



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

Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations

*Report Number A120001/P/F/R13007
September 11, 2013*



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

REPORT ABSTRACT

OBJECTIVE

The objective of the audit was to determine if the General Services Administration's (GSA) controls over Reimbursable Work Authorizations (RWAs), as implemented by the National Capital Region (NCR), ensure compliance with applicable policies and laws.

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WHAT WE FOUND

We identified the following during our audit:

Finding 1 – NCR has not consistently implemented PBS's policies and procedures for managing RWAs and therefore does not have assurance that its RWA operations are effective and efficient, its RWA financial reporting is reliable, or its RWA operations are compliant with applicable laws and regulations.

Specifically, the NCR service centers did not ensure:

- Signatory authority or required training for accepting customers' RWAs.
- Proper documentation supporting RWA funding and completion.
- Timely contracting for and close out of RWAs.
- Effective communication with customer agencies.
- Clearly defined and consistently implemented RWA policies and procedures.

WHAT WE RECOMMEND

We recommend the NCR Regional Administrator:

1. Develop and implement a plan to ensure existing controls are consistently applied at all NCR service centers and identify internal control system weaknesses to improve RWA management.
2. Clarify and actively manage the policy regarding RWAs to ensure that the service centers apply the policy consistently, and that RWAs are authorized at the appropriate levels throughout the NCR service centers.

MANAGEMENT COMMENTS

The NCR Regional Administrator concurred with the recommendations. Management's written comments to the draft report are included as **Appendix C**.



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

DATE: September 11, 2013

TO: Julia E. Hudson
Regional Administrator
National Capital Region (WA)

FROM: Donna Peterson-Jones *Donna Peterson-Jones*
Audit Manager
Finance and Information Technology Audit Office (JA-F)

SUBJECT: Audit of GSA's Controls over the National Capital Region's
Reimbursable Work Authorizations
Report Number A120001/P/F/R13007

This report presents the results of our audit of GSA's controls over the National Capital Region's Reimbursable Work Authorizations. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

The initial draft report was issued on August 27, 2012. We discussed the contents of the initial draft report with management officials and considered their comments in preparing the revised draft report. Your written comments to the revised draft report are included in Appendix C of this report.

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

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

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Introduction

Reimbursable Work Authorizations (RWAs) are agreements between the General Services Administration (GSA) Public Buildings Service (PBS) and a customer agency. RWAs are established to capture and bill customer agencies for the cost of altering, renovating, repairing, or providing services over and above the basic operations financed through rent in space managed by PBS and in other properties managed by the Federal community. Under these agreements, PBS agrees to provide the material(s) and/or service(s) needed to accomplish the work and the customer agency agrees to reimburse GSA for associated costs.

PBS's Reimbursable Services Division administers GSA's Reimbursable Services Program.¹ The Division provides the policy guidance, expertise, data, training, and customer interfacing needed to accomplish PBS's national reimbursable program goals and objectives. These policies and procedures are outlined in the RWA National Policy Document (NPD) and PBS's National Financial Accounting Process and Internal Controls Desk Guide (Desk Guide).

Per the NPD, "the act of providing reimbursable goods and services must begin only after PBS obtains the obligational authority to provide those goods and services on behalf of the customer agency." PBS cannot begin work to provide reimbursable goods or services to a customer agency until GSA Form 2957 Reimbursable Work Authorization has been completed and accepted (including the required supporting documentation).² Once the purpose of the RWA has been fulfilled, properly designated and qualified officials must ensure that the RWA is substantially completed and then financially closed out. The financial closeout, which includes the de-obligation of customer funding, should occur 60 days after substantial completion. At that time, any excess or residual funds should be returned to the customer agency. At year-end closing, financially complete RWAs are eligible for purging from PBS's financial records. Finally, RWA Customer Letters are used to fulfill GSA's obligation to effectively and uniformly communicate with customer agencies at key milestones and to properly maintain documentation that reflects both agreement and project status of an RWA.

Our objective was to determine if GSA's controls over RWAs, as implemented by the National Capital Region (NCR), ensure compliance with applicable policies and laws.³ See **Appendix A** – Purpose, Scope and Methodology for additional details.

¹ The Reimbursable Services Division was established in January 2009, within the Office of Facilities Management and Services Programs, and supports a national group composed of representatives from GSA regions and PBS Central Office. Before the Division was established, the 2005 RWA National Policy Document stated the PBS Chief Financial Officer was responsible for policy oversight.

² "Reimbursable Work Authorization" is the title of GSA Form 2957; hereafter referred to in this report as "RWA Form 2957."

³ Federal appropriations laws include 31 USC §1501(a) (Recording Statute); 31 USC §1552(a) (Period of Availability); 31 USC §1502 (Bona Fide Need Rule); and 31 USC §1341 (Anti-Deficiency Act).

