In Brief

Background
The Smithsonian Institution (the Smithsonian) is currently conducting a multi-year renovation of its National Air and Space Museum (NASM) known as the NASM Revitalization Project.

The Smithsonian contracted with a joint venture to provide Construction Manager as Constructor (CMc) services. The CMc is responsible to hire all of the subcontractors for the various trades (for example, electrical, masonry, and concrete). The project is divided into two phases; Phase 1 was completed in October 2022, and Phase 2 is due to be completed by August 2024.

The CMc is required to develop the subcontract scopes of work, solicit bids, and evaluate bids to arrive at the overall best value to the Smithsonian. The Smithsonian is to provide review and approval at various stages in the process.

What OIG Did
The Office of the Inspector General contracted with Sikich CPA LLC (Sikich) to determine whether the CMc awarded subcontracts in accordance with the solicitation and competition requirements stipulated in Smithsonian policies and procedures and the construction contract.

What Was Found
Sikich found that the Smithsonian did not document its review and approval of the 11 sampled subcontracts as required. Specifically, the Smithsonian did not document the following:

- **Approval of subcontract awards.** The Smithsonian did not document its participation in and approval of the selection of 9 sampled subcontractors, as required. For the remaining 2 subcontracts, the Smithsonian did not document its approval of the pre-construction subcontractors before awards were made.

Sikich also found that the CMc did not retain the required documentation supporting the best value assessments for awarding subcontracts. In 9 of the 11 sampled subcontracts, documentation for the best value assessments was missing, including reference checks, subcontractor qualification reviews, and current construction backlog checks. By not retaining sufficient documentation of the best value assessments, the CMc was not able to show the basis for these awards, and the Smithsonian could not verify that the subcontractor offering the best value to the government was selected.

- **Adequate Competition.** For 3 of 11 sampled subcontracts, the Smithsonian did not document, as required, whether it agreed that adequate competition was achieved when fewer than three bids were received.

- **Review of the CMc’s Subcontractor Recommendations.** The Smithsonian could not provide evidence that its Contracting Officer reviewed quotations from potential subcontractors or approved the CMc’s recommendations for the award of subcontracts.

What Was Recommended
Sikich made three recommendations to improve the Smithsonian’s process for reviewing and approving subcontractor bids and awards for construction projects. These recommendations will help ensure that Smithsonian maintains the required documentation for future CMc construction contracts.

Management concurred with all of the recommendations.

For a copy of the full report, visit https://oig.si.edu
Date: March 27, 2024

To: Ron Cortez, Under Secretary for Administration
   Thomas Dempsey, Director, Office of Contracting & Personal Property Management (OCon&PPM)
   Derek Ross, Director, Office of Planning, Design, and Construction (OPDC)

Cc: Meroë S. Park, Deputy Secretary and Chief Operating Officer
   Greg Bettwy, Chief of Staff, Office of the Secretary
   Porter Wilkinson, Chief of Staff to the Regents
   Jennifer McIntyre, Chief Legal Officer, Office of the General Counsel (OGC)
   Craig Blackwell, Chief of Staff, Office of the Deputy Secretary and Chief Operating Officer
   Rick Flansburg, Deputy Under Secretary for Administration
   Farleigh Earhart, Associate General Counsel, OGC
   Natascha Syre, Deputy Director, OCon&PPM
   Charles Obi, Architect/Program Executive, OPDC
   Josh Shaw, Associate Director, Construction, OPDC
   SuChart Nuntasunti, Project Manager, OPDC

From: Joan Mockeridge, Acting Inspector General

Subject: *Smithsonian Institution’s Controls Over the National Air and Space Museum Revitalization Project’s Subcontract Awards Process (OIG-A-24-07)*

This memorandum transmits the final audit report of Sikich CPA LLC (Sikich), on the Smithsonian Institution’s (Smithsonian) controls over the National Air and Space Museum (NASM) Revitalization Project’s subcontract awards process.

Under a contract monitored by this office, the Office of the Inspector General engaged Sikich, an independent public accounting firm, to perform the audit. Sikich found that the NASM Revitalization Project team did not fully document its subcontractor bid and award reviews. Sikich made three recommendations for Smithsonian management to improve controls over the subcontract awards process. Management concurred with all three recommendations.

