Audit Report

OIG-05-035 (Interim Report)

TBARR: Cost of Employee Move Delays During Main Treasury Building Renovation Could Not Be Determined

April 1, 2005

Office of Inspector General

Department of the Treasury

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Abbreviations

H.R.	House Report
OIG	Office of Inspector General
Secret Service	United States Secret Service
TBARR	Treasury Building and Annex Repair and Restoration
Treasury	Department of the Treasury

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April 1, 2005

Jesus H. Delgado-Jenkins
Acting Assistant Secretary for Management

This report provides the results of our efforts to determine the costs associated with employee delays on planned moves into alternative work space during the renovation phases of the Treasury Building and Annex Repair and Restoration (TBARR) Project. We performed this work as part of our continuing audit oversight of the TBARR Project and to address a requirement in the Conference Report (H.R.108-792) and the related House Report 108-671 to the Consolidated Appropriations Act, 2005, that we identify such costs.[1]

This is the third Interim Audit Report we have issued on the TBARR Project. As discussed in our first Interim Audit Report issued in August 2004,[2] a major reason causing project delays and increased costs was moving building occupants to and from "swing space" as the renovation work progressed. We were told by the former TBARR Director that the total costs due to these move delays were between $15 million and $20 million. We also reported that the TBARR Program Office did not maintain auditable records supporting the extent of delays and impact on project costs;

[1] The Conference Report also directed that our office complete the audit of the TBARR Project, including building code compliance, by April 4, 2005. In a letter dated March 21, 2005, we informed the Senate and House Committees on Appropriations of a delay in reporting on building code compliance related to the need by our office to acquire the services of an independent inspector through a competitive bidding process. We expect that this process will take about 2 months and we anticipate reporting on building code compliance by July 29, 2005.

[2] *GENERAL MANAGEMENT: Management of the Treasury Building and Annex Repair and Restoration Program Needs to Be Strengthened* (OIG-04-039; issued August 9, 2004).

therefore, we were unable at the time to validate the former TBARR Director's assertion.[3]

To address the request in the Conference Report, we: (1) examined additional records related to the TBARR Project including modifications to the prime renovation contract and available move records maintained by the TBARR Program Office; and (2) interviewed TBARR officials and staff. Specifically, we interviewed staff with selected program offices in the Main Treasury building affected by the moves during renovation including staff with program offices specifically identified by the former TBARR Director as contributing to move delays and increased costs. We also interviewed TBARR move contractor personnel. We performed this work between January 2005 and March 2005. A more detailed description of our objectives, scope, and methodology is provided in Appendix 1.

We were unable to determine the total cost associated with move delays. We identified 3 prime renovation contract modifications totaling $0.98 million that were issued because of Government delays. Available documentation for 2 modifications totaling $0.73 million indicated the Government delays were related to employee relocation issues. For one modification, the documentation did not cite the specific circumstances and responsible parties for move delays. Documentation for the other modification attributed the move delays to the United States Secret Service (Secret Service). According to the Secret Service personnel, construction and other issues precluded moves when scheduled. The documentation for the third modification did not describe the circumstances of the Government delay and whether it was related to employee moves. Other TBARR move records we examined were not maintained in a complete and consistent manner and while those records indicated a number of move delays occurred, we could not determine the extent, reasons, responsible parties, and associated cost of the

[3] Other findings in that report discussed: (1) inadequate planning of the TBARR Program at its inception; (2) delays and increased costs due to numerous amendments of the original TBARR scope; and (3) deficient TBARR accounting records, reconciliations, and reports. We issued a second interim report in September 2004 in which we concluded that sampled TBARR contract awards substantially complied with procurement requirements but certain deviations from contracting requirements and sound contract administration were noted (*GENERAL MANAGEMENT: Treasury Building and Annex Repair and Restoration Program Procurement Practices Need to be Improved;* OIG-04-043 issued September 23, 2004). OIG reports are available on our website at www.ustreas.gov/inspector-general/.

move delays. Staff with program offices we interviewed acknowledged some responsibility by the program offices for delayed moves but they attributed most delays to the TBARR Program Office, and the "swing space" and renovation work being incomplete. Based on the above, we could not determine a total cost, other than for the 2 prime renovation contract modifications, of delayed employee moves.

We are recommending that the Department implement procedures to improve the management and records for its move activities during the remainder of the TBARR Project and future renovation work of the Treasury Annex building, if funded. In its response, management agreed with this recommendation and has taken and planned corrective actions. The response is provided as Appendix 2.

Pursuant to the Conference Report, we will be providing copies of this Interim Audit Report to the Senate and House Committees on Appropriations.

