

**REVIEW OF THE PACIFIC RIM REGION
PUBLIC BUILDINGS SERVICE
GOLDEN GATE OFFICE
REPORT NUMBER A060232/P/9/R07003
JUNE 11, 2007**

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Field Audit Office, Pacific Rim Region (JA-9)
450 Golden Gate Avenue, Room 7-5262
San Francisco, CA 94102-3434

Date: June 11, 2007

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

Subject: Review of the Pacific Rim Region, Public Buildings Service
Golden Gate Office
Report Number A060232/P/9/R07003

To: Peter G. Stamison
Regional Administrator, Pacific Rim Region (9A)

This report presents the results of the Office of Inspector General's review of the Pacific Rim Region, Public Buildings Service, Golden Gate Office (GGO). The review determined that the GGO adhered to applicable laws, regulations and established policy and procedures when making purchase card transactions; adequately controlled contract employee identification badges; fully documented indefinite delivery/ indefinite quantity (IDIQ) construction contract task orders; and sufficiently managed the preventive building maintenance program. However, the file documentation was inadequate for three sole source Reimbursable Work Authorizations (RWA). In addition, monthly surveillance reports for janitorial services were not prepared after February 2006. Therefore, we were unable to determine whether the government received the quality and quantity of services it paid for procurements involving sole source RWAs and janitorial services.

The Regional Administrator's response to the draft report is included as Appendix A of the report.

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



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EXECUTIVE SUMMARY

PURPOSE

The objectives of this review were to determine whether the Public Buildings Service, Golden Gate Office (GGO): (1) made procurements that were prudent and in accordance with laws, regulations, and established policy and controls; and (2) effectively performed contract administration duties.

BACKGROUND

The GGO is one of five field offices under the direction of the San Francisco Service Center. The office is located at the Phillip Burton Federal Building and United States Court House and is one of two field offices located in San Francisco, California. Each of the five field offices is responsible for managing government owned buildings and/or leased spaces. With a staff of 12 government employees and one contract employee, the GGO oversees nearly 2.3 million square feet of rentable space in five government owned and 24 leased buildings located throughout the city.

RESULTS OF REVIEW

Generally, the review determined that the GGO adhered to applicable laws, regulations and established policy and procedures when making purchase card transactions; adequately controlled contract employee identification badges; fully documented indefinite delivery/ indefinite quantity (IDIQ) construction contract task orders; and sufficiently managed the preventive building maintenance program. However, the file documentation was inadequate for three sole source Reimbursable Work Authorizations (RWA). In addition, monthly surveillance reports for janitorial services were not prepared after February 2006. As a result of the deficiencies, we were unable to determine whether the government received the quality and quantity of goods that were paid for sole source RWAs and janitorial services.

RECOMMENDATIONS

We recommend that sole source awards must be adequately documented to support the government's justification for the absence of competition and its evaluation of fair and reasonable pricing. We also recommend that the GGO complete the required monthly surveillance reports for janitorial contracts to ensure performance quality levels are achieved.

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INTRODUCTION

Background

As part of the General Services Administration (GSA), Office of Inspector General's fiscal year 2007 Annual Audit Plan, we conducted a review of the Public Buildings Service (PBS), Golden Gate Office (GGO), in the Pacific Rim Region. GSA has the responsibility to provide fully serviced space to Government agencies in federally owned and leased buildings. PBS field offices and property management centers (PMC), located nationwide, fulfill the needs and requests of Government agencies that occupy space in the buildings.

The GGO is one of five field offices under the direction of the San Francisco Service Center. The office is located at the Phillip Burton Federal Building and United States Court House and is one of two field offices located in San Francisco, California. Each of the five field offices is responsible for managing its assigned government owned buildings and/or leased spaces. With a staff of 12 government employees and one contract employee, the GGO oversees nearly 2.3 million square feet of rentable space in five government owned and 24 leased buildings located throughout the city

Objectives, Scope and Methodology

The primary objectives of the review were to determine if:

- (1) The field office made procurements that were prudent and in accordance with laws, regulations, and established policy and controls; and
- (2) The field office effectively performed contract administration duties and assured that the quality and quantity of goods and services received were what the Government ordered and paid for.

