

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN  
AUDIT OF GREATER CHICAGOLAND SERVICE CENTER  
(REPORT NUMBER A060125/P/5/R08004, JUNE 4, 2008)  
PUBLIC BUILDINGS SERVICE  
REPORT NUMBER A100089/P/5/  
MARCH 26, 2010

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**INTRODUCTION**

**Background**

On June 4, 2008, the Office of Inspector General issued a report of its review of the Region 5 Public Buildings Service (PBS) Greater Chicagoland Service Center (GCSC) conducted during 2006 through 2008. Audit Report Number A060125/P/5/R08004, entitled Audit of the Greater Chicagoland Service Center, had four findings and recommendations in the areas of procurement and reimbursable work authorization (RWA) controls, contract administration, and solicitations. The report's recommendations are contained in Appendix A of this report.

PBS agreed to all of the report's recommendations and developed a corrective action plan, dated July 15, 2008, to address each of the recommendations. The corrective action plan is contained in Appendix B of this report.

The Office of Inspector General performed a review of the corrective action plan to ensure that it was implemented by the GCSC. The corrective action plan was selected for review because of the significance of the findings contained in the underlying audit report. The results of our review are contained herein.

**Objectives, Scope, and Methodology**

The objective of the implementation review was to determine whether the controls or actions mandated by the corrective action plan were implemented by the GCSC.

The corrective action plan contained 8 steps representing 16 discrete controls. We reviewed 13 of these controls or actions. We limited our scope to the 13 most significant controls or actions, which represented 81 percent of the action plan.

To accomplish our review, we:

1. Worked with representatives of PBS' Property Management Division, Budget and Financial Management Division, Acquisition Management Division, and Facilities Management and Services Programs Division to determine how the corrective action plan was implemented;
2. Obtained directives from PBS management that mandated the internal controls needed to be responsive to the audit report's recommendations;

3. Reviewed seven delivery order files maintained by the GCSC to determine if mandated procurement checklists were being used;
4. Reviewed policy documents issued by the Acquisition Management Division attesting to the scope and frequency of divisional reviews;
5. Reviewed purchase order, invoice, and payment files maintained by the GCSC and technical support branch to determine the methodology used to comply with the audit report recommendation to recover Government funds;
6. Examined four RWA files maintained by the GCSC;
7. Analyzed the RWA Entry and Tracking Application to ascertain the closure status of RWAs belonging to buildings controlled by the GCSC; selected problematic RWAs for further review; and
8. Reviewed semi-annual and high-risk reviews of RWA Unfilled Customer Orders performed by the Budget and Financial Management Division.

## RESULTS OF REVIEW

The review determined that the corrective action plan was not fully implemented. There were eight steps representing 16 discrete controls or actions contained in the action plan. Of the 13 controls we evaluated, five were not implemented. For example, some procurement and administrative reviews were not being performed. RWA tracking sheets had not been implemented.

We also noted that an action step to recover Government funds did not occur.

### Finding Number 1; Recommendation 1A

The audit report's first finding was entitled "Additional Procurement Controls Needed." The audit identified the misuse of contract vehicles, sole source procurements, brand name procurements with no justifications, split procurement, inadequate use of Federal Supply Schedule contracts, diversion of contract employees, improper use of budget activity 61 funds, lack of a bona fide need, and inadequate file documentation. The actual recommendation, which is focused on developing internal controls, is contained in Appendix A of this report.

PBS Action Plan Step 1 of 1: The PBS action plan is found in Appendix B under Finding 1, step (1).

Result of implementation review: The action plan had one step representing seven discrete controls. Of the five controls reviewed, PBS did not implement two. Here are details on the controls not implemented:

- Discrete control: Current internal PMD reviews include random samples of the Service Center's prior fiscal year's purchases and Contracting Officer's Representative (COR) files.
- Per audit: The Property Management Division has not been performing internal random reviews of the GCSC's prior year's purchases. The last one to occur was performed by a team from the Ohio Service Center on April 7-8, 2008, covering fiscal year (FY) 2007. Therefore, internal Property Management Division reviews of the GCSC have not occurred for FY 2008 or FY 2009. Property Management Division officials told us that a review was scheduled for February 2010.
- Discrete control: The Region's PBS Occupancy Management Programs (OMP) Division performs bi-annual Management Analysis Review System (MARS) reviews of the Regional Service Centers, which includes COR responsibilities and files.
- Per audit: The regional Building Operations and Maintenance Branch has not performed a MARS review of the GCSC since 2002. The reviews are to be conducted on a bi-annual basis; a review scheduled for 2007 had to be

terminated due to the incapacitation of a key employee. A PBS official informed us that a review was scheduled to commence during February 2010.

