



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

Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center

*Report Number A130003/P/2/R17002
January 20, 2017*



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

REPORT ABSTRACT

OBJECTIVE

Our objectives were to (1) determine whether PBS's Brooklyn/Queens/Long Island (BQLI) Service Center follows procurement policies and regulations for ordering and accepting goods and services, and (2) determine the impact of and suggest corrective action for any instances of non-compliance.

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Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center

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WHAT WE FOUND

We identified the following during our audit:

Finding 1 – The BQLI Service Center did not adequately monitor and enforce GSA purchase card requirements, leading to integrity issues with Service Center purchases.

Finding 2 – A Reimbursable Work Authorization (RWA) at the BQLI Service Center violated the reasonable time rule.

Finding 3 – The BQLI Service Center violated the Federal Acquisition Regulation by failing to maintain contract files in accordance with requirements.

WHAT WE RECOMMEND

Based on our audit findings, we recommend that the PBS Regional Commissioner, Northeast and Caribbean Region:

1. Ensure management in the BQLI Service Center follows GSA Order OAS 4200.1A, Management and Use of the GSA SmartPay® Purchase Card.
2. Determine and implement the appropriate corrective action for non-compliance with charge card requirements.
3. Determine whether the transactions identified for the iPhone case, Verizon Wireless, and DirecTV service are proper. If not, take appropriate corrective action in accordance with policy.
4. Implement an internal control that actively reviews the administration of RWAs, including RWA forms and purchases made with RWA funding.
5. Ensure the contract file maintenance and documentation requirements of the Federal Acquisition Regulation are implemented and enforced.
6. Determine the corrective actions needed to remediate the missing and incorrect documents that were identified by the audit team's review of the contract files.

GSA COMMENTS

The Regional Commissioner, PBS Northeast and Caribbean Region, partially concurred with our report findings. Management's written comments are included in their entirety as **Appendix D**.

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Introduction

In 2013, PBS's Northeast and Caribbean Region consisted of nine divisions, including the Service Centers Division. The Service Centers Division is comprised of five Service Centers, including the Brooklyn/Queens/Long Island (BQLI) Service Center. The BQLI Service Center includes two field offices, Brooklyn and Long Island/Queens. We reviewed procurements in both field offices.

Service Centers are responsible for ensuring that tenant needs are met efficiently and economically in GSA owned and leased buildings. This responsibility includes the operation, maintenance, repair, alteration, and improvement of space controlled by GSA. To achieve this, field office personnel are responsible for procurements of material, equipment, and services under the \$150,000 simplified acquisition threshold. Procurements can be made through various methods, including the use of delivery orders issued under established contracts and purchase cards. Service Centers also assist client agencies with Reimbursable Work Authorizations (RWAs), which are written agreements between PBS and a customer agency, whereby PBS agrees to provide goods and/or services and the customer agency agrees to reimburse PBS's direct and indirect costs.

Objectives

Our objectives were to: (1) determine whether PBS's BQLI Service Center follows procurement policies and regulations for ordering and accepting goods and services, and (2) determine the impact of and suggest corrective action for any instances of non-compliance.

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

Results

Finding 1 – The BQLI Service Center did not adequately monitor and enforce GSA purchase card requirements, leading to integrity issues with Service Center purchases.

The BQLI Service Center did not adequately monitor and enforce GSA purchase card requirements for documentation, spending thresholds, training, and acceptable use, leading to integrity issues with the Service Center’s purchases.

For purchases of supplies and services under the micro-purchase threshold, GSA allows GSA charge cardholders to use the purchase card. In accordance with GSA Order CFO 4200.1A, Management and Use of the GSA SmartPay® Purchase Card:¹

GSA cardholders will use the purchase card, whenever possible, to purchase and to pay for all supplies and services for micro-purchases [*i.e.*, \$3,000 or less]. Contracting officers are also encouraged to use the purchase card as a payment vehicle when placing orders valued over \$3,000, but no more than \$100,000, against established contracts that authorize use of the card and for other contracts when contractors agree to accept payment by charge card.

