



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

Basic Repairs and Alterations Project for the Central Heating Plant in Washington, D.C., Was Not Effectively Managed

Report Number A230043/P/R/R24006
August 9, 2024

Executive Summary

Basic Repairs and Alterations Project for the Central Heating Plant in Washington, D.C., Was Not Effectively Managed

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Why We Performed This Audit

Since Fiscal Year 2020, we have performed audits of the GSA Public Buildings Service's (PBS's) basic repairs and alterations projects. These projects are designed to keep federal buildings reliably safe and in good repair. For Fiscal Year 2023, Congress authorized PBS to spend \$399 million for its basic repairs and alterations projects. However, with a deferred maintenance and repairs backlog of approximately \$4.6 billion, PBS faces challenges in maximizing the use of these funds to address the needs of its real property inventory. Accordingly, the proper execution of PBS's selected projects is critical.

We performed an audit of the PBS National Capital Region's (PBS NCR's) \$840,596 sole-source basic repairs and alterations contract to install variable frequency drives (VFDs) for chilled water pumps and a tower fan at the Central Heating Plant in Washington, D.C. PBS awarded the sole-source contract to a participant in the U.S. Small Business Administration's 8(a) Business Development program (8(a) program).

Our objective was to determine whether PBS NCR planned, awarded, administered, and closed out the contract for the installation of VFDs for chilled water pumps and a tower fan at the Central Heating Plant in accordance with the Federal Acquisition Regulation, General Services Administration Acquisition Manual, and other applicable policies.

What We Found

PBS NCR did not effectively award, administer, or close out the contract for the VFD installation project at the Central Heating Plant in accordance with applicable regulations and GSA policies. Specifically, we found that PBS NCR did not maintain a complete contract file. We also found that PBS NCR did not verify that: (1) the contractor and its subcontractor employees were paid in accordance with Construction Wage Rate Requirements, and (2) the contractor complied with subcontracting limitations required for sole-source 8(a) program contracts. Finally, PBS NCR did not follow security requirements for contractor employees and did not ensure accurate contract data was reported in the Federal Procurement Data System-Next Generation (FPDS-NG).

What We Recommend

We recommend that the PBS NCR Regional Commissioner:

1. Improve management oversight to ensure that PBS NCR contracting officers and contracting officer's representatives:
 - a. Maintain complete contract files.
 - b. Verify that contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Enforce contractor compliance with subcontracting limitations required for sole-source 8(a) program contracts.
 - d. Enforce security requirements for contractor employees.
2. Train PBS NCR contracting officers and contracting officer's representatives on their duties and responsibilities with respect to:
 - a. Maintaining complete contract files.
 - b. Verifying that contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Enforcing contractor compliance with subcontracting limitations required for sole-source 8(a) program contracts.
 - d. Enforcing security requirements for contract employees.
3. Establish processes or procedures to ensure contractor information changes are communicated to the contracting officer for timely FPDS-NG updates.
4. Conduct a review of PBS NCR's current basic repairs and alterations contracts to ensure that:
 - a. Contract files are complete.
 - b. Contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Contractors are complying with limitations on subcontracting for sole-source 8(a) program contracts.
 - d. Contractor employees have the required security clearances.
 - e. FPDS-NG contains current, complete, and accurate information.

The PBS NCR Regional Commissioner agreed with our recommendations. GSA's comments are provided in their entirety in **Appendix B**.

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Introduction

We performed an audit of the GSA Public Buildings Service National Capital Region's (PBS NCR's) \$840,596 sole-source basic repairs and alterations contract to install variable frequency drives (VFDs) for chilled water pumps and a tower fan at the Central Heating Plant in Washington, D.C.

Purpose

Since Fiscal Year (FY) 2020, we have performed audits of PBS's basic repairs and alterations projects. These projects are designed to keep federal buildings reliably safe and in good repair. For FY 2023, Congress authorized PBS to spend \$399 million for its basic repairs and alterations projects. However, with a deferred maintenance and repairs backlog of approximately \$4.6 billion, PBS faces challenges in maximizing the use of these funds to address the needs of its real property inventory. Accordingly, the proper execution of PBS's selected projects is critical.

