Chestnut of the United States Capitol Police*
- Public Law 115-45, *An Act to authorize the Capitol Police Board to make payments from the United States Capitol Police Memorial Fund to employees of the United States Capitol Police who have sustained serious line-of-duty injuries, and for other purposes*

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<sup>4</sup> According to OFM's draft [REDACTED] SOP, the OFM accountant is responsible for compiling the supporting schedule, which is known as the Memorial Fund Transaction Listing or Memorial Fund Balance Analysis. The schedule lists the fiscal year, date of contribution, donor, check number, amount, deposit ticket number, and Fund balance.



- [REDACTED], dated November 9, 2005
- [REDACTED], Standard Operating Procedure (SOP) [REDACTED], dated September 26, 2011
- [REDACTED], SOP [REDACTED], dated January 31, 2009
- [REDACTED], OFM's Draft [REDACTED] SOP (no date)
- Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*, (GAO-14-704G) dated September 2014

Cotton conducted fieldwork in Washington, D.C., from October 5 through October 31, 2017. Cotton performed the audit in accordance with *Government Auditing Standards* and conducted such procedures, as we considered necessary in the circumstances. On November 28, 2017, the OIG conducted an exit conference with Department officials and incorporated applicable comments.

## RESULTS

Overall, the Department properly accounted for contributions made to and from the Fund. According to OFM records, the Fund received 39 contributions totaling [REDACTED] in Fiscal Year (FY) 2017 and had a balance of [REDACTED] as of September 30, 2017.

The Department could strengthen the design of internal control activities over cash receipts. Specifically, an individual independent of the cash receipts and deposits process should perform the reconciliations between the checks recorded in the receipts and deposit log and the checks deposited in the bank. Without that procedure, an increased risk exists that assets are not properly safeguarded.

OCOP received donations directly. Although donations were not frequent, the Department did not have written procedures in place that would ensure donations were recorded in a timely manner and adequately safeguarded. Subsequent to the final distribution of the Memorial Fund Audit Report, the Office of the Chief of Police developed and provided a written policy for processing Fund donations. The OIG reviewed the new policy and concluded that the policy was designed appropriately to mitigate the deficiency noted during the audit.

The Department complied with Board and USCP regulations related to the Memorial Fund.

After September 30, 2017, and subsequent to completion of the audit, the Department continued to receive donations. The Fund received a significant donation of [REDACTED] from the [REDACTED].

Organizations pledged contributions to the Fund because of the June 14, 2007, shooting at the practice for the annual Congressional Baseball Game. [REDACTED]

[REDACTED]. Obtaining additional information regarding these donations would provide the Board with a more complete understanding of the funds that are available for award.

## Accountability

According to Board regulations issued November 9, 2005, the Director of OFM is responsible for receiving contributions and recording them in USCP's financial management system, maintaining appropriate documentation of the contributions, issuing receipts to donors, and reconciling the Fund balance with Treasury. OFM is also responsible for making distributions to beneficiaries. The Board authorizes all distributions. The October 1, 2016, balance of the Fund was [REDACTED]. During FY 2017, the Fund received [REDACTED] in contributions. Below is a summary of contributions that OFM received during FY 2017. See appendix C for a listing of the 39 contributions. The Board did not authorize any disbursements during FY 2017. OFM reported a year-end balance of [REDACTED]

**Table 2 – Contributions to USCP Memorial Fund for FY 2017**

<i>Month</i>	<i>Amount</i>
July	[REDACTED]
August	[REDACTED]
September	[REDACTED]
<b>Total Deposits</b>	[REDACTED]

Source: OIG generated from USCP and U.S. Treasury Symbol (02x5083) records for the months of June-September 2017.

## Conclusions

Overall, the Department properly accounted for contributions and distributions made to and from the Fund. The Department reported contributions received during FY 2017 and a Fund balance of [REDACTED], which agreed with Treasury's Fund balance and USCP's annual financial statements for the period ended September 30, 2017. The Department did not make any disbursements during FY 2017.

