



OFFICE OF INSPECTOR GENERAL

JUNE 16, 2022

Fiscal Year 2021 Financial Statements Audit Management Letter

Audit Report OIG-AUD-2022-05

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.




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MEMORANDUM

DATE: June 16, 2022

TO: J. Brett Blanton
Architect of the Capitol

FROM: Christopher P. Failla, CIG
Inspector General 

SUBJECT: Architect of the Capitol's (AOC) Fiscal Year 2021 Financial
Statements Audit Management Letter (OIG-AUD-2022-05)

This memorandum transmits KPMG's management letter on the AOC's financial statements for the fiscal year that ended September 30, 2021. Under a contract monitored by this office, we engaged the independent public accounting firm of KPMG to perform an audit of the AOC's financial statements. The contract required that the audit be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

This report contains comments and recommendations relating to internal control deficiencies. KPMG identified three deficiencies in AOC's internal controls over financial reporting. The internal control deficiencies noted in this report were not significant and therefore, the deficiencies were not required to be reported in AOC's independent audit report. KPMG's observations and recommendations regarding such matters are presented in the attachment. The AOC concurred with the findings and recommendations for the first and second deficiencies; however, the AOC did not concur with the finding and recommendation for the third deficiency. The AOC did not provide an official response to KPMG's management letter. In addition, we closed 10 of 16 prior year financial statement recommendations (see Section 2: *Status of Prior Year Recommendations*).

KPMG is responsible for the attached management letter dated June 15, 2022, and the conclusions expressed therein. We do not express opinions on the AOC's financial statements or internal control, or conclusions on compliance and other matters.

We appreciate the cooperation and courtesies provided to KPMG and this office during the audit. If you have any questions or wish to discuss this report, please contact Sharmaine Carter at 202.538.1830 or Sharmaine.Carter@aoc.gov.

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Section 1

KPMG Management Letter



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

June 15, 2022

Mr. Christopher P. Failla, CIG
Inspector General
Architect of the Capitol

Mr. J. Brett Blanton
Architect of the Capitol
Architect of the Capitol

Mr. Failla and Mr. Blanton:

In planning and performing our audit of the financial statements of the Architect of the Capitol (AOC) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, we considered AOC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AOC's internal control. Accordingly, we do not express an opinion on the effectiveness of AOC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated June 15, 2022 on our consideration of the AOC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

During our audit, we identified the following deficiencies in internal control:

1. Lack of Review and Monitoring of Service Organizations' Controls for the Legislative Branch Financial Management System

The AOC's controls to monitor LBFMS internal controls performed by LOC and CGI were not effectively designed and implemented. Specifically, the AOC did not document 1) procedures for evaluating effectiveness of the controls detailed in the LBFMS SOC 1 report or controls performed by the LOC or 2) relevant local IT controls that address complementary user entity controls (CUEC) detailed in the LBFMS SOC 1 report.

We recommend the AOC create and/or update existing policies and/or procedures for periodically evaluating the effectiveness of the controls detailed in the LBFMS SOC 1 report or performed by LOC as well as document the relevant local IT controls that address CUECs included in the LBFMS SOC 1 report and evaluate their effectiveness annually.



Architect of the Capitol
June 15, 2022
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Management's response: Management stated that they concur with our finding and recommendation.

2. Lack of Implementation of Controls over Assessing System and Organization Controls (SOC) Reports

The AOC did not review the SOC reports for their service organizations. The AOC did not review the reports for control findings or confirm they implemented the appropriate complementary end-user controls (CUECs) identified in the reports. We recommend that AOC management implement the existing, documented procedures over the review of SOC reports, establish procedures to transfer responsibilities for control operations to other team members upon an employee's separation, and monitor internal controls to assess their effectiveness.

Management's response: Management stated that they concur with our finding and recommendation.

3. Non-Generally Accepted Accounting Principles (non-GAAP) Practice for Prepaid Software Expenses

The AOC does not currently have a control designed to appropriately capture and quantify non-GAAP policies and practices. We recommend that AOC management should design an appropriate control to identify, analyze, and respond to risks related to non-GAAP practices and policies.

Management's response: Management stated that they do not concur with our finding and recommendation.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

