



FOR OFFICIAL USE ONLY

# OFFICE OF INSPECTOR GENERAL

---

AUGUST 14, 2019

## **Evaluation of the Architect of the Capitol's Compliance with the Government Purchase Card Program**

*Evaluation Report 2018-0003-IE-P*

## 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.



FOR OFFICIAL USE ONLY

# Results in Brief

## *Evaluation of the Architect of the Capitol Compliance with the Government Purchase Card Program*

August 14, 2019

### Objectives

The objective of this evaluation was to determine whether the Architect of the Capitol's (AOC) purchase card program was administered in accordance with applicable policies, procedures, and regulations, with a focus on high risk areas identified in the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Report on the Government Purchase Cards Initiative*, issued July 2018. These high risk areas were:

- Transactions that were made with prohibited or questionable merchants;
- Transactions charged with sales tax; and
- Split transactions.

### Findings

Based on our evaluation, we found that:

- The AOC's Acquisition and Material Management Division's (AMMD) lacks standardized processes and adequate support for purchase card activity reviews;
- AOC policy lacks specific guidance pertaining to split purchases; and
- Controls for purchases from unauthorized third-party merchants need strengthening.

### Recommendations

We recommend that:

- The AMMD identify and implement data analytics software that can automate continuous credit card transaction monitoring and reviews. This should include automation for detection of potential split-purchases, as well as for use of potentially inappropriate Merchant Category Codes (MCC) or third-party vendors;
- The AOC increase purchase card oversight staffing levels;
- The AMMD develop written procedures for Agency Program Coordinator (APC) daily, monthly, and yearly purchase card reviews; and
- The AOC update purchase card guidance and training to include examples of split transactions and how to avoid them.

### Management Comments

The AOC concurred with the findings and recommendations and provided comments. Please see the recommendations table on the next page for the status of recommendations.

FOR OFFICIAL USE ONLY

2018-0003-IE-P.i



FOR OFFICIAL USE ONLY

INSPECTOR GENERAL

**Recommendations Table**

<b>Responsible Entity</b>	<b>Recommendation Resolved</b>	<b>Recommendation Unresolved</b>	<b>Recommendations Closed</b>
AMMD	A-1 and A-3		
AOC	A-2 and B		

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

- **Unresolved** - Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** - Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The Office of Inspector General (OIG) verified that the agreed upon corrective actions were implemented.




FOR OFFICIAL USE ONLY

INSPECTOR GENERAL

DATE: August 13, 2019

TO: Christine A. Merdon, P.E., CCM  
Acting Architect of the Capitol

FROM: Christopher P. Failla, CIG   
Inspector General

SUBJECT: Evaluation of the Architect of the Capitol's Compliance with the  
Government Purchase Card Program (Project No. 2018-0003-IE-P)

Please see the attached final report for our evaluation of the Architect of the Capitol's (AOC) compliance with the Government Purchase Card program, which was announced on September 5, 2018. We found that the Acquisition and Materials Management Division (AMMD) lacked standardized processes and adequate support for purchase card reviews, in addition to unspecific guidance pertaining to split purchases, and limited controls for purchases made by unauthorized third-party merchants. This report includes four recommendations for improvements to the AOC's implementation of the Government Purchase Card program.

In your response to our draft work product (Appendix B), you concurred with each of our recommendations. Based on your response, we feel the proposed corrective actions address each of our recommendations. However, the status of each recommendation 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.

I appreciate the assistance you and your staff provided throughout the evaluation. Please direct questions to Evaluator Audrey Cree at 202.593.1941 or [acree@aoc.gov](mailto:acree@aoc.gov) or Assistant Inspector General for Inspections and Evaluations Josh Rowell at 202.593.1949 or [Joshua.Rowell@aoc.gov](mailto:Joshua.Rowell@aoc.gov).

