OFFICE OF INSPECTOR GENERAL

DECEMBER 17, 2019

Fiscal Year 2019 Financial Statements Audit Management Letter

Audit Report OIG-AUD-2020-02

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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 17, 2019

TO: Thomas J. Carroll III
Acting Architect of the Capitol

FROM: Christopher P. Failla, CIG
Inspector General

SUBJECT: Fiscal Year 2019 Financial Statements Audit Management Letter
(Audit Report OIG-AUD-2020-02)

This memorandum transmits Kearney & Company's (Kearney) Management Letter on the Architect of the Capitol's (AOC) financial statements for fiscal years ended September 30, 2019 and 2018. Under a contract monitored by this office, we engaged the independent public accounting firm of Kearney to perform an audit of the AOC's financial statements, and to provide reports on internal control over financial reporting, and on compliance and other matters. 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. 19-03, Audit Requirements for Federal Financial Statements; the U.S. General Accountability Office's (GAO) Federal Information System Controls Audit Manual; and the GAO/Council of the Inspectors General on Integrity and Efficiency Financial Audit Manual.

This report contains comments and recommendations related to internal control deficiencies and other matters. Kearney identified three modified report deficiencies and one new deficiency in the AOC's internal control over financial reporting. The four internal control deficiencies noted in this report were not significant and therefore, the deficiencies were not required to be reported in the AOC's independent audit report. The AOC's observations and recommendations regarding such matters are presented in the Attachment.

Kearny is responsible for the attached management letter dated December 10, 2019, and the conclusions expressed in the letter. We do not express opinions on the AOC's financial statements or internal control over financial reporting, or conclusions on compliance and other matters.

If you have any questions or wish to discuss this report, please contact Erica Wardley, at 202.593.0081 or Erica.Wardley@aoc.gov.

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Section 1

FY 2019 Financial Statements Audit
MANAGEMENT LETTER

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MANAGEMENT LETTER

To the Architect of the Capitol and Inspector General of the Architect of the Capitol

In planning and performing our audit of the Architect of the Capitol's (AOC) financial statements as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America; 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 (OMB) Bulletin 19-03, *Audit Requirements for Federal Financial Statements*, Kearney & Company, P.C. (defined as "Kearney," "we," and "our" in this letter) considered AOC's internal control over financial reporting and compliance with provisions of applicable laws, regulations, contracts, and grant agreements in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide assurance on internal control over financial reporting or on compliance. Accordingly, we do not express an opinion of the effectiveness of AOC's internal control over financial reporting or on its compliance.

Our *Independent Auditor's Report on Internal Control Over Financial Reporting*, dated November 15, 2019, noted no material weaknesses or significant deficiencies.

Although not considered to be material weaknesses or significant deficiencies, we noted certain matters involving internal control and other operational matters that are presented in this letter for AOC's consideration. These comments and recommendations are intended to assist in improving AOC's internal control or result in other operating efficiencies. In the signed Notifications of Findings and Recommendations (NFR), AOC concurred in concept with the findings and recommendations noted herein. We have not considered AOC's internal control since November 15, 2019.

We appreciate the courteous and professional assistance that AOC's personnel extended to us during our audit. We would be pleased to discuss our comments and recommendations with AOC at any time.

The purpose of this letter is solely to communicate other deficiencies in internal control or instances of noncompliance noted during the audit to management and those charged with governance, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
December 10, 2019

KEARNEY& COMPANY

MANAGEMENT LETTER COMMENTS

REPEAT MANAGEMENT LETTER COMMENTS

As all prior-year Management Letter control deficiencies have been closed in the current year, there are no repeat Management Letter control deficiencies.

MODIFIED REPEAT MANAGEMENT LETTER COMMENTS

1. Information Technology/Momentum®

Momentum® User Access Management Deficiencies

Background: A basic management objective for organizational access controls is to protect the resources and data supporting operations from unauthorized access. Organizations accomplish this objective by designing and implementing access controls for computing resources, programs, information, and facilities to prevent, limit, and detect unauthorized access. Inadequate access controls diminish the reliability of computerized information and increase the risk of unauthorized disclosure, modification, and destruction of sensitive information, as well as disruption of service. All users, and processes acting on behalf of users, should be explicitly authorized to access system resources in order to protect the security of information and information systems. Once created, management should monitor accounts to ensure the access for which they are authorized remains appropriate.