Results

Finding 1 – NCR has not consistently implemented PBS’s policies and procedures for managing RWAs and therefore does not have assurance that its RWA operations are effective and efficient, its RWA financial reporting is reliable, or its RWA operations are compliant with applicable laws and regulations.

NCR is not adhering to or consistently applying RWA policies and guidance in the RWA NPD and the PBS Desk Guide. As a result, the overall effectiveness of controls established by PBS for the successful management of RWAs is reduced and the efficiency in how PBS serves its customers is diminished. Furthermore, these issues place GSA at risk for unreliable financial reporting, improper use of funds, and potential violations of GSA acquisition policy as well as applicable laws and regulations.

During our audit, we randomly selected 85 A-, B-, F-, and N-type RWAs for testing over the RWA process from acceptance to completion and found multiple issues.⁴ In particular, we found that RWAs were being accepted by personnel without the proper authority, RWA documentation did not always support the RWA funding amount or completion date, and in some cases the contractual obligation and close-out of RWAs was not timely. Additionally, communication with customers was not always taking place as required, especially with regard to the de-obligation of excess customer funds. Lastly, certain policies and procedures over the RWA process have been interpreted differently within the region leading to inconsistent practices.

Lack of Signatory Authority and Required Training for Accepting RWAs

Signatory authority is required for RWA acceptance and approval; however, NCR personnel were accepting RWAs without the appropriate signatory authority. In addition, NCR was unaware whether authorized approvers were properly trained.

Lack of Signatory Authority for Accepting RWAs

NPD Section 4.3.4: “PBS Approving Official Signature Thresholds and Delegation of Authority,” states:

The PBS representative who accepts the RWA must have the authority to sign the RWA. Each region must document signature delegations from the Regional Commissioner (RC) that give authority to specific managers, or representatives, to sign RWAs for the purpose of accepting funds from a customer agency.

Within our sample, 14 RWAs totaling \$8.6 million were signed by NCR personnel, who either did not have delegated signatory authority or exceeded their authority. Without

⁴ Our sample included 24 A-type, 25 B-type, 24 F-type, and 12 N-type RWAs. When one existed, we also tested the most recent financial amendment for each RWA randomly selected. A total of 31 amendments were tested among the 85 original RWAs. See *Appendix B* for descriptions and examples of services associated with each of the RWA types we tested.

signatory authority, there is no assurance that individuals signing/approving RWAs have the knowledge and qualifications to ensure that accepted RWAs are accurate and complete.

No Documentation Supporting Compliance with Training Requirements

Desk Guide Section 3.6: “Key Elements” states that all PBS approving officials must complete the training courses offered by the PBS Reimbursable Services Division prior to signing an RWA. Level III training is specifically designed for all signing/approving officials and must be completed annually by those with signatory authority. During fieldwork, NCR could not provide evidence that signing/approving officials completed the required annual training; therefore, there was no assurance that the training was actually completed. Without training, individuals may not have signatory authority to accept or may not know the requirements for accepting RWAs from customer agencies.

In response to our inquiry, PBS officials told us that GSA’s Online University system experienced a technical problem and did not capture the individuals who passed the required annual training for fiscal year 2011.

Improper Documentation Supporting RWA Funding and Completion

Documentation in the RWA files should support the financial aspects of the RWA, including cost, funding, and project completion. However, we found that RWA funding and completion was not always supported by the documentation.

RWAs Were Accepted Without Proper Support for Funding

The NPD outlines specific criteria regarding the requirements of a properly executed RWA. To be accepted by PBS, NPD Section 3.1: “RWA Definition” and Section 4.2: “Submission and Acceptance” specify that an RWA must include a scope of work with sufficient detail to confirm a bona fide need,⁵ a cost estimate that supports the scope of work and the total authorized amount of the RWA,⁶ and all required signatures. Section 3.1 of the NPD further states that the customer agency funding and the expiration date of obligational authority must be clearly identified. The scope of work and cost estimate are needed to establish a valid amount for funding the RWA. Customer funding information is needed to ensure that the funding is properly available to GSA.

In our sample, the requirements for properly funding and executing an RWA were either not being met or were missing. We found:

- Five original RWAs and one amendment did not have a fully developed scope of work;

⁵ The Bona Fide Need Rule, 31 USC §1502(a), requires that fiscal year appropriations be used only for expenses properly incurred in the fiscal year for which the appropriation was made.

⁶ Cost estimates are not required for F-type RWAs.

