



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

# Audit Memorandum: Recurring Findings from Audits of PBS Construction and Basic Repairs and Alterations Projects

Memorandum Number A240077  
January 27, 2025



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

January 27, 2025

TO: MICHAEL PETERS  
COMMISSIONER  
PUBLIC BUILDINGS SERVICE (P)

FROM: for R. NICHOLAS GOCO  
ASSISTANT INSPECTOR GENERAL FOR AUDITING (JA)

SUBJECT: Audit Memorandum: Recurring Findings from Audits of PBS Construction  
and Basic Repairs and Alterations Projects  
Memorandum Number A240077

This memorandum details recurring findings identified through our audits of GSA's Public Buildings Service (PBS) construction and basic repairs and alterations projects conducted during Fiscal Years (FYs) 2020 through 2024. The frequency and recurring nature of these findings indicates the need for additional management attention.

### BACKGROUND

PBS acquires federally owned space by constructing new buildings or acquiring existing buildings. It is also responsible for maintaining 1,600 federally owned buildings nationwide. Subject to congressional approval, PBS primarily funds these activities through the Federal Buildings Fund using the following three budget activities:

- **Construction and Acquisition** – Provides funds for the design, construction, and acquisition of new buildings. In FY 2024, Congress authorized PBS to spend \$807.8 million for construction and acquisition activities.
- **Major Repairs and Alterations** – Provides funds for improvements to existing buildings through repairs and alterations valued above the prospectus threshold, which was \$3.6 million as of FY 2024. This budget activity also pays for repairs, upgrades, and/or replacement of major building systems. In FY 2024, Congress authorized PBS to spend \$263.5 million for major repairs and alterations.

- **Basic Repairs and Alterations** – Provides funds for improvements to existing buildings through repairs and alterations projects valued between \$25,000 and the prospectus threshold. In FY 2024, Congress authorized PBS to spend \$398.8 million on basic repairs and alterations.

PBS also recently received supplemental funding for projects in federally owned buildings. In November 2021, PBS received \$3.418 billion through the Infrastructure Investment and Jobs Act (IIJA) for the acquisition, construction, and repair and alteration of land ports of entry (LPOEs). In August 2022, GSA received an additional \$3.4 billion through the Inflation Reduction Act for sustainable construction activities.

PBS uses these funds to award billions of dollars in contracts annually. It is critical for PBS to provide effective management and oversight of these contracts to ensure that the funds are spent appropriately and to guard against waste, fraud, and abuse.

## **RESULTS**

### **Recurring Findings from Audits of PBS Construction and Basic Repairs and Alterations Projects Indicate that Additional Management Attention Is Needed**

Since FY 2020, we have conducted seven audits of PBS construction and basic repairs and alterations projects, totaling over \$429 million. Through these audits, we have identified recurring findings related to:

- Contractor compliance with security requirements;
- Oversight of 8(a) program small business set-aside contracts;
- Enforcement of Construction Wage Rate Requirements; and
- Completeness and accuracy of contract files.<sup>1</sup>

We discuss these recurring findings below.

**Contractor compliance with security requirements.** PBS’s construction and basic repairs and alterations projects are subject to a variety of security requirements that are designed to protect federal buildings, information, and personnel. However, we identified deficiencies in PBS’s oversight of contractor compliance with security requirements in all seven of our audits of PBS construction and basic repairs and alterations projects. For example:

- In March 2023, we reported that security was compromised at the Calexico West LPOE project.<sup>2</sup> We found that PBS’s security requirements for the project were inconsistent and contradictory. We also found that PBS’s enforcement of site security requirements

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<sup>1</sup> See **Attachment 1** for a listing of the seven audit reports and the recurring findings identified in each report.

<sup>2</sup> Report Number A210070/P/9/R23006, March 2, 2023.

was inadequate for Phase 2A of the project. As a result, 95 contractor employees who did not clear background checks were allowed to work on the LPOE project, including 8 with criminal records.

