



OFFICE OF INSPECTOR GENERAL

AUGUST 20, 2019

Evaluation of the Architect of the Capitol's Inventory Accountability and Controls

Evaluation Report 2018-0002-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.



Results in Brief

Evaluation of the Architect of the Capitol's Inventory Accountability and Controls

August 20, 2019

Objectives

The Architect of the Capitol (AOC) Office of Inspector General's (OIG) investigations involving theft of AOC property have increased substantially since Fiscal Year 2017. Complementary to our concern over the theft of AOC property, the U.S. Senate Committee on Rules and Administration requested we evaluate the AOC's inventory controls and tracking policies for agency property with a threshold value of less than \$1500. Our objectives were to determine:

1. If adequate mechanisms and controls are in place to account for non-consumable property valued at less than \$1,500;
2. What procedures are in place to report, track, and replace missing non-consumable property valued at less than \$1,500;
3. If "best practices" exist which might enhance property management efforts across the AOC; and
4. What savings could be gained by lowering this threshold amount?

Findings

Based on our evaluation, we found that:

- The AOC lacks defined internal controls for non-consumable property valued below \$1,500;
- The AOC lacks policies and procedures to report, track, or replace missing non-consumable property valued below \$1,500;
- AOC jurisdictions did not have full-time property management personnel; and
- Some AOC jurisdictions lacked adequate and dedicated storage facilities.

Recommendations

We recommend that:

- the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) and all other associated policy directives to establish internal control requirements, including standard definitions and criteria for highly pilferable and mission critical non-consumable property valued less than \$1,500;
- the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) and all other associated policy directives to establish guidelines to document, report and track missing non-consumable property valued less than \$1,500;
- the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) to enforce the requirement for mission critical non-consumable property valued less than \$1,500 to be recorded in the personal property management system;
- the Architect of the Capitol direct an organizational assessment to determine the feasibility of creating full-time Accountable Property Officer positions that strictly deal with property management;
- the Architect of the Capitol review all existing allocated and assigned storage space across each jurisdiction and reallocate and reassign facility space based on the need of the jurisdictions; and
- the Architect of the Capitol complete a cost estimate and assess the feasibility of building a consolidated and centralized AOC inventory control center.

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.



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Recommendations Table

Responsible Entity	Recommendation Resolved	Recommendation Unresolved	Recommendations Closed
CAO AOC	A, B.1, and B.2 C, D.1, and D.2		

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 OIG verified that the agreed upon corrective actions were implemented.



INSPECTOR GENERAL

DATE: August 20, 2019

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

FROM: Christopher P. Failla, CIG 
Inspector General

SUBJECT: Evaluation of the Architect of the Capitol's Inventory
Accountability and Controls (Project No. 2018-0002-IE-P)

Please see the attached final report for our evaluation of the Architect of the Capitol's (AOC) Inventory Accountability and Controls, which was announced on September 25, 2018. We found that the AOC lacks defined internal controls, policies, and procedures for non-consumable property valued below \$1,500. This report includes six recommendations for improvements to the AOC's personal property management program.

In your response to our official draft report (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 Assistant Inspector General for Inspections and Evaluations Josh Rowell at 202.593.1949 or Joshua.Rowell@aac.gov.

Distribution List:

James O'Keefe, Acting Chief Administrative Officer
Jon Kraft, Acting Chief Financial Officer
Anthony Hutcherson, Chief Acquisition and Material Management Officer
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Introduction

Objectives

The objectives of this evaluation were to determine:

1. If adequate mechanisms and controls are in place to account for non-consumable property valued at less than \$1,500;
2. What procedures are in place to report, track, and replace missing non-consumable property valued at less than \$1,500;
3. If “best practices” exist which might enhance property management efforts across the AOC; and
4. What savings could be gained by lowering this threshold amount?

Background

The Office of Inspector General’s (OIG’s) investigations involving theft of AOC property have increased substantially, from one occurring in Fiscal Year (FY) 2017 to seven additional investigations opened as of FY 2018. Furthermore, since FY 2018, theft cases have accounted for approximately 20 percent of the OIG’s entire investigative caseload. Generally, these investigations have dealt with the theft of AOC property items valued under \$1,500. Items stolen have included, but are not limited to, drills, backpack leaf blowers, digital measuring devices, generators, and other power tools. More specifically, one of those investigations resulted in an AOC employee who was a purchase card holder that made equipment purchases under \$1,500 as gifts for her husband, knowing full well, regardless of the purchase card controls in place that those items were not required to be entered into the AOC’s electronic inventory control system. Instances like these have led us to believe that the theft of AOC property is a far bigger issue since these cases only represent those that have been reported to the OIG.

