



OFFICE OF INSPECTOR GENERAL

DECEMBER 04, 2023

Fiscal Year 2023 Financial Statements Audit Management Letter

Audit Report OIG-AUD-2024-02

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.




Office of Inspector General
Fairchild Bldg.
499 S. Capitol St., SW, Suite 518
Washington, D.C. 20515
202.593.1948
www.aoc.gov

United States Government

MEMORANDUM

DATE: December 04, 2023

TO: Chere Rexroat, RA
Acting Architect of the Capitol

FROM: Christopher P. Failla, CIG, CFA
Inspector General 

SUBJECT: Architect of the Capitol's (AOC) Fiscal Year 2023 Financial
Statements Audit Management Letter (OIG-AUD-2024-02)

This memorandum transmits KPMG's management letter on the AOC's financial statements for the fiscal year that ended September 30, 2023. Under a contract monitored by this office, the Office of Inspector General (OIG) engaged the independent public accounting firm of KPMG to perform an audit of the AOC's financial statements. The contract required 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; and Office of Management and Budget Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

This report contains comments and recommendations relating to internal control deficiencies. KPMG identified two deficiencies in AOC's internal controls over financial reporting. The internal control deficiencies noted in this report were not identified as material weaknesses or significant deficiencies 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 two deficiencies. The AOC did not provide an official response to KPMG's management letter. In addition, the OIG closed all six of the prior year financial statement recommendations (see [Section 2: Status of Prior Year Recommendations](#)).

KPMG is responsible for the attached management letter dated November 15, 2023, and the conclusions expressed therein. We do not express opinions on 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.

Distribution List:

Hajira Shariff, AOC Liaison to the OIG
Joseph Campbell, Acting Chief Financial Officer
Brian Kohler, Director, Business Services
Joseph DiPietro, Chief of Operations
Angela Freeman, Acting General Counsel
Thomas Costello, Acting Deputy Chief Engineer
Valerie Hasberry, Chief Security Officer
Robert Bell, Chief Information Officer
James Kaufmann, Director, Capitol Grounds & Arboretum
Michael Lewis, Supervisory Engineer, Library Buildings and Grounds
Stephanie Jones, Supervisory Engineer, Senate Office Buildings
Mark Reed, Superintendent, U.S. Capitol Building
Barron Dill, Supervisory General Engineer, House Office Buildings
Danezza Quintero, Deputy Director, Office of Safety and Code Compliance
Trav Thiesse, Assistant Facilities Manager, Supreme Court Buildings and Grounds
Susan Pell, Executive Director, U.S. Botanic Garden
Fay Ott, Acting Chief Executive Officer for Visitor Services
Christopher Potter, Director, Utilities and Power Plant Operations

Table of Contents

SECTION 1:

KPMG MANAGEMENT LETTER

SECTION 2:

STATUS OF PRIOR YEAR RECOMENDATIONS

ACRONYMS AND ABBREVIATIONS

Section 1

KPMG Management Letter



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

November 15, 2023

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

Mr. Chere Rexroat, RA
Acting Architect of the Capitol
Architect of the Capitol

Mr. Failla and Ms. Rexroat:

In planning and performing our audit of the financial statements of the Architect of the Capitol (AOC) as of and for the years ended September 30, 2023 and 2022, 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, 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 November 15, 2023, 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. Insufficient Review of Litigation Cases and Potential Contingent Liabilities

AOC's internal controls did not operate effectively, as required by the Government Accountability Office, *Standards for Internal Control in the Federal Government* (the Green Book) Principle 12. Specifically attribute 12.05 which states, "Management periodically reviews ... related control activities for ... effectiveness in achieving the entity's objectives or addressing related risks." During preparation of the interim legal letter, AOC incorrectly assessed the likelihood of a specific case as "reasonably possible" rather than "probable" despite the parties being in the final stages of settlement. As a result, AOC failed to record a contingent liability for the probable case.