- In September 2023, we reported that PBS did not enforce building security requirements during the heating, ventilation, and air conditioning (HVAC) system modernization project at the William Augustus Bootle Federal Building and U.S. Courthouse (Bootle Building) in Macon, Georgia. As a result, contract workers without required security clearances were allowed to access the building.<sup>3</sup>

The HVAC modernization contract required that contractor and subcontractor employees performing work on the project obtain appropriate security clearances before being granted access to the site. We reviewed certified payroll records and identified 12 subcontractor employees who accessed the Bootle Building for a period of more than 180 days. After reviewing the GSA system that houses information on security clearances, PBS could not find required security clearances for six of those subcontractor employees.

- In September 2024, we reported on PBS's IJIA-funded project to repave six LPOEs at New York State's northern border, identifying two significant project security breakdowns.<sup>4</sup> First, we found that PBS did not comply with or enforce security requirements governing the use of unmanned aircraft systems, which are also known as "drones." Specifically, we found that a subcontractor hired to take before and after pictures of the paving project used drones manufactured by a Chinese company that the U.S. Department of Defense has identified as a potential national security threat.

Second, PBS did not adequately enforce security requirements for construction personnel who worked on the paving project task order. We found that PBS did not ensure that background security checks were completed for construction personnel and a drone operator prior to their work at the six LPOEs. PBS did not try to confirm this information until we inquired about it as part of our audit. We also found that PBS was unaware that the contractor did not submit the names of all construction personnel for background security checks.

**Oversight of 8(a) program small business set-aside contracts.** Contracts awarded through the U.S. Small Business Administration's 8(a) Business Development program (8(a) program) are intended to maximize contracting opportunities for these small businesses. When using these contracts, it is critical to provide effective oversight to prevent fraud and abuse through "pass-through" schemes. Under a "pass-through" scheme, a participating business uses its 8(a) program status to obtain a contract and bills the government for the work performed.

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<sup>3</sup> Report Number A210076/P/4/R23009, September 29, 2023.

<sup>4</sup> Report Number A220036/P/2/R24008, September 24, 2024.

However, the 8(a) program participant pays a subcontractor that is not eligible for the 8(a) program to perform most of the work under the contract. In exchange for the “pass-through” use of the 8(a) program certification by the ineligible subcontractor, the 8(a) program participant typically keeps a portion of the contract value without performing, or only minimally performing, any work.

We identified deficiencies in PBS’s oversight of these contracts in four of our seven audits of PBS construction and basic repairs and alterations projects. For example, in August 2024, we issued a memorandum that identified deficiencies in PBS’s oversight of an 8(a) program contract for the Bootle Building HVAC modernization project.<sup>5</sup> We found that PBS’s ineffective oversight of an 8(a) program small business contractor created an environment in which the prime contractor may have acted as an 8(a) program small business “pass-through.” Specifically, we noted that the contract met the following three fraud risk indicators:

- The 8(a) program contractor did not comply with subcontracting limitations. The Federal Acquisition Regulation (FAR) limits the amount of direct work that an 8(a) program participant can subcontract to another company.<sup>6</sup> This FAR requirement is designed to prevent 8(a) program participants from becoming a “pass-through” for large or ineligible businesses. However, we found that the subcontractor hired by the 8(a) program contractor performed all the direct work on the contract.
- The 8(a) program contractor kept a significant portion of the contract value for minimal work. Under 8(a) program small business “pass-through” fraud schemes, the prime contractor typically keeps a portion of the contract value for minimal or no work. While the prime contractor’s records show that it kept approximately \$645,000—more than 19 percent of the \$3.345 million total contract value—for its work on the contract, we found limited evidence that it was actively involved with the project.
- The subcontractor employees represented themselves to the government as employees of the 8(a) program contractor. This is consistent with another indicator of “pass-through” fraud schemes because it gives the misleading impression that the employees work for the 8(a) program participant, which may prevent the government from identifying the “pass-through” scheme and taking appropriate action.

**Enforcement of Construction Wage Rate Requirements.** Construction Wage Rate Requirements apply to federally funded contracts in excess of \$2,000 for construction, alteration, or repairs of public buildings.<sup>7</sup> Under these requirements, contractors and subcontractors must pay their laborers and mechanics working on federal construction projects

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<sup>5</sup> Memorandum Number A210076-2, August 6, 2024.

<sup>6</sup> FAR 52.219-14, *Limitations on subcontracting*.