## Internal Controls

SOP [REDACTED] and SOP [REDACTED] provide direction for accounting, inventory, and recordkeeping for Fund receipts and disbursements. In addition, a draft [REDACTED] directive references SOP [REDACTED] as the overarching guidance for handling cash. OCOF lacked written policies or procedures for receipts of donations to ensure that



USCP records collections are timely and that donations are appropriately handled. We believe that the Department could strengthen controls for receipt of Fund donations.

### **Independent Reconciliation or Review**

Improvements to the SOP regarding the handling of cash will strengthen OFM's accountability of the Fund. Based on interviews with OFM personnel and observations of OFM processes for handling cash and recording transactions, a gap exists in the Department's internal controls. Initial information recorded in the OFM receipts and deposit log is not compared to final approved deposit data.

GAO's *Standards for Internal Control in the Federal Government*, GAO 14-704G, dated September 2014, recommends segregation of duties, which involves ensuring that incompatible duties are segregated and the need to separate control activities related to authority, custody, and accounting of operations.

Based on review of the internal policies and procedures, SOP [REDACTED] and SOP [REDACTED], and interviews with OFM staff, we determined that the design of internal control activities should be strengthened. Specifically, an individual independent of the cash receipts and deposits process should perform the reconciliations between the checks recorded in the receipts and deposit log and the checks deposited in the bank. Without this procedure, an increased risk exists that the Department cannot properly safeguard assets.

Segregation of duties is not always possible. Management should, however, consistently assess and validate the effectiveness of controls. When gaps in controls are identified, it is incumbent upon management to design internal control activities that will mitigate such gaps.

### **Written Policies and Procedures**

Although it received donations for the Fund, OCOP lacked both written policies and procedures for handling donations. Because it did not anticipate receiving checks, no perceived need existed for OCOP to have written policies and procedures for handling checks and although contributions have been infrequent, a lack of written policies and procedures increases the risk that deposits may not be timely or properly safeguarded.

According to *Standards for Internal Control in the Federal Government*, accurate and timely recording of transactions is an important aspect of control activities.



## Conclusions

The Department should strengthen its cash handling controls. Without strengthening those controls, an increased risk exists that assets could be misappropriated through error or fraud. The Department also did not have comprehensive written policies and procedures in place related to the receipt of donations at OCOP, thereby increasing the risk that deposits are not timely or that checks could be lost or stolen.

Thus OIG makes the following recommendations:

**Recommendation 1:** We recommend that the United States Capitol Police revise Standard Operating Procedure [REDACTED], so that an individual independent of the cash receipts and deposits process performs a reconciliation between the checks recorded in the receipts and deposit log and the checks deposited in the bank.

**Recommendation 2:** We recommend that the United States Capitol Police develop written policies for processing Fund donations. The policies should include a receipts log that personnel in the Office of the Chief of Police periodically reconcile to the deposits to ensure that the donations received through the Office of the Chief of Police are properly recorded. The policies also should include procedures for time-stamping checks and any accompanying documentation upon receipt.

Subsequent to the issuance of the final report, the Department developed and provided written procedures<sup>6</sup> for processing Fund donations received in the Office of the Chief of Police. OIG reviewed the new SOP and concluded that the procedures were designed appropriately to mitigate the deficiency noted during this audit. Thus, OIG has closed Recommendation 2.

## Compliance with Board and USCP Regulations

The Department complied with Board and USCP regulations in the following ways.

- Established a Treasury account for the Fund (Treasury Symbol 02X5083).
- Received contributions and recorded them in its financial accounting system.
- Mailed all of the 39 donor acknowledgement letters within 30 days of receipt.
- Maintained both formal and informal records of contributions using USCP's accounting system and Excel spreadsheets, respectively. Records included information such as deposit number, donor name and address, amount of contribution, date of contribution, and check number.

<sup>6</sup> [REDACTED]

- Reconciled the Fund balance with Treasury each month.
- Reported the Fund's balance in its annual financial statements and semi-annual reports to the Board.

