



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

DATE: January 26, 2017

TO: Dan Brown
Acting Regional Administrator
Pacific Rim Region (9A)

FROM: Hilda M. Garcia
Regional Inspector General for Auditing, Pacific Rim Region (JA-9)

SUBJECT: Review of Reimbursable Work Authorizations Managed by the PBS
Pacific Rim Region Service Centers
Audit Memorandum Number A150036

This audit memorandum presents the results of our review of Reimbursable Work Authorizations (RWAs) managed by PBS's Service Centers in the Pacific Rim Region. The objectives of our review were to determine whether the Pacific Rim Region Service Centers ensure that RWAs are: (1) expended per GSA policy and contract requirements, and (2) completed and closed out in a timely manner. We conducted our testing from December 2014 to June 2015. In June and July 2016, we followed up on the status of the open RWAs.

During our review, we found that the Pacific Rim Region Service Centers did not award contracts against RWAs within established timeframes. Furthermore, the RWA files lacked required written justifications explaining why the contracts were not awarded in a timely manner. We also found that the Pacific Rim Service Centers are not effectively monitoring contracts awarded in support of the RWAs to ensure that contractors are adhering to scheduled contract completion dates.

Background

A PBS Service Center is responsible for ensuring that tenant needs are met in GSA owned and leased buildings. Each Service Center is responsible for the operation, maintenance, repair, alteration, and improvement of the GSA-controlled space assigned to them. In fulfilling this mission, the Service Centers are also responsible for managing a portfolio of RWAs. RWAs are written agreements between PBS and a client agency for above standard services that are not covered in an Agency's rent. Examples of these services include, but are not limited to, construction, repair and alteration, and non-standard maintenance and utility usage. Under these agreements, which are authorized under 40 U.S.C. §592(b)(2), PBS agrees to provide these services to the

client agency, which agrees to reimburse PBS for the costs of the services, including administrative expenses and fees.

Our review focused on RWAs managed by the three Service Centers in the Pacific Rim Region located in San Francisco, Los Angeles, and San Diego for fiscal years (FYs) 2013 through 2014. *Table 1* details the number and total order amount of the RWAs accepted by the Service Centers during this timeframe. For our review period, the Service Centers accepted 2,795 RWAs totaling nearly \$104 million.

**Table 1: RWAs Accepted by the Pacific Rim Region Service Centers
FYs 2013 through 2014**

Service Center	Number of Accepted RWAs	Total Order (Authorized) Amount of Accepted RWAs (in thousands)
San Francisco	967	\$36,900
Los Angeles	755	\$37,900
San Diego	1,073	\$29,100

For purposes of our review, we selected a judgmental sample of 25 RWAs from the Pacific Rim Service Centers: 7 RWAs from the San Francisco Service Center, 8 from the Los Angeles Service Center, and 10 from the San Diego Service Center. Our sample selection focused on high-dollar RWAs for construction services. As a result, the order amounts for a majority of the RWAs selected (19 of 25) exceeded \$500,000. A total of 39 contracts were awarded for the 25 RWAs selected, with 10 RWAs having multiple contracts.

Results

Pacific Rim Region Service Centers are not complying with the reasonable time rule when awarding contracts for RWA projects

We found that the Service Centers did not award contracts for 21 of the 25 RWAs tested within the 90-day timeframe required by PBS policy. In one instance, an RWA was accepted by a Service Center in September 2013, but the contract was not awarded until April 2016 – 950 days after the acceptance date. Another RWA was accepted in August 2014; however, as of July 2016, a contract still had not been awarded. In addition, the RWA files did not include required written justifications documenting the reason for noncompliance with the reasonable time rule.

PBS's *Reimbursable Work Authorization National Policy Document* (National Policy) requires Service Centers to award contract(s) to deliver the work requested through an RWA within a reasonable time. A "reasonable time" is defined as the acquisition lead time needed for PBS to contractually obligate the client agency's funds based on the complexities of the work requested. According to the National Policy, a period of 90 calendar days is presumed to be a reasonable time for obligation unless a separate,

documented agreement is made with the client agency. If a determination is made that, based on the complexities of the work requested, contract award will not occur within 90 calendar days, a separate, mutually agreed-upon contract award date must be recorded in the RWA file. If neither of these requirements is met, then written justification must be documented in the RWA file, and all supporting documents, such as the acquisition and project plan, must be updated accordingly.

