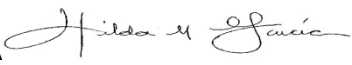




**Office of Audits
Office of Inspector General
U.S. General Services Administration**

DATE: April 18, 2014

TO: RUTH COX
REGIONAL ADMINISTRATOR
PACIFIC RIM REGION (9A)

FROM: HILDA M. GARCIA 
REGIONAL INSPECTOR GENERAL FOR AUDITING
PACIFIC RIM REGION (JA-9)

SUBJECT: Contract Administration Issues on the Recovery Act Project at the 300 North LA Federal Building in Los Angeles, California
Audit Memorandum Number A090184-72

As part of our oversight of GSA's American Recovery and Reinvestment Act (Recovery Act) projects,¹ we determined the subject contract was not properly administered; in particular, contract modifications were not issued properly and several required documents were incomplete or missing from the contract file.

Background

On June 17, 2010, the Public Buildings Service (PBS) awarded Task Order GS-P-09-10-KS-5109 to Veteran Construction Group, Incorporated,² for a cafeteria build-out in the Federal Building at 300 North Los Angeles Street (300 North LA) in Los Angeles, California. The task order was valued at about \$3,836,568, including modifications.

This review was performed at the request of the Branch Chief, Pacific Rim Region, PBS Design & Construction Division (D&C). The purpose of the review was to examine the project's contract files and administration for any non-compliance with policies and regulations or other issues.

¹The Recovery Act provided GSA with \$5.55 billion for the Federal Buildings Fund. In accordance with the Act, PBS is using the funds to convert federal buildings into High-Performance Green Buildings, as well as construct federal buildings, courthouses, and land ports of entry. The Act mandated that \$5 billion of the funds be obligated by September 30, 2010, and the remaining funds by September 30, 2011. The GSA Office of Inspector General is conducting oversight of projects funded by the Recovery Act. One objective of this oversight is to determine if PBS is awarding and administering contracts for limited scope and small construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates.

²This task order was placed under Indefinite Delivery Indefinite Quantity Contract Number GS-09P-09-KS-D-0252.

The cafeteria upgrade was awarded in 2010 and began in July 2011, with completion scheduled in October 2013. GSA decided to upgrade the cafeteria, focusing on green and sustainability principles, with the goal of obtaining Leadership in Energy and Environmental Design (LEED) certification.³ The project was primarily funded through the Recovery Act.

The cafeteria project was originally awarded and managed by the region's PBS Energy and Sustainability Branch of the Facilities Management and Services Programs Division, however, oversight of the cafeteria project was transferred to D&C. The cafeteria project is now substantially completed and D&C is currently collecting close out documentation.

Contract Modifications Were Not Administered Properly

During our review, we found that several contract modifications were not administered properly.

Contract modification PC04 for \$74,855 was not signed by the contractor, as required. Federal Acquisition Regulation 43.103 states: "A bilateral modification is a contract modification that is signed by the contractor and the contracting officer." In this contract, bilateral modifications were used to "make negotiated equitable adjustments resulting from the issuance of a change order." Without the required signature the modification was not properly administered and the price was not set, creating a risk to the government.

In addition, three modifications were effective prior to their issuance. The three modifications to the PBS contract are summarized in Figure 1, below:

Figure 1 – Contract Modifications

Modification Number	Effective Date	Signature Date	Amount(s)	Note
PS07	02/24/2012	06/07/2012	\$7,119	1
PS08	03/09/2012	06/07/2012	\$63,718	1
PS09	05/25/2012	06/07/2012	\$41,053	1

Note 1- Overall funding of the project up through these modifications includes credits of Recovery Act and non-Recovery Act funds.⁴

These three contract modifications had effective dates in February, March, and May 2012. However, they were not signed by the contracting officer until June 7, 2012. As a

³LEED consists of a set of rating systems for the design, construction, operation, and maintenance of green buildings. LEED is intended to help building owners and operators be environmentally responsible and use resources efficiently.

⁴The non-Recovery Act funds are supplemental project funding and were identified for reporting in accordance with the recommendations in Audit Number A120111/P/R/R14001.

result, the work was started before the modifications were formally approved and before funding for the work was obligated. Informally approving work puts GSA at risk because scope and costs of the modifications have not been agreed to in the contract and the funds are not available for the work.

Contract Files Missing Key Documents

Several supporting documents were incomplete or missing from the contract file.

- In accordance with OMB guidance,⁵ Recovery Act building projects were required to be cost effective. Although the contracting file includes a LEED Project Checklist of the project build-out that made general references to incorporation of sustainable design and energy efficiency, we found no evidence of a green energy study or report that assessed the estimated energy savings or payback period for the project. The project shouldn't have been approved without an assessment that showed the project would be cost effective.
- There were two invoices with incomplete documentation. Each invoice should be supported by a receiving report and a PBS inspection report. Of the nine invoices reviewed, invoice 58 (for \$138,500) did not have an inspection report. Additionally, invoice 61 (for \$167,675) contained a PBS inspection report that was not signed by the Project Manager. These invoices should not have been paid as the inspection reports supporting the invoices were either missing or incomplete.

PBS officials in Region 9 concurred with our findings and provided either a plan to correct the deficiencies or a notification that their team has taken corrective action to address the deficiencies identified in our memorandum.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

James Draxler	Audit Manager	james.draxler@gsaig.gov	415-522-2734
Jennifer Rutili	Auditor-In-Charge	jennifer.rutili@gsaig.gov	312-353-6588

On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

⁵M-09-15, Updated Implementing Guidance for the American Recovery And Reinvestment Act of 2009.

Memorandum Distribution

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