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U.S. CAPITOL POLICE BUDGET CONCERNS

HEARING

BEFORE THE

SUBCOMMITTEE ON CAPITOL SECURITY

OF THE

COMMITTEE ON HOUSE ADMINISTRATION
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

HELD IN WASHINGTON, DC, JULY 29, 2010

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HEARING ON U.S. CAPITOL POLICE BUDGET CONCERNS

THURSDAY, JULY 29, 2010

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CAPITOL SECURITY,
COMMITTEE ON HOUSE ADMINISTRATION,
Washington, DC.

The subcommittee met, pursuant to call, at 11:00 a.m., in room 1310, Longworth House Office Building, Hon. Michael E. Capuano (chairman of the subcommittee) presiding.

Present: Representatives Capuano and Lungren.

Staff Present: Jamie Fleet, Staff Director; Matt Pinkus, Professional Staff/Parliamentarian; Kyle Anderson, Press Director; Joe Wallace, Legislative Clerk; Darrell O'Connor, Professional Staff; Ryan Caimi, Intern; and Katie Ryan, Minority Professional Staff.

Mr. CAPUANO. The hearing will come to order. The purpose of the hearing is to exercise the subcommittee's oversight function. In considering the Inspector General's audit of the Capitol Police budget, formulation process, significant problems were discovered earlier this year. The subcommittee would like some explanation as to what went wrong and how it is being corrected.

Today we have I believe only two people testifying, Chief Morse and Mr. Hoecker from the Inspector General. And with that, I am going to forgo any introductory comments and yield to the ranking member.

[The information follows:]

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

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.

Carl W Hoecker

Carl W. Hoecker
Inspector General

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Abbreviations

Architect of the Capitol	AoC
Budget Object Class	BOC
Capitol Police Board	Board
Chief Administrative Officer	CAO
Chief of Police	Chief
Cost of Living Allowance	COLA
Distributed Antenna System	DAS
Executive Team	ET
Executive Management Team	EMT
Financial Liaison Officer	FLO
Fiscal Year	FY
Force Development Process	FDP
Full Time Equivalents	FTEs
Government Accountability Office	GAO
Investment Review Board	IRB
Library of Congress	LOC
Naval Air Systems Command	NAVAIR
Office of Financial Management	OFM
Office of Human Resources	OHR
Office of Management and Budget	OMB
Office of Inspector General	OIG
Question for Record	QFR
Standard Operating Procedure	SOP
United States Capitol Police	USCP or Department
United States Code	USC

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 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 Standard Operating Procedures (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 workforce, this lack of leadership and management has critically affected 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 million[1] 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 some 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 Team[2] (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.

Table 1- Funding Levels

			$000's
	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Personnel (Salaries, Benefits)	**$246,179**	**$265,188**	**$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**

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 Chief and the Capitol Police Board 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):

- *Budget Execution and Monitoring* (OFM-B07-01) June 26, 2007
- *Budget Modifications and Reprogramming* (OFM-B06-02) August 22, 2006
- *Receipt of Budget Authority* (OFM-B07-02) June 26, 2007
- *Overtime Tracking and Monitoring* (OFM-BO7-03) June 29, 2007
- *USCP Budget Development* (OFM-BO6-03) August 24, 2006
- Attachment A, *FY 2008 Budget Formulation Guidance For Non-Personnel Costs*

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 Team[3] (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. OFM–B07-01, *Budget Execution and Monitoring,* was last revised on June 26, 2007, and does not contain up-to-date reference documents or include certain internal controls that have been implemented by the Department in recent years. For instance, the SOP dated FY 2007, does not mention the weekly Budget Task Force meetings that were put into place in FY 2008 as an additional control for tracking and monitoring USCP appropriations.

According to a former budget officer, there are incomplete SOPs in USCP's Document Management System, Hummingbird, such as, budget formulation and execution documents. Prior to leaving the Department, this former budget officer attempted to draft simple budget procedures for a new employee to follow. OIG found a document in Hummingbird that explained how to prepare the salaries portion of the budget request; however, no one knew this document existed. We also noted that USCP relies heavily on one individual's knowledge of certain procedures, and the process comes to a halt when that individual is unavailable as exhibited by the November 2008 departure of the budget analyst that was responsible for formulating salaries. Currently, OFM has assigned a senior accountant to update, complete, and distribute the aforementioned SOPs, but the Budget Division has been too busy to assist with the revisions of the SOPs.

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:

> 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.

> **Recommendation 1: 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 Hummingbird. 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 graphs in presentation enhance the reader's ability to quickly and easily understand the data being presented, in this case the magnitude each program represents of the total budget request.	
Budget 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.	
Requests 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.
Budget 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.
Charts and graphs, while not required, allow a reader to more easily comprehend the magnitude of each increase. The schedules in this section present both the personnel and non-personnel budget request increases 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.

Noncompliance with Funds Control

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.

> **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.**
>
> **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.**
>
> **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.**

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 2008[4], 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.

> 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, *Assessing Internal Control*. 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.

Table 3 – Open Financial Management Recommendations

Category	Source	Open
Financial Management - Asset Management	OIG	2
Financial Management – Financial Statement	OIG	1
Financial Management - Internal Controls	GAO	4
	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 Architecture	GAO	3
Information Technology - Security	GAO	1
	OIG	15
Linking Resources to Risks, Threats, and Vulnerabilities	GAO	1
Operational Efficiencies - Off Site Deployments	OIG	2
Subtotals:	GAO	26
	OIG	47
TOTAL		**73**

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,

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 12[5] 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 IQs[6] 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.

> **Recommendation 5: 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.**
>
> **Recommendation 6: 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.

Table 4 – FY 2010 Salary Projections (June 2009)

USCP Budget Submission				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)	5,846,970		5,846,970	5,460,969	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	0	
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	268,874	*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*	*191,000*	*(191,000)*	*Omission*
Total Benefits and Other			***66,550,337***	***58,992,654***	***2,382,753***	
Overtime			25,500,000	25,500,000	0	
Total Overtime			***25,500,000***	***25,500,000***	*0*	
Total			***$265,188,499***	***$269,246,995***	***$(4,058,497)***	

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.

Table 5 – Miscalculation of Salary and Benefit Differences

	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	268,874
Total difference of three components			643,757
Net Impact of Calculation Errors			**$126,715**

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 ***currently*** 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.

Table 6 – FY 2010 Omitted Salary and Benefits

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**

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).

Table 7 – Average Salary Difference

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)

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.

Table 8 – Net Impact to FY 2010 Budget

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)**

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.

Table 9 - FY 2010 Payroll Projection Comparison

	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**

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.

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

USCP Budget Submission				OIG Calculation		
Salary	Sworn	Civilian	Total Amount	OIG Amount	Difference	Cause
2010 Base Salary	$137,556,748	$37,894,956	$175,451,704	$175,451,704	$0	
Annualization of Authorized Level	615,482		615,482	615,482	0	
Attrition (sworn 121)	(4,666,426)		(4,666,426)	(4,666,426)	0	
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	*0*	
Annualized FY 2010 COLA			1,327,403	1,327,403	*0*	
1.6% 2011 COLA (prorated)			2,205,735	2,205,735	*0*	
Specialty Assignment Pay				600,000	*0*	*Presentation*
Incorrect FTEs assumption – Salary				1,827,975	(1,827,975)	*Miscalculation*
Incorrect FTEs assumption – COLA				22,467	(22,467)	*Miscalculation*
Night Differential (1160)			0	3,022,769	(3,022,769)	*Omission*
Sunday Differential (1163)			0	642,048	(642,048)	*Omission*
Night and Sunday Differential (1164)			0	1,024,889	(1,024,889)	*Omission*
Holiday Pay (1180)			0	1,046,739	(1,046,739)	*Omission*
Lump Sum Terminal Leave (1183)			0	678,385	(678,385)	*Omission*
Hazardous Duty Pay (1187)			0	158,384	(158,384)	*Omission*
COLA 2.42% (prorated)			0	78,879*	(78,879)	*Omission*
Total Salary	**$140,785,285**	**$38,682,823**	**$183,001,246**	**$191,969,819**	**$(8,368,572)**	
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	
Incorrect FTEs assumption – Benefits				621,512	(621,512)	*Miscalculation*
Overtime Benefits (1201)				2,036,556	(2,036,556)	*Omission*
Benefits for Salary Left out				2,031,123	(2,031,123)	*Omission*
Benefits to Former Employees (1303)				191,000	(191,000)	*Omission*
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***	
TOTAL			***$280,330,331***	***$287,906,056***	***$(7,575,724)***	

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.

