



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

Audit of the Sidney R. Yates Federal Building Exterior Restoration Project

Report Number A180110/P/R/R21001
February 4, 2021

Executive Summary

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Why We Performed This Audit

The Sidney R. Yates Federal Building underwent restoration of its exterior masonry walls and associated wall components from October 2015 to May 2018. We received a hotline complaint that alleged GSA's Public Buildings Service (PBS) for the National Capital Region (NCR) ineffectively managed the project. We initiated a formal audit based on our research into the merits of the complaint. Our audit objectives were to determine whether: (1) PBS NCR administered the contracts in accordance with federal regulations and Agency policy and (2) the allegations in the complaint of PBS NCR project mismanagement are valid.

What We Found

PBS NCR's project team did not effectively administer the contract for the Sidney R. Yates Building exterior restoration project, resulting in violations of regulations, policy, and contract terms. We found that the contracting officer's representative improperly re-delegated his responsibilities to the project manager. We also found that the PBS NCR project team restricted contractors from performing contractual requirements and did not prepare contractor performance evaluations within required time frames. Finally, we found the project team allowed contractors to work without valid Personal Identity Verification (PIV) cards.

What We Recommend

We recommend that the Regional Commissioner, PBS NCR:

1. Establish contract administration controls to ensure that:
 - a. Contracting officers' representatives do not re-delegate their responsibilities, and only personnel who possess the necessary qualifications, as obtained through professional experience, training, and certification, fulfill these duties;
 - b. Contractor evaluations are completed as specified by the Federal Acquisition Regulation;
 - c. Project managers do not prevent a contractor or its subcontractors from performing a contractual requirement; and
 - d. Contractors working on projects have valid PIV cards.
2. Determine and implement corrective action needed to address the PBS NCR project team's conduct, including non-compliance with the Federal Acquisition Regulation, GSA Acquisition Manual, and PIV card requirements.

GSA agreed with the audit recommendations. GSA's comments on the report are included in their entirety in **Appendix B**.

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Introduction

We performed an audit of the contract administration for the Sidney R. Yates Federal Building (Yates Building) exterior restoration project. The audit stemmed from a hotline complaint, which contained allegations of project mismanagement.

Purpose

The Yates Building underwent restoration of its exterior masonry walls and associated wall components from October 2015 to May 2018. On September 24, 2018, we received a hotline complaint that alleged GSA's Public Buildings Service (PBS) for the National Capital Region (NCR) ineffectively managed the project. Allegations in the complaint included contractors working at risk without a contract, delayed contractor payments, safety violations, substandard repair work, incomplete and unfair contractor performance evaluations, and contractors working without required Personal Identity Verification (PIV) cards. We initiated a formal audit based on our research into the merits of the complaint.

Objectives

Our audit objectives were to determine whether: (1) PBS NCR administered the contracts in accordance with federal regulations and Agency policy and (2) the allegations in the complaint of PBS NCR project mismanagement are valid.

See **Appendix A – Scope and Methodology** for additional details.

Background

The Yates Building is a government-owned building located at 1400 Independence Avenue SW, Washington, D.C., that serves as the headquarters for the U.S. Forest Service. The building was constructed in 1880 and is listed on the National Register of Historic Places due its architectural and historical significance. A photograph of the building is provided in *Figure 1* on the following page.

Figure 1 – Yates Building



Source: <https://www.loc.gov/resource/highsm.25993/>

In 2013, the building underwent a complete interior modernization to upgrade the heating, ventilation, air conditioning, and fire protection systems; add a new entryway and conference areas; and complete a tenant space design for a child development center. At the completion of the modernization project, the U.S. Forest Service signed a 15-year agreement to occupy the Yates Building.

While the interior of the building underwent a significant renovation, the exterior of the building needed extensive repairs. As shown in *Figure 2* on the following page, the five-story red brick building's exterior masonry walls and associated wall components date to original construction and were severely deteriorated. Wall components became dislodged and posed a danger to pedestrian traffic. Wall deterioration resulted in water infiltration at several locations.

Figure 2 – Yates Building Masonry Deterioration



Source: AFG Group, Inc.

