



INSPECTOR GENERAL

UNITED STATES CAPITOL POLICE

WASHINGTON, DC 20510

January 8, 2015

MEMORANDUM

TO: Chief of Police – Kim C. Dine

FROM: Inspector General – Fay F. Ropella, CPA, CFE

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

SUBJECT: *Management Letter Related to the Audit of the United States Capitol Police's Fiscal Year 2014 Financial Statements (Report No.OIG-2015-02)*

This management letter related to the audit of the United States Capitol Police's (USCP) fiscal year 2014 financial statements is attached for your review and action. This management letter, prepared by CliftonLarsonAllen LLP (CLA), an independent external auditor, discusses a number of internal control deficiencies that were identified during the audit of the financial statements. These control deficiencies, are considered important enough to merit management's attention, and if addressed, could enhance the efficiency and effectiveness of internal controls.

In the view of CLA, these deficiencies, although of concern, did not rise to the level necessary to be included in the report on the financial statement audit. In their response, the Department indicated that it did not have any additional comments beyond those that were provided on the Notices of Findings and Recommendations (NFR) matrix during the audit. Therefore, CLA has incorporated management's response received in the NFR matrix in the management letter.

Since CLA made and reported these comments in a management letter rather than within material weakness or significant deficiency framework, the Office of Inspector General will not track these recommendations through its formal compliance process. However, the financial statement auditors will evaluate compliance during future audits of USCP's financial statements.

If you have any questions, please call me at [REDACTED]

Attachment: As stated.

cc: The United States Capitol Police Board
Asst. Chief Daniel B. Malloy, Chief of Operations
Mr. Richard Braddock, Chief Administrative Officer
Ms. Mia Leswing, Principal, CliftonLarsonAllen LLP
[REDACTED] Audit Liaison (5 copies)

UNITED STATES CAPITOL POLICE

Fiscal Year 2014 Management Letter

Report No. OIG-2015-02



CliftonLarsonAllen
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FISCAL YEAR 2014 MANAGEMENT LETTER

Inspector General
United States Capitol Police

Chief of Police
United States Capitol Police

United States Capitol Police Board

In planning and performing our audit of the financial statements of the United States Capitol Police (USCP) as of and for the year ended September 30, 2014 (FY 2014), in accordance with auditing standards generally accepted in the United States of America, we considered the USCP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements and on internal control over financial reporting.

We previously issued our opinions on USCP's financial statements and internal control over financial reporting as of September 30, 2014 in our Independent Auditors' Report dated December 5, 2014 (Report No. OIG-2015-01), in which we communicated the material weakness we found. However, during our audit we became aware of control deficiencies other than the material weakness that are opportunities to strengthen your internal control and improve the efficiency of your operations. This letter does not affect the conclusions in our Independent Auditors' Report.

While the nature and magnitude of these other deficiencies in internal control were not considered important enough to merit the attention of those charged with governance, they are considered of sufficient importance to merit management's attention. We have summarized the FY 2014 management letter comments and recommendations and USCP's responses, and also present the FY 2014 status of FY 2013 management letter findings in Section III.

~~This report is intended solely for the information and the use of USCP management and governance and the USCP Office of Inspector General and is not intended to be and should not be used by anyone other than these specified parties.~~

CLIFTONLARSONALLEN LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 5, 2014

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I. Introduction

We provided USCP management a Notice of Findings and Recommendations (NFR) matrix with 11 findings related to the fiscal year (FY) 2014 financial statements audit. A finding is a written communication to management of an issue identified during the audit. We categorized a finding or a combination of findings as a material weakness (MW), a significant deficiency (SD), or a management letter finding (MLF). A finding that is categorized as MW or SD is included in our separate report titled Independent Auditors' Report on Internal Control over Financial Reporting dated December 5, 2014. Six of the 11 findings in the NFR matrix were categorized as MWs, none as SD, and five as MLFs (see Section II).

We also included FY 2014 status of our FY 2013 MLFs in section III.

II. Management Letter Findings (MLF)

MLF 1: Non-Payroll Disbursements/Purchase Card Disbursements/Contracts (Modified Repeat Finding)

We identified the following exceptions in our test sample size of 45 disbursements. Note that one disbursement sample item could have one or more exceptions.

