

Semiannual Report to the Congress

April 1, 1995 - September 30, 1995



U.S. General Services Administration
Office of Inspector General

Foreword

This report, submitted pursuant to the Inspector General Act of 1978, as amended, summarizes the activities of the Office of Inspector General (OIG) for the 6-month reporting period that ended September 30, 1995. It is the thirty-fourth report to the Congress since the appointment of the Agency's first Inspector General.

This has been a dynamic and challenging period for the OIG and the General Services Administration (GSA) as a whole. I have been extremely proud of the dedication and professionalism that our staff has exhibited again and again throughout the year. Times are difficult for individuals in Government; there is unprecedented change, great uncertainty about the future, and a very visible decline in both financial and human resources, all matters which can be distracting and disturbing. Setting aside personal concerns, the staff focused on meeting our mission. They took on new roles, found more efficient ways to do old things, and committed themselves to assisting the Agency redefine itself.

In the pages which follow, this report details the staff's accomplishments and clearly demonstrates what can be achieved when individuals work together for a common purpose. This has not been an easy time and the obstacles were many. Financial reductions have had their effect. Work plans and priorities had to be adjusted, reordered, or postponed. Personnel losses often occurred at geographical locations where staff was most needed and the absence of relocation funds precluded transfer of personnel to rightsize operational units. While these elements have hampered our progress, our people have stretched to keep moving forward.

We understand fully that the future, while offering us opportunity and challenge, is also going to present us with the task of doing even more with less. This prospect is of great concern. Nevertheless, we pledge to do our best to manage this transition in a manner which maintains our high level of commitment to fulfilling the OIG's mission.

I want to take this opportunity to thank the GSA Administrator and Members of Congress for their support. I also want to commend the OIG employees for their contributions to our achievements during the past 6 months and their continued dedication in unsettled but challenging times.

William R. Barton

William R. Barton
Inspector General

October 31, 1995

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Summary of OIG Performance

OIG Accomplishments	Total financial recommendations	\$80,363,053
	These include:	
	• Recommendations that funds be put to better use	\$64,744,664
	• Questioned costs	\$15,618,389
	Audit reports issued	237
Results Attained	Referrals for criminal prosecution, civil litigation, and administrative action	281
	Management decisions agreeing with questioned costs, civil settlements, and court-ordered and investigative recoveries	\$82,591,057
	Indictments and informations on criminal referrals and civil complaint referrals	9
	Successful criminal prosecutions	18
	Civil settlements	7
	Contractors suspended/debarred	99
	Employee actions taken on administrative referrals involving GSA employees	17

Fiscal Year 1995 Results

During Fiscal Year 1995, OIG activities resulted in:

- Over \$176 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayers.
- Management decisions to put \$200.2 million in funds to better use based on OIG recommendations.
- 517 audit reports that assisted management in making sound decisions regarding Agency operations.
- 15 implementation reviews that tracked the progress of actions in response to internal audit reports.
- \$28.9 million recovered as a result of management decisions to recover funds, civil settlements, court-ordered recoveries, and investigative recoveries.
- 313 new investigations opened and 322 cases closed.
- 33 case referrals (60 subjects) accepted for criminal prosecution and 15 case referrals (25 subjects) accepted for civil litigation.
- 19 criminal indictments/informations and 27 successful prosecutions on criminal matters referred.
- 17 civil settlements, 1 judgment, and 1 civil complaint.
- 63 referrals to other Federal agencies for further investigation.
- 29 employee actions taken on administrative referrals involving GSA employees.
- 73 contractor suspensions and 75 contractor debarments.
- 512 legislative matters and 76 regulations and directives reviewed.
- 232 Hotline calls and letters received of which 182 were GSA-related.

Executive Summary

The second half of Fiscal Year (FY) 1995 was a period of rapid and dramatic action for both GSA and the OIG. Many of the initiatives launched by GSA and the OIG in the first half of the fiscal year began to show results. To spearhead the Agency's self evaluation, the Administrator and senior management established the Operations Review Group which uses the Federal Operations Review Model (FORM) to analyze all 16 of GSA's business lines. We are heavily involved in working with GSA to ensure that these business lines are analyzed using the most accurate information available and that the decisions reached are reasonable.

Auditors have been assigned as business representatives to each ongoing business line study to serve as advisors and to monitor the work in process. We have also assigned FORM review teams to assess completed GSA reviews. One of these teams has completed its assessment of the Commercial Broker analysis and two other FORM teams are assessing Agency reviews of Real Property Management and Fleet Management. All three will shortly be issuing reports to GSA on the results of their assessments. Another team is reviewing the Agency's methods for allocating General Management and Administrative expenses.

To date, nearly 25 percent of our auditors have participated in various aspects of these reviews. We expect that more auditors will continue to devote much of their time to this endeavor in FY 1996. While we view involvement in these reviews as a most meaningful use of our resources, this has caused, and will continue to cause, significant consumption of our staff's time, especially in the Washington, D.C. area. While this significant commitment of resources has decreased our ability to address other priorities, we believe that the benefits to the Agency and taxpayers of our participation in the review process far outweigh other considerations.

Over the past few years our audit program began shifting its focus from compliance to broad program reviews of GSA operations. These reviews result in higher quality, more useful reports which evaluate and recommend ways to improve major GSA activities. This period, we completed several significant reviews including methods to streamline the lease acquisition process (see page 15), opportunities to expedite reimbursable work authorization requests from tenant agencies (see page 17), new concepts for managing household goods and freight (see pages 21 and 22), and recommendations for improving the effectiveness of the Federal construction program (see page 9). At a time when GSA management is accelerating the reinvention process and reassessing the role of the Agency, our reviews increasingly are being used by managers to redefine programs, reshape operations, and simplify activities.

The Office of Audits developed its first formal Audit Business Plan for FY 1995. The Plan challenged the staff to cut costs and improve efficiency so we will be more business-like and better able to compete

Executive Summary

with the private sector and other Government audit organizations. The Plan presented the strategies for change in its operations for FY 1995 and beyond. This document defined the Audit Program in terms of its current status and where it was going and stressed the need to provide customers with the types of reviews that improve Agency operations as well as the need to assess our own operations.

During FY 1995, a number of initiatives commensurate with the goals established in the Business Plan were started. We concentrated more resources on internal audits, particularly program reviews. We also began a continuing in-house training effort to reorient our staff to the most efficient ways of performing program reviews. By improving audit processes, we have reduced the length of time to perform contract audits as well as the number of hours that are charged to these reviews. In FY 1995, we issued audit reports to contracting officials an average of 37 days sooner than we have in the past.

The Office of Investigations also issued a new strategic plan for FY 1995 that established its operational priorities in light of diminishing resources. The plan detailed how the Office of Investigations would reduce administrative costs, focus more on proactive initiatives, and reduce the length of time required to complete investigations.

Finally, this was a year of exceptional activity in the area of procurement reform. The OIG has commented extensively on procurement reform proposals and in connection with the development of regulations implementing the Federal Acquisition Streamlining Act, passed by Congress last year. In conjunction with the Department of Veterans Affairs OIG, we issued a discussion paper outlining our concerns that recent trends in procurement reform legislation may remove a number of safeguards from the Multiple Award Schedule program. These safeguards have helped guarantee that Government agencies receive the best possible prices when obtaining commonly used goods and services. The loss of these safeguards could lead to the Government needlessly paying higher prices, with the taxpayers ultimately bearing the burden. While we support fully the need to streamline procurement activities for goods purchased under this multi-billion dollar program, the paper documented that basic protections which are in fact regularly used in the private sector would be denied the Government under some procurement "reform" proposals. We urged that these key safeguards be preserved; they become increasingly vital as the Government relies on commercial product acquisitions (see page 2).

Our Quality Management program has continued to advance the Total Quality Process (TQP) within the OIG by counseling individual OIG components in their TQP activities and fostering a number of initiatives throughout the OIG. We are also continuing efforts to streamline our operations, better utilize our staff, and improve our services.

OIG Profile

The GSA OIG was established on October 1, 1978 as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's six components work together to perform the missions mandated by the Congress.

Organization

The OIG provides nationwide coverage of GSA programs and activities. It consists of:

- The **Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive audit coverage of GSA operations through program performance reviews, internal controls assessments, and financial and mandated compliance audits. It also conducts external reviews to support GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions.
- The **Office of Investigations**, an investigative unit that manages a nationwide program to prevent and detect illegal and/or improper activities involving GSA programs, operations, and personnel.
- The **Office of Counsel to the Inspector General**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG's legislative/regulatory review functions.
- These functions are supported by the **Office of Administration**, the **Office of Quality Management**, and the **Internal Evaluation Staff**. These components provide in-house information systems, budgetary, administrative, personnel, and communications services; promote and coordinate the Total Quality Process program; and plan and direct field office appraisals and internal affairs reviews of OIG operations.

Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office building. Field audit and investigations offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, and Washington, D.C. Sub-offices are also maintained in Auburn, Cleveland, and Los Angeles.

Staffing and Budget

The OIG started FY 1995 with a total on-board strength of 387 employees. As of September 30, 1995, our on-board strength was 336 employees. We lost 52 employees and replaced only one due to budget constraints.

The OIG's FY 1995 budget was approximately \$33 million.

Procurement Activities

GSA is responsible for providing space for almost 1 million Federal employees. GSA, therefore, acquires buildings and sites, constructs facilities, and leases space as well as contracts for repairs, alterations, maintenance, and protection of Government-controlled space. GSA also operates a Governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We review these procurements on both a preaward and postaward basis to ensure that the taxpayers' interests are protected. We perform approximately 400 reviews each year.

Significant OIG Accomplishments

Procurement Reform and the Multiple Award Schedule Program

Under the Multiple Award Schedule (MAS) program, agencies purchase over \$9 billion worth of commercial items annually. Administered by GSA and the Department of Veterans Affairs (VA), the MAS program provides Federal agencies with a simplified procedure for acquiring commonly used supplies and services at prices generally reflecting the discounts to which the Government should be entitled, given its large volume of purchases. The MAS program has been repeatedly recognized by industry as well as Federal and State agencies as an effective and economical mode of procurement, which consistently produces significant savings for the taxpayers.

The GSA and VA OIGs issued a discussion paper outlining our concerns that recent procurement reform legislation may go too far and may remove from the MAS program a number of safeguards that help ensure that when the Government buys commercial products, it does so in a manner that provides a fair process and guarantees that the Government gets a fair deal. A primary focus of the ongoing process of reform has been on efforts to make the Federal Government operate more like the private sector in the acquisition area, particularly in the procurement of commercial products.

The paper highlights key safeguards such as data disclosure requirements, certifications, price reduction requirements, and audit rights which were built into the MAS procurement process in response to General Accounting Office recommendations and evidence of contractor abuses. Industry proposals to curtail or eliminate these safeguards have been incorporated or discussed in the context of recent procurement initiatives. The success of industry in gaining support for many of these procurement initiatives reflects the popular misconception that the Government operates in ways significantly different than the ways in which industry operates.

When industry representatives have testified before Congress about the so-called burdens of the Federal procurement process, they have spoken from the perspective of sellers of goods; however, they have not

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addressed how they acquire commercial goods when they act as purchasers. While industry strenuously argues that these safeguards are incompatible with commercial sales practices, our own documented experience is that large private sector purchasers consistently require the same types of safeguards in their own contracts as does the Federal Government. In the paper, we examined the terms and conditions contained in a sampling of agreements between large volume purchasers in the private sector and their commercial suppliers and found that all the agreements contained, at a minimum, most-favored customer requirements, price reduction clauses, or audit rights.

Disclosure requirements are the principal means by which GSA and the VA ensure that the prices they negotiate are fair and reasonable. The paper discussed proposed legislation, which would on a 4-year pilot program basis, eliminate price negotiations and disclosure requirements for computer schedule products and substitute, instead, price competition on an electronic medium. The paper expressed our concern that, for a variety of reasons, including the lack of competition on certain schedules, such an automated mechanism could not effectively substitute for disclosure requirements and price negotiations to ensure the Government receives reasonable current prices.

We believe that, without certifications, the quality of information disclosures would drop dramatically and inevitably lead to overpricing. At the same time, the Government would be left without appropriate remedies for recovering taxpayer monies lost due to contractor fraud. The proposed Federal Acquisition Reform Act of 1995 would eliminate certain statutory certifications. The Government requires certifications in many different contexts, ranging from certifications supporting procurement integrity to those accompanying the reporting of lobbying efforts. Certifications have proven necessary to ensure that contractors accurately disclose pricing and discount information, as well as terms and conditions offered to the Government and other customers, so that contracting officers can make price reasonableness determinations based on reliable information.

Price reduction clauses provide that if a contractor sells to an identified comparable customer any item covered by the contract at a price below the negotiated MAS contract price, then the contractor must give the Government an equivalent price reduction on all subsequent Government orders for the balance of the contract period or until the price is further reduced. Industry continues to oppose the Government's use of price reduction clauses, on any basis, arguing that clauses are unnecessary and not in accordance with standard commercial practice. However, our review found that price reduction requirements are standard commercial practice for many large volume purchasers. Most importantly, the price reduction clause ensures that, in the context of the typical 3- to 5-year MAS contract, the

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Government maintains the price position and advantage it negotiated relative to a contractor's commercial customer.

Audit rights are one of the most important tools the Government has to detect and recover contractor overpricing. Removing or curtailing audit rights, as has been discussed in the context of current procurement reform efforts, would render meaningless any ability the Government may still have to monitor defective pricing or price reduction requirements or even to discover and recover for simple billing errors. In the past 7 years alone, the GSA OIG issued postaward audits of MAS contracts which resulted in the recovery of over \$100 million in civil fraud settlements and judgments with contractors, largely due to inaccurate and incomplete disclosures of discount information and price reductions by contractors. (Examples of such cases from the current reporting period are described in the section immediately following. See also page 25.) During the same period, GSA OIG audits have also generated hundreds of millions of dollars from both administrative recoveries of defective pricing and price reduction claims and cost savings achieved by contracting officers during the negotiation of MAS contracts.

