



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Executive Summary, 2022-FMIC-B-002, February 2, 2022

# The Board's Contract Modification Process Related to Renovation Projects Is Generally Effective

## Finding

The Board of Governors of the Federal Reserve System complied with its change order process by using contractors to mitigate schedule delays and financial risks associated with renovation projects. For example, the Board consulted with its contractors to assess whether additional work was warranted and to obtain independent government cost estimates for negotiations. The Board also complied with policy requirements and generally complied with guidance related to its review process for renovation contract modifications. Specifically, the Legal Division reviewed all applicable modifications in compliance with the Board's *Acquisition* policy, and the Facility Services section generally complied with the *Long-Term Space Plan—Change Order Responsibility Matrix* (RACI) guidance for modifications on all renovation contracts.

However, in five instances, the Board issued modifications without completing the RACI forms or obtaining the appropriate approvals because of administrative oversights. Obtaining properly approved RACI forms before requesting and processing modifications ensures that Board leadership approves, concurs with, and is informed of potential cost overruns and schedule delays.

## Recommendations

Our report does not contain any recommendations because Facility Services replaced the manual RACI process with an electronic RACI process during our audit. We observed the automated RACI form approval routing, including automatic email reminders to approvers and electronic approval status tracking. Further, the Division of Management designated a reviewer to confirm that each RACI form was properly signed, which should ensure RACI forms are approved before a modification request. In their response to our draft report, the director of the Division of Management and the chief financial officer state that they are pleased with our audit finding and remain committed to maintaining effective controls in planning and managing the remaining major renovations.

## Purpose

We conducted this audit to review the Board's contract modification process related to its renovation projects to ensure compliance with its relevant process, policy, and guidance. Our scope covered all 48 renovation-related contract modifications issued from April 1, 2019, through March 31, 2020, including 33 construction contract modifications, that resulted in a change to the relevant renovation project's cost or schedule. These modifications totaled approximately \$42 million.

## Background

The Board is planning and managing major renovations of all four buildings it owns. We have identified the Board's management of its physical infrastructure as a major management challenge since 2014. These multiyear projects pose financial and operational risks, such as overpayment for services and schedule delays. For example, the renovation of the William McChesney Martin, Jr., Building (which costs an estimated \$436.5 million) has had scope changes, delays, and cost increases since the original concept was developed.