On March 6, 2014, PBS submitted a prospectus to Congress in the amount of \$32,820,000, proposing exterior structural repairs and chiller replacement. The project was approved by Congress on July 16, 2014, pursuant to the 2015 Consolidated and Further Continuing Appropriations Act.¹ PBS NCR solicited contractors for historic building preservation work in 2015. The work consisted of re-pointing the building's exterior walls, repairing building perimeter railings, caulking exterior windows, repairing or replacing built-in gutter lines, replacing counter flashing above gutter lines, installing drain bodies in all rain leaders, and replacing the chillers.

In 2015, PBS NCR awarded three contracts to separate contractors for construction management services, architect/engineer and conservator services, and a general contractor to perform the exterior restoration work on the Yates Building. Because the building is listed in the National Register of Historic Places, conservator services were required to train subcontractors on historic construction means and methods, assist with developing special hand tools, and to perform design services as needed for unforeseen conditions. GSA completed the Yates Building exterior restoration project in May 2018 at a total cost of \$18,860,809.

¹ Public Law No. 113-235.

Results

PBS NCR's project team did not effectively administer the contract for the Yates Building exterior restoration project, resulting in violations of regulations, policy, and contract terms. We found that the contracting officer's representative (COR) improperly re-delegated his responsibilities to the project manager. We also found that the PBS NCR project team restricted contractors from performing contractual requirements and did not prepare contractor performance evaluations within required time frames. Finally, we found the project team allowed contractors to work without valid PIV cards.

Finding – PBS NCR's project team failed to comply with Federal Acquisition Regulation requirements, Agency policy, and contract terms due to ineffective contract administration.

Contract administration is a critical oversight function necessary to ensure that the government is receiving the goods and services it is paying for and to protect taxpayer dollars against the risk of fraud, waste, and abuse. It is also an important means of ensuring compliance with applicable requirements, including the Federal Acquisition Regulation (FAR), Agency policy, and contract terms.

However, we found that the PBS NCR project team failed to administer the contract effectively, resulting in violations of regulations, policy, and contract terms. We describe the deficiencies in detail below.

Improper Re-Delegation of COR Responsibilities

The PBS NCR project executive for the Yates Building exterior restoration project improperly re-delegated his COR responsibilities to the project manager. When designating a COR, contracting officers must follow the requirements in FAR 1.602-2(d), *Responsibilities*. The FAR requirements include that the COR must be certified and have the commensurate training and experience for the responsibilities being delegated. The FAR also requires a written designation stating that the authority is not re-delegable.

However, COR delegation for the Yates Building exterior restoration project did not follow the FAR requirements. We found that the COR designation letter failed to state that the COR cannot re-delegate their authority; the COR responsibilities were improperly re-delegated to the project manager; and the project manager was not certified to be a COR.

The delegation of the COR responsibilities began on October 9, 2015, when the contracting officer issued a letter designating the project executive as the COR and authorizing him to perform the day-to-day oversight of the general contractor. However, the COR designation letter did not state that the COR could not re-delegate his authority. This violated FAR 1.602-2(d)(7)(iv), which required the statement that the designation could not be re-delegated.

Subsequently, on October 14, 2015, the project executive improperly re-delegated his COR responsibilities to the project manager. The project executive told us that he was in charge of 54 other projects, preventing his full involvement with the exterior restoration project. As a result, the contracting officer allowed the project executive to re-delegate his responsibilities to the project manager. The project executive stated that re-delegating COR responsibilities was a common practice in PBS NCR and that “COR [responsibilities] are often delegated to project managers as long as they are good project managers.”

The contracting officer told us that the project executive only re-delegated COR responsibilities once the PBS NCR project manager received COR certification. However, according to PBS’s bureau certification manager, the project manager did not possess a COR certification throughout the Yates Building exterior restoration project. This violated FAR 1.602-2(d)(2), which requires the COR to be certified.

As a result, the COR designation was improperly re-delegated in violation of the FAR. PBS NCR should implement controls to ensure that COR responsibilities are not re-delegated and that these responsibilities are assigned to personnel who possess the necessary qualifications, as obtained through professional experience, training, and certifications, to fulfill their duties.

Contractors Restricted from Performing Contractual Requirements

Due to personality conflicts, the PBS NCR project manager barred the conservator from attending weekly progress meetings that were required under the contract. By restricting the conservator from attending these meetings, the project manager contributed to project quality control issues and schedule delays.