Complementary to the OIG’s concern over the recent uptick in theft-related investigations involving AOC property, the U.S. Senate Committee on Rules and Administration requested we initiate an evaluation of the AOC’s inventory controls

Definitions for Commonly Used Terms-

- **Accountable Property-** Non-expendable personal property with an acquisition cost of \$1,500 or more, and capitalized, leased, and sensitive property, subject to lifecycle management and recording in the personal property management system.
- **Non-Accountable Property-** Property that does not meet the criteria for accountable property, i.e. the property’s acquisition cost is below \$1,500, it does not meet the standards for sensitive property, or it is expendable. Two property categories that fall under non-accountable property are consumable and non-consumable property.
- **Consumable Property-** Items that are used (consumed) during AOC activities. Examples are drywall, paper towels, pipe, lumber, and general supplies. These materials are also known as Work-in-Progress and may include bench stock items.
- **Non-Consumable Property-** Items that are under \$1,500, and can be mission critical property considered to be highly pilferable. Examples are power tools, generators, leaf blowers, and digital measuring devices regularly used by the AOC to accomplish its mission.

for property with a threshold value of less than \$1,500. The Committee's concern was that missing AOC equipment is not reported or tracked, and can be easily taken and replaced without notice as long as the purchase amount is less than \$1,500.

The Federal Property and Administrative Services Act of 1949, 40 USC § 101, et seq requires executive branch federal agencies to manage personal property and maintain accountability for acquired property valued at more than an established monetary or sensitivity threshold as determined by the respective federal agency. Because the AOC is a Legislative Branch agency, it is not subject to the Federal Property and Administrative Services Act of 1949. However, the AOC has acknowledged through its personal property management policy that the agency is not precluded from adopting the law's principles and intended purpose.

The personal property¹ management program is administered and overseen by the Acquisition and Material Management Division's (AMMD) Personal Property Management Officer who is responsible for the overall management of the program. AOC Order 34-45, Personal Property Manual, dated March 11, 2016, is the principle policy that establishes internal controls and requirements for the program, and spans the personal property management lifecycle—acquisition, receipt, accountability, utilization, and disposition.

As a result of a 2012 OIG Management Advisory to the AOC concerning identified weaknesses in the inventory and control over AOC property, the agency established, through its policy, monetary threshold amount limits that designate AOC property as either "accountable" or "non-accountable." Property valued between \$1,500 and less than \$25,000 is considered "accountable" property, whereas property valued at less than \$1,500 is considered "non-accountable." The policy requires all AOC accountable property to be recorded, tracked, and managed in the electronic inventory control system termed Maximo. The AOC also uses an electronic financial management system (FMS), to track and monitor the acquisition of AOC purchases.²

To account for personal property, each jurisdiction's Superintendent has designated and appointed in writing an Accountable Property Officer (APO), and those individuals are charged with local oversight duties for their respective jurisdictions as they align with the property management lifecycle. In addition to APO's, each jurisdiction's Superintendent also designates and appoints property custodians (PCs) from each shop in the respective jurisdiction, and those individuals are responsible for day-to-day property management functions within their custodial area. APO and PC duties are collateral assignments to employees' respective job functions.

¹ Personal property is defined as any property except real property. Personal property is movable and not fixed permanently to one location.

² Information Technology (IT) equipment is defined as property that has an acquisition value of \$500 or greater, but less than \$25,000, or any mobile telecommunication devices regardless of value. The AOC has a separate inventory management policy and program that regulates IT property.

Review of Internal Controls

We evaluated the AOC's internal controls for its personal property management program. While the AOC has established specific requirements that apply to accountable property items valued over \$1,500, similar requirements, protocols and guidance are limited for property valued under \$1,500. As a result, the lack of defined internal controls creates process gaps and vulnerabilities across the AOC, to include increased risk of theft and the potential for shortage of mission critical property, such as power tools, generators, and measuring devices, regularly used by the AOC to accomplish its mission.

Criteria

The following criteria were used during this evaluation:

- AOC Order 34-45, Personal Property Manual; and
- AOC Order 34-1, Contracting Manual (attention to Small Purchases section).

Finding A

The AOC Lacks Defined Internal Controls for Non-Consumable Property Under \$1,500

We found that there were limited AOC internal controls in place for the management of property valued less than \$1,500. This occurred because policy only established accountability standards for personal property with an acquisition cost of \$1,500 or more. As a result, the lack of defined internal controls created inefficiencies and vulnerabilities while increasing the risk of theft and potential for shortage of mission-critical items used in AOC operations.

Discussion

The AOC Order 34-45, Personal Property Manual dated March 11, 2016, is the authoritative reference for the AMMD's personal property management program. It sets forth procedural guidance for all jurisdictions, property offices, other property management stakeholders, contractors, and AOC employees for the proper accountability and management of AOC's personal property. We found that there were limited AOC internal controls in place for the management of property valued less than \$1,500. In addition, we found that jurisdictions used inconsistent operating practices and did not have documented standard operating procedures that provided specific guidance regarding inventory management.