Objective

Our objective was to determine whether PBS NCR planned, awarded, administered, and closed out the contract for the installation of VFDs for chilled water pumps and a tower fan at the Central Heating Plant in accordance with the Federal Acquisition Regulation (FAR), General Services Administration Acquisition Manual (GSAM), and other applicable policies.

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

Background

According to GSA's *2023 Agency Financial Report*, GSA-owned buildings are, on average, 51 years old. For FY 2023, GSA reported deferred maintenance and repairs costs of approximately \$4.6 billion for critical repairs and upgrades necessary to maintain its buildings in acceptable condition. Deferred maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities to preserve or maintain the buildings.

PBS funds these maintenance and repair needs and all its real property activities through the Federal Buildings Fund (FBF). The FBF operates as a revolving fund; however, unlike typical revolving funds, it is subject to annual enactment of new obligational authority by Congress. As part of the annual appropriations process, Congress authorizes FBF funding for PBS's Basic Repairs and Alterations Program, FBF Budget Activity 54, commonly referred to as the BA54 program.

The PBS BA54 program is meant to keep federally owned and leased buildings reliably and safely open, operable, tenantable, and in good repair to maximize their value and extend their

service lives. It is used to fund basic repairs and alterations projects between \$25,000 and the prospectus threshold, which is currently \$3.6 million. In FY 2023, Congress authorized \$399 million for the BA54 program.

Central Heating Plant, Washington, D.C.

In April 1931, the U.S. Department of the Treasury announced its plan to construct the Central Heating Plant (shown in *Figure 1*), which would provide steam to 26 federal buildings in Washington, D.C. In 1934, the plant started producing steam. As more federal buildings were constructed, the need for an efficient heating system became critical; by 1936, the plant was supporting 71 public buildings. The Central Heating Plant was listed in the National Register of Historic Places in 2007 and is currently supporting 66 buildings.

Figure 1. Central Heating Plant, Washington D.C.¹



Installation of VFDs at the Central Heating Plant

On September 21, 2020, PBS NCR awarded a sole-source contract to a participant in the U.S. Small Business Administration's 8(a) Business Development program (8(a) program) to install VFDs at the Central Heating Plant in Washington, D.C. VFDs are designed to increase efficiency and reduce wear and tear on mechanical components by regulating the start and stop cycles of the motors based on system demand. The total award value of the contract was \$840,596. The period of performance ran from September 25, 2020, through July 31, 2022.

¹ Image obtained from GSA's website: <https://www.gsa.gov/real-estate/historic-preservation/explore-historic-buildings/find-a-building/all-historic-buildings/central-heating-plant-washington-dc>, on April 11, 2024.

Results

Finding – PBS NCR did not effectively award, administer, or close out the contract for the VFD installation project at the Central Heating Plant in accordance with applicable regulations and GSA policies.

PBS NCR did not effectively award, administer, or close out the contract for the VFD installation project at the Central Heating Plant in accordance with applicable regulations and GSA policies. Specifically, we found that PBS NCR did not maintain a complete contract file. We also found that PBS NCR did not verify that: (1) the contractor and its subcontractor employees were paid in accordance with Construction Wage Rate Requirements, and (2) the contractor complied with subcontracting limitations required for sole-source 8(a) program contracts. Finally, PBS NCR did not follow security requirements for contractor employees and did not ensure accurate contract data was reported in the Federal Procurement Data System-Next Generation (FPDS-NG).

PBS NCR Contracting Officials Did Not Maintain a Complete Contract File

The maintenance of complete contract files is critical to ensure that PBS has a sufficient and complete history of transactions and decisions made at each step of the acquisition process. It also positions PBS to furnish essential documentation and facts in the event of litigation or congressional inquiries. However, PBS NCR did not maintain a complete contract file for the Central Heating Plant VFD installation project.