Background

After a June 1996 roof fire resulted in major damage to the Main Treasury building, Treasury decided to modernize the building. The TBARR Program was established in August 1998 for the purpose of: (1) repairing and restoring the Main Treasury building to correct the damage caused by the roof fire, (2) restoring the historic fabric of the building, and (3) modernizing the building and its systems to comply with current codes and standards. At the same time, Treasury established the TBARR Program Office within the Office of Management to procure related services, oversee the design and construction activities, and coordinate employee moves during the renovation.

The renovation design plan provided that the interior building renovation would be carried out in 4 phases and the building was divided into quadrants for that purpose. Renovation of all floors in each quadrant was to be substantially completed before work started in the next quadrant. To accomplish the renovation, the occupants of each quadrant had to be temporarily relocated to "swing space" within the Main Treasury building, the Treasury Annex, or leased facilities.

Starting with emergency funding received in fiscal year 1996 for the fire damage, Treasury has received funding each year since, in accordance with no-year and multi-year spending plans. Through fiscal year 2005, the Congress appropriated a total of $237 million for the TBARR Project.

Renovation of the four building quadrants was initially projected to be completed in December 2003. In our September 2004 Interim Audit Report, we reported that the TBARR Project was expected to be completed in December 2005. This date has further slipped. According to a report by the Department to the Committees on Appropriations dated March 9, 2005, reduced fiscal year 2005 funding from the budget request was: "too significant to be absorbed by the program and complete the program as scheduled in December 2005."[4,5] The Department also reported that available funding has been directed toward the completion of the third to fifth floors in the final quadrant as well as the associated infrastructure supporting those floors. The first and second floors along with the basement in this area are planned to be "stabilized." According to TBARR officials, the first and second floors of the quadrant will remain uninhabitable without further funding. The fiscal year 2006 budget request for TBARR is for $10 million. According to the Department's report, the additional funding is to complete the repair and renovation of the Main Treasury building to include finishing the second and first floors of the last quadrant and

[4] Senate Report 108-342 directed the Department to provide a report to the House and Senate Committees on Appropriations by March 1, 2005, on: (1) the original plan and scope for the Treasury Department and Annex, (2) the final plan and scope of the project scheduled for completion in 2005, (3) a full assessment and explanation of cost variances by project compared to the original plan, (4) an assessment of all future requirements for new and deferred maintenance and repairs for the Main Treasury building and the Annex, and (5) all restoration work done to the Annex. As discussed in our first Interim Audit Report, no funds at the time had been budgeted for the complete renovation of the Treasury Annex building. The Department stated in its report to the Committees that a comprehensive Prospectus has not been done to establish a baseline for repairs and renovation work to the Annex. As a general comment, a comprehensive Prospectus is necessary to identify the estimated cost estimate and timeframe for such a renovation project.

[5] The fiscal year 2005 TBARR budget request was for $20.3 million; the amount appropriated, after recission, was $12.2 million.

final work in the entire basement area involving removal or readjustment of overhead piping, conduits, and ducting.

As noted in our prior Interim Audit Reports, there has been significant turnover in the senior leadership of the Department since the inception of the TBARR Project. Additionally, the former TBARR Director, who asserted that employee moves increased TBARR costs by $15 million to $20 million, retired in September 2004 as did the Deputy Assistant Secretary (Organization and Change Management) who oversaw the TBARR Program. These duties have since been reassigned. However, vacancies in senior leadership remain a concern. We noted in our first Interim Draft Report that the Deputy Secretary's direct involvement in office move issues related to Phases 3 and 4 seemed to improve cooperation for the efficient movement of employees to "swing space." That position is now vacant.

Finding and Recommendation

Finding — Inadequate Documentation Supporting the Extent, Reasons, and Associated Costs of Move Delays During Renovation

The previous TBARR Director asserted that many of the TBARR construction delays occurred because employees would not move to and from "swing space" in a timely manner. We found that the TBARR Program Office issued three modifications to the prime renovation contract that specifically cited Government delays as part of the justification for extending the construction period and increasing the prime renovation contract cost by a total of $0.98 million.[6] The documentation, however, was inconclusive as to the reasons and responsible parties for the delays. Move schedules maintained by the TBARR Program Office that we reviewed showed that dates for planned moves were often changed/delayed during the renovation phases. However, the move schedules generally did not document the reasons for these changes and the responsible parties. The move schedules were also incomplete and inconsistent. Accordingly, we could not use

[6] As of March 23, 2005, 241 modifications have been issued on this contract.

these records as a basis for estimating the cost associated with employee move delays. Personnel with program offices we interviewed stated that move delays occurred but attributed most delays to the "swing space" and renovation work being incomplete. Based on the above, we could not determine a total cost, other than the 2 prime renovation contract modifications, of delayed employee moves.