AOC property management personnel acknowledged that the AOC internal controls for property management and accountability of property valued less than \$1,500 were inadequate. While the Personal Property Manual defines basic oversight requirements

for different property categories³, it primarily addresses and directs guidance for accountable assets and property.

Policies and Procedures

The Personal Property Manual classified personal property by acquisition cost and sensitivity guidelines. The manual required that property with an acquisition cost that exceeded an established dollar threshold be maintained as accountable property. The manual established the dollar threshold for accountable property with an acquisition cost of \$1,500 or more. AOC property management personnel we interviewed stated that the AOC policies and standards that required accountability actions for non-consumable property (property with an acquisition cost below \$1,500) were vague and lacked clarity. As such, the policy language reflected in the manual only stated that some non-consumable property may require administrative control and that it might require the user to return it to the primary official each day or get approval prior to using it. However, the Personal Property Manual does not provide clear definitions of the types of non-consumable property that should require some sense of administrative control.

Property management personnel noted that the lack of defined and consistent policy guidance had an impact on day-to-day operations. Some of the operating standards and accountability weaknesses identified by property management personnel included:

- Lack of standard inventory management control;
- Infrequent or no physical inventory of property by shop supervisors; and
- Inconsistent records maintenance.

Jurisdiction enforcement of non-consumable property matters were a lower priority since the AOC property management program primarily focused on accountable property. Standardized policies remained a concern for the property management personnel along with the establishment of effective controls for non-consumable property.

Property Management

Although not required, some of the AOC property management personnel used ad hoc methods for property management and accountability for non-consumable property. We were told by property management personnel that they used jurisdiction-specific spreadsheets and other non-standard documents for the management of inventory since no agency-wide forms existed. The shop supervisors in the jurisdictions were mostly responsible for the day-to-day management of non-consumable property and other key items (i.e., tools, tool sets, etc.). However, property management personnel had minimal oversight of non-consumable property in daily usage.

³ The Personal Property Manual cites five categories of property: accountable property, capitalized property, sensitive property, non-accountable property, and controlled property.

Property management personnel also noted that if items went missing, they were either not told about the missing items or found out long after the item was gone, which in turn created untimely reorder for property. There was not a standardized feedback process from the shops to the PCs based on policy requirements and as a result, there was no reasonable assurance that property management personnel could maintain effective accountability of non-consumable property.

Impact

Reliance on non-standard methods of inventory control by the jurisdictions enables mismanagement of property and does not yield sufficient accountability. As a result, the lack of defined internal controls created process gaps and vulnerabilities while increasing the risk of theft and potential for shortage of mission critical items used in AOC operations. Property management personnel acknowledged that instituting standardized policies for non-consumable property was a challenge but stated they would like to have more formalized standards as they were working with the AMMD to achieve better accountability processes.

Conclusion

Implementation of standardized internal controls will help identify and fix gaps and vulnerabilities, and identify actions the AOC property management personnel must take to improve transparency, accountability, and oversight of non-consumable property. Improved controls will also reduce opportunities for fraud, theft, waste, and diversion of commodities, and improve confidence that AOC non-consumable property funds are used properly and where most impactful.

Recommendation

Recommendation A

We recommend that the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) and all other associated policy directives to establish internal control requirements, including standard definitions and criteria for highly pilferable and mission critical non-consumable property valued less than \$1,500.

Management Comments on the Finding and Our Response

AOC Comments on A: The AOC with concurs with updating Property Manual 34-45 to identify pilferable and mission essential property under \$1500.00. To define pilferable and mission essential property under \$1500.00, plus the impact on resources, will require coordination with the jurisdictions via a working group symposium. This working group will convene by the end of the 2nd quarter, FY 2020.

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

Finding B

The AOC Lacks Policies and Procedures to Report, Track, or Replace Missing Non-Consumable Property Under \$1,500

We found that there were no mechanisms or procedures in place to report, track, or replace missing property valued less than \$1,500.

This occurred because:

- AOC Order 34-45 (Personal Property Manual) did not establish any accountability standards for non-consumable property; and
- AOC Order 34-45 (Personal Property Manual) did not require non-consumable property to be recorded in the AOC's personal property management system, termed Maximo.

As a result, the identified deficiencies pose an increased risk of pilferage of non-consumable property, diversion of property, and creation of untimely reorder.

Discussion

The AOC Order 34-45 Personal Property Manual established policy guidelines for all APOs and PCs to put appropriate mechanisms and controls in place to maintain all property records associated with the personal property assigned to their accountable and custodial areas. Property management personnel acknowledged that there were no AOC mechanisms or procedures in place to report, track, or replace missing property valued less than \$1,500.

