



INSPECTOR GENERAL

SEPTEMBER 29, 2021

Audit of the Architect of the Capitol's Unliquidated Obligations

Report No. OIG-AUD-2021-06

MISSION

The OIG promotes efficiency and effectiveness to deter and prevent fraud, waste and mismanagement in AOC operations and programs. Through value added, transparent and independent audits, evaluations and investigations, we strive to positively affect the AOC and benefit the taxpayer while keeping the AOC and Congress fully informed.

VISION

The OIG is a high-performing team, promoting positive change and striving for continuous improvement in AOC management and operations. We foster an environment that inspires AOC workforce trust and confidence in our work.



Results in Brief

Audit of the Architect of the Capitol's Unliquidated Obligations

September 29, 2021

Objective

The objective of this audit was to determine whether the Unliquidated Obligations (ULOs) were valid and supported by sufficient and appropriate documentary evidence. We specifically focused on the Architect of the Capitol's (AOC's) dormant ULOs; ULOs with no activity for over 180 days.

We initiated this ULO audit as a result of our reporting on AOC's untimely de-obligation of ULOs for three consecutive years within our Financial Statements Audit Management Letters.

Findings

We determined that the AOC's dormant ULOs were generally invalid. Specifically, we determined that a significant number of the statistically sampled dormant ULOs were invalid and unsupported, and the review process for ULOs was ineffective. We also found that the detailed listing of open dormant ULOs included over 200 with nominal (less than \$50) ULO balances. The AOC's review, validation and certification of dormant ULOs needs improvement.

We statistically selected and reviewed 97 dormant ULOs valued at \$833,073 from a population of 1,135 ULOs with a total value of \$11.6M. Of the dormant ULOs tested, we found \$479,908, or 58 percent, were invalid. As a result of our statistical sample, we were able to project with a 95 percent confidence level that a range of approximately \$5.5M to \$7.8M of the \$11.6M in dormant ULOs reported by the AOC are potentially invalid. We also identified an additional \$90,110 in unsupported costs, which we are questioning, and \$8,230 awaiting final invoicing.

Findings (cont'd)

As a result of the significant number of invalid dormant ULOs found during the audit, we determined that the review, validation and certification process was not effectively managing dormant ULOs. Moreover, we were informed that the AOC suspended the certification process for two years to implement a new application to assist supporting the reviews. Lastly, while scanning the open dormant ULOs, we identified over 200 ULOs with balances under \$50, totaling approximately \$3K.

It is our determination that conducting proper and timely reviews, validations, de-obligations or otherwise closure of the ULOs would result in a more efficient use of agency appropriations.

Recommendations

We made three recommendations to address the identified areas of improvement. Specifically, we recommend:

1. The AOC review and properly closeout the following dormant ULOs:
 - 68 invalid ULOs valued at \$479,907.61;
 - Nine unsupported questioned ULOs valued at \$90,109.58;
 - Nine valid ULOs valued at \$8,230 that have not received a final invoice and
 - 231 ULOs with balances less than \$50.

Funds put to better use: \$479,907.61 and
Questioned costs: \$90,109.58.

2. The AOC ensure supporting documentation for unliquidated obligations is maintained and readily available.



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Results in Brief

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3. The AOC finalize the new Quarterly Financial Review SharePoint application and ensure this new application addresses the current and prior year audit findings; and revise the AOC's policies and procedures to align with the new application.

Management Comments

The AOC was provided an opportunity to comment in response to this report.

The AOC provided comments on September 22, 2021, see Appendix D. AOC management agreed with the conclusion that conducting proper and timely reviews, validations, de-obligations or closures of the unliquidated obligations would result in a more efficient use of agency appropriations. AOC management concurred with the AOC OIG's three recommendations.

Please see the Recommendations Table on the following page.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Architect of the Capitol, Chief Financial Officer	NONE	1, 2, and 3	NONE

The following categories are used to describe agency management's comments to individual recommendations:


- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



INSPECTOR GENERAL

September 29, 2021

TO: J. Brett Blanton,
Architect of the Capitol

FROM: Christopher P. Failla, CIG
Inspector General 

SUBJECT: Audit of the Architect of the Capitol's Unliquidated Obligations
(Report No. OIG-AUD-2021-06)

The Architect of the Capitol (AOC) Office of Inspector General (OIG) presents our audit report on the AOC's Unliquidated Obligations (ULO) (Report No. OIG-AUD-2021-06).

We determined that AOC's dormant ULOs were generally invalid and the review, validation and certification process for these ULOs needs improvement. AOC management agreed with the report conclusion that conducting proper and timely reviews, validations, de-obligations or closures of the unliquidated obligations would result in a more efficient use of agency appropriations. AOC management concurred with all three report recommendations.

AOC management has two remaining steps in the audit resolution process. The first step, within the next six months, is for AOC management to provide proposed corrective actions to implement the agreed upon recommendations. The final step is the issuance of the Notice of Final Action by AOC management, which outlines the actions taken to implement the recommendations. This notice is due one year from the date of report finalization, September 29, 2022.

We appreciate the courtesies extended to the staff during the audit. Please direct questions to Erica Wardley, Assistant Inspector General for Audits, via phone or email at 202.215.3395 or erica.wardley@aoc.gov.

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Introduction

Objective

This report presents the results of our audit of the Architect of the Capitol's (AOC's) Unliquidated Obligations (ULOs). The objective of this audit was to determine whether the ULOs were valid and supported by sufficient and appropriate documentary evidence. We specifically focused on the AOC's dormant ULOs; ULOs with no activity for over 180 days.