- 4 payments were made prior to the Credit Card Authorization (CCA) being authorized or approved
- 1 payment's CCA was missing.
- 1 payment exceeded the purchase card holder's single purchase limit and the approval for exceeding the limit was made after the date and not before the date of transaction.
- 1 payment was made from FY 2014 funds for an invoice whose period of performance (POP) was from FY 2009 through FY 2011 and whose contract was already closed. The invoice was originally dated in September 2013 for billing period in September 2013 where the POP already expired. The invoice was subsequently corrected by the vendor to fall under the contract POP.
- 1 payment's receiving report was stamped as paid but all the required fields were blank.
- 3 payments' invoices/associated receipts/Citibank statement were missing
- 15 payments' certification reports were missing

We applied the following criteria in developing this finding:

- SCP SOP [REDACTED] states that identifying need for goods/services must be created and approved in [REDACTED] before supplies can be ordered.
- Best business practice to adopt procedures ensuring timely payment of invoices.
- USCP Standard Operating Procedure (SOP) [REDACTED] page 16 states that the cardholder signs the Certification Report certifying that the Statement of Account has been reconciled and supported with the source documentations. The Card Holder should forward the original Certification Report, Statement of Account, Purchase Card Buying Log and all other original supporting

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documentation to the Approving Official within seven business days after the Statement of Account is available to the Card Holder.

- o SOP [REDACTED] states that the Receiving (REC) Document approved in [REDACTED] by a Bureau/Office be based on receipt and acceptance of supplies/services as documented on a signed Receiving Report.

Recommendation 1:

We recommend that USCP consistently implement its purchase card and payment processing policies and procedures. We also recommend that USCP ensure timely payment of invoices.

Management Response:

We concur. The Office of Procurement (OP) will continue to reinforce and monitor the compliance of the [REDACTED] SOP. OP will work with the CFO to provide management a report of compliance. OP will also conduct a comprehensive review of the [REDACTED] SOP as well as benchmark other legislative branch agencies to determine if changes should be made to the USCP Purchase Card program. All documents (TVP's) that are part of the audit will be provided on a timely basis as requested. TVP final documents will be scanned to the AP F Drive for record retention purposes.

MLF 2: Undelivered Orders (UDO) Funds are Not Deobligated Timely (Modified Repeat Finding)

CLA analyzed the open obligation balances and focused on old open obligations for more than 6 years. Our analysis identified approximately \$1.3 million of UDOs dating back to FY 2006 and prior years that are no longer valid and should have been deobligated:

• Obligations FY 2000 and Prior	\$528,979.08
• Obligation from FY2001	\$138,094.29
• Obligations from FY 2002	\$560,022.74
• Obligations from FY 2006	\$91,093.15

The procurement office explained that a weekly open obligation report that lists contracts or orders is sent to each financial liaison officer (FLO) for deobligation review. In some instances the FLO returns a response back to procurement office instructing either to deobligate funds or keep the obligations open. However, in most instances, the procurement office does not receive feed back at all or in a timely manner. In addition the procurement office representative described that due to limited resources the office is more focused on reviewing recent year's obligations to ensure they are still valid. The procurement office also explained that they plan to review old outstanding obligations in the future. They anticipate a significant decline in the old outstanding UDOs in 2015.

It is important to timely deobligate funds to potentially free-up funds for USCP's use for other purposes.

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GAO *Standards for Internal Control in the Federal Government* states that control activities are the policies, procedures, techniques and mechanisms that enforce management directives. An example of a control activity is the accurate and timely recording of transactions and events.

Recommendation 2:

We recommend that USCP to assess the effectiveness and efficiency of the current policy and update policies and procedures to include specific procedures for timely monitoring and liquidating inactive obligations. In addition, management must communicate to the FLOs and accountable officials the responsibility and requirement to timely review and respond to the procurement office on the status of the open obligations in the report.

Management Response:

We concur. The Office of Personnel (OP) will conduct a comprehensive review of the closeout/de-obligation strategy to determine if the current practice is providing optimal results. OP will develop a report to provide management a list of outstanding responses due to OP.

MLF 3: Current Authorizations to Operate were not Documented (New Finding)

USCP has transitioned to continuous monitoring and authorization as prescribed by National Institute of Standards and Technology (NIST) Special Publication (SP) 800-37 Revision 1 to replace the cycle of three year certification and accreditation.

For FY 2014, PoliceNet, [REDACTED], and OIS Data and Records systems did not have documented authorizations to operate as required by USCP's Risk Management Framework (RMF) Process. However, USCP monitored and continuously assessed security risk through methods including ongoing control assessments, change management, and vulnerability assessments.

Management indicated that they would not have a documented authorization until the completion of the continuous monitoring cycle in 2015.