Internal control should provide reasonable assurance that the objectives of a program are being achieved in: (1) the effectiveness and efficiency of operations including the use of program resources; (2) reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use; and (3) compliance with applicable laws and regulations. Control activities occur at all levels and functions of a program and they include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. In this regard, internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. With a project the size and as complex as TBARR, it is reasonable to expect that slippages may occur due to a variety of causes (e.g., construction delays). It is therefore necessary to maintain records that appropriately identify such slippages and the associated causes and responsible parties so appropriate remedial action can be taken in a timely manner.

<u>Prime Renovation Contract Modifications Due to Government Delays</u>

We found that the prime renovation contract was modified 3 times for Government delays. The 3 modifications extended the prime renovation contract period and increased the prime renovation contract cost by a total of $0.98 million. Additional details about these modifications follow:

- <u>Modification 115 dated October 10, 2002</u> The stated purpose of this modification, which increased the prime renovation contract cost by $0.34 million, was to provide funding to compensate the contractor for costs associated with extending the Phase 2 completion date by 2 months because of the "impact of the Treasury staff not relocating from the Construction phase as scheduled for the Main Treasury Building project." However, the modification did not indicate a specific office or offices that would not relocate from the construction phase and the reasons why, and such information was not available in the TBARR Project files we reviewed.

- Modification 155 dated May 6, 2003 According to the modification document, the purpose of the modification was to extend the completion dates of Phases 2, 3, and 4 to July 28, 2003; June 14, 2004; and May 14, 2005; respectively. The modification also increased the prime renovation contract cost by $0.39 million. A memorandum in the TBARR prime renovation contract files signed by the contracting officer stated: "Under phase 2, the contractor has proposed a two month time extension due to government delay. This delay is due to delays in turnover of contract work space in phase II." Another memorandum in the prime renovation contract file signed by a TBARR official and dated March 11, 2003, stated that the primary cause of the project being delayed by 48 days was the continued occupancy of first floor space by the Secret Service, which should have been turned over to the contractor by that time. According to Secret Service personnel, this first floor space housed its command center for the Main Treasury building, and the space could not be vacated until a new command center was completed and operational. The personnel also stated that the Secret Service's move was rescheduled twice due to construction and communication issues with the new command center.

- Modification 191 dated December 5, 2003 The modification document, which increased the prime renovation contract cost by $0.25 million stated 5 purposes for the modification. The first purpose was to extend the Phase 2 construction period by 49 days to September 15, 2003, as a "result of Government delays." No specific information was included

> in the modification document or the prime renovation contract files to explain the circumstances and responsible parties for the Government delay. The other four stated purposes related to setting new target dates for completing Phases 3 and 4.

We interviewed TBARR Program Office personnel about these modifications. They were unable to provide any additional details about the circumstances surrounding the modifications.

Move Schedules Indicate Delays Occurred

To manage move activities during renovation, the TBARR Program Office supervising architect prepared and periodically updated, spreadsheet schedules of planned moves (move schedules). The move schedules included the following information for each planned move: (1) a unique numerical identifier for the move, (2) the area from which the activity or program office was moving, (3) the area to which the office or activity was to move, (4) the target date of the move, (5) the contact person for the move, (6) the number of people to be moved, (7) the specific office or activity within the division to be moved, and (8) the status of the move. Generally, the column for the status of the move would only be filled in when the move was completed. Completed moves would generally be carried on the next schedule or two before being dropped from the schedule. In addition, the move schedules had a column in which notes or commentary could be made.

Pre-dating TBARR, the Department established a Move Committee to coordinate all employee move activities within the Main Treasury building. Core members of the Move Committee included representatives of the Departmental Offices' property and information technology (IT) support groups and the contracting officer for the moves. Once TBARR was established, the Move Committee was expanded to included TBARR personnel as well as representatives from the individual program offices involved in the moves. We were told that once TBARR started, this Move Committee met weekly during which the move schedules were discussed. The supervising architect made changes to the schedules as a result of the Move Committee discussions. We were also told that no minutes or other records were maintained of the Move Committee discussions.