We conducted this performance audit in Washington, D.C. from February 2021 through July 2021, in accordance with Generally Accepted Government Auditing Standards, 2018 Revision. 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.

See Appendix A for a discussion of the scope and methodology, review of internal controls and prior audit coverage related to the objective.

Background

As a part of the AOC's efforts to carry out its mission, the jurisdictions and offices purchase various goods and services through contracts and other binding agreements. Once the AOC enters into these binding agreements, a financial obligation is created. An obligation is an action that creates a liability or definite promise to make a payment at some later time. In accordance with AOC policy and federal statute, obligations must be supported by documentation and retained within agency records to facilitate audits and reconciliations.

Specifically, AOC Order 30-1, Funds Control Administration, May 31, 2015, Section 17. Requirement for Documentary Evidence, states documentary evidence is:

- A binding agreement between the agency and another person that is in writing and for a purpose authorized by law; and executed before the end of the period of availability for obligation for the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

- A loan agreement showing the amount and terms of repayment.
- An order required by law to be placed with an agency.
- A liability that may result from pending litigation.
- Employment or services of persons or expenses of travel under law.
- Services provided by public utilities.
- Other legal liability of the government against an available appropriation or fund.

An obligation remains open as an undelivered obligation until the goods and services are 1) delivered or provided, 2) paid or de-obligated (unfunded) and 3) properly closed.

Unliquidated Obligation (ULO)

An undelivered obligation is also considered an unliquidated obligation (ULO).¹ ULOs can cover a broad range of budgetary authority including no-year, multi-year and annual or one year appropriations. No-year appropriations remain available for obligation for an indefinite period. However, multi-year appropriations are available for a period in excess of one fiscal year (FY) and annual, or one-year appropriations are available for obligation only during a single FY. Once an appropriation expires, no new obligations can be authorized against those funds. Therefore, if the obligation is canceled or otherwise closed before the appropriation expires, the action could potentially release funds that could then be made available for other agency requirements or put to better use. Reprogramming is one way funds may be put to better use. Reprogramming is the shifting of funds within an appropriation. Agencies generally are free to reprogram as long as the resulting obligations and expenditures are consistent with the purpose of the appropriation.

According to AOC Order 30-1, at least once each year, although a quarterly review is preferred, the Jurisdiction Account Holders (JAH) or designee will perform a formal review of undelivered orders. This review process is designed to ensure that only valid obligations are recorded. All recorded obligations will be validated to a hard copy or electronic source document. In addition, those recorded obligations with no activity for over 180 days (considered dormant) must be validated by confirming that the ordered goods or services have either been received or that there is an expectation of delivery for a valid need.

¹ AOC Order 30-1, Funds Control Administration, May 31, 2015, Section E – Joint Reviews of Undelivered Orders

Additionally, AOC Order 30-1 states, the JAH will address an annual assurance statement to the Chief Financial Officer (CFO) to be received no later than October 15. It is through the signed quarterly certifications that JAHs meet the requirement to provide an annual assurance statement to the CFO.

Quarterly Financial Reviews (QFR's)

AOC Order 32-10, Quarterly Financial Reviews, October 12, 2010, prescribes that AOC management officials and those with financial oversight responsibility (i.e. responsible signing official) are required to conduct QFR's. Consistent with the AOC Order 30-1 review, the QFR is the quarterly validation process wherein responsible signing officials within the AOC are required to validate information contained in the financial management system (FMS) for the jurisdictions and offices.

Under the guidance and coordination of the CFO, each responsible signing official receives quarterly reports on their jurisdictions or offices financial operations via email. See Table 1 for the listing of AOC's jurisdictions and offices and the responsible signing officials.²

² Listing as prescribed by AOC Order 32-10 (October 2010). Responsible signing officials may differ in the future due to the AOC's current reorganization.

Table 1: AOC Organizations and Responsible Signing Officials

AOC Organization	Responsible Signing Official
Botanic Garden	Executive Director
Capitol Building	Superintendent
Capitol Grounds	Superintendent
Capitol Police Buildings, Grounds, and Security	Director, Security Programs
Capitol Power Plant	Director
Capitol Visitor Center	Chief Executive Officer for Visitor Services
House Office Buildings	Superintendent
Library Buildings and Grounds	Superintendent
Office of the Chief Administrative Officer	Chief Administrative Officer
Office of the Chief Financial Officer	Chief Financial Officer
Office of the Inspector General	Inspector General
Office of Planning and Project Management	Director, Office of Planning and Project Management
Office of Safety, Fire, and Environmental Programs	Director, Office of Safety, Fire and Environmental Programs
Senate Office Buildings	Superintendent
Supreme Court Buildings and Grounds	Facilities Manager

Specifically, on the first business day of the second month of the subsequent quarter, the Office of the CFO (OCFO) distributes the quarterly financial reports and supplemental information (referred to as QFR reports) to the responsible signing officials, to include the Financial Review Instructions, FMS quarterly reports, detailed spreadsheets and certification documents. See Table 2 for the financial review schedule.

Table 2: Periodic Financial Review Schedule

Fiscal Quarter	Fiscal Quarter End Date	Report Distribution Date	Verification Due Date
1	December 31st	February 1st	March 1st
2	March 31st	May 1st	June 1st
3	June 30th	August 1st	September 1st
4	September 30th	November 1st	December 1st

The responsible signing official is required to review, sign-off (implied certification³), and date their QFR reports one month after receipt. Specifically, the responsible signing official certifies that the information contained in the QFR reports

³ The sign-offs are referred to as ‘certifications’ in the proposed revised version of AOC Order 32-10, currently in draft, and by OCFO officials.

is valid. The process for certifying the reports entails a signature from the responsible signing official as concurring without exception or with noted exceptions. If discrepancies or errors were found, the responsible signing official would note the exception and provide specific details on the issues found. Upon receipt, the Accounting Office or Budget Office staff will investigate any differences, follow-up with the jurisdiction or office, and notify the appropriate parties if changes were required.