Finally, the July 1995 paper made the following recommendations:

- Develop a clear statement that the Government shall have audit access rights for a period up to 3 years after final contract payment in all negotiated procurements.
- Retain, at a minimum, all certifications relating to pricing or related information disclosures presently required on acquisitions, including MAS acquisitions, exempt from Truth in Negotiations Act cost or pricing data requirements.
- Include in all MAS contracts a statement recognizing that the price reduction clause is commonly included in private sector commercial contracts.
- Include a requirement for price review and adjustment after a reasonable period for commercial item contracts for cutting-edge technologies which do not yet have actual sales data available.
- Establish clear limitations on the scope and duration of the proposed MAS "pilot" automation program, including maximum dollar amounts.

Over \$2 Million in Civil Settlements

This period, the Government entered into seven settlement agreements in which companies agreed to pay over \$2 million to resolve their potential civil liability under the False Claims Act. These agreements, negotiated by representatives of the Department of

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Justice and the GSA OIG, reflect the ongoing efforts of the OIG to pursue cases involving procurement fraud and practices which threaten the integrity of the Government's procurement process.

Most of these cases involved procurements under GSA's Multiple Award Schedule (MAS) program. Under this program, GSA negotiates contracts with a number of vendors who may then sell covered products to Federal agencies at established contract prices. Consistent with the provisions of the Truth in Negotiations Act and the Competition in Contracting Act, the process is based on the principles of full and open disclosure and fair negotiations. Vendors must provide current, accurate, and complete pricing information—including information about discounts granted to commercial customers—during contract negotiations. Relying on this information, GSA contracting personnel may then seek to obtain the best possible prices for the Government. In cases where vendors fail to provide current, accurate, or complete information, the Government may pay artificially inflated prices for the products and services it purchases. Highlights of selected cases follow.

- A manufacturer of systems furniture paid \$800,000 to settle the Government's claims that it violated the False Claims Act by failing to negotiate truthfully with GSA contracting officials. The settlement is notable because it is the first OIG-related agreement reached through use of a formal Alternate Dispute Resolution process.
- A supplier of small hand tools has been ordered to pay \$365,000 for violating the False Claims Act by failing to provide the items required by the contract. An OIG investigation disclosed that the company bought tools from a legitimate manufacturer, altered them in an attempt to meet contract specifications, and sold the tools to the Government. A U.S. District Court found that the supplier provided Federal customers with inadequate imitations of the agreed-upon tools.
- A former supplier of electronic storage media agreed to pay \$350,000 to resolve its potential False Claims Act liability for failing to accurately report its end-user pricing to GSA contract negotiators. The agreement settled Government claims that the failure to accurately report pricing led Federal customers to pay more than was fair for the company's products.
- A computer equipment and software supplier agreed to pay \$330,000 to settle its potential civil liability. The agreement resulted from an audit and investigation which showed the company had failed to accurately provide current, accurate, and complete information to GSA in the course of a MAS contract.

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- Two owners of an industrial kitchen supply company paid a total of \$300,000 to settle the Government's claims that they overcharged Federal customers who purchased their products through the MAS program. One of the owners paid \$200,000 to settle his potential False Claims Act liability. The other agreed to pay \$100,000 to repay the Government for the money he received as a result of the scheme. In our previous Semiannual Report to the Congress, we noted that one of these individuals was found guilty of conspiring with several employees of the company to overcharge Federal customers (see page 3).
- A contractor paid \$288,239 to settle Government claims that it violated the False Claims Act by overstating its costs to operate office space for border patrol operations.

Multiple Award Schedule Pilot Project

As a National Performance Review reinvention project in the field of procurement, GSA established the Multiple Award Schedule (MAS) Pilot Project for the acquisition of computer software products. MAS contracts are master agreements that GSA enters into with vendors of commercial items. GSA uses the volume purchasing power of the Government to obtain favorable prices and establishes ordering agreements which any Federal agency can use to efficiently acquire commonly used products. The objectives of the Pilot were to lower the administrative requirements on industry, streamline the evaluation and award processes for the Government and vendors, and offer customers a wider range of choice in products, while ensuring that product pricing remained fair and reasonable. The project consists of 530 contracts valued at approximately \$800 million.

An OIG report showed that GSA established the following five expected outcomes to determine the success of the Pilot: increased customer satisfaction, increased choice, reduced evaluation times, improved Industry-Government customer relations, and fair and reasonable pricing. However, the Agency did not develop performance targets for any of the outcomes and there are no mechanisms in place to measure the progress being made toward achieving the desired results. Until the mechanisms are in place, there is no way to measure the success of the project or the effect it may have on GSA's customer agencies' expenditures of nearly \$800 million.

We reviewed a sample of contractors' performance to determine whether their marketing practices were fully disclosed and the extent to which order-specific pricing was being used by customer agencies. Full disclosure enables the contracting officers to negotiate fair and reasonable prices. Order-specific pricing is a mechanism whereby the customer agency negotiates a lower price with the vendor for significant MAS orders. Six of the ten sampled contractors had significant nondisclosures. Few order-specific pricing transactions

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actually took place and when they did, they were often for limited quantities.

Because contractor disclosures continue to be less than complete and accurate, and order-specific pricing is not widespread and does not always result in the Government receiving pricing comparable to commercial customers, we determined that the Pilot has not had a positive effect on achieving fair and reasonable prices for the customer agencies.

The OIG issued an interim report on the Pilot Project to highlight our concerns that schedule prices for shrink-wrap packages of software were not fair and reasonable, and excessive costs would be paid if large quantities of these packages were purchased. This interim report was discussed more fully in our November 1994 Semiannual Report to the Congress (see page 4).

The May 12, 1995 final report recommended that the Commissioner of the Information Technology Service ensure that mechanisms are put in place to monitor and measure the progress and accomplishments of the Pilot. A responsive action plan was provided for implementing the report recommendation.

Conspiracy Conviction

On May 1, 1995, a director of a State civil defense crisis action team pled guilty in U.S. District Court to charges of conspiring to defraud the Government. On May 31, 1995, he was sentenced to 3 years probation and ordered to pay \$19,193 in restitution.

The conviction resulted from an investigation which revealed that the director illegally issued temporary passes to a local store owner, which allowed the store owner to obtain Federal surplus property from the State's department of economic and community affairs. This State agency is responsible for surplus Federal property which is donated to the State by GSA. The property passes indicated that the Federal property was being obtained for the civil defense action team. Instead, the local store owner used the passes to obtain property which he then sold through his retail establishment, and shared the proceeds with the State director. The surplus property obtained through this conspiracy was valued at \$559,773.

Federal Official Accepting a Gratuity

As the result of a four-State joint investigation by the GSA and Department of the Interior OIGs, Defense Criminal Investigative Service, and the Federal Bureau of Investigation, a former Bureau of Indian Affairs (BIA) official was convicted of receiving an illegal gratuity. On April 24, 1995, he was sentenced in U.S. District Court to 10 months in prison and 3 years supervised release.

Procurement Activities

An investigation was initiated when it was alleged that Government property was improperly transferred through the GSA Surplus Property Donation program. Investigators found that the former BIA official was paid by a tribal chairman to preauthorize blank property transfer documents authorizing the transfer of U.S. Government property made available through the program to several tribes. A BIA certified contract screener working in collusion with the tribal chairman went to a Department of Defense reutilization marketing office and completed the preauthorized transfer form, indicating that the property would be transferred for tribal use. Instead, the tribal chairman and contract screener diverted the property from the tribes and sold it for personal profit. During the execution of search warrants in several States, approximately 100 pieces of Government property worth nearly \$10 million were recovered, including a 300-ton dockside cargo crane, loaders, and other heavy equipment.

Fraud Conviction

Two officials of a protective guard services corporation were convicted in U.S. District Court for aiding and abetting the submission of false income tax returns by fraudulently billing GSA and New York City for services at Federal and city buildings.

The conviction resulted from a joint investigation by the OIG, the Internal Revenue Service, the Federal Bureau of Investigation, and the New York City Department of Investigations. The investigation disclosed a scheme by which the officials submitted billing invoices containing false information concerning the number of guards and the number of hours for which protective services were claimed at Federal and city buildings.

Both officials of the firm agreed to make restitution in the amount of \$458,363, of which \$198,471 is due GSA. Sentencing is scheduled for December 1995.

Reviews of GSA Programs

GSA is a central management agency that sets Federal policy in such areas as Federal procurement, real property management, and telecommunications. GSA also manages diversified Government operations involving buildings management, supply facilities, real and personal property disposals and sales, data processing, and motor vehicle and travel management. In addition, GSA manages 143 accounting funds and provides cross-servicing support for client agencies. Our audits examine the efficiency, effectiveness, and integrity of GSA programs and operations and result in reports to management. Our internal audits program is designed to facilitate management's evaluation and improvement of control systems by identifying areas of vulnerability and including recommendations for improvement. This period, the OIG performed 48 internal reviews on Agency program areas.

Significant OIG Accomplishments

Construction Projects

GSA plans and executes a design and construction program to expand and modernize its inventory of buildings for housing Federal agencies. New construction projects are undertaken to meet new space requests or to replace leases with more economical Federally owned space. Architectural and engineering studies and other consultation services are performed to support other functional areas within GSA. The program is executed by 11 regional offices through contracting with private sector and construction professionals.

The Administrator requested that the OIG review the bidding and contracting practices for GSA's major construction projects because of allegations and concerns from the media, industry, the public, and Congress suggesting that wrongdoing was occurring in the award of contracts. The objectives of the review were to determine if contracts were improperly steered to specific contractors, if procurement practices were inefficient or ineffective, and if GSA acted prudently when acquiring new buildings. To accomplish these objectives, the auditors selected 18 building projects active since 1988, and conducted detailed record reviews and audit testing of key aspects of each project. The projects were chosen either because of their size or because they had received negative Congressional or media attention.

Our review did not disclose any evidence that construction contracts had been improperly steered to specific contractors. In addition, the OIG's Office of Investigations examined specific allegations and charges and found no evidence of wrongdoing. We also found no evidence that GSA officials acted improperly when they altered the method of financing specific projects after the project bidding deadlines had passed. We believe that GSA's decision to restructure the financing for major projects was rational, prudent, and will save taxpayers over \$500 million through lower interest expenditures.

Reviews of GSA Programs

In addition, the report identified several practices involving the development of requirements, financing, and procurement that need improvement.

While GSA has a reasonable planning process for construction projects, in some instances it fell short because GSA's planning simply could not keep pace with agencies' changing needs. The Congress also plays a major role in the construction program because it authorizes funding and may define both the scope and priority given to specific projects. Congressionally directed changes required GSA to restructure and redesign several projects at additional costs. We believe that GSA could have done more to inform the Congress of the financial consequences when Congressionally directed changes to approved plans altered the priority or scope of construction projects.

GSA has found better ways to reduce financing expenses on new construction acquired through lease-purchase, producing significant savings for taxpayers. However, GSA needs to perform a risk analysis to determine whether it should use Federal Finance Bank (FFB) funds to underwrite the development of the projects and provide the long-term financing, or should require the developer to obtain commercial financing for the construction phase with GSA using FFB funds only for the long-term financing of completed projects.

The report noted that when GSA used the source selection process to select architects and contractors, selection evaluation criteria varied by project. Without consistency in award factors, we believe GSA is defining what it means by design excellence differently for each project. In addition, the makeup, qualifications, rank, number of panel members, and mix of membership of source selection evaluation boards differed from project to project. Boards were composed of client agencies, local governments, and GSA personnel in varying numbers. In some cases, non-GSA personnel outnumbered GSA members and some individual members appeared to have a disproportionate amount of influence on decisions.

The review also disclosed that GSA's objective of customer service and satisfaction conflicted with its oversight role in the construction program and may have contributed to increases in project costs. As a result, we found that on many projects, GSA did not limit the construction and installation of facilities and finishes that may be considered extravagant and personal in nature. For example, in one project over \$120 million in change orders were issued for upgraded interior finishes and improvements. Also, GSA has constructed buildings that will operate at a loss and will drain money from the Federal Buildings Fund. The Agency needs to develop a more business-like strategy in making investment decisions.

GSA and the Administrative Office of the Courts have recognized the problem of excessive costs and judicial pressure for special features

Reviews of GSA Programs

and finishes in the courthouse construction program. In order to bring a national perspective to the regional building program, GSA has created the Courthouse Management Group to provide a single point of responsibility for program efficiency and cost effectiveness. We believe this is a positive move to improve the program, but it is too newly formed to assess its usefulness.

In the September 27, 1995 report, we recommended that the Commissioner, Public Buildings Service:

- Evaluate the effectiveness of the Courthouse Management Group to determine whether the concept has wider application for other clients' space needs.
- Develop policy guidance for a system using cash flow analysis and return on investment for all proposed new construction projects to see if the project makes good business sense and is a wise investment for the Federal Buildings Fund.
- Obtain a legal opinion from the Office of General Counsel on the impact of Public Law 101-509, Treasury, Postal Service, and General Government Appropriations Bill, 1991, on the future retention or sale of the GSA buildings affected, and develop a policy for the use of funds from a future sale to offset new construction costs to ensure that sound planning and prudent business judgment go into the decision-making process.
- Develop source selection policy guidance, including standardized award factors and specific guidelines for committee composition.
- Analyze available alternatives before deciding to design/build complex special use buildings such as courthouses.
- Assess staff resources and expertise against workload in order to best execute the construction program.
- Develop a strategy to control the furnishing of embellishments and convenience-type amenities. Establish a policy on what GSA will and will not furnish, what will be reimbursable, and what GSA's oversight role will be.
- Re-evaluate the method used to establish rent for special purpose space to find a means to ensure that the actual cost of construction will be recovered.

The Commissioner agreed with the recommendations in the report. The audit is still in the resolution process.

