

GENERAL SERVICES ADMINISTRATION OFFICE OF INSPECTOR GENERAL

**Recovery Act Report – Austin Courthouse Project
Review of PBS’s Major Construction and Modernization
Projects Funded by the American Reinvestment and
Recovery Act of 2009
Audit Number A090172/P/R/R10001**

March 12, 2010





U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: March 12, 2010

Reply to: R. Nicholas Goco
Attn of: Deputy Assistant Inspector General
For Real Property Audits (JA-R)

Subject: Recovery Act Report – Austin Courthouse Project
PBS's Major Construction and Modernization Projects Funded by the
American Reinvestment and Recovery Act of 2009
Audit Number A090172/P/R/R10001

To: Robert A. Peck
Commissioner, Public Buildings Service (P)

As part of our oversight of the General Services Administration's American Recovery and Reinvestment Act projects, we are bringing a matter to your attention. Our review of the Austin Courthouse project found that the Construction Manager as Constructor (CMc) contracting approach was incorrectly executed and resulted in the construction portion of the contract being awarded as an unpriced option for \$102 million without a justification for using other than full and open competition. Moreover, the basis for the price reasonableness determination was not based on Government Cost Estimates and was not supported, and therefore, the price reasonableness of the construction option was not substantiated. In effect, the exercise of the construction phase option amounted to a sole source procurement without authorization and without a basis for the pricing.

Background

The American Reinvestment and Recovery Act of 2009 (Recovery Act) provides the General Services Administration (GSA) with \$5.55 billion for the Federal Buildings Fund. In accordance with the Recovery Act, the GSA Public Buildings Service (PBS) is using the funds to convert Federal buildings into High-Performance Green Buildings as well as to construct Federal buildings, courthouses, and land ports of entry. The Recovery Act mandates that \$5 billion of the funds must be obligated by September 30, 2010, and that the remaining funds be obligated by September 30, 2011. The GSA Office of Inspector General (OIG) is conducting oversight of the projects funded by the Recovery Act.

The work on the Austin Courthouse project began prior to the passage of the Recovery Act. However, when Recovery Act funds became available, the agency selected this project's construction phase as part of the new courthouse construction projects under the Recovery Act.

Construction was Awarded through an Unpriced Option

When the original request for proposal was issued for the Austin Courthouse project, the contract was intended to be awarded as a CMc contract with a Guaranteed Maximum Price. Generally, this type of contract is initially awarded for design phase services¹ at a firm fixed price with an option for construction phase services at a Guaranteed Maximum Price that is established at contract award. The Guaranteed Maximum Price acts as a ceiling price for the actual construction phase services. The proposed Guaranteed Maximum Price is evaluated along with the pricing for the design services for the award to be made.

The design phase services were awarded on September 29, 2006, for a firm fixed price of \$277,427 and the construction phase services were priced at \$60 million. However, the contract award did not establish a Guaranteed Maximum Price. The request for proposal was modified based on comments made at the pre-proposal conference by the contracting officer so that the Guaranteed Maximum Price would be established after the design was complete. According to the minutes of the pre-proposal meeting posted to FedBizOpps², the contracting officer stated:

“For purposes of preparing your price proposal for the Construction Phase Services, keep in mind what we are looking for, at this stage, is your understanding of the cost range of \$50-60M and the Guaranteed Maximum Price (GMP) concept. The actual GMP proposal will not be submitted by the firm selected for this contract until after the design phase has been completed.”

When asked about the pricing for the construction phase services, the contracting officer stated that the \$60 million was only a “place holder” because the GMP was not established. As such, the option for the construction phase services was not priced and was to be negotiated later.

In this case, while the initial award was competitive and both technical approach and price were part of the award criteria, the only pricing evaluated was for design services, a relatively small cost component of the entire contract. The CMc contractor that was awarded the contract was ranked with the highest technical proposal and at \$277,427 had proposed the lowest cost for the design phase services. Subsequently, the design phase services were increased by \$127,009 for costs related to efforts to reduce project costs after the contractor provided an initial construction phase estimate of \$108.3 million in November 2006 after the design development studies were completed.

