Combating Fraud, Waste, Abuse & Mismanagement · Architect of the Capitol

Follow-up Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program

OIG-FLD-2025-01

November 25, 2024

ARCHITECT OF THE CAPITOL

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Results in Brief

Follow-up Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program

NOVEMBER 25, 2024

OBJECTIVE

The objective of this evaluation was to determine whether the Architect of the Capitol (AOC) effectively implemented corrective actions to address the findings and recommendations in the August 2019 Office of Inspector General (OIG) report *Evaluation of the AOC's Compliance with the Government Purchase Card Program* (Report No. 2018-0003-IE-P). The 2019 OIG evaluation found that the AOC's Supplies, Services and Material Management Division (SSMMD) lacked standardized processes and adequate support for purchase card activity reviews; the AOC's policy lacked specific guidance pertaining to split purchases; and the AOC could strengthen controls for purchases from unauthorized third-party merchants.

This evaluation follows up on the three findings and four recommendations made to improve the AOC's implementation of the government purchase card program.

FINDINGS

We found that the AOC improved its purchase card review process by creating a more detailed transaction report to assist with the review, hired additional staff and developed a purchase card review standard operating procedure.

However, we also determined the following:

- The AOC does not use data analytics and lacks specific guidance for conducting purchase card reviews.
- Cardholders may have split transactions as AOC policy lacks specific guidance for staff on split purchases and strategies on how to avoid them.
- The AOC lacks guidance on purchases from third-party processors and vendors.
- The AOC does not monitor or track the amount of sales tax paid.

RECOMMENDATIONS

We recommend:

1. The AOC Chief Administrative Officer (CAO) require the SSMMD to identify and leverage data analytics to perform purchase card reviews to ensure compliance with AOC purchase card policies and procedures

2. The AOC CAO require the SSMMD to update and implement the Purchase Card Review Process Standard Operating Procedure 4-13, January 27, 2020, to include criteria and procedures for conducting all purchase card reviews

3. The AOC CAO require that purchase card approving officials perform quarterly or semiannual purchase card reviews to assist the Agency Program Coordinator in ensuring compliance with AOC purchase card policies and procedures

Results in Brief Continued

RECOMMENDATIONS CONTINUED

4. The AOC update the AOC Contracting Manual to include examples of split transactions and instructions on how to avoid them

5. The AOC develop guidance and update the AOC Contracting Manual to describe the use of third-party processors and vendors and define terms like "questionable merchant category codes," "mandatory sources," "third-party merchants," "third-party processors" and "third-party vendors" in accordance with federal government best practices

6. The AOC establish a process to monitor and track sales taxes paid to detect and prevent waste of taxpayer dollars

7. The AOC update the AOC Contracting Manual to describe the process for avoiding sales tax and add the requirement to reclaim improperly assessed taxes

MANAGEMENT COMMENTS

The AOC provided comments on November 15, 2024, see Appendix C. In its Management Comments, the AOC concurred with all seven recommendations. Please see the Recommendations Table on the following page for the status of the recommendations.

RECOMMENDATIONS TABLE

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
AOC	None	4, 5, 6 and 7	None
CAO	None	1, 2 and 3	None

The following categories are used to describe agency management's comments to individual recommendations:

- **Open Unresolved:** Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Open Resolved:** Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed:** OIG verified that the agreed upon corrective actions were implemented.

Inspector General

DATE: November 25, 2024

TO: Thomas E. Austin, PE, CCM, PMP
Architect of the Capitol

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

SUBJECT: Follow-up Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program
(2024-0001-FLD-P)

Please see the attached final report for our follow-up evaluation of the Architect of the Capitol's (AOC's) compliance with the government purchase card program, which we announced on March 14, 2024. Based on our follow-up evaluation, we found that the AOC improved its purchase card review process by creating a more detailed transaction report to assist with the review, hired additional staff and developed a purchase card review standard operating procedure. However, we determined that (1) the AOC does not use data analytics and lacks specific guidance for conducting purchase card reviews; (2) cardholders may have split transactions as AOC policy lacks specific guidance for staff on split purchases and strategies on how to avoid them; (3) the AOC lacks guidance on purchases from third-party processors and vendors; and (4) the AOC does not monitor or track the amount of sales tax paid. We made seven recommendations to improve the AOC's implementation of the government purchase card program.

In your response to our official draft report (see Appendix C), you concurred with all seven recommendations. Based on your responses to Recommendations 1 through 7, we feel the proposed corrective actions address our recommendations. The status of the recommendations will remain open until final corrective action is taken. We will contact you within 90 days to follow up on the progress of your proposed management decisions.

We appreciate the courtesies extended to the staff during the evaluation. Please direct questions to Brittany Banks, Assistant Inspector General for Follow-Up, 202.436.1445.

Distribution List:

- Joseph Campbell, Deputy Architect of the Capitol
- Patrick Briggs, Chief of Staff
- Hajira Shariff, Acting Executive Officer
- Angela Freeman, General Counsel
- Telora Dean, Chief Administrative Officer
- Sherri Jordan, Chief Financial Officer
- Harold Honegger, Chief of Supplies, Services and Material Management Division

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INTRODUCTION

Objective

The objective of this evaluation was to determine whether the Architect of the Capitol (AOC) effectively implemented corrective actions to address the findings and recommendations in the August 2019 Office of Inspector General (OIG) report *Evaluation of the AOC's Compliance with the Government Purchase Card Program*.[1]

Background

2019 OIG Evaluation Report

The 2019 OIG evaluation report, *Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program*, focused on evaluating high-risk areas identified in the Council of the Inspectors General on Integrity and Efficiency's (CIGIE's) *Report on the Government Purchase Cards Initiative*.[2] Specifically, the evaluation reviewed (1) transactions with prohibited or questionable merchants, (2) transactions with sales tax, (3) transactions with unauthorized third-party merchants and (4) split transactions.

