



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

DATE: November 4, 2013

TO: Dorothy Robyn
Commissioner, Public Buildings Service (P)

Michael Casella
Chief Financial Officer, General Services Administration (B)

FROM: Susan P. Hall *Susan P. Hall*
Audit Manager, Real Property Audit Office (JA-R)

SUBJECT: IRS Service Center Modernization Modifications Were Initially Invalid
Memorandum Number A120174-3

The Public Buildings Service's (PBS) corrective action plan for the Office of Inspector General's (OIG) alert report stated that PBS would review American Recovery and Reinvestment Act (Recovery Act) projects to identify potential funding concerns.¹ PBS committed to take corrective actions where necessary to correct improper obligations, record proper obligations, or de-obligate improperly obligated funds. As part of a limited scope review of PBS's corrective actions to determine if improperly obligated funds were corrected prior to the December 31, 2012, funds rescission deadline,² the OIG identified a project with both an invalid obligation and an unprocessed proper upward adjustment. PBS corrected these problems after notification from the OIG.

On September 27, 2011, PBS executed a modification to a commissioning services contract for the modernization of the IRS Service Center in Andover, Massachusetts. Modification PC02 was for "additional commissioning services" for an amount not-to-exceed \$50,000. Modification PC02 was insufficient to create a valid obligation because the work was not properly definitized with a clearly defined scope and price. Therefore, PBS needed to perform corrective action to definitize the work prior to December 31, 2012, in order to obligate the funding prior to rescission.

However, PBS did not move forward to definitize the work until April 25, 2013, after an OIG inquiry on the status of the modification. PBS issued Modification PA03 in an

¹ Alert Report: Limited Scope Audit of Invalid Obligations and Contingency Funding for Recovery Act Projects, A120174/P/R/W13001, issued October 24, 2012.

² The Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Recovery Act to state that, "Any discretionary appropriations made available in this division that have not been obligated as of December 31, 2012, are hereby rescinded, and such amounts shall be deposited in the General Fund of the Treasury."

attempt to definitize the scope of work and price, four months after the funds should have been rescinded. However, in addition to being awarded after the rescission deadline, Modification PA03 still did not clearly define the scope or price for the work in Modification PC02. When notified about the OIG's concerns, PBS cancelled Modification PA03 and removed the funding from the project.

PBS also awarded Modification PC52, on September 27, 2011, to the architect/engineer contract for the same project. The modification was for "additional management and inspection services past the construction completion date of 8/31/12" for an amount not-to-exceed \$350,000. A justification for the modification stated, "Upon negotiation an equitable adjustment and any additional performance time requested for this work will be definitized in a separate modification to the contract." The modification also stated that the, "Contractor may not perform services under this contract line item until written authorization is issued by the Contracting Officer." At the time of award, Modification PC52 did not result in a valid obligation of funds. The \$350,000 that PBS sought to obligate did not have a defined scope of work or price. The obligation did not become valid until August 30, 2012, when the work associated with the modification was defined and commenced via a Notice to Proceed from the Contracting Officer.

However, by the time the work proceeded, the funds associated with Modification PC52 had expired.³ PBS can only use expired Recovery Act funds for a valid upward adjustment to the project until the Recovery Act funding rescission date. Portions of the work for Modification PC52 were either defined or deobligated in subsequent modifications, leaving \$192,270 undefinitized. PBS did not process the remaining \$192,270 as a valid upward adjustment to the contract until June 4, 2013, after being notified of the OIG's concerns.

As our review of PBS corrective action was limited in scope, we are unable to provide full assurance that all invalid obligations were corrected. Our limited review revealed this Andover invalid obligation and unprocessed proper upward adjustment, which were transactions not detected by PBS. Although PBS made corrections to the modifications cited in this memorandum, PBS should ensure that all necessary accounting transactions are made so that GSA Recovery Act reporting and financial statements are accurate.

Management Comments

PBS and the Office of the Chief Financial Officer agreed with the audit memorandum.

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

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³ Recovery Act funding expired on September 30, 2011.

I would like to thank you and your staff for your assistance during this audit.

Memorandum Distribution

Commissioner, PBS (P)

Deputy Commissioner, PBS (PD)

Regional Administrator (1A)

Regional Commissioner, PBS (1P)

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