



Office of Audits
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U.S. General Services Administration

PBS's Administration of Construction Manager as Constructor Contracts Needs Improvement

Report Number A230058/P/5/R25006
September 15, 2025

Executive Summary

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Why We Performed This Audit

The Public Buildings Service (PBS) is the landlord for the federal government, acquiring space on behalf of its tenants through new construction and leasing. PBS uses the Construction Manager as Constructor (CMc) project delivery method as one of its primary methods for performing capital construction projects.¹ From June 2009 to May 2024, PBS used the CMc project delivery method for 90 construction projects, totaling approximately \$7.4 billion.

Under the CMc project delivery method, PBS awards a construction contract for design-phase services at a fixed price with an option to perform the construction-phase services at a ceiling price, known as the Guaranteed Maximum Price (GMP). The GMP has three components: the estimated cost of work, the fixed fee that includes overhead and profit, and contingency.

During the design phase of a construction project, PBS engages the construction contractor to: (1) collaborate with the project's architect-engineer firm and (2) establish a final estimated cost of work. The design-phase services work allows the contractor to work with the architect-engineer firm to evaluate market conditions and identify potential challenges to construction during the design phase.

When the design phase is complete, PBS can exercise the option for construction-phase services at the GMP ceiling price. However, the contractor can refuse to perform the construction-phase services if the GMP is no longer viable because of increases to the estimated cost of work. If this happens, PBS will need to recompet the construction-phase services as a fixed-price contract.

If the construction-phase services contract option is exercised, PBS will pay up to the GMP for construction-phase services. If the contractor completes the project for less than the GMP, the contractor is generally entitled to a percentage of the shared savings, which is calculated as a percentage of the difference between its actual cost and the GMP amount. If the project exceeds the GMP, the contractor assumes the risk of making up the difference. Therefore, PBS must track and reconcile costs as they are incurred.

¹ Capital construction projects are projects that exceed the congressionally mandated prospectus threshold listed in Section 102-73.35 of the Federal Management Regulation. For Fiscal Year 2025, the prospectus threshold is \$3.926 million.

One unique aspect of CMc contracts is that the GMP can be converted to a firm-fixed price prior to the end of construction. The conversion typically occurs after the construction phase begins—when the contractor has most of the subcontracts in place and the cost to complete the construction can be reasonably estimated by both PBS and the contractor. This relieves PBS of the administrative burden of tracking and reconciling the construction costs.

To ensure that the government does not overpay for construction, PBS must follow specific regulations and guidance to award and administer the cost-based components of the GMP. However, our previous audits have found that PBS struggles to follow those regulations and guidance. As a result of our past audit findings, our audit objective was to determine whether PBS followed the General Services Administration Acquisition Regulation (GSAR), the Federal Acquisition Regulation (FAR), and PBS policy to award and administer CMc contracts.

What We Found

PBS is failing to properly use the CMc project delivery method, resulting in excessive costs and violations of federal law and regulations. In our sample of projects, PBS noncompetitively awarded construction cost increases of more than \$126 million because of changes made during the design phase of CMc contracts. PBS also failed to properly negotiate the fee for contract changes, resulting in violations of federal law and acceptance of unallowable costs. Finally, PBS did not ensure that construction contractors properly accumulated and recorded project costs, which increased the risk of overpayments.

Since 2009, we have issued 52 audit reports and memorandums identifying issues related to CMc contracts. Through these reports, we have recommended cost savings of approximately \$68 million and identified critical improvements to PBS's management and oversight of CMc contracts. In response to these reports, PBS has taken steps to improve its implementation of regulations and internal policies. Nonetheless, PBS continues to improperly manage CMc contracts—primarily because contracting officers and project teams do not fully understand the unique requirements of these contracts.

Accordingly, PBS should update training and strengthen existing controls to improve its administration of the CMc project delivery method. PBS should also implement a comprehensive review and approval process governing the use of the CMc project delivery method for new projects and those in the early stages of development (e.g., acquisition planning). At a minimum, the process should ensure that the assigned project teams clearly understand the requirements of the CMc project delivery method and that effective controls are in place to properly award and administer the underlying CMc contract. Finally, PBS should review open CMc contracts to determine if it can make retroactive adjustments to recover taxpayer dollars used to pay excessive fees.

What We Recommend

We recommend that the Acting PBS Commissioner:

1. Provide PBS project teams with annual training on the CMc project delivery method and any updated policies or guidance implemented in response to the audit findings.
Training should provide PBS project teams with sufficient information to:
 - a. Obtain adequate price competition for construction work under the GMP.
 - b. Negotiate fees for contract modifications (overhead and profit) based on actual overhead rates and the degree of cost risk for each change.
 - c. Comply with FAR and GSAR accounting and auditing requirements to ensure that the government only pays actual costs under the GMP.
2. Update existing controls to ensure proper award and administration of CMc contracts.
 - a. Revise the existing contract file checklist to include specific requirements for CMc contracts.
 - b. Implement procedures to review, authorize, and monitor all contract changes that impact the GMP.
 - c. Implement procedures to delegate Cost Accounting Standards administration responsibilities within PBS to a cognizant federal agency official.
 - d. Implement procedures for interagency coordination when PBS is not the cognizant federal agency for a contractor.
 - e. Develop and implement consistent monthly reconciliation procedures to ensure that contractors properly accumulate and record incurred project costs. PBS should also incorporate these procedures in the scope of work for all contracts involved in the monthly reconciliation process.
3. Implement a comprehensive review and approval process governing the use of the CMc project delivery method for new projects and those projects in the early stages of development (e.g., acquisition planning phase). At a minimum, the process should ensure that:
 - a. The assigned project teams clearly understand the requirements of the CMc project delivery method.
 - b. Effective internal controls are in place to properly award and administer the underlying CMc contracts.
4. Review PBS's open CMc contracts to determine if PBS can make retroactive adjustments to recover the taxpayer dollars that have been used to pay excessive fees on CMc contracts.

The Acting PBS Commissioner agreed with our recommendations.

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Introduction

We performed an audit of the Public Buildings Service's (PBS's) award of construction contracts using the Construction Manager as Constructor (CMc) project delivery method (CMc method).

Purpose

We performed this audit because of long-standing concerns about PBS's award and administration of CMc contracts, as identified through our prior audit work.

Objective

Our audit objective was to determine whether PBS followed the General Services Administration Acquisition Regulation (GSAR), the Federal Acquisition Regulation (FAR), and PBS policy to award and administer CMc contracts.