### **Finding Number 2; Recommendation 2A**

The audit report's second finding was entitled "Contract Administration Problems." The audit found that subcontractor labor rates exceeded the rates specified in the contract; therefore the provisions of the Davis-Bacon Act were not followed. The contractor was paid for "time value of capital" without justification or explanation. The actual recommendation, which is focused on developing internal controls, is contained in Appendix A of this report.

PBS Action Plan Step 1 of 2: The PBS action plan is found in Appendix B under Finding 2, step (1).

Result of implementation review: The action plan had one step representing three discrete controls. We reviewed two of the controls and found that PBS only implemented one of them. Here are details on the control not implemented:

- Discrete control: PMD's current internal controls to ensure proper procurement practice include internal annual file reviews of the Service Center files.
- Per audit: As previously stated, internal annual reviews of GCSC's procurements had not occurred for the periods FY 2008 and FY 2009.

PBS Action Plan Step 2 of 2: The PBS action plan is found in Appendix B under Finding 2, step (2).

Result of implementation review: The action plan had one step representing one discrete control, which was not implemented. Here are the details:

- Discrete control: Recover the additional time value of capital cost that was included in the contractor's price proposal.
- Per audit: PBS has not recovered the funds due the Government. The audit report noted that a contractor's proposals, which were accepted by the GCSC, contained an unallowable cost called "time value of capital." The audit report recommended recovery of the cost in the amount of \$6,076.

PBS issued a demand letter to the contractor stating the Government's intention to recover a portion of the funds. There was no follow-through on the actions outlined in this letter.

### **Finding Number 3; Recommendation 3A**

The audit report's third finding was entitled "Reimbursable Work Authorization Controls." The audit report noted that RWA funds were not spent and the balances were not returned to the customer agencies. RWA files were not current or closed out in a timely manner. The actual recommendation, which is focused on developing internal controls, is contained in Appendix A of this report.

PBS Action Plan Step 1 of 4: The PBS action plan is found in Appendix B under Finding 3, step (1).

Result of implementation review: We found that the action plan had one step representing three discrete controls, one of which was not implemented by PBS. Here are details on the control not implemented:

- Discrete control: Improve the current RWA tracking process by enhancing the current RWA tracking worksheets and providing oversight of the data by the Regional Procurement Branch.
- Per audit: The RWA tracking worksheets have not been implemented. In accordance with an email directive from the Property Management Division Director, dated July 29, 2008, the service centers are required to send RWA worksheets on a monthly basis to the Regional Procurement Branch. The tracking worksheets are to include the service centers' estimate of project completion and are also part of the basis for a quarterly report on RWA status to the Director, Property Management Division. The worksheets and the quarterly report have not been implemented.<sup>1</sup> We did not find a copy of the worksheet to determine what was to be tracked.

PBS Action Plan Step 2 of 4: The PBS action plan is found in Appendix B under Finding 3, step (2).

Result of implementation review: The action plan had one step representing one discrete control, which was not implemented. Here are the details:

- Discrete control: Service Center will monitor monthly the RWA worksheet and submit status to the Regional Procurement Branch to ensure that project status is timely and up-to-date.

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<sup>1</sup> A Property Management Division representative provided us with a Quarterly Accountability Report that contained a single line item for over-obligated RWAs, which were not a focus of audit report number A060125/P/5/R08004. The report did not contain individual RWA detail. We determined that this report did not subscribe to the planned format of the quarterly report contained as an attachment to the July 29, 2008 email directive.

- Per audit: See the previous section (step 1 of 4). The RWA tracking worksheets have not been implemented.

