



# OIG HIGHLIGHTS

AUD-CGI-18-54

## What OIG Audited

The Bureau of Overseas Buildings Operations (OBO) directs the Department of State's (Department) overseas buildings program and its mission is to provide safe, secure, and functional facilities. Within OBO, the Office of Cost Management oversees the required value engineering (VE) program. The intent of the VE program is to achieve essential functions at the lowest lifecycle cost consistent with required levels of performance, reliability, quality, or safety. VE performs studies that result in a report with recommendations for improving the cost and function of a planned project. For the period covered by this audit, the Office of Management and Budget (OMB) required agencies to annually report the results of its VE program, including VE expenditures, cost savings, and cost avoidances.

OIG conducted this audit to determine whether OBO complied with Federal and Department VE program requirements and accurately reported VE expenditures, cost savings, and cost avoidances to OMB. OIG was unable to complete the planned audit analysis because of missing documentation. In particular, OIG could not evaluate the overall effectiveness of the VE program.

## What OIG Recommends

OIG made six recommendations intended to improve the execution of OBO's VE program. On the basis of OBO's responses to a draft of this report, OIG considers all six recommendations resolved pending further action. A synopsis of OBO's responses to the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. OBO's responses to a draft of this report are reprinted in Appendix D.

UNCLASSIFIED

August 2018

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

## Audit of the Bureau of Overseas Buildings Operations' Value Engineering Program

### What OIG Found

OIG found that OBO complied with some, but not all, Federal and Department VE program requirements. Specifically, for projects reviewed for this audit, OBO performed VE studies or obtained approved waivers for 66 of 67 projects. However, OBO did not perform a second VE study for 49 construction projects that merited a second VE study on the basis of OBO's own VE Policy and Procedures Directive in place at the time. In addition, for the projects reviewed, OIG found in some cases that documentation was either missing or incomplete for required items.

The deficiencies identified occurred, in part, because OBO management did not enforce program requirements outlined by OMB and OBO policy for maintaining VE program data. In addition, OBO lacks a reliable centralized database to maintain information and record the results of the VE program. Without a reliable database and management controls to collect and evaluate VE program data, OBO cannot accurately determine VE cost savings and cost avoidances. Because OBO has not implemented sufficient controls over its VE program, the Department is missing opportunities to achieve essential construction functions at the lowest lifecycle cost, which is the fundamental purpose of the VE program.

OIG also found that OBO did not comply with OMB reporting requirements. Specifically, OBO did not submit annual VE reports to OMB for FYs 2013 through 2015, as required, and the VE report submitted in FY 2016 was 2 months late and contained inaccuracies. OBO's noncompliance with VE reporting requirements occurred, in part, because OBO management did not enforce VE reporting requirements outlined in OMB and OBO policies. In 2017, OMB waived the VE reporting requirement for Federal agencies. OMB reiterated that VE should continue and encouraged agencies to work with OMB to highlight successful uses of VE. Until OBO management implements a process to collect and evaluate VE program data, it will remain unable to properly report VE cost savings and cost avoidances and highlight successful uses of VE. Reporting VE savings and cost avoidances is also important to demonstrate that OBO is prudently using U.S. taxpayer funds to advance its mission.

\_\_\_\_\_  
Office of Inspector General  
U.S. Department of State • Broadcasting Board of Governors

UNCLASSIFIED