The contents of contract files, including task order files, are governed, in part, by the following requirements:

- FAR 4.802, *Contract files*, states that the contract file should document the basis for the acquisition and award;
- FAR 4.803, *Contents of contract files*, lists the records that the contract file should contain;
- GSAM 504.802, *Contract files*, states that the contracting officer must place all information and documentation required by FAR 4.802 and 4.803 in the contract file; and
- PBS Procurement Instructional Bulletin 18-02, *PBS Contract File Content and Organization*, dated April 19, 2018, mandates the use of the Electronic Acquisition System Integration (EASi) for contract file documentation.

However, we found that the contract file did not comply with these requirements because the following contract documents were missing and could not be provided by PBS NCR:

- **ePM Weekly Reports** – The contract required weekly uploads of all electronic daily construction reports into GSA’s ePM system, which was GSA’s electronic project

management system at the time of contract award.² These reports summarize all work performed and significant contract decisions.

- **Notice of Substantial Completion** – GSAM 522.211-70(c), *Acceptance of Substantial Completion*, requires the contracting officer to “make a determination of substantial completion within a reasonable time” and issue “a written determination specifying the date upon which the work is substantially complete.”
- **Punch List** – GSAM 552.211-70(d)(1), *Contract Completion*, states the contract is complete if, and only if, the contractor has completed all work and corrected all items listed on the project punch list.
- **Contracting Officer’s Representative Memorandum Meeting Minutes** – The contracting officer’s representative (COR) Delegation Memo requires the COR to maintain a memorandum for the record of the minutes of all meetings or discussions with the contractor. The COR must maintain adequate records and documentation to sufficiently describe the performance of their duties as the COR during the life of the contract.
- **Certification of Subcontracting Limitation Compliance** – The COR Delegation Memo requires the COR to ensure the contractor complies with FAR 52.219-14, *Limitations on Subcontracting*, and that the contractor submits a certification of compliance with each payment request to ensure subcontracting requirements are followed.
- **Standard Form 1413, Statement and Acknowledgment** – FAR 52.222-11(d), *Subcontracts (Labor Standards)*, requires the contractor to deliver a completed Standard Form 1413 for each subcontractor to the contracting officer.
- **Contract Completion Statement** – FAR 4.804-5, *Procedures for closing out contract files*, requires the contracting officer to prepare a contract completion statement after receiving evidence of the contract’s physical completion. The contract completion statement must state that all required contract administration actions have been fully and satisfactorily accomplished.

In response to our audit request for the missing documentation from the contract file, the project manager, COR, or contractor were able to provide the following documents that were originally missing from the contract file:

- **Acquisition Plan** – FAR 7.102(a), *Policy*, requires agencies to perform acquisition planning and conduct market research for all acquisitions. The acquisition plan is necessary to ensure that the government meets its needs in an effective, economical, and timely manner.

² ePM was replaced by Kahua in 2022.

- **Warranties** – The contract requires the contractor to provide the government with three original, signed copies of all warranties. The principal purposes of warranties are to: (1) delineate the rights and obligations of the contractor and the government for defective items and services and (2) foster quality performance.
- **Certified Payrolls** – FAR 22.406-6(a), *Payrolls and statements*, requires contractors to submit weekly payrolls. It also requires the contracting officer to examine the payroll statements to ensure compliance with the contract and any statutory or regulatory requirements.

When we spoke to the various PBS NCR contracting officers who worked on the contract for the VFD installation, they told us that they were unsure why the documentation was missing. Generally, they told us that the prior contracting officers or the COR were responsible for the missing documentation. However, one contracting officer took responsibility for the lack of a Notice of Substantial Completion determination, saying it was due to an oversight on their part.

Complete contract files are necessary to provide a comprehensive history of transactions and decisions made at each step of the acquisition process. They also position PBS to furnish essential documentation and facts in the event of litigation or congressional inquiries. Accordingly, PBS NCR should improve management oversight to ensure that contracting officers and CORs maintain complete contract files.