- Twenty-six original RWAs and fourteen amendments did not have a detailed cost estimate or did not have a cost estimate that agreed to the authorized amount on the corresponding RWA Form 2957⁷
- Eight original and one amended RWA Form 2957 were missing required customer agency funding information (e.g. annual, no-year, multi-year); and
- One signed, amended RWA Form 2957 was missing meaning the customer agency funds could not be verified as legally available.

RWA Completion Was Not Properly Documented

Determining that an RWA is complete begins the process to financially close out and terminate an RWA. If the completion date is not established, the RWA remains open and any remaining funds are not available to the customer agency for other uses and may be at risk for improper use. For an RWA to be considered “complete”⁸ PBS confirms that the actual work requested is substantially completed by verifying that “the date of the inspection report, the date of substantial completion on the RWA [RWA Form 2957], and the substantial completion date entered” in the RWA Entry and Tracking Application (RETA)⁹ are all the same. In addition, the substantial completion date should be entered into RETA within 30 days. However, in reviewing our sample we found:

- Twenty RWAs did not have a final inspection report with a date that corresponded to the completion date recorded on the RWA Form 2957, and reported in RETA;
- Fifteen RWAs did not have a signed “complete” RWA Form 2957; and
- Four RWAs did not have completion dates entered into RETA within 30 days.

Untimely Contracting for and Close Out of RWAs

PBS policies stress the timely obligation of funding and close out of the RWA. This not only assures that customer needs are met in a timely manner, but also that RWAs are valid and being managed properly. We found that, in some cases, RWA processes are not meeting the timeframes prescribed by PBS’s policies and guidance.

Untimely Contractual Obligations

According to Section 3.6 of the Desk Guide:

GSA must make every effort to contractually obligate the customer agency funding within a “reasonable time” as required by GSA acquisition policy. “Banking” or “parking” of customer agency funds with PBS in an effort to circumvent funding restrictions is not allowed under any circumstances.

⁷ The 2008 Standard Operating Procedures User Guide states the objective of the cost estimate is to “detail the cost of the actual work to be performed. It includes direct and indirect costs, as well as the magnitude of the work (i.e., square footage, number of hours, etc.).”

⁸ Per NPD Section 4.5, “complete” is defined as an RWA that PBS has executed, fulfilled or delivered goods and/or services as requested by the customer agency.

⁹ RETA interfaces with the National Electronic Accounting and Reporting RWA Database system and serves as a data repository for related RWA documentation.

GSA Acquisition Letter V-09-06, dated June 16, 2009, further defines reasonable time as the acquisition lead-time required for GSA to contractually obligate accepted funds, based on the complexities of the requirement, mutually agreed upon and **documented** between the customer agency and GSA at the time of the funds' acceptance.¹⁰ Longer periods of time should be "justified by executing a written justification. **If no separate agreement has been made, a 'reasonable time' of 90 calendar days shall be presumed.**" (Emphasis added)

However, in many cases NCR service center personnel did not contractually obligate RWA funding within a reasonable time or document reasons for delays. Of the RWAs that were untimely obligated, funding for 36 of 85 RWAs selected for testing was not contractually obligated within 90 days of acceptance (see *Figure 1* for details). The delays in contractual obligation of funds for these RWAs ranged from 96 days to 696 days. No contractual obligations were made for 9 of 85 RWAs tested: 8 were closed out without any financial obligations charged against them; and 1 has been open for approximately 4 years without any contractual obligations.

PBS personnel were unable to provide adequate explanation or documentation for the delays. Not obligating funding within a reasonable time creates the appearance that a bona fide need may not have existed at the time the RWAs were accepted, and that customer agencies were "parking" funds at GSA. Inadequate execution, monitoring, and supervision of an RWA could lead to possible violations of federal appropriations laws.

¹⁰ "Reasonable time" was first introduced by GSA Acquisition Letter V-05-15 on July 18, 2005, stating, "GSA...must act reasonably and expeditiously to take contract action on customer requirements...It is normally reasonable for 90 days to elapse between acceptance of the reimbursable agreement and the execution of the contract or order." GSA Acquisition Letter V-06-05, dated June 2, 2006, also "defined 'reasonable time' to mean 90 days in most cases. All procurements that have not been executed within 90 days after acceptance...are subject to a review," which must be maintained in the contract file.

Figure 1 – Untimely Obligation of RWAs by Type

	A-Type	B-Type	F-Type	N-Type	Totals
90-100 Days	1	1	1	1	4
101-200 Days	3	9	3	0	15
201-300 Days	3	3	1	1	8
301-400 Days	2	1	1	0	4
401-500 Days	2	0	0	1	3
>500 Days	1	1	0	0	2
No Obligations or none before Closeout	0	1	7	1	9
Totals	12	16	13	4	45

Note: Although not exempt from the reasonable time requirements set forth in GSA Acquisition Letter V-09-06, F-type RWAs must close by September 30 of the fiscal year in which they were issued, thereby limiting the risk that these RWAs could be used to “park” funds or otherwise circumvent appropriations law applicable to the RWA program.