To accomplish the audit objectives, we:

1. Reviewed the Federal Acquisition Regulations (FAR) addressing Contracting Officer Responsibility (FAR 37.103), Performance-Based Contracting (FAR 37.600), Certificate of Independent Price Determination (FAR 52.203-2), Davis-Bacon Act (FAR 52.222-6), GSA Order Guidance on Use of the Credit Card for Purchases (Chief Financial Officer 4200.1), Simplified Acquisition Procedures (FAR 13.106), and Circumstances Permitting Other Than Full and Open Competition (FAR 6.302);

2. Reviewed procurement documentation for all purchase card transactions valued at \$3,408 made by the field office during the June 2006 statement period and physically verified 20 credit card items purchased by the field office and valued at \$8,892 during FY 2005 and FY 2006;
3. Physically inspected five reimbursable work authorizations construction projects valued at \$152,846 along with two building operations construction projects valued at \$26,335;
4. Obtained security clearance information for 60 contract employees under two janitorial contracts at the Phillip Burton Federal Building and United States Court House;
5. Reviewed procurement documentation for three sole source contracts valued at \$114,813 made by the field office during FY 2006;
6. Evaluated four IDIQ construction task orders valued at \$325,300;
7. Reviewed two janitorial services contracts at the Phillip Burton Federal Building and United States Court House valued at \$4,210,000; and
8. Performed onsite inspections of the work performed by two janitorial contractors and one operations and maintenance contractor at the Phillip Burton Federal Building and United States Court House.

Our review covered procurements made and contracts in effect during fiscal years 2005, and 2006. The review was completed in accordance with Generally Accepted Government Auditing Standards.

RESULTS OF REVIEW

Results in Brief

Generally, the GGO's procurements in our sample were prudent and made in accordance with laws, regulations and established policy and controls. In addition, contract administration for the majority of items selected for review was generally effective and assured that the quality and quantity of goods and services received were what the Government ordered. However, we were unable to determine whether the government received the quality and quantity of services it paid for procurements involving sole source RWAs and janitorial services.

Findings and Recommendations

Finding 1 - Procurement Documentation

The contract files for three sole source Reimbursable Work Authorizations (N3423286, N3592829, and N3674226) did not contain adequate documentation in support of the government's evaluation of the contractor's proposal for price reasonableness. In addition, documentation for two of the three RWAs did not adequately support the reason as to why only one vendor was considered in the contract award. According to a GGO official, the procurement deficiencies were due to oversight. Without adequate file documentation, we were unable to determine whether the government received fair and reasonable pricing for the RWAs. In addition, use of sole source procurement awards without proper justification may undermine competition, leading to higher costs.

RWA N3423286: This RWA involved a sole source procurement valued at \$21,768 to reconfigure furniture workstations for the United States Bankruptcy Court. Review of the procurement file disclosed that selecting the incumbent contractor was based on convenience and past performance. Court officials felt that sole sourcing the RWA using the incumbent contractor was an efficient and effective means to procure services especially when they were quite satisfied with the incumbent's work on a prior project. FAR 13.106-1(b)(1) allows contracting officers to solicit from one source on the condition that (1) purchases do not exceed the simplified acquisition threshold of \$100,000 and (2) if the contracting officer determines that the circumstances of the contract action deem only one source reasonably available. However, a statement documenting the reason for the absence of competition if only one source is solicited is required according to FAR 13.106-3(b)(3)(i). We found no evidence to support the need for sole sourcing the RWA. In addition, there was no indication in the contract file to determine whether the GGO officials agreed with the court's preference for a sole source award.

The contract file did not include documentation to support that the government received a fair and reasonable price for this RWA. FAR 13.106-3(a)(2) requires that documentation on price reasonableness must be included in the file if only one offer is received in response to a solicitation. Documentation such as the independent government estimate

was not included in the contract file to establish that the price for services to reconfigure the workstations was fair and reasonable.

RWA N3592829: This RWA involved a sole source procurement of \$80,227 to purchase and install air conditioning equipment for the United States District Court Review. The procurement file disclosed that this project adequately documented the government's cost estimate and the contractor's quote, which included four alternative amounts. However, there was no evidence in the procurement file to explain how price reasonableness was determined given the different cost amounts proposed for the project.

RWA N3674226: This RWA involved a sole source procurement of \$12,767 to install signage for the United States Bankruptcy Court. Review of the procurement file disclosed that the courts requested the purchase and installation of signage within the court's assigned space using the same contractor who had performed a prior installation of signs at the courthouse. Because the Court required that the new signs be identical to pre-existing signs, the incumbent contractor was awarded the RWA as a sole source. FAR 13.106-1(b)(1) allows contracting officers to solicit from one source on the condition that (1) purchases do not exceed the simplified acquisition threshold of \$100,000 and (2) if the contracting officer determines that the circumstances of the contract action deem only one source reasonably available. However, a statement documenting the reason for the absence of competition if only one source is solicited is required according to FAR 13.106-3(b)(3)(i). We found no evidence to support the need for sole sourcing the RWA. There was also no documentation in the contract file that indicated whether the GGO officials agreed with the court's preference for a sole source award.