Reviews of GSA Programs

Background Checks of Child Care Center Employees

GSA has oversight responsibility for child care centers operating in Federal facilities. Public Law (P.L.) 101-647 requires criminal history background checks with the Federal Bureau of Investigation (FBI) for all employees working in Federal child care facilities to ensure that centers employ only persons without criminal records. When a review of the background check process at one region uncovered significant deficiencies, the review was expanded to include a sample of centers in all GSA regions. By August 1995, we had reviewed centers at 4 of 11 regions.

This ongoing review has revealed that GSA is in substantial noncompliance with P.L. 101-647. This increases the risk that unsuitable persons are being entrusted with the physical and emotional well-being of children in these centers. None of the employees in 10 of 21 centers reviewed had a completed background check. Although some employees had received State issued clearances for child care employment, P.L. 101-647 requires an FBI background check. Each employee must submit fingerprints obtained by a law enforcement officer and a statement of personal history which are then forwarded to GSA's Federal Protective Service (FPS) which requests background information from the FBI.

In addition, the process for obtaining the required clearances is not effective because of a lack of coordination and/or communication between child care centers, child care coordinators, and the FPS. For example, we identified instances where coordinators misinterpreted the law or believed that initiation of the clearance process was an FPS responsibility. Also, when centers initiate requests for security clearances, the current process is slow and is not being given adequate attention. We found instances of clearances remaining incomplete for more than 6 months.

We also identified two centers operating without GSA licenses and one operating with an expired license. License agreements between GSA and the center, or the center board of directors, provide the authority for operation of the center in GSA-controlled space. The agreements state that as a condition of operation, the requirements of P.L. 101-647 must be met.

Because this was an interim report, we did not make any formal recommendations. We urged the Acting Deputy Administrator to direct Regional Administrators and the FPS to take immediate action to expedite the background check process to ensure clearances are obtained for all child care center employees as quickly as possible and ensure that license agreements are signed for each of the centers. We also have kept the Regional Administrators apprised of our findings as they are developed. While our work in this area continues, Agency officials are taking steps to remedy the shortcomings already identified.

Reviews of GSA Programs

GSA's Compliance with Section 10 of the General Provisions of Public Law 100-440

An OIG review of GSA's efforts to implement Section 10 of the General Provisions of the Treasury, Postal Service and General Government Appropriations Act of 1989 (Public Law [P.L.] 100-440) determined that GSA never fulfilled this provision which authorized and directed GSA to hire up to, and maintain, an annual average of not less than 1,000 full time equivalent positions (FTE) for Federal Protective Officers. This was to be accomplished by increasing the staffing level by at least 50 positions each year so that the 1,000 FTE goal could be achieved by Fiscal Year 1992.

The review determined that GSA management did not support a larger uniformed protection unit, and instead, continued to direct additional resources into an alternative protection program which had been presented to Congress prior to the enactment of P.L. 100-440. Some Agency officials interpreted reduced funding and denial of additional positions requested by the Office of Management and Budget in appropriations for the years following the law's passage as an indicator that the hiring provision was no longer in effect.

The review concluded that the hiring provision of the law was widely known by Agency management responsible for direct and support activities involving the Federal Protective Service program. Yet, the Agency made no effort to implement the hiring provisions. Program managers, aware that the law was not being implemented, could have expressed concern by acknowledging noncompliance with P.L. 100-440 as a material weakness in the Federal Managers' Financial Integrity Act (FMFIA) process. We believe that Agency management had the responsibility to work with Congress to have the law changed, a step now being taken. We also suggested that management disclose this matter in this year's annual report under FMFIA.

The report is advisory in nature and does not contain formal recommendations.

Award of Task Orders

The OIG performed two limited reviews of GSA's contract with a private sector consulting firm hired to provide quality management consulting and training services for analyzing GSA's business lines. One review examined the propriety of the contract used to obtain the services; the other looked for any potential or actual conflicts of interest inherent in the contract award to the vendor.

To meet the Administration's call for an acceleration of its reinvention activities, GSA hired an outside consultant to assist in the analyses of its business lines. To obtain this assistance quickly, GSA used the Quality Management Implementation (QMI) Services Multiple Award

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Schedule (MAS) as the procurement instrument. This schedule identifies qualified vendors that offer consulting and training services and related products for the implementation of quality management within Federal agencies.

Our report disclosed that the nature of the services to be performed by the contractor falls within the parameters of the QMI schedule contract. However, the way in which the task orders were structured indicates that the QMI schedule was not the right instrument for this procurement. The report found that the way GSA used the QMI schedule contract may have circumvented established procedures.

The QMI Services schedule contract provides that orders placed under the schedule will be firm-fixed price; however, GSA issued orders having characteristics of cost-reimbursement type contracts. This change in contract type may have had the effect of reducing competition which leaves the Government with little or no guarantee that the prices for the contractor's services are reasonable.

In addition, GSA did not consolidate the procurement action to take advantage of the Government's volume purchasing power. Rather, the Agency established orders for each of the seven phases of work which appears to circumvent the schedule's \$1 million maximum order limitation. Also, in justifying the selection of the contractor, GSA applied additional evaluation criteria without giving other vendors the chance to address the new criteria. In doing so, GSA limited competition.

Finally, under the terms of the order, GSA has no guarantee of receiving a final product. Although the vendor is obligated to use its best efforts to perform all work within the estimated hour and dollar parameters, the order contains a "limitation of cost" clause. Consequently, the vendor has no absolute legal obligation to complete the work requirements once it reaches the hour or dollar performance ceiling.

The report concluded that, while acquiring services in an expeditious manner, GSA has sacrificed price reasonableness and guaranteed final products, and may have potentially violated the full and open competition requirement of the Competition in Contracting Act of 1984. In addition, the size and scope of the work required to evaluate GSA's business lines are too large and too complex to use a standard commercial service MAS contract.

Our second review did not identify any conflicts of interest in the award of the business line analyses contract to the consulting firm. However, conflicts of interest are possible if the contractor's role becomes one of managing and directing business line analyses as opposed to advising and assisting, as required by the contract.

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Previously, the consulting firm was hired to audit and provide an independent opinion on GSA's financial statements. We believe the contractor's ability to render an impartial audit opinion on GSA's financial statements probably is not impaired, provided its relationship with GSA under the business line contract remains strictly one of advising and assisting.

In addition, while the contractor is obligated to protect GSA's confidential information against release to unauthorized persons, this protection is provided only by professional standards. Neither Federal regulations nor the contract itself appear to provide any definitive protection against the release of confidential data by the contractor. Consequently, we believe this issue should have been specifically addressed in the business line analyses contract.

The April 13 and May 19, 1995 reports are advisory in nature and contain no recommendations.

Lease Acquisition Process

GSA serves as the Government's agent in acquiring space for Federal agencies. To fulfill this responsibility, the Agency constructs, purchases, and leases space to meet the needs of its customer agencies. GSA has an inventory of 6,345 leases totaling over 113 million square feet at an annual cost of approximately \$2 billion.

The OIG reviewed the lease acquisition process to evaluate the timeliness of awarding leases to customer agencies and to identify opportunities for improvement. To develop a broader knowledge of leasing, the auditors contacted 50 State governments and selected three for detailed study. Also, the auditors interviewed eight private sector real estate firms. Based on the audit findings and these interviews, the review concluded that opportunities exist to improve and streamline the lease award process.

In 1988, a management review concluded that the space delivery process was unfocused, slow, confusing, and a source of frustration to both customers and realty specialists. Recent General Accounting Office audits and testimony have reported on problems in GSA's real property management program. The National Performance Review (NPR) report proposed a dramatic change to the way GSA does business. In the real property services area, the NPR report called for GSA to become a provider of choice and compete with other sources. To address the concerns identified in the NPR report, GSA has established reinvention laboratories and task forces to study and test different approaches to the problems.

The OIG report showed that leases are not awarded in a timely manner. The lease acquisition process includes over 80 processing steps. The average award time was 15 months, while State governments award

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leases in 6 months. Although customer agencies were satisfied with the space, they were not satisfied with the time it takes to acquire the space or the process itself. The primary cause of the time consuming process was that lease acquisition was procedurally oriented and contained inefficient practices. The process has many steps and depends on the timely interaction among divisions, services, and agencies. The steps were designed to address over 70 laws, regulations, and policy statements resulting in redundant procedures.

Also, procedures and practices need to be improved in a number of areas so that the lease award process would be more cost effective and results oriented. These include the areas of requirement definition, acquisition plan, market research, appraisals, preaward fire safety reviews, and documentation. For example, GSA works with the customer agency to develop its space requirements. Changes to the requirements frequently caused the process to start over again. The realty specialists emphasized that customer agencies nullified weeks of work and caused delays by changing requirements. At the same time, the agencies were frustrated by the lease acquisition process which then became a disincentive for agencies to promptly provide their requirements. Improved communication between GSA and customer agencies could reduce delays by minimizing changes to space requirements.

The Agency could shorten the process used to obtain information about the real estate market and identify qualified offerors. The time used from the start of the acquisition process through the completion of the market survey averaged 159 days, just over 5 months. The three States the OIG surveyed take approximately 6 months for the entire lease acquisition process. The private sector identified market research as the key to successfully filling its customers' needs, but it used a less procedurally oriented approach than GSA for identifying available properties.

The report stated that the management of the lease acquisition process needs to be more focused and efficient to increase its ability to award leases in a timely manner. Lease extensions and short lease terms are used frequently. The private sector and State leasing organizations focused on cost and results oriented approaches. This results in a less cumbersome and less time consuming process.

In the last few years, GSA has initiated several undertakings to improve its space delivery operations. These include the establishment of a real property task force, the establishment of leasing laboratories, and the development of the Advanced Acquisition program. The focus of these initiatives is to identify and test new approaches to space delivery. Also, the Agency is reducing the layers of oversight and addressing some of the burdensome legislation. However, more needs to be done.

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Our report concluded that to be competitive, the process will have to be streamlined and be more responsive to customer satisfaction issues.

The June 15, 1995 report, included recommendations that the Commissioner, Public Buildings Service:

- Work more closely with the customer agencies to develop their space requirements. Address space requests within a reasonable time frame.
- Continue streamlining efforts.
- Take a more proactive approach to market research by providing realty specialists with computerized data bases to identify available space and to develop data on lease rates.
- Minimize use of short lease terms and frequent extensions while maximizing use of expedited leasing procedures.

We issued this report in final without Public Buildings Service's comments. The audit is still in the resolution process.

Buildings Operations and Maintenance Services

As part of its overall buildings operation and maintenance responsibilities, GSA provides above-standard space alteration services to customer agencies on a reimbursable basis. GSA uses the reimbursable work authorization (RWA) process to provide these services which can range from lock rekeying to major office-wide renovations. During the period April 1, 1993 through March 31, 1994, GSA completed about 5,800 space alteration RWAs costing \$25,000 or less at a total cost of \$21.5 million. These account for 95 percent of the total RWAs, and are often the cause of customer dissatisfaction due to untimeliness.

Historically, customer agency officials are the least patient with delays in smaller type alteration projects, believing that the projects should be completed quicker. Accordingly, our review objective was to evaluate how GSA management and procedures for processing and performing RWAs could be streamlined and improved to be more responsive to customer agencies' needs. We reviewed the RWA practices at four Field Offices, and met with representatives of four States and five private facility management companies to compare best practices.

Although GSA has initiated some actions to improve timeliness of RWAs, additional opportunities exist for streamlining the RWA process and meeting customer agency needs more quickly. We found that average administrative processing time actually exceeded the

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time spent performing the necessary construction work—55 days compared to 45 days—and thus doubled the total amount of time needed to perform projects to an average of 100 days. GSA's 14-step approach for processing and performing RWAs creates numerous opportunities for delays and causes customer dissatisfaction through excessive reviews, redundant routing procedures, and repeated transfers of forms.

We found that delays occurred at several stages of the RWA process. In many cases, field offices prepared independent Government estimates which were not required. The average time was 12 days. An additional delay of up to 15 days occurred while funds were certified by the customer agency. Finally, delays of up to 39 days were experienced if Field Offices ordered work from open-market vendors. Much of the delay in ordering work was caused by internal processing of the certified RWA form which repeats much of the initial RWA request process.

The State governments and private facility management companies we reviewed used much simpler processes to accomplish similar space alteration projects. These organizations used a simpler request form, required less documentation, had fewer review levels, and used a streamlined process that avoided repetitive routing procedures, thereby decreasing the amount of time needed to process and perform space alterations. Under the streamlined processes, agencies only had to submit the project request form once (to request work and certify funding availability), instead of twice as in GSA's RWA process. Estimates were prepared based on State general services officials' past project experience as opposed to GSA's reliance on more formalized documentation. In one State, we found that many projects were completed within 1 month, including all administrative processing and construction work.

We believe that a less formal approach will result if GSA eliminates much of the administrative processing and allows agencies to obtain estimates over the telephone or by facsimile, and then submit "pre-certified" RWA request forms just once, with no need for the Field Offices to return the form to customer agencies. Our analysis indicated that this results-oriented approach would greatly improve timeliness and customer satisfaction in that it would reduce the current lengthy and cumbersome process to about five steps.

In addition, we found that several Field Office practices further contribute to delays and customer dissatisfaction. Most Field Offices do not monitor the progress of RWA projects against target completion dates. As a result, projects can be delayed for several weeks without management's knowledge, until the customer agency complains. Also, communication between Field Offices and customer agencies is lacking. We believe that if customer agencies received periodic reports on each RWA and understood the RWA process, they would know

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what delays were occurring and why, and whom to call if they were not satisfied, which could directly improve customer satisfaction. Finally, Field Offices use the lengthy RWA process for many minor, low-cost alteration projects such as small carpeting or painting tasks. Using alternative methods outside the RWA process could expedite these small projects, improve customer satisfaction, and be cost effective.

Our August 18, 1995 report included recommendations that the Commissioner, Public Buildings Service:

- Streamline the current RWA process by using expedited procedures and simplified forms that avoid excessive reviews and redundant routing between officials.
- Modify Field Office practices by directing managers to monitor the progress of RWA projects against target completion dates, requiring more communication with customer agencies, and determining whether "express" procedures could be developed to expedite minor projects.