GSA Order CFO 4200.1A also mandated the requirements that GSA purchase cardholders and their organizations must follow. The order stipulated that GSA Standard Form 3661, entitled Purchase Card Application and Maintenance, must be used to establish, maintain, and cancel accounts for each cardholder, and to set and alter single and monthly purchase limits. It also required all purchase cardholders and approvers to complete mandatory training, and to maintain supporting documents, including training certificates. In addition, the order required cardholders to maintain records of all purchases for 6 years and 3 months after the transaction.

In fiscal year (FY) 2012, 13 cardholders in the BQLI Service Center spent approximately \$522,912 using purchase cards. Our review of purchase card transactions showed that the BQLI Service Center did not meet several of these specific requirements:

- The BQLI Service Center could not produce the Purchase Card Application and Maintenance form (GSA Standard Form 3661) for five purchase cardholders.
- Three purchase cardholders exceeded their single purchase limits.
 - A total of 28 purchases exceeded the single purchase limit for a total of over \$8,600 in overages (see **Appendix B** for details.)

¹ GSA Order CFO 4200.1A, Section 4. Background. This order was superseded by OAS 4200.1A on January 7, 2015. OAS 4200.1A contains the same requirements as GSA Order CFO 4200.1A.

- Two purchase cardholders exceeded their monthly purchase limits.
 - A total of eight purchases exceeded the monthly purchase limit for a total of almost \$10,800 in overages (see **Appendix B** for details).
- Purchase card training certificates for four purchase cardholders were missing.

In addition, documentation and/or explanations were unavailable for the following transactions:

- The BQLI Service Center could not provide several invoices, including those for a \$200 charge paid to Verizon Wireless and a \$66 charge for an iPhone Case.
- The BQLI Service Center could not provide adequate explanations for specific transactions, including the same \$200 Verizon Wireless charge and a recurring \$31 monthly service fee paid to DirecTV.

It is important that purchase card requirements are followed and transactions are properly documented to ensure the integrity of the GSA purchase card program. Regional management shared with us an internal credit card review it performed in FY 2012, as well as a follow-up analysis that resulted in a decision to reduce the number of cardholders in the region. This proactive approach is commendable.

Recommendations 1, 2, and 3

We recommend that the PBS Regional Commissioner, Northeast and Caribbean Region:

1. Ensure that the management in the BQLI Service Center follows GSA Order OAS 4200.1A, Management and Use of the GSA SmartPay® Purchase Card. This includes:
 - (a) Enforcing the use of Standard Form 3661 to create, modify, and cancel the accounts for purchase cardholders.
 - (b) Requiring and confirming that all purchase cardholders and approvers take the mandated training annually and maintain a record of the training certificates.
 - (c) Consistently maintaining records for all purchase card purchases, including invoices and receipts.
 - (d) Continuously monitoring monthly purchase card statements to ensure that purchase cardholder single and monthly purchase limits are not exceeded and that all purchases made are within the scope of the purchase card's acceptable uses.

2. Determine and implement the appropriate corrective action for non-compliance with charge card requirements. This includes instances where cardholders exceeded single purchase limits and monthly purchase limits. The corrective actions should ensure that cardholders are aware of and follow the requirements and that management monitors compliance.
3. Determine whether the transactions identified above for the iPhone case, Verizon Wireless, and DirecTV service are proper. If not, take appropriate corrective action in accordance with policy.

GSA Comments

While PBS management's response did not directly address the specific transactions cited in our report, they did explain that they have put tighter controls in place since the time of the audit. In addition, 39 purchase cards were cancelled in FY 2013, 9 of which were located in the BQLI Service Center. Also, purchase cardholders and approving officials are required to take training provided by GSA OnLine University, as well as supplemental training provided by the Acquisition Management Division. Management's comments are included in their entirety in **Appendix D**.

Finding 2 – A Reimbursable Work Authorization at the BQLI Service Center violated the reasonable time rule.

For nine RWAs active in FY 2012, we examined the contract actions conducted by PBS after the acceptance of the original RWAs from client agencies. We found one RWA with significant issues. For this RWA, PBS took about 4.5 years to make an award for the RWA services resulting in a violation of GSA's reasonable time rule.