PBS Action Plan Step 3 of 4: The PBS action plan is found in Appendix B under Finding 3, step (3).

Result of implementation review: The action plan had one step representing one discrete control, which we did not test.

PBS Action Plan Step 4 of 4: The PBS action plan is found in Appendix B under Finding 3, step (4).

Result of implementation review: The action plan had one step representing one discrete control, which was successfully implemented.

Currently, responsibility for tracking RWAs is the responsibility of the Budget and Financial Management Division.

#### **Finding Number 4; Recommendation 4A**

The audit report's fourth finding was entitled "Inadequate Disclosure Provided in Contract Solicitation." The report noted that a solicitation for janitorial services did not disclose that wage rates from an existing collective bargaining agreement (CBA) were in place at the subject building; the incumbent was able to use a lower wage determination to bid the job and was awarded a contract modification bringing wage rates up to those contained in the new CBA. Therefore, unsuccessful bidders were at a competitive disadvantage. The actual recommendation, which is focused on developing internal controls, is contained in Appendix A of this report.

PBS Action Plan Step 1 of 1: The PBS action plan is found in Appendix B under Finding 4, step (1).

Result of implementation review: We found that the action plan had one step representing three discrete controls and found that PBS had only implemented one of the two steps we reviewed. Here are details on the control not implemented:

- Discrete control: PMD's current internal controls to ensure proper procurement process include PMD's internal annual file reviews of procurement files.
- Per audit: As previously stated, internal procurement reviews are not being performed.

#### **Internal Controls**

The implementation review sought to determine if the internal controls and actions found in the corrective action plan had been implemented. Because several elements of

the action plan were not enacted, the internal control structure will, in all likelihood, continue to exhibit the deficiencies noted in the audit report.

**Action Required**

The Regional Commissioner, Public Buildings Service (5P), is required to submit a revised corrective action plan to the Internal Control and Audit Division (BEI). The revision should address the elements of the original action plan that were not implemented.

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REPORT RECOMMENDATIONS

The following represent the four recommendations contained in audit report number A060125/P/5/R08004, Audit of Greater Chicagoland Service Center. The recommendations provided the basis for the corrective action plan reviewed in this report.

**Recommendation 1A:** Develop and implement a system of internal controls to assure that GCSC employees perform their procurement responsibilities in such a manner as to assure that procurement laws and regulations are followed and proper funds used.

**Recommendation 2A:** Establish and implement a system of internal controls to assure that GCSC employees perform their contract administration/management responsibilities in accordance with contract specifications and laws/regulations and recover any improper payments to contractors.

**Recommendation 3A:** Develop and implement an effective system of internal controls for managing RWAs and IBAs in order to assure that they are properly recorded, filed and closed out in a timely manner.

**Recommendation 4A:** Develop and implement an effective system of internal review to assure adequate disclosures are made in contract solicitations in order to assure the integrity of the procurement process.

**Corrective Action Plan**



GSA Great Lakes Region

**JUL 15 2008**

MEMORANDUM FOR DAVID K. STONE  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
GREAT LAKES REGION (JA-5)

FROM: JAMES C. HANDLEY  
REGIONAL ADMINISTRATOR (5A)

A handwritten signature in black ink, appearing to read "J. C. Handley".

SUBJECT: Audit Report  
Review of Greater Chicagoland Service Center  
Public Buildings Service, Great Lakes Region  
Audit Report No. A060125/P/5/R08004

Attached are the Management Decision Record and Corrective Action Plan with step by step actions and dates for accomplishing the recommendations contained in the above-referenced audit report.

If you have any questions regarding this information, please contact me or PBS Assistant Regional Administrator J. David Hood at 312-353-5572.