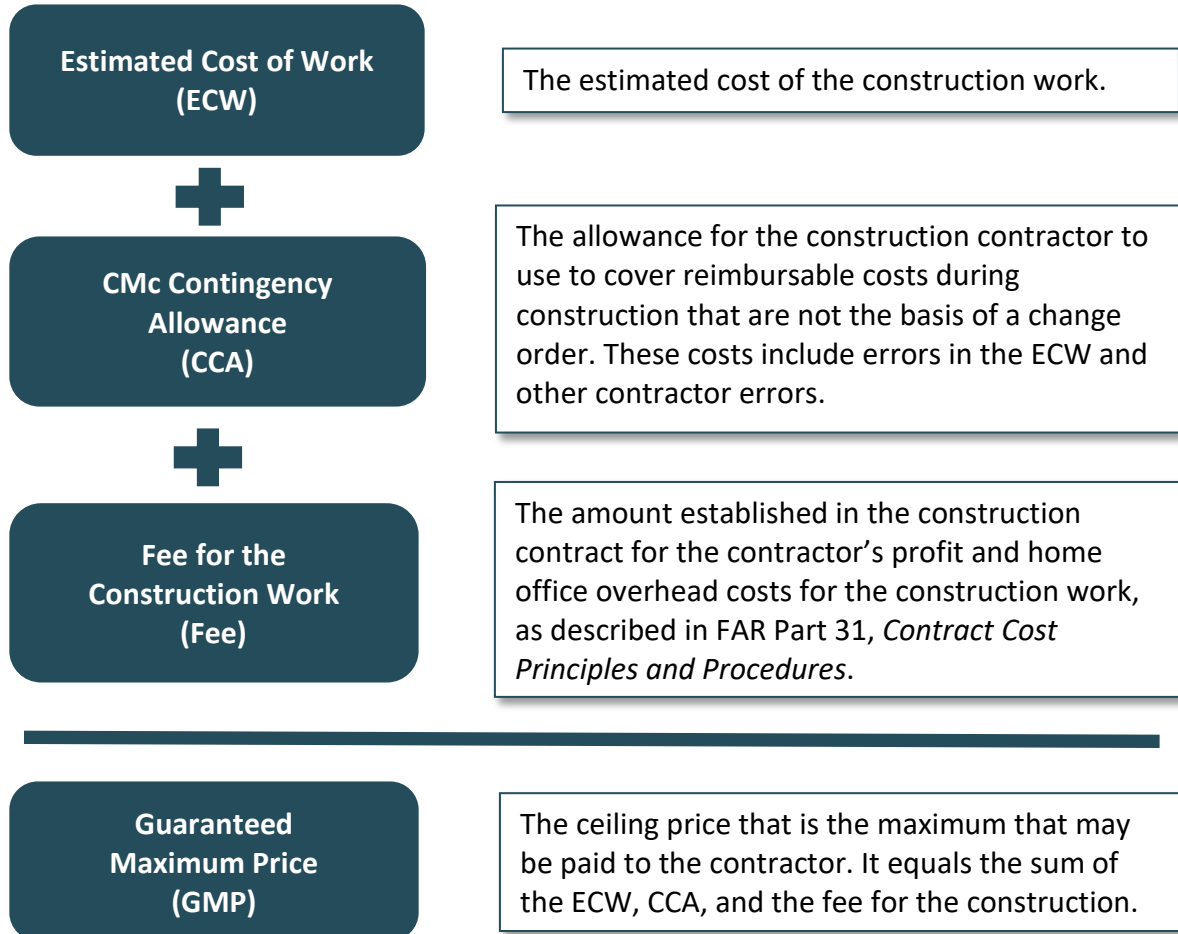
Background

PBS is the landlord for the federal government, acquiring space on behalf of its tenants through new construction and leasing. PBS uses the CMc method as one of its primary methods for performing capital construction projects. From June 2009 to May 2024, PBS used the CMc method for 90 construction projects, totaling approximately \$7.4 billion.

Under the CMc method, PBS awards a construction contract for design-phase services at a fixed price with an option to perform the construction-phase services at a ceiling price, known as the Guaranteed Maximum Price (GMP). During the design phase of a construction project, PBS engages the construction contractor to: (1) collaborate with the project's architect-engineer firm and (2) establish a final estimated cost of work that is less than or equal to the target established at contract award. The design-phase services work allows the contractor to work with the architect-engineer firm to evaluate market conditions and identify potential challenges to construction during the design phase.

Under the option for construction-phase services, the GMP is treated as the ceiling price for a fixed-price incentive contract. PBS will pay the contractor up to the GMP for the construction-phase services. The GMP has three main components: the estimated cost of work, the construction contingency allowance, and the fee for the construction work. The components of the GMP are described in *Figure 1* on the next page.

Figure 1. Components of the Guaranteed Maximum Price²



When the design phase is complete, PBS can exercise the option for construction-phase services at the GMP ceiling price. However, the contractor can refuse to perform the construction-phase services if the GMP is no longer viable because of increases to the ECW. If this happens, PBS will need to recompet the construction-phase services as a fixed-price contract. This typically occurs if the estimated costs for construction exceed the GMP ceiling.

If the contractor agrees to perform the construction, the GMP is supposed to act as a ceiling price for the construction contract. If the contractor completes the project for less than the GMP, the contractor is generally entitled to a percentage of the shared savings, which is calculated as a percentage of the difference between its actual cost and the GMP amount. If the project exceeds the GMP, the contractor assumes the risk of making up the difference. Therefore, PBS must track and reconcile costs as they are incurred. To ensure that the

² Home office overhead is the expense the contractor incurs in the operation of its business that are not distinctly applicable to any one project. Generally, these include office rent or ownership costs; labor expenses, such as management and support staff; and other costs for general business operations.

government does not overpay for construction, PBS must follow specific regulations and guidance to award and administer the cost-based components of the GMP.

One unique aspect of CMc contracts is that the GMP can be converted to a firm-fixed price prior to the end of construction. The conversion typically occurs after the construction phase begins—when the contractor has most of the subcontracts in place and the cost to complete the construction can be reasonably estimated by both PBS and the contractor. This relieves PBS of the administrative burden of tracking and reconciling the construction costs.

Responsibilities for CMc Contracts

PBS regional staff use guidance from PBS’s Office of Design and Construction (ODC) and Office of Acquisition Management (OAM) for capital construction projects. ODC manages GSA’s design and delivery of public buildings, from pre-planning through commissioning.³ OAM supports PBS’s regional asset management offices by coordinating GSA policies, procedures, and initiatives; and sharing best practices for PBS-specific acquisitions.

PBS uses project teams to execute capital construction projects. These teams consist of interdisciplinary personnel, including project managers and contracting officers. The project manager is responsible for executing the project in accordance with the approved project management plan. This responsibility includes coordinating with the contracting officer on all contract issues and modifications. The contracting officer is the only person who can execute contract actions on behalf of PBS and is the final authority in all contractual matters. The contracting officer is also responsible for ensuring that any contractual action complies with the laws and regulations governing federal procurement.

Policy and Regulations

In 2011, PBS issued *Policy and Procedures for using the Construction Manager as Constructor (CMc) Project Delivery Method* (2011 CMc policy). This document established mandatory procedures for using the CMc method, including the use of templates for preparing the statement of work, solicitation, and agreement. PBS also developed and implemented mandatory training for awarding and administering CMc contracts.

