




January 5, 2011

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

FROM:   
BARBARA E. BOULDIN  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
NATIONAL CAPITAL REGION FIELD OFFICE (JA-W)

SUBJECT: Procurement of Lighting System Upgrades for the Suitland Federal Center—a Public Buildings Service Small Project Funded by the American Recovery and Reinvestment Act of 2009

As part of our ongoing review of the National Capital Region's (NCR) limited scope and small construction American Recovery and Reinvestment Act<sup>1</sup> (ARRA) projects, we noted several issues related to a lighting project (solicitation number GS-11P-10-YA-C-0091/contract number GS-11P-10-YA-C-0143<sup>2</sup> at the Suitland, Maryland Federal Center) which warrant your attention.

Two of our primary objectives are to determine if the projects meet the requisite "green building" investment strategy, including a reasonable payback, and if GSA's Public Buildings Service (PBS) is awarding contracts in accordance with the provisions of the Federal Acquisition Regulations (FAR). In reviewing the award phase of this project, we noted that there is no assurance that ARRA funds are being used as efficiently as possible because the greening strategy was not reviewed. We also noted that some FAR requirements may not have been met.

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<sup>1</sup> The American Recovery and Reinvestment Act of 2009 appropriated \$5.55 billion to the General Services Administration (GSA) Federal Buildings Fund for GSA to take measures necessary to convert its facilities to High Performance Green Buildings. These facilities include federal office buildings, courthouses, border stations and land ports of entry. ARRA also required the Office of Inspector General to oversee and audit programs, grants, and projects funded under this Act.

<sup>2</sup> This project called for demolishing existing parking lot lighting fixtures, poles, conduit, and wiring and replacing them with new solar powered equipment. The award amount was \$495,984.

## **Greening Strategy Not Reviewed by Project Management Office**

No energy study was conducted and no Limited Scope Approval Request (LSAR) prepared for this small project. Therefore, there was no formal assessment of the energy conservation measures and no centralized review of the energy measures in the project. Without this process, there is no assurance that ARRA funds are being used as efficiently as possible.

An energy study is performed to identify estimated savings: both cost and energy amounts, as well as payback for energy conservation measures. This information is incorporated in the LSAR, which is reviewed by the National Recovery Project Management Office (PMO) prior to award.

The project was a preexisting project transferred to NCR's ARRA project team from NCR's Energy Branch. A LSAR is required as a prerequisite to awarding an ARRA project and the project manager should have prepared a LSAR document and submitted it to the PMO for approval. This process ensures that GSA consistently obtains top energy savings across the ARRA program and eases tracking and reporting on project scope content and high-performance green building features.

## **Award Amount Significantly Different Than Government Estimate**

The award amount was 25 percent lower than the independent government estimate (IGE). The base award was \$495,984 while the IGE base, prepared by the project manager was \$662,330. The Government may use various price analysis techniques to ensure a fair and reasonable price, including the use of an IGE. The fact that the IGE is significantly different from the base award calls into question the accuracy of the IGE and/or the reasonableness of the proposed price, and therefore the basis of award.

The contracting officer acknowledged a wide range of proposed values by bidders and the IGE variance in the price negotiation memorandum. The contracting officer determined price reasonableness by the competitive range of the bidders and the IGE. However, the price negotiation memorandum did not include a statement verifying that the contractor could complete the entire Statement of Work for the proposed amount; an assessment that could have led to a non-reportable condition.

## **IGE Not Signed by Preparer**

The IGE for this award, though otherwise well documented, was not signed. In this case, the estimate worksheet did not include a signature line, which may have contributed to this oversight. GSA guidelines prescribe that IGEs be signed by a qualified government employee whose major responsibility is creating or approving cost estimates. The contracting officer uses the IGE to determine whether an offeror's proposed price is fair and reasonable and reflects an understanding of the project

requirements. PBS took action to provide a signed IGE after the fact; however, the IGE should be signed prior to negotiations since it is used to establish prenegotiation objectives and/or used as the basis for commitment of funds before issuing the solicitation per FAR 15.406-1.

### **Inaccurate Contract Number Posted to Federal Business Opportunities**

The contract number was inaccurately posted in Federal Business Opportunities (FBO) as GS-11P-10-YA-C-**0413**; the correct contract number is GS-11P-10-YA-C-**0143**. FBO has been designated as a single point of entry for federal buyers to publish and vendors to find posted federal business opportunities government-wide. We brought this error to the attention of the appropriate PBS personnel. Although the error was corrected, FBO contained inaccurate information for 4 months.

Our audit efforts related to ARRA are ongoing and future work products are anticipated. We appreciate the support the Regional ARRA Executive staff is providing for the review. If you have any questions about this memorandum, please contact Marisa Roinestad, Audit Manager at (202) 384-5969.