Sikich is responsible for the attached report and the conclusions expressed in the report. We reviewed Sikich’s report and related documentation and interviewed their representatives. Our review disclosed no instances in which Sikich did not comply, in all material respects, with the U.S. Government Accountability Office’s *Government Auditing Standards*.

We appreciate the courtesy and cooperation of all Smithsonian management and staff during this audit. If you have any questions, please contact me or Crist Chensvold, Supervisory Auditor.
PERFORMANCE AUDIT OF THE NATIONAL AIR AND SPACE MUSEUM REVITALIZATION PROJECT’S SUBCONTRACT AWARDS

SUBMITTED TO THE SMITHSONIAN INSTITUTION OFFICE OF THE INSPECTOR GENERAL

MARCH 26, 2024
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PERFORMANCE AUDIT OF THE NATIONAL AIR AND SPACE MUSEUM’S SUBCONTRACT AWARDS
SMITHSONIAN INSTITUTION OFFICE OF THE INSPECTOR GENERAL

I. EXECUTIVE SUMMARY

The Smithsonian Institution (SI) is currently conducting a multi-year renovation of its National Air and Space Museum (NASM) in a project known as the NASM Revitalization Project. To complete the project, SI contracted with a joint venture of three construction companies to provide Construction Manager as Constructor (CMc) services. One of the CMc’s responsibilities is to hire all of the subcontractors (e.g., electrical, masonry, concrete) needed to complete the project. The project consists of a preconstruction phase and two construction phases (i.e., Phase 1 and Phase 2). Completion of Phase 1, which started in October 2018, led to the west wing of the NASM reopening in October 2022. The Phase 2 renovation of the east wing is ongoing; the CMc is scheduled to complete its work in August 2024, thus allowing for the east wing to reopen in 2025.

To determine whether the CMc awarded subcontracts in accordance with the solicitation and competition requirements stipulated in SI policies and procedures and SI’s contract with the CMc, the SI Office of the Inspector General (OIG) engaged Sikich to conduct a performance audit of the NASM Revitalization Project’s subcontract awards. Based on our audit, we concluded that the SI NASM Revitalization Project team—which consists of representatives from the Office of Planning, Design, and Construction (OPDC) and the Office of Contracting & Personal Property Management (OCon&PPM)—did not fully document its subcontractor bid and award reviews.

We communicated the results of our audit and the related finding and recommendations to SI and the OIG.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

The Smithsonian Institution (SI) Office of the Inspector General (OIG) engaged Sikich to conduct a performance audit of the National Air and Space Museum (NASM) Revitalization Project’s subcontract awards. The objective of this performance audit was to determine whether the general contractor (i.e., the Construction Manager as Constructor [CMc]) awarded subcontracts in accordance with the solicitation and competition requirements stipulated in SI’s policies and procedures and the NASM Revitalization Project construction contract.

The scope of our audit included subcontracts awarded by the CMc for Phases 1 and 2 of the NASM Revitalization Project from September 14, 2018, through November 3, 2022. The subcontractors who performed the Phases 1 and 2 glass/glazing and stone/rainscreen work also received subcontracts for the preconstruction phase. Our scope, therefore, included the preconstruction bid and award process for those two subcontracts.

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1 Under the CMc approach, the functions of construction contractor and construction manager are merged and assigned to one entity which typically assumes control over the construction work by direct contracts with subcontractors. The construction manager represents the owner’s interest and provides oversight over the entire project directly for the owner. Their mandate is to work with all parties to deliver the project on time, at or under budget, and to the owner’s (i.e., the U.S. Government’s) expected standard of quality, scope, and function.

2 Effective December 14, 2023, we amended our legal name from “Cotton & Company Assurance and Advisory, LLC” to “Sikich CPA LLC” (herein referred to as “Sikich”).
To conduct the audit, we judgmentally selected a sample of 11 subcontracts for review from the 75 subcontracts that the CMc had awarded in Phases 1 and 2. During the period of our audit scope, the CMc had provided two subcontracts covering Phase 1 only, five subcontracts covering Phase 2 only, and 68 subcontracts covering both phases. Our sample consisted of one subcontract from Phase 1, one subcontract from Phase 2, and nine Phase 1 and 2 subcontracts. The total value of the 11 subcontracts in our sample (i.e., the original contract value plus the value of any approved change orders) was $316.6 million—representing 73.3 percent coverage of the $432.2 million value of all 75 subcontracts.