PBS NCR Did Not Verify That the Contractor and Its Subcontractor Paid Their Employees in Accordance with Construction Wage Rate Requirements

PBS NCR did not verify that the contractor and its subcontractors paid their employees according to Construction Wage Rate Requirements.³ These requirements apply to federally funded contracts in excess of \$2,000 for construction, alteration, or repairs of public buildings.⁴ Under these requirements, contractors and subcontractors must pay their laborers and mechanics working on federal construction projects no less than the locally prevailing wages and fringe benefits.⁵

The contracting officer's responsibilities are specified in the FAR and GSAM. FAR 22.406-6, *Payrolls and statements*, requires the contracting officer to obtain and review certified payrolls for compliance with statutory and regulatory requirements prior to payment. According to GSAM 532.905, *Payment documentation and process*, the contracting officer is responsible for approving invoices for payment. In addition, FAR 22.406-7, *Compliance checking*, requires the

³ Construction Wage Rate Requirements were formerly known as the Davis-Bacon Act.

⁴ FAR 22.4, *Labor Standards for Contracts Involving Construction*.

⁵ The U.S. Department of Labor defines laborers and mechanics as workers whose duties are manual or physical in nature, including apprentices, trainees, and helpers.

contracting officer to perform regular compliance checks by interviewing employees to verify rate classifications, pay rates, fringe benefit payments, and hours worked.

The contracting officer delegated these responsibilities to the COR and told us that the COR should have obtained the certified payrolls. However, we found no evidence that the COR did so. In fact, as previously discussed, PBS NCR did not obtain the certified payrolls; instead, we obtained them during our audit.

The COR told us that they requested the certified payrolls from the contractor, but the contractor “ignored” their requests. Notwithstanding the COR’s assertions, the contracting officer and COR had a responsibility to verify compliance with Construction Wage Rate Requirements and should have acted accordingly. For example, in accordance with FAR 22.406-6, the contracting officer should have withheld payments to the contractor until all payrolls were received. Doing so would have protected the interests of the government and the contractor and subcontractor employees. Accordingly, PBS NCR should ensure certified payrolls are collected and reviewed, prior to invoice approval and payment, to verify that contractor and subcontractor employees are paid in compliance with Construction Wage Rate Requirements.

PBS NCR Did Not Verify Contractor Compliance with Subcontracting Limitations Required for Sole-Source 8(a) Program Contracts

PBS NCR awarded the VFD installation contract to a small business participant in the U.S. Small Business Administration’s 8(a) program. This program encourages the government to award contracts to businesses owned by members of socially and economically disadvantaged groups. When using these contracts, it is critical to verify compliance with subcontracting limitations to prevent fraud and abuse through “pass-through” schemes. However, we found that PBS NCR did not verify that the contractor complied with subcontracting limitations.

Under a “pass-through” scheme, a participating business uses its small business status to obtain a contract and bill the government for the work performed. However, a business that is not eligible for the 8(a) program performs most of the work under the contract and receives the payments for the work. In exchange for the “pass-through” use of the 8(a) program certification by the ineligible contractor, the 8(a) program participant typically retains a portion of the contract value without performing or only minimally performing the work.

One important means of protecting against these schemes is to ensure compliance with FAR 52.219-14, *Limitations on Subcontracting*. In accordance with this clause, a participating small business that is performing work as a specialized trade contractor, such as the electrical and other wiring installation contractor that performed on the VFD installation project, cannot pay more than 75 percent of the contract amount to subcontractors. Additionally, the COR Delegation Memo required the COR to ensure that the contractor submitted a certification of compliance with subcontracting limitations with each payment request.

We found that PBS NCR did not ensure compliance with this requirement because it: (1) did not verify that the prime contractor did not payout more than 75 percent to subcontractors and (2) could not provide the prime contractor's required certification of compliance with subcontracting limitations.

