

Implementation Review

IMPLEMENTATION REVIEW OF
GSA's NATURAL GAS PROGRAM
PUBLIC BUILDINGS SERVICE
REPORT NUMBER A010110/P/9/R01028
DATED SEPTEMBER 27, 2001
ASSIGNMENT NUMBER A050049
APRIL 7, 2005

**Office of Inspector General
General Services Administration**



Office of Audits

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450 Golden Gate Avenue, Room 7-5262
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Date: April 7, 2005

Reply to
Attn of: Audit Manager, San Francisco Field Audit Office (JA-9)

Subject: Implementation Review of GSA's Natural Gas Program
Public Buildings Service
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To: F. Joseph Moravec
Commissioner, Public Buildings Service (P)

The Office of Inspector General (OIG) has completed an implementation review of the management actions taken on the eight recommendations in the subject audit report. The audit report presented the results of our review of the General Services Administration's (GSA) natural gas program managed by the Public Buildings Service's (PBS) National Center for Utilities Management. The formal action plan addressed all of the recommendations with a completion date no later than March 5, 2002.

Background

During the initial review, conducted in September 2001, we examined program operations that were administered by PBS' National Center for Utilities Management (NCUM) in Vancouver, Washington. At that time, NCUM was headed by a local Director. As a result of restructuring, NCUM is currently known as the Natural Gas Acquisition Program (NGAP). Its director is located in Washington, D. C., and it is organizationally within the Energy Center of Expertise's Office of Applied Science.

In our prior report, we recommended that management controls be established in order to improve PBS' natural gas program in four areas (a total of eight recommendations). Specifically, the report included recommendations to: (1a) document monthly the agreed upon and established key pricing factors to be used for customer billing in advance of gas delivery; (1b) require justification and advance approval for any deviation from the pricing specified (2a) develop procedures to independently verify the

contractors' invoices; (2b) perform and document invoice verification for rates on a continuing basis; (2c) review the Gross Receipts Tax paid for all facilities in the District of Columbia to determine the full extent of any overcharges and obtain credits as appropriate; (3a) improve the administrative fee billing and collection process; (3b) maintain a log of information submitted to Finance, showing the dates and amounts of the administrative fees to be billed to the contractors, as well as the dates and amounts subsequently collected by Finance; and (4) conduct program savings validation independently of the contractor. Management concurred with the recommendations and provided a time-phased action plan delineating the specific corrective actions that had already been taken or were planned.

Scope and Methodology

The implementation review included discussions with management personnel to determine if management's action plan had been implemented. We evaluated collection data provided by Finance for the period June 1999 to November 2004. The data included the billing and collection dates for the entire period. However, the dates that Finance received the administrative fee data from NGAP were available for only the period, August 2003 through November 2004.

Results

We noted that appropriate action had been taken for seven¹ of the eight recommendations. However, we found that NGAP did not implement the corrective action for audit recommendation 3a, which was to comply with established GSA, PBS guidelines to improve the administrative fee billing and collection process. As a consequence, the collection of administrative fees continued to be untimely.

NGAP continues to handle the fees it charges its customers in the same manner as when we performed our initial audit. A key element in the process is that NGAP deals with several contractors delivering natural gas to approximately 375 NGAP customers' facilities. The contractors add NGAP's fees to the customers' monthly invoices. Upon receiving copies of the invoices, NGAP consolidates the customers' monthly fees for each contractor, and then sends a notice to GSA Finance. GSA Finance then submits an invoice to each contractor.

We noted that NGAP appears to initiate collection of the administrative fee on a haphazard basis. The following table shows the dates that NGAP forwarded requests to Finance to initiate collection of the fees:

¹We consider action completed for Recommendation 4 because the NGAP no longer provided cost data to its customers, thus rendering the recommendation to be no longer applicable.

Date Finance Received Collection Data from NGAP	Date Finance Billed	Amount	Months Fees Were Earned
August 13, 2003	August 22, 2003	\$212,491	February through April 2003
January 21, 2004	February 11, 2004	\$ 13,556	June through September 2003
February 12, 2004 and February 18, 2004	February 19 – 21, 2004	\$114,076	January through December 2003
May 6 – 21, 2004	May 13 – 18, 2004	\$374,536	May 2003 through February 2004
July 16, 2004	Not Stated	\$21,469	November 2003 through May 2004
October 5 – 7, 2004	October 6, 2004	\$21,191	March 2004 through August 2004

The table shows that the requests vary significantly both in frequency of the request and the amount of fees. In addition, it appears that some months are only partially billed at any one time. For example, Finance billed in both August 2003 and in February 2004 for fees earned in April 2003. Of particular concern is that some of the requests include fees earned over a long period. For example, the request from October 2004 included administrative fees as far back as March 2004 and the May 2004 submission included administrative fees as far back as May 2003; one year in arrears.

After we brought the delays to management's attention, the NGAP Director e-mailed NGAP associates on October 25, 2004, reminding them to bill administrative fees on a monthly basis. In addition, management officials indicated that they would review the process to determine possible improvements.

Within the scope of this review, we did not follow-up to determine whether or not the NGAP Director's reminder has improved timeliness of the administrative fee billing and collection process. However, we feel that if significant improvement is not achieved, NGAP's Director needs to take more formal action.

In our opinion, a viable alternative that could improve the timeliness of the administrative fee billing and collection process is to employ the business model used

by FSS in its schedule contracts. Both the NGAP and the FSS schedule programs require the contractors to collect fees from GSA's customers on the products and services purchased. However, FSS differs from NGAP in the way it collects fees. FSS places the responsibility squarely on the contractors to accurately record and remit the fees to GSA without being reminded. The contractors must report the sales and amount of fees collected on a quarterly basis, and remittances are due 30 calendar days after the end of the quarter. On the other hand, NGAP relies upon its staff to notify Finance of the fees due, thus placing responsibility on GSA to bill the contractors for the amounts owed. To adopt the FSS model, NGAP may need to modify its natural gas supply contract clauses. However, adopting the model may assist in achieving the desired outcome of collecting the administrative fees timely, with less NGAP and GSA Finance involvement.

ACTIONS TAKEN NOT IN ACCORDANCE WITH THE ACTION PLAN

Recommendation 3a.

"Revise [NGAP's] policy to ensure that Finance is notified monthly to bill the contractors for administrative fees."

Action Plan Response

"1. The Energy Center of Expertise will follow the established financial procedures put in place by GSA, Public Buildings Service at the initiation of the program."

Status of Action

This aspect of the action plan has not been implemented.

CONCLUSION

NGAP must establish an effective means of collecting the administrative fees in a timelier manner. As an alternative to the haphazard process currently in place, we propose that NGAP consider patterning the process after the business model utilized in FSS schedule contracts.

ACTION REQUIRED

The Commissioner, Public Buildings Service (P), is required to submit a revised action plan to the Office of the Controller, Office of the Chief Financial Officer (BE) within 30 days, addressing improvements in the timeliness of collecting the administrative fees.

Please contact Sanford Weitzner or me at (415) 522-2744 if you require more information concerning this report.

A handwritten signature in cursive script, appearing to read "Perla Corpus".

PERLA CORPUS
Audit Manager (JA-9)
San Francisco Field Audit Office