In 2015, GSA’s Office of Acquisition Policy opened GSAR Case 2015-G506, *Adoption of Construction Project Delivery Method Involving Early Industry Engagement—Construction Manager as Constructor (CMc)*, to incorporate the 2011 CMc policy into the GSAR. During review of the 2011 CMc policy and existing guidance, GSA identified several necessary changes and issued an October 2018 FAR and GSAR Class Deviation that was effective while the GSAR

³ Commissioning is PBS’s process to ensure that building systems and assemblies are planned, designed, installed, tested, operated, and maintained to meet project requirements.

was being updated.⁴ Specifically, PBS changed its CMc procedures, added a new accounting clause, and updated the original CMc clause. In 2020, all changes were formally adopted into the GSAR as GSAR Subpart 536.71, *Construction-Manager-as-Constructor Contracting* (CMc clause).

In 2020, the GSA Office of Government-wide Policy, OAM, and ODC met with PBS project teams to provide an overview of the CMc method and to highlight the key differences between the 2011 CMc Policy, the 2018 CMc Class Deviation, and the CMc clause. OAM and ODC also presented *Construction Manager as Constructor Accounting and Auditing Requirements* to supplement the prior training. This training focused on accounting and auditing requirements, including coordination with the GSA Office of Inspector General (OIG).

To ensure that the government does not overpay for construction, PBS must follow specific regulations, which are detailed in *Figure 2* below and on the next page.

Figure 2. CMc Regulations

GSAR 536.7103 <i>Construction Contract Solicitation Procedures</i>	The contracting officer should obtain written documentation from the project manager that the project design requirements have been developed to a sufficient degree of specificity to permit competition with meaningful pricing for the ECW before issuing the solicitation.
GSAR 536.7105-2(c) <i>Exercising the GMP Option</i>	The contracting officer cannot exercise the GMP option for construction services if the final ECW, CCA, and fee for the construction work is greater than the GMP as established at contract award or as adjusted in accordance with FAR Part 43, <i>Contract Modifications</i> .
GSAR 536.7105-2(a)(4) <i>Fee for the Construction Work</i>	The contracting officer should determine whether the profit included, if any, in a contractor's proposal is reasonable. The limitations of GSAR 552.243-71, <i>Equitable Adjustments</i> , especially markups, still apply to any changes. Any fee for the construction work associated with a change order shall not be driven by a fixed percentage. Fixed percentages are prohibited by 41 U.S.C. 3905(a), <i>Cost-Plus-A-Percentage-Of-Cost Contracts Disallowed</i> .

⁴ Class Deviation CD-2019-02, *FAR and GSAM Class Deviation – Authority to Use Construction Manager as Constructor (CMc) Project Delivery Method* (October 18, 2018).

GSAR 552.243-71
Equitable Adjustments

For changes, a contractor may only propose overhead and profit on the direct costs of work performed by a subcontractor within two tiers of a firm at rates equal to only 50 percent of the overhead and profit rates negotiated, but not in excess of 10 percent when combined.

GSAR 536.7105-3(b)
GMP Option Accounting

The contracting officer must require the contractor to use open book accounting (OBA) for all contract line items awarded on a GMP basis to ensure proper allocation of actual costs during contract administration. PBS must reconcile all payments with OBA records and the schedule of values adjusted, as appropriate, on a monthly basis.

GSA Office of Inspector General Oversight of CMc Contracts

PBS used the CMc method extensively during its implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act). During our oversight of GSA's Recovery Act implementation, we found a number of deficiencies in PBS's execution of these contracts. For example, we found that PBS:

- Improperly obligated project contingency funds;⁵
- Failed to establish project GMPs at contract award;^{6,7} and
- Failed to establish fair and reasonable pricing when exercising a construction contract option.⁸

These findings resulted in violations of the FAR and Competition in Contracting Act of 1984. In some cases, these violations resulted in excessive costs to GSA.

⁵ *Recovery Act Report – Improper Obligation of Construction Contingency Funds, Review of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009* (Report Number A090172/P/R/R11016, September 30, 2011).

⁶ *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/P/R/R10001, March 12, 2010).

⁷ *Recovery Act Report – Peace Arch U.S. Port of Entry Redevelopment: Construction Contract Review of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009* (Report Number A090172/P/R/R11007, March 4, 2011).

⁸ *Recovery Act Report – Thurgood Marshall U.S. Courthouse Project, Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009* (Report Number A090172/P/R/R11012, August 19, 2011).

Our office has also conducted examinations and reviews of specific CMc contracts in response to requests from PBS contracting officers and the GSA Office of General Counsel. This work consisted of examinations and reviews of requests for equitable adjustment, claims, conversion proposals, and final settlement proposals. Since 2009, we have issued 52 CMc-related reports covering nearly \$2 billion in project costs. Through these reports, we identified recommended cost savings of approximately \$68 million. Because these reports contain privileged or proprietary contractor information, they are not publicly available.

In some cases, PBS failed to ensure that CMc contractors accumulated costs under the GMP in accordance with the GSAR and the FAR. PBS project teams did not obtain the required cost accounting reviews or reconcile construction payments. In one instance, PBS awarded a CMc contract to a contractor that had not submitted a revised Cost Accounting Standards (CAS) disclosure in 5 years and did not determine that the contractor's disclosed accounting practices were current, accurate, and complete. PBS did not engage our office to complete a closeout review of the contract until construction was nearly finished. As a result, we could not determine if the contractor's closeout proposal fairly represented its costs because the contractor's procedures to allocate costs were not compliant with the FAR.

Despite CMc policy updates, we continued to see problems with PBS's award and administration of CMc contracts during our construction contract audits. Therefore, we issued an audit memorandum titled *Improvement Needed in PBS's Use of Construction Manager as Constructor Contracts* on August 17, 2022.⁹ This memorandum highlighted several concerns, including that PBS was:

- Failing to ensure that contractors properly accumulate and record project costs by following applicable FAR and GSAR requirements;
- Improperly adjusting the CMc contract GMP; and
- Prematurely converting the GMP to a firm-fixed price.

⁹ *Improvement Needed in PBS's Use of Construction Manager as Constructor Contracts* (Memorandum Number A220057, August 17, 2022).

Results

PBS is failing to properly use the CMc project delivery method, resulting in excessive costs and violations of federal law and regulations. In our sample of projects, PBS noncompetitively awarded construction cost increases of more than \$126 million because of changes made during the design phase of CMc contracts. PBS also failed to properly negotiate the fee for contract changes, resulting in violations of federal law and acceptance of unallowable costs. Finally, PBS did not ensure that construction contractors properly accumulated and recorded project costs, which increased the risk of overpayments.

See **Appendix B** for a list of CMc contract noncompliance identified in our audit sample.

Finding 1 – PBS noncompetitively awarded construction cost increases of more than \$126 million because of changes made during the design phase of CMc contracts.

The base GMP is established at contract award and acts as the ceiling price that the government will pay for construction services under the contract. The most significant component of the GMP is the ECW, or estimated construction costs. The estimated construction costs are not finalized until the end of the design phase. However, the CMc clause requires that the architect-engineer firm and construction contractor collaborate to ensure that the estimated construction costs do not exceed those established as part of the base GMP. Accordingly, changes during the design phase should not result in significant cost increases from the base GMP established when the CMc contract was initially awarded.