Untimely Close-out of Completed RWAs

According to the NPD, “complete” RWAs must be actively reviewed and all outstanding issues must be resolved. Per the Desk Guide, “obligations and expenses may be processed after the completion date is entered for a period of 60 days, or until the termination (financial completion date) is set.” The NPD further states that any RWA with a termination date and no open items is considered financially complete. However, NCR did not review and resolve outstanding financial issues to ensure RWAs were terminated timely and financially closed-out. Of the “complete” RWAs tested, we noted the following:

- One RWA was closed out by NCR only after the customer agency informed the service center that the project was complete and no funding remained. PBS had approximately \$500,000 as a remaining balance for this RWA, while the customer agency reported a \$0 balance.
- Six RWAs had a termination date set beyond the standard 60-day period without supporting documentation. Two of these six cases (F-Type RWAs) took more than 200 days after fiscal year-end to resolve outstanding financial issues.
- For 11 terminated RWAs, financial activity was posted after the termination date was set.

Untimely termination increases the risk that PBS could unintentionally obligate funds that were not available, potentially resulting in a violation of federal appropriations law. Delayed termination of RWAs from PBS’s financial records also increases the risk of inaccurate reporting of budgetary accounts for both GSA and the customer agency.

Lack of Effective Communication with Customer Agencies

Customer Service Letters were implemented to standardize communication about RWAs with customer agencies and have been required since October 1, 2007, with the issuance of the memorandum, “*National Implementation RWA Customer Service Letters.*”¹¹ This requirement was further reinforced in Section 4 of the June 2010 issuance of the NPD. However, the inconsistent use of the letters threatens PBS’s ability to promote and sustain customer satisfaction and may prevent the timely de-obligation of unspent customer agency funds.

We reviewed both RETA and the RWA files for evidence that the customer agency was notified of key project milestones and found that NCR did not effectively or uniformly communicate RWA project milestones or statuses with its customer agencies as required.

In many cases, there was no documentation indicating Customer Service Letters were actually used. Specifically:

- Receipt Letters for 33 original RWAs and 21 amendments could not be located acknowledging GSA's receipt of the RWA;
- Acceptance Letters for three original RWAs and four amendments were missing to support that the customer agency was notified of GSA's acceptance of the RWA;
- Follow-up Letters (or other customer correspondence)¹² did not exist in the files for 45 RWAs that had delays in contractual obligations or no contractual obligations, or had missing or insufficient scopes of work;
- Completion Letters for 24 “complete” RWAs could not be located to support whether the customer agency was notified of the RWA’s project completion; and
- Closeout Letters for 17 “complete” RWAs were not sent to customer agencies informing them to de-obligate residual RWA funding.¹³

Additionally, Customer Service Letters should be used to notify customer agencies about residual RWA funds upon completion, so that customer agencies can de-obligate and properly manage the excess funds. However, we found that:

- For 26 RWA files, NCR service centers did not timely notify the customer agency to de-obligate residual RWA funding; and
- For 4 RWA files, NCR service centers informed the customer agency to de-obligate an amount that differed from the RWA remaining balance.

¹¹ There are five types of Customer Service Letters used to communicate the status of RWA projects to customer agencies: Receipt, Acceptance, Completion, Closeout and Follow-up.

¹² According to PBS, “the intent of distributing the Follow-up Letter is to allow the customer agency an opportunity to confirm project status or to clarify project requirements post acceptance of the RWA.” In instances in which a project's commencement is delayed or a project does not have sufficient scope or information to proceed, a Follow-up Letter is necessary.

¹³ Financial completion requires distribution of the project Closeout Letter to the customer agency, which identifies the remaining balance to be de-obligated and the return of any excess or residual funds back to the customer agency.

Inconsistently Implemented and Unclearly Defined RWA Policies and Procedures

In several instances, RWA policies and procedures surrounding key phases of the RWA process, including acceptance and completion, were not clearly defined, and NCR did not establish its own interpretation for its staff to follow. As a result, NCR personnel did not consistently apply and adhere to these policies and procedures, thereby limiting management's ability to ensure its reimbursable services program was operating effectively and meeting internal control objectives.