When the design phase was completed, GSA exercised the option for construction phase services and established a Guaranteed Maximum Price of \$102,554,074 effective on July 31, 2009. According to the General Services Acquisition Manual 536.270, if exercising an unpriced option, the statutory authority permitting the use of other than full and open competition, such as unusual and compelling urgency or one responsible offeror, needs to be cited. However, at the time of our review, the contract file did not contain any documentation citing this authority and none was provided when requested.

¹ Design Phase Services include activities such as ensuring the design complies with applicable regulations, codes, and standards as well as ensuring the constructability of the design.

² FedBizOpps is the Federal Business Opportunities website.

Basis for Price Reasonableness Needs to be Substantiated

Since the cost of the construction phase services were not evaluated under the initial award, the price reasonableness needed to be established prior to the exercise of the construction phase option. According to General Services Acquisition Manual 536.203, cost estimates are to be used to evaluate offers and as a tool for determining the reasonableness of prices. However, when the option was exercised, the cost estimates had not been reconciled with the Guaranteed Maximum Price of \$102,554,074³ and were not used to establish price reasonableness.

Prior to exercising the construction phase option, GSA obtained two cost estimates based on the design at 95 percent of completion and one based on the design at 100 percent of completion. The cost estimates at 95 percent of completion were for about \$88.0 million and \$95.1 million. When these estimates were reconciled to each other, the estimate was approximately \$91.6 million. The cost estimate at 100 percent of design completion dated July 1, 2009, was for about \$84.6 million. However, these cost estimates were not reconciled to the Guaranteed Maximum Price prior to award and were not used as the basis for price reasonableness.

Instead, according to the Award Determination Memo to File developed by the contracting officer for the exercise of the construction phase option, the total project cost according to the CMC contractor's July 12, 2009 estimate of \$103,836,188 was compared to the FY09 ECCA⁴ for \$110,118,414 and FY 10 ECCA for \$104,704,779. However, these amounts are not derived from any of the cost estimates for the project and no support for these amounts was provided.

As the amounts used to assess the contractor's pricing are not based on the government cost estimates and are unsupported by any known cost estimate, price reasonableness has not been established.

Recommendations

We recommend that the Commissioner of the Public Buildings Service:

- 1) Take action to correct the infirmities in the award of the option for Construction Phase Services for the Austin Courthouse project.
- 2) Perform a review of the cost of construction for the Austin Courthouse project to ensure that it is fair and reasonable based on information that is current, accurate, and complete.

³ The CMC contractor's final cost estimate, dated July 15, 2009 totaled \$103,836,188. In determining the Guaranteed Maximum Price, the cost estimate was adjusted to \$102,554,074.

⁴ ECCA typically stands for Estimated Contract Cost at Award.

Management Comments

In its response, PBS disagreed with the two findings and concluded that the recommendations did not need to be followed (see Appendix A). PBS's position is that the construction phase is not an unpriced option because the bidders submitted proposals for the construction phase and the PBS Source Selection Evaluation Board (SSEB) evaluated the pricing although it is not shown in the SSEB report. With regard to price reasonableness, PBS's position is that while it incorrectly documented the file, the contracting officer did obtain competitive bids for the guaranteed Maximum Price and identifies steps taken to support the price.

PBS's response is predicated on the assertion that the SSEB evaluated the construction phase pricing. However, the SSEB report specifically states that the evaluation was never performed. As such, PBS's response is based on inaccurate information and the arguments are flawed and do not comport with guidelines for the use of Construction Manager as contractor (CMc) contracts or the Federal Acquisition Regulation. Therefore we reiterate our position and have provided a response to PBS's comments (see Appendix B).

We appreciate the support that has been provided throughout this review. If you have any questions about this memorandum, please contact me on (202) 219-0088.