The Commissioner generally agreed with the recommendations in the report. The audit is still in the resolution process.

Commercial Facilities Management Contracts

GSA management in one region requested that the OIG perform an independent comparison of two methods used to acquire building management services to determine which is the most cost effective and advantageous to the public. The OIG compared the commercial facilities management (CFM) contract, which "bundles" the required building services into one contract, with the separate service contract (unbundled) method. These building services typically may include overall facility management, operation and maintenance of mechanical and electrical equipment, architectural and structural maintenance, janitorial and pest control, trash removal, landscape and grounds maintenance, reimbursable services, utilities, and protection.

In the mid-1980s, GSA awarded 10 CFM contracts for 13 buildings. These contracts were intended to reduce the amount of Field Office administrative resources required to obtain building services. The contractor provided a bundle of services, such as those listed above. Later, regional management decided that CFM contracts were not always the most advantageous or cost effective method of obtaining building services, so seven of the 10 CFM contracts were replaced by separate service contracts.

During our review, OIG auditors interviewed tenant agency personnel located in three buildings, interviewed seven private sector building managers, and asked the Region's Field Office managers' opinions on the advantages and disadvantages of the methods of obtaining building

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services. We also compared two CFM contracts to the unbundled contracts they replaced.

Although GSA's tenants were generally satisfied with building services under either type of contract, we concluded that CFM contracts were more costly. CFM contractors are paid fees for managing and inspecting the work done. However, to protect the Government, Field Offices still inspect and accept work completed by CFM contractors, thus duplicating part of the CFM's work. In addition, CFM contractors are not exempt from State and local government utility taxes and have no incentive to conserve utilities. When GSA took over energy management at two of the buildings, there was a significant reduction in energy consumption which resulted in energy rebates of almost \$180,000. We estimated that utility taxes at three buildings would have been \$61,000 under CFM contracts.

Both of the CFM contracts we reviewed included provisions for repair and alteration work. However, neither contractor had adequate staff to accomplish the required work in a timely and efficient manner while maintaining its normal workload. Therefore, the Field Office managers at these buildings relied on existing term contracts, along with independent contractors, to accomplish the work. The report showed there is little difference between accomplishing repair and alteration work under the CFM contract than through unbundled contracts.

We believe that the use of in-house personnel may create further cost savings because this reduces the need for services by outside contractors. Our discussions with Field Office managers and private sector building managers support this conclusion. GSA's in-house activities have proven to be the most cost effective mechanical maintenance service providers when bidding against private sector contractors. Field Office managers generally prefer to maintain a core GSA staff to manage the unbundled contracts, believing that this allows them to maintain better building control and creates a feeling of pride of ownership. This opinion is shared by private sector building managers who believe that employing an in-house staff is less expensive when there is enough work to be done. Also, the work is done more quickly because the staff knows the building and is immediately available for emergencies.

In addition, the private sector building managers suggested that a group of contractors be prequalified at the beginning of the year to do the repair and alteration work. These prequalified contractors would then bid on specific projects. The use of priority contractors could expedite the work and limit the time spent on paperwork.

Finally, CFM contracts do not accomplish the social programs supporting small businesses and handicapped individuals as mandated by the Small Business Act and the Javits-Wagner-O'Day Act. Combining service requirements into one contract bypasses the

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Acts because the size and diversity of CFM contracts exceeds the resource capability of most small businesses.

The August 22, 1995 report included recommendations that the Regional Administrator:

- Maximize the use of unbundled service contracts, as opposed to CFM contracts.
- Utilize in-house mechanical maintenance operations as much as possible.
- Prequalify contractors, to the extent practicable, to bid on specific repair and alteration projects during a specified period.

The Regional Administrator agreed with recommendations in the report. The audit is still in the resolution process.

Household Goods Program

When Congress approved GSA's Fiscal Year (FY) 1994 appropriation, the House Committee on Appropriations directed the Agency to review its direct appropriated activities for possible conversion to reimbursable funding. One of the programs identified for conversion was GSA's Household Goods Traffic Management program. An OIG review of the conversion of the program to reimbursable funding determined that the conversion had shortcomings. The shipment surcharge developed by GSA to generate revenue for the program was not supportable primarily because of the lack of detailed accountability over program costs.

The goal of the program is to help ensure that household goods of relocating civilian Government employees are moved in an efficient, cost effective manner. For each move made by civilian agencies under the program, GSA provides the agencies with information that compares program carriers by quality and cost of service. Agencies use the information to select carriers to perform the moves. For calendar year 1992, household goods carriers stated that there were 22,440 household goods moves involving civilian Government agencies with total costs of \$88.5 million. To accomplish self-sustaining program funding, GSA decided to assess a shipment surcharge on moves made under the program. Carriers were to include an \$85 surcharge on their billings to agencies and remit those fees to GSA.

The report disclosed that GSA's computation of the \$85 shipment surcharge was based on estimated program costs and an estimated number of shipments because the Agency did not maintain detailed accountability over program costs and did not know the actual number of annual household goods moves made under the program.

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Therefore, there may be a wide variance between surcharges collected and program costs incurred. We found that costs applicable to other programs were included in the costs for the household goods program and other costs could not be verified to financial records. For example, the surcharge included costs for 14 positions in three zonal offices, but eight of the positions were for employees whose work during Fiscal Year 1994 was generally not related to the program.

Our discussions with Agency officials revealed that they were aware of some of the problems and were working to develop more accurate measurement of program costs and the number of shipments made under the program. For example, GSA is working with the Office of Finance to develop an improved cost accounting system for the program, reviewing how to treat personnel costs of zonal employees who perform non-household goods program activities, and requesting that customer agencies notify the Agency of the number of moves they make under the program.

These actions should allow GSA to more accurately compute shipment surcharges in the future. Accordingly, we did not make any recommendations. The OIG plans to review the shipment surcharge again in a year to evaluate the improvements and determine if the amount is recovering program costs.

Motor Freight Program

GSA provides freight transportation assistance to civilian Federal agencies through its motor freight program. The Agency provides ongoing policy guidance to program personnel and annually updates the rules which program carriers must follow (the Standard Tender of Service). Motor carriers submit discounted transportation rates (tenders) to GSA. As of July 1994, GSA had approximately 1,500 general territorial tenders (state-to-state rates) and 339 standing route orders (location-specific origin and/or destination). During Fiscal Year 1994, the zonal offices provided rating and routing assistance to move over 37,000 shipments for other agencies at a cost of \$36.6 million, and about 220,000 shipments from GSA's distribution centers at a cost of \$23.1 million. In 1995, Congress directed GSA to make the freight program financially self-sustaining.

The OIG reviewed GSA's motor freight program to provide the Agency with information it could use to evaluate the current program, improve service, and lower costs for Federal civilian agencies. The OIG auditors held discussions with officials responsible for freight distribution at civilian and military agencies and with individuals in the private sector to identify best practices. These individuals told us they have improved their motor freight services and rates, reduced management and operating costs, and positively impacted their

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overall operations by using an automated freight management system; free on board (FOB) origin delivery terms; fewer carriers; and a simplified rate structure.

Transportation experts advised us that the key to a successful motor freight program was a comprehensive, cost effective, automated freight management system. (GSA began implementing an automated system in 1994. Phase one enabled carriers to electronically submit tenders and for Government agencies to electronically access the tenders.) They also noted that a comprehensive system should contain additional features, including calculating shipment mileage, issuing bills of lading for GSA-directed shipments, and electronically auditing motor freight carrier invoices prior to payment. An automated freight management system performing these functions could greatly reduce administrative effort and costs by simplifying functions which were done manually.

The Departments of Energy (DOE) and Defense (DOD) have spent several years and millions of dollars developing automated freight management systems with the features private sector companies, carriers, and other Government agencies told us were important. Subsequently, GSA has initiated discussions with DOE officials about the possibility of combining features of DOE's system with GSA's automation effort.

Our report stated that the private sector companies advocate awarding contracts which permit use of either FOB origin or FOB destination delivery terms. All of the large private sector companies we interviewed support the use of FOB origin because of lower transportation costs, better carrier service, lower distribution costs, better data, and easier resolution of problems with carriers. Although we are not advocating exclusive use of either FOB origin or FOB destination, we believe that implementation of an automated system would enable GSA to more easily determine the most efficient method to use for shipping individual orders.

Also, carriers, agencies, and private sector companies told us of the advantages of using fewer carriers. The benefits are easier interaction with carriers, greater control over carriers, and lower transportation rates.

The motor carrier industry has traditionally employed a rate structure with many different rates based on the commodities and cities involved. GSA, private sector companies, and other Government agencies have simplified this structure by soliciting rates which are effective for 1 year for most types of commodities and all cities in a particular state. Lower rates are negotiated for some high-volume routes and particularly large shipments. Some private sector companies have simplified their rates even further by negotiating rates for larger geographic areas and longer term agreements. Carrier and

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company officials told us that accurate data on historical freight volume, commodities, and routes are essential to further simplify rate structure. GSA does not currently have this data, but could obtain it from the automated freight management system.

In addition, we believe that encouraging potential customers to help GSA identify and implement program enhancements may enable the program to improve service for current customers and provide service to additional agencies. Companies, carriers, and agencies said that aggregating more of the Government's freight volume could result in reduced personnel costs in other agencies, reduced automation expenses, more useful data, and lower transportation rates.

In our report we stated that freight management practices of private sector companies and the Government are dynamic rather than static. Companies and Government agencies may develop new ideas which could work better or further refine existing processes. We advised management that it would benefit GSA to continually benchmark with companies, carriers, and other agencies by maintaining an ongoing dialogue with them and testing promising new ideas.

The report is advisory in nature and does not contain any recommendations.

Prevention Activities

In addition to detecting problems in GSA operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency.

Significant Preaward Audits

The OIG's preaward audit program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward audits distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the Government's negotiating position and realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward audits of 148 contracts with an estimated value of over \$940 million. The audit reports contained over \$63 million in financial recommendations.

Multiple Award Schedule Contracts

This period, three of the more significant Multiple Award Schedule contracts we audited had projected Governmentwide sales totaling over \$122 million. Based on the audit findings, we recommended that over \$12 million in funds be put to better use.

The OIG evaluated discount schedule and marketing data submitted in response to GSA's solicitations for the purchase of construction and highway maintenance equipment; hospital beds and patient room accessories; and the purchase and rental of mail and parcel processing equipment.

The audits disclosed common problems in the proposals. Companies were offering commercial customers better pricing than offered to GSA. The companies either did not disclose the full extent of higher discounts granted to other customers or did not provide adequate justification for not offering the higher discounts to GSA.

Other Contracts

Three of the more significant contract audits performed by the OIG contained proposed prices totaling \$46 million and recommended adjustments of more than \$6 million. In audits of proposals for construction management services and architect and engineering services, we advised the contracting officer that the contractors had overstated their proposed direct labor and overhead costs. In an audit of a change order proposal for construction site excavation services, we informed the contracting officer that the proposal was overstated. The results also were qualified because the contractor refused to provide documentation requested by the auditor, and failed to respond to inquiries regarding proposed costs. Therefore, we advised the contracting officer that the contractor should not be compensated for any costs for which adequate documentation and information were not provided.

Prevention Activities

Integrity Awareness

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse, and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

This period we presented 30 briefings attended by 698 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies and slides, the briefings expose GSA employees to actual instances of fraud in GSA and other Federal agencies.

Hotline

The OIG Hotline provides an avenue for concerned employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings, as well as Hotline brochures, encourage employees to use the Hotline.

During this reporting period, we received 115 Hotline calls and letters. Of these, 98 complaints warranted further GSA action, 7 warranted other agency action, and 10 did not warrant action.

Advisory Lease Reviews

The OIG's program for reviewing leases prior to award provides front-end assurance that GSA is adhering to regulations and procedures before awarding selected leases exceeding established thresholds. These reviews, although advisory in nature, promote opportunities for economy and efficiency in the leasing area, and the avoidance of problems before they occur. This period we received 21 lease proposals for review and completed 2 audits. No deficiencies were noted in either of the proposals. The Agency has identified the leasing program for evaluation as a nationwide reinvention project. The OIG will provide an independent verification of the evaluation process.

Implementation Reviews

The OIG performs independent reviews of implementation actions, on a selected basis, to ensure that management's corrective actions in response to OIG recommendations are being accomplished according to established milestones. This period, the OIG performed 7 implementation reviews. In 6 of the reviews, the recommendations were fully implemented. In the seventh review, 2 recommendations have been partially implemented.

Review of Legislation and Regulations

The Inspector General Act of 1978 requires the OIG to review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement.

During this period, the OIG reviewed 260 legislative matters and 45 proposed regulations and directives. The OIG provided significant comments on the following legislative items:

- **S. 675, a Bill Automating the Multiple Award Schedule Program.** We expressed our general support for automating the GSA Multiple Award Schedule (MAS) program and streamlining the ordering process. However, we expressed significant concern over the bill's pilot program provisions which would, among other things, provide for the establishment of an automated pilot program for all information technology (IT) items wherein price negotiations would be eliminated and instead MAS contracts would be negotiated on terms and conditions alone. We noted our general objection to such a pilot on the basis that direct competition in an electronic medium will not substitute well for price negotiations and information disclosures because of the nature of the MAS program, Federal agencies' ordering practices and preferences, and the nature of particular multiple award schedules.
- **H.R. 1670, Federal Acquisition Reform Act of 1995.** We noted our concern with several provisions of this bill. First, we stated our strong opposition to the elimination of the catalog or market price exception to the Truth in Negotiations Act (TINA), under which most MAS contracts are negotiated. We also noted our concerns regarding the bill's establishment of a new approval procedure for procurement related regulatory certifications that would require the approval of the Administrator of the Office of Federal Procurement Policy (OFPP). Finally, we suggested two clarifications in the new procurement integrity scheme proposed by the bill.
- **H.R. 1795, Federal Acquisition Improvement Reform Act of 1995.** We noted several concerns during our review of this bill which would expand the use of simplified acquisition procedures, make certain competition related changes, and revise Federal procurement integrity statutes. Chiefly, we expressed concerns regarding the bill's proposed application of simplified procedures to the acquisition of commercial items of any dollar value. In this connection, we also commented on our concerns regarding the implementation of the simplified acquisition dollar threshold, \$100,000, to leases on an average annual rent basis rather than a total rent basis. We commented that simplified procedures may not be appropriate for use in the context of such complex, large value leasing actions. We acknowledged the need to provide

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contracting officials some flexibility to narrow the competitive range and hold preproposal conferences. Finally, we suggested some definitional clarifications in the bill's proposed sections relating to value engineering and procurement integrity.