Table 11 – FY 2011 Salary and Benefit Miscalculations

	USCP Submission	*OIG Calculation*	*Difference*
New Sworn (sworn-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**

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 2011 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).

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.

Table 13 – FY 2011 Omitted Salary and Benefits

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**

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)**

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.

2. **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.

Table 15 – Difference in FY 2011 Average Salary

	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***

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 $1,809,629[9] 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.

Table 16 - *Impact to FY 2011 Salary Budget*

	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)**

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 cost-cutting measures as summarized in Table 17.

Table 17 - Impact to FY 2011 Salary Budget

	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)**

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.

Table 18 – FY 2011 Revised Projection FTEs Difference

	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)**

Source: OIG generated from recalculations. Numbers may not add due to rounding.
*OIG applied the new recruit salary for sworn 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.

Table 19 - FY 2011 Payroll Projection Comparison

	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.

> **Recommendation 7: 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.**

> **Recommendation 8: 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 million[12] 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

Recommendation 1: 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.

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.

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.

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.

Recommendation 5: 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)

Recommendation 6: 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.

Recommendation 7: 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.

Recommendation 8: 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.

DEPARTMENT RESPONSE

Phone: 202-224-9806

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

June 1, 2010

COP 100579

MEMORANDUM

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).

The purpose of this memorandum is to provide the United States Capitol Police response to the recommendations contained within the Office of the Inspector General's (OIG's) draft report *Audit of USCP Budget Formulation Process* (Report No. OIG-2010-03).

These responses are provided to the best of our ability based on our limited knowledge of the information provided by the respondents during the audit. Should the Inspector General have verified and validated information which effects the Department's responses to these recommendations, we will gladly review and revise our responses, if appropriate. Additional comments on the draft audit report will be provided under separate cover.

Of note, it is the Department's policy to refrain from including information or references to investigatory matters that might implicate, allege or make references to wrong doing in documents intended for distribution, in order to protect the due process rights of the individuals involved until such time as the investigative findings are documented and reported. Therefore, we would ask that a single reference be placed in the report and that all other references be removed to protect the due process rights of the individuals involved. (Suggested investigatory reference is "As required by *Government Auditing Standards*, any matters identified as deficient or improper during the audit were referred to the Assistant Inspector General for Investigation.")

Recommendation 1: *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.*

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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 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.

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.*

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

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.*

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 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.

Recommendation 5: *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. 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.

Recommendation 6: *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*

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.

Recommendation 7: *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.

Recommendation 8: *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.*

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,

Phillip D. Morse, Sr.
Chief of Police

Attachments

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

DEPARTMENT COMMENTS

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

June 1, 2010

COP 100576

USCP-OIG

MEMORANDUM

TO: Carl 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).

The purpose of this memorandum is to provide the United States Capitol Police comments on the Office of the Inspector General's (OIG's) draft report Audit of USCP Budget Formulation Process (Report No. OIG-2010-03).

After meeting to review the audit findings and recommendations in the draft report, the Executive Team would like to provide a list of comments/concerns for your consideration. Prior to issuing the final audit report, the Executive Team would appreciate meeting with the Office of the Inspector General to discuss these comments/concerns, so we may have a better understanding of the context in which they were provided within the draft report.

Please find below a list of comments/concerns:

- *Comment Provided By the CAO* - 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.

- *Comment Provided By the CAO* - 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

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Department Comments (Continued)

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. 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 practices and suggests that the CAO should follow past practices that resulted in many of the financial 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.

- *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

- *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

Department Comments (Continued)

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'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.

- *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.

Department Comments (Continued)

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 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. 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

Department Comments (Continued)

tracking changes between estimates since this project started and contingencies were not allocated without support or justifications for the allocations.

- *Comment Provide By the Chief* - 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.

- *Comment Provided By The Chief* - 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.

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

- *Comment Provided By The ET* - 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?

- *Comment Provided By The ET* - 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.

- *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.

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

- *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.

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 undermine the validity of the audit report findings, conclusions, or recommendations, then why is this referenced within the report?

- *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.

- *Comment Provided By The ET* - 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 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.

- *Comment Provided By The Assistant Chief* - 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.

- *Comment Provided By The Assistant Chief* - 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.

- *Comment Provided By The ET* - 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.

- *Comment Provided By The Assistant Chief* - 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.

- *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.

Department Comments (Continued)

- *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,

Phillip D. Morse, Sr.
Chief of Police

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

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)

Recommendation 1: ***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.

OIG Response: 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.

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 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.

OIG Response: 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.

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.***

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.

OIG Response: 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.

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.***

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.

OIG Response: 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 certification if sufficient funds are available prior to hiring new employees, making promotions, or performing reclassifications. 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

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.

Recommendation 5: ***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.

OIG Response: 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.

Recommendation 6: ***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.

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

OIG Response: 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.

Recommendation 7: *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.

OIG Response: 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.

Recommendation 8: *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.*

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.

OIG Response: 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)

Comment Provided By the CAO - 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.

OIG Response: **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.**

Comment Provided By the CAO - 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.

OIG Response: **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.

Comment Provided by CAO: 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 practices and suggests that the CAO should follow past practices that resulted in many of the financial 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.

OIG Response: 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.

OIG Response: 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.

OIG Response: 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 proven past 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.

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.

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.

OIG Response: 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.

OIG Response: 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

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.

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.

OIG Response: 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 February ....We 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.

Comment Provide By the Chief - 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.

Comment Provided By The Chief - 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.

OIG Response: 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?

OIG Response: 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.

Comment Provided By The ET - 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?

OIG Response: 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.

Comment Provided By The ET - 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.

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. 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.

OIG Response: 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.

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

OIG Response: 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.

OIG Response: 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.

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 undermine the validity of the audit report findings, conclusions, or recommendations, then why is this referenced within the report?

OIG Response: 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.

Comment Provided By The ET - 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

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.

OIG Response: 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.

Comment Provided By The Assistant Chief - 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.

Comment Provided By The Assistant Chief - 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.

OIG Response: OIG agreed and revised the final report.

Comment Provided By The ET - 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.

OIG Response: 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.

Comment Provided By The Assistant Chief - 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.

OIG Response: 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.

OIG Response: 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.