Sincerely,



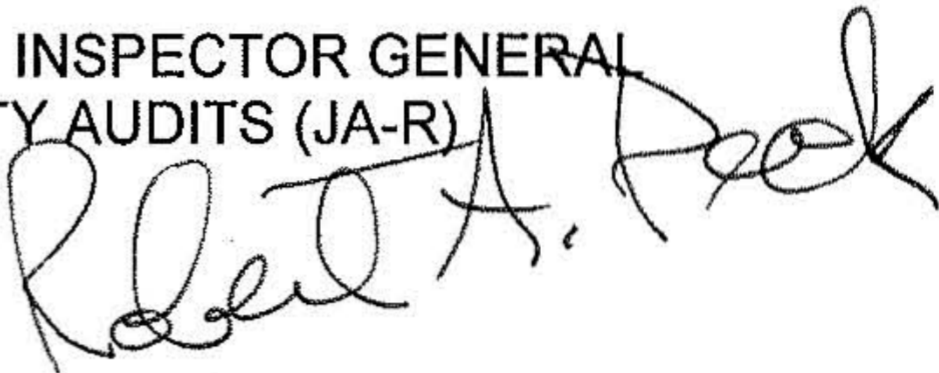
R. Nicholas Goco
Deputy Assistant Inspector General for Real Property Audits (JA-R)



MAR 01 2010

GSA Public Buildings Service

MEMORANDUM FOR R. NICHOLAS GOCO
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR REAL PROPERTY AUDITS (JA-R)

FROM: ROBERT A. PECK
COMMISSIONER (P) 

SUBJECT: Draft Recovery Act Report – Austin Courthouse Project Review
of PBS's Major Construction and Modernization Projects
Funded by the American Reinvestment and Recovery Act of
2009, Report Number A090172.

Thank you for the opportunity to review and provide comments to the draft subject audit report. The Public Buildings Service's comments are attached for your consideration before issuing the final report and inclusion in the appendix.

If you have any questions, please contact William J. Guerin, Recovery Executive, at (202) 208-0445.

Attachments

**THE PUBLIC BUILDINGS SERVICE'S RESPONSE
TO THE OFFICE OF INSPECTOR GENERAL'S
DRAFT REPORT ON THE
AUSTIN COURTHOUSE PROJECT
AUDIT NUMBER A090172**

Background

The Construction Manager as Constructor (CMc) solicitation for the new U.S. courthouse in Austin, TX, was issued for design phase services with an option for construction phase services via Federal Business Opportunities (FedBizOps), www.fbo.gov, on May 16, 2006. The offerors were required to submit a proposal for both the design phase services and the construction phase services. The proposals were to include the direct costs as well as the fees (overhead, profit, and commission).

The Solicitation Notice was posted on the FedBizOps website on May 16, 2006. This notice described the services required and the source selection evaluation factors. The source selection evaluation factors, which were used by the Source Selection Evaluation Board (SSEB) in evaluating the proposals, included past performance and experience in providing both pre-construction (design phase) and construction phase services.

Construction was Awarded through a Priced Option

PBS takes exception to the Office of Inspector General's (OIG's) statement that the option for construction phase services was not priced. The offerors were told during the pre-proposal conference they needed to include with their proposal a price for the construction phase services. The conference minutes were incorporated via amendment into the Request for Proposal (RFP). They were also told to include a proposal for their fees. The bid form they used to submit their proposals clearly identified these requirements. While the offerors were told the cost range for construction was \$50-60M and they could consider using \$60M as a place holder, it was up to each offeror to propose what they chose for the construction phase services. This is evidenced by the proposals that were submitted, as they included proposed construction costs ranging from \$59,800,000 to \$61,900,000.

Listed below are the proposals for both the design and the construction phases. (The amounts represent the Final Revised Proposals.) The names of the offerors are not provided, as this is proprietary information.