- **S. 946, Information Technology Management Reform Act of 1995.** The bill would set up a new and separate scheme for the oversight and conduct of procurements of IT items, make certain changes to the TINA, and impose mandatory termination requirements on IT acquisitions that are a certain percentage above cost or behind schedule. Initially, we commented that we believed the size and complexity of a procurement, rather than the item being procured, should determine the procurement procedures in place. We also cautioned against the creation of an additional TINA exception, in light of the recent, but not fully implemented, amendment of TINA by the Federal Acquisition Streamlining Act (FASA). We felt that an additional exception for IT items would unnecessarily complicate the statute and potentially compromise existing assurances of price reasonableness in negotiations of GSA MAS contracts for IT items. Finally, we noted that the provisions mandating automatic termination of IT procurements that were a certain percentage above cost or behind schedule were somewhat draconian and arbitrary.
- **Title VIII of H.R. 1530, Acquisition Policy Provisions of the National Defense Authorization Act.** We commented that the proposed bill which, as passed by the House of Representatives, contained amendments at Title VIII similar in substance to H.R. 1670, the Federal Acquisition Reform Act of 1995, and H.R. 1795, the Federal Acquisition Improvement Reform Act, concerned us because of its potential negative impact on the procurement of commercial items in general, and GSA's MAS program in particular. Our comments dealt chiefly with the negative impact on MAS program prices of the bill's elimination of the catalog price exception and substitution of a blanket commercial items exception, and the threshold need for a new approval process for procurement related regulatory certifications process requiring the approval of the Administrator of the OFPP.
- **Amendment 2118 to S. 1026, DOD Authorization Act.** Amendment 2118 consisted of a substantially revised version of S. 946, the Information Technology Reform Act of 1995, together with S. 675, the MAS automation bill. With respect to the revised S. 946, contained in Sections 4001 through 4303 of the bill, we noted that many of our concerns relating to the original bill's provisions, namely the establishment of a Governmentwide Chief Information Officer in the Office of Management and Budget and a separate TINA exemption for IT commercial items, had been allayed as the bill's language had been modified. However, we noted that the Amendment continued to contain provisions which

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would repeal the GSA's authority under the Brooks Act to direct and coordinate purchases of IT Governmentwide. We acknowledged that the Brooks Act could benefit from adjustments, however, we commented that the GSA has developed considerable valuable experience in overseeing IT procurements. We endorsed the provisions of the Amendment which would allow individual agencies with experience in IT procurement to act as executive agents and to assist in the procurement of major IT for other executive agencies.

We forcefully repeated our concerns with Title XLIV of S. 675, the MAS automation bill, which would establish on a 4-year "pilot basis" an automated system that would allow contractors to list products and prices electronically and which would limit negotiations to terms and conditions other than price. As a threshold matter, we expressed our concern with the breadth and size of the pilot program: it would encompass all GSA IT MAS contracts, a program worth \$1.7 billion annually. We also added that effective evaluation by the General Accounting Office would not be possible if all IT schedules were included within the pilot program. Most importantly, we noted that we felt that direct competition envisioned by the pilot program would not substitute effectively for price negotiations on MAS contracts and the Government would lose its ability to obtain fair and reasonable prices.

- **S. 1130, Accounting Standardization Act of 1995.** Although we noted the OIG's support for the modernization and improvement of agency accounting systems, we noted two concerns with the provisions of this bill which would require Federal agencies to implement and maintain a uniform accounting system that complied with certain Federal Accounting Standards Advisory Board standards. First, we noted that the standard of substantial compliance was rather indefinite and could benefit from revision. We also were concerned with the bill's provision for fairly severe, random percentage budget reductions as penalties for noncompliance with the bill's mandates.
- Because of the many and varied procurement reform proposals introduced this year, with the potential for significantly affecting the multi-billion dollar MAS program, the OIG, together with the Department of Veterans Affairs OIG, issued a paper entitled "Procurement Reform and the MAS Program: Safeguarding the Taxpayer's Interests," documenting our concerns that certain "reforms" could eliminate key safeguards which have been built into the MAS program.

Review of Legislation and Regulations

In addition, the OIG provided comments on the following regulatory items:

- **Federal Acquisition Streamlining Act of 1994, P.L. 103-355, Implementing Regulations.**
- ***FAR Case 94-790, Commercial Items Acquisition, Proposed and Draft Final Rule Versions.*** The rule implements the new commercial items acquisition provisions of FASA. We agreed with the underlying principle—to move the Federal Government towards the procurement of commercial items rather than procurement of items with Government-unique specifications. However, we noted several concerns, including the applicability of the Federal Acquisition Regulation coverage to procurements that are otherwise exempt from TINA, or the Competition in Contracting Act, deficiencies in the new consolidated representation and certification contract provision, and the restriction on inclusion of noncommercial clauses in commercial items contracts.
- ***FAR Case 94-721, Truth In Negotiations Act Changes, Draft Final Rule Version.*** The rule implements changes to TINA that were mandated by FASA. We expressed several concerns about the draft final rule's provisions. First, we suggested that regulatory coverage of the catalog or market price exception at 15.802, which was apparently revised in order to allow contracting officials flexibility, be clarified to make this intent explicit. Otherwise, we noted that the authority to insert important protections, such as audit rights or clauses, will be potentially compromised. We also noted that, based on a reading of the statute and legislative history, the newly established commercial item exception clearly applies for procurements of newly emerging or cutting edge technology items that do not meet one of the existing exceptions. Finally, we repeated our objection to the proposed regulatory coverage which would define "adequate price competition" to include instances where only one offer is received. We noted that in such situations, the Government's assurances of price reasonableness are few because the item has not been effectively exposed to competitive market forces.

Also, the OIG provided comments on the following Agency policy item:

- **Federal Supply Service Acquisition Letter Extending MAS Contract Terms.** We commented that although we appreciated the Federal Supply Service's intent to free administrative resources to devote to GSA Advantage! (an Agency electronic ordering system), we felt that it would not be prudent to automatically extend the terms of MAS contracts in a wholesale fashion for a 5-year period without effective provisions for revision

Review of Legislation and Regulations

of the price and outdated or inappropriate terms and conditions. Further, we commented that such a blanket extension of contract terms may result in the Government overpaying for items on Federal supply schedules.

Statistical Summary of OIG Accomplishments

Audit Reports Issued

The OIG issued 237 audit reports, including 4 audits performed for the OIG by another agency. The 237 reports contained financial recommendations totaling \$80,363,053, including \$64,744,664 in recommendations that funds be put to better use and \$15,618,389 in questioned costs. Due to GSA's mission of negotiating contracts for Governmentwide supplies and services, most of the recommended savings that funds be put to better use would be applicable to other Federal agencies.

Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 1995. Fifteen reports more than 6 months old were awaiting management decisions as of September 30, 1995; all of them were preaward audits which are not subject to the 6 month management decision requirement. Table 1 does not include 21 reports excluded from the management decision process because they pertain to ongoing investigations.

Table 1. Management Decisions on OIG Audits

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 4/1/95			
Less than 6 months old	92	70	\$ 43,629,961
More than 6 months old	13	12	2,138,271
Reports issued this period	<u>235</u>	<u>144</u>	<u>80,363,053</u>
TOTAL	340	226	\$126,131,285
For which a management decision was made during the reporting period			
Issued prior periods	90	68	\$ 41,534,374
Issued current period	<u>140</u>	<u>74</u>	<u>40,716,057</u>
TOTAL	230	142	\$ 82,250,431
For which no management decision had been made as of 9/30/95			
Less than 6 months old	95	70	\$ 39,646,996
More than 6 months old	<u>15</u>	<u>14</u>	<u>4,233,858</u>
TOTAL	110	84	\$ 43,880,854

Statistical Summary of OIG Accomplishments

Management Decisions on Audit Reports With Financial Recommendations

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs). Some of the reports contained recommendations that funds be put to better use as well as questioned costs, and these reports are therefore included in both Tables 2 and 3.

Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use

	No. of Reports	Financial Recommendations
For which no management decision had been made as of 4/1/95		
Less than 6 months old	57	\$ 43,279,286
More than 6 months old	12	2,138,271
Reports issued this period	<u>112</u>	<u>64,744,664</u>
TOTAL	181	\$110,162,221
For which a management decision was made during the reporting period		
Recommendations agreed to by management based on proposed		
• management action	—	\$ 70,008,856
• legislative action	—	—
Recommendations not agreed to by management	<u>—</u>	<u>1,869,272</u>
TOTAL	111	\$ 71,878,128
For which no management decision had been made as of 9/30/95		
Less than 6 months old	56	\$ 34,050,235
More than 6 months old	<u>14</u>	<u>4,233,858</u>
TOTAL	70	\$ 38,284,093

Statistical Summary of OIG Accomplishments

Table 3. Management Decisions on OIG Audits with Questioned Costs

	No. of Reports	Questioned Costs	Unsupported Costs
For which no management decision had been made as of 4/1/95			
Less than 6 months old	14	\$ 350,675	\$—
More than 6 months old	0	0	—
Reports issued this period	<u>33</u>	<u>15,618,389</u>	<u>—</u>
TOTAL	47	\$15,969,064	\$—
For which a management decision was made during the reporting period			
Disallowed costs	—	\$ 7,806,899 *	\$—
Costs not disallowed	—	<u>2,902,059</u>	<u>—</u>
TOTAL	33	\$10,708,958 **	\$—
For which no management decision had been made as of 9/30/95			
Less than 6 months old	14	\$ 5,596,761	\$—
More than 6 months old	<u>0</u>	<u>0</u>	<u>—</u>
TOTAL	14	\$ 5,596,761	\$—

* \$1,738,639 of this amount was recovered in civil settlements, as reported in Table 5.

** Includes \$336,655 that management decided to seek that exceeded recommended amounts.

Statistical Summary of OIG Accomplishments

Investigative Workload

The OIG opened 141 investigative cases and closed 143 cases during this period. In addition, the OIG received and evaluated 57 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

Referrals

The OIG makes criminal referrals to the Department of Justice or other authorities for prosecutive consideration and civil referrals to the Civil Division of the Department of Justice or U.S. Attorneys for litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the Government.

Table 4. Summary of OIG Referrals

Type of Referral	Cases	Subjects
Criminal	17	34
Civil	9	20
Administrative	<u>88</u>	<u>227</u>
TOTAL	114	281

In addition, the OIG made 34 referrals to other Federal activities for further investigation or other action and 75 referrals to GSA officials for informational purposes only.

Actions on OIG Referrals

Based on these and prior referrals, 12 cases (17 subjects) were accepted for criminal prosecution and 4 cases (7 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 9 indictments/informations and 18 successful prosecutions. OIG civil referrals resulted in 7 case settlements, 1 civil fraud complaint, and 1 judgment. Based on OIG administrative referrals, management debarred 44 contractors, suspended 55 contractors, and took 17 personnel actions against employees.

Statistical Summary of OIG Accomplishments

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, judgments, and restitutions payable to the U.S. Government obtained as a result of criminal and civil actions arising from OIG referrals.

In addition, the OIG identified for recovery \$3,663,418 in money and/or property during the course of its investigations.

Table 5. Criminal and Civil Recoveries

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 29,344	\$ —
Settlements or Judgments	—	2,073,239 *
Restitutions	<u>382,940</u>	<u>365,000</u>
TOTAL	\$412,284	\$ 2,438,239

* This amount includes \$1,738,639 reportable pursuant to section 5(a)(8) of the Inspector General Act as management decisions to disallow costs. See Table 3.

APPENDICES

Appendix I – Significant Audits From Prior Reports

Under the Agency's audit management decision process, GSA's Office of Management Services and Human Resources, Office of Management Controls and Evaluation, is responsible for tracking implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

Fourteen audits highlighted in prior Reports to the Congress have not yet been fully implemented; all are being implemented in accordance with currently established milestones.

GSA's Fine Arts Program

Period First Reported: October 1, 1994 to March 31, 1995

The review focused on GSA's oversight of fine art located in Federal and non-federal institutions. The report contained five recommendations; none have been implemented.

The recommendations involve reassessing the policies and practices for fine art in non-federal institutions; determining ownership status; developing policy for the utilization of fine art in Federally controlled space and its acceptance and disposal; improving access to the fine arts data base; and providing long-term storage. They are scheduled for completion by January 15, 1997.

Reimbursable Work Authorizations

Period First Reported: October 1, 1994 to March 31, 1995

The review identified opportunities for improvement in GSA's recovery of indirect costs related to the performance of reimbursable work authorizations (RWAs). The report contained two recommendations; neither have been implemented. The recommendations involve the development of overhead rates to be applied to RWAs and charged to customer agencies. They are scheduled for completion by October 15, 1996.

Processing of Thrift Savings Plan Transactions

Period First Reported: October 1, 1994 to March 31, 1995

The review identified opportunities for improvement in the processing of thrift savings plan data and the distribution of eligibility information. The review contained three recommendations which have been completed; however, audit closure awaits a management follow-up review scheduled for completion by October 15, 1995.

Real Estate Management

Period First Reported: April 1, 1994 to September 30, 1994

The review found that repair and alteration projects in one region could be more comprehensively planned and data bases more accurately maintained. The report contained ten recommendations; seven have been implemented.

