



OFFICE OF INSPECTOR GENERAL

DECEMBER 08, 2022

Fiscal Year 2022 Financial Statements Audit Management Letter

Audit Report OIG-AUD-2023-02

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.



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MEMORANDUM

DATE: December 08, 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 2022 Financial
Statements Audit Management Letter (OIG-AUD-2023-02)

This memorandum transmits KPMG's management letter on the AOC's financial statements for the fiscal year that ended September 30, 2022. Under a contract monitored by this office, the 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; Office of Management and Budget Bulletin No. 22-01, *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 five of nine prior year financial statement recommendations (see Section 2: *Status of Prior Year Recommendations*).

KPMG is responsible for the attached management letter dated December 07, 2022, 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:

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Section 1

KPMG Management Letter



KPMG LLP
Suite 12000
1801 K Street, NW
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December 7, 2022

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

Mr. J. Brett Blanton
The 12th 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 years ended September 30, 2022 and 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, we considered the 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 the AOC's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 16, 2022 on our consideration of the AOC's internal control over financial reporting in which we communicated a deficiency in internal control that we consider to be a material weakness.

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. Controls for the compilation of the heritage assets footnote are not properly designed and implemented

The controls over the preparation of the heritage asset footnote are not properly designed.

AOC does not have in place a system to enable efficient and effective communication to report accurate and complete quality information. In addition, AOC management did not obtain relevant and reliable data, as required by Government Accountability Office (GAO), Standards for Internal Control in the Federal Government, (the Green Book) principles 13 and 14.

As a result the following issues occurred:

- One memorial tree was incorrectly presented as a "Withdrawal", instead of an "Other Adjustment" resulting in an overstatement of "Withdrawals" and understatement of "Other Adjustments".



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- Three artwork “Additions” were netted with two artwork “Withdrawals” to present one artwork “Addition” on the footnote resulting in an understatement of “Additions” and “Withdrawals”.
- Incomplete and inaccurate populations were provided for Living Botanical Assets “Additions” and “Withdrawals” resulting in an overstatement of “Additions” of 273 assets, an overstatement of “Withdrawals” of 283 assets, and an understatement of “Other Adjustments” of 10 assets.

We recommend that AOC management design control activities, including policies and procedures, that require the use of quality information in the preparation of the footnote.

2. *Controls for the reviews of System and Organization Controls (SOC) reports are not properly designed and implemented.*

AOC’s controls over the review of SOC reports for the U.S. Department of Agriculture (USDA) National Finance Center (NFC) subservice organizations are not properly designed and implemented. Specifically, the AOC did not review the SOC report for the USDA NFC’s Office of Chief Information Officer (OCIO) subservice organization. AOC management did not sufficiently consider and respond to the potential risk associated with service organization control failures and complementary end-user control failures, as required by Green Book Principle 7. The AOC also did not have sufficient monitoring of control activities to identify that the control was not performed, as required by Green Book Principles 16 and 17.

Failure to design and implement controls effectively for the monitoring of subservice organizations increases the risks that those controls may not be operating effectively. This increases the risks to AOC’s data and operations directly linked to the service organizations and increases the risk that errors may exist in the financial statements.

We recommend that 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.

This 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 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 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.	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

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.	Open

Acronyms and Abbreviations

AP	Accounts Payable
AOC	Architect of the Capitol
CUEC	Complementary End-User Control
GAO	Government Accountability Office
IPP	Invoice Processing Platform
NFC	National Finance Center
OCIO	Office of Chief Information Officer
SOC	System and Organization Control
TWAI	Treasury Web Applications Infrastructure
USDA	U.S. Department of Agriculture



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