Inconsistent Approvals of RWAs over \$5 Million

According to NPD Section 4.3.4: "PBS Approving Official Signature Thresholds and Delegation of Authority," the PBS Regional Commissioner, Deputy Regional Commissioner, or the Regional Chief Financial Officer (CFO) must approve RWA Forms 2957 in excess of \$5 million.¹⁴ However, the NPD is unclear as to whether the \$5 million threshold and signatory authority requirement applies to the total authorized amount of an RWA (the original RWA, plus any subsequent amendments) or to each RWA Form 2957 submitted. This has resulted in inconsistent application of the NPD regarding the authorization of RWAs over \$5 million by NCR service centers. We found that one service center submitted a \$500,000 amendment (that increased the total authorized amount of an RWA over \$5 million) for review and approval to the PBS Regional CFO; while another service center did not. Without clearly defined policies followed consistently at all NCR service centers, there is no assurance RWAs are being properly approved within authorized thresholds and signature authority.

Policies on Documentation in RETA are Inconsistent

During our fieldwork, we found that the type and extent of documentation maintained electronically in RETA was inconsistent. According to NCR personnel, there are no set requirements or policy dictating what documentation should be uploaded and maintained in RETA. However, this assumption is incorrect and may be due to inconsistent policies.

The NPD only states that a signed Form 2957 needs to be uploaded into RETA, yet other PBS guidance prescribes additional RWA documentation that should be loaded into the system. For instance, the PBS Reimbursable Services Standard Operating Procedures User Guide, April 2008, lists deliverables that should reside in RETA, including a scanned signed Form 2957, Customer Service Letters, and a comprehensive description of requirements. Additionally, the Desk Guide Section 3.12:

¹⁴ In GSA Order ADM 5440.648, PBS budgetary and financial management functions were realigned under the Office of the Chief Financial Officer (OCFO), effective April 15, 2012. This reorganization also realigned the PBS Financial Operations Division under the newly established CFO, Office of Policy and Operations. In addition, the functions, staff, authorities, and other resources of the three PBS Central Office divisions of the Office of Budget and Financial Management were transferred to the OCFO (*i.e.*, the Financial and Reporting Division, the Revenue Division, and the Financial Operations Division). The regional functions of these offices were also transferred from each of the Offices of the PBS Regional Commissioner to the OCFO.

“Internal Control Chart – RWAs” states that all documentation related to an RWA is to be stored in RETA.¹⁵

Failing to convey explicit guidance on how to maintain RWAs and their supporting documentation in RETA reduces assurance that RWA files are complete and accurate. This has the potential to lead to operational inefficiency, increased costs, and exposure to unnecessary risks.

Lack of Policy for Certifying Completion

Neither the NPD nor the instructions for completing the RWA Form 2957 specifically establish who is responsible for certifying an RWA as “complete.” Furthermore, there is no written policy for delegation of the individual responsibilities associated with certification of an RWA project’s completion. As a result, completion is being certified by a variety of personnel throughout various GSA organizations.

The PBS National Reimbursable Services Division advised us that it is normal practice for Project Managers, responsible for overseeing and communicating the progress of an RWA, to certify substantial completion of an RWA. However, we found instances in which PBS Reimbursable Services and the Office of the Chief Financial Officer (OCFO) personnel, including Financial Management Analysts, Budget Analysts, and Directors, were certifying an RWA as “complete.” If properly designated and qualified individuals are not certifying a project’s completion, assurance that the project was actually or satisfactorily completed is decreased.

Corrective Actions Taken and Regional Action Needed

Since the completion of our testing, PBS updated its National Policy Document, effective as of September 2012, to more clearly define the policies and procedures surrounding approval RWAs over \$5 million, electronic file documentation, and certification of RWA completion. Notwithstanding those actions, NCR management should continually assess the policies and procedures governing the Region’s reimbursable program and take appropriate action to ensure that they are clear and consistent. This may include supplementing or clarifying national policies and procedures at the Regional level as appropriate.

Recommendations

We recommend the NCR Regional Administrator:

1. Develop and implement a plan to ensure existing controls are consistently applied at all NCR service centers and identify internal control system weaknesses to improve RWA management.
2. Clarify and actively manage the policy regarding RWAs to ensure that the service centers apply the policy consistently, and that RWAs are authorized at the appropriate levels throughout the NCR service centers.

¹⁵ All documentation includes cost estimates dated after February 2011.

Management Response

The NCR Regional Administrator's response to the report stated that NCR agreed with the findings and that controls over NCR RWAs could be strengthened to improve the RWA program. The Regional Administrator detailed the actions already underway to address the report recommendations. Management's comments are included as **Appendix C**.

Conclusion

Overall, NCR has been inconsistent in following policies and guidance in the RWA NPD and the PBS Desk Guide. Furthermore, inaccurate and incomplete documentation and inconsistent communication with the customer agency reduces the overall effectiveness of established controls for the successful management of RWAs and the efficiency of how PBS serves its customers. These issues place GSA at risk for inaccurate financial reporting, improper use of funds, and potential violations of GSA acquisition policy, as well as applicable laws and regulations.