## Subsequent Events

The Department received [REDACTED] in Fund donations subsequent to the period ending September 30, 2017. Of that amount, [REDACTED] was from [REDACTED]. The FY 2017 balance with Treasury did not include those donations.

## Other Observations

The Department received a number of donations and pledges for the Fund as a result of the shooting on June 14, 2017, at a practice for the annual Congressional Baseball Game. In addition to donations from individuals, [REDACTED] donated part of the proceeds from the game to the Fund, as well as proceeds from other sources of funding related to the game (for example, a CrowdRise<sup>7</sup> event and sales of shirts and hats). Similarly, the organizers of the Congressional Football Game for Charity stated that the organization would contribute a portion of the donations received to the Fund. [REDACTED]

Following up with organizations pledging contributions to the Fund to determine the status of the donations designated for the Fund is vital. Obtaining additional information, such as a charitable pledge agreement, regarding the status of these donations would provide the Board with a more complete understanding of the funds available for award, which can allow for informed decisions.

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<sup>7</sup> CrowdRise - <https://www.crowdrise.com/>, a leading online fundraising platform for nonprofits, companies, and events, also known as crowdfunding.

# APPENDICES



## *List of Recommendations*

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**Recommendation 1:** We recommend that the United States Capitol Police revise Standard Operating Procedure [REDACTED] so that an individual independent of the cash receipts and deposits process performs reconciliation between the checks recorded in the receipts and deposit log and the checks deposited in the bank.

**Recommendation 2:** We recommend that the United States Capitol Police develop written policies for processing Fund donations. The policies should include a receipts log that personnel in the Office of the Chief of Police periodically reconcile to the deposits to ensure that the donations received through the Office of the Chief of Police are properly recorded. The policies also should include procedures for time-stamping checks and any accompanying documentation upon receipt.

**USCP Response December 7, 2017:** On December 7, 2017, the Department published and implemented standard operating procedures (SOP), [REDACTED].) This SOP establishes procedures and guidelines for the Office of the Chief of Police for receiving, safeguarding, and recording cash receipts for the Memorial Fund.

**OIG Analysis December 7, 2017:** Subsequent to issuance of the final report, the Department developed and provided a written policy for processing Fund donations received by the Office of the Chief of Police. OIG reviewed the SOP and concluded that the procedures were designed appropriately to mitigate the deficiency noted during this audit. Thus, OIG closed Recommendation 2.

**STATUS:** CLOSED

DEPARTMENT COMMENTS



Phone: 202-224-8806

UNITED STATES CAPITOL POLICE

OFFICE OF THE CHIEF  
119 D STREET, NE  
WASHINGTON, DC 20510-7218

December 7, 2017

COP 171661

**MEMORANDUM**

**TO:** Ms. Fay F. Ropella, CPA, CFE  
Inspector General

**FROM:** Matthew R. Verderosa  
Chief of Police

**SUBJECT:** Response to Office of Inspector General draft report *Audit of the United States Capitol Police Memorial Fund* (Report No. OIG-2018-03)

The purpose of this memorandum is to provide the United States Capitol Police response to the recommendations contained within the Office of Inspector General's (OIG) draft report *Audit of the United States Capitol Police Memorial Fund* (Report No. OIG-2018-03).

The Department generally agrees with the two recommendations and appreciates the opportunity to further improve upon these policies and procedures. Furthermore, SOP [REDACTED] was published and implemented on December 7, 2017 (Attachment). This SOP establishes procedures and guidelines for the Office of the Chief of Police for receiving, safeguarding, and recording cash receipts. I believe this SOP will satisfy Recommendation 2, and would request closure of this recommendation.

The Department will assign an Action Plan to the appropriate personnel regarding the remaining recommendation.

Thank you for the opportunity to respond to the OIG's draft report. Your continued support of the women and men of the United States Capitol Police is appreciated.

Very respectfully,

A handwritten signature in dark ink, appearing to read "Matt Verderosa", written over a horizontal line.