Section 2

Status of Prior Year Recommendations

Audit of Fiscal Year 2019 Financial Statements Audit Management Letter (OIG-AUD-2020-02)		
Number	Recommendation	Recommendation Open/Closed
1	Ensure that Momentum® user administration guidance and procedures are updated to reflect current processes and controls, including timelines for removing roles and deactivating access resulting from recertification responses and personnel separation actions, and processes for approving both new accounts and roles and modifications to existing access to the system.	Open
2	Require, document and maintain approvals for Momentum® access modifications in addition to original account provisioning actions.	Open
5	Enforce the Architect of the Capitol (AOC) Order 30-1 requiring a review of unliquidated obligations (ULOs). Consider drafting a standard operating procedure (SOP) to simplify the periodic review process for the status of ULOs and to ensure appropriate contract personnel and jurisdictional account holders communicate when funds are no longer valid. The process should include the requirement to provide documentation of the review of the status of the ULO balances that lack expenditure activity for a prolonged period.	Closed
6	Conduct appropriate training and perform formal communication (e.g., correspondence, minutes) on a periodic basis to applicable AOC personnel (e.g., Contract Officers, Contracting Officer Representatives) to ensure proper execution over the monitoring of ULO balances and timely de-obligations of invalid ULO balances. Training should include information on the AOC's ULO review process, specifically on how to execute review, in addition to understanding the importance of de-obligating unneeded funds in a timely manner.	Closed
7	Continue to have the Chief, Acquisition of Architecture, Engineering and Construction Services Division; Chief, Acquisition of Supplies, Services and Material Management Division or their representative, and the Accounting and Finance Officer work jointly to develop an automated solution.	Closed
8	The Human Capital Management Division should review the policies and procedures related to overtime and leave and make updates if considered appropriate.	Closed
9	AOC managers, supervisors and timekeepers must adhere to the policies and procedures put in place for supervisors and responsible parties in order to properly monitor the overtime and leave of absence use in their jurisdictions.	Closed
10	AOC jurisdictional leaders should reinforce to their managers, supervisors, timekeepers and employees the importance of following the leave and overtime approval process by frequently communicating and meeting with personnel with responsibility to monitor overtime and leave use. Jurisdictional leaders should have situational awareness of instances where overtime and leave requests are not being approved in accordance with AOC Orders 550-1 and 630-1, respectively.	Closed
11	If overtime or leave cannot be approved in advance, document and maintain an explanation for the delay. Hard copy requests and approvals should be retained in a location that is easily available upon request or annotated in the remarks section in WebTA if overtime or leave requests are requested and approved in the system.	Closed

Fiscal Year 2020 Financial Statements Audit Management Letter (OIG-AUD-2021-02)

Number	Recommendation	Recommendation Open/Closed
1	Ensure that AOC staff responsible for evaluating SOC 1® reports adequately understand the impact of controls performed by subservice organizations on the AOC's financial systems and consider whether the absence of SOC 1® testing of these controls requires implementation of additional Complementary User Entity Controls (CUEC).	Open
2	Determine whether the National Finance Center (NFC), Invoice Processing Platform (IPP) and subservice provider SOC 1® reports will be delivered in a timely manner and contain the following information required for an effective review and analysis: a. Complete system description b. Description of controls tested and the results of those tests c. Applicable management responses d. Incorporate any applicable changes to IPP and Treasury Web Applications Infrastructure (TWAI) subservice providers to the AOC IPP risk assessment that impacts the Accounts Payable (AP) financial statement assertion for transactions through IPP	Open
3	Complete an IPP/TWAI-specific risk assessment to ensure implementation of key controls relevant to the AP financial statement assertion (e.g., through complete and timely SOC 1® reports and/or internal AOC CUECs). If the AOC becomes aware that the content of IPP/TWAI-related SOC 1® reports will continue to be provided in an untimely manner or presented in redacted format, AOC management should implement, through its risk assessment, a process to separately identify and assess mitigating and compensating controls to its environment. Additionally, for known control deficiencies at the service and key subservice providers, the AOC should identify compensating control(s) to mitigate the risks within the AOC control environment.	Open
4	Complete an NFC-specific risk assessment to ensure implementation of key controls relevant to the Payroll financial statement assertion (e.g., through complete and timely SOC 1® reports and/or internal AOC CUECs). If the AOC becomes aware that the content of NFC-related SOC 1® reports will continue to be provided in an untimely manner, AOC management should implement, through its risk assessment, a process to separately identify and assess mitigating and compensating controls to its environment. Additionally, for known control deficiencies at the service and key subservice providers, the AOC should identify compensating control(s) to mitigate the risks within the AOC control environment.	Open
5	Update AOC patching guidance by setting specific timelines for implementation related to high-risk patches.	Closed
6	Prioritize application of specific patches based on the security impacts, versus the functional impacts of the patch application.	Closed
7	Implement critical security patches within prescribed timelines, remediate vulnerabilities through configuring the software (e.g., turning off or limiting access to ports or services), or obtain and document the open vulnerabilities in a Plan of Action and Milestones.	Closed

Acronyms and Abbreviations

AP	Accounts Payable
AOC	Architect of the Capitol
CGI	CGI Technologies and Solutions Inc.
COR	Contracting Officer Representative
CUEC	Complementary End-User Control
FY	Fiscal Year
GAAP	United States Generally Accepted Accounting Principles
IPP	Invoice Processing Platform
IT	Information Technology
LBFMS	Legislative Branch Financial Management System
LOC	Library of Congress
NFC	National Finance Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
SOC	System and Organization Control
SOP	Standard Operating Procedure
TWAI	Treasury Web Applications Infrastructure
ULO	Unliquidated Obligations
U.S.	United States
WebTA	Time and Attendance Application



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