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

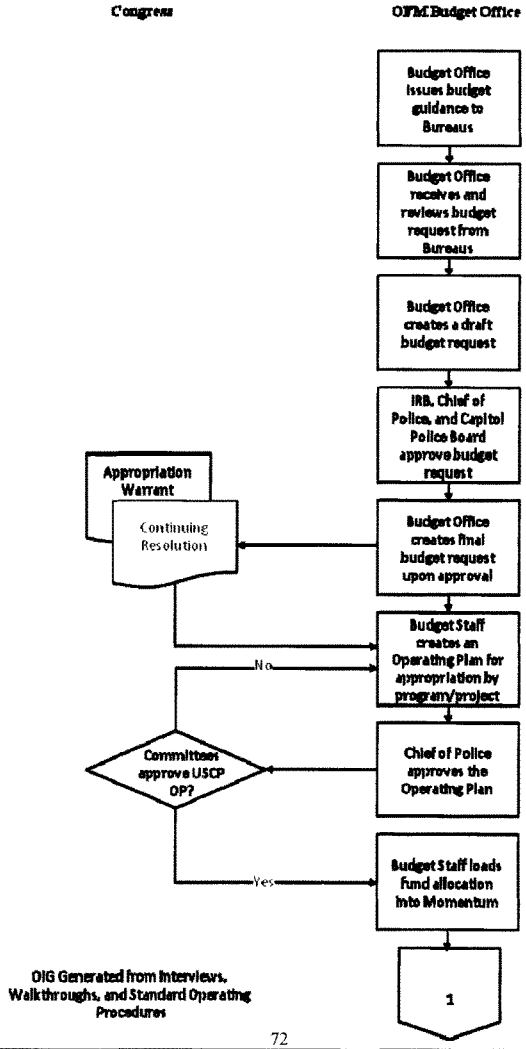
OIG Response: As previously stated, through our quality control process, OIG found and corrected the appointment date of the new Executive Sponsor.

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.

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

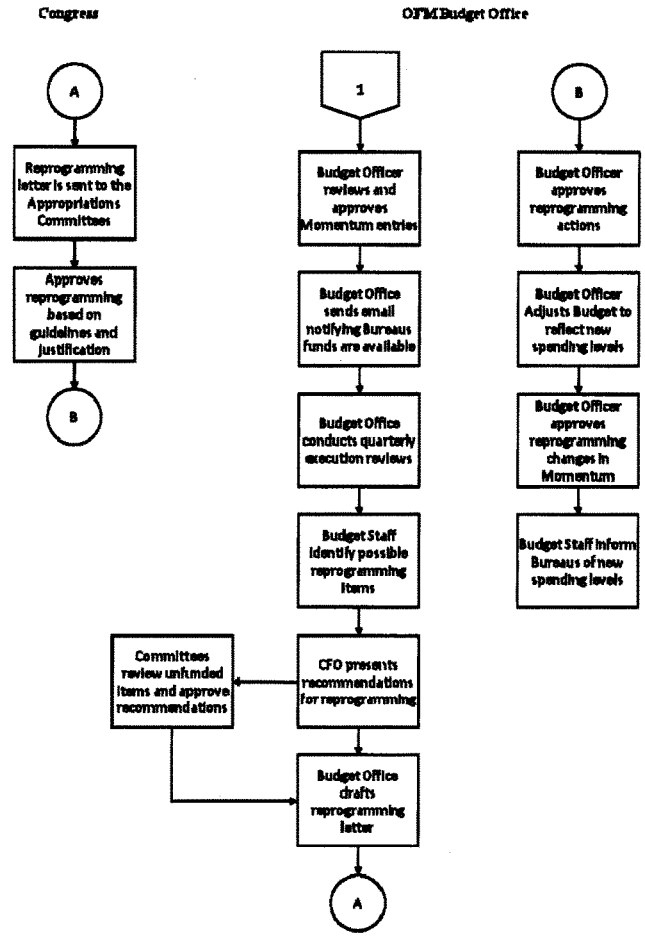
Exhibit 1
Page 1 of 2



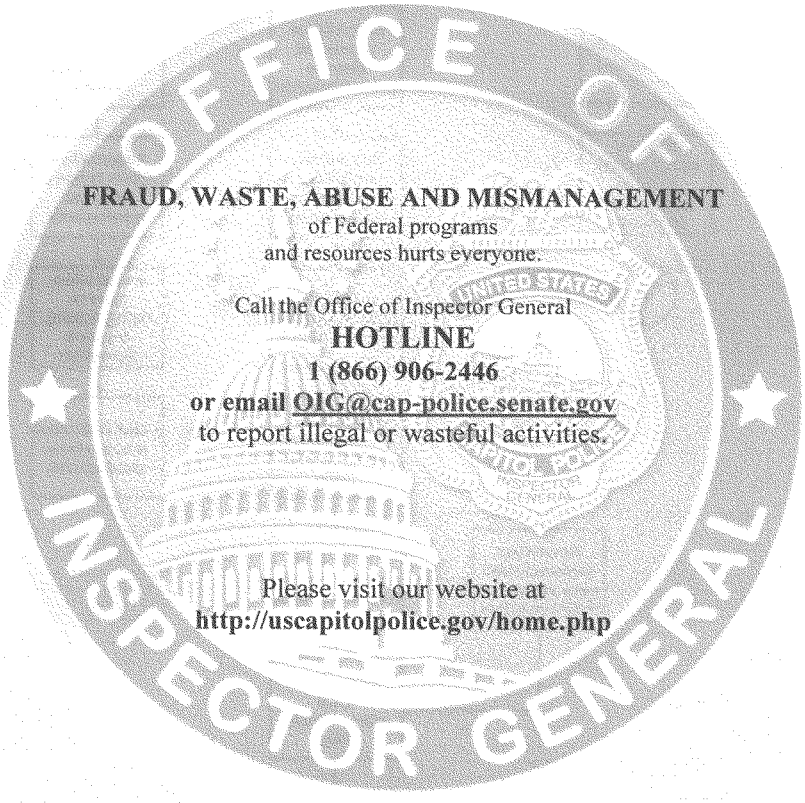
OIG Generated from Interviews, Walkthroughs, and Standard Operating Procedures

USCP Budget Formulation Process

Exhibit 1
Page 2 of 2



OIG Generated from Interviews, Walkthroughs, and Standard Operating Procedures



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Mr. LUNGREN. Thank you very much, Mr. Chairman. This is an important hearing. We all agree the Capitol Police are a vital part of the operation here. They protect this institution, both the Members and the staff, as well as the millions of constituents who visit here every year, and we shouldn't forget that we have had members of our force that have lost their lives in defense of our safety. That is why I think it is so important that our oversight proceed.

We are here to discuss concerns of the Capitol Police fiscal year 2010 and fiscal year 2011 budgets. After miscalculations were discovered earlier this year the Inspector General for the police performed an audit of the Department's budget formulation process.

I would say let's be blunt, the audit does not reflect well, to say the least, on the financial and administrative management of the Capitol Police. The findings suggest that there was not an accurate formulation of the original fiscal year 2010 budget submission. And that these miscalculations unfortunately carried over into fiscal year 2011 budget formulation. When the revision of both budgets were resubmitted to the Congress, they too had errors. The root causes appear to be from a lack of adequate controls of the budget formulation process, inconsistent application of past budgetary practices and processes and ineffective management of the administrative division.

So here we are, the expected shortfall for fiscal year 2010 is somewhere between 3.8 and $5.1 million. And despite an amended fiscal year 2011 submission the Department is still expecting a fiscal year 2011 shortfall between 9.3 and $14.8 million, $5.4 million more than stated in the amended fiscal year 2011 budget.

With all due respect, I don't think those are small discrepancies. Furthermore, the report states that a potential shortfall exists in the funding of the radio modernization project. This project is one of the most important that we have. At every hearing that we have had I raised my concern about whether we can move forward on this more expeditiously, whether we have the proper funding. And I was disappointed to find that there is a question about that now.

And I found it deeply troubling to read in the report, and I quote, "Other matters came to our attention during field work 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." The Office of Inspector General identified potential conflicting statements, procurement, time and attendance, pay and ethical issues.

This is serious stuff. I hope we have a chance to go through this in some detail because I view this as a very critical report from the Inspector General. So I look forward to hearing from our witnesses and discussing the specifics of the report as well as any plans the Department has to address these issues and return the administrative office to one that exhibits integrity, reliability and professionalism, because that is what we would expect, it seems to me, from such an important agency.