AOC did not monitor the internal control system through ongoing monitoring and separate evaluations, as required by Green Book Principle 16. Specifically attribute 16.04 which states, "Management monitors the internal control system through ongoing monitoring and separate evaluations."

Failing to sufficiently monitor the legal letter inquiry and review process increases the risk of improperly recording the correct status of contingent liabilities, thereby increasing the risk of a misstatement to



contingent liabilities. While AOC corrected the noted misstatement by recording an on-top adjustment for the contingent liability, in the amount of \$172 thousand, the risk exists that contingent liabilities may be misstated in the future.

We recommend the AOC Office of the Chief Financial Officer properly monitors that an adequate review over all litigation cases, as assessed by the Office of General Counsel, is performed to determine that all necessary contingent liabilities are assessed properly, and the appropriate financial reporting requirements are followed.

Management concurred with the Notice of Finding and Recommendation.

2. Control Gap in Succession and Contingency Plans for Key Roles At The Organization.

AOC management experienced unexpected departures in several management roles simultaneously. There were insufficient contingency plans to address the entity's need to respond to sudden personnel changes that could compromise the internal control system, as required by Green Book Principle 4. Specifically attribute 4.06 which states, "Management defines succession and contingency plans for key roles to help the entity continue achieving its objectives."

AOC Management's current succession and contingency planning is not properly designed to ensure the agency can respond to both expected and unexpected departures from key positions within the agency, as required by Green Book Principle 9. Specifically attribute 9.01 which states, "Management should identify, analyze, and respond to significant changes that could impact the internal control system."

Without a proper succession or contingency plan in place, AOC is forced to take a reactive approach to unexpected departures from key positions in the agency. These unexpected departures can:

1. Create a lack of oversight;
2. Create a critical loss in operational knowledge and experience;
3. Disrupt continuity of operations during periods of transition;
4. Cause delays in or failures to implement strategic long-term priorities; and
5. Increase the risk of management override of controls.

Additionally, in respect to the Chief Financial Officer (CFO) position, there is an increased risk of improper financial reporting as the CFO is ultimately responsible for the preparation and presentation of the financial statements. As a result, the lack of a proper contingency plan can give rise to additional financial statement reporting risks if the position is not filled timely with a qualified individual.

We recommend the AOC develop and implement an adequate succession and contingency plan as part of its organizational strategy to ensure that the agency is equipped to respond to unexpected departures from key positions within the agency.

Management concurred with the Notice of 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

Fiscal Year 2020 Financial Statements Audit Management Letter (OIG-AUD-2021-02)		
Number	Recommendation	Recommendation Open/Closed
2	Determine whether the National Finance Center (NFC), Invoice Processing Platform (IPP) and subservice provider System and Organization Control (SOC) 1® reports will be delivered in a timely manner and contain the following information required for an effective review and analysis: <ul style="list-style-type: none"> 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 	Closed
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 Complementary End-User Controls (CUEC)). 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.	Closed
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.	Closed

Fiscal Year 2021 Financial Statements Audit Management Letter (OIG-AUD-2022-05)		
Number	Recommendation	Recommendation Open/Closed
2	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.	Closed

Fiscal Year 2022 Financial Statements Audit Management Letter (OIG-AUD-2023-02)

Number	Recommendation	Recommendation Open/Closed
1	AOC management design control activities, including policies and procedures, that require the use of quality information in the preparation of the footnote.	Closed
2	AOC management 1) enforce adherence to the existing, documented procedures to require appropriate review of SOC reports and 2) monitor the status of internal controls performed by third parties to assess their effectiveness.	Closed

Acronyms and Abbreviations

AP	Accounts Payable
AOC	Architect of the Capitol
CFO	Chief Financial Officer
CUEC	Complementary End-User Control
IPP	Invoice Processing Platform
NFC	National Finance Center
SOC	System and Organization Control
TWAI	Treasury Web Applications Infrastructure



OFFICE OF THE INSPECTOR GENERAL

Fairchild Building, Suite 518

499 South Capitol Street, SW

Washington, DC 20515

(202) 593-1948

hotline@aoc-oig.org