	<u>Design Phase</u>	<u>Construction Phase</u>
1)	\$277,427	\$60,000,000
2)	\$290,000	\$60,000,000
3)	\$335,000	\$61,900,000
4)	\$400,000	\$59,800,000
5)	\$583,000	\$60,000,000

As described in the minutes from the pre-proposal conference, the offerors were told, in response to a question about how to address the anticipated escalation in construction costs between 2006 and the estimated construction start date of spring 2009, that they should use their best judgment when preparing their proposal for the construction phase of the project. Also, Amendment No. 5, dated August 26, 2006, requested the offerors to ensure all information required was provided, including fees and an amount proposed for the option "Construction Phase Services." It is evident that the SSEB and the Contracting Officer (CO) were going to evaluate the cost proposed for construction, as well as the proposed fees.

As indicated in the objective report prepared by the SSEB, the costs proposed for the design phase, the costs proposed for the construction phase, and the percentages proposed for the fees (overhead, profit, and commission on subcontractors), were all evaluated by the SSEB and used in establishing which firm offered the best value to the Government for the services required.

It is true that neither the initial report nor the final report prepared by the SSEB made reference to the evaluation of the proposed construction phase costs. All references to cost were to the design phase costs. However, as stated above, each offeror submitted a price for the construction phase services and the SSEB analyzed these proposed construction phase costs, as part of their evaluation of the total proposal. The option for the construction phase services was therefore a priced option, not an un-priced option that required a Justification for Other Than Full and Open Competition.

Basis for Price Reasonableness

PBS takes exception to the statement that the cost of the construction phase services was not evaluated under the initial award. The CMc offerors included a cost for the construction phase and included their proposed fees in their respective proposals. These costs and fees were evaluated by the SSEB and were taken into consideration when recommending selection to the CO for the initial award.

Although GSA had established a goal to award this ARRA-funded project no later than August 1, 2009, the process utilized to establish the Guaranteed Maximum Price (GMP) was fair and reasonable and was no different than if the project had been awarded with non-ARRA funds. While the design architect was not able to fully incorporate into the construction documents all of the various value engineering (VE) items and design

issues, the steps described below were taken to ensure the awarded GMP was evaluated by the SSEB and found to be fair and reasonable.

The design architect issued several addendums to the documents in the days leading up to the due date for the GMP. These addendums addressed the various VE items and design issues. The CMc included allowances in its GMP proposal for many of the scope items included in these addendums. In addition, the CMc included \$2,415,000 in contingencies to cover the design issues yet to be resolved.

The various cost estimates prepared for this project were not all reconciled prior to exercising the option for the construction phase. However, in order to determine if the GMP proposal was fair and reasonable in comparison to the cost estimates, the estimates prepared by the Government and its agents were analyzed by the project team to determine what costs were not included that were included in the GMP. These costs reflect all the scope changes described in the addendums; the \$2,343,534 for the City of Austin Right of Way (ROW) fees and the approximately \$1,000,000 for the anticipated Texas Gross Receipts Tax. The cost estimates had also been based on the "low bid" concept, as opposed to the "best value" concept, which is the method required in the solicitation for these services. Historic data indicates "best value" pricing is more often higher than "low bid" pricing. This was taken into consideration. The cost estimates were also based on an estimated 30-month performance period, instead of the 36-month performance period in the CMc contract. This was also taken into consideration by the project team in their analysis of the cost estimates. These various adjustments could have added another \$5 million to the reconciled cost estimate of \$91.6 million, increasing it to \$96.6 million and bringing it to within 5 percent of the GMP award amount.

The CO was able to determine the GMP proposal was fair and reasonable based on the information described below. As stated above, it is important to recognize that the process used to determine the GMP was fair and reasonable and was no different than if the project had been awarded with non-ARRA funds.

- 1) The revised benchmarks provided by the General Services Administration (GSA) Central Office. (See explanation provided below and attached benchmarks.)
- 2) The extensive competition received from the subcontractor market. The CMc provided the attached list to the project team that identified the subcontractor trades (by specification division) that submitted proposals. There were only three trades (out of 41) where only one quote was received. For some trades, there were as many as seven quotes received. The average number of quotes per trade was five. This indicates extremely good competition.
- 3) The reconciled cost estimate, adjusted as described above to take into account all the costs missing from the estimate.