Distribution List:

Thomas Carroll, Assistant to the Architect of the Capitol  
James O'Keefe, Acting Chief Administrative Officer  
Jon Kraft, Acting Chief Financial Officer  
Anthony Hutcherson, Chief Acquisition and Material Management Officer  
Mary Jean Pajak, Senior Advisor to the Chief Operating Officer

FOR OFFICIAL USE ONLY

# Contents

<b>CONTENTS</b> .....	<b>4</b>
<b>INTRODUCTION</b> .....	<b>5</b>
OBJECTIVE .....	5
BACKGROUND.....	5
REVIEW OF INTERNAL CONTROLS .....	6
CRITERIA .....	6
<b>FINDING A</b> .....	<b>7</b>
AMMD LACKS STANDARDIZED PROCESSES AND ADEQUATE SUPPORT FOR PURCHASE CARD ACTIVITY REVIEWS.....	7
AMMD MONITORING OF PURCHASE CARD USE.....	7
CONCLUSION.....	8
RECOMMENDATION A.....	8
MANAGEMENT COMMENTS ON THE FINDING AND OUR RESPONSE .....	9
<b>FINDING B</b> .....	<b>9</b>
AOC POLICY LACKS SPECIFIC GUIDANCE PERTAINING TO SPLIT PURCHASES .....	9
CONCLUSION.....	11
RECOMMENDATION B .....	11
MANAGEMENT COMMENTS ON THE FINDING AND OUR RESPONSE .....	12
<b>FINDING C</b> .....	<b>12</b>
CONTROLS FOR PURCHASES MADE FROM UNAUTHORIZED THIRD-PARTY MERCHANTS NEED STRENGTHENING.....	12
AOC CONTROLS FOR TRANSACTIONS FROM PROHIBITED AND QUESTIONABLE MCC’S AND FROM UNAUTHORIZED THIRD-PARTY MERCHANTS.....	12
CONCLUSION.....	13
<b>OBSERVATION</b> .....	<b>13</b>
<b>APPENDIX A</b> .....	<b>15</b>
SCOPE AND METHODOLOGY .....	15
USE OF COMPUTER-PROCESSED DATA.....	15
PRIOR COVERAGE .....	16
<b>MANAGEMENT COMMENTS</b> .....	<b>17</b>
<b>ANNOUNCEMENT MEMO</b> .....	<b>19</b>
<b>ACRONYMS AND ABBREVIATIONS</b> .....	<b>20</b>

## Introduction

### Objective

The objective of this evaluation was to determine whether the AOC's purchase card program was administered in accordance with applicable policies, procedures, and regulations, with a focus on high risk areas identified in the CIGIE's *Report on the Government Purchase Cards Initiative*, issued July 2018. These high risk areas were 1) transactions that were made with prohibited or questionable merchants, 2) transactions with sales tax, 3) transactions with unauthorized third-party merchants, and 4) split transactions.

### Background

The Government Purchase Card Program is administered by the General Services Administration (GSA), which Congress established as the Federal Government's charge card program manager. The GSA contracted with financial institutions to provide integrated payments solutions under "SmartPay" master contracts, which allow federal agencies to provide charge card services for purchase activities.<sup>1</sup> The AOC purchase card program falls under the jurisdiction of the Chief Administrative Officer, and was established to provide AOC personnel with a streamlined method of ordering and paying for supplies and services. Additional objectives are to reduce administrative costs, avoid unnecessary burdens for ordering activities and contractors, and promote efficiency.<sup>2</sup>

The day-to-day administration of the purchase card program is overseen by the Chief of AMMD who serves as the Agency Program Manager (APM). The APM is authorized to delegate the authority to use the government purchase card and incur obligations under AOC appropriations, and has responsibilities that extend to card approval, issuance and cancellation, changes to card limits and MCC<sup>3</sup> groupings. The APM also has the authority to designate APCs across the AOC. The AOC's APM has delegated two AMMD employees with APC responsibilities.

The AMMD's APCs have responsibility for day-to-day purchase card program management for the agency and to serve as primary points of contact for the program. They are also responsible for implementing policies and procedures for the purchase card program and for maintaining all forms and documents necessary for program management. The APCs also ensure that initial and refresher purchase card training is completed by cardholders and approving officials. This training covers reviewing purchase card transactions and conducting on-site reviews to confirm compliance with program policies and procedures.