The 2019 OIG evaluation found that the AOC's Supplies, Services and Material Management Division (SSMMD) lacked standardized processes and adequate support for purchase card activity reviews; the AOC's policy lacked specific guidance pertaining to split purchases; and the AOC could strengthen controls for purchases from unauthorized third-party merchants.

This evaluation follows up on the three findings and four recommendations made to improve the AOC's implementation of the government purchase card program.

Government Purchase Card Program

The General Services Administration (GSA) administers the government purchase card program, which provides the government's charge card services to federal agencies under SmartPay® master contracts. The purpose of the program is to streamline the payment process for small purchases, minimize paperwork and generally simplify the administrative efforts associated with procuring goods and services under certain thresholds. The Office of

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[1] AOC OIG. 2019. *Evaluation of the AOC's Compliance with the Government Purchase Card Program*, Report No. 2018-0003-IE-P. https://www.oversight.gov/sites/default/files/documents/reports/2019-08/Evaluation%20Report%202018-0003-IE-P.pdf.

[2] CIGIE. *Report on the Government Purchase Cards Initiative.* https://www.oversight.gov/sites/default/files/documents/reports/2018-07/CIGIE_Purchase_Card_Initiative_Report_July_2018.pdf.

Management and Budget (OMB) provides governmentwide policy to federal agencies on purchase card use.

The AOC government purchase card program falls under the jurisdiction of the Office of the Chief Administrative Officer (OCAO) and was established to provide AOC personnel with a streamlined method of ordering and paying for supplies and services.

The AOC directs staff to use the purchase card to the maximum extent possible for purchases below the AOC competition threshold of $10,000. Cardholders can also use the purchase card for purchases that exceed the threshold if the Agency Program Coordinator (APC) approves a higher purchase limit. At the time of our reporting, the AOC had 84 purchase cardholders with purchase card transactions totaling $19.9 million and $23.4 million for fiscal year (FY) 2022 and FY 2023, respectively.

AOC Order 34-1 Contracting Manual, dated July 14, 2022, provides AOC staff guidance on the objectives, responsibilities, controls and use of a government purchase card.

Supplies, Services and Material Management Division

The Chief of SSMMD serves as the Agency Program Manager (APM). The APM is responsible for overseeing the AOC's purchase card program, which includes managing purchase cards, travel cards and fleet cards.

The APC is responsible for day-to-day purchase card program management and is the agency's primary point of contact for the program. At the end of each FY, the APC performs a review of each cardholder's transactions to ensure compliance with AOC policies and procedures.

Approving Officials and Cardholders

Approving officials (AOs) and cardholders share the responsibility for appropriate purchase card use. The AOs are responsible for reviewing purchases from the initial request to final reconciliation, ensuring the accuracy and appropriateness of cardholder monthly statements and verifying that transactions meet legal requirements. AOs must also ensure that adequate documentation is available for each transaction and that cardholders reconcile monthly credit card statements within the appropriate time frame.

AOC cardholders are responsible for using cards solely for authorized purposes as specified by AOC policies and procedures, placing orders, and reconciling monthly purchase card statements with transaction data in the AOC's Financial Management System (FMS).

Table 1 defines the terms and descriptions federal agencies use to categorize government purchase card transactions for review.

Table 1: Risk Area Terms and Descriptions

Term	Description
split purchases	A split purchase is the intentional breaking down of a known requirement to stay within a cardholder's single purchase limit or the competition threshold to avoid other procurement methods or competition requirements. The AOC's Contracting Manual prohibits split purchases.
transactions with sales tax	Transactions with sales tax are those in which cardholders paid sales tax on the purchase of items for government use. The government is not subject to state and local taxes.
merchant category code (MCC)	The bank assigns each vendor an MCC that represents the vendor's general or specific industry. Purchase card managers assign MCCs that are appropriate for the cardholder's use to limit the types of merchants a cardholder may use. If the cardholder attempts to order from an unassigned MCC, the bank blocks the purchase.
prohibited MCCs	Prohibited MCCs are those that individual agencies have prohibited.
questionable MCCs	Questionable MCCs are those that individual agencies categorize as questionable.
third-party merchants	Third-party merchants pertains to purchases made through a third-party merchant, such as an online retailer. Online retailers and marketplaces may sell products and services from other vendors that banks would otherwise block because of their MCC.

Criteria

- AOC Order 34-1 Contracting Manual (July 14, 2022)
- AOC Purchase Card Review Process Standard Operating Procedure 4-13 (January 27, 2020)
- CIGIE *Report on the Government Purchase Card Initiative* (July 2018)
- GSA Smart Bulletin No. 023, *Third Party Payment Processors* (March 22, 2024)
- OMB Circular No. A-123, *Appendix B Revised, A Risk Management Framework for Government Charge Card Programs* (August 27, 2019)

FINDING 1

AOC Should Strengthen Internal Controls for Purchase Card Reviews

The 2019 OIG evaluation found that the AOC's SSMMD lacked standardized processes and adequate support for purchase card reviews. The SSMMD's monitoring of purchase card activity was largely manual, not standardized and understaffed. This occurred because the SSMMD lacked automated transaction monitoring, written procedures and adequate staffing levels. The report highlighted that one APC was responsible for the oversight of more than $25 million in purchase card transactions annually. The OIG made three recommendations to address improvements to the purchase card review process.

Previous Recommendations

1. We recommend that SSMMD identify and implement data analytics software that can automate continuous credit card transaction monitoring and reviews. This software should include automation for detection of potential split purchases as well as potentially inappropriate MCC or third-party vendors.

2. We recommend that the AOC increase purchase card oversight staffing.

3. We recommend that the SSMMD develop written procedures for the APC daily, monthly and annual purchase card reviews.

Evaluation Results

AOC Does Not Use Data Analytics for Purchase Card Reviews

The AOC concurred with the recommendations made in the 2019 OIG evaluation. In its Notice of Final Action, the AOC stated that the SSMMD was using Tableau[3] to identify potential split transactions, appropriation issues and potential standard violations during the annual purchase card reviews. The purpose of the annual review is to identify patterns of potential split transactions, transactions over the single purchase threshold, information technology (IT) purchases made by cardholders outside of the IT Division (ITD), transactions exceeding the cardholder's limit, purchases of services and construction, open purchase orders and compliance with the AOC's small business set-aside policy.