We chose our sample judgmentally to ensure that a variety of subcontracts and higher risk subcontracts were represented in our testing. We determined that higher risk characteristics included: (1) High subcontract value; (2) High total dollar amount for change orders; (3) Subcontracts with a high total dollar amount for change orders in relation to the original subcontract value; and (4) Subcontracts involving work performed by a subsidiary or affiliate of the CMc. Because we judgmentally selected the sample, the results of this audit cannot be projected to the population of Phase 1 and Phase 2 subcontracts.

Our audit included the following procedures:

- Reviewing the project’s documented policies and procedures, including the executed contract between SI and the CMc, for the review and approval of subcontractor bids and awards.
- Interviewing the SI NASM Revitalization Project team and CMc personnel to obtain an understanding of the subcontract awards process.
- Testing the sample of 11 subcontracts to determine whether SI and the CMc followed their policies and procedures.

Sikich conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) (per the 2018 revision of the Government Accountability Office’s 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 objective. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We performed this audit from November 2022 through May 2023 and communicated the results to both SI and the OIG.

Ⅲ. BACKGROUND

The Smithsonian Institution is the world’s largest museum, education, and research complex, inclusive of 21 museums and the National Zoo. SI was founded in 1846 with funds provided by Englishman James Smithson (1765–1829) according to his wishes: “to the United States of America, to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge…”

In 1946, President Harry Truman signed a bill establishing SI’s National Air Museum to memorialize the development of aviation; to collect, preserve, and display aeronautical equipment; and to provide educational material for the study of aviation. In 1966, President Lyndon Johnson signed a law that changed the name of the National Air Museum to the
National Air and Space Museum to memorialize the development of both aviation and spaceflight. Funding to construct a new building on the National Mall between Fourth and Seventh Streets S.W. in Washington, DC was approved in 1971. Groundbreaking took place on November 20, 1972, and in early 1975, the task of filling the building with air- and spacecraft began. The goal of opening during America's bicentennial year was met, and the building was inaugurated on July 1, 1976.

The museum's 7-year renovation began in 2018 and includes redesigning all 23 exhibitions and presentation spaces, complete refacing of the exterior cladding, replacement of outdated mechanical systems, and other repairs and improvements. To complete this renovation, SI contracted with a joint venture of three construction companies on January 9, 2017, to provide CMc services. The NASM Revitalization Project consists of a preconstruction phase and two construction phases (i.e., Phase 1 and Phase 2). Phase 1 is complete, which led to the west wing of the NASM reopening in October 2022. The Phase 2 renovation of the east wing is ongoing; the CMc is scheduled to complete its work in August 2024, thus allowing for the east wing to reopen in 2025.

The project is led by SI's NASM Revitalization Project team, which consists of representatives from the Office of Planning, Design, and Construction (OPDC) and the Office of Contracting & Personal Property Management (OCon&PPM). Regarding the subcontractor award process, OPDC is primarily responsible for monitoring and participating in the CMc's awarding of subcontracts, while OCon&PPM has the responsibility to review subcontract price quotations with the CMc's recommendation of whom to award and why. As a whole, SI's NASM Revitalization Project team is responsible for ensuring that the CMc awards subcontracts per the terms and conditions of SI's contract with the CMc.

The CMc is responsible for hiring the various subcontractors (e.g., electrical, masonry, concrete) needed to complete the project. In general, the subcontracting process requires the CMc to develop the scope of the work that will be subcontracted, solicit bids from subcontractors for each scope of work, and evaluate which bids provide the best overall value to the federal government. SI is involved throughout this process, providing review and approval at various stages in the subcontracting process. The following flowcharts depict the detailed steps of this process during both the preconstruction and construction phases.

Figure 1 depicts the subcontract award process for the preconstruction phase.
II. PERFORMANCE AUDIT REPORT

Figure 1: Preconstruction Phase - Subcontract Award Process

Figure 2: Construction Phases – Subcontract Award Process

IV. INTERNAL CONTROLS

GAGAS require auditors to obtain an understanding of internal controls that are significant within the context of the audit objectives. If the auditors determine internal controls are significant to the audit objectives, the auditors should also plan and perform audit procedures to assess internal control to the extent necessary to address the audit objectives.