---

<sup>1</sup> Retrieved March 25, 2019 from <https://smartpay.gsa.gov/content/about-gsa-smartpay#a2>

<sup>2</sup> AOC Order 34-1, AOC Contracting Manual, September 29, 2017, p. 70

<sup>3</sup> The bank assigns each vendor an MCC that represents the vendor's general or specific industry. The APC develops MCC groups that are appropriate for the cardholder's use to limit the types of merchants a cardholder may properly utilize

At the jurisdiction level, Approving Officials (AOs) and cardholders share responsibility for appropriate purchase card use. The AOs are tasked with reviewing purchases from initial request to final reconciliation, cardholder monthly statements for accuracy and purchase appropriateness; ensuring transactions meet legal requirements; and ensuring adequate documentation is available for each transaction. They are also responsible for ensuring no duplicate orders are placed and that cardholders reconcile monthly credit card statements within the appropriate time frame. The AOC cardholders, in turn, are responsible for using cards for authorized purposes only as specified by AOC policies and procedures, for placing orders, and for reconciling monthly purchase card statements with purchase card transaction data in the AOC's Financial Management System (FMS).<sup>4</sup>

During the period of review, the AOC had 82 cards in use, with purchase card transactions totaling \$27,146,701 and \$26,068,959 for Fiscal Years (FYs) 2017 and 2018, respectively. Beginning in FY 2019, the AOC raised the amount at which competition for a requirement must be solicited, and the purchasing competition threshold rose from \$5,000 to \$10,000, which is expected to result in a significant increase of purchase card dollar amounts going forward.

## Review of Internal Controls

We evaluated the AOC's internal controls for purchase card transactions and found that the AOC has implemented several preventive controls to minimize the risk of fraudulent, improper, or abusive purchase card use. Cardholders are assigned single transaction limits as well as monthly billing cycle purchase limits. For the period of review, these limits ranged from \$1,000 to \$35,000, depending on the cardholder's level of responsibility. The APC's also assign MCC's appropriate to each cardholder to prevent inappropriate card usage. For specific purchases that require a raised purchase limit or the use of a prohibited MCC, cardholders must submit requests to the APC to lift these restrictions on a per purchase basis.

## Criteria

The following criteria were used during this evaluation:

- AOC Order 4-10, Internal Control Program Standard Operating Procedure, March 31, 2016;
- AOC Order 34-1, Contracting Manual (March 31, 2016 and September 29, 2017 revision), which includes uniform policies for AOC acquisition of supplies, services, construction, and related services; and provides guidance to personnel in applying those policies and procedures;
- Order 38-1, Government Ethics, May 30, 2014; and
- Order 752-2, Standards of Conduct, April 25, 2014.

---

<sup>4</sup> AOC shares a Legislative Branch Financial Management System (FMS) contract with four other legislative branch agencies. FMS is an integrated online accounting, budgeting, and procurement processing system.



## Finding A

### AMMD Lacks Standardized Processes and Adequate Support for Purchase Card Activity Reviews

We found that the AMMD's monitoring of purchase card activity is largely manual, not standardized, and understaffed. This occurred because the AMMD lacked automated transaction monitoring and written procedures for purchase card review and staffing levels do not provide for adequate review. As a result, the AOC is vulnerable to inappropriate purchase card activity.

### AMMD Monitoring of Purchase Card Use

The AOC has two APCs, one of whom has primary responsibility for oversight of day-to-day program activities with the other primarily responsible for policy issues. Both APCs serve as backup to the other's duties. The AMMD's monitoring of purchase card use is largely performed by the APC responsible for daily program oversight. This APC also conducts annual reviews of purchase card activity on a per jurisdiction basis as well as continuous monthly monitoring of all purchase card transactions.

The AMMD's monitoring of purchase card use is largely comprised of continuous monthly monitoring and annual reviews performed by the APC. There are no written procedures for these reviews. In interviews, the APC stated the AOC uses customized Microsoft Excel and Tableau<sup>5</sup> reports developed by the Financial Systems and Reporting Branch, which include all purchase card activity organized into sortable data fields such as purchaser, date of activity, itemized line descriptions of purchases, and vendors used. During the period of review, the APC performed monitoring by using itemized line and vendor reports retrieved from Hyperion<sup>6</sup> to test for split transactions by performing sorts based on vendors, dates, and itemized line descriptions, and for items over the \$5,000 competition threshold.<sup>7</sup> Annual reviews consist of a largely manual and line-by-line subjective review of a spreadsheet printout that includes every card purchase made during the fiscal year sorted by jurisdiction. The APC noted that for larger jurisdictions, the report printout can require a ream of paper in order to spread the pages out for review, often with these reviews taking hours. Once the APC reviews the purchases for each jurisdiction, the jurisdiction is contacted to set up a review appointment; two weeks prior to this appointment, they are notified of the purchases selected for review. The APC noted