We identified the following two reports and supplemental information, within these QFR reports, that detailed the financial operations for the jurisdiction or office that required review, validation and certification:

AOC Financial Review of Expired Funds for FY 20XX for [Jurisdiction] as of [quarter ending date]

This report listed all open obligations for the jurisdictions or offices expired funds. The supplemental information provided included details for each open obligation with additional columns for the responsible signing official to validate whether the obligation was still valid or needed to be de-obligated and document the explanation supporting that decision.

AOC Financial Review of Active Funds for FY 20XX for [Jurisdiction] as of [quarter ending date]

This FMS active fund report summarized the status of funds in the current FY. Specifically, the report provided a summary of the Budget Amount, Obligation Activity, Payments Pending and Current Year Expenditures. The supplemental information provided were detailed backup schedules and spreadsheets with a listing of the ULOs.

The AOC Order 32-10 requires a full data validation of the QFR reports; there is no minimum materiality threshold for conducting the QFR. After all four QFRs are completed and certified by the JAH, they comprise an annual certification. Without four signed quarterly certifications, the JAHs are unable to achieve the required annual assurance attesting that the ULO review process was completed and financial reporting appropriately reflects the status of obligated appropriations.

ULO Findings in Prior Year Financial Statement Audits

For the past three years, we have reported a finding on the AOC's untimely de-obligation of ULOs within our Financial Statements Audit Management Letters.⁴ Specifically, we found the following:

- FY 2018 – 16 open actions with a value of \$1.6M had no activity in the last 12 months and all 16 actions should have been de-obligated.
- FY 2019 – 14 open actions with a value of \$980K had no activity within the last 12 months and should have been de-obligated.
- FY 2020 – 15 open actions with a value of \$2.7M had no activity in the last 12 months and should have been de-obligated or canceled.

Internal Controls

During our initial planning and fieldwork, internal controls were not significant to the audit objective, which was to determine whether ULOs were valid and supported. However, after identifying a significant number of invalid ULOs, we performed procedures to identify the cause for such deficiencies.

We reviewed the AOC's QFR policies and procedures, staff roles and responsibilities, and support documentation for the AOC's review, validation and certification of ULO balances. We also interviewed AOC staff to determine if controls were properly implemented and working as designed, individually or in combination with other controls.

Overall, we concluded that the AOC's review, validation and certification of dormant ULOs needs improvement. We determined that a significant amount of the statistically sampled dormant ULOs were invalid and/or unsupported and the QFR process for ULOs was ineffective. We also found that the open dormant ULOs included a number of nominal (less than \$50) ULO balances.

Criteria

We used the following criteria to determine whether the ULOs were valid and supported by sufficient and appropriate documentary evidence.

⁴ 2019-0001-AUD-R Fiscal Year 2018 Financial Statements Audit
OIG-AUD-2020-02 Fiscal Year 2019 Financial Statements Audit Management Letter
OIG-AUD-2021-02 Fiscal Year 2020 Financial Statements Audit Management Letter

AOC's Order 30-1, Funds Control Administration, May 31, 2015.

Funds Control Administration is a process that enhances the efficiency and effectiveness of agency resource use. It is based on appropriations law, such as Title 31 of the U.S. Code (U.S.C.), Money and Finance. Because the AOC operates from public funds, it is essential that the agency abide by all applicable laws. The appendices provide significant aspects of Funds Control Administration and provide a framework for Funds Control Administration policy and procedure.

AOC's Order 32-10, Quarterly Financial Reviews, October 12, 2010.

This Order establishes the broad policy for the financial review process. Management review of financial information is a best business practice as management monitors, verifies, and takes formal responsibility for reporting financial transactions and reporting on resources under their control.

Appendix B includes a detailed listing of the references from each of these sources that are relevant to our findings.

Audit Results

During the audit, we determined that the AOC's dormant ULOs were generally invalid. Specifically, we determined that a significant number of the statistically sampled dormant ULOs were invalid and unsupported, and the QFR process for ULOs was ineffective. We also found that the detailed listing of open dormant ULOs included over 200 nominal (less than \$50) ULO balances.

We statistically selected and reviewed 97 dormant ULOs valued at \$833,073 from a population of 1,135 ULOs with a total value of \$11.6M. Of the dormant ULOs tested, we found \$479,908, or 58 percent, were invalid. As a result of our statistical sample, we were able to project with a 95 percent confidence level that a range of approximately \$5.5M to \$7.8M of the \$11.6M in dormant ULOs reported by the AOC are potentially invalid. We also identified an additional \$90,110 in unsupported costs, which we are questioning, and \$8,230 awaiting final invoicing.

As a result of the significant number of invalid dormant ULOs found during the audit (some that were inactive up to 17 years), we determined that the AOC's QFR process was overall ineffective. During our inquiries in determining the cause for the number of invalid ULOs, we were informed that the AOC suspended the QFR certification process for two years to implement a new QFR SharePoint application. In addition, while scanning the open dormant ULOs, we identified over 200 ULOs with balances under \$50, totaling approximately \$3K. It is our determination that conducting proper and timely reviews, validations, de-obligations, or otherwise closure of the ULOs would result in a more efficient use of agency funding.