We reviewed internal controls to obtain an understanding of the SI NASM Revitalization Project team’s and the CMc’s processes for reviewing and approving subcontractor bids and awards. We obtained our understanding by reviewing policies and contract requirements and interviewing SI NASM Revitalization project team members, as well as CMc employees, to determine whether controls were properly implemented and working as designed, individually or in combination with other controls. We determined that the controls over the project’s subcontractor bid and award review and approval process were generally sufficient; however, we noted one finding, which is described in detail in the Audit Results section of this report.
V. AUDIT RESULTS

The NASM Revitalization Project’s Phase 1 and Phase 2 subcontracts were not consistently awarded in accordance with the solicitation and competition requirements stipulated in SI policies and procedures and the NASM Revitalization Project construction contract. Specifically, the SI NASM Revitalization Project team did not fully document its subcontractor bid and award reviews.

Of the 11 subcontracts selected for review, the SI NASM Revitalization Project team was unable to provide documentation to show it approved any of the subcontractors working on the project prior to the CMc awarding its subcontracts. The 11 subcontracts represent 73.3 percent of the value of all NASM Revitalization Project subcontracts. This occurred because the SI NASM Revitalization Project team lacked written policies and procedures requiring it to document its subcontractor bid and award reviews.

We made three recommendations to improve how the SI NASM Revitalization Project team reviews and approves subcontractor bids and awards, including supporting those reviews and approvals.

Finding #1: The National Air and Space Museum Revitalization Project Team Did Not Fully Document Its Subcontractor Bid and Award Reviews.

Condition
The SI NASM Revitalization Project team did not fully document its subcontractor bid and award reviews, including:

- Its approval of subcontractors.
- Its satisfaction with the CMc obtaining fewer than three bids for a scope of work.
- The Contracting Officer’s review of the CMc’s subcontractor recommendations.

SI’s Approval of Subcontractors

In nine of the 11 sampled subcontracts, neither the CMc nor SI maintained sufficient documentation of their best value assessments\(^3\) of potential subcontractors. For the other two sampled subcontracts, the CMc provided documentation of its best value assessments. According to the CMc, best value assessments include a review of the bid documentation, interviews with subcontractors, reference checks, other project performance checks, subcontractor qualification reviews,\(^4\) and current construction backlog checks. However, the only documentation that the CMc was able to provide supporting its best value assessments was subcontractor qualification reviews for the winning bidders of the nine subcontracts but not for the unsuccessful bidders.

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\(^3\) The best value concept is a method of evaluating price and other factors (e.g., proposed staffing, references/similar projects, small business plan) specified in the solicitation with the goal of selecting the proposals that offer the best value to the government.

\(^4\) A subcontractor qualification review assesses potential subcontractors’ qualifications, including security risks. Topics for review include recent ownership changes, issues with past work performed, and historical safety performance, among others.
When we requested subcontractor qualification reviews for the unsuccessful bidders, the CMc stated that such reviews are: “typically done for the contractor who will be given an offer[,] and if necessary[,] a draft [subcontractor qualification review] is run for the other bidders, but typically not saved.” Given SI’s role in approving subcontractors, SI needs to ensure that the CMc sufficiently documents its best value assessments so that the basis for award of each subcontractor is clear and auditable.

In addition, the SI NASM Revitalization Project team could not provide documentation of its approval of the subcontractors for any of the 11 sampled subcontracts. Specifically:

- For the nine sampled subcontractors that performed Phases 1 and 2 work only, SI must participate in—and approve—the selection of subcontractors; however, the SI NASM Revitalization Project team was unable to provide any documentation indicating that it fulfilled this subcontractor approval requirement.

- For the two sampled preconstruction subcontractors, the CMc was required to: 1) prepare and submit procurement plans for early subcontractor participation to SI for review and approval; and 2) obtain SI’s approval before awarding preconstruction phase subcontracts. According to the SI NASM Revitalization Project team, “SI was involved in all interviews and presentations for the envelope\(^5\) subcontractors.” The CMc provided some handwritten notes regarding the selection of the preconstruction subcontractors for the stone/rainscreen and glass work. While the notes appear to include comments from the SI NASM Revitalization Project team, they did not evidence approvals of the selected subcontractors.