<sup>5</sup> Tableau is a vendor of data analytics software. Retrieved June 6, 2019 from <https://www.tableau.com/solutions/government-analytics>.

<sup>6</sup> During the period of review, AOC used an Oracle software product, Hyperion, as its financial management software. It is no longer in use.

<sup>7</sup> AOC Order 34-1, Contracting Manual, September 29, 2017.

that the AO should also be monitoring for the categories reviewed in this evaluation but this might not be happening.

The APC noted that at other agencies, the purchase card program may be comprised of a whole division and that a workload analysis performed by a third party found AMMD lacked adequate personnel for this task. Our review of that report indicated that AMMD staffing was three full-time equivalent staff short of recommended staffing levels.<sup>8</sup> The APC noted that purchase card reviews did not receive as much attention as needed, which often resulted in a statistically insignificant three percent sample for jurisdiction reviews. In many cases, the only way to detect split purchases was to look at the original purchase request file.

In FY 2019, the AOC raised the amount to which competition for a requirement must be solicited from \$5,000 to \$10,000. During an interview, the APC noted that while this increase would improve order processing times, it would also likely create a risk to the agency since cardholders might make more split purchases and it may also result in cardholders using favored vendors more often versus competing small business vendors. The APC anticipated that the AOC purchase card dollar amounts would significantly increase and that the yearly reviews would become more complicated. This, in turn, would add to current concerns regarding adequate staffing for this department's workload.

## Conclusion

Although controls are in place for continuous and annual oversight of purchase card use, primary oversight responsibility falls to approving officials as well as monthly and annual reviews by the APC. The APC annual reviews are manual and time consuming, with one APC tasked with overall responsibility for day-to-day oversight of over \$25 million/year of purchase card purchases, with that number expected to increase as of FY 19. In addition, jurisdictions are notified two weeks in advance which purchases will be reviewed. These factors create vulnerabilities in the review process and hamper fraud detection and prevention.

## Recommendation A

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

A-2. We recommend the AOC increase staffing levels for purchase card oversight.

A-3. We recommend that the AMMD develop written procedures for the APC daily, monthly, and annual purchase card review.

---

<sup>8</sup> Grant Thornton, LLP, *Architect of the Capitol Analysis of Resource Requirements CAO Data and Model Report*, February 14, 2018.

## Management Comments on the Finding and Our Response

**AOC Comments on A-1:** The AOC concurs that if future funding is secured, data analytics software to assist in purchase card monitoring would be a wise investment and enhance existing monitoring. By the end of the second quarter of Fiscal Year 2020, the AOC will identify a data analytics software to assist with monitoring, and if such software does not already exist at the AOC, procurement will be necessary and will be executed subject to the availability of funds.

**Our Response:** We reviewed the management comment and determined it addresses the finding and recommendation.

**AOC Comments on A-2:** The AOC concurs additional staffing is needed. Our Fiscal Year 2020 budget includes a request for five additional positions. If approved, one of these positions will be targeted to assist with purchase card program management.

**Our Response:** We reviewed the management comment and determined it addresses the finding and recommendation.

**AOC Comments on A-3:** The AOC will develop a Standard Operating Procedure on purchase card reviews by the end of the third quarter, Fiscal Year 2020.

**Our Response:** We reviewed the management comment and determined it addresses the finding and recommendation.

## Finding B

### AOC Policy Lacks Specific Guidance Pertaining to Split Purchases

We found that the AOC guidance for split purchases was not specific enough to adequately control for split purchases. This occurred because although written guidance “prohibited activities that avoided procurement regulations and laws,” it did not provide examples or best practices to avoid such activities. As a result, AOC purchasers and oversight personnel understanding of what split purchases were and how to avoid them was inconsistent, which puts the Agency at risk.

