



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

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight

Report Number
A180017/P/5/R20004
March 27, 2020

Assignment Number A220060
September 23, 2022

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Introduction

We have completed an implementation review of the management actions taken in response to the recommendations contained in our March 2020 audit report, *PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight*, Report Number A180017/P/5/R20004.

Objective

The objective of our review was to determine whether GSA's Public Buildings Service (PBS) has taken the actions as outlined in the corrective action plan for *PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight* (see **Appendix A**). To accomplish our objective we:

- Met and corresponded with PBS management and services program personnel on the Energy Savings Performance Contracts (ESPCs);
- Examined documentation submitted by PBS personnel supporting completion of the corrective action plan steps; and
- Performed limited testing of PBS's implementation of the guidance and procedures contained in these supporting documents.

Background

An ESPC is a type of performance contract that privately finances the improvements to federal facilities from the financial benefits derived from contract performance. In performance-based contracting, the agency specifies the desired result and allows the contractor to determine how to achieve it.

Under an ESPC, a government agency enters into a long-term contract with an energy service company (ESCO) that arranges private financing and installs energy-efficiency improvements in federally owned buildings. The agency then makes payments to the ESCO until the improvements have been paid off. The agency's payments are based on the energy cost savings the ESPC achieves each year. The annual payment schedule for the ESPC cannot exceed the value of the annual utility savings created by the installed energy-efficiency improvements.

ESPCs are designed to shift performance risk associated with energy-efficiency improvements from the government to the ESCO. The performance risk is transferred by requiring verification that the energy-efficiency improvements achieve the expected financial savings before the agency makes payments to the ESCO. If the project does not achieve the expected savings, then the agency shall suspend payments for the unrealized savings until the conditions are corrected.

On March 27, 2020, we issued an audit report, *PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight*, to PBS. The objectives of the audit were to determine whether PBS: (1) has effective procedures in place to verify that the energy savings calculated by the ESCO are accurate and (2) administers the ESPC projects in accordance with the applicable regulations and guidance.

Our audit found that PBS did not:

- Realize savings to fully fund payments on two ESPC projects and risks paying for unsupported and overstated operations and maintenance (O&M) savings on other projects due to inadequate oversight.
- Provide effective oversight to verify the accuracy of ESCO savings.
- Adequately oversee ESPC file administration.
- Adequately oversee the administration of ESPC projects.

To address the findings identified in our report, we recommended that the PBS Commissioner:

1. Improve oversight of ESPC savings evaluation; this may include regional or ESPC Program Management Office (PMO) reviews, reconciliations, and approvals to authorize payments.
2. Identify and, if possible, recover savings shortfalls.
3. Renegotiate O&M contracts to achieve the estimated savings on existing ESPCs with O&M savings and train PBS officials on current policy.
4. Ensure witnessing and proper review of required ESPC reports by:
 - a. Developing internal guidance on measurement and verification (M&V) review procedures;
 - b. Implementing GSA training to standardize witnessing of M&V nationwide; and
 - c. Requiring periodic review of ESPC contract files by the ESPC PMO.
5. For all current and future ESPCs awarded under the Department of Energy super ESPC, ensure the contract files include the following required key documents:
 - a. Final, signed task order terms and conditions;
 - b. Energy Conservation Measure Quality Control Inspection Plans; and
 - c. Complete, final ESPC reports (i.e., commissioning, post-installation, and M&V) submitted in accordance with task order terms and conditions.
6. Ensure that annual Contractor Performance Assessment Reporting System evaluations are completed for all future ESPCs in accordance with the Federal Acquisition Regulation.
7. Increase the ESPC PMO's oversight of the regions' administration of ESPCs through the performance period. This may include: assisting in the evaluation of M&V plans, providing resources to regions for the post-installation and annual M&V site visits, and reviewing annual M&V reports.

The PBS Commissioner agreed with our report recommendations.

Results


Our implementation review determined that PBS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary.

Audit Team

This review 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 E. Henriques	Audit Manager
Laura L. Ziligson	Auditor-In-Charge
Nathfia I. Simpson	Auditor

Appendix A – Corrective Action Plan for Report Number A180017/P/5/R20004

		<h1>Corrective Action Plan</h1>	
		US General Services Administration	Date 6/8/2020
Audit Number A180017			
Audit Title		PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight	
Designated Responding Official		Andrew Heller	
Audit Contact Person		Sharon Conger	
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (001)			
Recommendation Name		Improve Oversight of ESPC Savings evaluations; this may include regional or ESPC PMO reviews, reconciliations, and approvals to authorize payments	
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Update Instructional Memorandum to improve oversight of ESPC savings evaluations	Provide copy of Instructional Memorandum Issued on M&V savings outlining M&V report review requirements, including witnessing, and documentation requirements.	11/30/2020	
002: Provide training on ESPC Savings Evaluations	Provide copy of training materials and training attendance list (documentation)	3/31/2021	

Audit Number A180017			
Audit Title	PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight		
Designated Responding Official	Andrew Heller		
Audit Contact Person	Sharon Conger		
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (002)			
Recommendation Name	Identify and, if possible, recover savings shortfalls.		
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Review existing contracts for any recoverable shortfalls within the last 3 years. Develop a list of active contracts where M&V savings were unrealized	Provide Spreadsheet of contracts that identify recoverable shortfalls; and unrealized M&V savings, too	11/30/2020	
002: Document findings and Actions to be taken	Provide a Spreadsheet with findings with action plan, where applicable	3/31/2021	