Weekly progress meetings were an integral part of project management for the Yates Building exterior restoration project, during which the project team discussed Requests for Information (RFIs) submitted by the general contractor and subcontractors. RFIs are used in construction to clarify any information not found in the scope of work, specifications, and plans, and to address unforeseen issues during construction. The conservator, as the expert on historic restoration, was required to formally provide a response to the RFIs, explaining the means and methods necessary to resolve restoration issues.

On March 17, 2016, 5 months after the exterior restoration project began, the conservator started attending weekly progress meetings. However, in early July 2016, the PBS NCR project manager barred the conservator from attending future meetings. This occurred even though the conservator was required to attend the meetings under the contract’s statement of work, which specified that:

The conservator – [architect/engineer] shall provide periodic quality assurance inspections, attend progress meetings, training of subcontractors on historic construction means and methods, review submittals and RFIs, assist with developing specialty hand tools as required, and perform design services as needed for unforeseen conditions.

Additionally, the statement of work stated that “it is the government’s intent for meetings to be held on the day that the conservator is already on-site.”

The PBS NCR project manager told us that he barred the conservator from attending the meetings because the conservator acted unprofessionally and created conflict in the meetings. The PBS NCR project manager told us that after he barred the conservator from attending meetings, the RFI process was not affected because he verbally briefed the conservator on what was discussed at the meetings. However, our review of meeting and RFI records showed that the PBS NCR project manager did not allow the conservator to attend at least 68 meetings. During this time frame, the average RFI response time increased from 3.6 days to 7.8 days, meaning the general contractor had to wait an average of 4.2 days longer to receive responses to project inquiries from the conservator.

Furthermore, our review of contractor comments on performance evaluations and their rebuttals to letters of concern issued by PBS NCR suggest that there was an inconsistent flow of information between PBS NCR and the contractors. According to the general contractor, many of the deficiencies the government cited in its work were caused by the general contractor’s inability to discuss issues with the conservator at the weekly progress meetings. At one point, the general contractor requested a partnering session to address quality control issues. However, due to the differences between the PBS NCR project manager and the conservator, the project manager did not allow the conservator, who was responsible for periodic quality assurance inspections, to participate. The conservator also attributed many project issues to their inability to attend project meetings.

PBS NCR should ensure all concerned parties are able to attend progress meetings, discuss problems, and resolve issues as necessary. Although conflicting personalities can understandably cause frustration with counterparts, PBS NCR personnel should make every attempt to work with the contractor before taking actions that impede fulfillment of a contractor’s contractual requirement.

Contractor Performance Evaluations Were Not Completed Within Required Time Frames

Timely evaluations of contractor performance are critical to ensuring that the federal government only does business with companies that provide quality products and services in support of the agency’s missions. However, we found that PBS NCR failed to complete all contractor performance evaluations in a timely manner for the construction manager, general contractor, and the conservator on the Yates Building exterior restoration project.

In accordance with FAR 42.15, *Contractor Performance Information*, agencies are required to submit information on past performance through the Contractor Performance Assessment Reporting System (CPARS) “at least annually and at the time the work under a contract or order is completed.” The *Guidance for the Contractor Performance Assessment Reporting System* also requires the contracting officer to complete evaluations within 120 days of the end of the period of performance (PoP).

Based on these requirements, each contractor should have received at least three contractor evaluations during the project’s PoP. However, we found that the construction manager received only one evaluation over the life of the project, while the general contractor and conservator each received two evaluations. Moreover, PBS NCR did not complete an evaluation of the construction manager for the last 2 years of performance. *Figure 3* below shows how late each evaluation was in months.

Figure 3 – Required Contractor Performance Evaluations

Contractor	Date Evaluation Completed					
	PoP 2015 – 2016	Months Late*	PoP 2016 – 2017	Months Late*	PoP 2017 – 2018	Months Late*
Construction Manager	3/05/2018	14 months, 5 days	Not Completed As Required	Not Applicable	Not Completed As Required	Not Applicable
General Contractor	9/15/2017	7 months, 22 days	Not Completed As Required	12 months, 14 days	2/07/2019**	4 months, 27 days
Conservator	2/01/2018	12 months, 6 days	Not Completed As Required	14 months, 30 days	4/25/2019**	6 months, 28 days

* Evaluations should be completed within 120 days from the end of the PoP or end of project (May 31, 2018).