This is very serious, Mr. Chairman. I thank you for having this hearing. And I hope that we can find out what the problem is, how we solve the problem and how we go forward in the future. So thank you very much.

Mr. CAPUANO. Thank you, Mr. Lungren, and before we hear from the witnesses I would like unanimous consent to place my full statement on the record and to keep the record open for 5 days to receive any written questions or additional material from witnesses or other members.

Without objection, that is so ordered. I guess we will begin with Chief Morse.

[The statement of Chief Morse follows:]

STATEMENT OF PHILLIP D. MORSE, SR., CHIEF OF POLICE, UNITED STATES CAPITOL POLICE

Chief MORSE. Chairman Capuano, Ranking Member Lungren, and other members of the committee, thank you for the opportunity to appear here today regarding the U.S. Capitol Police budget concerns. I would also like to thank you for your sustained and unwavering support for all the men and women of the United States Capitol Police.

As you know, earlier this year the Department discovered that we had made a salaries calculation error in fiscal year 2010 and 2011 budget requests, which has resulted in a projected fiscal year 2010 salary shortfall. As a result, the Department submitted a budget amendment for our fiscal year 2011 budget request.

Once I learned of the problem I took immediate action to assess the issue, coordinate with the Capitol Police Board, notify our oversight committees, stabilize our fiscal year 2010 budget execution, and develop a plan to address the problem.

As part of addressing the problem I asked my Executive Management Team to conduct an Investment Review Board to identify general expense funding for potential reprogramming to address the salary shortfall with a primary focus on maintaining our security and law enforcement mission and mitigating possible impacts on our workforce. This effort resulted in the set-aside of critical general expense funding sufficient to address the shortfall within our stated goal of mitigating those impacts.

Additionally, the Capitol Police Board provided their technical experts to assist the Department in validating our 2011 budget resubmission, as well as providing technical guidance on our efforts to address the 2010 shortfall.

Further, the Government Accountability Office continues to provide its assistance and guidance to the Department in addressing outstanding audit recommendations and incorporating best practices into the Department's efforts to resolve our budget formulation issues.

Concurrent with this effort, I asked the U.S. Capitol Police Inspector General to conduct an audit of our fiscal year 2010 and 2011 budget formulation processes and provide me with a report as soon as possible so that I can take any necessary or immediate actions.

Specifically, I requested that he take a look and validate the 2010 impact, review and validate the 2011 budget request and make recommendations to me on how to improve our processes so we could implement changes for our 2012 budget formulation process.

The Inspector General has completed his audit and provided an audit report of his findings to me and the Capitol Police Board. His report contains several recommendations to assist the Department in strengthening its financial management practices, to include our future budget formulation processes. I have reviewed the report and its recommendations, and I generally agree with them.

To address the recommendations with a focus on ensuring that this failure does not occur again, we are actively realigning our processes to adopt those suggestions from the report. We are developing standard operating procedures to formalize our budget formulation processes and we are working in a collaborative manner with the Capitol Police Board to implement their guidance and recommendations.

Our focus is on ensuring that we have necessary people and processes in place to perform the financial management requirements of the Department in a fiscally responsible and transparent manner consistent with the expectations of our stakeholders and the public.

In closing, I want to assure you that we understand the gravity of these issues that caused this problem and we are taking the necessary steps to correct them. While these issues have been significant, please be assured that we have taken every measure to mitigate the effort on our mission and our personnel.

I appreciate the opportunity to appear before you today and I am happy to answer any questions you may have.

[The statement of Chief Morse follows:]

Statement of
Phillip D. Morse, Sr.
Chief of Police, United States Capitol Police
Before the
Committee on House Administration
Subcommittee on Capitol Security
United States House of Representatives

July 29, 2010

Chairman Capuano, Ranking Member Lungren and Members of the Committee, thank you for the opportunity to appear before you today regarding "U.S. Capitol Police Budget Concerns". I would also like to thank you for your sustained and unwavering support for the men and women of the U.S. Capitol Police.

As you know, earlier this year the Department discovered that we had made a salaries calculation error in our FY 2010 and FY 2011 budget requests, which has resulted in a projected FY 2010 salaries shortfall. As a result, the Department submitted a budget amendment for our FY 2011 budget request.

Once I learned of the problem, I took immediate action to assess the issue, coordinate with the Capitol Police Board, notify our oversight committees, stabilize our FY 2010 budget execution, and develop a plan to address the problem.

As part of addressing this problem, I asked my Executive Management Team to conduct an Investment Review Board to identify general expense funding for potential reprogramming to address the salaries shortfall with a primary focus on maintaining our security and law enforcement mission and mitigating possible

impacts on our workforce. This effort resulted in the set-aside of critical general expense funding sufficient to address the shortfall within our stated goal of mitigating impacts.

Additionally, the Capitol Police Board provided their technical experts to assist the Department in validating our FY 2011 budget resubmission, as well as providing technical guidance on our efforts to address the FY 2010 shortfall.

Further, the Government Accountability Office continues to provide its assistance and guidance to the Department in addressing outstanding audit recommendations and incorporating best practices into the Department's efforts to resolve our budget formulation issues.

Concurrent with this effort, I asked the U.S. Capitol Police Inspector General to conduct an audit of our fiscal years 2010 and 2011 budget formulation processes and to provide me with a report as soon as possible, so I may take any necessary immediate corrective actions. Specifically, I requested that he look at and validate the FY 2010 impact, review and validate our FY 2011 budget request and make recommendations to me on how to improve our processes, so we could implement needed changes for our FY 2012 budget formulation process.

The Inspector General has completed his audit and provided an audit report of findings to me and the Capitol Police Board. His report contained several

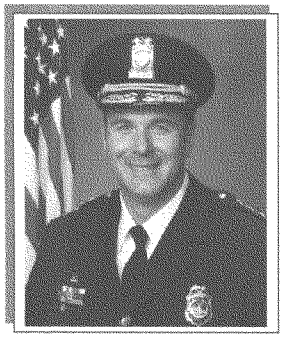
recommendations to assist the Department in strengthening its financial management practices, to include our future budget formulation processes. I have reviewed the report and its recommendations and I generally agree with them.

To address the recommendations with a focus on ensuring that this failure does not occur again, we are actively realigning our processes to adopt those suggestions from within the report, we are developing standard operating procedures to formalize our budget formulation processes, and we are working in a collaborative manner with the Capitol Police Board to implement their guidance and recommendations. Our focus is on ensuring we have the necessary people and processes in place to perform the financial management requirements of the Department in a fiscally responsible and transparent manner, consistent with the expectations of our stakeholders and the public.

In closing, I want to assure you that we understand the gravity of the issues that caused this problem and we are taking the necessary steps to correct them. While these issues have been significant, please be assured that we have taken every measure to mitigate the effect on our mission and our personnel.

I appreciate the opportunity to appear before you today and would be glad to answer your questions.

Phillip D. Morse, Sr.
Chief of Police
United States Capitol Police



Phillip D. Morse, Sr. was appointed Chief of the United States Capitol Police on October 30, 2006. As the seventh Chief of the U.S. Capitol Police he leads the agency responsible for the protection of the Congress of the United States, its legislative processes, Members, employees, visitors, and facilities from crime, disruption, or terrorism. The U.S. Capitol Police protect and secure Congress so it can fulfill its constitutional responsibilities in a safe and open environment.

Chief Morse joined the United States Capitol Police in 1985. His career began as an officer assigned to the Senate Division. Over the next 23 years, he served in progressive assignments throughout the Department including, the Containment and Emergency Response Team (CERT), Patrol Mobile Response Division, Capitol Division, Office of Professional Standards and Compliance and the Dignitary Protection Division. Upon his promotion to Inspector, he assumed command of the Capitol Division with responsibility for law enforcement, security, and protective operations throughout the United States Capitol Building. Most recently he served as Deputy Chief, and commanded the Uniformed Services Bureau, the largest component of the Capitol Police.