Our review of policy and interviews with AOC personnel (cardholders, supervisors and the APC) revealed that guidance for split purchases is limited and not specific enough to address jurisdictional purchasing issues. AOC Order 34-1 describes split purchasing as “Splitting requirements into several purchases to avoid the cardholder’s delegated single transaction purchase card limit or procurement regulations, policies

or laws.” The APC stated that the AOC’s determination was that purchases made from the same vendor from different funding lines were not split purchases, but AOC written guidance does not address this or timeframes for when purchases would be considered split.

For the purposes of this evaluation, the OIG defined split transactions as purchases made by the same jurisdiction from the same vendor on the same day where the total amount exceeded the cardholder’s single purchase threshold and/or the AOC’s requirement to seek competing bids for orders over \$5,000.<sup>9</sup> We have not made final determinations on whether or not samples chosen for review were split purchases, and have instead highlighted the factors which led to their being flagged for review.

While employees are aware of the split purchase infraction, their definitions of what constitutes a split purchase were inconsistent, even within a jurisdiction, and/or not consistent with AOC’s determination. The AOC has tailored its determination to address the project funding line issues that purchasers navigate when placing orders but the lack of clear guidance has affected perceptions of whether or not purchases have been split, and actions needed to avoid doing so. For example:

- Some cardholders tell purchase requestors to hold orders until 30 days elapsed since the requestor placed a prior order with the same vendor. The APC stated this was inappropriate.
- A cardholder stated “you have to check the funding, you can’t spend \$5,000 with the same vendor in the same month.”
- In one jurisdiction, one cardholder believed that if purchases were charged to different funding lines they were not split, while another believed that this was not true.
- One cardholder stated sometimes the competition requirement would be circumvented by taking a couple items off the order and sending them to another vendor.

Interviews with jurisdiction personnel indicated consistent reasons for splitting purchases to include a lack of enough purchasing personnel, multiple requestors (multiple shops), time constraints (long lead times), lack of adequate storage space (resulting in more orders placed more frequently), and the lack of visibility amongst jurisdiction cardholders into each other’s purchase card activity.

We found that most AOC cardholders were aware of the requirement to not split purchases, with the responsibility for avoiding these assigned at different personnel

---

<sup>9</sup> Government Accountability Office report GAO 04-87G (*Audit Guide, Auditing and Investigating the Internal Control of Government Purchase Card Programs*, November 2003, p. 48) defined its criteria for testing for split purchases as transactions that are with the same vendor, with same transaction dates, with transaction total costs in excess of \$2,500, and placed by the same cardholder or same activity/department. We used this determination as a basis for our definition of split purchases.

levels based each jurisdiction's purchasing processes. For instance, both the House Office Buildings and the Capitol Building use SharePoint as their communication tool for processing orders, whereas Library Buildings and Grounds use WebTMA<sup>10</sup>. In some jurisdictions, the assignment of orders to purchase cardholders is done by a Supply Management Officer, while in others, distribution of orders is assigned to a lead purchasing agent or Building Services Supervisor. By and large, jurisdictions are vulnerable to split purchases due to order processes that do not adequately control for orders being placed by multiple purchasers from different shops, often with purchase cardholders lacking visibility into other cardholder activity (i.e., purchase cardholders and requestors are often not aware of order activity that is not theirs). This vulnerability requires extra vigilance on the part of those distributing orders to purchase cardholders. Most jurisdictions have developed processes to control for oversight; however, cardholders continue to cite order volume and lack of visibility from one cardholder to another which can exacerbate the issue.

The APC stated that proving split transactions is difficult. For instance, the AOC may be billed once even if order requisitions are placed three separate times. The APC noted that to detect split transactions, it's usually necessary to review the Small Purchase Request Form included in jurisdictions' individual purchase card files which document the purchase approval history. That form and accompanying paperwork will show if a larger purchase has been split into smaller purchases. When reviewing for split purchases, the APC looks for order dates that are close to each other to ensure that, for instance, a foreman has not given orders for the same vendor to two different cardholders. Because up-front order approval processes for preventing split purchases are in place, we did not interview credit card statement approving officials as many of these approvals occur after purchases have been made.

