



# **Executive Summary:**

## **The Board Can Improve Communication and Documentation Regarding the Martin Building Project**

2017-FMIC-B-012

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### **Purpose**

The objective of our audit was to assess the effectiveness of the Board of Governors of the Federal Reserve System's (Board) controls over contracted architecture and engineering (A/E) services for the Martin Building renovation project. The initial A/E contract was canceled in 2015, and the Martin Building project's time frame has been extended. As of March 2017, the Board expects construction to be completed in the fourth quarter of 2019, with move-in scheduled for the first quarter of 2020.

The magnitude of the renovation makes it a complex undertaking that has created challenges for the Board, and additional delays could have a cascading effect on project costs. Given the cost, complexity, and time remaining until expected completion, we undertook this audit to identify lessons learned and opportunities for the Board to improve its contract management processes for the Martin Building project going forward.

### **Background**

The Martin Building project is noted in the Board's strategic plan and comprises three interrelated construction and renovation efforts: (1) construction of a visitors' center, (2) construction of a conference center, and (3) renovation of the Martin Building. The Board's objectives for the project are to create a safe and secure work environment that updates the physical infrastructure and reduces utilities consumption and expenses.

The A/E contracting efforts for the design of a visitors' center and a conference center began in 2006. The scope of the A/E firm's design work was significantly expanded in 2011 by a contract modification to include a complete renovation of the Martin Building. Our audit scope covered project activities from January 2013 through the cancellation of the contract in August 2015. We reviewed earlier project activities in prior reviews we conducted on the Martin Building project.

### **Finding**

We found that the Board's controls over contracted A/E services were designed effectively and communication channels were established to assist the project team with managing the Martin Building project. However, the project team's communication with and documentation provided to the Chief Operating Officer and the Executive Oversight Group could have been improved to better reflect the Martin Building renovation's progress, particularly during the schematic design phase. Documentation of key discussion topics, advice, decisions, or recommendations made by the Executive Oversight Group could also be improved. Further, we identified other matters regarding contract management for consideration going forward to better manage contractor performance and reduce the risk of unplanned costs.

### **Recommendations**

Our report contains recommendations designed to strengthen the Board's internal control environment and communication processes during the Martin Building Renovation project. In its response to our draft report, the Board concurs with our recommendations and describes actions that it will take to address our recommendations.