Our review of the move schedules and other related documentation found that the documentation and records were incomplete and inconsistent. We therefore were unable to use these records to determine the extent and cost of move delays or to determine the parties responsible for the delays. We attribute the poor condition of the records to inadequate planning and monitoring of the activities. In this regard, the current TBARR Director told us that the move schedules were never intended to provide such an audit trail. Instead, the schedules were prepared to assist in executing the moves. The current TBARR Director also stated that no other records were maintained that could be used to determine the extent, reasons, responsible parties, and costs associated with move delays.

We obtained the move schedules prepared between December 29, 1999, and September 28, 2004. In total, there were 546 move schedules covering this period. We examined the moves recorded on the move schedules for 6 program offices. The 6 offices included 3 program offices specifically cited by the former TBARR Director as having delayed scheduled moves, and 3 other selected program offices.

Our review of the move schedules for the 6 program offices found, for example, that:

- For 73 planned moves, there was no record of the disposition of the move. Specifically, planned moves were recorded on one move schedule but not on subsequent schedules. To illustrate, we will use fiscal year 2000 moves for the Office of Tax Policy. Four moves (move numbers 29, 33, 36, and 39) listed a target date of February 25, 2000, on move schedules dated January 12, January 5, January 6, and January 19, 2000, respectively. A fifth move, number 53, on the January 19th schedule did not include a specific date. This move date was listed as "to be determined." These 5 moves were not included on the next move schedule dated February 3, 2000, and did not appear on any subsequent schedules.

- For 7 planned moves, the move schedules specifically indicated that a delay had occurred. However, the reason for the delay and responsible party were not annotated.

Our analysis of the move schedules also noted 22 moves that slipped from 2 weeks to up to 9 months from the original planned move date.

Interviews with Program Office Personnel

We interviewed personnel who functioned as move coordinators for 4 of the selected program offices about the events that transpired during their respective offices' moves. The move coordinators for the other 2 selected program offices were no longer employed by Treasury. All 4 move coordinators interviewed stated that move delays occurred, but attributed most of the delays to space not being ready. One move coordinator did acknowledge that a 1- to 2-week delay occurred because the office was working on a special project. The coordinator also commented that some personnel had to move multiple times during renovation instead of once as initially planned by the TBARR Program Office.

In conclusion, we were unable to determine the extent, reasons, responsible parties, and total costs associated with employee move delays because of a lack of adequate documentation.

Recommendation

The Assistant Secretary for Management and Chief Financial Officer should implement procedures and maintain documentation supporting changes and accountability/responsibility for planned future moves associated with the TBARR Project. Such changes should be monitored to ensure that changes are appropriate and action taken as necessary so that the changes do not impact project completion and cost. Similar procedures and records should be maintained for any renovation of the Treasury Annex building, if funded.

Management Response Management agreed with the recommendation. Procedures were modified at the onset of the current phase to control and monitor changes and provide accountability for planned future moves associated with the TBARR program. Personnel resources across the Office of Management organization have been aligned to ensure coordination with documented relocation milestones. To complement the modified procedures, more appropriate automation tools such as Microsoft Project, are used to capture the relocation planning effort. This tool enables the planning teams to track necessary shifts to the schedules and quickly assess the impact of those changes on the project. In instances where a change in relocation schedule is required, the ripple effect on the occupants and relocation milestones will be closely reviewed to minimize or negate any additional cost impact or schedule delay. Relocation progress will be monitored and reported weekly to senior management. As best practices continue to evolve, these procedures and any gained efficiencies from Phase IV, will be applied during future renovation projects.

<u>OIG Comment</u> The actions taken and planned by the Office of Management, if implemented as described, are responsive to the intent of our recommendation.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss this report, you may contact me at (202) 927-5400 or Thomas Byrnes, Director, Procurement Audits, at (202) 927-5904. Major contributors to this report are listed in Appendix 3.

Marla A. Freedman
Assistant Inspector General for Audit

Our audit objectives were to: (1) determine whether the TBARR renovation work conformed to applicable building codes and (2) identify the costs associated with employee delays on planned moves into alternative space during restoration phases. We initiated this work pursuant to Conference Report (House Report 108-671) for the Consolidated Appropriations Act, 2005.

We informed the Senate and House Committees on Appropriations, in a letter dated March 21, 2005, that our work related to building code compliance would be delayed. The delay was because our office needed to acquire the services of an independent inspector through a competitive bidding process. We anticipate completing this process and reporting on building code compliance by July 29, 2005.

Our audit work related to identifying the costs associated with employee delays on planned moves into alternative space during the restoration phases is addressed in this report. To accomplish this objective, we reviewed applicable documentation. This documentation included the modifications to the prime renovation contract and move schedules prepared by the TBARR Program Office to assist in scheduling and completing the moves.