## Conclusion

We found that the AOC guidance on split purchase violations and how to avoid them is lacking. Interviewees cited manpower, order volume, multiple order requestors, multiple order personnel, and storage as issues which create vulnerabilities for the AOC regarding split purchases. We also found that lack of uniformity in jurisdictional processes may hamper the agency's ability to prescribe processes that deter split purchases.

## Recommendation B

B. We recommend the AOC update purchase card use guidance and training to include examples of split purchases and how to avoid them.

---

<sup>10</sup> This jurisdiction uses WebTMA, a maintenance management software solution developed by TMA Systems, to manage its processing of work orders.

## Management Comments on the Finding and Our Response

**AOC Comments on B:** The AOC concurs with making guidance clearer in the Contracting Manual on split purchases and strategies on how to avoid them. The AOC Chief Financial Officer is currently developing additional reporting capabilities that will assist AMMD in monitoring the purchase card program.

**Our Response:** We reviewed management comments and determined they address the finding and recommendation.

### Finding C

#### Controls for Purchases Made from Unauthorized Third-Party Merchants Need Strengthening

We found that AOC controls for transactions made from prohibited or questionable merchants are adequate; however, controls for purchases made through third-party merchants may be an area of vulnerability.

### AOC Controls for Transactions from Prohibited and Questionable MCC's and from Unauthorized Third-Party Merchants

Overall, AOC purchase card controls for transactions from prohibited and/or questionable merchants are robust; however, some vulnerability exists for purchases from unauthorized third-party merchants.

Oversight processes for preventing purchases from prohibited and/or questionable merchants primarily consist of assigning MCCs to each card based on the jurisdictional needs of the purchase cardholder. Individualized MCC designation controls are assigned by the bank to each card with automatic blocking of MCC's not designated as accessible. MCC assignment determinations are made by the APM and APC. Cardholders may request exceptions for blocked merchants on a per purchase basis by providing appropriate justification. In those cases, the APC temporarily lifts and then reinstates the merchant block once the purchase is made.

Although up-front controls for preventing purchases from inappropriate merchants are strong, risks exist in the use of vendors such as Amazon and transactions paid through PayPal where AOC has little control over their use of third-party merchants. 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 and the APC's monthly monitoring and annual spot-checks. In interviews, the APC noted that their review of MCCs is necessarily limited due to manpower issues discussed previously, but orders placed during incidents, such as when the U.S. Capitol Police declare a state of emergency, are prioritized as these can create vulnerability to the use of inappropriate vendors. The APC also stated that in preparation for annual reviews, all Amazon orders and PayPal transactions are reviewed though only a few may be covered during jurisdiction interviews. Interviews with cardholders revealed that time constraints tied to a need for a product can be a factor in choosing Amazon due to the vendor's short delivery times.

## Conclusion

Our review showed strong controls are in place for preventing and detecting transactions from prohibited and/or questionable merchants and purchases from unauthorized third-party merchants. However, manual processes for oversight of this are time-consuming and may benefit from automation. As this report has previously included a recommendation for data analytics software that automates purchase card reviews, we have no further recommendations.

## Observation

### AOC Sales Tax Payments

Although AOC sales tax costs were low during the period of review, the agency did incur \$6,883 in taxes for FYs 2017 and 2018. AOC guidance on sales tax consists of the following, as provided in Section 7.3.6 of Order 34-1:

“When using a purchase card, the cardholder must inform the merchant that it is for official U.S. government purposes and, therefore, not subject to state or local taxes. If the merchant refuses to waive the state or local tax, the cardholder may place the order and include the state or local tax.”

This guidance is augmented by individualized purchase cardholder training provided by the APC when credit cards are issued. Cardholders are also provided with a form letter to submit to vendors attempting to charge sales tax which cites AOC's tax exempt status. In addition, GSA cards are coded as belonging to a government entity not applicable for sales tax, which provides an added internal control for not incurring these costs. Interviews with purchase card holders revealed that they are aware of and use the tax exemption form letter when making purchases, which our evaluation subsequently verified as reflected in AOC's low sales tax costs.