After CLA identified the lack of documented authorization, USCP OIS documented a summary memorandum of the continuous monitoring efforts, risk acceptance and justification to operate as long as vulnerabilities reported during the continuous monitoring process do not result in additional unacceptable risks.

USCP's Risk Management Framework (RMF) Process and NIST SP 800-37 Revision 1, *Guide for Applying the Risk Management Framework to Federal Information Systems* are the criteria used to support his finding.

Recommendation 3:

We recommend that USCP OIS ensure systems receive authorizations to operate in line with USCP policies and procedures.

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Management Response:

We concur. The USCP's Office of Information Systems (OIS) is currently reviewing its policies regarding Certification and Accreditation (C&A) and will be revising as needed in order to insure compliance with NIST 800-37 SP Revision 1. Irrespective of the need for revisions to the policies, USCP OIS will insure that our procedures follow our policies. A memorandum identifying the steps already taken and processes currently being performing has been also submitted. Those steps and processes include quarterly plan of action and milestones (POAM) security status report, performing monthly vulnerability scanning, as well as providing constant monitoring [REDACTED] for all of our current systems.

MLF 4: Information System Security Control Design Limitations (New Finding)

USCP security plans for PoliceNet, [REDACTED] and OIS Data and Records systems are designed using NIST SP 800-53 Revision 3; however, the current version is Revision 4.

Management was assessing the systems based on the NIST SP 800-53A revision 1, *Guide for Assessing the Security Controls in Federal Information Systems and Organizations, Building Effective Security Assessment Plans* which was in line with NIST SP 800-53 Revision 3. Management was waiting to update the system security plans until the completion of the continuous monitoring cycle in 2015.

NIST SP 800-53 Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, control PL-2 System Security Plans are the criteria used to support this finding.

Recommendation 4:

We recommend that USCP update system security plan and controls to be in line with the most current revision of NIST SP 800-53.

Management Response:

We concur. The three-year Certification and Accreditation (C&A) cycle that USCP is currently in was begun several months before the release of Revision 4 of NIST 800-53. In the effort to provide continuity to our C&A process, we made the conscience decision to remain with Revision 3 through this C&A cycle. The USCP OIS C&A personnel will prepare a plan to transition our C&A process to Revision 4 and implement that plan beginning with the next C&A cycle.

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MLF 5: Travel Voucher Payments (New Finding)

We noted the following during our test of 25 employees' travel vouchers:

- 1 employee withdrew more cash than their approved travel per diem limit.
- 25 employees did not submit their approved travel vouchers to OFM within five (5) business days of the employee returning to his/her permanent duty station.
- 13 employees submitted their protective travel paperwork for DPD approval more than 3 days after the agents returned to their permanent duty station.

Per Directive [REDACTED], "2. Employees should submit their approved travel vouchers to OFM within 5 business days of returning to their permanent duty station."

Standard Operating Procedure (SOP) No. [REDACTED] states that "Per Diem Procedures: 2. Ensure all protective travel paperwork is submitted no later than three working days upon the agents return to duty per the Directive title [REDACTED]"

Recommendation 5:

We recommend that USCP strictly implement its travel policies and procedures. If exceptions are required due to the inherent nature of the travel requirements, the policy should be updated to include how exceptions should be handled.

Management Response:

We concur. We will consider updating our travel policy to include exceptions or extensions to timeframes as currently stated in USCP's travel policy for the submission of travel vouchers.

Regarding the finding of 1 traveler withdrawing more than the credit limit allowed. The traveler is allowed to withdraw \$20.00 additional over the required per diem that might be allowed because of the increments in which the money is dispensed. This is not a credit limit for the credit card but instead a required per diem amount based on where the traveler may be going. No adjustment to procedures is needed.

Auditor Response:

With regards to finding 1, we have modified the finding from "credit limit" to "travel per diem" to agree to management response.

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III. FY 2014 Status of Prior Year (FY 2013) Management Letter Findings

USCP's FY 2013 management letter identified a total of six management letter comments. Four of the MLFs were closed and two were modified repeat findings as shown in the table below.

FY 2013 Finding No.	Finding	FY 2013 Status
1	Lack of Review of Inactive ████████ Accounts	Closed
2	Missing Personnel Separation Checklist	Closed
FY 2013 Finding No.	Finding	FY 2013 Status
3	Inadequate Control over Non-Payroll Disbursements	Modified Repeat Finding - see MLF 1
4	Insufficient Review of Budgetary Reports	Closed
5	Approval of Incorrect Cost Allocation Rates	Closed
6	Funds for Undelivered Orders Not Deobligated Timely	Modified Repeat Finding - see MLF 2