As Chief of Police, Chief Morse serves as an *ex officio* member of the U.S. Capitol Police Board. The Board establishes rules and regulations for activities on Capitol Grounds and is responsible for the security of all buildings and facilities throughout the Capitol Complex. Since the terrorist attacks on 9/11/01, the Police Board has been fully engaged in supervising adjustments to security procedures and working with Congressional Leaders and Committees to acquire adequate resources for the protection of Congress, Congressional employees and visitors as well as the Capitol Complex.

Chief Morse holds a Master of Science Degree from the Johns Hopkins University and has participated in numerous law enforcement professional development courses.

Mr. CAPUANO. Thank you, Chief.
Mr. Hoecker.

STATEMENT OF CARL W. HOECKER, INSPECTOR GENERAL, UNITED STATES CAPITOL POLICE

Mr. HOECKER. Mr. Chairman, Mr. Lungren, my name is Carl Hoecker. I am the Inspector General for the United States Capitol Police. Thank you for inviting me here this morning to discuss our work with the Department's budget formulation process.

As the Chief requested, my office conducted the audit of the budget formulation process. Our objectives were to assess whether the Department has adequate controls over the budget formulation process to ensure that accurate data is collected and developed.

Two, to determine if staff complied with those controls during the formulation of the fiscal year 2010 and fiscal year 2011 budget process.

Three, if not, note the exceptions and root causes and finally determine the reasonableness of the fiscal year 2010 and 2011 revised budgets for personnel compensation and benefits. Our scope included the original and revised amended fiscal year 2010 and 2011 budget submissions and processes/controls utilized to formulate those submissions.

The OIG found that the Department did not have adequate controls over the budget formulation process to ensure that adequate data was collected and developed. The Department's policies and procedures did not accurately document or define its budget formulation processes. And the budget execution and monitoring standard operating procedures are incomplete and outdated.

During the formulation of the fiscal year 2010 and 2011 budgets, the Department did not follow proven past practices or comply with prior controls over budget processes. During the formulation of the 2010 budget, the Department did not fully utilize its Force Development Process, nor did it apply the fiscal year 2009 format or consistently follow best practices for developing personnel compensation and benefits. We also noted noncompliance with fund control processes was permitted. As a result, the Department is at risk of requesting insufficient funding or overspending its appropriations.

The OIG concluded the overarching root cause is the Department's administrative management has allowed inadequate financial weaknesses to persist, neglected to hold individuals accountable for implementation of GAO and OIG recommendations, and ineffectively managed its workforce.

The OIG found that miscalculations, omissions, and other factors contributed to the insufficient budget submissions for fiscal year 2010 and 2011 resulting in a significant deficit for the Department. For fiscal year 2010 OIG projects the benefits and salaries and benefits budget shortfall to range between 3.8 and $5.1 million. This deferential depends upon actual attrition for the remainder of fiscal year 2010 and the impact of the Department's cost cutting measures implemented by the Chief. Since our projection for the budget shortfall is about $1.7 million less than the Department's, OIG believes that the fiscal year 2010 revised budget shortfall is reasonable.

For fiscal year 2011, OIG projects that the salary and benefits budget shortfall to range between 9.3 and $14.8 million. This is based on the Department's budget estimate submission and depends on the actual attrition and the Department's cost cutting measures. OIG's projection of the fiscal year 2011 shortfall is about $5.4 million more than the Department's $9.4 million.

OIG made eight recommendations which provide a genuine opportunity to strengthen controls over processes involved in budget formulation. Specifically, OIG recommended that the United States Capitol Police 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 role and responsibility, to include specific methodology, sources of data and records management for calculating compensation of benefits.

Also, the Capitol Police should establish a mechanism for the Investment Review Board and the Executive Management Team to review specific programs each year, evaluating their effectiveness, efficiency and how they contribute to achieving a specific strategic goal. The Department should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel are properly trained. The OIG recommended that the Chief evaluate whether the Department has appropriate leadership and management within the Office of Administration.

This concludes my testimony. I will be pleased to answer your questions.

[The statement of Mr. Hoecker follows:]

UNITED STATES CAPITOL POLICE
OFFICE OF INPECTOR GENERAL

STATEMENT OF

CARL W. HOECKER
INSPECTOR GENERAL

before the

SUBCOMMITTEE ON CAPITOL SECURITY

COMMITTEE ON HOUSE ADMINISTRATION
U.S. HOUSE OF REPRESENTATIVES

July 29, 2010

Mr. Chairman and Members of the Subcommittee:

Good morning. My name is Carl W. Hoecker. I am the Inspector General for the United States Capitol Police (USCP or Department). Thank you for inviting me here today to discuss our work of the Department's budget formulation process.

At the request of the Chief of Police, my office conducted an audit of USCP's budget formulation process. Our objectives were 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. The Department's policies and procedures did not accurately document and define its budget formulation processes. And, the budget execution and monitoring standard operating procedures (SOPs) are incomplete and outdated.

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. During the formulation of the FY 2010 budget, the Department did not fully utilize its Force Development Process, nor did it apply the FY 2009 format or consistently follow past best practices for developing the personnel compensation and benefits. We also noted noncompliance with the funds control process was permitted. As a result, the Department is at risk of requesting insufficient funding or overspending its appropriations.

OIG concluded that the overarching root cause is that the Department's administrative management has allowed inadequate financial weaknesses to persist, neglected to hold individuals accountable for implementation of Government Accountability Office and OIG recommendations, and ineffectively managed its workforce.

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. The differential depends on actual attrition for the remainder of FY 2010 and the impact of the Department's cost-cutting measures implemented by the Chief. Since our projection for the budget shortfall is about $1.7 million less than the Department's, OIG believes the Department's FY 2010 revised projected shortfall of $6.8 million is reasonable.

For FY 2011, OIG projects the salary and benefits budget shortfall to range between $9.3 million and $14.8 million. This is based on the Department's budget estimate submission and depends on the actual attrition and the Department's cost-cutting measures. OIG's projection of the FY 2011 shortfall is about $5.4 million more than the Department's $9.4 million.

OIG made eight recommendations which provide a genuine opportunity to strengthen controls over processes involved in budget formulation. Specifically, OIG recommended USCP 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.

Also, USCP should establish a mechanism for the Investment Review Board and Executive Management Team to review specific programs each year, evaluating their effectiveness, efficiency, and how they contribute to achieving a specific strategic goal(s). The Department should implement and document processes, procedures, and controls to identify and help ensure that key funds control personnel are properly trained. OIG also recommended that the Chief evaluate whether the Department has the appropriate leadership and management within the Office of Administration.

This concludes my testimony. I would be pleased to address your questions.

Carl W. Hoecker
Inspector General
United States Capitol Police

Mr. Carl W. Hoecker is a senior executive in the Federal Government and an accomplished criminal investigator with over 30 years' experience. His work has predominantly involved supervising and conducting specialized financial investigations, forensic audits and reviews, and business process improvement.

Mr. Hoecker began his career with the U.S Army in 1976 as a military policeman, later becoming a special agent and warrant officer for the Army Criminal Investigations Command. During his last assignment in the Army, Carl was a member of an investigative unit charged with investigating procurement fraud within the classified community. In 1992, he joined the Inspector General community with the U.S. Information Agency as a criminal investigator and in 1996 he joined the Treasury Office of Inspector General (OIG) where he progressed to the Deputy Inspector General for Investigations. In the IG community, Carl continued to conduct and oversee investigations and audits of procurement and other types of financial fraud matters with positive results for the government.