The Architect of the Capitol (AOC) uses Momentum®, also known as the Legislative Branch Financial Management System (LBFMS), as its financial management system. The Library of Congress (Library) owns the application instance of Momentum®, and Momentum® is hosted by Consultants to Government and Industries Technologies and Solutions, Inc. (CGI). CGI is responsible for the administration and management of the Momentum® database, application, and database server operating systems, as well as supporting infrastructure. AOC maintains responsibility for administering general access to the AOC security organizations within the Momentum® application.

AOC manages the process to provision and monitor general user access to Momentum® for AOC users. AOC requires individuals requesting access to Momentum® to submit a request through the SharePoint electronic workflow prior to granting the individual access to the system. Management also verifies the continuing appropriateness of Momentum® users on an annual basis. Finally, AOC LBFMS application administrators received regular ad hoc notifications of personnel separations and deactivated AOC users within Momentum®.

Finding: Management failed to provide sufficient evidence of the authorization and approval of incremental roles granted to 24 out of a sample of 25 Momentum® accounts.

In addition, management failed to timely remove access roles for six of a sample of 25 Momentum® accounts as a result of annual account revalidations.

Finally, management failed to provide evidence that 14 Momentum® accounts had been deactivated or had roles removed within a reasonable amount of time after their separation from AOC:

- Nine user accounts were deactivated or stripped of roles more than two business days after separations
- Five user accounts were not deactivated, but were flagged by the system to lock when the user next attempted to log in.

Recommendation: Kearney & Company, P.C. (Kearney) recommends that AOC perform the following:

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.
2. Require, document, and maintain approvals for Momentum® access modifications in addition to original account provisioning actions.
3. Recertify all active Momentum® users annually and remove unnecessary accounts within reasonable timelines.
4. Disable accounts for separated, inactive, and re-assigned personnel consistently and timely.

2. Untimely De-Obligation of Unliquidated Obligations

Background: Unliquidated Obligations (ULO) represent binding agreements for goods and services that have not yet been delivered or received and will require future outlays. Agencies should maintain policies, procedures, and information systems to ensure that ULOs represent current required Federal outlays. Failure to maintain an effective ULO control environment may result in difficulties in managing funds, improper payments, inaccurate budgetary reports, and violations of Federal regulations.

AOC records obligations in its financial management system, Momentum®, when it enters into an agreement, such as a contract or purchase order, to purchase goods or services. Once recorded, obligations remain open until they are fully reduced by disbursements, de-obligated, or the appropriation funding the obligations is closed. As invoices are received and payments are made, obligations are liquidated by the amount of the payments. Generally, ULOs represent the cumulative amount of orders, contracts, and other binding agreements for which payment has not been made.

Finding: AOC reported approximately 9,200 ULOs worth $478 million as of August 14, 2019. The validity and liquidation status of a judgmentally selected sample of 25 ULOs with a recorded value of $1.7 million was reviewed, with a focus placed on ULOs that did not have activity, including liquidations, within the last 12 months. Fourteen of the 25 ULOs were invalid; specifically:

1. Ten of the ULOs, with a value of approximately $970 thousand, should have been de-obligated by AOC as of August 14, 2019 as the obligations were not active and future activity was not anticipated
2. Four of the ULOs, with a value of $10 thousand, should have been cancelled as the obligations were no longer required.

In total, Kearney identified 14 exceptions with a recorded value of approximately $980 thousand that no longer represented future AOC funding needs.

Recommendation: Kearney recommends that AOC take steps to strengthen and better integrate the obligation process, including the following:

1. Enforce the AOC Order 30-1 requiring a review of 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 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.
2. Conduct appropriate training and perform formal communication (e.g., correspondence, minutes) on a periodic basis to applicable AOC personnel (e.g., Contract Officers, COTRs) to ensure proper execution over the monitoring of ULO balances and timely de-obligations of invalid ULO balances. Training should include information on 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.

3. Continue to have the Associate Chief of the Acquisition and Material Management Division (AMMD) and the Accounting and Finance Officer work jointly to develop an automated solution.