However, PBS noncompetitively awarded significant cost increases for construction work for most of the 18 CMc contracts we examined. As shown in *Figure 3* on the next page, we found that construction costs increased from the base GMP by more than \$126 million during the design phase for 10 of the 18 CMc contracts in our sample. This included six contracts that had cost increases of more than 25 percent.

**Figure 3. Construction Cost Increases from the Base GMP
During the Design Phase of CMc Contracts**

Project	Base GMP (\$)	Design-Phase Construction Cost Increase (\$)	Design-Phase Construction Cost Increase (%)
HVAC and Fire Alarm Upgrades at the Edward T. Gignoux Federal Courthouse	27,443,523.00	7,724,973.23	28
Alton Lennon Federal Building and Courthouse Disaster Relief Project	27,286,413.00	807,245.00	3
Modernization of the Arthur J. Altmeyer Building	81,770,610.00	13,550,698.00	17
Alteration of the Tomochichi Federal Building and U.S. Courthouse	58,579,820.00	18,376,488.00	31
Major General Emmett J. Bean Federal Center Backfill	26,331,417.00	18,451,752.00	70
FDA Forensic Chemistry Center and John Weld Peck Federal Building Modernization Project	32,785,036.00	16,281,818.00	50
CFTC Consolidation Project at the Metcalfe Federal Building	4,730,906.00	318,572.00	7
Veterans Benefits Administration Renovation and Backfill Project, and Defense Finance and Accounting Service Consolidation Project at the Anthony J. Celebrezze Federal Building	42,486,838.00	11,071,468.00	26
Fire and Life Safety Upgrades at the Milwaukee Federal Building	8,288,102.00	291,650.68	4
Charles Evans Whittaker U.S. Courthouse Façade Replacement Prospectus	54,712,252.00	39,593,883.00	72
Total	\$364,414,917.00	\$126,468,547.91	35

The cost increases on these projects had multiple causes. Some of the increases were allowable to increase the GMP; some were not. We describe the cost increases for four of the projects on next page. Taken together, these examples resulted in cost increases of \$84.1 million.

- **Charles Evans Whittaker U.S. Courthouse Façade Replacement Prospectus in Kansas City, Missouri** – PBS noncompetitively modified the CMc contract by \$39.6 million during the design phase. As a result, the GMP increased from \$54.7 million to \$94.3 million (72 percent). This significant cost increase occurred because PBS accepted two escalation requests from the contractor and restructured the scope of work to add Inflation Reduction Act funding to the project for low-embodied carbon glass, steel, and aluminum materials.

Under the CMc method, the GMP increase associated with the scope increase for the Inflation Reduction Act work was allowable. However, the GMP increase in response to the contractor's escalation requests was not warranted. Under the CMc method, the construction contractor is brought in during the design phase to collaborate with the architect-engineer firm on design and constructability issues. The goal of this collaboration is to establish a final ECW that does not exceed the original target ECW. If this cannot be done, PBS should recompetite the construction-phase services instead of increasing the GMP noncompetitively.

- **Major General Emmett J. Bean Federal Center Backfill in Indianapolis, Indiana** – PBS noncompetitively modified the CMc contract by \$18.5 million during the design phase. As a result, the GMP increased from \$26.3 million to \$44.8 million (70 percent). This significant cost increase occurred because PBS accepted additions to the original scope of work and the contractor's assertion that the design concept drawings were flawed. For example, the contractor asserted that the design drawings did not include requirements for wall panels and floor etching. The contractor also asserted that the drawings did not include sufficient quantities of, among other things, finishing materials, mechanical equipment, and electrical devices to meet actual requirements.

Under the CMc method, the increase to the GMP due to aspects of the finalized design was not warranted. Under the CMc method, the construction contractor is brought in during the design phase to collaborate with the architect-engineer firm on design and constructability issues. The goal of this collaboration is to establish a final ECW that does not exceed the original target ECW. If this cannot be done, PBS should recompetite the construction-phase services instead of increasing the GMP noncompetitively.

- **Alteration of the Tomochichi Federal Building and U.S. Courthouse in Savannah, Georgia** – PBS noncompetitively modified the CMc contract by nearly \$18.4 million during the design phase. As a result, the GMP increased from \$58.6 million to \$77 million (31 percent). This significant cost increase occurred because PBS accepted additional costs for work items that were not included in the design concept drawings. Among other things, the work items included additional steel, roofing, doors, and windows. PBS also modified the contract to include an economic price adjustment clause to cover unanticipated increased project costs due to economic conditions.

An economic price adjustment clause is atypical for a fixed-price construction contract; it allows for the GMP increase due to unanticipated increased project costs as a result of inflationary economic conditions. However, under the CMc method, the GMP increase due to aspects of the finalized design was not warranted. Under the CMc method, the construction contractor is brought in during the design phase to collaborate with the architect-engineer firm on design and constructability issues. The goal of this collaboration is to establish a final ECW that does not exceed the original target ECW. If this cannot be done, PBS should recompile the construction-phase services instead of increasing the GMP noncompetitively.

- **HVAC and Fire Alarm Upgrades at the Edward T. Gignoux Federal Courthouse in Portland, Maine** – PBS noncompetitively modified the CMc contract by more than \$7.7 million during the design phase. As a result, the GMP increased from \$27.4 million to \$35.2 million (28 percent). This significant cost increase occurred because PBS accepted the contractor's assertion that it was unable to attract the amount of subcontractor interest it had anticipated prior to contract award.

Under the CMc method, increasing the GMP due to the contractor's assertion that it was unable to attract the amount of subcontractor interest it had anticipated prior to contract award was not warranted. It would be more appropriate to cover this cost increase using the CCA component rather than increasing the GMP noncompetitively. If the CCA was not sufficient to cover the cost increase, PBS should recompile the construction-phase services instead of increasing the GMP noncompetitively.

The former PBS OAM Assistant Commissioner told us that ideally there would be no increases to the GMP, but that the CMc clause allows for scope changes due to unforeseen conditions. She added that the CMc clause does not limit any cost increases, given contracting officers' latitude to make these decisions, but stated that cost increases should fall between 10 and 15 percent under normal circumstances. However, as described above, we found that costs for six of the CMc contracts in our sample increased by more than 25 percent.

Negotiating sole-source contract modifications significantly increases the risk of project cost overruns because it deprives the government of a direct market mechanism to help establish pricing. By accepting contractors' proposals to increase the GMP during the design phase and subsequently awarding construction services contract options, PBS sole-sourced more than \$126 million for 10 of the 18 CMc contracts in our sample.

These significant cost increases could have attracted more companies to bid on the projects if the contracts were re-solicited following design completion. Further, the significant cost increases during the design phase undermine the intended benefits of the GMP, which is designed to protect the government from project costs in excess of the "ceiling price" established under the base GMP. It also reduces the contractor's incentive to control project costs because increases to the ECW component of the GMP can result in increases to the contractor's fee.

To address these deficiencies, improve the control of project costs, and protect taxpayer dollars, PBS should develop comprehensive training and strengthen internal controls to ensure that contracting officers understand how cost increases should be handled under CMc contracts rather than defaulting to increasing the GMP.