Our follow-up evaluation found that the APC does not use data analytics or data visualization software like Tableau to assist with the annual purchase card reviews. Instead, the APC uses

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[3] Tableau is a software designed to visually express data by translating drag-and-drop actions into data queries through an intuitive interface.

professional judgment to manually select a judgmental sample of cardholder transactions from a new, customized Microsoft Excel "CC By Lines for FY" report created by the Data and Business Intelligence Division (DBID) within the Office of the Chief Financial Officer (OCFO). The data in the report are extracted from the FMS, but the report does not present any statistical analyses or trend analyses to identify potential split transactions as well as prohibited MCC or third-party merchants. When compared to the previous reports used for purchase card reviews, the new report offers one new feature: the purchased item description. This improvement allows the APC to search the report for keywords like "labor," "repairs," "software" and "computers" to identify purchases that might not comply with AOC purchase card policies.

OMB Circular No. A-123, *Appendix B Revised, A Risk Management Framework for Government Charge Card Programs*, requires executive branch agency purchase card managers to implement risk management controls, policies and practices to make use of data analytics tools[4] in their management of the purchase card programs. Although legislative branch agencies are not required to adhere to OMB Circular No. A-123, it is a federal best practice to utilize data analytics tools to manage the purchase card program. In short, these practices are essential for purchase card reviews because they help detect fraud, ensure compliance with regulations and streamline auditing processes. Additionally, these practices enhance risk management by identifying potential issues early in the review process; promote transparency, accountability and data-driven decisions; and improve oversight in government purchases.

AOC Hired Additional Staff

The AOC concurred with the previous recommendation to increase purchase card oversight staffing and hired a new analyst (contractor) in March 2020. The contractor assists the primary APC with oversight of the purchase card program and other duties as assigned.

AOC Purchase Card Review SOP Is Not Used

In response to recommendation 3, the SSMMD developed written procedures — *Purchase Card Review Process Standard Operating Procedure (SOP) 4-13*, January 27, 2020[5] — that provides an outline for performing annual reviews of purchase card transactions. However, the SOP is not used and does not provide specific guidance for conducting daily and monthly purchase card reviews as recommended. The APC uses AOC's Contracting Manual as the sole guidance, but it does not provide steps on how the APC should review transactions.

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[4] Data analytics refers to the use of advanced computational and statistical methods. There are different levels of analytics, including, reporting, discovery analytics, predictive modeling and data mining. https://smartpay.gsa.gov/files/smartpay-training-forum/2024/Use_of_Data_Analytics_for_Effective_Program_Oversight.pdf

[5] Purchase Card Review Process Standard Operating Procedure 4-13, December 16, 2009, was superseded by the AOC Contracting Manual, July 14, 2022.

Conclusion

We found that the AOC does not use data analytics to assist with performing annual purchase card reviews. The AOC's SOP for purchase card review processes is not used and does not provide specific guidance for conducting daily and monthly purchase card reviews. At a minimum, SOPs should describe detailed procedures on how to perform annual reviews. Although an additional staff member was hired to assist with APC duties, manual reviews increase the risks of potentially illegal, improper or erroneous transactions. By incorporating data analytics and establishing detailed review procedures, the AOC will enhance oversight, improve accountability and prevent misuse of government purchase cards.

Recommendations

Recommendation 1

We recommend the Architect of the Capitol (AOC) Chief Administrative Officer require the Supplies, Services and Material Management Division to identify and leverage data analytics to perform purchase card reviews to ensure compliance with AOC purchase card policies and procedures.

Recommendation 1 – AOC Comment

Concur. The SSMMD will work with the CFO's Chief Data Officer to develop a strategy to identify and leverage data analytics to assist with performing annual purchase card reviews. Anticipated completion by fourth quarter 2025.

Recommendation 1 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 2

We recommend the Architect of the Capitol Chief Administrative Officer require the Supplies, Services and Material Management Division to update and implement the Purchase Card Review Process Standard Operating Procedure 4-13, January 27, 2020, to include criteria and procedures for conducting all purchase card reviews.

Recommendation 2 – AOC Comment

Concur. The SOP 4-13 was superseded and incorporated into the May 20, 2020, version of the Contracting Manual. SSMMD agrees with the implementation of an SOP to provide specific guidance for conducting daily, monthly, quarterly, semiannual or annual purchase card reviews. SSMMD will work with the Acquisition Policy Branch in the Office of the Chief Engineer (OCE) to draft an agencywide Purchase Card Review Process SOP that will outline criteria and procedures for conducting purchase card reviews. Anticipated completion by fourth quarter 2025.

Recommendation 2 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 3

We recommend the Architect of the Capitol (AOC) Chief Administrative Officer require that purchase card approving officials perform quarterly or semiannual purchase card reviews to assist the Agency Program Coordinator in ensuring compliance with AOC purchase card policies and procedures.

Recommendation 3 – AOC Comment

Concur. SSMMD will determine an appropriate timeframe (quarterly or semiannual) for purchase card approving officials to perform reviews that will assist the APC in ensuring compliance with purchase card policies and procedures. This requirement will be included in the agencywide Purchase Card Review Process SOP referenced in our response to recommendation 2. Anticipated completion by fourth quarter 2025.

Recommendation 3 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

FINDING 2

Cardholders May Have Split Transactions as AOC Lacks Specific Guidance

The 2019 OIG evaluation found that the AOC's guidance on split transactions did not include examples or best practices. As a result, AOC staff had varying understandings of split purchases and how to avoid them. Interviews with jurisdiction personnel indicated consistent reasons for splitting purchases, including a lack of purchasing personnel, order volume, multiple requestors and a lack of adequate storage space (resulting in more orders placed more frequently). The OIG made one recommendation to improve the AOC's guidance on split transactions.