Overall, the AOC's review, validation and certification of dormant ULOs needs improvement. Since the ULO audit announcement on February 3, 2021, the AOC has planned to or executed modifications to de-obligate or process invoices to close out ULOs valued at approximately \$488K. It is essential that the AOC properly validate open ULO balances in a timely manner. We recognize that the AOC is in the process of implementing a new QFR SharePoint application. The AOC should ensure that the new application addresses the findings and recommendations identified in the current and prior year financial statements audits.

We made three recommendations⁵ to improve the review, validation and certification process for ULOs.

⁵ Recommendations in this report do not contradict or duplicate recommendations made in prior audits.

Finding

AOC's Review, Validation and Certification of Dormant ULOs Needs Improvement

We determined that the AOC's review, validation and certification of dormant ULOs need improvement. Specifically, we determined that a significant number of the statistically sampled dormant ULOs, were invalid and unsupported and the QFR process for ULOs was ineffective. In addition, we noted that the detailed listing of open dormant ULOs included over 200 nominal (less than \$50) ULO balances.

INVALID AND UNSUPPORTED ULOs

During the audit, we found 58 percent (\$479,908) of the ULOs tested were invalid and an additional 11 percent (\$90,110) did not have sufficient documentary evidence to support its validity. We also found \$8,230 in ULOs that were awaiting final invoicing and account closeout.

According to AOC Order 30-1, *the agency policy is to record, report, and validate recorded obligations, as well as perform an annual formal review of undelivered orders (also known as ULOs)*. All recorded obligations should be validated to a hard copy or electronic source document, and those ULOs that were dormant over 180 days should also be validated by confirming that the ordered goods or services were still expected to be received and still had valid needs. ULOs that cannot be supported or validated should be de-obligated and/or canceled.

The AOC reported 6,812 ULOs totaling approximately \$441M as of February 28, 2021. We identified 1,135 ULOs, valued at approximately \$11.6 million⁶ that were dormant for over 180 days. To determine whether the ULOs were valid and supported by sufficient and appropriate documentary evidence, we selected a statistical sample of 97 dormant ULOs with an outstanding balance of approximately \$833,073, for testing. We requested documentary evidence to support 1) the validity and accuracy

⁶ Actual value of the 1,135 dormant ULOs is \$11,597,387.81.

of amounts reported by the AOC and 2) that there was still a valid need for the goods and/or services.

The AOC provided documentary evidence for some of the sampled ULOs; however, in many cases, the AOC determined, after review and validation, that several of the sampled obligations were invalid. We were able to determine that 20 dormant ULOs valued at \$263,056, were valid and supported by sufficient and appropriate documentary evidence; however, we found that nine of the 20 had not been paid. For the remaining 77, the ULOs either did not have sufficient documentary evidence to determine validity or were found to be invalid.

Specifically:

- Nine of the 20 valid dormant ULOs valued at \$8,230 were still waiting for the final invoice;
- Nine dormant ULOs valued at \$90,110⁷ (11 percent) did not have sufficient documentary evidence to validate the amount and that there was still a valid need for the goods and/or services; and
- 68 dormant ULOs valued at \$479,908 (58 percent) were invalid.

We identified approximately \$480K in invalid ULO funds that could have been made available for other needs or put to better use along with \$90K in unsupported ULO costs, which we questioned. Timely identification and de-obligation of invalid ULOs and maintaining appropriate documentation would result in a more efficient use of agency funding.

Our statistical analysis of the audit sample projected a range for the dollar value and number of invalid ULOs in the population of dormant ULOs at a 95 percent confidence level. We project a range of approximately \$5.5M to \$7.8M of \$11.6M and 692 to 897 of 1,135 dormant ULOs are potentially invalid.

INEFFECTIVE QFR PROCESS FOR ULOS

As a result of the significant number of invalid dormant ULOs found during the audit, we determined that the QFR process was not effectively managing dormant ULOs. Moreover, we were informed that the AOC suspended the QFR certification process for two years, from January 1, 2019 to December 31, 2020 to implement a new QFR SharePoint application.

⁷ The total value of \$89,907.58 includes a remaining balance of \$2,202 for a partially de-obligated ULO that was determined to be invalid.

AOC Order 30-1, states... at least once each year, a formal review of undelivered orders will be performed. A quarterly review is preferred and may result in more efficient use of agency funding... Managers who have received funding allocations have a responsibility to provide an annual assurance statement to the CFO attesting to the accomplishment of the final document review. The assurance statement will reflect that the undelivered order review process was complete... and financial reporting fairly reflects the status of obligated appropriations.

In addition, AOC established Order 32-10, Quarterly Financial Reviews in October 2010 requiring responsible signing officials to perform QFR's. The QFR is a quarterly validation process wherein responsible signing officials are required to validate their jurisdiction's or office's financial information that is contained within FMS. Once the responsible signing officials certify the QFR reports, the certification is submitted to the AOC Accounting Officer (AO).

As previously noted, for the past three years the untimely de-obligation of ULOs has been a repeat finding with recommendations to improve the validation and certification process. In an effort to identify the cause of these repeat findings and the significant number of invalid ULOs, we requested copies of the QFR report certifications for FY2020 through FY2021 Quarter (Q) 2. The AO only provided QFR certifications for FY2021 Q2. We learned that the responsible signing officials had not certified their quarterly financial reports since the first quarter of FY2019.⁸ The OCFO suspended the QFR certification process for two years, while implementing and testing the new QFR SharePoint application.