In 2006, Carl was appointed the first Inspector General for the U.S. Capitol Police, charged with supervising and conducting investigations and audits of Capitol Police programs and operations. Carl's office has conducted extremely sensitive investigations and audits, identified weaknesses, and made recommendations in order to improve internal controls and ensure taxpayer money is being spent wisely.

Mr. Hoecker graduated from Governor's State University in 1982 with a Bachelor of Arts degree in business administration. Carl has a Master's degree in Systems Management from the University of Southern California, is a certified public accountant, certified fraud examiner, certified government financial manager, and is certified in financial forensics. Carl serves as the vice chair of the investigations committee for the federal Inspector General community.

Mr. CAPUANO. Thanks, Mr. Hoecker.

Chief, do you trust Mr. Hoecker?

Chief MORSE. I have read the report and the recommendations and have reviewed the——

Mr. CAPUANO. No, Chief, do you trust the man?

Chief MORSE. Yes, I have no reason to distrust him.

Mr. CAPUANO. Do you trust his judgment?

Chief MORSE. Yes.

Mr. CAPUANO. Do you trust his professionalism?

Chief MORSE. Yes.

Mr. CAPUANO. Chief, you are a great cop. I think you have done a great job as far as the policing aspect of it. I feel very safe as a Member of Congress. I think this is the safest place on Earth because of what you and your staff have done.

Mr. Hoecker is a professional accountant, a professional Inspector General. The issues here have nothing to do with the actual policing of the Hill. I am not questioning you on that. These issues are administrative. His training to me is unquestionable, in fact more training than I could imagine.

If he were questioning you on police deployment, I would ask him the same questions. The questions are on financial management. None of us can know all things about what we do. I am a former mayor. I had to do everything just like you have to do everything. I couldn't do everything, I couldn't be the police chief, the fire chief, the DPW commissioner, the city auditor, and on and on and on. I had to delegate those things to people who were qualified in their role.

When the Inspector General says something and when now after a year and a half, depending on when you measure the time, we are now into our third serious financial problem that I am aware of, two years of personnel items and personnel items in any budget, particularly in the police department, in this case 80 percent, that is not unusual, that is typical. And now the radio program, of which I have been a strong proponent on every measure, at every step. Now we are in problems financially, not on problems of the radio but financially on the radio issue.

Chief, I have got to tell you, here is my strong advice to you: Take Mr. Hoecker's report and say, yes, sir. Several places here you disagreed. On funds availability control you say that you have actually accomplished certain things that the IG then comes back and says you didn't. You didn't provide us documentation.

The report also questions—questions the relationship, the way the IG's office has been treated by certain people in your department. I understand the normal human nature when being questioned by somebody who might not say good things about whatever it is you are doing is to be defensive, but honestly it all comes back to you. You are the Chief. This isn't the first time we have had a similar, a comparable issue in just the last couple of months. When there is a problem, you say yes, sir. And I would strongly say that if the roles were reversed and you were saying you should have 14 cops on the corner and you should say no, you shouldn't, you should have some other number, I would be on your side because you are the professional police officer.

He is the professional accountant. Do what he tells you. Do it quickly. I have got to tell you, personally, on a personal basis, I am tired of this. I think I have done everything I can to defend the Department's record since I have been on this committee, and I will continue to do so because I think you have been great on many different levels. We have certain disagreements, but they have been fine. I am tired of defending this issue. As a matter of fact, I won't do it anymore. And I won't do it anymore because I don't mind human error, everybody makes mistakes. I am not measuring somebody by the mistakes they make, unless they are repeated. This is a repeated mistake and the reaction to the mistake has been typical defensiveness as opposed to simply saying, okay, we screwed up, we will fix it as you say to fix it.

Honestly, I am a little bit concerned and personally disappointed in the fact that we are here on this issue again today. This is not a new issue.

As a matter of fact I want to ask you, as I understand it, according to the report in March 2009, was the first alerting to wait a minute, your budget isn't 80 percent. It was 80 percent of personnel last year, now it is only 65 percent of personnel this year. Honestly, that should stick out as a red flag to anybody. I do my own office budget every year. I know what my personnel numbers are. They fluctuate a little bit, but really not much. Mine is in the same range, about 80 percent. If all of a sudden I did my numbers and it came up with 65 percent on a personnel basis I would say, yeah, I must have missed something. If you knew—when did you—when did it come to your attention that there was some serious questions? Now was this March 2009 commentary made to you or to one of your staffers?

Chief MORSE. That was not made to me, but to one of the staff, I believe.

Mr. CAPUANO. Did staff alert you to it?

Chief MORSE. No.

Mr. CAPUANO. Here is the problem, holding your personnel accountable. There are lots of different ways to hold people accountable, but if you have a staff that is being asked that question, that then didn't react to it and didn't bring it to your attention, that is a problem. That is a staff who is not protecting you, and not protecting the Department, and not protecting the Congress and not protecting the taxpayer.

Again, I don't want to—personally I am not focused on the mistakes. Mistakes get made every day and in every profession, everywhere. My focus is on the reaction to those mistakes when they become aware—when you become aware of them or when somebody who should tell you becomes aware of them.

As I understand it, there still has been no suggestion on how to reprogram the money this year or next year, is that correct or is that out of date?

Chief MORSE. Our reprogramming has been sent to the Capitol Police Board for review today. And we expected for it to be accomplished at this time because we now have a pretty good outlook on what the remaining funds requirements would be. And we certainly wanted to be as close as we could be so that we would not be adverse to our general expenses any more than we needed to be.

So we are now prepared to move our reprogramming letter forward.

Mr. CAPUANO. With the indulgence of the ranking member, Mr. Hoecker, would you say now, knowing what you know now after the inspection, after the reports and the give and take, should we leave the financial functions of the Capitol Police within the Capitol Police or should they be moved into an independent entity?

Mr. HOECKER. One sense tells me that is way above my pay grade, sir.

Mr. CAPUANO. I just asked you a question. That makes it within your pay grade.

Mr. HOECKER. Right, sir. I think the police with a little help can get it done this year and can move forward. Since we have issued the report we have seen some progress on the recommendations and, for instance, there was a control that was not in place. When we were at the exit interview talking to the Chief about that control, shortly before that, they had reinstituted that control. So there are indications that they are taking this serious and they have formed a team I believe to go in there and to proceed on the fiscal year 2012 budget.

Mr. CAPUANO. Has the cooperation between the Department and your office been improved?

Mr. HOECKER. Yes, sir, and I can clarify.

Mr. CAPUANO. Has it been improved sufficiently?

Mr. HOECKER. Yes, sir. I didn't want you to misunderstand our report, and perhaps it could be better written in that respect, but there were a couple of folks that were not truthful, we believe, not forward, not cooperative. This was not from the Chief's office.

Mr. CAPUANO. Are they still in place?

Mr. HOECKER. Yes, sir.

Mr. CAPUANO. Not truthful. Did I hear you correctly?

Mr. HOECKER. We have reason to believe that they withheld information from us, sir, yes.

Mr. CAPUANO. Not truthful? Chief, accountability. Not truthful? I understand defensiveness. Not truthful to the Inspector General? To your own Inspector General? That is acceptable behavior within the Department?

Chief MORSE. No. Lying is not acceptable.

Mr. CAPUANO. Those people are still in place? How do we know that once they lied to the IG once they won't do it again?

Chief MORSE. Well, before I can make personnel decisions with respect to conduct or performance, I have to be given all the facts in order to evaluate that. And at this point I do not believe that the Inspector General has all the information with respect to his findings to submit to me yet. So——

Mr. CAPUANO. Mr. Inspector General, is that accurate?

Mr. HOECKER. Yes, sir, it is. We have initiated a number of investigations and we will finalize those investigations and report them to the Chief so that he can take appropriate action, if action should be taken.