One of the remaining recommendations, involving the validation of work items listed in the data base, is scheduled for completion by September 15, 1996. The second recommendation requires the identification of building retention status and is scheduled for completion by July 15, 1996. The third recommendation involves the validation of inspection data which is scheduled for completion by November 15, 1996.

Maintenance Control Center Operations

Period First Reported: April 1, 1994 to September 30, 1994

The review identified opportunities for improvement in the processing of invoices and the management of maintenance and repair data. The report contained five recommendations; none have been implemented.

The recommendations require the establishing of alternative payment procedures, recording of necessary repair and maintenance information, transferring service information from customer agencies, and streamlining operational structure. They are scheduled for completion by December 15, 1995.

Appendix I – Significant Audits From Prior Reports

Administrative Support Services

Period First Reported: April 1, 1994 to September 30, 1994

The review identified opportunities for improvement in the administrative support services GSA provides to its program activities. All of the report's recommendations have been completed; however, audit closure awaits a management follow-up review scheduled for completion by October 15, 1995.

Federal Protective Service

Period First Reported: October 1, 1993 to March 31, 1994

The review found that GSA needed to strengthen its control over firearms and improve internal security. The report contained 14 recommendations; 13 have been implemented.

The remaining recommendation involves an operational review and the development of a plan for the efficient operation of the control centers. It is scheduled for completion by December 15, 1995.

Inventory Management

Period First Reported: October 1, 1993 to March 31, 1994

The review identified opportunities for savings in the inventory management of stock in depots. All of the report's recommendations have been completed; however, audit closure awaits a management follow-up review scheduled for completion by April 15, 1996.

Distribution Centers

Period First Reported: October 1, 1993 to March 31, 1994

The review identified opportunities for improvement in inventory management at a wholesale distribution center. The report contained 16 recommendations; 14 have been implemented.

One of the remaining recommendations requires the implementation of stock locator software, and is scheduled for completion by October 15, 1995. The other recommendation involves improvements in stock selection accuracy. All actions related to the implementation

have been completed except for a follow-up review which is scheduled for completion by December 15, 1995.

Business Allocation

Period First Reported: October 1, 1993 to March 31, 1994

The review focused on GSA's administration of the 60 percent and 40 percent anticipated business allocation between two FTS2000 contractors. The report contained two recommendations; one has been implemented.

The remaining recommendation involves GSA's determination of its future role in contractor revenue allocation and indicating it in future proposals. Completion is scheduled by February 15, 1996.

Procurement Personnel Development

Period First Reported: April 1, 1993 to September 30, 1993

This review advised management to streamline and update its development programs for procurement personnel. The report contained one recommendation; it has not yet been implemented.

This recommendation requires improving the warranting, training, and certification programs. All actions related to the implementation have been completed except for a follow-up review which is scheduled for completion by February 15, 1996.

Local Telephone Service Program

Period First Reported: April 1, 1993 to September 30, 1993

The review disclosed the need to provide better service to Federal customers of the local telecommunications program. The report included six recommendations; two have been implemented. Two of the remaining recommendations require comparing costs with telephone services available from the private sector and identifying customers who should be provided service from another type of system. The other two recommendations involve rate agreements and management of toll calls. An action plan outlining revised implementation dates for the recommendations is scheduled for completion by March 15, 1996.

Appendix I – Significant Audits From Prior Reports

Employee Benefit Programs

Period First Reported: October 1, 1992 to March 31, 1993

This review found that the processing of health benefit insurance transactions needed improvement. The report contained two recommendations; one has been implemented.

The remaining recommendation required a determination whether it would be cost beneficial to recover health benefit insurance contributions for prior years and to take appropriate action based on that determination. While all pertinent actions have been taken on this recommendation, it remains open until all recovery actions are completed.

Contract Workload Management

Period First Reported: April 1, 1992 to September 30, 1992

This review revealed the need to develop a strategy for addressing procurement workload concerns. The report contained one recommendation; it has not yet been implemented.

This recommendation involves establishing a working group to develop a system for addressing identified issues and to give attention to the Multiple Award Schedule program concerns. It is scheduled for completion by October 15, 1995.

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
<i>(Note: Due to the pre-decisional nature of some audits, the financial recommendations pertaining to these reports are not listed in this Appendix.)</i>				
PBS	INTERNAL AUDITS			
04/05/95	A43043	Audit of Overtime Practices: Federal Protective Service		
04/24/95	A52489	Preaward Lease Audit: 911 Wilshire Boulevard, Los Angeles, California, Pacific Rim Region, Lease Number GS-09B-94842		
04/26/95	A40943	Postaward Audit of Lease: Northeast Distribution Center, Burlington, NJ, Mid-Atlantic Region, Lease Number GS-03B-99023		
05/15/95	A52470	Audit of Procurement Actions, Sansome Street Field Office, Pacific Rim Region		
05/18/95	A43023	Audit of Buildings Management Field Office, Southwest Field Office, Washington, DC		
06/15/95	A43310	Audit of the Lease Acquisition Process		
06/21/95	A50937	Limited Scope Postaward Lease Audit: Naval Undersea Warfare Center, Lease Number GS-03B-20068, Suffolk, Virginia		
06/26/95	A41836	Audit of Senator Levin's Concerns Regarding Operations of the Detroit Field Office (Carpet Issue)		
06/26/95	A51808	Audit of Senator Levin's Concerns Regarding Operations of the Detroit Field Office (Contract Administration Issue)		
06/26/95	A51824	Audit of Senator Levin's Concerns Regarding Operations of the Detroit Field Office (Day Care Center, Blind Vendor, and Basement Restroom Issues)		
07/06/95	A51540	Audit of Postaward Lease Administration, U.S. Fish and Wildlife Service, 555 Lester Street, Onalaska, Wisconsin, Lease Number GS-05B-15839		
07/06/95	A52479	Audit of Asbestos Issues in Building Repair and Alteration Projects, Pacific Rim Region		
07/19/95	A52130	Audit of Customer Service Center, Fort Worth, Texas		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
07/31/95	A53034	Audit of Security Service Contract Award to Areawide Services Limited (John F. Kennedy Center for the Performing Arts)		
08/01/95	A51522	Review of the Proposed Transfer of Building 1, Defense Finance and Accounting Service, Indianapolis Accounting Center		
08/03/95	A52485	Postaward Lease Audit: 1431 Harbor Bay Parkway, Alameda, California, Pacific Rim Region		
08/16/95	A52154	Preaward Lease Review: U.S. General Accounting Office, Dallas, Texas, Lease Number GS-07B-14272		
08/18/95	A43312	PBS' Process for Performing Reimbursable Space Alterations Costing \$25,000 or Less Needs to Be Streamlined to Improve Timely Delivery of Services		
08/22/95	A52472	Audit of the Pacific Rim Region's Use of Commercial Facilities Management (CFM) Contracts		
08/24/95	A52146	Audit of Region 7 Real Estate Holdover Leases and Lease Escalation Accruals		
09/12/95	A53025	Audit of Procurement Activities, Northwest Buildings Management Field Office, Washington, D.C.		
09/27/95	A41560	Review of Bidding and Contracting Practices on GSA's Major Construction Projects		
09/29/95	A51549	Audit of Postaward Lease Administration, Occupational Safety and Health Administration, Cincinnati, Ohio, Lease Number GS-05B-15404		
PBS CONTRACT AUDITS				
04/04/95	A53632	Preaward Audit of Cost or Pricing Data: Pilot Research Associates, Inc., Lease Number GS-11B-30138		
04/11/95	A53636	Preaward Audit of Architect and Engineering Services Contract: Devroux & Purnell, Subcontractor to the Kling-Lindquist Partnership, Inc., Solicitation Number GS11P94EGC0011		
04/14/95	A52548	Preaward Audit of Architectural/Engineering Proposal: Northwest Architectural Company, Solicitation Number GS-10P-94-LTC-0044		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
04/14/95	A52549	Preaward Audit of Architectural/Engineering Proposal: Thomas Hacker and Associates, Solicitation Number GS-10P-94-LTC-0044		
04/21/95	A53630	Audit of Claim for Increased Cost: PLK Contractors, a Subcontractor of the George Hyman Construction Company, Contract Number GS-11P92MKC0062		
04/21/95	A53635	Preaward Audit of Cost or Pricing Data: TDC Mechanical, a Subcontractor of Donohoe Construction Company, Contract Number GS-11B3013B		
04/27/95	A50637	Preaward Audit of Architect and Engineering Services Contract: Shen Milsom & Wilke, Inc., Solicitation Number GS-11P-94-EGC-0011		
04/28/95	A50633	Preaward Audit of Change Order Proposal: Mortenson Company, Contract Number MSCAA-0085		
04/28/95	A51229	Preaward Audit of Change Order Proposal: Dynalectric Company, Contract Number MSCAA-0085		
05/02/95	A53643	Preaward Audit of Architect and Engineering Services Contract: Parsons Brinckerhoff Energy Services, Inc., Solicitation Number GS11P95EGD0015		
05/03/95	A53641	Preaward Audit of Architect and Engineering Services Contract: Schnabel Engineering Associates, Solicitation Number GS11P94EGC0011		
05/05/95	A50923	Preaward Audit of Architect and Engineering Services Contract: The Kling-Lindquist Partnership, Inc., Contract Number GS11P94EGC0011		
05/05/95	A51828	Preaward Audit of Cost or Pricing Data: Life Skills Foundation, Inc., Contract Number GS06P92GXC0058		
05/05/95	A53640	Preaward Audit of Architect and Engineering Services Contract: Soil and Land Use Technology, Inc., Solicitation Number GS11P94EGD0024		
05/10/95	A51536	Preaward Audit of Cost or Pricing Data: 3D/International, Inc., Partner in the Joint Venture, 3D/International, Inc., and Turner Construction Company, Proposed Contract Number GS05P94GBC0051		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
05/10/95	A53637	Preaward Audit of Architect and Engineering Services Contract: RTKL Associates, Inc., Solicitation Number GS11P94EGC0011		
05/12/95	A50335	Preaward Audit of Architect and Engineering Services Contract: Oak Point Associates, Solicitation Number GS-01P-94-BZC-0021		
05/17/95	A53642	Preaward Audit of Architect and Engineering Services Contract: A. Morton Thomas and Associates, Inc., Solicitation Number GS11P94EGC0011		
05/19/95	A52141	Preaward Audit of Cost or Pricing Proposal: Omega Contractor, Inc., Solicitation Number GS-07P-95-HUC-0026		
05/24/95	A53654	Preaward Audit of Architect and Engineering Services Contract: Oudens + Knoop, Architects, P.C., Solicitation Number GS-03P-94-0041		
05/26/95	A53655	Preaward Audit of Architect and Engineering Services Contract: Robinson & Associates, Inc., a Subcontractor to Oudens + Knoop, Architects, P.C., Solicitation Number GS-03P-94-DXD-0041		
05/30/95	A50641	Review of the Status of Claims Pending Before the Contracting Officer for Final Decision: Terminal Construction Corporation, Contract Number GS-02P-23256		
05/30/95	A50656	Review of Pretrial Stipulation on Accounting for Pass-Thru Claims That Could Not Be Audited: Terminal Construction Corporation, Contract Number GS-02P-23256		
06/02/95	A53646	Preaward Audit of Architect and Engineering Services Contract: Geomet Technologies, Inc., Solicitation Number GS11P94EGD0020		
06/08/95	A52518	Preaward Audit of Cost or Pricing Data: Krommenhoek, McKeown & Associates, Solicitation Number GS-09P-94-KTC-0074		
06/08/95	A52552	Preaward Audit of Architect and Engineering Services Contract: Barton Myers Associates, Inc., Solicitation Number GS-09P-94-KTC-0074		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
06/09/95	A51823	Preaward Audit of Change Order Proposal P-3: Morse Diesel International, Inc., Contract Number GS06P-94GYC0037		
06/09/95	A51825	Preaward Audit of Change Order Proposal P-3: T.J. Ahrens Excavating, Inc., Subcontractor to Morse Diesel International, Inc., Contract Number GS06P94GYC0037		
06/14/95	A51835	Preaward Audit of Cost or Pricing Data: Kansas City Missouri Construction Services, Inc., Solicitation Number GS06P95GYC0014(N)		
06/16/95	A50659	Preaward Audit of Architect and Engineering Services Contract: Haines Lundberg Waehler, Solicitation Number GA11P95EGD0007		
06/22/95	A00102	Audit of Real Estate Tax Increases: Detroit & Canada Tunnel Corporation, Lease Number GS-05B-12863 for the Period February 1, 1980 Through January 31, 1989		
06/22/95	A50927	Audit of a Claim: America's Drilling, Inc., Subcontractor to SAE/Americon, Inc., Contract Number GS-03P-91-CDC-0006		
06/22/95	A90704	Preaward Audit of Lease Escalation Proposal: Detroit & Canada Tunnel Corporation, Lease No. GS-05B-12863		
06/23/95	A50639	Preaward Audit of a Claim: Falcon Associates, Inc., Contract Number GS-05P-91-GBC-0108		
06/29/95	A50640	Preaward Audit of Architect and Engineering Construction Management Services Contract: Turner Construction Company, Contract Number GS05P-94GBC0051		
06/29/95	A50655	Preaward Audit of Architect and Engineering Services Contract: Lewis S. Goodfriend & Associates, Solicitation Number GS11P95EGD0007		
06/29/95	A52520	Preaward Audit of Change Order Proposal: Grimm Construction Company, Inc., Subcontractor to Gonzales Construction Company, Inc., Contract Number GS-08P-93-JXC-0089		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
06/30/95	A52519	Preaward Audit of Change Order Proposal: Gonzales Construction Company, Inc., Contract Number GS-08P-93-JXC-0089		
07/05/95	A53657	Preaward Audit of Change Order Proposal: C.J. Coakley Co., Inc., Subcontractor to Grunley Construction Company, Inc., Contract Number GS-11P92MKC-0099“NEG”		
07/07/95	A52507	Preaward Audit of Cost or Pricing Data: Hoffman Construction Company, Contract Number GS-10P-94-LTC-0041		
07/13/95	A53662	Preaward Audit of Architect and Engineering Services Contract: Professional Engineers Incorporated, Solicitation No. GS05P93GBD0001-ZIL92270		
07/20/95	A51554	Preaward Audit of Architect and Engineering Services Contract: Wilson Kullman McCord, Inc., Proposed Contract Number GS-07P-JUC-0003		
07/26/95	A50344	Preaward Audit of Architect and Engineering Services Contract: R.G. Vanderweil Engineers, Inc., Solicitation Number GS-11P-95-EGC-0005		
07/26/95	A53639	Preaward Audit of Claim for Increased Costs: Stromberg Metal Works, Inc., Contract Number GS-11P92MKC0062		
07/27/95	A53665	Preaward Audit of Architect and Engineering Services Contract: Architrave P.C., Architects, Solicitation Number GS11P95EGD0006		
07/28/95	A50658	Preaward Audit of Cost or Pricing Data: Turner Construction Company, Other Direct Costs and Consultants Costs, Contract Number GS-05P-94-GBC-0051		
07/28/95	A50664	Preaward Audit of Architect and Engineering Services Contract: Smith, Hinchman & Grylls, Associates, Inc., Solicitation Number GS-11P-95-EGC-0005(N)		
07/31/95	A53647	Preaward Audit of Change Order Proposal: Retro Environmental Inc., Subcontractor to Grunley Construction Company, Inc., Contract Number GS-11P92MKC0099 “NEG”		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
08/04/95	A53667	Preaward Audit of Architect and Engineering Services Contract: Systech Group, Inc., a Subcontractor to Leo A. Daly, Solicitation Number GS11P95EGD0007		
08/08/95	A52493	Preaward Audit of Lease Escalation Proposal: University of Southern California, Contract Number GS-09B-70160		
08/09/95	A50644	Postaward Audit of Fixed Price Incentive Contract: Linpro New York Realty, Inc., Contract Number GS02P91CUC0058		\$1,920,249
08/10/95	A53666	Preaward Audit of Architect and Engineering Services Contract: Gorove/Slade Associates, Inc., a Subcontractor to Leo A. Daly, Solicitation Number GS11P95EGD0007		
08/11/95	A50657	Preaward Audit of a Claim: Morgan & Thornburg, Inc., Subcontractor to Mortenson Company, Contract Number MSCAA-0085		
08/11/95	A53669	Report on Application of Agreed-Upon Procedures for Review of Architect and Engineering Services Contract: Leo A. Daly Company, Solicitation Number GS11-P95EGD0007		
08/16/95	A53656	Preaward Audit of Architect and Engineering Services Contract: Summer Consultants, Inc., a Consultant to Oudens + Knoop, Architects, P.C., Solicitation Number GS-03P-94-DXD-0041		
08/18/95	A50665	Postaward Audit of Fixed Price Incentive Contract: Tishman Foley Partners: Subcontracting Costs, Contract Number GS-02P-91-CUC-0058		\$814,736
08/21/95	A50646	Postaward Audit of Fixed Price Incentive Contract: Lehrer McGovern Bovis, Inc., Contract Number GS-02P-91-CUC-0057		\$238,380
08/23/95	A52510	Preaward Audit of a Claim: Grimm Construction Company, Inc., Subcontractor to Gonzales Construction Company, Inc., Contract Number GS-08P-93-JXC-0089		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
08/29/95	A51241	Preaward Audit of Architect and Engineering Services Contract: Lockwood Greene Engineers, Inc., Solicitation Number GS-04P-95-EXD-0012		
08/29/95	A52509	Audit of Claim for Increased Costs: Gonzales Construction Company, Inc., Contract Number GS-08P-93-JXC-0089		
08/31/95	A50647	Postaward Audit of Fixed Price Incentive Contract: Structure Tone, Inc., Subcontractor to BPT Properties Foley Square, L.P., Contract Number GS-02P-91-CUC-0057		\$1,264,147
09/06/95	A53670	Preaward Audit of Architect and Engineering Services Contract: Ross Murphy Finkelstein, Inc., a Subcontractor to Leo A. Daly, Solicitation Number GS11P95EGD0007		
09/07/95	A51243	Preaward Audit of Construction Management Services Contract: Heery International, Incorporated, Contract Number GS-04P-95-EXD-0022		
09/11/95	A52514	Preaward Audit of Architect and Engineering Services Contract: EDAW, Incorporated, Subcontractor to Leo A. Daly, Solicitation Number GS-11P-95-EGD-0007		
09/12/95	A53659	Audit of Claim for Increased Cost: Twigg Corporation, Contract Number GS11P92MKC0041		
09/12/95	A53668	Preaward Audit of Change Order Proposal to Contract Number GS02P93CUC0071 for the Historical Research of the African Burial Ground Project, Howard University		
09/13/95	A50352	Preaward Audit of Architect and Engineering Services Contract: KRI Management Inc., Solicitation Number GS-01P-94-BZD-0027		
09/18/95	A53650	Audit of Claim for Increased Cost: Greenbrier Architectural Woodwork, a Subcontractor of The George Hyman Construction Company, Contract Number GS-11P92MKC0062		
09/19/95	A53660	Preaward Audit of Cost or Pricing Data: Superior Management Services, Inc., Solicitation Number GS11P94MKC0090		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
09/19/95	A53677	Preaward Audit of Architect and Engineering Services Contract: Dewberry & Davis, Solicitation Number GS11P95EGD0014		
09/20/95	A53671	Preaward Audit of Cost or Pricing Data: Trinity Elevator Corporation, Solicitation Number GS11P95-MJC0026		
09/22/95	A50662	Postaward Audit of Fixed Price Incentive Contract: BPT Properties Foley Square, L.P., Contract Number GS-02P-91-CUC-0057		\$1,005,188
09/26/95	A51850	Preaward Audit of Cost or Pricing Data: World Wide Terminal Services, Inc., Solicitation Number GS06P95-GXC0062		
09/27/95	A50660	Preaward Audit of Change Order Proposal: Morgan and Thornburg, Inc., Subcontractor to Mortenson Company, Contract Number MSCAA-0085		
09/29/95	A52492	Audit of Termination Settlement Proposal: Foremost Mechanical Systems, Inc., Contract Number GS-07P-91-JXC-0101		
FSS INTERNAL AUDITS				
04/13/95	A52713	Advisory Report on Award of Task Orders to Arthur Andersen LLP Under the QMI Services MAS Contract for the Analyses of GSA's Business Lines		
04/26/95	A53020	Audit of Sato, Inc., Travel Management Center-Peace Corps		
04/27/95	A42420	Audit of the Productivity Gain Sharing Program at the Western Distribution Center, Pacific Rim Region		
05/16/95	A42152	Audit of the Southwestern Distribution Center's Hazardous Material Program		
05/19/95	A52717	Advisory Report on Award of Task Orders to Arthur Andersen LLP Under the QMI Services MAS Contract for the Analyses of GSA's Business Lines		
07/11/95	A52550	Audit of Inventory of Sensitive Items, Western Distribution Center, Stockton, California, Pacific Rim Region		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
07/19/95	A52126	Audit of the Implementation of Revised Quality Assurance Procedures, Region 7		
07/25/95	A50634	Audit of Controls Over Vendor Performance, Region 2 Office Supplies and Paper Products Commodity Center		
07/26/95	A43022	Audit of the Furniture Rehabilitation Program		
08/14/95	A51814	Audit of Funding Conversion, GSA's Household Goods Program		
08/15/95	A43040	Audit of the Use of First Class Travel		
08/23/95	A52142	Audit of Fort Worth Fleet Management Center and Maintenance Control Center Operations		
08/25/95	A41818	Audit of the Federal Supply Service's Motor Freight Program		
09/20/95	A52138	Audit of the Federal Personal Property Donation Program, State of New Mexico		\$1,300
09/28/95	A52488	Audit of GSA's Oversight of Travel Management Centers		
09/29/95	A51221	Review of Internal Controls Over Cash Receipts from GSA's Personal Property Sales Program		
FSS CONTRACT AUDITS				
04/04/95	A52128	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Southwest Decor, Inc., Contract Number GS-00F-4925A		\$35,314
04/04/95	A52132	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Southwest Decor, Inc., Contract Number GS-00F-4924A		\$1,100
04/06/95	A50333	Preaward Audit of Multiple Award Schedule Contract: Amicon, Inc., Solicitation Number FCGS-Z3-94-0041-B-N		
04/07/95	A51533	Preaward Audit of Multiple Award Schedule Contract: Hill-Rom Company, Inc., Solicitation Number 3FNH-94-FW01-N		