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Designated Responding Official	Andrew Heller		
Audit Contact Person	Sharon Conger		
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (003)			
Recommendation Name	Renegotiate O&M contracts to achieve the estimated savings on existing ESPCs with O&M savings and train PBS officials on current policy.		
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Determine which contracts include O&M savings	Provide Spreadsheet of contracts that include O&M savings	11/30/2020	
002: Document findings and Actions to be taken	Provide the Spreadsheet with findings with action plan, where applicable	1/31/2021	
003: Develop and provide training on O&M savings current policy	Provide copy of the training materials and training attendance list (documentation)	3/31/2021	

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Designated Responding Official		Andrew Heller	
Audit Contact Person		Sharon Conger	
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (004A)			
Recommendation Name		Ensure witnessing and proper review of required ESPC reports by: a. Developing internal guidance on M&V review procedures	
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001 Develop internal guidance on M&V review procedures, including witnessing	Provide copy of Instructional Memorandum Issued on M&V savings outlining M&V report review requirements, including witnessing, and documentation requirements.	11/30/2020	

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Designated Responding Official		Andrew Heller	
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Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (004B)			
Recommendation Name		Ensure witnessing and proper review of required ESPC reports by: b. Implementing GSA training to standardize witnessing of M&V nationwide	
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Develop and provide training on witnessing policy	Provide copy of the training materials and the training attendance list (documentation)	03/31/2021	

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Designated Responding Official		Andrew Heller	
Audit Contact Person		Sharon Conger	
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (004C)			
Recommendation Name		Ensure witnessing and proper review of required ESPC reports by: Requiring periodic review of ESPC contract files by the ESPC PMO	
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Determine methodology to accomplish file reviews in most efficient manner for the agency	Provide the Checklist for file reviews and in accordance with the audit plan	01/31/2021	
002: Feedback to PMO by file reviewer	Provide the Dashboard screenshots and/or other feedback mechanism	03/31/2021	

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Designated Responding Official		Andrew Heller	
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Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (005A)			
Recommendation Name		For all current and future ESPCs awarded under the DOE super ESPC, ensure the contract files include the following required key documents: a. final, signed task order terms and conditions	
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Develop checklist and audit plan to be used by file reviewer. Contracting Officer will be responsible for ensuring missing documents have been added or annotated.	Provide the Checklist for file reviews and in accordance with the audit plan	01/31/2021	
002: Feedback to PMO by file reviewer	Provide the Dashboard screenshots and/or other feedback mechanism	03/31/2021	
003: Provide training on file requirements	Provide the training materials and the training attendance list (documentation)	03/31/2021	

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Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (005B)			
Recommendation Name		For all current and future ESPCs awarded under the DOE super ESPC, ensure the contract files include the following required key documents: b. ECM Quality Control Inspection Plans	
Action to be Taken Step by Step		Supporting Documentation to be Sent to OAS	Date Documentation is Due
001: Develop checklist to be used by file reviewer and audit plan, Contracting Officer will be responsible for ensuring missing documents have been added or annotated		Provide the Checklist for file reviews and in accordance with the audit plan	01/31/2021
002: Feedback to PMO by file reviewer		Provide the Dashboard screenshots and/or other feedback mechanism	03/31/2021
003: Provide training on file requirements		Provide training materials and the training attendance list (documentation)	03/31/2021

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Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (005C)			
Recommendation Name	For all current and future ESPCs awarded under the DOE super ESPC, ensure the contract files include the following required key documents: c. Complete, final ESPC reports (i.e., commissioning, post-installation, and M&V) submitted in accordance with task order terms and conditions.		
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Develop a comprehensive checklist that includes required documents (cited by the auditors in the subject report) to be used by all file reviewers and in accordance with the audit plan. Contracting Officer will be responsible for ensuring missing documents have been added or annotated.	Provide the Checklist for file reviews and in accordance with the audit plan	01/31/2021	
002: Feedback to PMO by file reviewers	Provide the Dashboard screenshot and/or other feedback mechanism	03/31/2021	
003: Provide training on checklist, documentation and file requirements	Provide training materials and the training attendance list (documentation)	03/31/2021	

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Audit Contact Person	Sharon Conger		
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (006)			
Recommendation Name	Ensure that annual CPARS evaluations are completed for all future ESPCs in accordance with the FAR		
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Develop a comprehensive checklist that includes required documents (cited by the auditors in the subject report) to be used by all file reviewers and in accordance with the audit plan	Provide the Checklist for file reviews and in accordance with the audit plan	01/31/2021	
002: Feedback to PMO by file reviewer	Provide the Dashboard screenshot and/or other feedback mechanism	03/31/2021	
003: Provide training on checklist, documentation and file requirements	Provide training materials and the training attendance list (documentation)	03/31/2021	

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Audit Contact Person	Sharon Conger		
Contact Email	sharon.conger@gsa.gov	Contact Phone #	303-941-0226
Recommendation Number (007)			
Recommendation Name	Increase the ESPC PMO's oversight of the regions' administration of ESPCs through the performance period. This may include: assisting in the evaluation of M&V plans, providing resources to regions for the post-installation and annual M&V site visits, and reviewing annual M&V reports.		
Action to be Taken Step by Step	Supporting Documentation to be Sent to OAS	Date Documentation is Due	
001: Update PMO responsibility to include monitoring and oversight of regional ESPC administration	Issue an Instructional Memorandum outlining PMO monitoring and oversight requirements	11/30/2020	
002: Identify and obtain tools and resources that are needed to support Regional contract administration	Provide a document identifying the Findings (tools and resources) and an action plan	03/31/2021	

Appendix B – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (P)

Deputy Commissioner (PD)

Chief of Staff (PB)

PBS Audit Liaison (BA)

Assistant Commissioner, Office of Facilities Management and Services Program (PM)

Acting Director, Energy Division, Office of Facilities Management (PMAA)

ESPC Program Manager, Energy Division, Office of Facilities Management (PMAB)

Director of Financial Management (BG)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Program Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

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