As such, they noted that the lack of policy guidance for non-consumable property caused impediments in some of their day-to-day property management functions (i.e., conducting physical inventories, reconciling records, inventory reorder, discrepancy investigations, resolution efforts, etc.). Property management personnel also explained that non-consumable property record maintenance and accountability efforts were secondary due to the emphasis and requirements from management on accountable property matters.

Property Management and Accountability

Because the Personal Property Manual did not establish accountability requirements for non-consumable property, property management personnel used different accountability methods and standards that were specific to their jurisdictions. While

the Personal Property Manual specified a wall-to-wall annual accountability inspection and reporting requirement for all accountable property, we found that property management personnel conducted infrequent inventory inspections and had limited oversight for non-consumable property which created the opportunity for mismanagement of AOC property.

Some jurisdiction PCs conducted inventory checks for non-consumable property when time permitted while others relied on the shop supervisors to submit inventory updates. In addition, property management personnel added that Chief Financial Officer personnel previously conducted random inventory spot checks for non-consumable property but they no longer conduct such checks. They also noted that the Chief Financial Officer inventory spot checks were a valuable control in oversight management for non-consumable property.

The AOC Order 34-45 Personal Property Manual includes the requirement that all AOC accountable personal property must be recorded and maintained in the personal property management system. According to the policy, the AOC system of record for documenting, tracking, and managing personal property throughout its life cycle is Maximo. The Personal Property Manual did not require non-consumable property to be recorded in the personal property management system.

Property management personnel stated that they used Microsoft Excel spread sheets and other related documents linked to jurisdiction specific shared drives to record and manage non-consumable property. They also noted that it was difficult to reconcile property records for non-consumable property between the different shops when an item came up missing because there was no standardized system of record used nor any official policy guidance for property disposition.

Impact

Property management personnel recognized that non-consumable property accountability standards remained insufficient and that additional policy refinement and enforcement (to include tracking, reporting, and disposition of property) was necessary to improve oversight management. As a result, the identified deficiencies described beforehand posed an increased risk to pilferage of non-consumable property, diversion of property, and creation of untimely reorder. In addition, property management personnel stated that clarity and reinforcement of accountability standards from management would help in the day-to-day efforts of property management matters.

Conclusion

The development of defined accountability standards along with policy enforcement for tracking select non-consumable property in the property management system would help identify gaps and vulnerabilities in the property management program. Improved controls could also reduce opportunities for theft and diversion of AOC

commodities. Moreover, effective implementation and enforcement of revised accountability standards will promote transparency and confidence in the AOC property accountability program.

Recommendations

Recommendation B.1

We recommend that the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) and all other associated policy directives to establish guidelines to document, report, and track missing non-consumable property valued less than \$1,500.

Recommendation B.2

We recommend that the Chief Administrative Officer update and revise AOC Order 34-45 (Personal Property Manual) to enforce the requirement for mission critical non-consumable property valued less than \$1,500 to be recorded in the personal property management system.

Management Comments on the Finding and Our Response

AOC Comments on B.1: The AOC concurs with updating Property Manual 34-45 to document, report, and track missing non-consumable property valued at less than \$1,500.00. This will be done by the end of the 2nd quarter, FY 2020.

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

AOC Comments on B.2: The AOC concurs with updating Property Manual 34-45 to enforce the requirement for mission critical non-consumable property valued at less than \$1,500.00 be recorded in the property management system. This will be done by the end of the 2nd quarter, FY 2020.

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

Finding C

AOC Jurisdictions Did Not Have Full-Time Property Management Personnel

We found that property management oversight was inadequate as the accountability property officers and other related property management positions (i.e. PCs) within each jurisdiction were designated as a collateral duty.

This occurred because:

- The policy language in the AOC Order 34-45 (Personal Property Manual) only directs jurisdiction Superintendents to appoint designated property management personnel in writing and not assign the role as a full-time duty; and
- Property management personnel are performing multiple duties (i.e. program management, administrative, etc.) in addition to their property management responsibilities.

As a result, the continued lack of full-time property management personnel within the jurisdictions could result in significant mismanagement and loss of AOC property.

Discussion

The AOC Order 34-45 Personal Property Manual established policy guidelines for the AOC property management roles and responsibilities. The personal property management roles within the AOC consist of two functions.

- **Administration and Oversight** - The administration and oversight function includes personnel who administer the procedures, guidelines, and specific AOC orders (if required) that allow appointed property management personnel to perform their operational property management duties. These personnel also oversee personal property management operations to ensure compliance with legislative regulations, statutes, orders, and jurisdiction guidance and conduct periodic internal audits to assure asset accountability and control.
- **Operational** - This function includes PCs who perform the day-to-day management of personal property assigned to their accountable or custodial area throughout the property's life cycle. Operational personnel are accountable for the property within their area and the implementation of additional procedures to manage that property. However, the administration

and oversight component still provides oversight for these property management operations.