PBS NCR personnel provided conflicting positions on oversight of subcontracting limitations. For example, the COR told us that they did not know how GSA monitors compliance, stating that "GSA will take the contractor's word" that it is complying with the FAR limitations on payments to subcontractors. The COR added that no action is taken unless there is a complaint. Conversely, the current PBS NCR Director of Acquisition stated that the COR can use certified payrolls to ensure that the contractors are following contract requirements about subcontracting limitations.

Compliance with subcontracting limitations for sole-source 8(a) program contracts is critical to avoid fraud and abuse. As described above, PBS NCR did not provide effective oversight of the contract for the VFD installation at the Central Heating Plant. Accordingly, PBS NCR should ensure that its contracting personnel understand and enforce the subcontracting limitations for sole-source 8(a) program contracts.

PBS NCR Did Not Follow Security Requirements for Contractor Employees

The Central Heating Plant is considered a high-risk facility, making effective security critical. However, PBS NCR did not follow applicable security requirements to ensure that contractor employees who worked on the VFD installation project were cleared to access the facility.

The security requirements for GSA contractor employees are detailed in GSA Order ADM 2181.1, *Homeland Security Presidential Directive-12 Personal Identity Verification and Credentialing Policy, and Background Investigations for Contractor Employees*. The policy requires background investigations, adjudications, and issuance of personal identity verification (PIV) cards for all contractor employees who require routine access to federal facilities. GSA's Office of Mission Assurance (OMA), which is responsible for the Agency's security program, has significant responsibilities under the policy. Among other things, OMA manages the credentialing process and background investigations for contractor employees. Accordingly, OMA must be notified before contractor employees begin work to ensure that they have valid PIV cards and have undergone and received favorable background investigations.

In accordance with the COR Delegation Memo, the COR was responsible for ensuring compliance with these security requirements. However, we found that the COR did not fulfill these responsibilities because he did not confirm that contractor employees had valid PIV cards and favorable background investigations.

Based on our review of sign-in sheets for the Central Heating Plant, we identified six contractor employees who routinely worked on-site for the VFD installation project. Of the six contract employees, only one had a PIV card. The COR told us that he "visually acknowledged" this

employee's PIV card and noted that it was not expired. As a result, the COR did not coordinate with OMA to process a background investigation for this employee.

However, in accordance with GSA Order ADM 2181.1 and the COR Delegation Memo, the COR should have notified OMA before making his determination. This step is critical, because it allows OMA to check the GSA Credential and Identity Management System (GCIMS) to determine the status of the contract employee's electronic credentials. Notwithstanding the expiration date of the PIV card, an OMA official told us that the contractor employee was "inactive and their card was terminated." Therefore, the contractor employee should not have been allowed to access the Central Heating Plant.

For the remaining five employees, the COR failed to obtain the required background investigations. These five employees were considered "short-term" employees under GSA Order ADM 2181.1 because they performed work that lasted less than 6 months and were required to be on-site at least once a week. In accordance with the order, short-term employees cannot start work on a project until they undergo and receive a favorable Special Agreement Check. When we asked the COR why the Special Agreement Checks were not obtained, the COR told us that these contract employees worked less than 1 month and were escorted by a GSA project manager or another GSA employee. However, GSA's policy clearly provides that Special Agreement Checks were required for these contractor employees and offers no exceptions to this requirement.

In sum, PBS NCR did not follow security requirements for contractor employees working on the VFD installation project, and as a result, these employees accessed the facility without valid PIV cards and background investigations. Accordingly, PBS NCR should ensure that contractor employees have required background checks, supported by complete documentary evidence, prior to starting work on the contract.

PBS NCR Did Not Ensure Accurate Contract Data Was Reported in FPDS-NG

FPDS-NG, a government-wide system overseen by GSA's Federal Acquisition Service, is used to collect, process, and disseminate official statistical data on federal contracting activities.⁶ Accordingly, it is important that data in FPDS-NG is accurate, complete, and timely because reliable information is critical to informed decision-making and oversight of the procurement system. However, FPDS-NG contained inaccurate data for the Central Heating Plant VFD installation contract.