Throughout the course of our audit, PBS informed us of its efforts to improve policies and procedures for RWAs, and its plans to take immediate corrective actions. These improvements will assist NCR in achieving consistency in application and adherence to internal policies and procedures established for the effective management of RWAs.

Appendix A – Purpose, Scope, and Methodology

Purpose

This audit was included in the GSA Office of Inspector General's Fiscal Year 2012 Annual Audit Plan to address concerns and issues identified in previous financial statements audits regarding RWAs.

GSA's financial statements audits are performed by independent public accountants. The primary focus of the independent public accountant's review of RWAs is on financial impact. Therefore, in an effort to avoid redundancy, and to reduce the duplication of effort, our audit focused on the adequacy of management's controls over the RWA process (*i.e.*, the internal control environment).

Scope

This audit was limited to RWAs processed and managed by the National Capital Region (NCR – Region 11). Our audit period included RWAs that were issued or managed (*e.g.*, financially completed, terminated, or purged) by NCR during fiscal year 2011. We limited our audit to four of eight RWA types: A, B, F, and N. These four RWA types are non-recurring,¹⁶ and were selected based on risk,¹⁷ total RWA authorized amount, and volume of activity.

Taking a risk based approach, and considering our audit objectives, we tested a total of 85 A-, B-, F-, and N-type RWAs. We used data analysis software to generate a random sample for each RWA type selected for testing.

Methodology

To accomplish our objective, we:

- Reviewed relevant criteria from the United States Code, including the Bona Fide Need Rule and the Anti-Deficiency Act; GSA memoranda; and PBS internal policies and procedures pertaining to the RWA process.
- Reviewed audit reports, findings, and GSA corrective action plans resulting from previous audits by the OIG, as well as the audit of GSA's financial statements performed by the independent public accountants.

¹⁶ Non-recurring RWAs are those RWAs that provide services where the costs can be readily identified and captured. Examples include, but are not limited to construction, alterations and overtime utilities where the service is separately metered and the overtime charges incurred are identifiable.

¹⁷ As defined by the Government Accountability Office, the assessment of audit risk involves both qualitative and quantitative considerations. Factors impacting audit risk include time frames, complexity, or sensitivity of the work; size of the program in terms of dollar amounts and number of citizens served; systems and processes to detect inconsistencies, significant errors, or fraud; and auditors' access to records.

- Conducted meetings and interviews with PBS Central Office and NCR – Region 11 Reimbursable Services staff members and service center employees.
- Performed walkthroughs of the RWA process with NCR service centers.
- Selected and examined a sample of RWA files that were processed and managed by NCR during fiscal year 2011, and reviewed supporting documentation maintained in both manual RWA files and the RWA Entry and Tracking Application system.
- Performed tests of internal controls over the phases of the RWA process.
- Obtained and assessed the results of semi-annual and high-risk reviews of RWAs and their unfilled customer order balances.

We conducted the audit between October 2011 and July 2012 in accordance with generally accepted government auditing standards. 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.

Internal Controls

Our examination of internal controls was limited to RWAs managed by NCR service centers. We tested internal controls and compliance with applicable policies and laws, including the RWA National Policy Document, PBS's National Financial Accounting Process and Internal Controls Desk Guide, the Economy Act, the Property Act, and the Bona Fide Need Rule.

Appendix B – RWA Matrix: Types & Examples

The following matrix defines the four RWA types we examined during our audit.

RWA Type	RWA Class	Severable or Non-Severable	Description and Examples
A	Non-Recurring	Non-severable	A-type RWAs depict projects funded by both PBS and the customer agency (<i>i.e.</i> , split-funded) and are for a one-time need. They support, or are associated with, a non-prospectus project (e.g., a minor repair and alteration project) and are for projects in federally owned space only. Examples: Construction and/or design services.
B	Non-Recurring	Non-severable	B-type RWAs depict projects funded by both PBS and the customer agency, or customer agency-funded only, and are for a one-time need. They support, or are associated with, a prospectus project regardless of the amount. Example: Customer agency-funded work for above-standard Tenant Improvements that exceed the prospectus threshold.
F	Non-Recurring	Severable or Non-Severable	F-type RWAs depict services for one or more miscellaneous projects not exceeding \$25,000 each, inclusive of fees. The total amount for F-type RWAs cannot exceed \$250,000 per year. This RWA type requires no cost estimate and must close by September 30 of the fiscal year in which originated. F-type RWAs may not include both severable and non-severable services on the same RWA. Also, GSA need not certify an F-type RWA as complete, and can financially closeout the RWA at any time within a fiscal year. F-type RWAs closeout automatically at the end of the fiscal year in which originated. Example: Changing key locks.
N	Non-Recurring	Severable or Non-Severable	N-type RWAs depict non-recurring services and are standalone projects for a one-time need that are fully funded by a customer agency for non-prospectus projects. N-type RWAs for severable services are limited to 365 days (1 year) but may cross fiscal years. Examples: Space alterations in owned or leased space; non-prospectus repairs and alterations; or overtime utilities where the utility services are separately metered and/or billed.