Table 1 summarizes our findings related to SI’s approval of subcontractors:

<table>
<thead>
<tr>
<th>Scope of Work</th>
<th>Phase</th>
<th>Required Documentation</th>
<th>Best Value Assessment</th>
<th>SI Participation/Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Steel Framing</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tower Crane</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Support of Excavation / Piling</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Drywall</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Signage</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Temporary Roof / Scaffolding</td>
<td>Phase 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Mechanical</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Electrical</td>
<td>Phases 1 and 2</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Masonry</td>
<td>Phase 1</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Glass/Glazing</td>
<td>Preconstruction; Phases 1 and 2</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Stone / Rainscreen</td>
<td>Preconstruction; Phases 1 and 2</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

SI's Satisfaction When Fewer Than Three Bids Were Received

Per SI’s contract with the CMc, if the CMc does not obtain competitive pricing from a minimum of three subcontractors, the CMc must provide documentation to prove limited availability of subcontractors to the satisfaction of SI. Our sample included three subcontracts that were awarded after the CMc received fewer than three proposals, as follows:

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\(^5\) The building envelope, which includes the walls, windows, roof, and foundation, forms the primary thermal barrier between the interior and exterior environments.
• The CMc obtained only two bids for the Phase 1 masonry work, which had a total subcontract value of $1,544,443.
• The CMc obtained only two bids for the Phase 2 temporary roof/scaffolding work, which had a total subcontract value of $4,383,084.
• The CMc obtained only two bids for the Phases 1 and 2 support of excavation/piling work, which had a total subcontract value of $3,281,654. Per the CMc, it requested a bid proposal from a third potential subcontractor, but that company declined to bid.

The SI NASM Revitalization Project team and the CMc stated that the CMc notified SI when it did not obtain at least three bids and that, in all cases, the SI NASM Revitalization Project team determined there was sufficient competition; however, we were not provided evidence of these determinations, such as a checklist, other template, and/or narrative indicating how the SI NASM Revitalization Project team completed its review and concluded that competition was adequate.

SI Contracting Officer’s Review of CMc’s Subcontractor Recommendations

SI’s contract with the CMc states that copies of quotations from potential subcontractors will be furnished to the Contracting Officer for review prior to award, along with a recommendation of whom to award to and why; however, OCon&PPM confirmed that it did not have documentation to support whether this requirement was met for any of the 11 subcontracts selected for testing.

Cause
The SI NASM Revitalization Project team did not have procedures in place to ensure it met contract requirements. Specifically, there were no procedures requiring the team to document: 1) its review of the CMc’s best value assessments or its participation in and approval of the selection of subcontractors; 2) how it became satisfied with situations in which the CMc obtained fewer than three bids; and 3) the Contracting Officer’s review of subcontract price quotations with the CMc’s recommendation of whom to award and why.

Effect
Without documentation to support that a proper review actually occurred, there is limited assurance that SI received a fair and reasonable price for the work.

Criteria
The following excerpts from the contract documents (Solicitation No. F16SOL10024) relate to the finding:

Section C.4 (g)(2), which states:

For all subcontracted work, the CMc shall obtain competitive pricing from a minimum of three (3) independent sources and conduct a best value assessment of the sources.

…
The SI shall participate in and approve the selection of subcontractors.

…
For items or work where three sources are not available due to circumstances such as uniqueness of the item, limited sources, or regional shortages, the CMc shall provide
such documentation as may be required to prove limited availability to the satisfaction of the SI.

Section I, 52.236-S5003(d), which states:

The CMc must receive price quotations from at least three (3) firms for all subcontracts for, but not limited to, equipment, equipment rentals, materials, labor contracts, any other supplies or services, where the quotations are expected to exceed or actually exceed $50,000, unless otherwise authorized by the Smithsonian Institution’s contracting officer.

... Copies of these quotations will be furnished to the Contracting Officer for review prior to award with recommendation of who to award to and why.

The Government Accountability Office’s Standards for Internal Control in the Federal Government (known as the Green Book) set internal control standards for federal entities. The following excerpt from the Green Book is relevant to this finding:

Section 10.03, which states:

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination...Documentation and records are properly managed and maintained.