3. Inadequate Payroll Approval

Background: Leave is an earned entitlement for employees, and various types of leave are available to employees of AOC. Included are annual leave, sick leave, leave without pay, court leave, military leave, leave taken under the Family and Medical Leave Act of 1993 (FMLA), and administrative leave. All leave is subject to approval by a supervisor, depending on the reasons for absence from work. An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. An employee has the right to take annual leave, subject to the right of the supervisor to approve the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he/she separates from Federal service or enters on active duty in the Armed Forces and elects to receive a lump-sum payment.

In addition, AOC provides overtime pay to employees to address emergency situations, deliver essential services, provide holiday coverage, and perform other business needs that require employees to work beyond their normal schedule. Overtime pay provided under Title 5 of the United States Code (U.S.C.) is pay for hours of work officially ordered or approved in excess of eight hours in a day or 40 hours in an administrative work week. AOC operational requirements may sometimes make it necessary to authorize overtime work for its employees. Generally, overtime should be minimized to contain AOC costs and be authorized only when essential work cannot be accomplished during regular work hours. AOC overtime costs can be managed with careful planning of work requirements, appropriate work schedules and scheduling leave, and other absences.

Finding: Documentation was not available to fully support payroll actions, including prior approval of leave and overtime, for 17 of 132 biweekly employee pay period timesheets tested. These 17 timesheets with errors included a total of 21 exceptions. An additional analysis of only overtime transactions revealed that for 10 employees selected with overtime from October 1, 2018 to June 30, 2019 involving 20 pay periods, overtime was not preapproved in 87 instances. The following instances of noncompliance are detailed below:

- Payroll testing – Of the 21 exceptions related to the overtime and annual leave approvals:
  - Eight instances of the overtime request being submitted or approved late
  - Four instances when a supervisor did not provide approval for the overtime recorded on the WebTA timesheet outside of the regular timesheet certification process
  - One instance where the actual overtime hours exceeded the number of hours approved for overtime
  - Three instances when a supervisor did not provide approval for the annual leave recorded on the WebTA timesheet outside of the regular timesheet certification process
  - Four instances of the annual leave request being submitted or approved after use
  - One instance where the documentation was unavailable for review in the WebTA system

- Overtime testing – Of the 87 exceptions related to the overtime approvals:
  - Sixty-eight instances when a supervisor did not provide approval for the overtime recorded on the WebTA timesheet outside of the regular timesheet certification process
  - Thirteen instances of the overtime request being submitted or approved after use
  - Six instances when the actual overtime hours exceeded the number of hours approved for overtime.

Recommendation: Kearney recommends that AOC implement the following:

1. The Human Capital Management Division should review the policies and procedures related to overtime and leave and make updates if considered appropriate.
2. 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.
3. 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.
4. 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.

NEW MANAGEMENT LETTER COMMENTS

1. Information Technology/Invoice Processing Platform

Incomplete Review of Systems and Organization Controls Reports for Treasury Invoice Processing Platform

Background: Federal agencies are ultimately responsible for activities performed and transactions processed by third-party service organizations on their behalf to include the impact of this third-party processing reflected in financial records and statements. Agency management is responsible for developing and implementing appropriate policies and procedures, as well as monitoring performance of service organizations to ensure that activities performed by third parties are agreed to, implemented, documented, and compliant with security and financial reporting requirements. Monitoring includes developing a thorough understanding of all material third-party service organization processes, internal controls, and systems that affect the agency's financial records and then performing regular oversight or obtaining assurance for activities performed by the service organization.

The United States Department of the Treasury (Treasury) provides the Invoice Processing Platform (IPP) to Federal agencies, including AOC, as a method for vendors to submit invoices to Federal agencies for goods and services provided. This system also allows Treasury to monitor payments to vendors and to withhold payments to vendors when they owe the Federal Government money from other activities. AOC used IPP for fiscal year (FY) 2019 and imported IPP data into the Momentum® financial system to record accounts payables, expenses, and other financial transactional details. AOC relies on the integrity of data from IPP to provide accurate financial information for consolidation into financial statements and reporting.

Treasury issues an annual assurance report over its IPP system in the form of a Systems and Organization Controls (SOC) report for internal controls relevant to financial reporting. This SOC report is limited in distribution to users of IPP and is available upon request from the Treasury Office of Inspector General (OIG). The IPP SOC report includes assurance statements and an opinion over the fairness in the presentation, suitability of design, and operating effectiveness of controls for the IPP system.