Noting that AOC Order 30-1 required the JAHs to provide an annual assurance statement that the undelivered order review process was completed, we requested the FY 2019 and 2020 annual assurance statements. According to an AOC official, the prescribed quarterly reviews and annual assurance statements to the CFO were not completed. The AOC Official explained, "it has taken longer than we had anticipated to get the [new QFR] application stood up so that we can take the certifications within it. That said, jurisdiction personnel were involved in review and testing of the application, and they were using the application to identify their aged items needing work, and were working their items throughout. We simply did not obtain the signed Jurisdiction Head certifications."

⁸ The Accounting Officer was only able to provide certifications from six of the 15 Jurisdictions.

While we acknowledge the possibility that the jurisdiction staff may have reviewed ULOs during the suspension, the results of our testing and prior year audit findings suggest that the review process was ineffective. As we identified 31 invalid dormant ULOs while the AOC was conducting the QFRs, and 37 invalid dormant ULOs during the suspension period. We also learned that the responsible signing officials were not receiving their quarterly emails that included the QFR instructions, FMS reports, detailed supporting spreadsheets and certification documents. Without these quarterly emails, the responsible signing officials were responsible for pulling their own reports from FMS or learning to navigate the new QFRS application to review and validate their open and expired obligations.

According to the AOC, the implementation and execution of their new QFR SharePoint application should assist with improving the review and validation of the agency's ULOs. The current process for obtaining manual certifications from all the jurisdictions was ineffective. The new application will automate the review, validation and certification process, which the AOC anticipates will improve accountability. In addition to implementing the new application, the AOC is drafting revisions to AOC Order 32-10 and the QFR Instructions to align with the new QFR SharePoint process. Specifically, the version of AOC Order 32-10, currently in draft, updates the quarterly financial review policy to apply to the AOC's new web-based application, which automates the process to validate open obligations. In addition, as a companion document to Order 32-10, SOP 32-10 includes standard operating procedures for the quarterly review process to ensure the timely certification of unliquidated obligations.

The new application will allow jurisdictions to review their ULOs early and often, with a complete review of all open ULOs by quarter-end. The QFR application is updated daily with all undelivered order data from FMS. Responsible users (purchase cardholders, contracting officers, contracting officer representatives, training coordinators and travel coordinators) must access the application to check for aged items and take action accordingly. See Table 3 for the aging criteria established within the application for each of the transaction types.

Table 3: Aging Criteria

Transaction Type	Aging	Status
Commitments (Requisitions)	60 days	No order/obligation
Contracts	> 30 days past the period of performance or delivery date	Not fully liquidated by payment
Travel	> 30 days past travel completion date	No Settlement
Training	> 90 days from original document date	No Payment
Purchase Card Order	> 60 days from original document date	No receipt/not matched to payment

Responsible users must ensure that all ULOs have been addressed before Quarterly JAH certifications are completed. The certifications are due 15 calendar days (or the next business day if the 15th occurs on a weekend or holiday) following the end of the quarter. The QFR application will send email reminders to JAHs on the 15th of the last month in the quarter and on the 1st of the month following the end of the quarter. See Tables 4 and 5 for the email reminder schedules.

Table 4: First Email

Date of Email Notice	2-week Notice	Due Date
December 15th	Quarterly JAH certifications are coming due	15th calendar day (or the next business day if the 15th occurs on a weekend or holiday) following the end of the quarter.
March 15th		
June 15th		
September 15th		

Table 5: Second Email

Date of Email Notice	JH Certification is Due	Due Date
January 1st	Quarterly JAH certifications are due	15th calendar day (or the next business day if the 15th occurs on a weekend or holiday) following the end of the quarter.
April 1st		
July 1st		
October 1st		

NOMINAL ULO BALANCES

During our review of the open dormant ULOs, we identified over 200 ULOs with open obligation balances that were less than \$50, totaling approximately \$3K. These ULOs were not reviewed for validation during audit; however, we informed the AOC

of these nominal balances and suggested further review to assist with accurate reporting.

The AOC acknowledged our suggestion and is planning a path forward.

Conclusion

It is our conclusion that the AOC's current process to review, validate and certify open dormant ULO balances needs improvement. We identified \$480K in invalid dormant ULOs and projected a range of approximately \$5.5M to \$7.8M of potential invalid dormant ULOs based on our statistical sample. These are funds that if identified timely, may have been or could be made available for other needs or put to better use. We are also questioning the validity of \$90K in dormant ULOs due to insufficient documentation.

While we concluded that the QFR process was ineffective for dormant ULOs, the two-year suspension of the QFR certification process increased the OCFO's risk of reporting inaccurate information. It is important for the AOC to perform a detailed review and validation of the open dormant ULOs. While scanning the data, we identified over 200 ULOs with open obligation balances that were less than the nominal amount of \$50, totaling approximately \$3K.

We recognize that the AOC is in the process of implementing and testing the new QFR application and drafting revisions to guidance. The AOC should ensure that this new application and guidance address the current and prior year audit findings.

Recommendations

Recommendation 1

We recommend that the Architect of the Capitol (AOC) review and properly closeout the following dormant unliquidated obligations (ULOs):

- 68 invalid ULOs valued at \$479,907.61;
- Nine unsupported questioned ULOs valued at \$90,109.58;
- Nine valid ULOs valued at \$8,230 that have not received a final invoice; and
- 231 ULOs with balances less than \$50.

Funds put to better use: \$479,907.61 and Questioned costs: \$90,109.58

AOC Comment

Concur. The AOC concurs with the report recommendation and will take action to implement such recommendation.

OIG Comment

We recognize the AOC's concurrence with the recommendation. The recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the AOC actions.

Recommendation 2

We recommend that the Architect of the Capitol (AOC) ensure supporting documentation for unliquidated obligations is maintained and readily available.

AOC Comment

Concur. The AOC concurs with the report recommendation and will take action to implement such recommendation.