Executive departments and agencies are responsible for collecting and reporting data to FPDS-NG in accordance with FAR 4.6, *Contract Reporting*, which prescribes uniform reporting requirements for FPDS-NG. This data is used as the basis to create recurring and special reports to the president, Congress, U.S. Government Accountability Office, federal executive agencies, and the general public. FAR 52.204-13(c), *System for Award Management (SAM) Maintenance*,

⁶ FPDS-NG is also used to measure and assess the impact of federal procurement on the nation's economy.

states that the contractor is required to update data in SAM.gov to ensure the information is current, accurate, and complete.⁷ Additionally, the *FPDS Government User's Manual, Version 1.5 (October 2020)* states that specific FPDS-NG fields are automatically populated from SAM.gov.

We found the following inaccuracies with automatically populated data in FPDS-NG for the Central Heating Plant VFD installation contract:

- **Congressional District** – The Congressional District data field is automatically populated in FPDS-NG with information from SAM.gov. However, the data field showed three different legal entity congressional districts. The data field showed Maryland 04 for the base award, Maryland 08 for Modifications 1–6, and Maryland 10 for Modification 7; however, SAM.gov reflects Virginia 08 for Modifications 1–6 and Virginia 10 for Modification 7.
- **Legal Entity Address** – The Legal Entity Address data field showed the same legal entity address for the base award and all modifications; however, SAM.gov reflects three different addresses for the contractor.

When we inquired about the inaccurate information, we received varying responses regarding what may have occurred. One contracting officer told us that FPDS-NG is auto-populated, another said data changes need to be approved by the contracting officer, and another said they were not sure why the data was inaccurate. The president of the prime contractor said they updated their office address using SAM.gov as they were no longer associated with the address from the base contract award. The current PBS NCR Director of Acquisition told us the following:

FPDS-NG will pull from SAM at time of award and subsequent changes require a contract modification to make any edits. The contracting officer must select “name or address change” for those cells to become editable. In this situation, had we not been made aware of the address change, we wouldn’t have known to do the modification. It is hard for the contracting officer to know if something needs to be changed in SAM.

Inaccurate data in FPDS-NG can lead to inaccurate reporting and decision-making. Address information stored in FPDS-NG may be used to generate reports that determine government spending in various cities. Additionally, unreliable contract data limits the ability of policymakers to accurately track the federal contract dollars awarded.

⁷ SAM.gov is a free, federal government-owned-and-operated website, administered by the Federal Acquisition Service, that is used for entering and retrieving vendor entity information.

Conclusion

PBS NCR did not effectively award, administer, or close out the contract for the VFD installation project at the Central Heating Plant in accordance with applicable regulations and GSA policies. Specifically, we found that PBS NCR did not maintain a complete contract file. We also found that PBS NCR did not verify that: (1) the contractor and its subcontractor employees were paid in accordance with Construction Wage Rate Requirements, and (2) the contractor complied with subcontracting limitations required for sole-source 8(a) program contracts. Finally, PBS NCR did not follow security requirements for contractor employees and did not ensure accurate contract data was reported in FPDS-NG.

PBS NCR should take corrective actions to address the deficiencies identified in our report. Accordingly, PBS NCR should improve management oversight of contracting officers and CORs and provide training on their duties and responsibilities. In addition, PBS NCR should ensure contractor information is captured timely in FPDS-NG and conduct a review of current BA54 program contracts for compliance with applicable regulations and GSA policies.

Recommendations

We recommend that the PBS NCR Regional Commissioner:

1. Improve management oversight to ensure that PBS NCR contracting officers and CORs:
 - a. Maintain complete contract files.
 - b. Verify that contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Enforce contractor compliance with subcontracting limitations required for sole-source 8(a) program contracts.
 - d. Enforce security requirements for contractor employees.
2. Train PBS NCR contracting officers and CORs on their duties and responsibilities with respect to:
 - a. Maintaining complete contract files.
 - b. Verifying that contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Enforcing contractor compliance with subcontracting limitations required for sole-source 8(a) program contracts.
 - d. Enforcing security requirements for contract employees.
3. Establish processes or procedures to ensure contractor information changes are communicated to the contracting officer for timely FPDS-NG updates.