- 4) Suspended design services. Design services for this project were suspended for approximately one year due to the Courts moratorium. Services were suspended a second time for several months while Congress reviewed the process to be used to measure the square footage of Federal buildings. The design was suspended a third time after the CMc submitted its cost estimate for the design development phase. (This cost estimate was \$110 million.) The delay in completing the design had a direct and adverse impact on the construction costs, as described below.

The CMc informed the Government the explosive construction market in the Austin area was contributing to the escalation of both labor and material costs. In addition, oil and steel prices were skyrocketing. The Government therefore decided it was prudent to conduct a market survey to determine if these conditions were indeed affecting the prices the CMc was receiving from the subcontract market.

The CMc, the Construction Manager (CM) under contract to the Government, and an independent cost estimator under contract to GSA's Public Buildings Service's (PBS's) Office of the Chief Architect conducted market surveys. Moreover, the Corps of Engineers (COE) was conducting its own market survey of both the Austin and San Antonio areas.

The results of all the separate market surveys described above confirmed that numerous construction projects under way and planned for the near future in the Austin area, along with the rising costs of fuel and steel, were contributing to the higher than normal material and labor costs. Based on these market surveys, GSA Central Office increased the benchmark for the project from \$63,632,495 for FY 2008 to \$98,154,329 for FY 2009 and to \$102,650,720 for FY 2010. (See attached benchmark calculation sheets.) The design architect was informed of the increase in the benchmark and their contract modified to increase the ECCA to reflect the FY 2009 benchmark amount.

The Award Determination Memo to File (Memo) referenced incorrect amounts for the FY 2009 and FY 2010 benchmarks. An amendment to this Memo will be prepared to reference the correct benchmark amounts.

Recommendations

The costs of the construction phase services for this project were competed, along with the costs for the design phase services. The result was a priced option that was properly evaluated by the SSEB. The exercise of this priced option was in compliance with the Federal Acquisition Regulation and the General Services Administration Acquisition Manual.

No actions to correct alleged infirmities in the award of the option for the Construction Phase Services for the Austin courthouse project are required.

It is recommended the Memo should be amended to reflect the correct amounts of the FY 2009 and FY 2010 benchmarks. The Memo will also specifically address the price competition for the construction phase and how the CO determined the GMP proposal for the priced construction option was fair and reasonable.

In addition, the GSA CO and Project Manager continue to negotiate the GMP proposal with the CMc, in order to reach a firm, fixed-priced (FFP) proposal. Several design issues have been resolved, which will enable the CMc to finalize pricing and reduce various allowance and contingency amounts in their GMP proposal. A reduction in direct costs will result in a reduction to some indirect costs, such as insurance and bonds. The results will be a FFP award amount less than the GMP award amount of \$102,554,074 and one within 2 to 3 percent of the FY 2009 benchmark amount of \$98,154,329.

It is also recommended that the reconciliation effort should be completed so as to reflect the same cost elements that are included in the GMP. This reconciled cost estimate will then be compared with the negotiated GMP proposal from the CMc and the benchmark amounts to establish that the FFP award amount is fair and reasonable.

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Management Comments

The Benchmark Calculation for the FY09 Construction of the Austin Courthouse project has been redacted at the Agency’s request.

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Management Comments

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Management Comments

The Consolidated List of Proposals from subcontractors has been redacted at the Agency’s request.

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Audit Response to Management Comments

Award of the CMc Construction Contract

The audit report shows that the option for the construction phase of the contract was an unpriced option. The report states that the solicitation was amended to inform the bidders that the price proposal for construction phase services would be used to ensure the bidders understanding of the cost range and the Guaranteed Maximum Price concept, and that the actual Guaranteed Maximum Price proposal for construction phase services would not be submitted until after the design is completed. Additionally, only the design phase services were evaluated and the contract was awarded based on the pricing for the design phase.

