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June 2018

OFFICE OF AUDITS

Middle East Region Operations

## Audit of the Bureau of Overseas Buildings Operations Process for Reviewing Invoices for Construction of the U.S. Embassy in Islamabad, Pakistan

### What OIG Found

The invoice review and approval procedures used by OBO generally complied with Federal requirements and Department policy; however, OIG identified areas that could be improved. Specifically, the 26 invoices OIG reviewed for this audit had all the elements of a proper invoice, including supporting documentation. However, the contractually required subcontractor payments certification statement used by BL Harbert to certify that payment was made to subcontractors and suppliers did not comport with the required language in the FAR or the contract. The distinction between the BL Harbert certification and what that required by the FAR affects OBO's ability to confirm that BL Harbert has made *all* payments *due* to its subcontractors and suppliers.

OIG also found that the Contracting Officer's Representative (COR) did not always document his inspection of the contractor's work to attest to the amount which, in his opinion, was due to the contractor for work performed. Although there is no requirement under current policy and guidance to record quality assurance and work progress inspections aligned with a given invoice and to document that determination in the invoice file, such a practice would be helpful for construction projects that take several years to complete. Implementing such a practice would provide more complete historical information through the course of a project, and that information would moreover be directly aligned with invoice payment approval. This level of contextual information would help incoming CORs who rotate to the project by providing details of the project's progression. Related to this finding, OIG found that OBO had not adopted a Standard Operating Procedure (SOP) for reviewing construction invoices associated with the Islamabad project. Implementing such an SOP for reviewing invoices associated with large, multi-million-dollar, multi-year construction projects would provide continuity among the CORs and OBO engineers who periodically rotate throughout the life of the project. In addition, implementing an SOP for reviewing construction invoices would provide for consistent and uniform invoice reviews and facilitate the Contracting Officer's final acceptance of the project.

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# OIG HIGHLIGHTS

AUD-MERO-18-46

### What OIG Audited

In September 2010, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), on behalf of the Bureau of Overseas Buildings Operations (OBO), awarded a firm-fixed-price, design-build contract to BL Harbert for the construction of the New Embassy Compound (NEC) and Housing Project in Islamabad, Pakistan. The new construction replaces existing structures on the compound and provides secure housing for embassy personnel. As of April 2018, the cost of the construction project totaled \$857 million.

The Office of Inspector General (OIG) conducted this audit to determine the extent to which A/LM/AQM and OBO implemented invoice review and approval procedures that verified the accuracy and completeness of invoiced construction costs and ensured payments were made in accordance with Federal requirements and Department of State (Department) guidance.

### What OIG Recommends

OIG made three recommendations to prompt adherence to the Federal Acquisition Regulation (FAR) and to protect the Department's interests. A/LM/AQM concurred with the recommendation, but OBO did not concur or otherwise indicate a position for the recommendations addressed to it. A synopsis of management's comments to the recommendations follow each recommendation in the Audit Results section of this report. A/LM/AQM's and OBO's response to a draft of this report are reprinted in Appendices C and D, respectively.