Service Center personnel stated that they can award contracts in support of RWAs within 90 days when those contracts fall under the simplified acquisition threshold of \$150,000. For larger construction-type RWA projects, such as the ones in our sample, these officials stated that the 90-day timeframe is unrealistic due to the likelihood that multiple contracts will be needed to complete the work requested and the time-consuming upfront work to plan the project. However, in these circumstances, Service Center personnel should follow the National Policy, which allows them to award contracts beyond the 90-day timeframe provided that a different contractual award date is agreed upon with the client agency and documented in the RWA file.

According to the National Policy, if the reasonable timeframe is not met and no separate documented agreement is made with the client agency, a written justification must be documented in the RWA file. However, for the 21 RWAs that did not meet the reasonable time criterion, the Service Centers did not include written justifications addressing the non-compliance in the RWA files. Service Center managers stated that contracting officers and project managers were not familiar with this requirement and therefore, did not document the delays as required.

Internal controls should be in place to ensure compliance with applicable laws, regulations, and policies. The violations of the reasonable time rule and associated documentation requirements described above indicate that weaknesses exist in the Pacific Rim Service Centers' control activities.

Pacific Rim Region Service Centers are not ensuring that contractors meet scheduled contract completion dates

Service Center personnel are not monitoring contracts awarded against RWAs to ensure that contractors adhere to scheduled contract completion dates. Furthermore, when a scheduled contract completion date is missed, the deadline is often extended without documentation or repercussion.

According to FAR 11.401, *Delivery or Performance Schedules, General*, "the time of delivery or performance is an essential contract element and shall be clearly stated in solicitations." Thus, the Service Center contracting personnel should establish a specific scheduled completion date for each contract at the time of contract award. This date is included in the award document or the subsequent Notice to Proceed letter. However, of the 39 contracts reviewed, 4 did not have a scheduled completion date. For the remaining 35 contracts, we found the following:

- 26 contracts exceeded the scheduled completion date. Of these 26 contracts, 16 were completed but exceeded the scheduled completion date by as long as 1 year. The remaining 10 contracts remained open as of June 29, 2016, though the contract completion date had lapsed. This included one contract that was open nearly 3.5 years beyond the estimated completion date.
- 9 contracts met the completion date.

Per Federal Acquisition Regulation 43.103(a)(3), *Types of Contract Modifications*, contracting officers can issue a modification to reflect other agreements by the parties to change the terms of a contract. From our sample of 39 contracts, we found that the Service Centers issued modifications for additional work and increases in contract value but did not consistently issue modifications regarding schedule changes.

Changes and unforeseen circumstances in the construction process can make it difficult for contractors to meet deadlines. However, per FAR 52.211-12, *Liquidated Damages – Construction*, and FAR 42.1503, *Contractor Performance Information – Procedures*, if a delay is determined to be the direct responsibility of a contractor, GSA can seek liquidated damages or write a marginal or unsatisfactory past performance evaluation. Although contractors did not often meet scheduled completion dates, we found limited evidence that PBS Service Center personnel adequately monitored these dates.

By not monitoring scheduled contract completion dates, the Service Centers may not be taking administrative actions that are needed to protect the government's interests and ensure that the needs of client agencies are met in a timely manner.

Conclusion

Pacific Rim Region Service Center personnel did not award contracts for RWAs within the timeframes required under PBS policy nor did they ensure that contractors were adhering to scheduled contract completion dates. As a result, the Service Centers may not deliver RWA projects in a timely and effective manner necessary to meet the needs of its client agencies. Accordingly, the internal controls surrounding RWAs and associated procurements should be strengthened to ensure compliance with PBS policy and effective contract administration.

I would like to thank you and your staff for your assistance during this review. If you have any questions regarding this audit memorandum, please contact James Draxler, Audit Manager at (415) 522-2734, or me at (415) 522-2740.

Memorandum Distribution

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