Attachments

U.S. General Services Administration  
230 South Dearborn Street  
Chicago, IL 60604-1696  
www.gsa.gov

**Corrective Action Plan  
(Continued)**



**PBS Corrective Action Plan – Audit Title**

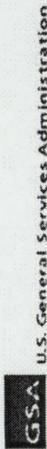
**GSA** U.S. General Services Administration

Designated Responding Official:	Kenneth Kunesch, Director, Property Management Division
Contact Person:	Kathleen Kapala, Branch Manager, Region Procurement Branch Diana Vaughan, Director, Greater Chicagoland Service Center
Telephone Number:	Ms. Kapala (312-886-0684) and Ms. Vaughan (312-353-5594)
Date:	June 26, 2008

Audit Report Number/ Title	Recommendation Number	Proposed Completion Date
Report number: A060125/P/5R08004 Title of audit: Audit of the Greater Chicagoland Service Center, Great Lakes Region	1A	July 31, 2008
<b>Finding 1:</b> Additional Procurement Controls Needed		
<b>Recommendation:</b> Regional Administrator, PBS, Develop and implement a system of internal controls to assure that the GCSC employees perform their procurement responsibilities in such a manner as to assure that procurement laws and regulations are followed and proper funds used.		

PBS Action Plan: Action to be Taken Step-by-Step	Supporting Documentation to be sent to BECA	Documentation will be Sent Last Day of the Month
(1) Formalize the contract review process to ensure consistency and compliance by submitting instructions through e-mail to employees in Property Management Division (PMD) on the use of PBS Acquisition Programs Division's (APD) checklist, which is a list of requirements for each specific procurement that must be included in the contract file. E-mail will also address proper procurement practices. Current internal PMD reviews include random sample of	E-mail from Director of PMD to all division employees emphasizing proper procurement practices, PMD review requirements and compliance with the APD checklists.	July 31, 2008

**Corrective Action Plan  
(Continued)**



**PBS Corrective Action Plan – Audit Title**

Designated Responding Official:	Kenneth Kunesh, Director, Property Management Division
Contact Person:	Kathleen Kapala, Branch Manager, Region Procurement Branch Diana Vaughan, Director, Greater Chicagoland Service Center
Telephone Number:	Ms. Kapala (312-886-0684) and Ms. Vaughan (312-353-5594)
Date:	June 26, 2008

	<p>the Service Center prior fiscal year's purchases and Contracting Officer's Representative (COR) files. Also, all procurement actions are reviewed by at least one level above the Contracting Officer/Specialist. In addition, APD performs random file reviews of PMD procurements. The Region's PBS Occupancy Management Programs (OMP) Division performs bi-annual Management Analysis review System (MARS) reviews of the Regional Service Centers, which includes COR responsibilities and files. All PMD acquisition plans for procurements over \$100,000 are reviewed, at a minimum, by the Regional Procurement Branch Manager.</p>	
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**PBS Corrective Action Plan – Audit Title**

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Contact Person:	Kathleen Kapala, Branch Manager, Region Procurement Branch Diana Vaughan, Director, Greater Chicagoland Service Center		
Telephone Number:	Ms. Kapala (312-886-0684) and Ms. Vaughan (312-353-5594)		
Date:	June 26, 2008		

Action Report Number	Recommendation Number	Proposed Completion Date
Report number: A060125P/5R08004 Title of audit: Audit of the Greater Chicagoland Service Center, Great Lakes Region Finding 2: Contract Administration Problems	2A	July 31, 2008
<p><u>Recommendation:</u> Great Lakes Region, PBS, Establish and implement a system of internal controls to assure that GCSC employees perform their contract administration/management responsibilities in accordance with contract specifications and laws/regulations and recover any improper payments to contractors.</p>		

PBS Action Plan:	Supporting Documentation to be sent to BECA	Documentation will be Sent Last Day of the Month
(1) Instructional e-mail from the Director of PMD to all division employees emphasizing proper procedures and file documentation of Davis-Bacon requirements. PMDs current internal controls to ensure proper procurement practice include internal annual file reviews of the Service Center files and review of all procurement actions at one level above the CO/Contract Specialist.	E-mail from Director of PMD to all division employees emphasizing proper procurement practices relative to procedures and file documentation of Davis Bacon requirements.	July 31, 2008
(2) Recover the additional time value of capital cost that was included in the contractor's price proposal.	Letter seeking recovery from contractor.	July 31, 2008
<u>Action Report Number</u>	<u>Recommendation</u>	<u>Proposed Completion Date</u>

Corrective Action Plan  
(Continued)