Appendix II – Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
04/12/95	A50332	Preaward Audit of Multiple Award Schedule Contract: Corning Costar Corporation, Solicitation Number FCGS-Z3-94-0041		
04/12/95	A50921	Preaward Audit of Multiple Award Schedule Contract: Datacard Corporation, Solicitation Number FCGE-94-C1-0147B-N		
04/12/95	A50926	Preaward Audit of Cost or Pricing Data: Stanley-Vidmar, Inc., Solicitation Number 3FNH-94-F502-N		
04/13/95	A51829	Preaward Audit of Multiple Award Schedule Contract: Ozark Equipment Company, Inc., Solicitation Number 7FXI-K7-94-3704-B		
04/14/95	A52430	Preaward Audit of Multiple Award Schedule Contract: Friden Neopost, Solicitation Number FCGE-94-C1-0147B-N		
04/17/95	A42559	Postaward Audit of Multiple Award Schedule Contract: RGB Spectrum, Contract Number GS-03F-2032A		\$73,050
04/17/95	A50625	Preaward Audit of Multiple Award Schedule Contract: Dun & Bradstreet, Corporation, Solicitation Number 2FYG-LG-940002-B		
04/17/95	A50638	Preaward Audit of Multiple Award Schedule Contract: Serta Mattress Company, Solicitation Number 3FNH-94-FW01-N		
04/19/95	A51535	Preaward Audit of Multiple Award Schedule Contract: Joerns Healthcare, Inc., Solicitation Number 3FNH-94-FW01-N		
04/20/95	A51826	Preaward Audit of Multiple Award Schedule Contract: Excel Industries, Inc., Solicitation Number 7FXI-K7-94-3704-B		
04/21/95	A50619	Preaward Audit of Multiple Award Schedule Contract: Duralab Equipment Corporation, Solicitation Number FCGE-94-C9-0144-N		
04/26/95	A52429	Preaward Audit of Multiple Award Schedule Contract: Shachihata, Inc., Solicitation Number 2FYS-AP-94-0001B		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
04/27/95	A41571	Postaward Audit of Multiple Award Schedule Contract: Scotsman, Contract Number GS07F16772 for the Period October 1, 1989 Through September 30, 1992		\$268,524
04/27/95	A52432	Preaward Audit of Multiple Award Schedule Contract: TRW Information Systems Group, Information Services Division, Solicitation Number FCXS-FC-940005-N-11-30-94		
04/28/95	A40939	Postaward Audit of Multiple Award Schedule Contract: Gilian Instrument Corp., Contract Number GS-00F-2350A for the Period February 1, 1990 Through January 31, 1994		\$462,506
05/01/95	A50645	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Serta Mattress Company, Contract Number GS-00F-5739A		\$3,908
05/02/95	A50636	Preaward Audit of Multiple Award Schedule Contract: Logimetrics, Inc., Solicitation Number FCGS-Y5-95-0042-B-N		
05/03/95	A31543	Postaward Audit of Multiple Award Schedule Contract: Herman Miller, Inc., Contract Number GS-00F-0705F for the Period December 1, 1990 Through November 30, 1993		\$952,777
05/03/95	A50329	Preaward Audit of Multiple Award Schedule Contract: Pitney Bowes, Inc., Solicitation Number FCGE-94-C1-0147-B-N		
05/03/95	A51537	Preaward Audit of Multiple Award Schedule Contract: Simplicity Manufacturing, Incorporated, Solicitation Number 7FXI-K7-94-3704-B		
05/07/95	A40316	Postaward Audit of Multiple Award Schedule Contract: Konica Business Machines U.S.A., Inc., Contract Number GS-00F-4430A, for the Period November 27, 1990 to September 30, 1993		\$2,040,907
05/09/95	A51820	Postaward Audit of Multiple Award Schedule Contract: Miles, Inc., Diagnostics Division, Contract Number GS00F2572A for the Period October 1, 1990 Through September 30, 1994		\$496,533

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
05/09/95	A52129	Postaward Audit of Multiple Award Schedule Contract: Telecom Electric Supply Company, Contract Number GS-07F-5138A for the Interim Period March 25, 1992 Through December 31, 1994		
05/10/95	A50635	Preaward Audit of Multiple Award Schedule Contract: Lumex, Solicitation Number 3FNH-94-FW01-N		
05/11/95	A10080	Postaward Audit of Multiple Award Schedule Contract: American Seating Company, Contract Number GS-00F-76575 for the Period July 1, 1985 Through September 30, 1988		\$3,536,675
05/11/95	A50932	Preaward Audit of Multiple Award Schedule Contract: Ellenco, Incorporated, Solicitation Number 7FXI-R7-94-6302-B		
05/11/95	A52135	Price Adjustments on MAS Contract: Frymaster Corporation, Contract Number GS-07F-6490A for the Interim Period June 1, 1995 Through September 30, 1996		
05/12/95	A51538	Preaward Audit of Cost or Pricing Data: Century Equipment, Inc., Distributor for the Toro Company, Solicitation Number 7FXI-K7-94-3704-B		
05/16/95	A52124	Price Adjustments on MAS Contract: Coulter Corporation, Contract Number GS-00F-5928A for the Interim Period June 1, 1995 Through May 31, 1996		
05/17/95	A53649	Preaward Audit of Multiple Award Schedule Contract: Pressure Systems, Inc., Solicitation Number FCGS-Y5-95-0042-B-N		
05/18/95	A41568	Limited Scope Audit of Government Billings: SRA Technology Training, Contract Number GS-02F-5651A		\$36,943
05/24/95	A50934	Preaward Audit of Multiple Award Schedule Contract: Protective Security, Inc., Solicitation Number 7FXI-R7-94-6302-B		
05/30/95	A42118	Postaward Audit of Multiple Award Schedule Contract: Sencore, Inc., Contract Number GS-00F-2526A		\$64,982
05/30/95	A42148	Postaward Audit of Multiple Award Schedule Contract: Sencore, Inc., Contract Number GS-00F-5957A		\$24,415