** Included the PBS NCR project team’s evaluation of the 2016-2017 PoP.

Contractor performance evaluations are critical tools for federal acquisition personnel and relied upon by contractors for future federal contracting opportunities. However, the effectiveness of these evaluations can be undermined when they are not completed in a timely manner. Accordingly, PBS NCR should ensure its project teams abide by the FAR to ensure timely completion of these evaluations.

Contractors Worked Without Valid Personal Identity Verification Cards

Contractors are required to obtain a credential in the form of a GSA PIV card if they will have access to federally controlled facilities or information systems in the performance of their contract requirements. This requirement is based on Homeland Security Presidential Directive-12 (HSPD-12) and the GSA Acquisition Manual (GSAM). HSPD-12 mandates all federal agencies to conduct personnel investigations and issue PIV cards to government personnel and

contractors. Further, GSAM 504.1370, *Credentials and Access Management*, outlines GSA-specific guidance on the HSPD-12 process.

However, the PBS NCR project team failed to ensure contractor personnel on the Yates Building exterior restoration project obtained valid GSA PIV cards as required. We found that the conservator and the conservator's quality control contractor did not have valid PIV cards while working on the project. These issues are discussed below:

- The conservator worked onsite without an active GSA PIV card from October 2015 to October 2017 and then from February 2018 to May 2018. The certificates on the conservator's PIV card had expired in August 2015, before the Yates Building exterior restoration project began in October 2015. The PBS NCR project manager found out in July 2017 that the certificates had expired and requested a renewal, which allowed the conservator to work onsite until completion of the background investigation.

Subsequently, on February 1, 2018, the Office of Personnel Management notified GSA's Office of Mission Assurance—which manages PIV cards for GSA's federal and contract employees—that the conservator was not cooperating with the investigator working on the background investigation. The PBS NCR project manager directed the Office of Mission Assurance to cancel the investigation the same day, even though the conservator was under contract and continued to work on the project through May 2018. According to Office of Mission Assurance officials, once the PBS NCR project manager canceled the background investigation, he should have taken the conservator's PIV card and returned it to the Office of Mission Assurance. Without a valid PIV card, the conservator should not have been permitted to continue working on the project.

- The conservator's quality control contractor did not have a GSA PIV card throughout the entire 31 months of the exterior restoration project. GSA's Office of Mission Assurance did not have any record of a PBS NCR request to issue the contractor a PIV card. The contractor did not receive a GSA PIV card until February 2019, when she started work on a different GSA contract.

Proper background investigations and credentialing are critically important to protect GSA from the risk of theft of government property, exposure of sensitive government data, and the prospect of other such security events, including workplace violence. The PBS NCR project team was responsible for assisting and supporting the entire HSPD-12 background investigation and credentialing process for the project. Accordingly, they should have ensured that contractors were cleared to work on the project and had the appropriate credentials. PBS NCR needs to ensure that GSA personnel managing projects comply with the regulations governing the credentialing process and that contractors working on government contracts have the appropriate clearances.

In sum, the PBS NCR project team failed to provide effective contract administration for the Yates Building exterior restoration project, resulting in a failure to comply with applicable regulations and contract requirements. PBS NCR should strengthen controls to improve contract administration practices and ensure compliance with all applicable regulations and policies, and take corrective action as necessary to address the PBS NCR project team's non-compliance with FAR, GSAM, and PIV card requirements.

Conclusion

PBS NCR's project team did not effectively administer the contract for the Yates Building exterior restoration project, resulting in violations of regulations, policy, and contract terms. We found that the COR improperly re-delegated his responsibilities to the project manager. We also found that the PBS NCR project team restricted contractors from performing contractual requirements and did not prepare contractor performance evaluations within required time frames. Finally, we found the project team allowed contractors to work without valid PIV cards.

PBS NCR should work to establish controls to ensure that it administers contracts in accordance with the FAR and abides by the terms of its contracts. By doing so, PBS NCR can avoid the contract administration issues highlighted in this report and help ensure projects are completed as effectively and efficiently as possible.

Recommendations

We recommend that the Regional Commissioner, PBS NCR:

1. Establish contract administration controls to ensure that:
 - a. CORs do not re-delegate their responsibilities, and only personnel who possess the necessary qualifications, as obtained through professional experience, training, and certification, fulfill these duties;
 - b. Contractor evaluations are completed as specified by the FAR;
 - c. Project managers do not prevent a contractor or its subcontractors from performing a contractual requirement; and
 - d. Contractors working on projects have valid PIV cards.
2. Determine and implement corrective action needed to address the PBS NCR project team's conduct, including non-compliance with the FAR, GSAM, and PIV card requirements.

GSA Comments

GSA agreed with the audit recommendations. GSA's comments on the report are included in their entirety in **Appendix B**.

Audit Team

This audit was managed out of the Real Property and Finance Audit Office and conducted by the individuals listed below:

Byron Bustos	Associate Deputy Assistant Inspector General for Auditing
Kevin M. Gallagher	Audit Manager
Victor M. Martinez	Auditor-In-Charge
Emily E. Brown	Management Analyst

Appendix A – Scope and Methodology

Our audit scope included a review of all allegations of the hotline complaint and a full review of the contract files and work completed on the Yates Building exterior restoration project.

To accomplish our objectives, we:

- Reviewed the contract files of the Yates Building exterior restoration project, including the statements of work, modifications, invoices, and email correspondence;
- Conducted a site visit at the Yates Building to visually inspect work completed on the project;
- Reviewed contractor evaluation data in CPARS;
- Reviewed relevant criteria, including the FAR, GSAM, the CPARS guidance, and the HSPD-12 directive; and
- Interviewed the PBS NCR project executive, project manager, contracting officer, safety manager, historic preservation specialist, director of the Capital Projects Division, and Office of Mission Assurance officials.

We conducted the audit between December 2018 and August 2019 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 assessment of internal controls was limited to those necessary to address the objectives of the audit.

Appendix B – GSA Comments

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Public Buildings Service

January 19, 2021

MEMORANDUM FOR CAIRO CARR
ACTING ASSOCIATE DEPUTY ASSISTANT INSPECTOR
GENERAL FOR AUDITING
REAL PROPERTY AND FINANCE AUDIT OFFICE (JA-R)

THROUGH: DANIEL W. MATHEWS D.W. Mathews
COMMISSIONER
PUBLIC BUILDINGS SERVICE (P)

FROM: DARREN J. BLUE Darren Blue
REGIONAL COMMISSIONER DocuSigned by: 1000746E1427
PUBLIC BUILDINGS SERVICE (WP)

SUBJECT: Response to the Office of Inspector General (OIG) Draft
Audit Report, *Audit of the Sidney R. Yates Federal Building*
Exterior Restoration Project, (Report Number A180110)

Thank you for the opportunity to comment on the subject audit report. We reviewed the report and agreed with the finding and recommendations. The finding reported concerns with the National Capital Region (NCR) Office of Design and Construction's (ODC) project management and contract administration of the subject project from October 2015 to May 2018. The NCR has since established management controls to mitigate these concerns to include:

- The NCR Office of Acquisition (OOA) revised the contracting officer's representative (COR) Appointment Letter templates during 2019 to ensure that Federal Acquisition Regulation (FAR) 1.602-2(d)(7), which prohibits CORs from delegating their authority, is explicitly stated.
- NCR has improved completion of the contractor evaluation process and training using collaborative teams, which meet on a weekly basis, and by collectively monitoring the Contractor Performance Assessment Reporting System (CPARS) results. NCR has shown remarkable improvement over the last two fiscal years achieving 94.7% and 95.4% compliance rates, respectively placing NCR in the top 3 percentile of PBS regions due to this effort.
- NCR ODC has counseled the Project Manager on when and how to report vendor issues to the Contracting Officer to determine the best course of action without violating the terms of the contractual agreement.

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Appendix B – GSA Comments (cont.)

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- NCR ODC will continue to work with the NCR OOA and the GSA Office of Mission Assurance to ensure that contractors are cleared and obtain the appropriate credentials prior to beginning contract related work, as required by Homeland Security Presidential Directive-12.

If you have any questions, please contact Frank Palermo, Director, Capital Projects Division, Office of Design and Construction, at 202-708-7624.

Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (P)

Deputy Commissioner (P)

Chief of Staff (PB)

Deputy Chief of Staff (PB)

Regional Administrator (W)

Regional Commissioner (WP)

Chief Administrative Services Officer (H)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)