Scope of Work and Reasonable Time Criteria Violation

PBS accepted RWA N3392964 on September 14, 2006. The \$464,000 RWA's Description of Requirements stated that it was for "Installation of electrical emergency riser, repair and reinsulate piping, air handlers, duct work repairs, rear entrance drainage system replacement, mechanical (sic) room painting." However, only one work item, the emergency electrical riser, was actually accomplished using the RWA funds. The file does not address the disposition of the other three work items.

PBS RWA policy applicable at the time specified that an RWA should not be accepted absent a sufficiently detailed scope of work. According to the RWA policy:

To be accepted by the GSA, the RWA must contain a sufficiently detailed scope of work, including the location, type of work, amount of work, requested completion date and all required signatures. If plans, drawings, or other material that define the scope of work are referenced, they must

accompany the RWA. The RWA must not be accepted unless these requirements have been met.²

RWA N3392964 references “attached” plans. However, we found no evidence of such plans in the file. Instead, it appears that when this RWA was accepted in 2006, the drawings for the scope of work had not been developed. According to the Project Management Plan for this project, in 2009 the customer agency contracted an architect/engineer “to prepare contract drawings and specifications to include all the scope of work necessary....” Further, the RWA file indicates that the drawings and construction documents were prepared in 2009. Accordingly, we concluded that the RWA should not have been accepted in 2006 because it lacked a sufficiently detailed scope of work.

GSA policy in effect at the time also required performance within a reasonable time of RWA acceptance. According to GSA’s Reimbursable Work Authorization National Policy Document (May 4, 2005), “PBS must initiate performance under the reimbursable agreement within a reasonable time after its acceptance, considering all facts including administrative and procurement lead-time.” In addition, Section 2 of GSA’s Acquisition Letter V-06-05 provided that “GSA, under its statutory authorities, must act reasonably and expeditiously to take contract action on ... accepted reimbursable agreements.”

In this case, PBS issued a Request for Proposals in January and February of 2011 and awarded a \$436,365 task order against the available RWA funds until May 11, 2011. The file does not document any activity between the acceptance of this RWA in 2006 and the eventual creation of the drawings and specifications in 2009, so it appears that GSA allowed the RWA funds to sit unused for 3 years. Further, PBS did not award the task order until 4.5 years after PBS accepted the RWA. We concluded that this significant time lapse violated GSA’s reasonable time criteria for performing the RWA.

Recommendation 4

We recommend that the PBS Regional Commissioner, Northeast and Caribbean Region:

4. Implement an internal control that actively reviews the administration of RWAs, including RWA forms and purchases made with RWA funding.

GSA Comments

PBS management concurred with the finding regarding the reasonable time rule for RWA N3392964. In addition, based on PBS management’s response and additional documentation, we removed part of the finding relative to a second RWA. Management’s comments are included in their entirety in **Appendix D**.

² PBS *Reimbursable Work Authorization National Policy Document*, May 2005.

Finding 3 – The BQLI Service Center violated the Federal Acquisition Regulation by failing to maintain contract files in accordance with requirements.

The BQLI Service Center failed to maintain contract files in accordance with federal regulations, which hampers the Service Center's ability to adequately administer contracts and increases the risk of fraud, waste, and abuse.

Contract files should provide a complete background as a basis for informed decisions at each step in the acquisition process and support actions taken per Federal Acquisition Regulation 4.801, Government Contract Files. Additionally, per the Federal Acquisition Regulation, various forms and actions should be documented in order to support and verify contract requirements, competition, negotiations, labor standards, compliance with the Davis-Bacon Act, specific aspects for construction and architect-engineer contracts, inspection and receipt of work, and release of claims against the government.³

The BQLI Service Center did not meet the Federal Acquisition Regulation requirements for awarding and administering contracts. In our sample, we found (see **Appendix C** for a detailed list):

- Missing documents, such as solicitations, Requests for Proposals, Release of Claims forms, and a modification document.
- Misplaced documents, including two modification documents found in the files for different contracts.
- Missing and/or incorrect signatures and dates on documents, such as a Project Management Plan, an Independent Government Estimate, and Inspection Reports. In the case of the Inspection Reports, we found two Inspection Reports where the signature dates mistakenly preceded the inspection dates.
- Inadequately documented or missing Price Negotiation Memorandums for five contracts.

