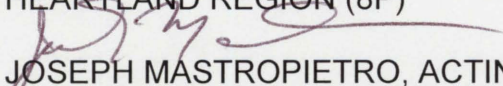




U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

August 19, 2010

MEMORANDUM FOR PAUL F. PROUTY
REGIONAL COMMISSIONER, PBS
HEARTLAND REGION (8P)

FROM 
JOSEPH MASTROPIETRO, ACTING REGIONAL
INSPECTOR GENERAL FOR AUDITING
GREAT LAKES REGION (JA-5)

SUBJECT Audit Memorandum: Procurement of Construction
Management Services in Support of the American Recovery
and Reinvestment Act of 2009¹ Projects in North Dakota

On March 30, 2010, the Heartland Region PBS office issued a firm-fixed price task order to Ulteig Engineers, Inc. placed against a FAS multiple award schedule blanket purchase agreement (BPA) for construction management services.² The construction management services, valued at \$179,680, were in support of the American Recovery and Reinvestment Act of 2009 (Recovery Act) projects at three Federally-owned facilities in Fargo (two buildings) and Bismarck, North Dakota. The focus of our audit work was the \$139,205 in management services being provided in association with building improvements and alterations at the Federal Building and Post Office in Fargo, North Dakota.

We determined that the task order contained: (1) duplicate expenses; (2) proposed personnel whose qualifications did not match the proposed labor category qualifications; (3) open market items that were not treated in accordance with contract terms and

¹ The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides the General Services Administration (GSA) with \$5.5 billion for the Federal Buildings Fund. In accordance with the Recovery Act, the GSA Public Buildings Service (PBS) is using the funds to convert Federal buildings into High-Performance Green Buildings as well as to construct Federal buildings, courthouses, and land ports of entry. The Recovery Act mandates that \$5 billion of the funds must be obligated by September 30, 2011. The GSA Office of Inspector General (OIG) is conducting oversight of the projects funded by the Recovery Act. One objective of this oversight is to determine if PBS is awarding and administering contracts for limited scope and small construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates.

² Task order number GS-P-08-10-JC-0009 from blanket purchase agreement (BPA) GS-10F-09-LP-A-0028. The underlying professional engineering services schedule contract is GS-10F-0274U.

conditions; and (4) improperly prepared invoices. The result was at least \$5,301 in unnecessary or unsubstantiated expenses incorporated into the task order.

Duplicate expenses. Ulteig's proposal contained a line item for "Expenses at 1.5%". The expenses were not identified by type so as to be construed as other direct costs; however, Ulteig's contract did not provide for other direct costs.³ An Ulteig representative informed us that the expenses represented printing, copying, other reproduction, and local mileage.

The master solicitation governing Ulteig's professional engineering services schedule contract provides that the prices submitted represent fully burdened rates inclusive of all cost factors. Therefore, expenses amounting to \$2,657 were duplicated in the task order.

Unqualified personnel. Ulteig proposed engineers with at least a bachelor's degree in engineering and four years of experience for work on the task order.⁴ We noted that two subcontractor personnel identified with construction management support (quality control personnel) did not have the required engineering degrees. If these subcontractors are placed on the task order as proposed, then the government is paying for personnel who do not have the required qualifications under the contract. The contractor's proposal was by skill level and not by employee; therefore we could not compute the costs related to the unqualified personnel.

Open market items. Ulteig proposed \$2,644 for a "fire protection engineer" as an open market item. Ulteig's proposal indicated that the fire protection support would be provided by a sub-consultant. PBS representatives were not provided details concerning the proposed cost and therefore could not assess price reasonableness. The Federal Acquisition Regulation (FAR) 8.402(f)(2), calls for a price reasonableness determination for open market items that accompany schedule purchases. We also note that the open market item was not segregated on the task order, despite the BPA's ordering procedures which require that open market items be clearly identified on the order.

We also noted that an Ulteig employee, identified as a Fire Protection Engineer 1, was included in the proposal under hours assigned to mechanical engineers. These hours should be removed from the task order because fire protection services are not within the scope of the schedule.

Invoices. We attempted to assess the problems associated with the task order by examining Ulteig's invoices. However, Ulteig's invoices were not prepared in

³ Ulteig's final proposal revision supporting schedule contract GS-10F-0274U stated that Ulteig was not offering ODCs (other direct costs). The BPA must abide by the terms and conditions of the underlying schedule contract.

⁴ The exceptions were a single degreed architect priced as a lead engineering technician and administrative (standard clerical).

accordance with the underlying schedule contract's terms and conditions. Ulteig simply presented a total billed amount with no supporting itemization. Per FAR 52.212-4(g)(1)(iv) (regulations incorporated by reference), an invoice must contain a description, quantity, unit of measure, unit price, and extended price of the items being billed. Invoices prepared in this manner would have identified the duplicated costs (if charged), the unqualified employees (if actually on the task), and the components of the open market items.

If you have any questions about this memorandum, please contact me at 312-353-7782.

Distribution List

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