4. Conduct a review of PBS NCR's current basic repairs and alterations contracts to ensure that:
 - a. Contract files are complete.
 - b. Contractor and subcontractor employees are paid in accordance with Construction Wage Rate Requirements.
 - c. Contractors are complying with limitations on subcontracting for sole-source 8(a) program contracts.
 - d. Contractor employees have the required security clearances.
 - e. FPDS-NG contains current, complete, and accurate information.

GSA Comments

The PBS NCR Regional Commissioner agreed with our recommendations. GSA's comments are provided in their entirety in **Appendix B**.

Audit Team

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

Byron G. Bustos	Associate Deputy Assistant Inspector General for Auditing
Meseret Henriques	Audit Manager
Aaron L. Podiyan	Auditor

Appendix A – Objective, Scope, and Methodology

Objective

Our objective was to determine whether PBS NCR planned, awarded, administered, and closed out the contract for the installation of VFDs for chilled water pumps and a tower fan at the Central Heating Plant in accordance with the FAR, GSAM, and other applicable policies.

Scope and Methodology

Our audit scope consisted of one contract, judgmentally selected based on defined parameters (detailed in the *Sampling* section on the next page). Our selected project was a sole-source 8(a) program contract for the installation of VFDs for chilled water pumps and a tower fan at the Central Heating Plant in Washington, D.C.

To accomplish our objective, we:

- Reviewed the FAR; GSAM; Agency memorandums, policies, and bulletins, to include Procurement Instructional Bulletin 18-02, *PBS Contract File Content and Organization*; and Homeland Security Presidential Directive-12, to gain an understanding of GSA's responsibilities in following the regulatory criteria;
- Analyzed prior GSA Office of Inspector General audit reports and corrective actions significant to the audit objective;
- Reviewed contract report information and awards in FPDS-NG.
- Reviewed all contract file documentation for preaward, award, administration, and close out of the contract for accuracy and completeness;
- Independently obtained source documentation for our sample, to the extent practicable, from EASi;
- Interviewed PBS management to get an understanding of roles and responsibilities for contracting officers and CORs;
- Interviewed PBS NCR employees (contracting officers, contracting specialist, and COR) who had a part in the acquisition, management, and close out of the contract;
- Interviewed and corresponded with the president of the prime contractor to obtain missing contract documentation and obtain an understanding about their subcontractors; and
- Interviewed the OMA Homeland Security Presidential Directive-12 program deputy director to obtain an understanding of contractor background investigation requirements.

Data Reliability

We assessed the reliability of PBS NCR BA54 program contract data provided by the PBS Budget Division by interviewing system owners and tracing the data to source documents. We determined that the data was sufficiently reliable for the purposes of this audit.

Sampling

We obtained a sample pool of 354 PBS NCR BA54 program projects completed between FYs 2020 through 2022. We judgmentally selected a sample of one contract using the following parameters:

- Filtered for contracts with award dates on or after FY 2019;
- Filtered the universe to reflect sole-source and set-aside award contracts;
- Filtered the universe at or above the Simplified Acquisition Threshold, which is \$250,000; and
- Filtered out contracts from the White House and U.S. Courts because these projects have special circumstances and are not reflective of general PBS contracts.

After the parameters were applied, there were 11 contracts remaining from which we made our selection. We added the following information to the data spreadsheet to assist in making the sample selection:

- Added additional information from EASi, to include contract number, base value, total modification obligated, total contract obligation per EASi, difference between obligation amount from GSA submission and amount listed in EASi, number of modifications, award type, vendor name, staff transitions, budget activity, fund code, and location of the building; and
- Added the FPDS-NG project status (specifically, “closed status”) to the spreadsheet.