Although the AOC's overall sales tax costs are low for the reporting period, sales tax on Information Technology Division (ITD) purchases were a significant portion (\$3,398) of these costs. 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 were not applicable. ITD stated they would seek out these resellers for future purchases.

**AOC Comments on Observation:** Although sales tax costs were low during the period of review, there was some sales tax being paid, which is permitted by the Contracting Manual if the merchant refuses to waive it. We will immediately send out notice to purchase cardholders reminding them of the requirement to attempt to have the merchant waive sales tax, and this will also be a focus during the 2019 purchase card review.

**Our Response:** Although no recommendations were provided for this observation, we reviewed this management comment and determined the proposed action would effectively address our concern.



## Appendix A

### Scope and Methodology

We conducted this evaluation from August 2018, through May 2019, in accordance with CIGIE *Quality Standards for Inspection and Evaluation*. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

We interviewed key AMMD personnel responsible for oversight and implementation of AOC's purchase card program processes, as well as jurisdictional purchase cardholders and approving officials. We also reviewed all purchase card transactions for FY 2017 and 2018 for split transactions, sales tax charges, and use of prohibited MCCs.

The scope of this audit consisted of all purchase card transactions for FY 2017 and 2018; which included 69,118 transactions totaling \$36,809,302 and the policies and procedures in place during this time period. To accomplish the evaluation objective, we performed the following:

- Gained an understanding of purchase card processes and internal controls;
- Obtained a list of all purchase cardholders during FY 2017 and 2018;
- Obtained a list of all purchase card transactions performed during FY 2017 and 2018;
- Ran IDEA Data Analysis Software (IDEA) data analytical scripts on purchase card transactions to identify potential split purchases, charges for sales tax, and use of prohibited merchant category codes;
- Selected judgmental samples for testing based on parameters in the above bullet;
- Reviewed documentary evidence from cardholder files to determine whether purchases selected for sampling were supported by appropriate documentation; and
- Verified that purchases were made in accordance with applicable policies and procedures.

### Use of Computer-Processed Data

We used computer-processed data to perform this evaluation. IDEA Data Analysis Software was used to test purchase card transactions using scripts developed in conjunction with the software vendor's Helpdesk support personnel.

## **Prior Coverage**

In the past five years, prior coverage of AOC's purchase card program processes included Architect of the Capitol Office of Inspector General *Final Audit Report A-2013-04, Follow-up of Office of Inspector General Audit Report A-2011-01 U.S. Botanic Garden Small Purchases and Government Purchase Card Operations*, June 20, 2013.

# Management Comments



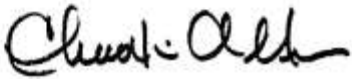
Architect of the Capitol  
U.S. Capitol, Room 8B-16  
Washington, DC 20515  
202.228.1795  
www.aoc.gov

United States Government

## MEMORANDUM

DATE: August 7, 2019

TO: Mr. Christopher Failla  
Inspector General

FROM: Christine A. Merdon, P.E.  
Acting Architect of the Capitol 

SUBJECT: Draft Evaluation Report of the Architect of the Capitol's Compliance with the Government Purchase Card Program, 2018-0003-IE-P

Thank you for the opportunity to review and provide a response on the subject Office of Inspector General draft report in accordance with section 5.2.6 of AOC Order 40-1. This document will serve as the Architect of the Capitol's (AOC) comments and Management Decision.

1. Objective. The objective of this evaluation was to determine whether the AOC purchase card program was administered in accordance with applicable policies, procedures and regulations, with a focus on high-risk areas identified in the Council of the Inspectors General on Integrity and Efficiency's Report on the Government Purchase Cards Initiative, issued July 2018.

2. Finding A (AMMD Lacks Standardized Processes and Adequate Support for Purchase Card Activity Reviews). The AOC concurs with the finding that the Acquisition and Material Management Division's (AMMD) monitoring of purchase card activity is largely manual and understaffed, and that some form of automated monitoring software would be valuable.

3. Finding B (AOC Policy Lacks Specific Guidance Pertaining to Split Purchases). The AOC concurs that more definitive language on split purchases needs to be added in the Contracting Manual (CM).

