

July 18, 2005

MEMORANDUM FOR: STEVEN J. LAW
Deputy Secretary of Labor



FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Allegations Concerning the Replacement of Systems
Furniture in OCFO
Final Report No. 21-05-001-13-001

In a letter to the Inspector General, the American Federation of Government Employees, Local No. 12, alleged that the Office of the Chief Financial Officer (OCFO) is wasting approximately \$1 million¹ of taxpayer money by excessing practically new modular furniture and buying new furniture. Local No. 12 officials also alleged that the newly purchased systems furniture is inferior to the furniture currently in use.

Based on our audit, we have concluded that the allegations were not substantiated.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine if the allegations made by Local 12 could be substantiated. Local 12 alleged that the OCFO was wasting approximately \$1 million by excessing practically new systems furniture and buying new furniture. The new furniture was purchased in September 2004. Local No. 12 officials also alleged that the newly purchased systems furniture is inferior to the furniture currently in use and, as a result, may have a negative impact on employees' needs for storage, privacy and security.

It should be noted that although the allegations use the term modular furniture, the type of furniture that is being acquired is in fact systems furniture. The words are routinely used interchangeably, however, there are differences between the two types of furniture. One of the unique characteristics of systems furniture is

¹ Local No. 12 based its allegation of \$1 million on furniture being excessed that was purchased at a cost of \$380,906 and new furniture that was purchased at a cost of \$468,567. The total of the two purchases equals \$849,473.

that components (work surfaces, shelves, cabinets, etc.) primarily hang on partitions, where this is typically not the case with modular furniture.

To accomplish our objective, we interviewed Local No. 12 representatives, as well as staff from the OCFO, the Office of the Assistant Secretary for Administration and Management (OASAM) and the General Services Administration (GSA). We also reviewed the proposed space plans, examined procurement documents, inspected existing OCFO-occupied space, and researched applicable policy requirements for systems furniture and space management. Our assessment of internal controls focused only on those controls related to our audit objective of determining whether the allegation could be substantiated, and was not intended to form an opinion on the adequacy of internal controls overall, and we do not render such an opinion. Further, our audit was not designed and we did not test compliance with Federal procurement laws and therefore give no assurance on related procurement laws and regulations or compliance with such laws and regulations. Our audit was conducted in accordance with Government Auditing Standards.

RESULTS

The allegation that the OCFO was wasting approximately \$1 million by excessing practically new systems furniture and buying new furniture was not substantiated.

The OCFO has acquired space from the Occupational Safety and Health Administration (OSHA) in Room S-4015. This space is contiguous with space already occupied by OCFO staff in Room S-4214, and OCFO intends to renovate the S-4015/S-

4214 and S-4502 office complexes by excessing the systems furniture currently in use at those locations and replacing it with the systems furniture purchased on September 1, 2004, and currently in storage. Staff currently located in Room N-1301 will be moved to the renovated fourth floor office area.

The complaint alleged that the OCFO is wasting approximately \$1 million of taxpayer money by excessing practically new modular furniture and buying new furniture. We determined that the cost of the furniture purchased in 1999 was \$380,906, and that the new furniture cost \$468,567.

The systems furniture currently in use by OCFO was purchased and installed in 1999 – making it now 6 years old and, therefore, not “practically new,” as alleged. Furthermore, OCFO had a legitimate business reason to renovate its fourth floor space in order to accommodate the need to relocate staff from Room N-1301. OCFO officials also stated that they believe the new style of systems furniture being installed will physically change the work environment to one that enhances interaction amongst OCFO employees.

According to officials from OASAM's Division of Space and Telecommunications Management (DSTM), the furniture being excessed by OCFO will be offered to

other DOL agencies. DSTM officials further stated that the Office of Small Business Programs is interested in obtaining the systems furniture that the OCFO is excessing.

Finally, we found that the OCFO complied with departmental policy regarding space alterations. DLMS 2, Chapter 400, provides guidelines, standards, and procedures for the provision and management of the space and real property holdings of the DOL and its components. Part 433.B states the following:

In the Frances Perkins Building, the Director, Division of Facilities Management (DFM), performs functions analogous to those of a GSA Buildings Manager. Agency requests for alterations in the Frances Perkins Building should be initiated as described in Part 432 (above, using DOL Form 2054) and submitted by the Director, DSTM, to the Director, DFM.

DLMS 2, Chapter 400, Part 432 states the following:

Space Alterations In Buildings Under Control Of GSA

- A. DOL Agencies and offices will furnish the Director, DSTM (for the national office) or to the appropriate OASAM Regional Administrator (for regional and field locations), a written request stating their alterations requirements and identifying the space to be altered, and will authorize the expenditure of funds needed to complete the alterations. The request will cite the DOL agency numerical appropriation code to which the alteration costs will be charged.
- B. The request will be reviewed by the OASAM Regional Administrator or the Director, BOC, as appropriate. A request that conflicts with DOL policy or that is economically unjustified will be returned with reasons stated.
- C. If the request is in conformance with DOL policy, and has been sufficiently justified, a *Reimbursable Work Authorization* (GSA Form 2957) will be executed by the Regional Administrator, OASAM, or Director of DSTM, as appropriate. In the Frances Perkins Building a *Work Authorization and Service Request* (form number DL 1-2054) will be used in place of the 2957.

OCFO complied with the above departmental policy regarding space alterations. OCFO submitted its proposed space plans to DSTM. DSTM reviewed the OCFO's proposed space plans and modifications were made based on suggestions resulting from the review.

The allegation that the OCFO's newly purchased systems furniture is inferior to the furniture currently in use was not substantiated.

The OCFO purchased its new systems furniture using a vendor, Allsteel, Inc., selected from GSA's Federal Supply Schedule. The furniture purchased from Allsteel

differs from the existing furniture in two ways: the alignment/clustering of the cubicles, and the height (approximately 56 inches) of the separating partitions. The existing partitions are approximately 65-70 inches tall. The new systems furniture is similar to the furniture OCFO is using in Room N-2719, and, according to OCFO officials, this style of furniture will contribute to a more interactive work environment.

While the style of the new furniture is different, we found no reason to question the quality of the Allsteel product. Allsteel is a reputable vendor on GSA's Federal Supply Schedule. To become a GSA Schedule Contractor, a vendor must first submit an offer in response to an applicable GSA Schedule solicitation. GSA then awards contracts to responsible companies that offer commercial items meeting the requirements of the GSA schedule solicitation. Allsteel has been in the business of supplying furniture to a variety of government agencies since 1946 and offers a lifetime warranty on all of its products.

Conclusion

We conclude that the allegation that the OCFO is wasting approximately \$1 million of taxpayer money by excessing practically new modular furniture and buying new furniture is not substantiated. The OCFO was requested to relinquish space in N-1301 and, as a result, needed to renovate its fourth floor space to accommodate the relocation of employees from N-1301. The OCFO followed departmental policy and procedures related to space renovation.

The OCFO believes the new style of furniture being acquired as part of the renovation of its fourth floor space will physically change the work environment to one that enhances interaction amongst OCFO employees. The furniture being excessed is not "practically new," as alleged, but has been in use for 6 years. Officials from OASAM's DSTM informed us that the furniture being excessed will be offered to other agencies within the Department, and the Office of Small Business Programs has expressed interest in obtaining the furniture.

The new furniture was purchased from a reputable supplier using GSA's Federal Supply Schedule and we found no basis to question its quality.

If you have any questions, please contact David Sterling, Director, National Audit and Evaluations Office at (202) 693-5172.