Matthew R. Verderosa  
Chief of Police

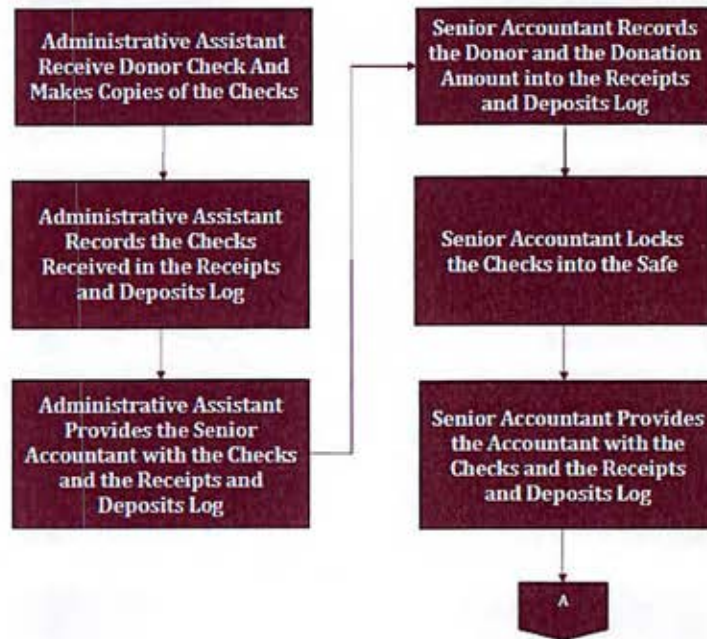
cc: Steven A. Sund, Assistant Chief of Police  
Richard L. Braddock, Chief Administrative Officer  
[REDACTED] USCP Audit Liaison

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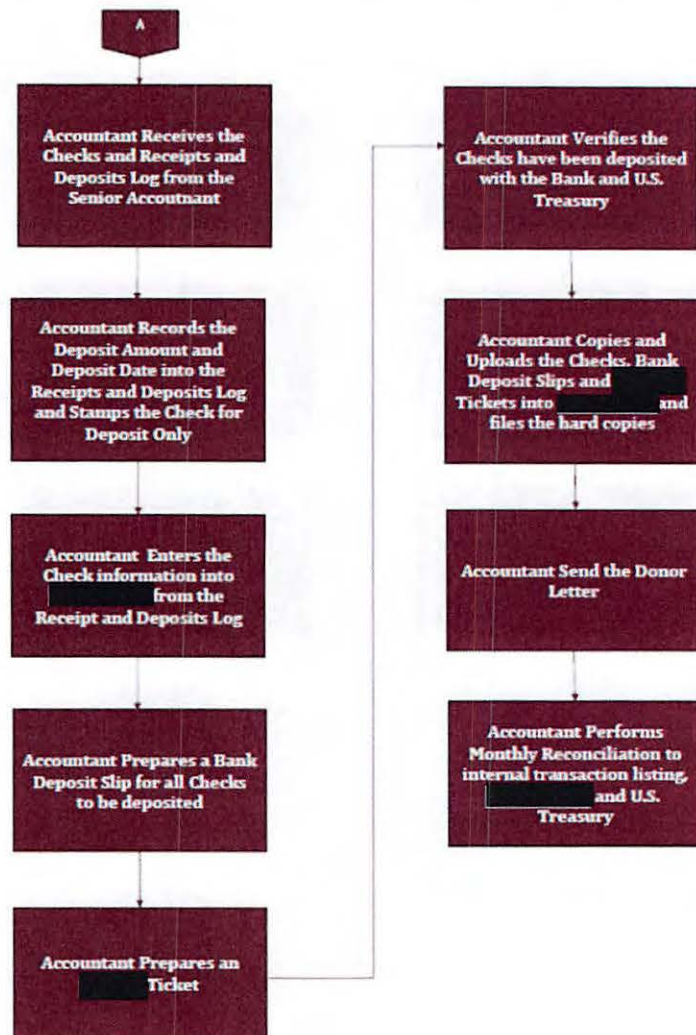




Memorial Fund: Receipt and Deposit Cycle as of September 30 ,2017



Continued, Memorial Fund: Receipt and Deposit Cycle as of September 30, 2017



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