In its comments, PBS states that bidders were required to submit price proposals for the construction phase services and that an evaluation of the pricing for construction phase service was made although it was not documented in the Source Selection Evaluation Board (SSEB) report. In addressing the recommendations, PBS further states that the construction phase pricing was competed and evaluated by the SSEB.

This is blatantly incorrect. There are two important aspects to consider; whether the information that the bidders submitted was evaluated as part of the contract evaluation and what the guaranteed maximum price means. First, while bidders submitted information, it was not evaluated. The SSEB report specifically shows that the PBS assertion is incorrect. As stated on page 10 of the SSEB final report:

The Construction Phase Work is not included in the project cost as an evaluated item and is not applicable to this evaluation. The base contract will be awarded for the design phase only, with construction a negotiated contract option.

Although pricing information for the construction phase services was required to be submitted as part of the proposal for the CMc construction contract, the Guaranteed Maximum Price was not set when the CMc contract was awarded. According to the Federal Acquisition Regulation 15.404-1, a price analysis is required to be performed and the price reasonableness is to be evaluated. However, the construction phase pricing was not evaluated and so the Guaranteed Maximum Price was not set. In addition to the SSEB report explicitly stating that it did not evaluate the construction pricing, it also cites only the price analysis for the design phase services in its recommendation for award. The Guaranteed Maximum Price of \$102,554,074 was not established until the exercise of the construction phase option, effective on July 31, 2009. The negotiation for this phase took place only with the incumbent.

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Audit Response to Management Comments

Secondly, this contract did not follow the tenets of the CMc Guaranteed Maximum Price contract type. In this contract type, the construction contractor is brought in during the design phase and a Guaranteed Maximum Price is established as a limit on the eventual construction price. The collaborative effort between the architect and the construction contractor is intended to ensure the contractor completes the construction within the Guaranteed Maximum Price and to reduce the Government’s risk of cost increases due to design error, omission, or constructability. Guaranteed Maximum Price is defined as the maximum amount the Government will pay for the Construction Phase Work. If a Guaranteed Maximum Price had been evaluated and set at the time of initial contract award it would have been based on \$60 million, not \$102,554,074.

As such, the audit conclusion that the option for the construction phase services was unpriced and that a justification for other than full and open competition is required has not changed.

Basis for Price Reasonableness

According to the audit report, PBS did not use the Government cost estimates to establish price reasonableness, but instead compared the contractor’s cost estimate of \$103,836,188 to the FY 09 ECCA of \$110,118,414 and FY 10 ECCA of \$104,704,779, which are unsupported. As such, price reasonableness was not established.

In its response, PBS took exception to the statement that the cost of the construction phase services was not evaluated under the initial award. While PBS acknowledges that the ECCA amounts used to establish price reasonableness were incorrect, it identifies four factors that it says the contracting officer took into consideration to ensure the Guaranteed Maximum Price evaluated by the SSEB was fair and reasonable, including an analysis using an adjusted cost estimate.

Some of the information that PBS uses to support its argument is inaccurate, inconsistent, and/or unreliable in determining price reasonableness. For example, PBS’s response takes exception to the statement that the cost of the construction phase services was not evaluated under the initial award. However, as noted above, the final SSEB report states that the construction phase costs were not evaluated. Further, PBS states that it took steps to ensure the awarded Guaranteed Maximum Price was evaluated by the SSEB and found to be fair and reasonable. However, the SSEB did not evaluate the Guaranteed Maximum Price of \$102,554,074 that is discussed in the response. The SSEB was only used during the initial contract award when the CMc contractor submitted \$60 million as its construction phase pricing.

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Audit Response to Management Comments

According to FAR 15.406-3(a) (7), the source and type of data used in the price analysis is required to be documented. During audit fieldwork, the sole price analysis documented in the contract files was found in the Award Determination. According to this document, the price reasonableness determination was made based on the following:

The GMP of \$102,554,074 is 6.87% below the FY2009 ECCA amount of \$110,118,414 and 2.05% below the FY2010 ECCA amount of \$104,704,779. The GSA Project Manager has been informed the project will receive the FY2010 ECCA amount. At approximately 2% below this amount, the GMP is considered fair and reasonable and acceptance is in the best interest of the Government. It is therefore recommended the GMP of \$102,554,074 be accepted for award.