We provided a listing of the specific files and missing documents to PBS management so that the information could be shared with the contracting staff to help reinforce the requirements and emphasize the importance of the contract file as a historical record of the underlying transaction.

The lack of attention to and oversight of federal documentation requirements hampers the BQLI Service Center's ability to adequately administer contracts. In addition,

³ Federal Acquisition Regulation 5.1 (Dissemination of Information), 11.1 (Selecting and Developing Requirements Documents), 15 (Contracting by Negotiation), 22.4 (Labor Standards for Contracts Involving Construction), 36 (Construction and Architect-Engineer Contracts), 46 (Quality Assurance), and 52.2 (Text of Provisions and Clauses).

incomplete or missing contract documentation also limits the BQLI Service Center's ability to respond to any potential financial claims. As a result, the risk of fraud, waste, and abuse is increased.

Recommendations 5 and 6

We recommend that the PBS Regional Commissioner, Northeast and Caribbean Region:

5. Ensure the contract file maintenance and documentation requirements of the Federal Acquisition Regulation are implemented and enforced. This includes ensuring that staff are aware of and follow documentation requirements for contract files and that management monitors compliance.
6. Determine the corrective actions needed to remediate the missing and incorrect documents that were identified by the audit team's review of the contract files.

GSA Comments

PBS management concurred with the findings related to the missing documents in various contract files. Management's comments are included in their entirety in **Appendix D**.

Other Observations

We also requested and reviewed Indefinite-Delivery Indefinite-Quantity (IDIQ) construction contracts available for use by the BQLI Service Center. PBS awards these IDIQ contracts to streamline repair and alteration procurements in federally owned and leased space. The four IDIQ construction contracts we reviewed were awarded out of PBS's Northeast and Caribbean Region Acquisition Management Division. In response to our request, the contracting officer notified us that the pre-solicitation files for all four IDIQ contract files were misplaced. However, the contracting officer was able to provide us the pre-solicitation documents in electronic format. Considering PBS is transitioning towards electronic standards for document storage, this observation did not rise to the level of a finding for the purpose of our audit.

Additionally, in our review of purchase cardholder approvers, PBS's Central Office could not provide us an accurate list of past cardholder approvers from the Pegasys system, as documented in requests from the BQLI Service Center. The system produced a list of current cardholders and current cardholder approvers, but not the cardholder approvers from FY 2012. While the system issue may not be within the scope of our audit of BQLI Service Center's procurement policies and regulations, it affects internal control at the Agency level. U.S. Government Accountability Office guidance states "[System application] control is designed to help ensure completeness, accuracy,

authorization, and validity of all transactions during application processing.”⁴ The system’s weakness leads to the inability to audit pertinent control information from the past, such as purchase cardholder approvers responsible for verifying purchase cardholder transactions, and compromises the system. This increases the risk that accountability over transactional data will be indeterminable. Consequently, it would be advisable for regional management to inform GSA IT’s Office of Financial and HR IT Services, the maintainers of the Pegasys system, of the lack of internal control regarding historical information on cardholder approvers, as this system is maintained at the Agency level and not at the regional level.

⁴ U.S. Government Accountability Office’s GAO/AIMD-00-21.3.1, Standards for Internal Control in the Federal Government, November 1999.

Conclusion

The BQLI Service Center did not always follow appropriate procurement laws, policies, and regulations for ordering and accepting goods and services. We found multiple procurement issues and a lack of internal control within the Service Center. Specifically, the Service Center: inadequately monitored and enforced government purchase card requirements, violated the reasonable time rule, and inadequately documented contract files. To prevent these issues from occurring in the future, PBS must establish and implement controls to ensure management adheres to laws, policies, and regulations in using purchase cards, accepting funds, and awarding contracts with those funds.