We found that oversight for non-consumable property under \$1,500 was inadequate as property management personnel within each jurisdiction were designated property management responsibilities as a collateral duty. In addition, we found that property management personnel lacked jurisdiction specific operating knowledge of non-consumable property for items used in day-to-day operations. Property management personnel also noted that training on and understanding of the AOC property management system of record (Maximo) was a concern in the execution of their custodial responsibilities due to the assignment and requirements of other official AOC duties (i.e., administrative, project management, operations, etc.).

Property Management Personnel

The policy language in the AOC Order 34-45 Personal Property Manual only directs jurisdiction Superintendents to appoint designated property management personnel in writing and does not assign property management as a full-time duty. Specifically, the Manual states that the appointment of property management personnel may or may not correlate with the individual's regular job title. Each jurisdiction appointed an APO and a PC. APOs have authority and primary responsibility for all property in their respective jurisdictions while PCs oversee the day-to-day performance of personal property management functions within their custodial area.

Property management personnel acknowledged that the oversight of non-consumable property was lacking and often a challenge as they performed multiple duties associated with their regular AOC jobs along with their property management responsibilities. Some of the challenges with the oversight of non-consumable property as reported by property management personnel were:

- Ensuring that property is being used as authorized and is cared for and protected;
- Conducting physical inventories for accountability;
- Reconciliation of property records; and
- Replacement actions for lost/missing property.

Some property management personnel stated that property would sometimes go missing and they would often not be notified until an item was requested for replacement. They also noted that the lack of asset visibility caused a challenge for reconciling property records while also administering the proper disposition process for that missing or lost property. As such, they stated that there was very little time to devote to non-consumable property matters as it was a lower-tiered priority behind accountable property.

Impact

Property management personnel believed that the current AOC designation and assignment of duties as collateral versus primary may present unintentional opportunities for negligence. As a result, the continued lack of full-time property management personnel within the jurisdictions could result in significant mismanagement and loss of AOC property. Property management personnel commented that their assignment to property management positions in a collateral, part-time capacity eroded the timeliness, prioritization, and effectiveness necessary for fulfilling their property management responsibilities. Senior property management leaders reinforced that statement and noted that property management personnel within the jurisdictions were wearing too many hats and performing too many other duties.

Conclusion

Because most property management personnel serve in their property management role as a collateral duty, they did not always have the required time to dedicate to the stewardship of non-consumable property. This prevents assurances that AOC resources are properly administered in a manner consistent with AOC standard operating orders and guidelines. Moreover, the reliance on collateral duty performance instead of permanently assigned property management personnel enables mismanagement and negligence and may not result in sufficient property management support for AOC operations.

Recommendation

Recommendation C

We recommend that the Architect of the Capitol direct an organizational assessment to determine the feasibility of creating full-time property management positions that strictly deal with property management.

Management Comments on the Finding and Our Response

AOC Comments on C: The AOC concurs that having full time Accountable Property Officer's and Property Custodians is a good idea. However, this is a position/ funding issue that has to be studied and possibly budgeted. Subject to the availability of funds, a review and/ or study of this recommendation will be done by the end of 3rd quarter, FY 2020.

Our Response: We reviewed the management comment and determined it addresses the finding and recommendation. However, we note conducting an organizational assessment to determine the feasibility of creating full-time property management positions should not be subject to the availability of funds, although we recognize that

the actual creation of full-time property management positions may require additional funding.

Finding D

Some AOC Jurisdictions Lack Adequate and Dedicated Storage Facilities

We found that some AOC jurisdictions lacked sufficient and dedicated storage for property and equipment.

This occurred because:

- AOC is limited by the amount of internal and external facility space across the Capitol campus; and
- Some jurisdictions' work activities and projects are not local to their respective jurisdictions' space while supporting AOC operations.

As a result, some jurisdictions used ad-hoc and inconsistent inventory storage practices that may increase the probability for loss of AOC property.

Discussion

Due to the AOC's lack of a centralized inventory control center for equipment, individual jurisdictions maintain and store their own property and equipment based on designated storage areas located in their respective jurisdictions. In some cases, storage areas may be adequate for some jurisdictions, while in others, jurisdictions do not have storage areas either at all or proximate to the location where work is performed. Often, property is scattered across the Capitol campus due to work performed across multiple AOC site locations. For instance, a property management official from the AOC's Office of Planning and Project Management's Construction Division told us that depending upon the assigned project, their jurisdiction's property is sometimes stored in the hallways of another jurisdiction, and that the property will sometimes go missing or get mixed in with other jurisdiction's inventory. This poses an inherent risk to the AOC since equipment and property are more vulnerable to mismanagement, waste, or theft.

In interviews, we found that jurisdiction inventory management efforts varied and were in some cases disorganized due to the lack of designated storage facilities. A property management official stated that if a piece of property was missing, they often would not be made aware due to lack of means to report. Other property management personnel stated that although they do not have dedicated storage areas for equipment, the AOC will often provide a temporary solution such as quad-con

storage units⁴ to secure equipment. However, the quad-con units are often considered an “eyesore” by Congressional members and staff, causing the AOC to relocate or eliminate the units, which poses additional challenges and inefficiencies to carrying out daily AOC work activities.