Previous Recommendation

4. We recommend that the AOC update purchase card guidance and training to include examples of split transactions and how to avoid them.
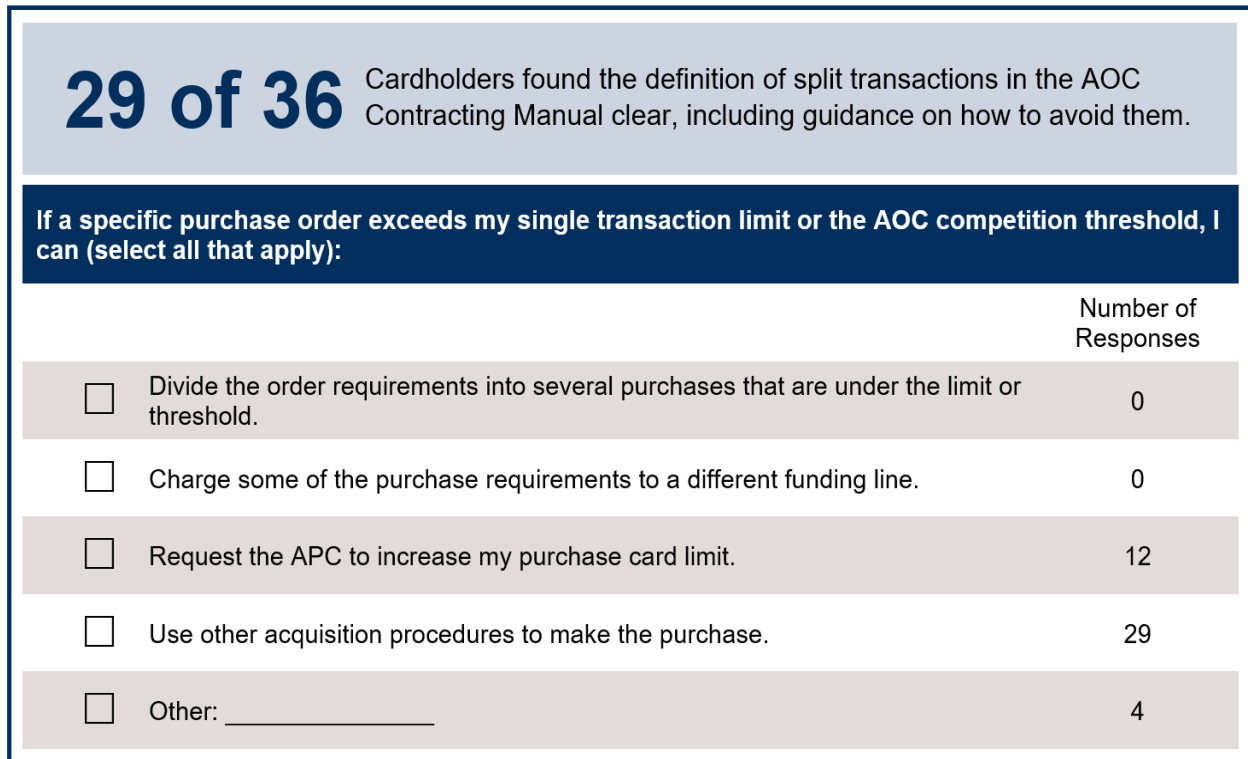
Evaluation Results

AOC's Contracting Manual Lacks Examples of Split Transactions

In its Notice of Final Action, the AOC agreed to update its Contracting Manual to provide clearer guidance to staff on split purchases and strategies for how to avoid them. Our follow-up review found that the SSMMD added examples of split transactions in the 2019 draft version of the Contracting Manual but did not incorporate the examples in the final or current 2022 version. The AOC is currently updating the manual and will include examples of split transactions. We confirmed that the current draft manual provides four unique examples of split transactions.

AOC Cardholders Understand Split Transactions but May Have Split Transactions to Avoid the Competition Threshold

We developed and distributed a survey to 76 purchase cardholders to assess their understanding of the AOC's purchase card guidance. Out of 76 purchase cardholders, 36 completed the survey. As shown in Figure 1, we observed that most cardholders were familiar with the definition of a split transaction. Additionally, 29 of 36 respondents found the definition of split transactions in the AOC Contracting Manual clear, including guidance on how to avoid them. When asked what actions they would take if their purchase exceeded the AOC competition threshold of $10,000, 29 cardholders said they would use alternative acquisition procedures, 12 stated they would request the APC to increase their purchase card limit and 4 provided other responses.

Figure 1: Cardholder Understanding of Split Transactions

29 of 36	Cardholders found the definition of split transactions in the AOC Contracting Manual clear, including guidance on how to avoid them.

If a specific purchase order exceeds my single transaction limit or the AOC competition threshold, I can (select all that apply):	Number of Responses
☐ Divide the order requirements into several purchases that are under the limit or threshold.	0
☐ Charge some of the purchase requirements to a different funding line.	0
☐ Request the APC to increase my purchase card limit.	12
☐ Use other acquisition procedures to make the purchase.	29
☐ Other: _____	4

Although cardholders said they understood the definition of split transactions, we discovered instances where they made potentially improper or erroneous purchases by splitting transactions to remain below the AOC competition threshold.

We selected a judgmental sample of 68 purchases from FY 2022 and FY 2023 and analyzed the supporting documentation. We flagged 28 purchases as potential split transactions. For example, a cardholder made two separate purchases on the same day from the same vendor for a single requestor, buying camera equipment totaling $18,444. However, it appeared the cardholder split the requirement into two transactions — $9,870 and $8,574 — to avoid the AOC's competition threshold. To ensure consistency in identifying and avoiding split transactions, cardholders could benefit from examples in the AOC Contracting Manual.