Finding 2 – PBS failed to properly negotiate the fee for contract changes, resulting in violations of federal law and acceptance of unallowable costs.

PBS violated federal law and accepted unallowable costs, primarily in the form of excessive fees, on CMc contracts. We found that PBS violated federal law by awarding cost-plus-a-percentage-of-cost (CPPC) contracts for future unpriced contract modifications. We also found that PBS allowed excessive fees on subcontractor costs.

PBS Violated Federal Law Prohibiting the Use of CPPC Contracts

Under CMc contracts, contractors propose a fee as one component of the GMP for construction-phase services. The fee, which includes overhead and profit, may be expressed as a percentage or as a fixed dollar amount in the contractor's proposal. When the contract is awarded, the fee is set to a specific dollar amount.

After the contract award, the fee may increase for change orders, including scope changes, differing site conditions, and government-caused delays. However, when modifying the fee, the fee cannot be based on a pre-negotiated percentage and must be set as a fixed dollar amount. If PBS fails to do this, it runs the risk of establishing a CPPC contract.

CPPC contracts are expressly prohibited under 41 U.S.C. 3905(a) and FAR 16.102(c), *Policies*. These contracts establish profit as a fixed percentage of the contractor's reimbursable costs that are incurred to complete work within the scope of the agreement. CPPC contracts place taxpayer dollars at risk because they entitle contractors to additional profit for incurring additional costs. As a result, they disincentivize a contractor from limiting its project costs.

In addition, GSAR 536.7105-2(a)(4)(v), *Fee for the Construction Work*, provides that "any fee for the construction work associated with a change order shall not be driven by a fixed percentage." Instead, "the contracting officer should determine whether the profit included, if any, in a contractor's proposal is reasonable." FAR 15.404-4(d), *Profit-analysis factors*, describes factors that contracting officers should use when determining whether a contractor's profit is reasonable, such as the complexity and level of risk involved in completing the work.

However, we found that contracting officers improperly accepted and incorporated fixed percentages for fees on future increases of the ECW in 8 of the 18 contracts in our sample. Several contracting officers then executed contract modifications for additional work using the awarded fixed percentages. This resulted in CPPC contracts that violated federal law and created an environment in which PBS's acceptance of additional costs nearly always resulted in additional profit at the awarded percentage.

In the two examples below, contracting officers modified contracts to increase the GMP and award firm-fixed price contract modifications using fixed percentages established at award.

- **Charles Evans Whittaker U.S. Courthouse Façade Replacement Prospectus in Kansas City, Missouri** – The contractor’s proposed fee of [REDACTED] percent included an overhead rate of [REDACTED] percent and profit rate of [REDACTED] percent for adjustments.¹⁰ These rates were applied to the \$39.6 million increase to the GMP during the design phase. The contracting officer told us that the fee for all modifications under the GMP was established at award. The contracting officer also stated that all modifications, especially those for additional work, were subject to negotiation. However, the contracting officer consistently accepted the predetermined rates for fees on modifications.
- **Veterans Benefits Administration Renovation and Backfill Project, and Defense Finance and Accounting Service Consolidation Project at the Anthony J. Celebrezze Federal Building in Cleveland, Ohio** – The contractor’s proposed fee of [REDACTED] percent included an overhead rate of [REDACTED] percent and profit rate of [REDACTED] percent. These rates were applied to an \$11 million increase to the GMP prior to the award of the construction phase of the project. PBS later renegotiated a higher fee of up to [REDACTED] percent and modified the contract to include the increased fee. The renegotiated percentages were applied to later changes, including a \$1.5 million firm-fixed price modification.

Most of the PBS contracting officers we interviewed indicated that incorporating fixed percentages that predetermine profit based on the cost of future unspecified changes is an allowable practice. Of the 13 contracting officers we interviewed, 8 said it was acceptable to negotiate a fee as a fixed percentage of the contractor’s proposed costs for future modifications. Contracting officers should negotiate fees for all changes in accordance with the GSAR and the FAR and should not incorporate fixed fee percentages into the contract terms and conditions.

PBS Allowed Excessive Fees on Subcontractor Costs

To protect the government against paying excessive fees, GSAR 552.243-71, *Equitable Adjustments* (EA clause), limits the profit and overhead that prime contractors may charge for subcontractor costs. Under the EA clause, “the contractor and its subcontractor[s] shall not be allowed overhead or profit on the overhead or profit received by a subcontractor.” The EA clause also limits the amount of overhead and profit a contractor can charge for its subcontracted costs to 50 percent of the amount that is negotiated and applied to the contractor’s own direct costs.

¹⁰ Redactions in this report represent CMc contractors’ proprietary pricing information.

GSAR 536.7105-2(a)(4)(v) stipulates that “the limitations of GSAR 552.243-71, especially markups, still apply for any changes.” Therefore, PBS should require the contractor to adhere to the EA clause when proposing changes to CMc contracts.

However, PBS awarded change orders that exceeded these limitations, resulting in excessive fees on subcontractor costs. We found that PBS accepted costs that exceeded these limitations for overhead and profit on 10 of the 18 CMc contracts in our sample. Two examples of these contracts are below.

- **Major General Emmett J. Bean Federal Center Backfill in Indianapolis, Indiana** – PBS accepted a [REDACTED] percent fee for 42 scope-of-work changes, valued at approximately [REDACTED], resulting in more than [REDACTED] of additional fee being awarded to the contractor. The [REDACTED] percent fee was not reduced in accordance with the EA clause for subcontracted costs. For example, PBS modified the contract to award the contractor \$2.1 million for additional work that was created by design changes. In this single instance, PBS awarded the contractor at least [REDACTED] in additional fee than it would have if it had followed the EA clause properly.¹¹
- **FDA Forensic Chemistry Center and John Weld Peck Federal Building Modernization Project in Cincinnati, Ohio** – PBS accepted a [REDACTED] percent fee for 213 scope-of-work changes, valued at approximately [REDACTED], resulting in nearly [REDACTED] of additional fee being awarded to the contractor. The [REDACTED] percent fee was not reduced in accordance with the EA clause for subcontracted costs. For example, PBS modified the contract to award the contractor \$1.2 million for additional roofing work. In this single instance, PBS awarded the contractor at least [REDACTED] in additional fee than it would have if it had followed the EA clause properly.¹²

PBS may be able to recover the excess fees it paid on these contracts. Contract clause 552.236-80 (g), *Accounting Records and Progress Payments*, gives the government the right to make retroactive adjustments and recover overpayments when an audit determines that the contract terms and conditions were not followed. PBS should review its open CMc contracts to determine if it is able to recover the excess fees it has paid on these contracts.

¹¹ The contractor was awarded [REDACTED] for overhead and profit for work with an estimated cost of [REDACTED], of which [REDACTED] was subcontracted. Reducing the [REDACTED] percent overhead and profit to 50 percent of what the contractor received for subcontractor costs would have resulted in a [REDACTED] reduction to the overhead and profit awarded and paid to the contractor. This was calculated by multiplying the [REDACTED] in subcontracted work by the [REDACTED] percent rate for overhead and profit and then multiplying that amount by the 50 percent limitation rate.

