



Office of Inspector General

Statement of Management Opportunities and Performance Challenges 2018

Introduction

As part of our agency's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2018, the Architect of the Capitol (AOC) Stephen T. Ayers requested the Office of Inspector General's (OIG) Statement of Management Opportunities and Performance Challenges (Statement). As with every AOC PAR since FY 2010, the AOC OIG provides this statement for information and inclusion in the upcoming PAR. This document identifies the AOC's most significant challenges and opportunities for improvement. The Statement is based on our observations, audits and investigative efforts, as well as the AOC-contracted Financial Statements Audit. We appreciate this opportunity to provide the AOC with our unique perspective on areas that need increased management attention and decisive action.

The AOC OIG exists to provide efficiencies and economies along with preventing and reporting fraud, waste and abuse through inspections, evaluations, audits and investigations. In addition, we are a key tool for the Architect of the Capitol as we offer objective recommendations to better utilize resources and report deficiencies that may hinder the AOC's mission. In recent months, the AOC OIG has made several key efforts to streamline our operations. These included performing outreach strategies and obtaining an independent enterprise-wide risk assessment of AOC operations in order to target our resources to better assist the AOC in achieving its mission.

The OIG believes that focusing senior leadership's attention to the Statement will help improve service delivery, promote economy and efficiency, and reduce the potential for fraud, waste and abuse in the AOC's operations.

While recognizing the AOC's accomplishment in executing its core mission, amid fiscal uncertainty and constraints, the AOC must continue to monitor the Management Challenge areas identified in the 2016 and 2017 PARs. In particular, Deteriorating Condition of Grounds and Buildings, Managing Concurrent Projects, Retaining and Attracting a Skilled and Engaged Workforce, Cyber Security, Data Quality Monitoring, a Lack of a Whistle Blower Protection, and Internal Controls Structure should remain on this list. From our vantage point, much progress has been made to date to improve and eliminate the OIG-identified management challenges over the last two years. Due to the emphasis the AOC has placed on continued improvement of prior years' management challenges, we have removed Single Source AOC Liaison for Managing Concurrent Projects as a management challenge. We have also removed the Energy Stewardship and Sustainability, Workplace Safety and Health, and Physical Security of Facilities management challenges, as we have not observed reoccurring issues in these areas during our recent audits and reviews of AOC programs and construction projects. In addition to

the remaining seven continuing management challenges, the AOC OIG has identified additional management challenges that impact the AOC.

Additional OIG-Observed Management and Performance Challenges

1. Property Accountability and Surplus Property Disposal
2. Managing User-Requested Changes

Property Accountability and Surplus Property Disposal

In our 2014 Statement we reported significant risks over the accountability of government property valued at under \$1,500, particularly risks related to easily pilfered items such as hand and power tools and information technology (IT) equipment. We noted that although the AOC had developed improved property controls and published a new *Personal Property Manual* for the accountability of government property valued at over \$1,500, these items were still subject to insufficient inventory or property accountability controls. In our 2014 Statement, we also identified serious concerns with the appropriate disposition of surplus property.

In our 2015 Statement we eliminated both of these items, citing the improvements made to the AOC's internal control processes and guidance documents, although at that time we also stated that we would continue to monitor the AOC's progress in controlling risks associated with hand and power tools. In the past year, these concerns have resurfaced both through audit efforts related to IT inventory issues and in recent investigative work identifying serious concerns with the appropriate disposition of scrap metals and reporting of missing equipment. Although the AOC's efforts to improve inventory and internal control processes are laudable, we are again adding property accountability as an issue that we consider to be a management challenge. Additionally, the AOC OIG is planning an evaluation to study this program and offer recommendations to improve the management of inventory and decrease the opportunity for theft, unnecessary replacement of equipment and waste.

Managing User-Requested Changes

The management of large construction projects poses challenges and risks to the AOC that are not typical to other agencies. Staying within project schedules and costs are major challenges for AOC construction projects. While adequate planning and design limit the extent of these challenges, unforeseen circumstances increase the risks. To offset these risks, the AOC builds contingency funding into its budget request and extra time into its schedule estimates. However, several key factors including user requests to revise and modify the scope of projects can cause cost increases and schedule delays to the project. In our review of several AOC construction projects, we noted cost overages to the overall project budgets as well as schedule delays. Specifically, the Cannon House Office Building Renewal Project Phase 1 is estimated to have an

overage of \$5 million and estimated delays in opening the Seryer and the Caucus Room. This, in part, is due to design revisions from congressional partners and user-requested changes that will require expending from the contingency budget and will also require cost savings measures and scope reductions in Phases 2, 3 and 4, as well as the possible utilization of additional project contingencies to cover any Phase 1 shortfalls. The AOC should consider evaluating its current planning processes and implement necessary enhancements to account for the likelihood of user-requested changes for all future and current construction projects. An effective formal approval process to manage change orders, including user-requested changes, should proactively limit cost overages and schedule delays.

Conclusion

All federal agencies have areas where improvements are needed. This Statement, is seen from the OIG's perspective, and should be taken in that context. The AOC has much to be proud of, as it has reduced or eliminated many of the two previous years' challenges. The progress being made to eliminate these challenges is very encouraging, and the two management challenges included above will serve to improve the AOC's efforts to prevent and detect fraud, waste and abuse, as well as improve the effectiveness of its operations.

As the OIG finds additional specific challenges, we will inform management with findings and recommendations via audits, inspections, evaluations and investigations. Our intent of these findings and recommendations is to improve the AOC's operations to meet its overall mission to serve, preserve and inspire and to support the Architect of the Capitol by decreasing fraud, waste and abuse.