<sup>7</sup> Construction Wage Rate Requirements were formerly known as the Davis-Bacon Act.

no less than the locally prevailing wages and fringe benefits.<sup>8</sup> In accordance with the FAR, PBS is required to regularly review certified payrolls and interview employees to determine the correctness of classifications, pay rates, fringe benefit payments, and hours worked.<sup>9</sup> However, we found that PBS did not comply with these requirements for five of our seven audits of construction and basic repairs and alterations projects. For example:

- In September 2023, we reported that PBS failed to obtain and review certified payrolls throughout the performance of the Bootle Building HVAC modernization contract to ensure that the contractor and its subcontractors paid its employees according to Construction Wage Rate Requirements.<sup>10</sup> This allowed some subcontractors to violate labor standards by paying employees less than the required wage or fringe rates.
- In August 2024, we reported that PBS did not collect and review certified payroll records from the contractor to determine compliance with Construction Wage Rate Requirements for a basic repairs and alterations project to install variable frequency drives at the Central Heating Plant in Washington, D.C.<sup>11</sup>
- In September 2024, we reported that PBS did not collect and review certified payroll records from the contractor to determine compliance with its IJJA-funded project to repave six LPOEs at New York State’s northern border. PBS also did not conduct the required labor interviews.<sup>12</sup>

**Completeness and accuracy of contract files.** The maintenance of complete and accurate contract files is critical to ensure that PBS has a sufficient and complete history of transactions and decisions made at each step of the acquisition process. It also positions PBS to furnish essential documentation and facts in the event of litigation or congressional inquiries. However, we found that PBS did not maintain complete and accurate contract files in six of our seven audits of PBS construction and basic repairs and alterations projects. For example:

- In June 2021, we reported that PBS did not maintain necessary contract file documentation for a basic repairs and alterations project to upgrade passenger elevators at the U.S. Court of International Trade building in New York, New York.<sup>13</sup> We

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<sup>8</sup> The U.S. Department of Labor defines laborers and mechanics as workers whose duties are manual or physical in nature, including apprentices, trainees, and helpers.

<sup>9</sup> FAR 22.406-7, *Compliance checking*.

<sup>10</sup> Report Number A210076/P/4/R23009, September 29, 2023.

<sup>11</sup> Report Number A230043/P/R/R24006, August 9, 2024.

<sup>12</sup> Report Number A220036/P/2/R24008, September 24, 2024.

<sup>13</sup> Report Number A200976/P/2/R21004, June 17, 2021.

found that the contract did not include key documents, including the independent government cost estimate, security clearance documentation, and acquisition plan.

- In March 2023, we reported that some contract modifications awarded during Phase 1 of the Calexico West LPOE project were missing essential documents, including statements of work, independent government cost estimates, and technical analyses.<sup>14</sup> These documents are needed to describe the work being procured, support price reasonableness determinations, evaluate the proposal, and provide evidence of the regional business clearance review.
- In April 2023, we reported that the contract file for a basic repairs and alterations project at the Fort Lauderdale Federal Building and Courthouse was missing key documents.<sup>15</sup> After the start of our audit, the contracting officer uploaded 383 documents to the contract file, some of which had to be obtained from the contractor. Nonetheless, numerous documents remained missing, including the acquisition plan, security and background review determinations, and certified payroll records.

We also found that several contract documents contained inaccuracies. For example, the award decision document included the wrong project title, wrong contractor name and representatives, and an incorrect independent government cost estimate amount. Contract modifications also included erroneous periods of performance.

- In September 2024, we reported that the PBS Northeast and Caribbean Region (Region 2) did not maintain complete and accurate contract file documentation for its IJJA-funded project to repave six LPOEs at New York State's northern border.<sup>16</sup> After our audit began, PBS Region 2 personnel uploaded 111 documents to the task order contract file. Of these 111 documents, 98 were added after the PBS Region 2 supervising branch chief told us that all documentation related to the task order was in the file.

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<sup>14</sup> Report Number A210070/P/9/R23006, March 2, 2023.

<sup>15</sup> Report Number A220042/P/6/R23007, April 20, 2023.

<sup>16</sup> Report Number A220036/P/2/R24008, September 24, 2024.

## CONCLUSION

The recurring nature of the deficiencies described above indicate the need for additional management attention. Accordingly, PBS management should assess these deficiencies to determine whether programmatic improvements are needed to strengthen oversight of its construction and basic repairs and alterations projects.