OIG Comment

We recognize the AOC's concurrence with the recommendation. The recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the AOC actions.

Recommendation 3

We recommend that the Architect of the Capitol (AOC):

- Finalize the new Quarterly Financial Review (QFR) SharePoint application and ensure this new application addresses the current and prior year audit findings; and
- Revise the AOC's policies and procedures to align with the new application.

AOC Comment

Concur. The AOC concurs with the report recommendation and will take action to implement such recommendation.

OIG Comment

We recognize the AOC's concurrence with the recommendation. The recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the AOC actions.

Appendix A

Scope and Methodology

The scope of this performance audit was open dormant ULOs, as of February 28, 2021, with no activity or payment for 180 days. We conducted this performance audit of ULOs, in Washington, DC, from February 2021 through July 2021, in accordance with Generally Accepted Government Auditing Standards, 2018 Revision. 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.

To determine our testing population for ULOs, we obtained the following reports: the Trial Balance (GL03), the General Ledger Detail (GL02) and the Open Obligation Data Dump. The GL02 provided account summary detail for ULOs as of February 28, 2021 and the Open Obligation Data Dump provided document level detail as of March 1, 2021 (which documented all open obligations as of February 28, 2021). Once we performed procedures to ensure we had a complete population, we reviewed the population to identify ULOs with a higher risk of being invalid. The universe for open ULOs was 6,812 totaling \$440,828,901.87. Then we reduced this universe making eliminations based upon the following criteria:

- Beginning Budget Balances – amount excluded \$313,748,117 the total of beginning balances for FY 2020 and 2021
- Delivery Dates greater than 3/1/2021 – amount excluded \$302,147,703 in open obligations with future delivery dates as of 3/1/2021
- Outstanding Balances \leq \$50 – amount excluded \$3,027 in open obligations with outstanding amounts less than or equal to \$50

After exclusions 1,135 items remained, valued at \$11,597,387.80 that we considered the population of dormant ULOs.

A review of the dormant ULO population suggested that stratified random sampling would be the best sampling method to use. The remaining entries were then broken out into strata based upon the following document types: Contract, Credit, Training, Travel and Other. Then we used the percentage for each document type represented in the overall population to determine the appropriate representation for the sample.

Our calculations recommended a sample size of 96 items, utilizing a 95 percent confidence level and 10 percent margin of error. However, we selected a random sample of 116 items, to include an additional 20 items selected as alternatives in case there were unusable items within the sample. We also added one item to ensure representation of the ‘Other’ category bring the total sample size of dormant ULOs to 97 items.

We used this statistical sample to determine whether the obligations were valid and supported by sufficient and appropriate documentary evidence. We requested and reviewed the ULOs supported documentation to assess the obligations validity and documentary evidence. Specifically, we reviewed contracts, modification request forms, modifications, status of fund reports and email correspondence provided by the AOC. We also interviewed AOC staff to obtain an understanding of the financial review process, and documented the roles and responsibilities of those responsible for performing reviews and certifications of ULO balances.

Using a statistical formula based on our sample findings, we were able to project with 95 percent certainty, both the number and dollar value of ULOs by category to the larger population. Our analysis took into account a potential margin for error of +/- nine percent. We estimated that on average 58 percent (amounts ranging from \$5.5M - \$7.8M) of the total \$11.6M ULOs and 70 percent (counts ranging from 692 - 897) of the 1,135 ULOs in the population are potentially invalid.

This performance audit was included in the OIG audit and evaluation plan.

Review of Internal Controls

Government Auditing Standards requires auditors to obtain an understanding of internal controls that are significant within the context of the audit objectives. For internal controls that are significant within the context of the audit objectives, auditors should assess whether the internal control has been properly designed and implemented and should perform procedures designed to obtain sufficient and appropriate evidence to support their assessment about the effectiveness of those controls. Information system controls are often an integral part of an entity’s internal control. The effectiveness of significant internal controls is frequently dependent on the effectiveness of information system controls. Thus, when obtaining an understanding of internal controls significant to the audit objectives, auditors should also determine whether it is necessary to evaluate information system controls.

Initially, internal controls were not significant to the audit objective, which was to determine whether ULOs were valid and supported. We requested and reviewed supporting documentation, noted in the AOC's policy as documentary evidence, to make a determination on the validity of ULOs. Our test resulted in a significant number of invalid ULOs with balances that could have been made available for other needs or put to better use. Therefore, to gain an understanding of why there was a significant number of invalid ULOs identified in the audit results, we reviewed additional internal controls surrounding the AOC's financial review and certification process. Specifically, we examined the AOC's QFR policies and procedures, roles and responsibilities, and supporting document for the review, validation and certification of ULO balances. We also interviewed AOC staff to determine if controls were properly implemented and working as designed, individually or in combination with other controls.

Overall, we concluded that the AOC's review, validation and certification of dormant ULOs needs improvement. We determined that a significant amount of the statistically sampled dormant ULOs were invalid and unsupported, and the QFR process for ULOs was ineffective. We also found that the detailed listing of open dormant ULOs included a number of nominal (less than \$50) ULO balances.

Use of Computer-Processed Data

We did not use a material amount of computer-processed data to perform this audit.

Prior Coverage

The FY 2018-2020 Financial Statements Audits reported Untimely De-obligations of Funds as a repeat finding. The audits were conducted by an Independent Public Accountant (IPA) firm.