The prime renovation contract was awarded on February 18, 1999. The prime renovation contract had 241 modifications that were issued between February 18, 1999 and March 21, 2005. We reviewed all these modifications to identify if any related to Government delays associated with employee moves. We identified 3 modifications that indicated Government delays. These were modification numbers 115 (dated October 10, 2002); 155 (dated May 6, 2003), and 191 (dated December 5, 2003). We obtained and reviewed all relevant documents that related to these 3 modifications.

We also reviewed the move schedules for 6 program offices that were relocated from or in the Main Treasury building as a result of TBARR renovation. These 6 offices were: Tax Policy, International Affairs, Legislative Affairs, Economic Policy, Domestic Finance, and Chief Information Officer. We selected 3 of these offices because we were informed by the former TBARR Director that these offices presented problems during the renovation. We selected the 3 other offices to identify any trends among the offices during relocations. The move schedules we reviewed were dated from December 29, 1999, to September 28, 2004, and covered fiscal years 2000 through 2004 and Phases 1, 2, and 3 of the renovation work.

We interviewed the contractor who was responsible for the planning and moving of personnel at Treasury during the early phases of the TBARR Project. We also reviewed documentation for the work that he performed on the TBARR Project; however, his work was related to the blocking and stacking of floors and offices. It did not include information that would enable us to determine whether specific offices were responsible for delaying the moves.

Furthermore, we interviewed employees from the TBARR Program Office and representatives of 4 of the 6 offices for which we reviewed the move schedules. The 4 representatives that we interviewed were the contact points for the office relocations during the period in which their office moves occurred. Specifically, we interviewed representatives from the offices of Tax Policy, Economic Policy, Domestic Finance, and the Chief Information Officer. We did not interview representatives knowledgeable about the moves from the other 2 selected program offices because they were no longer employed by Treasury. In addition, we interviewed representatives with the Secret Service because the prime renovation contract modification number 155 related to the Secret Service.

We performed our fieldwork from January through March 2005. We had a scope limitation due to the inadequacy of the documentation in the TBARR Program Office relating to specific moves. Because of the deficiency of the documentation, we were unable to determine the reasons for, responsible parties, and costs associated with delays in employee moves. We performed our audit in accordance with generally accepted government auditing standards.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

MEMORANDUM FOR MARLA A. FREEDMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Jesus H. Delgado-Jenkins
Acting Assistant Secretary for Management

SUBJECT: Draft Interim Audit Report – TBARR: Cost of Employee Move Delays Could Not Be Determined

The purpose of this correspondence is to provide the Office of Management's response to the Office of the Inspector General's Draft Interim Report entitled "TBARR: Cost of Employees Move Delays Could Not be Determined" dated March 25, 2005. The response includes action we have taken or plan to take and target dates for action, where applicable as required by Treasury Directive 40-01.

The Office of Management, in general, accepts the recommendation made in the Report.

Finding: Inadequate Documentation Supporting the Extent, Reasons, and Associated Costs of Move Delays During Renovation

Recommendation: The Assistant Secretary for Management and Chief Financial Officer should implement procedures and maintain documentation supporting changes and accountability for planned future moves associated with the TBARR Program. Such changes should be monitored to ensure that changes are appropriate and action taken as necessary so that changes do not impact program completion and cost. Similar procedures and records should be maintained for any funded renovation of the Treasury Annex Building.

Response: The Department agrees with the recommendation. Procedures were modified at the onset of the current phase to control and monitor changes and provide accountability for planned future moves associated with the TBARR program. Personnel resources across the Management organization have been aligned to ensure coordination with documented relocation milestones. To complement the modified procedures, more appropriate automation tools such as Microsoft Project, are used to capture the relocation planning effort. This tool enables the planning teams to track necessary shifts to the schedules and quickly assess the impact of those changes on the project.

As acknowledged in the OIG finding, we agree that "in a project the size and complexity of TBARR, it is reasonable to expect that slippages may occur due to a variety of causes." Accordingly, in instances where a change in relocation schedule is required, the ripple effect on the occupants and relocation milestones will be closely reviewed to minimize or negate any additional cost impact or schedule delay. Relocation progress will be monitored and reported weekly to senior management.

As best practices continue to evolve, these procedures and any gained efficiencies from Phase IV, will be applied during future renovation projects.

cc: Nicholas Williams
Polly Dietz

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Office of Strategic Planning and Performance Management

Office of Management and Budget

OIG Budget Examiner

United States Congress

Senate Committee on Appropriations
Senate Committee on Appropriations, Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies

House Committee on Appropriations
House Committee on Appropriations, Subcommittee on Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia