



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

DATE: November 20, 2013

TO: George Northcroft
Regional Administrator
Northwest/Arctic Region (10A)

FROM: Adam R. Gooch *Adam Gooch*
Regional Inspector General for Auditing
Great Lakes Region (JA-5)

SUBJECT: Contract Administration Issues on the Recovery Act Project at the
Bonneville Power Administration and Federal Buildings in Portland,
Oregon
Audit Memorandum A090184-51

As part of our oversight of the General Services Administration's (GSA) American Recovery and Reinvestment Act (Recovery Act)¹ projects, we identified three issues related to the award and administration of construction services at the subject federal buildings that warrant your attention: (1) security clearance requirements were not followed, (2) foreign-manufactured construction material was incorporated into the project, and (3) Davis-Bacon requirements were not followed.

On March 26, 2010, GSA awarded a task order under Contract Number GS-10P-08-LT-D-0081 to Allen Bradbury Construction LLC (Allen Bradbury) for energy efficiency upgrades and general construction services at the Bonneville Power Administration and GSA Federal Buildings located in Portland, Oregon. This task order was valued at about \$5.22 million.

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

PBS did not ensure that security clearance requirements were followed.

Our review of the task order found that three contractor employees were allowed to work on the Recovery Act project, although they had been unfavorably adjudicated,² in one case up to a year after Region 10 PBS officials had been notified. Further, Region 10 security officials had no record of personal identity verification for 11 individuals. Lack of adequate security clearances for prime and subcontractor employees could put the occupants of the building, as well as the public, at risk.

To review adjudication and security clearances, we analyzed two samples of employees. Our first sample included 31 employees taken from the certified payroll registers for the task order. The second sample, containing 35 employees, was extracted from a list of escorted contractor employees.

Unfavorable Adjudications. We found that three subcontractor employees had been unfavorably adjudicated by the Department of Homeland Security and thus should not have been allowed to work on the GSA contract. The three employees' work on the PBS contract is summarized in Figure 1, below:

Figure 1 – Unfavorable Adjudication of Subcontract Employees

| Employee | Unfavorable Adjudication Date | Time on GSA Contract | Hours Worked |
|-----------------|--------------------------------------|-----------------------------|---------------------|
| Unescorted A | July 17, 2010 | Nov. 2010 – May 2011 | 108.0 |
| Escorted B | July 17, 2010 | May 2010 – July 2011 | 121.5 |
| Escorted C | July 22, 2010 | June 2010 – June 2011 | 81.5 |

Figure 1 shows that the employees were allowed access for significant periods of time after Region 10 officials were notified of the adverse action. One employee began work on the project many months after receiving an unfavorable adjudication. The three employees submitted their personal identity paperwork during May 2010 and the results of the security investigation were transmitted to Region 10 officials during July 2010; however, no immediate action was taken. According to GSA Order CIO P 2181.1, which implements Homeland Security Presidential Directive-12 (*i.e.*, HSPD-12), "Employment at GSA is subject to an employee or contractor having favorable adjudication results," therefore unfavorably adjudicated employees should not work on PBS contracts, escorted or not.

Unverified Employees. From our sample of 31 unescorted employees, 11 names produced "no result" findings. "No result" means that Region 10 security officials had no record of personal identity verification for these 11 individuals. We also verified that the 11 identified subcontractor employee names did not appear on the escorted list.

² The term "adjudicated" means that the Department of Homeland Security's Federal Protective Service had performed a background investigation of the applicant and that the applicant was deemed either fit or unfit to work on the federal project.

Furthermore, we performed a detailed review of the project work history for 4 of the 11 subcontractor employees that produced a “no result” finding. Three of the employees we reviewed worked 11, 12, and 14 pay periods and a total of 98.5, 136, and 112 hours, respectively.³

At the time of task order award, Region 10’s policy allowed a contractor to be escorted for up to 10 days. Because the employees worked more than 10 days, they were no longer eligible to be escorted and should have been required to have fully-adjudicated clearances. The three employees should have submitted personal identity verification paperwork, in accordance with the task order’s requirement. Further, PBS should have ensured that all employees working over 10 days had fully adjudicated clearances.

PBS did not ensure compliance with Section 1605 (Buy American).

Federal Acquisition Regulation (FAR) clause 52.225-21 defines construction material as an article, material, or supply brought to the construction site by the contractor or subcontractor for incorporation into the building or work. The clause implements Section 1605 of the Recovery Act by requiring, unless an exception applies, that all iron, steel, and other manufactured goods used as construction material are produced in the United States and requires the contractor to use only domestic construction material in performing the contract.⁴

We inspected the mechanical and electrical equipment installed by Allen Bradbury to test compliance with Section 1605 (Buy American) of the Recovery Act and found material that was not in compliance. Of the 22 different types of equipment tested (some equipment types had multiple units installed), we noted that one type was made of foreign-manufactured construction material. Specifically, the Schneider Electric Square D disconnect/breaker boxes were marked “Made in Mexico.” We estimate the units to be worth less than \$1,000 each. We found no evidence that PBS reviewed the contractor’s equipment submittals for compliance.

Per the Recovery Act:

None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

Allowing foreign-made material to be installed using Recovery Act funding violates the requirements of the Recovery Act.

³ A pay period was one 7-day work week.

⁴ Domestic construction material was defined in the clause as construction material manufactured in the United States.

PBS did not follow Davis-Bacon requirements.

FAR 52.222-6 and 52.222-8 are incorporated into Allen Bradbury's governing contract by reference. These regulations require the submission of payroll records for construction projects in excess of \$2,000. The payrolls assist the Government in determining if prevailing wages are being paid. A current wage determination was incorporated into the task order.⁵

After comparing employees who worked for trades covered by Davis-Bacon wage determinations to the certified payrolls, we found 26 employees⁶ whose names did not appear on the certified payrolls provided.⁷ We also found that at least three companies working under the task order did not submit required payrolls.

If PBS does not ensure that required payroll records are submitted, it is difficult for the Government to know who was working on the project and to assess whether workers are paid in accordance with the appropriate Davis-Bacon Act wage determinations.

PBS officials in Region 10 concurred with our findings and provided a comprehensive action plan to correct the deficiencies noted in this memorandum.

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

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|------------------|---------------|----------------------------|--------------|
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I would like to thank you and your staff for your assistance during this review.

⁵ The Department of Labor, Wage and Hour Division, reviews the prevailing wages paid construction trades in a geographic area, usually a county. The prevailing wage often, but not always, represents wages paid under a union agreement.

⁶ These employees represent the concrete, sheet-metal, roofing, scaffolding, and general construction trades.

⁷ There were an additional nine employees, gleaned from visitor access requests, who we could not associate with any company or trade.

Distribution

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