Finding: Prior to June 2019, AOC had not yet established a process to obtain and review assurance over IPP system controls or to perform regular monitoring over the Treasury and IPP control environments. Specifically, AOC had not completed the following prior to June:

- Evaluated conclusions reached from prior-year SOC reports to determine likely reliance in the current year
- Assessed the scope, timing, and relevance of assurance provided in current SOC reports, including identifying control gaps or deficiencies that warrant compensating controls at AOC
- Identified and verified the implementation and operating effectiveness of relevant complementary user entity controls (CUEC)

- Obtained similar understanding and assurance for Treasury's sub-service organization environments, as identified in Treasury's IPP report.

Management completed the review of the SOC report for IPP on November 14, 2019 and included a review of the report results and confirmation that CUECs were implemented and found to be effective. Management incorporated the activities from the bullet points noted above in their review of the FY 2019 SOC report for IPP.

Recommendation: Kearney did not issue a recommendation for this finding, as we noted management corrected the conditions identified above.

KEARNEY& COMPANY

PRIOR-YEAR CLOSED MANAGEMENT LETTER COMMENTS

Finding	Recommendation	Status
EmpowHR User Access Deficiencies AOC did not remove two of 11 employee user accounts tested timely upon their separation from the AOC. In addition, management lacked sufficient documentation evidence for a sample of new EmpowHR user accounts provisioned access prior to January 2018. Kearney obtained account authorization evidence for 11 users provisioned access to EmpowHR during FY 2018. Kearney noted that six of the 11 new users' access was supported by Excel documents with their role requests. However, these Excel documents lack management approval or signature, date of the request or approvals, and the user signature. Kearney notes that, effective January 2018, the United States Department of Agriculture (USDA) National Finance Center (NFC) requires the submission of a user access provisioning form (i.e., AD3100-R, *National Finance Center Web Applications Request for Security Access*) for new user requests. Kearney noted that AOC management consistently used this form for the sampled users provisioned access from January 2018 forward.	1. Continue to document EmpowHR user account authorization via the NFC AD3100 form, to include justification for access and management review and approval. 2. Consistently remove user access to EmpowHR promptly upon personnel separation or transfer actions.	Closed
Inaccurate Reporting of Operating Lease Liabilities AOC did not report two operating leases in the footnotes of the financial statements or in the operating lease schedules timely. The leases in question were for rooftop space used for antennae over a 10-year period. The leases did not appear in the fiscal year (FY) 2017 operating lease	1. Review the current process requiring agency jurisdictions to review any leases or changes to the liabilities of existing leases previously agreed upon by the agency to ensure the process is adequate to address reporting needs. Update the process, if necessary. 2. Review the current Standard Operating Procedure (SOP)	Closed

Finding	Recommendation	Status
information or June 30, 2018 interim information despite being active; the leases were first reported in the September 30, 2018 financial statement and operating lease information. In total, the amount of the leases that was not reported is as follows: • Approximately $2.5 million as of September 30, 2017 • Approximately $2.1 million as of June 30, 2018.	requiring jurisdictions to convey the results of the aforementioned review of leases to the Accounting Division on a quarterly basis to ensure the process is adequate to address reporting needs. Update the process, if necessary. 3. Provide training to all necessary personnel to ensure they are aware of the process and SOPs.	

Acronyms and Abbreviations

AMMD	Acquisition and Material Management Division
AOC	Architect of the Capitol
CGI	Consultants to Government and Industries Technologies and Solutions, Inc.
COTR	Contracting Officer Technical Representative
CUEC	Complementary User Entity Controls
FMLA	Family and Medical Leave Act of 1993
FY	Fiscal Year
IPP	Invoice Processing Platform
Kearney	Kearney & Company, P.C.
LBFMS	Legislative Branch Financial Management System
Library	Library of Congress
NFC	National Finance Center
NFR	Notifications of Findings and Recommendations
OIG	Office of Inspector General
SOC	Service Organization Controls
SOP	Standard Operating Procedure
Treasury	United States Department of the Treasury
ULO	Unliquidated Obligations
U.S.C	United States Code
USDA	United States Department of Agriculture

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