Recommendations

Recommendation 1

We recommend that the Director, Office of Planning, Design, and Construction, and the Director, Office of Contracting & Personal Property Management, develop procedures and steps to ensure the offices maintain written documentation of the following on future Smithsonian Institution (SI) construction projects utilizing the Construction Manager as Constructor (CMc) delivery method:

a. Review of the CMc’s best value assessments, as well as SI’s participation in and approval of / concurrence with the selection of subcontractors, as required by the project’s contract.

b. Steps taken when evaluating the bid amounts in the absence of preferred competition levels, including the reasons why any potential subcontractors were disqualified from consideration.

c. Review of subcontract price quotations with the CMc’s recommendation of whom to award and why.

Recommendation 1 – SI Comment (see Appendix C)

Comment: Concur

Actions Planned:

The Director, OPDC together with the Director, OCon&PPM will develop written procedures as well as specific steps to ensure the offices maintain written
documentation of the following on future Smithsonian Institution (SI) construction projects utilizing the Construction Manager as Constructor (CMc) delivery method:

a. Review of the CMc’s best value assessments, as well as SI’s evaluation of and concurrence with the selection of subcontractors, as required by the project’s contract.

b. Steps taken when evaluating the bid amounts in the absence of preferred competition levels, including the reasons why any potential subcontractors were disqualified from consideration.

c. Review of subcontract price quotations with the CMc’s recommendation of whom to award and why.

Target Date for Completion: July 30, 2024

Recommendation 1 – OIG Comment

We recognize SI’s concurrence with the recommendation. The Directors of OPDC and OCon&PPM will develop procedures and steps to ensure their offices maintain written documentation of the items covered in the recommendation on future SI construction projects utilizing the CMc delivery method. Although “evaluation of and concurrence with the selection of subcontractors” is not the language used in the contract, we believe these actions meet the intent of the contract terms.

SI’s planned actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 2

We recommend that the Director, Office of Planning, Design, and Construction (OPDC), develop written procedures that document OPDC’s approval if fewer than three bids are received when awarding subcontracts on future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method.

Recommendation 2 – SI Comment (see Appendix C)

Comment: Concur

Actions Planned: The Director, OPDC will develop specific steps that document OPDC’s approval if fewer than three bids are received when awarding subcontracts on future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method.

Target Date for Completion: July 30, 2024

Recommendation 2 – OIG Comment

We recognize SI’s concurrence with the recommendation. The Director, OPDC will develop specific steps that document OPDC’s approval if fewer than three bids are received when awarding subcontracts on future SI construction projects utilizing the CMc delivery method. SI’s planned actions appear to be responsive to the
recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

**Recommendation 3**

We recommend that the Director, Office of Planning, Design, and Construction, and the Director, Office of Contracting & Personal Property Management, develop written policies and procedures for future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor (CMc) delivery method to contractually require CMc’s to retain best value supporting documentation, including the resulting analyses performed, that justifies the selection of all successful subcontractors.

**Recommendation 3 – SI Comment** (see Appendix C)

**Comment:** Concur

**Actions Planned:** The Director, OPDC together with the Director, OCon&PPM will develop written policies and procedures for future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method to ensure that future CMc contracts contain the requirement for the retention of best value supporting documentation, including the resulting analyses performed, that justifies the selection of all successful subcontractors.

**Target Date for Completion:** July 30, 2024

**Recommendation 3 – OIG Comment**

We recognize SI’s concurrence with the recommendation. The Directors of OPDC and OCon&PPM will develop written policies and procedures for future SI construction projects utilizing the CMc delivery method to ensure that future CMc contracts contain the requirement for the retention of best value supporting documentation. SI’s planned actions appear to be responsive to the recommendation. Therefore, the recommendation is considered resolved but open. The recommendation will be closed upon completion and verification of the proposed actions.