Further, certain aspects of the contracting officer’s four-step price reasonableness methodology are flawed. For instance, according to the response, the contracting officer relied on the revised benchmarks of \$98,154,329 for an FY 2009 contract award and \$102,650,720 for an FY 2010 contract award in determining price reasonableness, but referenced the incorrect amounts in the Award Determination.

This analysis is problematic. First, the benchmark is a budget estimating application that uses characteristics of a proposed courthouse such as the number of courtrooms, the number of judges’ chambers, the proposed square footage, proposed parking, and cost escalation to develop a generic budget estimate and not a cost estimate based on an actual courthouse design. Second, the benchmark calculations are using outdated cost escalation data. In this case, the benchmarks of \$98,154,329 for an FY 2009 contract award and of \$102,650,720 for an FY 2010 contract award are using a 12 percent escalation factor that was based on a market study dated May 25, 2007, that was performed before the economic downturn. According to that study, the 12 percent is based on an 8 percent escalation related to labor and materials and a 4 percent opportunity cost due to the frenzied market. However, the benchmark was not updated for a more recent market study dated August 2008 that took into account the declining economy and estimated escalation rates varying from 0 to 4 percent for August 2008 to July 2009 and 5 to 7 percent for July 2011 to July 2012.

According to the response, the contracting officer also relied on competition at the subcontractor level in determining price reasonableness citing the number of subcontractors submitting bids. However, the price reasonableness should be determined at the contractor level for evaluation purposes.

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PBS’s response also states that the contracting officer used a reconciled cost estimate adjusted for costs that were not incorporated into the estimate. However, this fails to incorporate the Government cost estimate at 100 percent of design. The cost analysis in the response uses \$91.6 million as the base cost before adjustments for costs such as contingency costs and local fees. The \$91.6 million is the reconciled cost for the two cost estimates at 95 percent of design completion that were developed in May 2009. However, this cost analysis disregards the \$84.6 million Government cost estimate at 100 percent of design completion dated July 1, 2009. It should be noted that while GSA states that its cost estimates may have been too low because they were based on a low bid methodology, the \$84.6 million Government cost estimate is not based on low bid and even included contingency costs in its calculations.

Finally, according to the response, the contracting officer took into consideration that the delay in the completion of the design estimate had a direct and adverse impact on the construction costs. However, the design delays would not have affected the construction phase pricing submitted under the solicitation for the CMC contract. The solicitation for the construction contract stated that construction funding was expected in fiscal year 2009 with an anticipated construction start of March 2009. The funding for this project was provided in FY 2009 and the contract was awarded in July of 2009. As the actual funding and award timeframes are extremely close to the estimated timeframes in the solicitation, any design delays should have had no effect on the construction phase pricing.

Based upon the above information, PBS still needs to perform a review of the cost of construction for the Austin Courthouse project to ensure that the Guaranteed Maximum Price is fair and reasonable based on information that is current, accurate, and complete.

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Objectives, Scope, and Methodology

Objectives:

The objective of the OIG’s Recovery Act oversight is to determine if PBS is planning, awarding, and administering contracts for major construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates. The work for this report was performed while evaluating the award for the construction of the Austin Courthouse project.

Scope:

The work for this report was performed between October 2009 and January 2010.

Methodology

To accomplish the objective we conducted site visits to the Greater Southwest Region, reviewed the contract file and other pertinent project documents, met with project staff, and reviewed applicable guidance and regulations.

We conducted this performance audit in accordance with generally accepted government auditing standards except as noted below. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The planning for this review is based on the audit plan for oversight of the Recovery Act projects as well as review guidance being applied to all Recovery Act projects. A separate guide was not prepared for this project.

As this work was performed under the continuing oversight of all GSA Recovery Act projects, management controls are currently under assessment. Only those management controls discussed in the report have been assessed.

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