Source: GSA Public Buildings Service “Federal Customer Guide to Reimbursable Work Authorizations” (June 2011)


Appendix C – Management Response



GSA National Capital Region

AUG 16 2013

MEMORANDUM FOR CAROLYN PRESLEY-DOSS
DEPUTY ASSISTANT INSPECTOR GENERAL FOR FINANCE
AND INFORMATION TECHNOLOGY AUDITS (JA-F)

FROM: JULIA E. HUDSON 
REGIONAL ADMINISTRATOR
NATIONAL CAPITAL REGION (WA)

SUBJECT: Audit of GSA's Controls over the National Capital Region's
Reimbursable Work Authorizations Report Number A120001

The National Capital Region (NCR) appreciates the opportunity to comment on the subject revised draft audit report. The revised draft report contains the following recommendation:

1. Develop and implement a plan to ensure existing controls are consistently applied at all NCR service centers and identify internal control system weaknesses to improve RWA management.
2. Clarify and actively manage the policy regarding RWAs to ensure that the service centers apply the policy consistently, and that RWAs are authorized at the appropriate levels throughout the NCR service centers.

In response to the recommendation, the National Capital Region has prepared the following document (Appendix A) which provides context to the issues discussed in the IG Audit, followed by an analysis of the findings in that report.

Please note that a more comprehensive response may follow upon issuance of the final audit report or as further information comes to our attention. Should you or your staff have questions, please contact Christopher Ellers on (202) 205-7687.

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Appendix C – Management Response (cont'd)

APPENDIX A

- OVERVIEW -

In FY2012 the Office of the Inspector General (IG) conducted an audit of GSA's Controls over the National Capital Region's (NCR) Reimbursable Work Authorizations (RWAs). This audit was part of the IG's Fiscal Year 2012 Annual Audit Plan to address concerns and issues identified in previous financial statement audits regarding RWAs. During this audit, the IG interviewed GSA personnel at both the National Capital Region and Central Office.

The IG issued its initial draft audit report on August 27, 2012. GSA discussed concerns over the report with the IG, and the IG determined that a re-write of the draft audit report was necessary. The IG then issued a second draft audit report, dated July 18, 2013. This document addresses the current draft report, and includes input from the National Capital Region and Central Office.

- CONTEXT -

The following document provides context to the issues discussed in the IG audit, followed by an analysis of the findings in that report.

- TIMELINE -

The IG conducted the Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations between October 2011 and July 2012.

AUDIT FINDING

Finding 1 – NCR has not consistently implemented PBS's policies and procedures for managing RWAs and therefore does not have assurance that its RWA operations are effective and efficient, its RWA financial reporting is reliable, or its RWA operations are compliant with applicable laws and regulations.

- ***Lack of Signatory Authority and Required Training for Accepting RWAs***
- ***Improper Documentation Supporting RWA Funding and Completion***
- ***Untimely Contracting for and Close Out of RWAs***
- ***Lack of Effective Communication with Customer Agencies***
- ***Inconsistently Implemented and Unclearly Defined RWA Policies and Procedures***

NCR is not adhering to or consistently applying RWA policies and guidance in the RWA NPD and the PBS Desk Guide. As a result, the overall effectiveness of controls established by PBS for the successful management of RWAs is reduced and the

Appendix C – Management Response (cont'd)

efficiency in how PBS serves its customers is diminished. Furthermore, these issues place GSA at risk for unreliable financial reporting, improper use of funds, and potential violations of GSA acquisition policy as well as applicable laws and regulations.

During our audit, we randomly selected 85 A-, B-, F-, and N-type RWAs for testing over the RWA process from acceptance to completion and found multiple issues. In particular, we found that RWAs were being accepted by personnel without the proper authority, RWA documentation did not always support the RWA funding amount or completion date, and in some cases the contractual obligation and close-out of RWAs was not timely. Additionally, communication with customers was not always taking place as required, especially with regard to the de-obligation of excess customer funds. Lastly, certain policies and procedures over the RWA process have been interpreted differently within the region leading to inconsistent practices.

NCR Response

NCR agrees that controls over the National Capital Region's RWAs could be strengthened to improve the RWA program. Both NCR and GSA have taken actions that address the IG's finding. The following discussions detail efforts taken in response to the current draft audit report.