Appendix A – Purpose, Scope, and Methodology

Purpose

Audits of PBS's Service Delivery Centers were included in the Office of Inspector General FY 2013 Audit Plan.⁵ The purpose was to examine the economy and efficiency of the Service Centers through reviews focused on their procurements.

Scope and Methodology

This audit focused on procurements made by the BQLI Service Center in PBS's Northeast and Caribbean Region. We judgmentally selected government purchase card transactions, RWAs, and Project Authorizations active during FY 2012 (October 1, 2011, – September 30, 2012). Additionally, we selected IDIQ contracts available for use by the BQLI Service Center in FY 2012.

To accomplish our objectives, we:

- Reviewed prior audit reports related to PBS's property management practices;
- Reviewed a listing of all Service Centers in the Northeast and Caribbean Region;
- Corresponded with officials from PBS's Organizational Resource Division in the Northeast and Caribbean Region;
- Reviewed purchase card transactions made by the BQLI Service Center during FY 2012;
- Judgmentally selected 60 purchase card transactions to request receipts or supporting documents;
- Requested purchase card training certificates for 22 purchase cardholders in the BQLI Service Center;
- Requested 17 BQLI Service Center cardholders' and approvers' GSA Standard Form 3661s;
- Reviewed nine judgmentally selected RWAs and ten judgmentally selected Project Authorizations (authority to execute minor Repair & Alteration projects using BA-54 funding in conjunction with Prospectus-level projects) active in FY 2012;
- Requested contract files awarded and administered by the BQLI Service Center that used the sampled RWAs and Project Authorizations funds;
- Reviewed all contract files provided by the BQLI Service Center from the request;
- Reviewed four IDIQ construction contracts active in FY 2012 that were available for use by the BQLI Service Center;
- Met and corresponded with personnel in PBS's BQLI Service Center and the Northeast and Caribbean Region Acquisition Management Division;

⁵ Formerly referred to as Property Management Centers.

- Conducted site visits to the Theodore Roosevelt Federal Courthouse, Conrad B. Duberstein United States Bankruptcy Courthouse, Emanuel Celler U.S. Courthouse, Joseph P. Addabbo Federal Building, and Alfonse M. D'Amato U.S. Courthouse for meetings and on-site inspections of five projects using the sampled RWA funds and five projects using the sampled Project Authorization funds; and
- Reviewed relevant criteria, including the United States Code, Federal Acquisition Regulation, General Services Administration Acquisition Manual, GSA Orders CFO 4200.1A and APD P 2800.14, PBS Procurement Information Bulletins and memorandums, PBS internal policies and procedures pertaining to the RWA process, and standard operating procedures for the BQLI Service Center.

We conducted the audit between June 2013 and September 2014 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

We assessed internal controls relevant to the procurements managed by the BQLI Service Center and to the Pegasys system's capabilities in the analysis of purchase card transactions. We tested internal controls and compliance with applicable policies and laws, including the Federal Acquisition Regulation, RWA National Policy Document, and PBS's National Financial Accounting Process and Internal Controls Desk Guide.