Report No. 2019-0001-AUD-R Fiscal Year 2018 Financial Statements Audit, dated November 15, 2018

The AOC reported approximately 3,000 ULOs worth \$334 million as of August 21, 2018. The IPA evaluated the validity and liquidation status of a judgmentally selected sample of 16 ULOs, with a recorded value of \$1.6 million. A focus was placed on ULOs that did not have activity, including liquidations, within the last 12 months. The IPA found that all of the 16 ULOs sampled, no longer represented future funding needs for the AOC.

Although the AOC had a process, it did not adhere to Order 30-1, *Funds Control Administration*, which requires a formal review of open commitments and undelivered orders to be accomplished by the jurisdictional account holder. While there was an effort made by Acquisition and Material Management Division (AMMD) to follow the formal review process, there was no indication that any review was conducted prior to the submission of the ULO sample.

The IPA presented two recommendations to strengthen and better integrate the obligation process.

Report No. OIG-AUD-2020-02 Fiscal Year 2019 Financial Statements Audit Management Letter, dated December 17, 2019

The AOC reported approximately 9,200 ULOs, totaling \$478 million, as of August 14, 2019. A focus was placed on ULOs that did not have activity, including liquidations, within the last 12 months. The IPAs reviewed the validity and liquidation status of a judgmentally selected sample of 25 ULOs with a recorded value of \$1.7 million. They found that 14 of the ULOs sampled, with a recorded value of approximately \$980,000, no longer represented future funding needs for the AOC.

Although the AOC had a process, it did not adhere to Order 30-1, *Funds Control Administration*, which requires a formal review of open commitments and undelivered orders to be accomplished by the jurisdictional account holder. Specifically, the IPAs did not obtain evidence that formal reviews were conducted prior to the testing of the ULO sample.

The IPA presented three recommendations to strengthen and better integrate the obligation process.

Report No. OIG-AUD-2021-02 Fiscal Year 2020 Financial Statements Audit Management Letter, dated December 14, 2020

The AOC reported approximately 8,050 ULOs worth \$407.8 million as of June 30, 2020. The validity and liquidation status of a judgmentally selected sample of 27 ULOs with a recorded value of \$4.9 million was reviewed. A focus was placed on ULOs that did not have activity, including liquidations, within the last 12 months. The IPA found that 15 ULOs with a recorded value of approximately \$2.7 million were invalid and should have been de-obligated by the AOC as of June 30, 2020, as obligations were not active and future activity was not anticipated.

Although the AOC had a process, it did not adhere to Order 30-1, *Funds Control Administration*, which requires a formal review of open commitments and undelivered orders to be accomplished by the jurisdictional account holder. The AMMD was revising the formal review process. Therefore, an emphasis was placed on training individuals in the new review process.

The IPA presented three recommendations to strengthen and better integrate the obligation process.

Appendix B

Criteria

We used the following criteria to determine whether the ULOs were valid and supported by sufficient and appropriate documentary evidence.

AOC's Order 30-1, Funds Control Administration, dated May 31, 2015.

Funds Control Administration is a process that enhances the efficiency and effectiveness of agency resource use. It is based on appropriations law, such as Title 31 of the U.S. Code (U.S.C.), Money and Finance. Because the AOC operates from public funds, it is essential that the agency abide by all applicable laws. The appendices provide significant aspects of Funds Control Administration and provide a framework for Funds Control Administration policy and procedure.

Section E – Joint Reviews of Undelivered Orders

15. Purpose. *This section establishes the agency policy and procedural guidelines for the review and validation of the agency's financial documents and their related financial records.*

16. Background. *Sound financial management practices include continual reviews of financial documents. Within that continual review process, a specific formal review is needed to confirm that orders placed with vendors that have yet to be received and paid for are still valid, make funds available that otherwise would not be used and reduce the risk of misuse of funds... These open undelivered orders must be reviewed and verified since they may be unnecessarily tying up agency resources — resources that could be put to better use.*

17. Requirement for Documentary Evidence. *Agency reports are required to be supported by documentary evidence of valid obligations. Documentary evidence is:*

17.1. A binding agreement between the agency and another person that is in writing and for a purpose authorized by law; and executed before the end of the period of availability for obligation for the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

17.2. A loan agreement showing the amount and terms of repayment.

17.3. An order required by law to be placed with an agency.

17.4. A liability that may result from pending litigation.

17.5. Employment or services of persons or expenses of travel under law; OR

17.6. Services provided by public utilities.

17.7. Other legal liability of the government against an available appropriation or fund.

18. Policy. *The agency policy is to record and report valid obligations. To validate recorded obligations, at least once each year, a formal review of undelivered orders will be performed. A quarterly review is preferred and may result in more efficient use of agency funding...*

Managers who have received funding allocations have a responsibility to provide an annual assurance statement to the CFO attesting to the accomplishment of the final document review. The assurance statement will reflect that the undelivered order review process was complete and that internal controls were maintained such that the JAH has reasonable assurance that budget execution and financial reporting fairly reflect the status of obligated appropriations. The assurance statement will confirm that:

18.3. All obligations recorded in FMS have been validated to a hard copy or electronic source document. Dormant obligations over 180 days old have been validated by confirming that the ordered goods or services are still expected to be received and are still valid needs. AMMD has been informed to cancel all obligations that could not be sustained or validated after thorough review.

18.4. All miscellaneous obligation documents, travel orders and consumable item orders that have been recorded in FMS for more than 180 days have been de-obligated, unless there is firm supporting documentation from the JAH attesting to the purpose, need and validity of the obligation.

19. Procedural Guidelines. *The review of open documents must be accomplished by the JAH, or their delegate, who is familiar with the purpose and need that generated the requirement...*

This review includes the award close out process that encompasses completion of receiving reports, ensuring the vendor's invoice is processed, and the validation of any open amounts as of the date of review.