In addition, the contract file did not include documentation to support that the government received a fair and reasonable price for this RWA. FAR 13.106-3(a)(2) requires that documentation on price reasonableness must be included in the file if only one offer is received in response to a solicitation. Documentation such as the independent government estimate was not included in the contract file to establish that the price for purchasing and installing signage was fair and reasonable.

Recommendations

We recommend that the Regional Administrator (9A) direct the Assistant Regional Administrator for PBS to adequately document sole source procurements by:

- 1A. Requiring contracting officers to include detailed explanation that necessitated a sole source procurement; and
- 1B. Instructing the contracting officers to provide adequate support for their evaluation of fair and reasonable pricing.

Finding 2 - Contract Administration

Based on the contracts awarded for janitorial services, the GGO is required to prepare monthly surveillance reports. However, for two janitorial contracts these monthly reports were not completed. Because we were unable to determine the quality of services provided, the GGO may have paid janitorial service contractors without full assurance that the quality of services met contract standards.

We reviewed two janitorial service contracts (GS09P05KSD0032 and GS09P05KSD0028) at the Phillip Burton Federal Building and United States Court House. Both janitorial contracts required the completion of a monthly report that summarized the contractor's performance based on criteria set forth in the Quality Assurance Surveillance Plan (QASP). The QASP ensures identification of unacceptable performance with timely follow-up to correct deficiencies. However, the required monthly surveillance reports from March 2006 to September 2006 were not completed. Due to other contracting duties, the contracting officer's representative indicated that she had no time to prepare the monthly reports. Because the surveillance reports were not prepared, we were unable to determine if janitorial services were performed at the levels required by the terms of the contract.

Recommendation

We recommend that the Regional Administrator (9A) direct the Assistant Regional Administrator for PBS to:

2. Require the Contracting Officer's Representative to prepare written monthly surveillance reports for janitorial contracts.

Management Comments

The Regional Administrator (9A) agreed with our findings and recommendations and is in the process of taking corrective action. The Regional Administrator's comments are included as Appendix A to this report.

Internal Controls

We assessed the internal controls relevant to certain aspects of the field office operations. We concluded that those internal controls, with the exception of the findings noted above, were effective in providing assurance that government assets were protected.



JUN 05 2007

MEMORANDUM FOR JAMES P. HAYES
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-9)

FROM: PETER G. STAMISON 
REGIONAL ADMINISTRATOR (9A)

SUBJECT: RESPONSE TO DRAFT REPORT A0602232

The following information is provided in response to the findings identified in the subject draft report:

Finding number 1: Procurement Documentation:

RWA N3423286. This Reimbursable Work Authorization (RWA) involved a sole-source procurement to reconfigure workstations for the United States Bankruptcy Court. The justification for utilizing sole source was not well defined/documentated in the file and there was no government estimate to support the contracting officer's determination of a fair and reasonableness price.

RWA N3592829. This RWA was for two additional air conditioning units for the US District Courts. The justification for utilizing sole source was not well defined/documentated in the file and there was no government estimate to support the contracting officer's determination of a fair and reasonableness price.

RWA N3674226. The RWA involved a sole source procurement to install signage for the United States Bankruptcy Court. The justification for utilizing sole source was not well defined/documentated in the file and there was no government estimate to support contracting officer's determination of a fair and reasonableness price.

Action Taken: Additional training was held on May 3, 2007 which included the estimators and the Property Managers who perform lease administration and oversight of lease projects. Additional training and direction was given to all staff members on May 9 at the weekly staff meeting regarding the requirements for government estimates and sole source justifications. All future projects in leased space will require an Independent Government Estimate and sole source justification in the file before any proposals are requested from the lessor.

Finding number 2: Contract Administration:

Based on the contracts awarded for janitorial services, the GGO is required to prepare monthly surveillance reports. Two of the janitorial services contracts lacked the required surveillance reports during the period of March – September 2006. The Contracting Officer's Representative failed to document the surveillance on the GSA Form 1181A during that period of time.

Action Taken: Refresher training and instruction were provided to field office staff on May 3, 2007, by the Senior Property Manager. The Contracting Officer's Representative (COR) who has the inspection and documentation responsibilities for the custodial contract is now following the requirements of the Quality Assurance surveillance Plan (QASP), and required inspection documentation is already in the file for May 2007. The GSA form 1181A is being used and will be included in the file for each inspection in the upcoming months.

I have reviewed the actions taken and find they are sufficient to correct the discrepancies noted in your report. Please contact our Assistant Regional Administrator for Public Building Service, Jeff Neely, if you have any addition questions. He can be reached at (415) 522-3055.

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