Appendix B – Purchase Card Transactions

Details of Exceeded Single Purchase Card Limit

Cardholder	Approving Official	Date of Transaction	Amount Charged	Single Purchase Card Limit	Overage
Notes				1	2
			a	b	c = a - b
Cardholder A	Approver A	12/15/2011	\$2,971.34	\$2,500.00	\$471.34
Cardholder A	Approver A	5/2/2012	2,970.00	2,500.00	470.00
Cardholder A	Approver A	6/21/2012	2,600.00	2,500.00	100.00
Cardholder A	Approver A	6/26/2012	2,800.00	2,500.00	300.00
Cardholder A	Approver A	7/23/2012	2,600.00	2,500.00	100.00
Cardholder A	Approver A	8/21/2012	2,860.00	2,500.00	360.00
Cardholder A	Approver A	9/1/2012	2,750.00	2,500.00	250.00
Cardholder B	Approver B	10/14/2011	2,805.00	2,500.00	305.00
Cardholder B	Approver B	10/14/2011	2,672.00	2,500.00	172.00
Cardholder B	Approver B	10/28/2011	2,970.00	2,500.00	470.00
Cardholder B	Approver B	11/14/2011	2,667.50	2,500.00	167.50
Cardholder B	Approver B	12/12/2011	2,888.89	2,500.00	388.89
Cardholder B	Approver B	1/4/2012	2,948.00	2,500.00	448.00
Cardholder B	Approver B	1/20/2012	2,942.50	2,500.00	442.50
Cardholder B	Approver B	2/2/2012	2,915.00	2,500.00	415.00
Cardholder B	Approver B	2/2/2012	2,750.00	2,500.00	250.00
Cardholder B	Approver B	2/8/2012	2,970.00	2,500.00	470.00
Cardholder B	Approver B	2/8/2012	2,948.00	2,500.00	448.00
Cardholder B	Approver B	2/8/2012	2,695.00	2,500.00	195.00
Cardholder B	Approver B	3/8/2012	2,618.00	2,500.00	118.00
Cardholder B	Approver B	4/4/2012	2,530.00	2,500.00	30.00
Cardholder B	Approver B	5/2/2012	2,711.50	2,500.00	211.50
Cardholder B	Approver B	5/4/2012	2,970.00	2,500.00	470.00
Cardholder B	Approver B	5/4/2012	2,694.50	2,500.00	194.50
Cardholder B	Approver B	6/6/2012	2,992.00	2,500.00	492.00
Cardholder B	Approver B	6/6/2012	2,750.00	2,500.00	250.00
Cardholder C	Approver C	1/24/2012	3,000.00	2,500.00	500.00
Cardholder C	Approver C	5/23/2012	2,622.00	2,500.00	122.00
				Total Single Purchase Card Overage	\$8,611.23

Appendix B – Purchase Card Transactions (cont.)

Details of Exceeded Monthly Purchase Card Limit

Cardholder	Month-Year of Transaction	Monthly Purchase Card Charges	Monthly Purchase Card Limit	Overage
Notes		3	4	5
		a	b	c = a - b
Cardholder A	October 2011	\$27,246.48	\$25,000.00	\$2,246.48
Cardholder B	November 2011	3,360.17	2,500.00	860.17
Cardholder B	January 2012	3,848.08	2,500.00	1,348.08
Cardholder B	March 2012	3,450.71	2,500.00	950.71
Cardholder B	May 2012	4,688.79	2,500.00	2,188.79
Cardholder B	June 2012	2,612.10	2,500.00	112.10
Cardholder B	July 2012	4,669.19	2,500.00	2,169.19
Cardholder B	August 2012	3,376.20	2,500.00	876.20
Total Monthly Purchase Card Overage				\$10,751.72

Notes:

1. Each cardholder's Purchase Card Application and Maintenance form, GSA Standard Form 3661, states the applicable single purchase card limit.
2. Overage is determined by subtracting the single purchase card limit from the amount charged.
3. The monthly charge is the sum of all individual charges made by a cardholder in a single month.
4. Each cardholder's GSA Standard Form 3661 states the applicable monthly purchase card limit.
5. Overage is determined by subtracting the monthly purchase card limit from the monthly amount charged.

Appendix C – Contract File Issues

Details of Contract File Issues

Issue	Instances of Issue	Notes
Lack of Competition Evidence	1	1
General Documentation Issue	10	2
Inadequate Price Negotiation Memorandum	1	3
Missing Document	15	4
No Price Negotiation Memorandum	4	5

Notes:

1. “Lack of Competition Evidence” refers to a lack of a Federal Business Opportunities posting in the contract file.
2. “General Document Issue” includes misplaced documents (such as modifications) and missing and/or incorrect signatures and dates on documents (such as a Project Management Plan, an Independent Government Estimate, and Inspection Reports). In the case of the Inspection Reports, we found two Inspection Reports that were signed before the inspection date.
3. “Inadequate Price Negotiation Memorandum” refers to a contract file document that did not document negotiations. The document, which was labeled “Price Negotiation Memorandum – Memo To The File,” was limited to an explanation that due to issues with proposal revisions and changing estimates it was “very difficult to prepare a proper PNM.”
4. “Missing Document” includes missing solicitations, Requests for Proposals, Release of Claims forms, and a modification document.
5. “No Price Negotiation Memorandum” refers to instances in which we could not locate a Price Negotiation Memorandum in the contract file.