### **GSA Comments**

In his written response to our draft memorandum, the PBS Commissioner stated that PBS will be issuing a directive to all Regional Commissioners/Heads of Contracting Authority outlining the recurring findings and highlighting resources to improve contract administration. The PBS Commissioner's response is included in its entirety as **Attachment 2**.

### **Compliance Statement**

This memorandum complies with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*.

### **Audit Team**

This assignment was managed out of the Real Property Audit Office and conducted by the individuals listed below:

Byron G. Bustos	Associate Deputy Assistant Inspector General for Auditing
Meseret Henriques	Audit Manager
Nicole Robinson	Auditor-In-Charge
Robert Thornburg	Auditor



## ***Attachment 1 – List of Reports and Identified Recurring Findings***

Audit Number	Audit Title	Recurring Findings			
		Contractor Compliance With Security Requirements	Oversight of 8(a) Program Small Business Set-Aside Contracts	Enforcement of Construction Wage Rate Requirements	Completeness and Accuracy of Contract Files
A200976-1	Audit of PBS Basic Repairs and Alterations Project: Federal Bureau of Prisons Headquarters	X			X
A200976-2	Audit of PBS Basic Repairs and Alterations Project: United States Court of International Trade Building	X			X
A210070	Audit of the Calexico West Land Port of Entry Expansion and Modernization Project	X		X	X
A210076-1 <sup>17</sup>	Audit of PBS Basic Repairs and Alterations Project: William Augustus Bootle Federal Building and U.S. Courthouse				
A210076-2	Ineffective Oversight of a Contract for Basic Repairs and Alterations to the William Augustus Bootle Federal Building and U.S. Courthouse Increased the Risk of 8(a) Program Small Business Fraud and Abuse	X	X	X	
A220036	Oversight of PBS's Projects Funded by the Infrastructure Investment and Jobs Act: Audit of Paving Project at New York State's Northern Border	X	X	X	X
A220042	Audit of PBS Basic Repairs and Alterations Project: Fort Lauderdale Federal Building and Courthouse	X	X	X	X
A230043	Basic Repairs and Alterations Project for the Central Heating Plant in Washington, D.C., Was Not Effectively Managed	X	X	X	X
	<b>Number of Audits with Recurring Findings</b>	<b>7</b>	<b>4</b>	<b>5</b>	<b>6</b>

<sup>17</sup> We considered Audit Number A210076-1 and Memorandum Number A210076-2 together, as one audit, because of their related subject.

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## Attachment 2 – GSA Comments

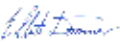
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January 2, 2025

MEMORANDUM FOR: R. NICHOLAS GOCO  
ASSISTANT INSPECTOR GENERAL FOR AUDITING (JA)

FROM: ELLIOT DOOMES   
COMMISSIONER (P)  
PUBLIC BUILDINGS SERVICE

SUBJECT: *Draft Audit Memorandum: Recurring Findings from Audits of  
PBS Construction and Basic Repairs and Alterations  
Projects (A240077)*

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft audit memorandum, *Recurring Findings from Audits of PBS Construction and Basic Repairs and Alterations Projects*. The Public Buildings Service (PBS) is committed to monitoring and evaluating its construction and basic repairs and alterations contracts so that federally owned facilities under the jurisdiction, custody and control of the U.S. General Services Administration (GSA) are maintained in good condition for its customer agencies and at the best value for taxpayers.

In response to the draft audit memorandum, PBS will be issuing a directive to all Regional Commissioners/Heads of Contracting Authority outlining the recurring findings and highlighting resources, tools and training to assist the acquisition community in improving contract administration. Issuance of this memo will also be included as part of the Corrective Action Plan for A240077.

If you have any questions or concerns, please contact Tracy Marcinowski, Assistant Commissioner for Acquisition Management, Office of Acquisition Management (OAM), PBS, at (202) 969-7146.

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### ***Attachment 3 – Memorandum Distribution***

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GSA Administrator (A)

GSA Deputy Administrator (AD)

PBS Commissioner (P)

Acting Deputy Commissioner (P1)

Deputy Commissioner of Enterprise Strategy (P2)

Acting Chief of Staff (PB)

Acting Deputy Chief of Staff (PB)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)