Conclusion

While cardholders generally understand the definition of split transactions, cardholders may have split purchase requirements to avoid the AOC's competition threshold. Additionally, the AOC Contracting Manual did not provide cardholders with examples of split transactions and how to avoid them. Without competition, the AOC cannot ensure cardholders are obtaining the best value for the government. The APC's purchase card review process for split purchases leaves gaps in oversight because the process is time-consuming, manual and subjective. Using data-driven review methods could help the APC identify potential split purchases for review and ensure compliance with AOC competition requirements.

Recommendation

Recommendation 4

We recommend the Architect of the Capitol (AOC) update the AOC Contracting Manual to include examples of split transactions and instructions on how to avoid them.

Recommendation 4 – AOC Comment

Concur. The AOC concurs with the intent of the findings but believes the proper document type to address examples and instructions would be an agency SOP. Per AOC Order 4-1, Issuing AOC Policy, "An AOC Standard Operating Procedure (SOP) is an official type of AOC policy. AOC SOPs are written instructions documenting a routine or repetitive activity or procedure with significant impact to the agency and are not local SOPs." An agency SOP will have the same effect as an AOC Order but will be easier to update than AOC Order 34-1, Contracting Manual. SSMMD will work with the Acquisition Policy Branch within OCE to draft a Purchase Card Review Process AOC SOP that will include examples of and instructions on how to avoid split transactions. Note: SOP 4-13 mentioned in recommendation 2 was a local SOP, which does not have the effect of AOC policy. Anticipated completion by fourth quarter 2025.

Recommendation 4 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

FINDING 3

AOC Lacks Guidance on Third-party Processors and Vendors

The 2019 OIG evaluation indicated that the AOC had strong internal controls to block purchases from prohibited and/or questionable merchants due to assigned MCC groups for each cardholder. However, the OIG stated that some vulnerability exists for purchases from "unauthorized third-party merchants," such as Amazon and PayPal, because the AOC has little control over their use. AOC purchase card controls do not block Amazon and PayPal, so oversight of vendor use resides within each jurisdiction's unique processes, which are approved by respective officials. The OIG concluded that manual processes for oversight of third-party merchants were time-consuming and could benefit from automation. The OIG did not make a recommendation.
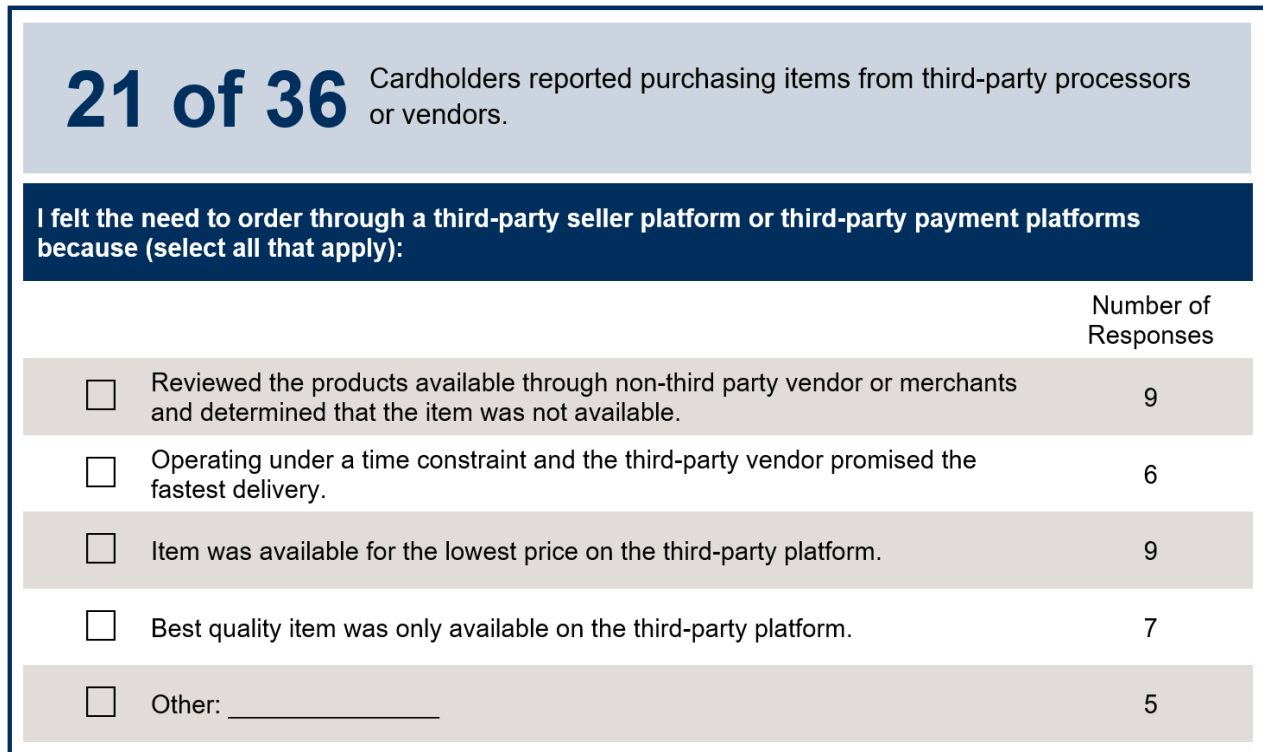
Evaluation Results

Third-Party Processors and Vendors

OMB Circular No. A-123, *Appendix B Revised, A Risk Management Framework for Government Charge Card Programs*, requires executive branch agencies to develop and issue guidance regarding the use of third-party payment providers. The circular also requires that purchase card managers ensure all cardholders are educated on agency-specific policy relating to the use and risk of third-party vendor payment systems. Although legislative branch agencies are not required to adhere to OMB Circular No. A-123, it is a federal best practice to develop and issue guidance regarding the use of third-party processors and vendors. As such, agency guidance should include criteria for when third-party transactions are authorized as well as relevant cardholder documentation required to demonstrate that purchase cardholders considered other vendors and/or payment options.