Appendix D – GSA Comments



November 23, 2016

MEMORANDUM FOR STEVEN JURSYTA
REGIONAL INSPECTOR GENERAL FOR AUDITING
NORTHEAST AND CARIBBEAN REGION (JA-2)

THROUGH: NORMAN DONG 
COMMISSIONER
PUBLIC BUILDINGS SERVICE (P)

FROM: FRANK SANTELLA
REGIONAL COMMISSIONER
NORTHEAST AND CARIBBEAN REGION
PUBLIC BUILDINGS SERVICE (2P)

SUBJECT: Response to Audit Memorandum Number A130003
Procurement and Internal Control Issues Exist within PBS's
Brooklyn/Queens/Long Island Service Center

Thank you for providing an advance copy of the subject audit dated September 14, 2016; we appreciate the opportunity to comment. GSA/PBS reviewed the report regarding the identified areas of concern. Our response is outlined in the following Finding/Response format.

Finding #1 – The BQLI Service Center did not adequately monitor and enforce GSA purchase card requirements, leading to integrity issues with Service Center purchases.

Response: As stated in the draft audit report, the review of the Brooklyn/Queens/Long Island (BQLI) Service Center focused on transactions handled during FY 2012. During the time of this audit, PBS was in the process of assessing its overall purchase card program; including the number of individuals holding cards, as well as performing an independent review of regional purchase card transactions. This information was shared with the auditors as stated in your report, "Regional management shared with us an internal credit card review it performed in FY 2012, as well as a follow-up analysis that

Appendix D – GSA Comments (cont.)

2

resulted in a decision to reduce the number of cardholders in the region. This proactive approach is commendable.”

During FY 2013, thirty-nine (39) purchase cards were cancelled; nine (9) of which were located in the BQLI Service Center. The Region has since put tighter controls in place within its Service Centers. All purchase card holders are required to take mandatory purchase card training through GSA’s On-Line University prior to receiving their purchase card and every two years thereafter to maintain their card. The Policy & Compliance branch of the Region’s Acquisition Management Division (AMD) provides annual training to card holders and Approving Officials to supplement the mandatory training. It includes a review of GSA Order CFO 4200.1A Management and Use of the GSA Smart Pay Purchase Card, with an emphasis on roles and responsibilities. The next training session will take place during the 2nd quarter of this fiscal year.

Finding 2 – Reimbursable Work Authorizations at the BQLI Service Center violated the reasonable time rule and improperly used expired fund.

Scope of Work and Reasonable Time Criteria Violation

PBS concurs with the finding regarding the Reasonable Time Criteria Violation for RWA N3392964.

The following steps that have been taken to address this concern:

- Annual Asset Planning Meetings have been implemented between GSA and the Social Security Administration (SSA) to discuss and negotiate the RWA projects that are expected to be submitted and accepted based on SSA’s own ranking, existing project workload and staffing availability. In the past, GSA accepted nearly all the projects as long as they met the RWA acceptance criteria.
- Separation of design and construction (D&C) funding for large dollar value projects, that is, we evaluate the project complexity, size and timing requirements to determine whether we should be accepting a separate design RWA first and then after reaching a certain level of design, request a separate construction RWA.
- In October 2015, Region 2 reorganized to move the Service Center Divisions (SCD) technical staff into the D&C Division and creation of the Region 2 Project Management Division provided for more strategic and effective project delivery.
- Continual discussions are held throughout the year between the project managers, Design and Construction and Project Management Division supervisors, SCD and Portfolio Management Staff and SSA to refine the asset plan as necessary due to changing circumstances.