¹² The contractor was awarded [REDACTED] for overhead and profit for work with an estimated cost of [REDACTED], of which [REDACTED] was subcontracted. Reducing the [REDACTED] percent overhead and profit to 50 percent of what the contractor received for subcontractor costs would have resulted in a [REDACTED] reduction to the overhead and profit awarded and paid to the contractor. This was calculated by multiplying the [REDACTED] in subcontracted work by the [REDACTED] percent rate for overhead and profit and then multiplying that amount by the 50 percent limitation rate.

In sum, PBS failed to properly negotiate the fee for contract changes, resulting in violations of federal law and acceptance of unallowable costs. PBS's inclusion of CPPC provisions in CMc contracts violates federal law and encourages contractors to request changes that increase the cost of work. PBS also awarded contractors excessive fees on subcontractor costs.

To prevent these issues in the future, PBS should ensure that its contracting officers are not using predetermined, fixed percentages to award the fee on change orders to CMc contracts. PBS should also ensure that its contracting officers follow the profit and overhead limitations of the EA clause when awarding contract modifications. Further, PBS should review its open CMc contracts to determine if it can make retroactive adjustments to recover the taxpayer dollars that have been used to pay excessive fees on CMc contracts.

Finding 3 – PBS did not ensure that construction contractors properly accumulated and recorded project costs, which increased the risk of overpayments.

Under the CMc method, both contractor payments and shared savings calculations are based on the contractor's actual cost to perform the work. Thus, it is extremely important to ensure that construction contractors properly accumulate and record project costs. However, contracting officers are not always fulfilling their responsibilities to ensure contractors are properly accumulating and recording costs on CMc contracts. Specifically, we have found that PBS is not ensuring that:

- CMc contractors are complying with Cost Accounting Standards (CAS);
- It is obtaining the incurred-cost audit required by GSAR; and
- It is reconciling payments with open book accounting records.

As a result, PBS cannot rely on the contractor's project cost records to ensure that contractor payments or shared savings calculations are accurate.

PBS Did Not Ensure that CMc Contractors Comply with CAS Requirements

CMc contracts are covered by CAS unless an exemption applies or the head of the contracting activity waives this requirement. CAS are a set of 19 standards that require the contractor and its subcontractors to disclose their cost accounting practices in writing and follow them consistently.¹³ This process ensures that the contractor accumulates project costs accurately and records them appropriately.

The CAS requirements are established in FAR 30.202, *Disclosure requirements*. However, as described on the following page, we found that PBS contracting officers did not always adhere to these requirements.

¹³ FAR 52.230-1, *Cost Accounting Standards Notices and Certification*; and GSAR 536.7105-3, *Accounting and Auditing Requirements*.

- **Lack of Cognizant Federal Agency Official Adequacy Determination** – FAR 30.202-6(b), *Responsibilities*, requires that “the contracting officer shall not award a CAS-covered contract until the cognizant Federal agency official (CFAO) has made a written determination that the required Disclosure Statement is adequate.” This determination should be based on an “adequacy review” performed by an auditor.¹⁴ Generally, this determination should be made within 30 days after the contracting officer receives the disclosure statement. Of the 18 contracts in our sample, 12 contracting officers did not comply with this requirement to obtain a written adequacy determination prior to contract award.
- **Failure to Make Compliance Determination** – FAR 30.202-7(b)(2), *Compliance determination*, requires that contracting officers determine whether a contractor’s disclosed practices comply with CAS and FAR Part 31, *Contract Cost Principles and Procedures*. PBS’s training slides titled *Construction Manager as Constructor (CMc) Accounting and Auditing Requirements* state that this determination should be made before exercising the construction option. However, for 9 of the 18 contracts in our sample, the contracting officers did not determine whether the disclosed practices complied with CAS and FAR Part 31 before exercising the construction contract option.

In addition, PBS lacks guidance for contracting officers on how to determine whether contractors have already been verified as CAS-compliant. FAR 52.230-1, *Cost Accounting Standards Notices and Certification*, allows contractors with existing CAS-covered contracts to identify the CFAO for existing contracts instead of submitting its disclosure statement to the cognizant federal auditor for a new review. 48 C.F.R 9903.201-7(b), *Cognizant Federal agency responsibilities*, delegates the responsibility for developing regulations, internal policies, and procedures governing how agencies will administer the requirements of CAS-covered contracts, with particular emphasis on interagency activities, to the agencies.

However, we found that PBS policy does not address the steps a contracting officer should take when awarding a contract to a contractor with an existing CFAO. As a result, PBS contracting officers did not follow up with the CFAO identified in the contractor’s disclosures to verify that the CFAO had determined that the contractor’s disclosures were adequate prior to award.

For example, the CMc contractor for the FDA Forensic Chemistry Center and John Weld Peck Federal Building Modernization Project certified that it previously submitted a disclosure statement to another agency. However, the contracting officer did not request any reviews from the cognizant federal auditors until the contractor submitted its final settlement proposal for the project. As a result, the contractor’s final settlement proposal was defective because the contractor did not separate its costs for firm-fixed price change orders from the costs associated with the GMP portion of the work. This increased the risk that PBS could pay for

¹⁴ FAR 30.202 designates these responsibilities to the CFAO. The CFAO is the contracting officer assigned by the cognizant federal agency to administer the CAS.

costs associated with firm-fixed price change orders twice—under the change order and within the GMP.

The adequacy and compliance reviews required by CAS provide assurance that contractors accumulate and record their costs in a consistent manner. PBS should implement policies and procedures that promote consistency in the administration of CAS, especially when the contractor identifies a CFAO for an existing CAS-covered contract instead of submitting a disclosure statement. PBS should also ensure that all project team members receive annual training on the CMc method, including any updates to policies and procedures.

PBS Did Not Always Obtain the Incurred-Cost Audit Required By the GSAR

An incurred-cost audit is required prior to converting the GMP to a firm-fixed price amount or closing out a CMc contract. GSAR 536.7105-8(e), *Conversion to Firm-Fixed-Price*, requires contracting officers to obtain an audit of the contractor's incurred costs prior to converting the GMP amount to a firm-fixed price. Likewise, GSAR 536.7106(b), *Construction Contract Closeout*, requires contracting officers to obtain an audit of the contractor's costs prior to closing out a CMc contract if it has not been converted to a firm-fixed price. Obtaining the required audits provides the project team with reasonable assurance that the contractor's costs can be used as a basis for negotiating the firm-fixed price.

However, for 3 of the 18 contracts in our sample, contracting officers did not obtain an independent audit of the costs incurred by the contractor in the performance of the contract before converting the GMP to a firm-fixed price or determining final settlement costs under the GMP.

One contracting officer told us that they did not believe the incurred-cost audit requirement applied if all of the work was converted to a firm-fixed price because the GMP was not adjusted based on the contractor's incurred costs. However, the incurred-cost audit requirement established by GSAR 536.7105-8(e) is needed so the contracting officer can negotiate a firm-fixed price based on the costs incurred and the anticipated costs remaining. It is important to note that if this amount is less than the ECW and the CCA, the negotiated firm-fixed price should be less than the GMP.