We found that the AOC does not have guidance regarding the use of third-party processors and vendors. Third-Party processors (also known as third-party merchants or third-party payment companies) offer e-commerce and internet payment solutions for transactions. Vendors pay the third-party processors a transaction fee for these services. The APC stated that the AOC allows cardholders to use third-party processors, such as Amazon or PayPal, based on their business needs. As shown in Figure 2, in response to our survey, 21 of 36 cardholders reported purchasing items from third-party processors or vendors and selected multiple reasons for doing so. Nine cardholders indicated that the item was not available elsewhere, six stated that the third-party vendor offered the fastest delivery for urgent needs, nine selected that the vendor provided the lowest price and seven chose the vendor based on the best quality.

Figure 2: Cardholder's Use of Third-Party Processors

21 of 36	Cardholders reported purchasing items from third-party processors or vendors.

I felt the need to order through a third-party seller platform or third-party payment platforms because (select all that apply):	Number of Responses
☐ Reviewed the products available through non-third party vendor or merchants and determined that the item was not available.	9
☐ Operating under a time constraint and the third-party vendor promised the fastest delivery.	6
☐ Item was available for the lowest price on the third-party platform.	9
☐ Best quality item was only available on the third-party platform.	7
☐ Other: _____	5

We also observed that the AOC does not maintain a list of questionable MCC, mandatory vendor sources or prohibited third-party processors and vendors for purchases under the AOC competition threshold. In response to our survey, 17 of 36 cardholders reported that their jurisdiction or office did not have a list of mandatory vendors for purchasing supplies and services, while 7 reported they did have a list and 12 were unsure. During the annual purchase card review, if an Amazon transaction is part of the APC's judgmental sample, the APC may review the description of the items purchased more closely to ensure the items are appropriate for the AOC's use.

GSA considers internet transactions that are made using third-party processors to be high-risk as available transaction data may not be completely passed to the Federal Government's contractor bank, which may prevent the bank from blocking a transaction. It is difficult to identify third-party transactions because the transactions may appear under the name of the third-party processor instead of the merchant's name. To address the risks associated with online marketplaces, GSA launched the Commercial Platforms program for GSA SmartPay Purchase Card holders in August 2020, which provides access to multiple online platforms to purchase routine and commercial products.[6] In March 2024, GSA updated the program to include the addition of popular online marketplaces, such as Amazon Business, which support federal and agency purchasing rules. The Commercial Platforms program aligns with key areas of small

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6   GSA. "Commercial Platforms | GSA" [Website]. Last accessed October 15, 2024. https://www.gsa.gov/buy-through-us/purchasing-programs/commercial-platforms.

purchase compliance and has streamlined processes that identify mandatory source. The AOC does not currently participate in the GSA Commercial Platforms program.

Conclusion

The AOC Contracting Manual does not define or provide guidance on the use of third-party processors and vendors. The Contracting Manual also lacks definitions for terms like "questionable MCCs," "mandatory sources" and "third-party merchants" for purchases under the AOC competition threshold. Lack of guidance on the use of third-party processors and vendors poses a risk, as cardholders can make improper purchases through merchants on online marketplaces, which may sell products and services from vendors that banks would otherwise block because of their MCC. To address the risks associated with online marketplaces, we suggest the AOC consider joining GSA's Commercial Platforms program to have access to multiple online platforms to purchase routine and commercial products that comply with federal and AOC small purchase requirements.

Recommendation

Recommendation 5

We recommend the Architect of the Capitol (AOC) develop guidance and update the AOC Contracting Manual to describe the use of third-party processors and vendors and define terms like "questionable merchant category codes," "mandatory sources," "third-party merchants," "third-party processors" and "third-party vendors" in accordance with federal government best practices.

Recommendation 5 – AOC Comment

Concur. SSMMD will update the Contracting Manual to include a description of third-party processors and definitions of terms such as questionable merchant category codes, mandatory sources, third-party merchants, third-party processors and third-party vendors in accordance with federal best practices. The AOC will also consider joining the GSA's Commercial Platforms program. Anticipated completion by fourth quarter 2025.

Recommendation 5 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

FINDING 4

AOC Should Implement Controls to Monitor Sales Tax

The 2019 OIG evaluation observed that, although AOC sales tax costs were low during the period of review, there were some sales taxes paid, which the AOC Contracting Manual permits if the merchant refuses to waive it. The agency incurred $6,883 in taxes for FY 2017 and FY 2018. Sales tax on ITD purchases was a significant portion of these costs ($3,398). Associated tax costs from ITD purchases were primarily attributed to Apple products ($1,234). When asked why ITD appeared to be paying more sales tax on purchases than other jurisdictions, ITD staff stated they had not been aggressive in seeking sales tax waivers from Apple. However, they also noted that Apple had recently developed contracts with multiple resellers for government purchasers for which sales tax was not applicable. ITD stated they would seek out these resellers for future purchases.

In response to the observation, the agency stated they would send out a notice to purchase cardholders reminding them of the requirement to attempt to have the merchant waive sales tax and that this would be a focus during the 2019 annual purchase card review.

Evaluation Results

Per the AOC Contracting Manual, items purchased directly by the AOC are for the exclusive use of the U.S. Government and are generally exempt from state and local taxes. Cardholders must inform the vendor that the purchase is for official U.S. Government purposes and therefore not subject to state or local taxes. Our purchase cardholder survey asked cardholders to describe, in their own words, what steps they take to ensure that a vendor does not charge sales tax on a purchase card transaction. Based on the survey responses, AOC cardholders have a consistent understanding and approach to inform vendors of the AOC's tax exemption status. They indicated that they either call, email or send the vendor a tax exemption letter.

OMB Circular No. A-123, *Appendix B Revised, A Risk Management Framework for Government Charge Card Programs*, requires executive branch agencies to work with vendors, banks and state tax authorities to reclaim improperly assessed taxes.[7] If the vendor refuses to waive the state or local tax, the AOC allows the cardholder to place the order and include the state or local tax. However, the AOC Contracting Manual does not explain that cardholders should attempt to recover or reclaim improperly assessed taxes (if material) and how to do so. For example, if a

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[7] AOC Order 4-10 Internal Control Program references OMB Circular No. A-123 as a best practice for internal control policies.

vendor requires a state-issued tax exemption certificate, cardholders may obtain the appropriate form from GSA's website.

