



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

October 13, 2011

MEMORANDUM FOR JAMES S. WELLER
REGIONAL COMMISSIONER, PBS
GREATER SOUTHWEST REGION (7P)

FROM ADAM R. GOOCH *Adam Gooch*
REGIONAL INSPECTOR GENERAL FOR AUDITING
GREAT LAKES REGION (JA-5)

SUBJECT Administration of Contracts for Roofing and Exterior
Restoration Services at the United States Customs House in
Houston, Texas funded by the American Recovery and
Reinvestment Act of 2009¹
Memorandum Number A090184-44

This is to inform you that some key aspects of a task order issued against contract number GS-07P-99-HHD-0126 were not executed or administered properly. This task order was issued on March 25, 2010, against Cardinal Roofing, Inc.'s (Cardinal Roofing) IDIQ² contract for design services, roofing replacement, and exterior masonry restoration at the United States Customs House in Houston, Texas. The task order also contained options for design services and roofing restoration work at the Labranch Federal Building, Alliance Tower, and Bob Casey Federal Building and Courthouse.

The roofing inspection report was not produced independently. As a result, an outside observer might come away with the impression that the project's costs were inflated to benefit the prime contractor. In addition, certified payrolls were not always submitted as required.

Roofing inspection not independently performed.

PBS did not fully define the scope of the work. Instead, PBS had the contractor determine the actual scope of work during the design phase after the task order was

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 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 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 Indefinite delivery indefinite quantity

awarded. The resultant roofing inspection report contained recommendations that increased construction costs.

PBS's Statement of Work (SOW), dated February 19, 2010, included design phase services, construction phase services, and technical scopes of work. Under design phase services, the SOW required an "independent conceptual design roof or roof/exterior inspection." The purpose of the inspection report, was to: (a) verify requirements stated within the design-build scope of work were fully understood and achievable; (b) document conditions/concerns that would adversely affect the project's objective and budget; (c) confirm that the requirements can and would be fulfilled; (d) identify conflicts



U.S. Custom House

between the Government's scope of work and actual building conditions and characteristics; (e) provide solutions to resolve conflicts between the scope of work and building conditions; and (f) include a cost proposal, as applicable, to resolve the conflicts. Additionally, the roofing inspection was to "Provide information from the roof core samples that are taken."³

PBS exercised the option for design services and roofing restoration at the Labranch Federal Building on September 20, 2010.⁴ This \$1,055,820 option included \$29,950 for design phase services. Price Consulting, Cardinal Roofing's architect/engineer subcontractor, produced the subject roofing inspection report on November 10, 2010. The report noted several differences between PBS's scope of work and actual building conditions. Cardinal Roofing proposed to correct the differing conditions for \$165,491.⁵ PBS agreed and issued task order modification number nine, dated February 10, 2011, authorizing the additional services, essentially letting the contractor define its own scope of work.

PBS is required, by the Project Manager Guide for 2010, to explicitly define the performance and prescriptive requirements at the onset of a project. PBS did not fully define the project requirements. Because the design firm that performed the inspection was employed by the prime contractor, the roofing inspection report did not contain impartial data. There was no incentive to control costs. As a result of the inspection report's recommendations, the task order's cost increased by about \$100,000.

³ The task order mandated a minimum of four roof samples at the Labranch location to determine slope, insulation material, and other existing materials.

⁴ The option was exercised via task order modification number five.

⁵ We concluded that \$63,800 of this amount was due to the fact that the contractor could not work at night, which required a change in materials. This amount is not relevant to our discussion.

PBS officials provided us with several documents (finding of fact, price reasonableness determination, cost estimate) supporting the task order modification. Although the support appeared to be valid, we do not believe it is sound practice to issue a \$1 million task order for roofing restoration, which includes a technical scope, but also instructs the contractor to determine the work to be done. Our concern is with the appearance of the transaction to an outside observer (a civilian taxpayer, for example) who may be inclined to believe that the project was inflated to benefit the prime contractor when the roof inspection is performed by the prime contractor.

Payrolls not submitted.

PBS did not ensure that certified payrolls were submitted as required. Consequently, PBS could not know whether prevailing wages were being paid or employees were properly classified.

The sign-in/sign-out logs we reviewed showed that Cardinal Roofing and/or its exterior restoration subcontractor had worked at the Alliance Tower on 23 of 30 calendar days (including weekends) during the month of June 2010; however, Cardinal Roofing submitted certified payroll records for only three of those days.⁶

Labor standards clauses for construction contracts were incorporated into Cardinal Roofing's base IDIQ contract. Federal Acquisition Regulation 52.222-8(b)(1) states that the contractor shall submit a copy of all payrolls to the contracting officer on a weekly basis for each week in which any contract work is performed. PBS's contracting officer did not obtain the payroll records on a timely basis. Without certified payrolls, PBS could not assess the contractor's adherence to the task order's labor standards.

If you have questions regarding this memorandum, please call me or audit manager John Langeland at (312) 353-0500 and (312) 353-6691, respectively.

⁶ Pay period ending July 4, 2010, had payroll entries for June 28-30, 2010.

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