_Sikich CPA LLC_

March 26, 2024
APPENDIX A: ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>CMc</td>
<td>Construction Manager as Constructor</td>
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<tr>
<td>GAGAS</td>
<td>Generally Accepted Government Auditing Standards</td>
</tr>
<tr>
<td>NASM</td>
<td>National Air and Space Museum</td>
</tr>
<tr>
<td>OCon&amp;PMP</td>
<td>Office of Contracting &amp; Personal Property Management</td>
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<td>Office of the Inspector General</td>
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<td>OPDC</td>
<td>Office of Planning, Design, and Construction</td>
</tr>
<tr>
<td>SI</td>
<td>Smithsonian Institution</td>
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</table>
APPENDIX B: PRIOR AUDIT REPORTS

- Smithsonian Institution Office of the Inspector General
  
TO: Joan Mockeridge, Assistant Inspector General for Audits and Acting Inspector General

FROM: Ronald S. Cortez, Under Secretary for Administration

CC: Derek Ross, Director of Office of Planning, Design & Construction (OPDC)
Thomas E. Dempsey, Director of Office of Contracting and Personal Property Management (OCon&PPM)
Meroe S. Park, Deputy Secretary and Chief Operating Officer
Greg Bettwy, Chief of Staff, Office of the Secretary
Porter N. Wilkinson, Chief of Staff to the Regents
Farleigh Earhart, Acting General Counsel
Craig Blackwell, Chief of Staff, Office of the Deputy Secretary, and Chief Operating Officer
Rick Flansburg, Deputy Under Secretary for Administration
Josh Shaw, Associate Director, Construction, OPDC
Charles Obi, Architect/Program Executive, OPDC
Natasha Syré, Deputy Director, OCon&PPM
Catherine Chatfield, Enterprise Risk Program Manager

DATE: February 1, 2024

SUBJECT: Response to the Formal Draft Report Audit of Subcontract Awards for the NASM Revitalization Project

Thank you for providing a copy of the Office of the Inspector General (OIG) formal draft audit of Subcontract Awards for the NASM Revitalization Project. We want to express our appreciation for the dedication and hard work performed by the OIG staff.

Section 1: Response to Recommendations

1. The Director, Office of Planning, Design, and Construction (OPDC) and the Director, Office of Contracting and Personal Property Management (OCon&PPM) develop procedures and steps to ensure the offices maintain written documentation of the following on future Smithsonian Institution (SI) construction projects utilizing the Construction Manager as Constructor (CMc) delivery method:

   a. Review of the CMc’s best value assessments, as well as SI’s participation in and approval of/concurrence with the selection of subcontractors, as required by the project’s contract.

   b. Steps taken when evaluating the bid amounts in the absence of preferred competition levels, including the reasons why any potential subcontractors were disqualified from consideration.

   c. Review of subcontract price quotations with the CMc’s recommendation of whom to award and why.

Comment: Concur
Actions Planned:

The Director, OPDC together with the Director, OCon&PPM will develop written procedures as well as specific steps to ensure the offices maintain written documentation of the following on future Smithsonian Institution (SI) construction projects utilizing the Construction Manager as Constructor (CMc) delivery method:

a. Review of the CMc’s best value assessments, as well as SI’s evaluation of and concurrence with the selection of subcontractors, as required by the project’s contract.

b. Steps taken when evaluating the bid amounts in the absence of preferred competition levels, including the reasons why any potential subcontractors were disqualified from consideration.

c. Review of subcontract price quotations with the CMc’s recommendation of whom to award and why.

Target Date for Completion: July 30, 2024

2. The Director, OPDC develop written procedures that document OPDC’s approval if fewer than three bids are received when awarding subcontracts on future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method:

Comment: Concur

Actions Planned: The Director, OPDC will develop specific steps that document OPDC’s approval if fewer than three bids are received when awarding subcontracts on future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method.

Target Date for Completion: July 30, 2024

3. The Director, OPDC and the Director, OCon&PPM develop written policies and procedures for future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method to contractually require CMc’s to retain best value supporting documentation, including the resulting analyses performed, that justifies the selection of all successful subcontractors.

Comment: Concur

Actions Planned:

The Director, OPDC together with the Director, OCon&PPM will develop written policies and procedures for future Smithsonian Institution construction projects utilizing the Construction Manager as Constructor delivery method to ensure that future CMc contracts contain the requirement for the retention of best value supporting documentation, including the resulting analyses performed, that justifies the selection of all successful subcontractors.

Target Date for Completion: July 30, 2024
In conclusion, we thank you for the opportunity to review and comment prior to the issuance of the final report. Please direct any questions you may have regarding the information included herein to Catherine Chatfield, OUSA, for a coordinated response. Catherine may be reached via telephone at (202) 674-8931 or email to Chatfieldc@si.edu.

With appreciation,

\[\text{Signed by:}\]

Ron Cortez

Ron Cortez, JD, MA