AOC Does Not Monitor or Track Sales Tax Paid

The AOC paid sales tax, but neither the OIG nor AOC could verify the total amount of sales tax the AOC paid in FY 2022 and FY 2023. The only way to determine how much sales tax the AOC paid during this period would be to conduct an individual review of all receipts and invoices from purchase card files. The SSMMD ran a report that yielded approximately 8,000 transactions for FY 2022 and 9,000 transactions for FY 2023. The agency stated that reviewing all transactions to determine the amount of sales tax paid would be very difficult to complete.

The AOC cannot verify the total amount because the agency does not require cardholders to record sales or local tax and there is no defined process for tracking taxes paid. Additionally, the APC does not monitor or review transactions in FMS to determine if cardholders paid taxes. When entering the purchase transactions in FMS, cardholders have the option to create a separate contract line-item number (CLIN) to record taxes. However, cardholders do not always add a separate CLIN because some vendors include taxes in the item or service price. Without a separate line item for taxes on the invoice or in FMS, it is difficult to identify the tax amount from the total purchase order.

Conclusion

The quality and accuracy of data affects how the AOC accomplishes its mission. The AOC does not know how much sales tax was paid in FY 2022 or FY 2023 and does not require cardholders to record sales tax in FMS. The AOC should track and maintain such data to determine if sales tax paid is material to ensure taxpayer dollars are spent appropriately. Without reliable data and information on sales tax paid, the AOC is at risk of wasting taxpayer dollars.

Recommendations

Recommendation 6

We recommend that the Architect of the Capitol establish a process to monitor and track sales taxes paid to detect and prevent waste of taxpayer dollars.

Recommendation 6 – AOC Comment

Concur. SSMMD will work with the CFO's Financial Systems Branch to review ways that sales tax can be monitored and tracked in Momentum to detect waste. Anticipated completion by fourth quarter 2025.

Recommendation 6 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 7

We recommend that the Architect of the Capitol (AOC) update the AOC Contracting Manual to describe the process for avoiding sales tax and add the requirement to reclaim improperly assessed taxes.

Recommendation 7 – AOC Comment

Concur. The AOC concurs with this recommendation. SSMMD and OCE will update the Contracting Manual to describe the process for utilizing proper exemptions and add the requirement to reclaim improperly assessed taxes. Estimated completion by fourth quarter 2025.

Recommendation 7 – OIG Comment

We reviewed the management comment and recognize the AOC's concurrence with the recommendation. AOC's actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

APPENDIX A

Scope and Methodology

We conducted this evaluation from March 2024 to September 2024 in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*.[8] These standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

This follow-up evaluation was self-initiated by the AOC OIG and included in our FY 2024 Work Plan. The objective of this follow-up evaluation was to determine whether the AOC effectively implemented corrective actions to address the findings and recommendations in the 2019 OIG report *Evaluation of the AOC's Compliance with the Government Purchase Card Program* (Report No. 2018-0003-IE-P).

To address our evaluation objective, we reviewed relevant AOC policies, procedures and federal best practices and followed up on the implementation of prior AOC results and recommendations. We interviewed key SSMMD personnel responsible for the oversight and implementation of the AOC's purchase card program. We selected a judgmental sample of 68 cardholder purchases from FY 2022 and FY 2023 and reviewed supporting documentation to determine if cardholders split purchase requirements to circumvent the AOC competition threshold. We distributed a survey to AOC purchase cardholders on July 2, 2024, to assess cardholders' understanding of the AOC's government purchase card guidance and to gain an understanding of how cardholders use purchase cards.

Use of Computer-Processed Data

We used computer-processed data to perform part of this evaluation. The computer-processed data included 34 Credit Card Obligations by User reports for AOC purchase cardholders from October 1, 2021, through September 30, 2023, to determine if cardholders split purchase requirements into multiple purchases to circumvent the AOC competition threshold. We downloaded the reports from the AOC Management Operations Reports portal on AOC's SharePoint site, which pulls source data from the AOC's FMS. Based on our understanding of the FMS and the review of purchase request forms, we can conclude that the computer-processed data in Credit Card Obligations by User reports is sufficiently reliable for the purpose of our evaluation.

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8   CIGIE. 2020. *Quality Standards for Inspection and Evaluation* (Blue Book). https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf.

Prior Coverage

In the past five years, one prior OIG report was relevant to this follow-up evaluation: *Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program* (Report No. 2018-0003-IE-P).
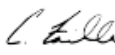
APPENDIX B

Notification Letter

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: March 14, 2024

TO: Joseph Di Pietro, PE
Acting Architect of the Capitol

FROM: Christopher P. Failla, CIG
Inspector General

SUBJECT: Announcement for Follow-up Evaluation of the Architect of the Capitol's (AOC's) Compliance with the Government Purchase Card Program (Project No. 2024-0001-FLD-P)

This is to notify you that the Office of Inspector General (OIG) is initiating a follow-up evaluation of the August 2019 OIG report, AOC's Compliance with Government Purchase Card Program, (2018-0003-IE-P). Our objective is to determine whether the AOC has effectively implemented corrective actions to address the findings and recommendations in the August 2019 OIG report.

Please provide an agency point of contact for this follow-up evaluation. We will contact the appropriate AOC offices to schedule an entrance conference in the upcoming weeks. If you have any questions, please contact Brittany Banks, Assistant Inspector General for Follow-Up, at 202.436.1445 or Brittany.Banks@aoc.gov.