4. Finding C (Controls for Purchases Made from Unauthorized Third-Party Merchants Needs Strengthening). There are no recommendations for this finding that controls for purchases made through third-party merchants may be an area of vulnerability. However, we will explore this vulnerability further and make changes to the CM as needed.

5. Recommendations

a. Recommendation A.1. The AOC concurs that if future funding is secured, data analytics software to assist in purchase card monitoring would be a wise investment and enhance existing monitoring. By the end of the second quarter of Fiscal Year 2020, the AOC will identify

a data analytics software to assist with monitoring, and if such software does not already exist at the AOC, procurement will be necessary and will be executed subject to the availability of funds.

b. Recommendation A.2. The AOC concurs additional staffing is needed. Our Fiscal Year 2020 budget includes a request for five additional positions. If approved, one of these positions will be targeted to assist with purchase card program management.

c. Recommendation A.3. The AOC will develop a Standard Operating Procedure on purchase card reviews by the end of the third quarter, Fiscal Year 2020.

c. Recommendation B. The AOC concurs with making guidance clearer in the CM on split purchases and strategies on how to avoid them. The AOC Chief Financial Officer is currently developing additional reporting capabilities that will assist AMMD in monitoring the purchase card program

6. Observation. Although sales tax costs were low during the period of review, there was some sales tax being paid, which is permitted by the CM if the merchant refuses to waive it. We will immediately send out notice to purchase cardholders reminding them of the requirement to attempt to have the merchant waive sales tax, and this will also be a focus during the 2019 purchase card review.

Thank you for the opportunity to provide comments to the draft report. Please contact James O'Keefe at 202.226.3540 or [jokeefe@aoc.gov](mailto:jokeefe@aoc.gov) if you have any questions.

Doc. No. 190701-02-01B

## Announcement Memo




Office of Inspector General  
Fairchild Bldg.  
499 S. Capitol St., SW, Suite 518  
Washington, D.C. 20515  
202.593.1948  
[www.aoc.gov](http://www.aoc.gov)

United States Government  
**MEMORANDUM**

DATE: September 5, 2018

TO: The Honorable Stephen T. Ayers, FAIA, LEED AP,  
Architect of the Capitol

FROM: Christopher P. Failla   
Inspector General

SUBJECT: Announcement for Evaluation of Architect of the Capitol (AOC) Compliance  
with the Government Purchase Card Program (Project No: 2018-0003-IE-P)

This is to notify you that the Office of Inspector General is initiating an evaluation of the AOC's compliance with the Government Purchase Card Program. Our objective is to determine whether the AOC's Purchase Card Program is being administered in accordance with applicable policies, procedures, and regulations, with a focus on high risk areas identified in the Council of the Inspectors General on Integrity and Efficiency's *Report on the Government Purchase Card Initiative*, issued July 2018. These high risk areas are 1) transactions that were made with prohibited or questionable merchants, 2) transactions with sales tax, 3) transactions with unauthorized third-party merchants, and 4) split transactions.

We will contact the appropriate AOC offices to schedule an entrance conference in the upcoming weeks. If you have any questions, please contact me at 202.593.0260 or Audrey Cree, Management and Program Analyst, at 202.593.1941.

Distribution List:

Christine A. Merdon, P.E., CCM, Chief Operating Officer  
Dan Cassil, Chief Administrative Officer  
Thomas Carroll, Chief Financial Officer  
Shalley Kim, Executive Officer  
Mary Jean Pajak, Senior Advisor to the Chief Operating Officer

## **Acronyms and Abbreviations**

AMMD	Acquisition and Materials Management Division
AO	Approving Official
AOC	Architect of the Capitol
APC	Agency Program Coordinator
APM	Agency Program Manager
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FMS	Financial Management System
FY	Fiscal Year
GSA	Government Services Administration
IDEA	IDEA Data Analysis Software
ITD	Information Technology Division
MCC	Merchant Category Code
OIG	Office of Inspector General

FOR OFFICIAL USE ONLY



**OFFICE OF THE INSPECTOR GENERAL**

Fairchild Building, Suite 518

499 South Capitol Street, SW

Washington, DC 20515

(202) 593-1948

[hotline@aac-oig.org](mailto:hotline@aac-oig.org)

FOR OFFICIAL USE ONLY