Lack of Signatory Authority and Required Training for Accepting RWAs

Lack of Signatory Authority for Accepting RWAs

NCR implemented measures to ensure that only authorized individuals are accepting RWAs by significantly reducing the number of authorized approvers, conducting regional training of all authorized approvers and instituting a monthly report that compares information entered into the financial system, RETA, against a list of authorized approvers.

Additionally, GSA updated the current version of the RWA National Policy Document (version 3.0) and clarified that authorization levels are based on total amounts.

No Documentation Supporting Compliance with Training Requirements

The RWA Level III training managed by Central Office encountered GSA OLU system complications that delayed the release of the updated version, and therefore was unable to capture the individuals who passed the required training. The training has since been updated, released and moved to a calendar year cycle. Central Office maintains the master list of individuals who have completed and passed the annual RWA Level III training, and provides the information on a monthly basis to the regions. NCR uses this information in the monthly analyses mentioned above.

Appendix C – Management Response (cont'd)

Improper Documentation Supporting RWA Funding and Completion

RWAs Were Accepted Without Proper Support for Funding

In addition to the previously mentioned training, NCR issued a RWA checklist to all authorized approvers for use when accepting RWAs. This checklist is to be used in support of the guidance and checklists detailed in the National Policy Document (NPD) and Internal Controls Desk Guide. The NCR checklist stresses the importance of ensuring that all funding fields on the RWA Form 2957 (Blocks 13B-13D, and 13G) are complete and consistent throughout the form, and that the preliminary scope of work support the description of requirements (Block 7 on the RWA Form 2957).

GSA's updated NPD includes a section detailing the requirement for a "preliminary scope of work", and also clarified that estimates must now support the total authorized amount of each RWA.

RWA Completion Was Not Properly Documented

The process for certifying RWA completion will be clarified in the upcoming release of the NPD. This clarification, along with the continued application of GSA's Timely Entry of RWA Completion Dates performance measure, will improve the RWA completion process.

Untimely Contracting for and Close Out of RWAs

Untimely Contractual Obligations

NCR issued guidance and conducted training regarding the requirement to contractually obligate customer agency funding within a reasonable time (presumed to be 90 days per V-09-06 unless otherwise specified). A component of that training was to reiterate to NCR personnel that if the obligation of customer funds is not anticipated to occur within 90 days, written justification must be documented, maintained in the RWA file, and uploaded in RETA at the time of acceptance.

Untimely Close-out of Completed RWAs

The semi-annual/high risk review conducted by Central Office is an effort GSA undertakes to ensure timely close-out of completed RWAs.

Lack of Effective Communication with Customer Agencies

NCR is committed to improving its use of customer letters. In April 2012, the NCR Office of Facilities Management reorganized and consolidated Budgetary, Contractual and Administrative functions into the Program Support Division (PSD). Since this NCR reorganization GSA as a whole is going a step further and plans to consolidate all

Appendix C – Management Response (cont'd)

financial functions under the Office of the Chief Financial Officer (OFCO). Within the next several months it is anticipated that all budget analysts, the staff members that are typically responsible for sending letters to customers, will be under the OFCO. NCR believes this organizational change along with training will help to address these deficiencies by standardizing the use of customer letters in NCR. Utilizing customer letters will also assist in improving the untimely contracting for and close-out of RWAs by ensuring all parties are informed of project statuses.

Inconsistently Implemented and Unclearly Defined RWA Policies and Procedures

Inconsistent Approvals of RWAs over \$5 Million

The current version 3.0 of the RWA NPD (dated August 22, 2012 and effective September 28, 2012) corrected this oversight by stating that the \$5 million threshold applies to BOTH the authorized amount of the RWA amendment, as well as to the revised total authorized amount (i.e., the original RWA plus any amendments).

Policies on Documentation in RETA are Inconsistent

While this is a true statement based on the PBS Reimbursable Services Standard Operating Procedures User Guide (dated April 2008), the User Guide is currently undergoing revision to better clarify the minimum documents that must be uploaded into RETA. The revision will also clarify that the document upload feature of RETA is not meant to replace the FAR requirement that the contract file retained by the CO or COTR is the official file. This will also be clarified in the NPD update.

Lack of Policy for Certifying Completion

The new update to version 3.0 of the RWA National Policy Document (NPD) (dated August 22, 2012) will correct this inconsistency by identifying by title, those GSA personnel who are responsible for certifying substantial completion of an RWA. The new update of the RWA NPD will be completed and published late in 2013 or early in 2014.

Appendix D – Report Distribution

Commissioner, Public Buildings Service (P)

Deputy Commissioner, Public Buildings Service (P)

Chief of Staff, Public Buildings Service (PD)

Regional Administrator, National Capital Region (WA)

Regional Commissioner, Public Buildings Service, National Capital Region (WP)

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