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Date:	June 26, 2008

<b>Title</b>	<b>Number</b>
Report number: A060125/P/5R08004 Title of audit: Audit of the Greater Chicagoland Service Center, Greater Lakes Region	3A July 31, 2008
<b>Finding 3:</b> Reimbursable Work Authorization Controls  <b>Recommendation:</b> Regional Administrator, PBS, Develop and implement an effective system of internal controls for managing RWA's and IBAA's in order to assure that they are properly recorded, filed, and closed out in a timely manner	

<b>PBS Action Plan:</b>		<b>Supporting Documentation to be sent to BECA</b>	<b>Documentation will be Sent Last Day of the Month</b>
(1)	Improve the current RWA tracking process by enhancing the current RWA tracking worksheets and providing oversight of the data by the Regional Procurement Branch.  PMD Service Centers currently monitor RWAs to ensure they are properly recorded, filed and closed-out in a timely manner. In addition, the Region's Budget and Financial Management (BMF) Division share in RWA tracking primarily through the RWA Entry and Tracking Application (RETA).  Service Center will monitor monthly the RWA worksheet and submit status to the Regional Procurement Branch to ensure that project status is timely and up-to-date.	Revised Report format that will be sent to the Director of PMD on a quarterly basis.	July 31, 2008
(2)		Copy of e-mail to Regional Service Center Directors requesting monthly submission of an updated worksheet to Regional Procurement Branch.	July 31, 2008

Corrective Action Plan  
(Continued)

Corrective Action Plan  
(Continued)



GSA U.S. General Services Administration

**PBS Corrective Action Plan – Audit Title**

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Contact Person:	Kathleen Kapala, Branch Manager, Region Procurement Branch Diana Vaughan, Director, Greater Chicagoland Service Center
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Date:	June 26, 2008

(3)	Service Centers submit RWA completion certification to the regional Customer Financial Manager in Budget and Financial Management Division (BFM) project-out. Submission will be tracked on the RWA tracking worksheets.	Memo from PMD Director to Service Center Directors to remind the staff of the requirement.	July 31, 2008
(4)	Review RWA's project status for all Unfilled Customer Order (UFCCO) balances that are part of the semi-annual reviews, in accordance with CFO memorandum, Revised Policy on Cancellation, Review and Certification of Unfilled Customer Orders and Reconciling of Interfacing Business Systems.	E-mail from BFM to Central Office with responses on the validity of UFCCO balances under review	July 15, 2008

**PBS Corrective Action Plan – Audit Title**

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Contact Person:	Kathleen Kapala, Branch Manager, Region Procurement Branch Diana Vaughan, Director, Greater Chicagoland Service Center
Telephone Number:	Ms. Kapala (312-886-0684) and Ms. Vaughan (312-353-5594)
Date:	June 26, 2008

Corrective Action Plan  
(Continued)

Action Report Number/Title	Recommendation Number	Proposed Completion Date
Report number: A060125/P/5R08004 Title of audit: Audit of the Greater Chicagoland Service Center, Great Lakes Region	4A	July 31, 2008
<b>Finding 4:</b> Inadequate disclosure provided in contract solicitation.		
<b>Recommendation:</b> Great Lakes Region, PBS, Develop and implement an effective system of internal review to assure adequate disclosures are made in contract solicitations in order to assure the integrity of the procurement process.		

PBS Action Plan:	Supporting Documentation to be sent to BECA	Documentation will be Sent Last Day of the Month
(1) Instructional e-mail from the PMD Regional Procurement Branch (RPB) Manager to all division employees emphasizing proper use of CBAs in solicitations. PMDs current internal controls to ensure proper procurement process include PMDs internal annual file reviews procurement files. Also, all procurement actions are reviewed by at least one level above the CO/Specialist.	E-mail from RPB Manager to all division employees emphasizing proper use of CBAs in solicitations and reiterating the PMD policy regarding procurement reviews.	July 31, 2008

APPENDIX C

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN  
AUDIT OF GREATER CHICAGOLAND SERVICE CENTER  
(REPORT NUMBER A060125/P/5/R08004, JUNE 4, 2008)  
PUBLIC BUILDINGS SERVICE  
REPORT NUMBER A100089/P/5/

REPORT DISTRIBUTION

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