Distribution List:

Hajira Shariff, AOC Liaison to the OIG
Angela Freeman, General Counsel
Sherri Jordan, Chief Financial Officer
Chris Potter, Acting Chief Administrative Officer

Architect of the Capitol | Office of Inspector General
499 South Capitol Street, SW, Suite 518 | Washington, DC 20515 | 202.593.1948 | www.aoc.gov
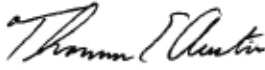
APPENDIX C

Management Comments

Architect of the Capitol
U.S. Capitol, Room SB-16
Washington, DC 20515
202.228.1793

www.aoc.gov

United States Government

MEMORANDUM

DATE: November 15, 2024

TO: Christopher P. Failla
Inspector General

FROM: Thomas E. Austin, PE, CCM, PMP
Architect of the Capitol

SUBJECT: Agency Response to Office of Inspector General Official Draft Follow-Up
Evaluation Report 2024-0001-FLD-P of the Architect of the Capitol's Compliance
with the Government Purchase Card Program

Thank you for the recommendations identified in the subject Official Draft Follow-Up
Evaluation Report. The Architect of the Capitol (AOC) concurs with these recommendations
identified in the follow-up report and provides the following responses.

Recommendation 1: We recommend the Architect of the Capitol (AOC) Chief Administrative
Officer require the Supplies, Services and Material Management Division to identify and
leverage data analytics to perform purchase card reviews to ensure compliance with AOC
purchase card policies and procedures.

Agency Response: The AOC concurs with this recommendation. The Supplies, Services and
Material Management Division (SSMMD) will work with the Chief Financial Officer's (CFO)
Chief Data Officer to develop a strategy to identify and leverage data analytics to assist with
performing annual purchase card reviews.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 2: We recommend the Architect of the Capitol Chief Administrative Officer
require the Supplies, Services and Material Management Division to update and implement the
Purchase Card Review Process Standard Operating Procedure 4-13, January 27, 2020 to criteria
and procedures for conducting all purchase card reviews.

Agency Response: The AOC concurs with this recommendation, though notes that Standard
Operating Procedure (SOP) 4-13 was superseded and incorporated into the May 20, 2020,
version of the Contracting Manual (CM). SSMMD agrees with the implementation of an SOP to
provide specific guidance for conducting daily, monthly, quarterly, semi-annual or annual
purchase card reviews. SSMMD will work with the Acquisition Policy Branch in the Office of
the Chief Engineer (OCE) to draft an agency-wide Purchase Card Review Process Standard

Operating Procedure that will outline criteria and procedures for conducting purchase card reviews.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 3: We recommend the Architect of the Capitol (AOC) Chief Administrative Officer require that purchase card approving officials perform quarterly or semiannual purchase card reviews to assist the Agency Program Coordinator in ensuring compliance with AOC purchase card policies and procedures.

Agency Response: The AOC concurs with this recommendation. SSMMD will determine an appropriate timeframe (quarterly or semiannual) for purchase card approving officials to perform reviews that will assist the Agency Program Coordinator in ensuring compliance with purchase card policies and procedures. This requirement will be included in the agencywide Purchase Card Review Process SOP referenced in our response to recommendation 2.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 4: We recommend the Architect of the Capitol (AOC) update the AOC Contracting Manual to include examples of split transactions and instructions on how to avoid them.

Agency Response: The AOC concurs with the intent of the findings but believes the proper document type to address examples and instructions would be an agency SOP. Per AOC Order 4-1, Issuing AOC Policy, "An AOC Standard Operating Procedure (SOP) is an official type of AOC policy. AOC SOPs are written instructions documenting a routine or repetitive activity or procedure with significant impact to the agency and are not local SOPs." An agency SOP will have the same effect as an AOC Order but will be easier to update than AOC Order 34-1, Contracting Manual. SSMMD will work with the Acquisition Policy Branch within OCE to draft a Purchase Card Review Process AOC SOP that will include examples of and instructions on how to avoid split transactions. Note: SOP 4-13 mentioned in recommendation 2 was a local SOP, which does not have the effect of AOC policy.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 5: We recommend the Architect of the Capitol (AOC) develop guidance and update the AOC Contracting Manual to describe the use of third-party processors and vendors and define terms like "questionable merchant category codes," "mandatory sources," "third-party merchants," "third-party processors" and "third-party vendors" in accordance with federal government best practices.

Agency Response: The AOC concurs with this recommendation. SSMMD will update the CM to include a description of third-party processors and definitions of terms such as questionable

merchant category codes, mandatory sources, third-part merchants, third-party processors and third-party vendors in accordance with federal best practices. The AOC will also consider joining the General Services Administration's Commercial Platforms program.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 6: We recommend that the Architect of the Capitol establish a process to monitor and track sales taxes paid to detect and prevent waste of taxpayer dollars.

Agency Response: The AOC concurs with this recommendation. SSMMD will work with the CFO's Financial Systems Branch to review ways that sales tax can be monitored and tracked in Momentum to detect waste.

Completion date: Anticipated completion by fourth quarter 2025.

Recommendation 7: We recommend that the Architect of the Capitol (AOC) update the AOC Contracting Manual to describe the process for avoiding sales tax and add the requirement to reclaim improperly assessed taxes.

Agency Response: The AOC concurs with this recommendation. SSMMD and OCE will update the CM to describe the process for utilizing proper exemptions and add the requirement to reclaim improperly assessed taxes.

Completion date: Anticipated completion by fourth quarter 2025.

Doc. No. 241104-02-01

ACRONYMS AND ABBREVIATIONS

AO	approving official
AOC	Architect of the Capitol
APC	Agency Program Coordinator
APM	Agency Program Manager
CAO	Chief Administrative Officer
CAP	Corrective Action Plan
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLIN	contract line-item number
DBID	Data and Business Intelligence Division
FMS	Financial Management System
FY	Fiscal Year
GSA	General Services Administration
IT	information technology
ITD	Information Technology Division
MCC	merchant category code
OCAO	Office of the Chief Administrative Officer
OCE	Office of the Chief Engineer
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OIG	Office of Inspector General
SOP	standard operating procedure
SSMMD	Supplies, Services and Material Management Division