PBS risks overpaying for GMP construction services when it does not comply with the GSAR requirement to audit the contractor's incurred costs. To comply with this requirement, PBS should conduct annual training to ensure that its contracting officers are aware of the auditing requirements for CMc contracts. PBS must ensure that contracting officers obtain the required incurred-cost audit prior to: (1) converting the GMP amount to a firm-fixed price or (2) closing out a CMc contract by updating contract file checklists.

PBS Did Not Reconcile Contract Payments with Open Book Accounting Records

Under the CMc contract, all payments must be reconciled with open book accounting (OBA) records. GSAR 536.7105-3(b)(2), *Payments and Reconciliation*, states the following:

All payments shall be reconciled with the open book accounting records and the schedule of values adjusted, as appropriate. Reconciliation shall occur each month and should be coordinated with monthly progress payments.¹⁵

The contractor is only entitled to its costs for the GMP portion of the contract until the GMP portion of the work is either converted to a firm-fixed price or completed. Therefore, PBS risks overpaying for GMP construction services when it does not reconcile contractor billings to OBA records.

PBS accepted and paid for construction work in 12 of the 18 contracts in our sample. Of the 12 contracts, 10 project teams did not reconcile monthly payments with OBA records. We asked project teams assigned to the 12 contracts with awarded construction work to provide short narratives describing the reconciliation procedures they performed. Many project teams used only the percentage of completed work and schedule of values as the bases for construction payments. However, unlike reconciliation to OBA records, this method does not account for actual incurred costs. This may lead to overpayment of construction costs throughout the duration of the project.

PBS project teams also relied heavily on construction management firms (construction managers) to reconcile monthly payments. However, we found that PBS did not provide adequate requirements or oversight of the construction managers to ensure that they performed the reconciliations correctly. For capital construction projects, PBS awards a separate contract to a construction manager to assist GSA employees with their day-to-day project responsibilities, such as inspections, technical reviews, and quality assurance. PBS contracting officers told us that construction managers coordinate with the contractor to reconcile monthly project costs. After reviewing construction managers' contracts, we found that the requirement for the construction manager to perform monthly reconciliations did not define OBA or the required procedures to accomplish reconciliation.

One contracting officer told us that it is a challenge to educate construction managers and contractors on the CMc method. The contracting officer stated that many construction managers and contractors treat this delivery method like its commercial equivalent form, which is not subject to the cost accounting requirements. Project team members do not fully understand CAS requirements and the need to reconcile to actual costs on a monthly basis. This

¹⁵ The schedule of values is a document that breaks down the estimated cost of construction work into categories that can be used to track progress and support periodic payments during construction. Reconciliation is an accounting term used to describe the process of comparing transactions to supporting documentation and resolving any discrepancies.

has led to inconclusive audits during project conversion to firm-fixed price or final settlement because issues with contractors' cost tracking were not discovered until the project was either complete or near completion.

PBS should ensure contract payments are properly reconciled with OBA records so that construction contractors' project costs are properly accumulated and recorded, decreasing PBS's risk of overpaying for construction work.

Conclusion

PBS is failing to properly use the CMc project delivery method, resulting in excessive costs and violations of federal law and regulations. In our sample of projects, PBS noncompetitively awarded construction cost increases of more than \$126 million because of changes made during the design phase of CMc contracts. PBS also failed to properly negotiate the fee for contract changes, resulting in violations of federal law and acceptance of unallowable costs. Finally, PBS did not ensure that construction contractors properly accumulated and recorded project costs, which increased the risk of overpayments.

Since 2009, we have issued 52 audit reports and memorandums identifying issues related to CMc contracts. Through these reports, we have recommended cost savings of approximately \$68 million and identified critical improvements to PBS's management and oversight of CMc contracts. In response to these reports, PBS has taken steps to improve its implementation of regulations and internal policies. Nonetheless, PBS continues to improperly manage CMc contracts—primarily because contracting officers and project teams do not fully understand the unique requirements of these contracts.

Accordingly, PBS should update training and strengthen existing controls to improve its administration of the CMc project delivery method. PBS should also implement a comprehensive review and approval process governing the use of the CMc project delivery method for new projects and those in the early stages of development (e.g., acquisition planning). At a minimum, the process should ensure that the assigned project teams clearly understand the requirements of the CMc project delivery method and that effective controls are in place to properly award and administer the underlying CMc contract. Finally, PBS should review open CMc contracts to determine if it can make retroactive adjustments to recover taxpayer dollars used to pay excessive fees.

Recommendations

We recommend that the PBS Commissioner:

1. Provide PBS project teams with annual training on the CMc project delivery method and any updated policies or guidance implemented in response to the audit findings. Training should provide PBS project teams with sufficient information to:
 - a. Obtain adequate price competition for construction work under the GMP.
 - b. Negotiate fees for contract modifications (overhead and profit) based on actual overhead rates and the degree of cost risk for each change.
 - c. Comply with FAR and GSAR accounting and auditing requirements to ensure that the government only pays actual costs under the GMP.

2. Update existing controls to ensure proper award and administration of CMc contracts.
 - a. Revise the existing contract file checklist to include specific requirements for CMc contracts.
 - b. Implement procedures to review, authorize, and monitor all contract changes that impact the GMP.
 - c. Implement procedures to delegate Cost Accounting Standards administration responsibilities within PBS to a cognizant federal agency official.
 - d. Implement procedures for interagency coordination when PBS is not the cognizant federal agency for a contractor.
 - e. Develop and implement consistent monthly reconciliation procedures to ensure that contractors properly accumulate and record incurred project costs. PBS should also incorporate these procedures in the scope of work for all contracts involved in the monthly reconciliation process.
3. Implement a comprehensive review and approval process governing the use of the CMc project delivery method for new projects and those projects in the early stages of development (e.g., acquisition planning phase). At a minimum, the process should ensure that:
 - a. The assigned project teams clearly understand the requirements of the CMc project delivery method.
 - b. Effective internal controls are in place to properly award and administer the underlying CMc contracts.
4. Review PBS's open CMc contracts to determine if PBS can make retroactive adjustments to recover the taxpayer dollars that have been used to pay excessive fees on CMc contracts.

GSA Comments

The Acting PBS Commissioner agreed with our recommendations. PBS's written comments are included in their entirety in **Appendix C**.

Appendix A – Objective, Scope, and Methodology

Objective

We performed this audit because of long-standing concerns about PBS's award and administration of CMc contracts, as identified through our prior audit work. Our audit objective was to determine whether PBS followed the GSAR, the FAR, and PBS policy to award and administer CMc contracts.

Scope and Methodology

We assessed PBS's compliance with the GSAR, the FAR, and PBS policy during its award and administration of CMc contracts. The scope of our audit was limited to a judgmental sample of 18 CMc contracts solicited between May 2017 and November 2022 in seven PBS regions (PBS Regions 1, 2, 3, 4, 5, 6, and 8).