Mr. CAPUANO. Chief. Somebody lies on their application to be a Capitol Police Officer. They are automatically rejected out of hand; is that correct?

Chief MORSE. Yes, sir.

Mr. CAPUANO. Somebody lies to the Inspector General. If they are found after fair investigation and fair review, what happens to them.

Chief MORSE. I believe that statutorily if they lie to the Inspector General it can be a criminal offense, and then of course if that were to be forwarded then we would wait for the legal process to be completed.

Mr. CAPUANO. Sir, I respect that, I am not looking to convict somebody prior to the appropriate process. But again I am going to end where I started. Chief, I am begging you, I am begging you, take the IG's report and just do it. Do it as quickly as you humanly can, and anybody who stands in the way get rid of them or at least begin the process of getting rid of them. Please don't make us have to come back here on this again. The next thing I hear from the IG I want to hear that you have implemented all the suggestions he has made.

Chief MORSE. If I could just for the record, I would like to show you the actions that we have taken, the immediate actions with respect to the audit and the corrective actions that we plan to implement in the future.

The first thing and immediate thing that I did was take charge of the situation and mitigate any impact to security or law enforcement or personnel to the police department.

Mr. CAPUANO. Chief, hang on one second. Honestly, it is not me you have to answer to. I am not a CPA, I am not a certified forensic accountant. He is. And if he tells me you have done sufficiently, that is really all I need to hear. I am not qualified to judge whether you have.

Chief MORSE. Okay.

Mr. CAPUANO. I will be very clear. I think you know me well enough to know by now that if I didn't think you were an honest person or a capable or a qualified or a truthful person I would say so. I do. I think you have a good heart and I think you want to do the right thing. But I also think you have been dragging your feet on this issue. I am trying to say very clearly stop dragging your feet. Do what he tells you to do. And if there are people in the way, get rid of them. Whatever it takes, do it. If he says you have done it, fine by me. If he says you haven't done it, no disrespect intended, I am going to side with him on financial matters. I will side with you on police matters every day of the week. Listen to him, don't come back to us.

I think I have to yield to the ranking member, thanking him for his indulgence.

Mr. LUNGREN. Thank you very much, Mr. Chairman. I would reiterate the chairman's comments about the quality of service from the police force that we are getting from the standpoint of policing. I think the Chief is doing an excellent job and I would be upset if he left because I think we have a very professional force. I think the men and women in uniform here do a tremendous job under very difficult circumstances.

Having said that, I am, as I mentioned in my opening statement, very disappointed with the administrative side of things.

Mr. Hoecker, I want to hone in on some of your comments here. You said in your prepared statement that the OIG concluded that

the overarching root cause is that the Department's administrative management has allowed inadequate financial weaknesses to persist, neglected to hold individuals accountable for implementation of Government Accountability Office and OIG recommendations, and ineffectively managed its workforce.

What are you talking about when you say the Department's administrative management?

Mr. HOECKER. That would be the CAO, everything under the CAO's office.

Mr. LUNGREN. The CAO within the Department?

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. That is a pretty strong set of findings that you made here. Inadequate financial weaknesses to persist; in other words, they did not take your previous recommendations into account. That is the Administrative Management Team; is that correct?

Mr. HOECKER. What I meant by that, sir, was every year we do a financial statement audit and in 2005 and 2006 we combined—2004 and 2005 were combined, fiscal year 2006 was standalone, fiscal year 2007 and fiscal year 2008. Each year there has been material weaknesses. Material weaknesses means that—this is in terms of internal controls, that means that there is a control that is not working properly and the auditors are not satisfied that that will not prevent errors or misstatements.

Mr. LUNGREN. So you would expect if you point that out that that would change for the next audit, wouldn't you?

Mr. HOECKER. Yes, sir. I would expect an organization would get the financial statement report, look at the internal controls report that is contained therein, and focus on clearing any kind of material weaknesses.

Mr. LUNGREN. You say neglected to hold individuals accountable for implementation of Government Accountability Office and OIG recommendations. What do you mean?

Mr. HOECKER. Well, sir, there are the plans to clear recommendations to provide evidence to the auditors and it appeared to us that this schedule, they had target dates, and instead of meeting those target dates for whatever reason the target date just kept on shifting. Combined with that is that we found nothing in the performance evaluation of individuals involved that linked strategic plans, strategic goals, and also improving financial operations and clearing open recommendations. We found none of that in the performance evaluations or in the performance standards.

Mr. LUNGREN. You are talking about individuals within the administrative management side of the House?

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. We are not talking about sworn officers?

Mr. HOECKER. No, sir.

Mr. LUNGREN. Ineffectively managing the workforce, that is within the Department's Administrative Management Team?

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. I am very, very concerned about a statement about identifying potential conflicting statements, procurement time and attendance, pay and ethical issues. That covers a range of things. Can you tell me what you are talking about there?

Mr. HOECKER. Well, sir, we have initiated a number of investigations to address those. When we were conducting this audit we came across these various issues and they at least seemed to be some type of misconduct either at least something in the Department's rules of conduct, a deficiency there or perhaps worse. But that is what we are looking at in our investigation.

Mr. LUNGREN. Are these sworn officers?

Mr. HOECKER. No, sir.

Mr. LUNGREN. This is the administrative side of the house.

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. In your final statement, of the four recommendations you made you say, the OIG also recommended the Chief evaluate whether the Department has the appropriate leadership and management within the Office of Administration. What do you mean?

Mr. HOECKER. I mean that the Chief should look at the whole CAO's shop, look and see if the right skill sets are present, look and see if the right leadership traits are exhibited by the individuals through the whole administrative function.

Mr. LUNGREN. You say earlier in your testimony, the formulation of fiscal year 2010, 2011 budgets, the Department did not follow its proven past budget practices. What do you mean by that?

Mr. HOECKER. Well, sir, fiscal year 2009, although budgets are estimates by definition, fiscal year 2009 seemed to work. The people, the stakeholders were generally happy with that, we didn't have a shortfall, it worked. What did not happen was they did not use the fiscal year 2009 as a go by, as a sample of this is our target. What I also mean by that is two budget officers ago, a budget officer prepared a document. This document spelled out exactly how to prepare personnel compensation and benefits and it resides in the electronic document system for the Capitol Police. That was not used during the fiscal year 2010 and the fiscal year 2011 budget submissions.

Mr. LUNGREN. When you say budget officers, is that a person or a personnel spot within the administrative side of the house.

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. You find that a little odd that they would not follow the practices that worked in prior years?

Mr. HOECKER. I do find that unusual, sir.

Mr. LUNGREN. You say that during the formulation of the 2010 budget the Department did not fully utilize its Force Development Process. You used capitals for that, Forced Development Process. Is that a specific term of art or a specific program? What is that and what was not followed?

Mr. HOECKER. Yes, sir. The Force Development Process developed by the Chief, I believe in 2006, and perhaps the Chief can expound on that a little bit more, but the way I understand that process, if they have a new initiative they have a group of senior people in the Department to evaluate the environment, the risks, the cost and what is required and what they are trying to achieve by this new initiative. And that is applied to the general expense areas. What we found in fiscal year 2010 is that they weren't using that. And we found an e-mail that asked why aren't you using that and

then from the e-mail traffic we saw that they had done a modified version of Force Development.

Mr. LUNGREN. E-mail from whom to whom?

Mr. HOECKER. Um, it was from the Chief to the administrative section, sir.

Mr. LUNGREN. So the Chief asking why this wasn't utilized?

Mr. HOECKER. Yes, sir. Yes, sir.

Mr. LUNGREN. Then you say a failure to follow past best practices for developing the personnel compensation and benefits. What do you mean by that?

Mr. HOECKER. That is the fiscal year 2009 standard, if you will, that they used and also the document that resides in the Hummingbird system, which is their document retrieval system.