Impact

The variation of inventory management practices and storage across jurisdictions has “stove-piped”⁵ the organization and have prevented a uniform implementation of the current personal property management program. As a result, jurisdictions have identified and implemented their own methods to manage AOC property (to include purchasing, accounting for, and disposing of property). It has also increased the likelihood of loss of AOC property in general.

Conclusion

Providing jurisdictions with the necessary storage space for AOC property would mitigate the loss of AOC property, increase staff efficiencies for daily work activities, and ensure the property management program is administered in a consistent manner. One avenue to enhance the program may be for the AOC to explore the development and use of a centralized control center where the acquisition, storage and accountability, and disposition of property can be housed under one roof. Such an alternative would require the shifting of current resources and realignment of how jurisdictions currently manage property management efforts.

Recommendations

Recommendation D.1

We recommend that the Architect of the Capitol review all existing allocated and assigned storage space across each jurisdiction and reallocate and reassign facility space based on the need of the jurisdictions.

Recommendation D.2

We recommend that the Architect of the Capitol complete a cost estimate and assess the feasibility of building a consolidated and centralized AOC inventory control center.

⁴ A quad-con storage unit is a rectangular metal container that is primarily used for shipping freight items. However, they are also often used as temporary means to store items and are preferred due to their mobility.

⁵ “Stove-piped” is a metaphorical term used for a system or entity that has the potential to share data or functionality with other systems or entities but does not do so.

Management Comments on the Finding and Our Response

AOC Comments on D.1: The AOC concurs with reviewing existing storage spaces across jurisdictions and reallocating based on the needs of the jurisdictions. Jurisdictional input is required, and possibly a feasibility study. Subject to availability of funds, review and/or study will be done by the end of the 3rd quarter, FY 2020.

Our Response: We reviewed the management comment and determined it addresses the finding and recommendation. However, we note reviewing existing storage spaces across jurisdictions and assessing should not be subject to the availability of funds.

AOC Comments on D.2: The AOC concurs with assessing the feasibility of a centralized inventory center. This too requires jurisdictional input and a possible feasibility study. Subject to availability of funds, review and/or study will be done by the end of the 3rd quarter, FY 2020.

Our Response: We reviewed the management comment and determined it addresses the finding and recommendation. However, we note completing a cost estimate and assessing the feasibility of a centralized AOC inventory control center should not be subject to the availability of funds.

Observations

AOC Potential Cost Savings

The AOC spent approximately \$50 million on non-accountable property during FYs 2016-2018, or approximately \$16 million per year. A review of the FMS obligations on items under \$1,500 for FYs 2016-2018 did not conclusively point to significant irregularities in spending. However, property management personnel noted that because the AOC's funding is separated across the jurisdictions, FMS may not accurately portray patterns of inventory mismanagement. Furthermore, because FMS obligation data did not differentiate between non-accountable consumable items and non-accountable non-consumable items, and due to the lack of AOC policies and procedures for tracking property below the \$1,500 acquisition threshold, we could not determine monetary savings gained by reducing that threshold.

While reducing the AOC's threshold amount might provide the opportunity for more oversight of AOC property, without proper controls in place, it might also produce ineffective inventory management efforts since lowering the amount would result in an increased quantity of property needing oversight by AOC personnel. However, there may be some financial efficiencies gained by a standardization and consolidation of select financial activities across the AOC to support oversight and operations of a consolidated inventory facility via a working capital fund. The AOC operations are currently funded across 10 separate accounts as enacted in the

Legislative Branch Appropriations Act, 2019. Some of the cost and inventory efficiencies that may be gained are:

- Increased security and oversight of AOC property since the bulk of inventoried items would be stored in a single location instead of multiple locations;
- Mitigated risk to purchase card fraud by reducing the number of purchase card holders;
- Minimized cost of one-time purchases with bulk purchase options for like items throughout multiple jurisdictions;
- Reduction of on-hand inventory and overhead with common operating asset visibility;
- Centralized inventory tracking system to account for property and its destination location;
- Reduced transportation cost since the shipping and receipt of items would go to a single distribution center instead of multiple locations; and
- Reduced sales tax and rush order fees to replace items.

