




U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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July 28, 2011

MEMORANDUM FOR: JAMES WELLER  
REGIONAL COMMISSIONER  
PUBLIC BUILDINGS SERVICE (PBS)  
SOUTHEAST SUNBELT REGION (4P)

FROM:   
JAMES M. CORCORAN  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
MID-ATLANTIC REGIONAL FIELD AUDIT OFFICE (JA-3)

SUBJECT: Procurement of Design and Install of Roof Replacement and  
Improvements at the Wilkie D. Ferguson Federal Courthouse  
- A Public Buildings Service (PBS) Small Scope Construction  
Project Funded by the American Recovery and  
Reinvestment Act (ARRA) of 2009<sup>1</sup>  
Memorandum Number A090184-22

Our review of the subject task order identified an area of concern related to the procurement process that we would like to bring to your attention. The contracting officer could not rely on the Independent Government Estimate (IGE) as a tool for assuring price reasonableness because the IGE was significantly out of line with (lower than) the bids received and the ultimate award amount. Documentation found in the contract files and interviews with PBS contracting personnel served as the primary basis for our review.

The Southeast Sunbelt Region PBS office (Region 4) issued a firm-fixed-price task order<sup>2</sup> to Platinum One Contracting, Inc. (Platinum One), on July 1, 2009, for the design, repair, replacement, and improvement of thermal and moisture protection systems and rainwater drainage systems at the roofs of the Wilkie D. Ferguson Federal Courthouse

<sup>1</sup> The American Recovery and Reinvestment Act of 2009 appropriated \$5.55 billion to the Public Buildings Service's Federal Buildings Fund, the majority of which was related to measures necessary to convert its facilities to High-Performance Green Buildings. The Recovery Act also required the Office of Inspector General to oversee and audit programs, grants, and projects funded under this Act.

<sup>2</sup> Task order number GS-P-04-10-EX-5011, under IDIQ contract number GS-04P-09-EX-D-0111.

(Ferguson) and Brickell Plaza Federal Office Building (Brickell), both located in Miami, Florida. The task order consisted of a base award (awarded October 26, 2009) for work to be performed at the Ferguson building, with an option to award the design and installation of roof replacement and improvements at the Brickell building within 120 calendar days. This memo focuses on the \$619,500 roof replacement services at the Ferguson building.

### **The Contracting Officer Could Not Rely on the IGE Due to the Significant Difference Between the IGE and Award Amount**

The \$369,062 IGE was significantly lower than the bids received and approximately 41 percent lower than the ultimate award amount of \$619,500. As a result, the contracting officer could not rely on the IGE as a tool for assuring price reasonableness. Contracting officers use IGE's to assess whether an offeror's proposed price is fair and reasonable, and to obtain an understanding of the project requirements. We asked the contract specialist why there was such a material difference between the IGE and the bids and why a corrected/revised IGE had not been prepared. The contract specialist provided us with correspondence from the Contracting Officer's Representative (an email dated December 11, 2009) addressing both the Ferguson and Brickell projects, which stated:

The prices for the work at the Ferguson Courthouse differ greatly from the government estimate. This is because additional work was identified during the pre-proposal site visit to this facility. This work is not reflected in the government estimate. However, the high proposal for this work is only 8.67% greater than the low proposal, which suggests very competitive pricing. Therefore, the prices for the work at the Ferguson Courthouse are also considered fair and reasonable.

The contract specialist also provided a response, dated February 2, 2011, stating:

The project team reviewed the project scope with all three contractors during our phone conference to insure that we all had the same understanding of work requirements (53,200 s.f.) and all cost elements. Once that was confirmed, we assumed that the IGE was in error and that the competition among the contractors was the best indicator of the fair market value of the work. Because of time constraints at the time, this appeared to be the most efficient and effective strategy to insure [sic] a fair and reasonable price was being proposed.

The contract specialist eventually provided us with an updated IGE, dated January 21, 2011, prepared by the estimator. However, this IGE was prepared only after we brought the issue to the attention of the contract specialist, approximately 15 months after the task order was awarded. At the time of award, Region 4 officials did not request a revised IGE and relied solely on competition among the contractors in

determining and ensuring a fair and reasonable price. If not for competition, contracting officials would not have had adequate assurance of price reasonableness, since a key tool, a reliable IGE, was not available.

Additionally, the preparer did not sign the initial IGE for this award. GSA guidelines (P-120 Project Estimating Requirements for the Public Buildings Service) prescribe that, "A qualified Government employee whose major responsibility is creating or approving cost estimates for GSA must sign and approve the IGE..."

An IGE is an important tool to the contracting officer and requiring a signed IGE demonstrates the authenticity of the document. As stated in Federal Acquisition Regulation 15.406-1(a) regarding contract pricing documentation, contracting officers use documents such as an IGE in developing their prenegotiation objectives and determining fair and reasonable prices.

#### Management Comments

Region 4 Management provided the following comments dated July 1, 2011:

We acknowledged in a previous response to your office dated February 2, 2011, that there was an error in a component of the IGE, specifically the roofing protection coating, which caused the significant difference in the IGE and the award amount. We also acknowledge the lack of signature in the initial IGE. We have taken steps to improve our internal controls process to address this issue. Region 4 acknowledges the oversight in the preparation of the IGE. However, the basis for this award and for ensuring price reasonableness was not based on a comparison of the IGE and the bids (FAR 15.404-1(b)(2)(v)).

#### Office of Inspector General (OIG) Response

Region 4 agrees with the OIG's points on the IGE, but believes that the presence of competitive bids for this procurement was sufficient to determine price reasonableness.

We appreciate the support that has been provided throughout this review. If you have any questions, please contact me at (215) 446-4846; or Mr. Gregory P. Pasqualone, Audit Manager, at (215) 446-4842; or Mr. Robert Basile, Auditor-in-Charge, at (215) 446-4852.

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