20. Responsibilities. *As managers of allocations, the JAH will address an annual assurance statement to the CFO to be received no later than October 15. The assurance statement will support the received certification by the CFO to Treasury and be similar to:*

“Pursuant to my responsibilities as Jurisdictional Account Holders, that as of (mm/dd/yyyy), I Certify that the obligation balances in each of my allocation amounts reflect existing obligations that are supported by adequate documentation maintained in accordance with agency guidelines. Expenditures from the accounts are supported by a proper obligation of funds.”

AOC’s Order 32-10, Quarterly Financial Reviews, dated October 12, 2010.

This Order establishes the broad policy for the financial review process. Management review of financial information is a best business practice as management monitors, verifies, and takes formal responsibility for reporting financial transactions and reporting on resources under their control.

1. Purpose. *This Architect of the Capitol (AOC) Order establishes an Office of the Chief Financial Officer (OCFO) policy for quarterly financial reviews by AOC management officials and those with financial oversight responsibility. Establishing and documenting a financial verification policy is essential to improving the reliability of the information used in the AOC's financial statements, budgets, and operational performance measures.*

3. Background. *A periodic financial reporting and review process will enhance financial controls and accountability... In addition, the financial review and verification process will be used by AOC leadership to inform financial business decisions (e.g., budget requests or proposed reprogramming actions).*

5. Policy. *To improve the underlying financial information used in the AOC's financial statements, budgets, and operational performance measures, this policy establishes an internal financial review process. The AOC intends to use financial reviews and evaluations to monitor and improve fiscal stewardship and operational effectiveness. ...*

Under the guidance and coordination of the Chief Financial Officer, each responsible signing official will be provided with quarterly reports on their Jurisdiction's financial operations. Although these interim reports will not be audited the data contained therein will ultimately be used in the AOC's annual financial statements, which are subject to an independent audit. Therefore, responsible signing officials with the most knowledge about their operations are being asked to validate the information contained in the financial system for their Jurisdiction.

Sign-Off by Responsible Signing Officials. *As part of this control process, responsible signing officials will be required to review, sign-off, and date their quarterly reports. The signed reports will be returned to the Accounting Officer. If*

discrepancies or errors are uncovered, the returned report should identify and provide details on the differences. The Accounting Office or Budget Office staff will investigate differences, follow-up with the Jurisdictions, and notify the appropriate parties if changes are required. For this policy, a full data validation is required and there is no minimum materiality threshold.

Responsible Signing Officials. *The responsible signing officials are those individuals responsible for managing the AOC appropriations. Financial reports will be provided for ... AOC organizations and responsible signing official.*

Format of Reports. *The format of the reports for this financial review will be similar to the Status of Funds report...To ensure that the responsible signing officials have all the information they need to fully understand and sign-off on their reports, the review reports will also contain detailed backup schedules for each major item on the report.*

Distribution of Reports. *The AOC's Accounting Office will distribute the financial review reports on a quarterly basis on the first business day of the second month of the subsequent quarter.*

Due Date of Reviews. *Responsible signing officials will have one month to review and sign-off their reports.*

Appendix C

Announcement Memorandum




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United States Government

MEMORANDUM

DATE: February 3, 2021

TO: J. Brett Blanton
Architect of the Capitol

FROM: Christopher P. Failla, CIG 
Inspector General

SUBJECT: Announcement Memorandum for the Audit of the Architect of the Capitol's
(AOC) Unliquidated Obligations (ULO) (2021-AUD-004-A)

This memorandum serves as notification that the Office of Inspector General plans to initiate an audit of the AOC's ULO. The objective of the audit is to determine whether the AOC's ULOs are valid and supported by sufficient and appropriate documentary evidence.

We will be in contact with your office to set up an audit entrance conference. If you have any questions, please contact Erica Wardley, Assistant Inspector General for Audit at 202.215.3395 Erica.wardley@aoc.gov.

Distribution List:

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Jonathan Kraft, Chief Financial Officer
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Peter Mueller, Chief Engineer
Mary Jean Pajak, Senior Advisor

Appendix D

Management Comments




Architect of the Capitol
U.S. Capitol, Room SB-16
Washington, DC 20515
202.228.1793
www.aoc.gov

United States Government

MEMORANDUM

DATE: September 22, 2021

TO: Christopher P. Failla
Inspector General

FROM: J. Brett Blanton 
Architect of the Capitol

SUBJECT: Official Response to Audit of the Architect of the Capitol's Unliquidated Obligations, Project No. 2021-AUD-004-A

The Architect of the Capitol (AOC) thanks you for the opportunity to review and provide a response to the Office of Inspector General draft report of the subject audit in accordance with sections 5.2.6 and 8 of AOC Order 40-1.

The AOC concurs with your overall assessment that conducting proper and timely reviews, validations, de-obligations or closures of the unliquidated obligations would result in a more efficient use of agency appropriations.

The AOC further concurs with the draft report recommendations and will take action to implement such recommendations.

Please contact Jonathan Kraft at 202.226.1562 or jonathan.kraft@aoc.gov if you have any questions.

Doc. No. 210917-04-01

Acronyms and Abbreviations

AMMD	Acquisition and Material Management Division
AO	Accounting Officer
AOC	Architect of the Capitol
CFO	Chief Financial Officer
FMS	Financial Management System
FY	Fiscal Year
IPA	Independent Public Accountant Firm
JAH	Jurisdiction Account Holders
OCFO	Office of the CFO
OIG	Office of Inspector General
Q	Quarter
QFR	Quarterly Financial Reviews
ULO	Unliquidated Obligations
U.S.C	U.S. Code

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