“Bona Fide Needs” Rule Violation - RWA N0025975 Clean and repair the brickwork of the Joseph P. Addabbo Federal Building

Appendix D – GSA Comments (cont.)

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PBS does not concur with this finding for the following reasons:

RWA N0025975 included a description of work that outlined multiple requirements including the following requirement; 'Any facade penetrations shall be sealed by the contractor and re-pointing of the masonry joints must be performed to ensure 100% integrity.' Construction Documents were later provided by SSA's Architect-Engineering firm, Smith Group. Though Construction documents included work both inside and outside of the building, not all penetrations were addressed in SSA's A/E construction documents. Some penetrations (with air infiltration) were later identified and addressed under the SSA Addabbo District Office Lobby Expansion Project.

Under the SSA Addabbo District Office Lobby Expansion Project, modification requests were found referencing N0025975 that totaled \$19,005 as follows:

- The first request 2PSEB-12-0024 dated February 1, 2012, included a request to furnish and install foam insulation at the ceiling plenum north exterior walls, provide ceiling removal and reinstallation, along with all required protection of the existing HVAC, plumbing, and sprinklers, and demolish and reinstall sheetrock soffit and install two 24" square access doors tape, spackle and paint. The cost to be applied to N0025975 was \$14,605. As noted in a memo *'this work is to address existing insulation and air infiltration problems experienced above Lobby Ceiling and at east and west adjacent stair tower soffits at perimeter façade,'* as it was related to existing problems at (brick) facade.
- The second request 2PSEB-12-0036 dated March 5, 2015, included several items including an item for *'additional insulation to address voids between the Child Care Center play area (open to exterior) and the SSA District Office Lobby. These voids were allowing exterior air to enter into the ceiling plenum above the lobby.'* The cost to be applied to N0025975 was \$4,400.

The subject RWA was processed in FY 2008. Even if the RWA was marked incorrectly as multi-year funding and in RETA, the RWA funds would have been available until the end of FY 2013 so they would not have been expired in 2012.

It should be noted that in January 2013, PBS required all individuals with authority to accept an RWA on behalf of GSA to take RWA Level III Acceptable Authority training. This training is a mandatory annual requirement for all individuals that accept and sign RWAs. The training is monitored on a quarterly basis by the Facilities Management Division to ensure compliance. The last review was performed in July 2016.

Finding 3 – The BQLI Service Center violated the Federal Acquisition Regulation by failing to maintain contract files in accordance with the requirements.

PBS concurs with the findings related to missing documents in various contract files.

Appendix D – GSA Comments (cont.)

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In May 2012, the Region established an AMD bringing all regional acquisition functions together under one director. All contract specialists within AMD are required to follow PBS Procurement Instructional Bulletin (PIB) 12-01 – PBS Contract File and Organization. The PIB supplements the existing Federal Acquisition Regulations and General Services Acquisition Manual by establishing uniform requirements for PBS contract file content and organization. Review protocols are in place that all awards are reviewed and approved by one level above the Contracting Officer.

The audit findings have been discussed with the acquisition staff and the acquisition supervisor has confirmed that all review protocols are being followed in the BQLI acquisition unit. Region 2 also conducts bi-annual Management Analysis and Review System (MARS) reviews in all service centers. There is a MARS review scheduled for the BQLI Service Center in February 2017. The MARS includes a review of field office contract files to ensure compliance with all regulations. We will request the MARS reviewer supplement the review by performing an additional random sampling of files to ensure proper protocols are being followed in the BQLI acquisition unit.

Since the time of this audit, PBS transitioned all acquisition related functions to a national application: the Electronic Acquisition System integration (EASi). All procurement actions must be performed within the EASi application; from issuance of a procurement request to award of the resultant contract. All regional contract files and actions are now maintained in an electronic contract file (ECF). PIB 12-01 was updated in March 2014 to include the requirement for contract file compliance in all ECF files.

If you have any additional questions related to this memorandum, please contact Joan Ryan, Acting Chief of Staff at (212) 264-7469.

Appendix E – Report Distribution

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