Best Practices

We identified some best practices that exist internally and externally to the AOC that may enhance property management efforts across the Agency. Specifically:

- Dedicated APO's – dedicated full-time APO's assigned to an organization's property management office for oversight execution of the property management program as currently implemented by a similar federal agency to the AOC;
- Consolidated Inventory Control Center - consolidated inventory control center to improve transparency and accountability as currently implemented by a similar federal agency to the AOC;
- Barcoding - use of barcoding as accountable property on select non-consumable items deemed mission critical and highly pilferable across the AOC as is currently a practice by some AOC jurisdictions (House Office Buildings and Capitol Grounds and Arboretum);
- Physical Inventories - physical spot check requirements of non-consumable inventory as currently done by some AOC jurisdictions (Senate Office Buildings; Capitol Building and Supreme Court Building and Grounds); and
- Inventory Accountability - use of sign in/sign out logs for daily accountability of non-consumable property as is currently done by some AOC jurisdiction sections (Supreme Court Building and Grounds and U.S. Botanic Garden).

The large number of items categorized as non-consumable property combined with policy shortcomings, personnel serving property management roles in a collateral

versus full-time capacity, and limited storage space across the agency may critically impact the efficiency and effectiveness of the AOC's property management program.

Appendix A

Scope and Methodology

We conducted this evaluation from September 2018, through July 2019, in accordance with the Council of the Inspectors General on Integrity and Efficiency's *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.

During our evaluation we reviewed relevant AOC policies and procedures as it relates to the accountability and control of non-consumable property valued at less than \$1500. We also reviewed AOC purchases from Fiscal Years 2016, 2017, and 2018 for non-consumable property valued at less than \$1500. Lastly, we conducted interviews with appropriate AOC officials and staff to determine how inventory management processes and procedures were carried out in a day-to-day manner.

Prior Coverage

AOC OIG Management Advisory MA (I)-12-01, issued December 22, 2011.

This advisory was produced as a result of an OIG investigation that revealed a void of any written AOC policy, gaps in the inventory management, and a lack of guidance and controls on the disposition of office furnishings in the Senate Office Buildings. Specifically, the OIG identified three internal control weaknesses:

1. Gaps and inconsistent definitions in AOC-wide policy concerning the accountability of government property, to include furniture;
2. The Senate Office Buildings lacked jurisdiction policy on furnishings inventory management; and
3. Lack of controls on furniture in transit, weak process to determine if furniture is salvageable versus unsalvageable, and excess property turn-in procedures needed improvement.

As a result of the above internal control weaknesses, the OIG made nine recommendations and the AOC took action. For the purposes of this evaluation, we found two the AOC's actions to be of utmost relevance. The first was that the AOC revised AOC Order 34-45 Personal Property Manual by providing definitions for government property types, and the second, significant action taken by the AOC resulted in the establishment of a \$1,500 threshold limit to distinguish property that was accountable versus non-accountable.

AOC Investigation (2018-0021-INVI-P), issued January 2, 2019.

The AOC OIG initiated an investigation based on information received from an AOC supervisor. The supervisor reported that a private citizen/spouse of an AOC employee contacted them to report that an AOC employee had used their AOC issued government purchase card to acquire tools for the private citizen/spouse as a gift, knowing that the items would not be recorded in the AOC's electronic inventory control system because each item was valued under \$1,500. The property consisted of a super winch (\$1,100), wheeled battery charger/starter (\$260), flex power pack (\$100), DeWalt impact driver (\$330), a DeWalt drill (\$50), and an aluminum tri-fold ramp system (\$170).

The OIG investigation substantiated, through testimony and receipt of physical evidence, that the AOC employee violated AOC Orders and policies when they procured tools through the use of their AOC issued government purchase card and provided the AOC tools to their spouse as a gift. The estimated value of the AOC property is \$2,010. The AOC employee submitted their resignation and ended employment with AOC after receiving notice of proposed or pending adverse action based in whole or in part on employee misconduct and did not face reprimand prior to resignation. The OIG recovered the AOC property.

Appendix B

Management Comments



Architect of the Capitol
U.S. Capitol, Room SB-15
Washington, DC 20515
202.228.1793
www.aoc.gov

United States Government

MEMORANDUM

DATE: August 8, 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 Inventory Accountability and Controls, 2018-0002-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 evaluate the AOC's inventory controls and tracking policies for agency property valued at less than \$1,500.00.

2. Finding A (The AOC Lacks Defined Internal Controls for Non-Consumable Property Under \$1,500.00). The AOC concurs with the finding that there are limited controls in place for property under \$1,500.00. AOC Order 34-45, "Personal Property Manual", was first issued in 2012 as a result of an Office of Inspector General investigation on inventory management and furniture disposition, and it was at that time the accountability threshold of above \$1,500.00 was established.

3. Finding B (The AOC Lacks Policies and Procedures to Report, Track, or Replace Missing Non-Consumable Property Under \$1,500.00). The AOC concurs there is not a definitive system in place to account for non-consumable property under \$1,500.00 since our property manual establishes the accountability threshold as above \$1,500.00, as mentioned above in Finding A.

4. Finding C (AOC Jurisdictions Did Not Have Full-Time Property Management Personnel). The AOC concurs that Accountable Property Officer's and Property Custodians are not full-time in performing property accountability duties.