Mr. LUNGREN. And that was not followed?

Mr. HOECKER. It was not, sir.

Mr. LUNGREN. And you also noted noncompliance with the funds control process. What does that mean?

Mr. HOECKER. The funds control process, what we mean by that is it is funds availability control. And what that means is that I want to expend these funds, I want to buy this piece of equipment, or I want to hire this person at this level. What this funds control is, it asks the budget folks do we have enough money to pay this. That was lifted in June of 2009.

Mr. LUNGREN. Lifted, you mean removed?

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. Not utilized anymore.

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. Let me ask you this, if you were a new administrative officer coming into this department and you saw these things, what would you do?

Mr. HOECKER. What I would do, sir, is scrub each process from the bottom up.

Mr. LUNGREN. And if you followed—if you noted that something had worked in prior years and was not followed then subsequently, what would you do as administrative officer coming in and seeing that?

Mr. HOECKER. I would certainly ask a lot of questions as to why didn't we and how are we going to—and if I thought that that was not a good answer, I might say that well, we are going to use it this year.

Mr. LUNGREN. Chief, you have heard the testimony here of the Inspector General. It seems to me we have got some real problems on the administrative side of the house so how—look, I know you are burdened—let's see, not burdened. I know you are constrained by certain requirements with respect to personnel decisions. I realize the system and the way it works, but what is your response to what appears to be some real problems, insufficiencies, difficulties on the administrative side of the house?

Chief MORSE. Well, I think also in the audit report, and I just want to focus on this a minute, is that when I became Chief I had a vision and a challenge to the organization that we would have repeatable business practices, that we would be transparent, that we would validate everything that we would do. We built that into our strategic plan, we built that in as we developed our Human

Capital Plan. We put in an internal program called Force Development, which helps us formulate a budget that is specific to the threats that we face so that we have the adequate resources and personnel and technology to address the critical needs of the campus, to keep it safe, and to keep our personnel well equipped and well trained.

So we had those processes in place. Those processes were used to help us develop a clean financial statements. They helped us achieve a 2009 budget that was a good budget and that focused on all those issues. So we were very pleased in the direction that we were going, how we had incorporated this into our overall strategic plan, our Human Capital Plan. It was the practice of the agency. And as you have noted, our operations side has worked extremely well. We have had tremendous successes with that, as well as the administrative side with leasing vehicles as a new type of program where we save money and we recycle vehicles. The truck interdiction program to keep the campus safe.

So those are all programs that come from an assessment of how we can do better, how we can enhance what we have, how we can save money doing it and how we can be at most efficient. I don't know why someone chooses at any level to not follow the direction, the business processes that have made us so successful.

Mr. LUNGREN. Should it take us having hearings for 2 years to get to this point?

Chief MORSE. No. This is very disappointing to me as well.

Mr. LUNGREN. Well, it is more than disappointing to me. You know, to use an old football analogy you can have the best Xs and Os in the game, if your team can't execute it, it doesn't do a doggone bit of good. And no one has executed the Xs and Os on the administrative side. I mean that may be simple language but it looks to me that is how I would summarize Mr. Hoecker's report. Would you agree, Mr. Hoecker?

Mr. HOECKER. Yes, sir.

Mr. LUNGREN. So with all due respect, knowing what the rules are and knowing you have to be careful of what you say and knowing it takes a long time to make changes, frankly this report cries out for change on the administrative side. And I hope that will take place sooner rather than later. And I hope that the tried and true practices that Mr. Hoecker has outlined that you took pride in putting in place will be followed.

Goodness, it would be really tough if we were standing here and you would be with a great big question mark over your head and so would Mr. Hoecker, gee, we don't know what to do, there has been a screw up but we don't know what to do. And yet we know what to do. It is what you did before apparently. The practices they had in 2009 were good ones, Mr. Hoecker. Am I stating you correctly?

Mr. HOECKER. 2009 worked, yes, sir.

Mr. LUNGREN. Okay. Well, I think that is all I have to say.

Mr. CAPUANO. Thanks.

Mr. Hoecker, I just want to follow up on something that you mentioned to Mr. Lungren in response to one of his questions. If I heard you correctly, I think it was 4 or 5 years in a row there was material weaknesses in the annual audit?

Mr. HOECKER. Yes, sir.

Mr. CAPUANO. Were they the same material weakness?

Mr. HOECKER. It started out with two and that was financial management has always been a material weakness, and the second one that was always consistent was payroll processing. Those were consistent among all those years, sir.

Mr. CAPUANO. And just though you understand and I think I understand, I want to be clear, in my experience material weakness is a professional term of art used by accountants. What it really means to me at the end of the annual audit it is the auditor basically saying, hey, you have a problem, red flag warning, do something about it.

Mr. HOECKER. That is very fair.

Mr. CAPUANO. And in my experience if you get the same, I mean there are different things you can do, you can get a different material weakness for something new, but if you get the same one for 2 years in a row, that generally ends up in a—if not that year at least in the third year, generally ends up in a qualified report, is that not your experience?

Mr. HOECKER. Well, it depends if they feel comfortable about the way the financial statements are represented. If they feel comfortable, they will render the opinion that is clean as we call it as unqualified. But it is entirely possible that because of material weakness it could cause errors and mistakes in the financial statement reporting. That is exactly right, sir.

Mr. CAPUANO. And these annual audits were done internally or by external auditors?

Mr. HOECKER. They were done by an external audit firm that works under contract for my office, sir.

Mr. CAPUANO. Same external auditor for those 5 years?

Mr. HOECKER. Yes, sir.

Mr. CAPUANO. In today's world don't we generally change auditors on a regular basis?

Mr. HOECKER. We do. Yes, sir, we do. However, USCP has only had one clean opinion. So I think where that really comes into play is where you wouldn't want 5 years of a clean opinion or 6 years, whatever the magical number is, and then you would probably switch.

Mr. CAPUANO. So we are pretty much due for a switch?

Mr. HOECKER. We are, sir. And I think we are going to a single legislative auditor; it has to with the migration of the financial system to the Library of Congress.

Mr. CAPUANO. All right. Thank you, Mr. Hoecker.

I don't think I want to pursue today the current radio situation, but it is my understanding we have had one major outstanding issue now for 6 months, that every time my office asks about this issue we get told we are right on the verge of getting it fixed or getting it addressed, and yet it is not addressed.

Chief, just on the one issue on the backup location, are we any closer to resolution than we were 6 months ago?

Chief MORSE. My most recent briefing on the leasing negotiations is that they have addressed all issues and will have some sort of resolution with—on paper with regard to negotiations this week or as late as Tuesday. Now, I don't want to misrepresent any facts

there. There is a representative from my—who is the Director of the Office of Information Systems, who is in the audience, but that is where I think we stand now on those issues——

Mr. CAPUANO. I respect that, but I have heard something similar to that now for week after week after week after week and just note that not now, but when we get back in September if this issue is not resolved I am going to expect a plan B. I think that is a reasonable expectation after 7 months because I still believe based on your recommendations that I still trust that the radio program is absolutely essential and it has to get done, and we can't allow lease negotiations to hold us up much longer. Is that fair?

Chief MORSE. Yes, sir, that is.

Mr. CAPUANO. Chief, I am going to end with one simple question. With all the financial issues that you have, again I have made myself clear and Mr. Lungren has been clear as to where we want to go, but I want to be very clear for the record, in your opinion, even with the financial problems you face this year and next financial fiscal year, do you believe that Capitol Hill is safe?

Chief MORSE. Yes, I do.

Mr. CAPUANO. I do, too, but I just wanted to hear you say it.

We are all set. Thank you, Chief and Mr. Hoecker, very much.

[Whereupon, at 11:43 a.m., the subcommittee was adjourned.]