To accomplish our objective, we:

- Reviewed relevant laws, regulations, and guidance related to PBS CMc contracts; specifically, GSAR 536.71, FAR Part 30, and PBS policies and training;
- Reviewed prior GSA OIG audit reports to identify significant issues that might affect the audit objective;
- Analyzed a sample of 18 CMc contract files to determine compliance with the GSAR, the FAR, and PBS policy; and
- Interviewed PBS OAM personnel and PBS contracting officers.

Data Reliability

We assessed the reliability of a list of CMc contracts that was extracted from PBS's contract writing system and provided to us by PBS. We compared the data to USA Spending data from Fiscal Years 2008–2023. We determined that the data was sufficiently reliable for the purposes of this audit.

Sampling

We selected a judgmental sample of 18 CMc contracts in seven PBS regions (PBS Regions 1, 2, 3, 4, 5, 6, and 8). The sample was selected to include multiple PBS regions in an effort to analyze consistency across regions and project teams. We selected 14 contracts solicited after the 2020 implementation of GSAR 536.71 to determine PBS's compliance with existing guidance. We selected the remaining four contracts, solicited before 2020, to determine PBS's compliance with conversion and final settlement procedures.

While our judgmental sample does not allow for projection of the results to the population, it did allow us to address our audit objective.

Internal Controls

We assessed internal controls significant within the context of our audit objective against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment, and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Compliance Statement

We conducted the audit between May 2023 and November 2024 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – CMc Noncompliance by Project

This appendix illustrates the conditions we identified during the review of each CMc contract in our sample.

CMc Project Description and Contract Number	Contract Value (in millions)	Improper Increase of GMP	Illegal CPPC Agreement	Excessive Fees Allowed	No CAS Adequacy Review Before Award	No CAS Compliance Review Before Exercising GMP	No Conversion or Closeout Audit	Records Not Reconciled with OBA Records
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9
HVAC and Fire Alarm Upgrades at the Edward T. Gignoux Federal Courthouse 47PB0023C0008	\$35.8	X	X					
Alexander Hamilton U.S. Custom House Water Infiltration Remediation 47PC0322C0001	\$50.9			X	X	X		
Major Building Modernization Project at the Silvio J. Mollo Federal Building 47PC0322C0003	\$2.1			X	X			
New U.S. Courthouse in Harrisburg, Pennsylvania 47PD0118C0003	\$169.8			X				X
Alton Lennon Federal Building and Courthouse Disaster Relief Project 47PD0121C0005	\$40.2	X	X		X	X		X
Modernization of the Arthur J. Altmeyer Building 47PD0218C0009	\$122	X		X	X			

CMc Project Description and Contract Number	Contract Value (in millions)	Improper Increase of GMP	Illegal CPPC Agreement	Excessive Fees Allowed	No CAS Adequacy Review Before Award	No CAS Compliance Review Before Exercising GMP	No Conversion or Closeout Audit	Records Not Reconciled with OBA Records
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9
New United States Courthouse Annex and Alteration of the Charles R. Jonas U.S. Courthouse 47PE0318C0004	\$143.5		X					X
Alteration of the Tomochichi Federal Building and U.S. Courthouse 47PF0021C0017	\$101.1	X	X		X	X		X
Major General Emmett J. Bean Federal Center Backfill 47PF0021C0004	\$49.6	X		X	X	X		X
FDA Forensic Chemistry Center and John Weld Peck Federal Building Modernization Project 47PF0021C0010	\$58.4	X		X	X	X	X	X
CFTC Consolidation Project at the Metcalfe Federal Building 47PF0021C0018	\$6.3	X		X			X	X
Veterans Benefits Administration Renovation and Backfill Project, and Defense Finance and Accounting Service Consolidation Project at the Anthony J. Celebrezze Federal Building 47PF0021C0020	\$48.1	X	X		X	X		X

CMc Project Description and Contract Number	Contract Value (in millions)	Improper Increase of GMP	Illegal CPPC Agreement	Excessive Fees Allowed	No CAS Adequacy Review Before Award	No CAS Compliance Review Before Exercising GMP	No Conversion or Closeout Audit	Records Not Reconciled with OBA Records
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9
Milwaukee Federal Building and U.S. Courthouse Fire Life Safety Project 47PF0021C0024	\$9.6	X						X
Theodore Levin U.S. Courthouse Capital Security Project 47PF0022C0012	\$0.18							
Charles Evans Whittaker U.S. Courthouse Façade Replacement Prospectus 47PG0222C0001	\$99.2	X	X	X	X	X		X
Frank E. Moss Courthouse Seismic Upgrades, Backfill, and Building Renovation Project 47PJ0021C0045	\$118		X	X	X	X		
New FDA Laboratory 47PJ0023C0009	\$0.63				X			
IRS Service Center Limited Scope Modernization 47PJ0020C0008	\$47.3		X	X	X	X	X	

Notes:

1. This column represents our nationwide sample of 18 projects.
2. This column represents the total contract value in millions as of May 31, 2024.
3. This column indicates the 10 projects where PBS increased the GMP during design.

4. This column indicates the eight projects where PBS entered into improper CPPC agreements.
5. This column indicates the 10 projects where PBS improperly negotiated fee.
6. This column indicates the 12 projects where PBS did not follow CAS adequacy review requirements.
7. This column indicates the nine projects where PBS did not follow CAS compliance review requirements.
8. This column indicates the three projects where PBS did not obtain a conversion or closeout audit.
9. This column indicates the 10 projects where PBS did not reconcile construction payments with OBA records.

Appendix C – GSA Comments

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August 27, 2025

MEMORANDUM FOR: MIKE LAMONICA
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-5)

FROM: ANDREW HELLER *Andrew Heller*
ACTING COMMISSIONER (P)
PUBLIC BUILDINGS SERVICE

SUBJECT: *Draft Audit Report: PBS's Administration of
Construction Manager as Constructor Contracts Needs
Improvement (A230058)*

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft audit report, *PBS's Administration of Construction Manager as Constructor Contracts Needs Improvement*.

The Public Buildings Service (PBS) reviewed the report and agrees with the recommendations. PBS will document actions to address the recommendations in a Corrective Action Plan.

If you have any questions or concerns, please contact Liliana DelBonifro, Acting Assistant Commissioner for Acquisition, Office of Acquisition Management, PBS, at (215) 219-6415.

Appendix D – Report Distribution

Acting GSA Administrator (A)

GSA Deputy Administrator (AD)

Acting Commissioner (P)

Deputy Commissioner (P1)

Acting Chief of Staff (P2)

Deputy Commissioner of Enterprise Strategy (P2)

Acting Chief of Staff (PB)

Acting Deputy Chief of Staff (PB)

Acting Assistant Commissioner, Office of Acquisitions Management (OAM)

Chief Financial Officer (B)

Acting Deputy Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

Director (JAO)



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For more information about the GSA OIG, please visit us online at www.gsaig.gov.

Office of Inspector General
U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405
Email: oig_publicaffairs@gsaig.gov
Phone: (202) 501-0450 (General)
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