5. Finding D (Some AOC Jurisdictions Lack Adequate and Dedicated Storage Facilities). The AOC concurs that some jurisdictions lack adequate and dedicated storage facilities.

6. Recommendations

a. Recommendation A. The AOC concurs with updating Property Manual 34-45 to identify pilferable and mission essential property under \$1,500.00. To define pilferable and mission essential property under \$1,500.00, plus the impact on resources, will require coordination with the jurisdictions via a working group symposium. This working group will convene by the end of the 2nd quarter, FY 2020.

b. Recommendation B.1. The AOC concurs with updating Property Manual 34-45 to document, report, and track missing non-consumable property valued at less than \$1,500.00. This will be done by the end of the 2nd quarter, FY 2020.

c. Recommendation B.2. The AOC concurs with updating Property Manual 34-45 to enforce the requirement for mission critical non-consumable property valued at less than \$1,500.00 be recorded in the property management system. This will be done by the end of the 2nd quarter, FY 2020.

d. Recommendation C. The AOC concurs that having full time Accountable Property Officer's and Property Custodian's is a good idea. However, this is a position/funding issue that has to be studied and possibly budgeted. Subject to availability of funds, a review and/or study of this recommendation will be done by the end of 3rd quarter, FY 2020.

e. Recommendation D.1 The AOC concurs with reviewing existing storage spaces across jurisdictions and reallocating based on the needs of the jurisdictions. Jurisdictional input is required, and possibly a feasibility study. Subject to availability of funds, review and/or study will be done by the end of the 3rd quarter, FY 2020.

f. Recommendation D.2 The AOC concurs with assessing the feasibility of a centralized inventory center. This too requires jurisdictional input and a possible feasibility study. Subject to availability of funds, review and/or study will be done by the end of the 3rd quarter, FY 2020.

Thank you for the opportunity to provide comments to the draft report. Please contact James O'Keefe by telephone at 202.226.3540 or electronic mail at jokeefe@aoe.gov if you have any questions.

Doc. No. 190731-02-01

Appendix C

Announcement Memo



Office of Inspector General
Fairchild Bldg.
499 S. Capitol St., SW, Suite 518
Washington, D.C. 20515
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www.aoc.gov

United States Government
MEMORANDUM

DATE: September 25, 2018

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

FROM: Christopher P. Failla, CIG
Inspector General 

SUBJECT: Announcement for Evaluation of Architect of the Capitol (AOC) Inventory
Accountability and Controls (2018-0002-IE-P)

The AOC Office of Inspector General has received a request from the U.S. Senate Committee on Rules and Administration to evaluate the AOC's inventory controls and tracking policies for agency property valued at less than \$1,500.00. Our objectives for this evaluation are to determine:

- 1) If adequate mechanisms and controls are in place to account for property valued at less than \$1,500.00;
- 2) What procedures are in place to report, track, and replace missing property valued at less than \$1500.00;
- 3) If "best practices" exist which might enhance property management efforts across the AOC; and
- 4) What savings could be gained by lowering this threshold amount.

In order to appropriately respond to the Committee's inquiry, we are requesting documents and information pertaining to this subject (Attachment A). Please provide, electronically if possible, the requested documents and information within seven business days. Additionally, we will contact the appropriate AOC offices to schedule an entrance conference. If you have any questions, please contact Josh Rowell at Joshua.Rowell@aoc.gov or 202.593.1949.

Attachment

Distribution List:

Christine A. Merdon, P.E., CCM, Chief Operating Officer
Dan Cassil, Chief Administrative Officer
Shalley Kim, Executive Officer
Anthony Hutcherson, Chief Acquisition and Material Management Officer
Jerrod Whittington, Associate Chief Acquisition and Material Management Officer

Attachment A

1. AOC purchase orders, or other relevant records (i.e. data sets) showing the purchase for property valued at less than \$1,500.00 for fiscal years 2016, 2017, and 2018.
2. Any and all AOC-wide orders under current implementation that pertain to the inventory accountability and tracking of property valued at less than \$1,500.00.
3. For each AOC jurisdiction, current standard operating procedures in place for the inventory accountability and tracking of property valued at less than \$1,500.00.
4. A list of the AOC front office and jurisdictional “points of contact” that are responsible for discharging duties related to the accountability and tracking of property valued at less than \$1,500.00. Please provide full names, job title, and jurisdiction, along with email and telephone contact information.
5. Any documentation that highlights the basis for establishing “non-accountable property” as property with an acquisition cost of under \$1,500.00.

Acronyms and Abbreviations

AMMD	Acquisition and Materials Management Division
AOC	Architect of the Capitol
APO	Accountable Property Officer
FMS	Financial Management System
FY	Fiscal Year
IT	Information Technology
OIG	Office of Inspector General
PC	Property Custodian



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