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 finding includes 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 February 2023 and April 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

Appendix B – GSA Comments

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Public Buildings Service

July 19, 2024

MEMORANDUM FOR BYRON BUSTOS
ASSOCIATE DEPUTY ASSISTANT INSPECTOR
GENERAL FOR AUDITING (ADAIGA)
REAL PROPERTY AUDIT OFFICE (JA-R)

THROUGH: ELLIOT DOOMES *Elliot Doomes*
COMMISSIONER (P)

FROM: MELANIE F. GILBERT *Melanie Gilbert*
REGIONAL COMMISSIONER (WP)
PUBLIC BUILDINGS SERVICE

SUBJECT: Response to the Office of the Inspector General's (OIG)
Draft Report, *Basic Repairs and Alterations Project for the
Central Heating Plant in Washington, D.C. Was Not
Effectively Managed (A230043)*

The Public Building Service ("PBS"), National Capital Region ("NCR"), appreciates the opportunity to review and respond to the Draft Report, *Basic Repairs and Alterations Project for the Central Heating Plant in Washington, D.C. Was Not Effectively Managed*, dated June 28, 2024. We agree with the recommendations and provide the following comments on the finding.

1. Finding: PBS NCR did not effectively award, administer, or close out the contract for the Variable Frequency Drive ("VFD") installation project at the Central Heating Plant in accordance with applicable regulations and GSA policies.

A. Did not maintain a complete contract file.

- a. The Office of Facilities Management ("OFM") held mandatory Contracting Officer's Representative ("COR") Contract Administration Training for all OFM CORs, which included Gmail tools for file uploads into EASi and how to conduct contract file reviews. Training opened in December 2023 and was completed by all OFM CORs as of April 17, 2024.
- b. Further actions to verify compliance will be addressed in the Corrective Action Plan (CAP).

U.S. General Services Administration
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www.gsa.gov

- B. Did not ensure that the contractor and its subcontractor paid their employees in accordance with construction wage rate requirements.
 - a. The Heating Operations and Transmission Division Acting Director provided counseling and reinforced responsibilities assigned on COR Delegation letter for Central Heating Plant CORs on June 26, 2024.
 - b. All training has been documented with sign in sheets, which will be provided in the CAP.
- C. Did not ensure contractor compliance with subcontracting limitations required for sole-source 8(a) contracts.
 - a. PBS NCR will verify the requirements of Federal Acquisition Regulation sections 19.809-2 and 52.29-14 regarding subcontracting limitations required for sole-source 8(a) contracts and ensure that its contracting and COR personnel are trained, as appropriate.
 - b. FAR section 52.232-5, Payments Under Fixed-Price Construction Contracts, requires that the contractor submit GSA Form 2419-Certification of Progress Payments Under Fixed-Price Construction Contracts with each payment. GSA PBS will ensure that it's being enforced with training on the requirement.
- D. Did not follow security requirements for contractor employees.
 - a. The Acting Director assigned all managers, supervisors and CORs to attend HSPD-12 training. This training occurs bi-monthly and is ongoing. A tracker is being developed to ensure all employees attend.
- E. Did not ensure accurate contract data was reported in the Federal Procurement Data System-Next Generation ("FPDS-NG").
 - a. On June 25, 2024, the Office of Acquisition sent an email out to the contracting staff directing them to verify vendor information in FPDS-NG.

In summary, NCR appreciates the opportunity to respond to the Report. All documentation mentioned in this memo can be found in our systems of record and be provided upon request.

Please contact Shauna Malone, Director, Office of Facilities Management, at (202) 302-2140 if anything further is needed.

Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

PBS Commissioner (P)

Acting Deputy Commissioner (P1)

Deputy Commissioner of Enterprise Strategy (P2)

PBS Regional Commissioner and Acting NCR Regional Administrator (WPX)

Acting Chief of Staff (PB)

Acting Deputy Chief of Staff (PB)

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