



# OFFICE OF INSPECTOR GENERAL

## *2020-0012-INVI-P – Contractors and Sub Contractors Marked Up Costs and Intentionally Renamed Unallowable Line Items*

**Suspected Violations of the Architect of the Capitol (AOC) “Government Ethics” and “Standards of Conduct” policies: **Not Substantiated**. Suspected Violations of “Title 18 U.S. Code § 1001,” “Title 18 U.S. Code § 1343” and “Title 31 U.S. Code § 3729” **Not Substantiated**.**

On August 17, 2020, the AOC Office of Inspector General (OIG) initiated an investigation based on a referral from the OIG Audit Division concerning questionable proposal costs submitted by a construction company during the completion of a renovation project.

The construction company submitted multiple proposals, which lacked justification of costs, and their first and second tier sub-contractor proposals were not in compliance with the Changes Clause of the Multiple Award Construct Contract (MACC). On multiple occasions, the construction company was directed to review all proposals and confirm the cost mark-ups were in compliance with the MACC.

A final proposal, submitted to the AOC with a total cost of \$9,333,553, was approved by the AOC Construction Management team but still contained price mark ups and line items that were not in compliance. A second proposal, marked with the same original date, was submitted approximately one week later. The unallowable line items had been renamed and moved to different categories; however, the total cost remained the same.

After the second proposal was brought to the AOC’s attention, the agency determined that a portion of the costs were allowable despite the inaccurate labelling. A total of \$49,112 remained unallowable, which they then recuperated from the construction company. The construction company did not attempt to conceal any of the above information, provided explanations for the relabeling and provided a memorandum written to the AOC that outlined why they believed certain portions of the MACC were written incorrectly, causing normally allowable costs to be unallowable.

The AOC’s Contract Manual states that official records shall be established and maintained for all procurement actions in accordance with the Records Schedule. It further states that the contract file shall contain documentation, both formal and informal, of all actions taken with respect to the transaction, including final disposition. Such information may be necessary to provide essential facts for litigation or congressional inquiries, to furnish information for investigations, or to satisfy other similar requirements. The policy does not provide an exhaustive or inclusive list of all records normally kept, but our investigation showed that contract documents pertaining to this specific change order were not accurately recorded in the Price Negotiation Memorandum or stored in a location within the Office of the Chief Engineer. Failure to maintain accurate and thorough contract files is not a criminal or civil violation but it is an administrative concern to the AOC.



# Investigative Summary

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*2022-0012-INVI-P – Contractors and Sub Contractors Intentionally Recategorized and Renamed Unallowable Line Items*

We did not find evidence in support of violations of AOC policy or deliberate violations of law by AOC employees. Consultation with the United States Attorney’s Office (USAO) confirmed that because the AOC allowed the costs and re-couped appropriated funds, there would be no additional recourse for the “inaccurate” proposals submitted by the construction company. The USAO declined to prosecute the case.

**Final Management Action:** The OIG has closed the case.