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
05/31/95	A51232	Preaward Audit of Multiple Award Schedule Contract: Scientific Atlanta, Incorporated, Solicitation Number FCGS-Y5-95-0042-B-N		
05/31/95	A51834	Preaward Audit of Multiple Award Schedule Contract: Deere and Company, Solicitation Number FCAP-S5-950038-B-N		
05/31/95	A51837	Postaward Audit of Multiple Award Schedule Contract: Biomereux Vitek, Inc., Contract Number GS-00F-4761A for the Interim Period June 1, 1991 Through April 30, 1995		
05/31/95	A52423	Preaward Audit of Multiple Award Schedule Contract: Peter Pepper Products, Inc., Solicitation Number 3FNO-95-J306-N-5-2-95		
05/31/95	A52444	Preaward Audit of Multiple Award Schedule Contract: Tektronix, Inc., Solicitation No. FCGS-Y5-95-0042-B-N		
06/02/95	A52468	Preaward Audit of Multiple Award Schedule Contract: Hewlett-Packard Company, Solicitation Number FCGS-Y5-95-0042-B-N		
06/08/95	A52457	Preaward Audit of Multiple Award Schedule Contract: Contract Decor, Incorporated, Solicitation Number GS-03F-95-AYC-0002		
06/15/95	A41820	Postaward Audit of Multiple Award Schedule Contract: Sunshine Makers, Inc., Contract Number GS-10F-7204A for the Period August 1, 1990 Through June 30, 1993		\$318,579
06/15/95	A42162	Limited Scope Postaward Audit of Cost or Pricing Data: Monaco Enterprises, Inc., Contract Number GS-07F-3275A		
06/15/95	A50930	Postaward Audit of Multiple Award Schedule Contract: Betz Entec, Inc., Contract Number GS-10F-7580A for the Interim Period February 1, 1992 Through December 31, 1994		
06/15/95	A52463	Preaward Audit of Cost or Pricing Data: Datatape, Inc., Solicitation Number GS-03F-94-AYC-0041		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
06/16/95	A52420	Preaward Audit of Multiple Award Schedule Contract: Anritsu Wiltron Company, Solicitation Number FCGS-Y5-95-0042-B-N		
06/16/95	A52437	Preaward Audit of Multiple Award Schedule Contract: Watson Furniture Systems, Solicitation No. 3FNO-95-J306-N-3-2-95		
06/21/95	A50924	Preaward Audit of Multiple Award Schedule Contract: Neurological Research & Development Group, Solicitation Number 3FNH-94-FW01-N		
06/23/95	A53658	Preaward Audit of Multiple Award Schedule Contract: Stihl, Incorporated, Solicitation Number 7FXI-K7-94-3704-B		
06/28/95	A42128	Postaward Audit of Multiple Award Schedule Contract: Polychrome Corporation, Contract Number GS-00F-01331		\$149,726
06/29/95	A10140	Postaward Audit of Multiple Award Schedule Contract: Schwab Corp., Contract No. GS-00F-84171		\$236,442
06/29/95	A10141	Postaward Audit of Multiple Award Schedule Contract: Schwab Corp., Contract No. GS-00F-07129		\$232,924
06/30/95	A50653	Preaward Audit of Multiple Award Schedule Contract: Library Bureau, Inc., Solicitation Number 3FNO-95-J306-N-3-2-95		
06/30/95	A52451	Preaward Audit of Multiple Award Schedule Contract: Desco Manufacturing Company, Inc., Solicitation Number FCAP-S5-950038-B-N		
06/30/95	A53648	Preaward Audit of Multiple Award Schedule Contract: Interior Elements, Inc., Solicitation Number 3FNH-94-FW01-N		
07/06/95	A51547	Preaward Audit of Multiple Award Schedule Contract: Case Corporation, Solicitation Number FCAP-S5-950038-B-N		
07/07/95	A52434	Preaward Audit of Multiple Award Schedule Contract: Radionics, Incorporated, Solicitation Number 7FXI-R7-94-6302-B		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
07/11/95	A50339	Preaward Audit of Multiple Award Schedule Contract: Vaisala, Inc., Solicitation Number FCGR-95-0002-B		
07/11/95	A51541	Preaward Audit of Multiple Award Schedule Contract: CCH Incorporated, Solicitation Number 2FYG-LG-940002-B		
07/11/95	A52145	Preaward Audit of Multiple Award Schedule Contract: Melroe Company, Solicitation Number FCAP-S5-950038-B-N		
07/17/95	A51840	Preaward Audit of Multiple Award Schedule Contract: Alexander Manufacturing Company, Solicitation Number 7FXI-B7-95-6108-B		
07/18/95	A51838	Preaward Audit of Multiple Award Schedule Contract: Tennant Company, Solicitation Number FCAP-S5-950038-B-N		
07/19/95	A51543	Interim Period Postaward Audit of Multiple Award Schedule Contract: The Marvel Group, Inc., Contract Number GS-00F-5033A for the Period April 1, 1991 Through February 28, 1995		
07/20/95	A52424	Preaward Audit of Multiple Award Schedule Contract: Handar, Solicitation Number FCGR-95-0002-B		
07/20/95	A52425	Preaward Audit of Cost or Pricing Data: Handar, Solicitation Number FCGR-95-0002-B		
07/24/95	A51237	Preaward Audit of Multiple Award Schedule Contract: Skyland Equipment Co., Inc., Solicitation Number FCAP-S5-950038-B-N		
07/25/95	A50338	Price Adjustments on Multiple Award Schedule Contract: The Brewster Corporation, Contract Number GS-00F-5297A for the Interim Period May 1, 1995 Through April 30, 1996		
07/25/95	A52152	Limited Scope Interim Postaward Audit of Multiple Award Schedule Contract: Twenty First Century International Fire Equipment, Contract Number GS-07F-3964A		
07/27/95	A51548	Preaward Audit of Multiple Award Schedule Contract: Caterpillar, Inc., Solicitation Number FCAP-S5-950038-B-N		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
07/28/95	A50649	Preaward Audit of Multiple Award Schedule Contract: Graphic Controls Corporation, Solicitation Number 2FYP-DO-950003B		
08/07/95	A52551	Preaward Audit of Cost or Pricing Data: Burlington Environmental, Contract Number GS-09F-80340		
08/08/95	A51239	Preaward Audit of Multiple Award Schedule Contract: Kut-Kwick Corporation, Solicitation Number 7FXI-K7-94-3704-B		
08/09/95	A52452	Preaward Audit of Multiple Award Schedule Contract: RD Instruments, Solicitation Number FCGR-95-0002B-N		
08/10/95	A50336	Postaward Audit of Multiple Award Schedule Contract: Amicon, Inc., Contract Number GS-00F-2376A for the Period May 1, 1990 Through April 30, 1995		\$66,167
08/10/95	A53661	Preaward Audit of Multiple Award Schedule Contract: ADT Security Systems, Mid-South, Inc., Solicitation Number 7FXI-R7-94-6302-B		
08/11/95	A52156	Limited Scope Interim Postaward Audit of Multiple Award Schedule Contract: Texas Lamp Manufacturers, Inc., Contract Number GS-27F-2067B		
08/11/95	A52439	Preaward Audit of Multiple Award Schedule Contract: Coastal Climate Company dba Coastal Environmental Systems, Solicitation Number FCGR-95-0002-B		
08/14/95	A51842	Preaward Audit of Multiple Award Schedule Contract: Kohler Company, Solicitation Number 7FXI-B7-95-6108-B		
08/16/95	A50942	Preaward Audit of Multiple Award Schedule Contract: Spectra-Physics Laserplane, Inc., Solicitation Number FCGR-95-0002-B		
08/21/95	A51839	Preaward Audit of Multiple Award Schedule Contract: SC Johnson Professional, Solicitation Number TFTC-95-MM-794BB		
08/28/95	A52153	Interim Period Postaward Audit of Multiple Award Schedule Contract: Current Technology, Inc., Contract Number GS-07F-5061A		\$3,650

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
08/30/95	A51841	Preaward Audit of Multiple Award Schedule Contract: Kreonite, Inc., Solicitation Number FCGE-95-B8-0150-N		
09/05/95	A51557	Preaward Audit of Multiple Award Schedule Contract: Da-Lite Screen Company, Incorporated, Solicitation Number FCGR-95-B8-0150-N		
09/13/95	A50943	Preaward Audit of Multiple Award Schedule Contract: Identocard Systems, Inc., Solicitation Number FCGE-95-B8-0150-N		
09/14/95	A52426	Preaward Audit of Multiple Award Schedule Contract: Ashtech, Inc., Solicitation Number FCGR-95-0002-B		
09/19/95	A51559	Preaward Audit of Multiple Award Schedule Contract: AM Multigraphics, Solicitation Number FCGR-94-0031-B		
09/20/95	A50654	Preaward Audit of Multiple Award Schedule Contract: Gaylord Bros., Solicitation Number 3FNO-95-J306-N		
09/22/95	A50945	Preaward Audit of Multiple Award Schedule Contract: Xerox Corporation, (Printing Systems), Contract No. GS00K94AGS5816 - PS02, Option Year Number 2		
09/25/95	A50672	Preaward Audit of Multiple Award Schedule Contract: Nikon, Inc., Solicitation Number FCGE-95-B8-0150-N		
09/25/95	A52456	Preaward Audit of Multiple Award Schedule Contract: Noritsu America Corporation, Solicitation Number FCGE-95-B8-0150-N		
09/26/95	A50948	Preaward Audit of Multiple Award Schedule Contract: E.I. Dupont DeNemours and Company, Inc., Solicitation Number FCGE-95-B8-1050-N		
09/28/95	A52427	Preaward Audit of Multiple Award Schedule Contract: Miller Dial Corporation, Solicitation Number FCGE-95-B8-0150-N		
09/28/95	A52428	Limited Audit of Government Billings: Miller Dial Corporation, Contract Number GS-00F-4502A		\$889

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
09/29/95	A51560	Preaward Audit of Multiple Award Schedule Contract: A.B. Dick Company, Solicitation Number FCGR-94-0031B-N		
ITS INTERNAL AUDITS				
05/12/95	A43703	Audit of MAS Pilot Project		
ITS CONTRACT AUDITS				
04/05/95	A90618	Postaward Audit of Multiple Award Schedule Contract: Interleaf, Inc., Contract No. GS00K86AGS5714 Renewals 1 and 2 for the Period November 26, 1985 Through September 30, 1988		\$460,682
04/13/95	A42572	Preaward Audit of Multiple Award Schedule Contract: Candle Corporation, Solicitation Number KESO-94-0001 (4-19)		
05/04/95	A42115	Postaward Audit of Multiple Award Schedule Contract: QMS, Inc., Contract Number GS00K91AGS5879		\$350,383
05/09/95	A42145	Postaward Audit of Multiple Award Schedule Contract: AT&T Global Business Communications Systems Business Unit, Contract Number GS00K92AGS0452		
05/12/95	A50330	Postaward Audit of Multiple Award Schedule Contract: Digital Equipment Corporation, Contract Number GS00K92AGS5512 for the Period November 1, 1991 to September 30, 1992		\$86,849
06/16/95	A52553	Preaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Solicitation Number GSC-KES-00050-N-01-27-94		
06/23/95	A52147	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Altai Software, Contract Number GS-00K-92-AGS-5506		\$2,688
07/18/95	A00891	Postaward Audit of Multiple Award Schedule Contract: Memorex Corporation, Contract Number GS-00K-88-AGS-0211		\$273,132
07/21/95	A50343	Preaward Audit of Multiple Award Schedule Contract: Gensym Corporation, Solicitation Number KESO-95-0002		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
08/15/95	A52555	Preaward Audit of Cost or Pricing Data: Tag-Dataflow/ Alaska, Joint Venture, Solicitation Number 9KC-EC-94-0002		
08/18/95	A52148	Preaward Audit of Multiple Award Schedule Contract: BMC Software, Inc., Solicitation Number KESO-95-0002 (5-10)		
08/21/95	A53651	Preaward Audit of Cost or Pricing Data: Bell Atlantic, Washington, D.C., Incorporated, Contract Number GS00K89ADH0011		
09/15/95	A42138	Postaward Audit of Cost or Pricing Data: WilTel Communications Systems, Inc., Contract Number GS00K93AGS0536		\$130,342
09/18/95	A53678	Preaward Audit of Cost or Pricing Data: Computer Data Systems, Inc., Contract No. GS00K-92-AJC-0017		
09/22/95	A50342	Preaward Audit of Multiple Award Schedule Contract: Data General Corporation, Solicitation Number KESO-95-0002		
09/26/95	A50351	Preaward Audit of Multiple Award Schedule Contract: Digital Equipment Corporation, Solicitation Number KESO-95-0002		
FTS INTERNAL AUDITS				
04/28/95	A53019	Audit of Sprint Charges		
OTHER INTERNAL AUDITS				
04/26/95	A42443	Audit of Controls Over Accounting Control Transaction Numbers, Pacific Rim Region		
06/19/95	A50331	Audit of Employee Parking Benefits, New England Region, Boston, MA		
06/30/95	A53663	Report on GSA's Non-Compliance With Section 10 of the General Provisions of Public Law 100-440		
07/31/95	A51836	Audit of Operations of the General Programs Section of the Heartland Region's Accounts Payable Branch		

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Date of Report	Audit Number	Title	Financial Recommendations	
			Funds To Be Put To Better Use	Questioned (Unsupported) Costs
08/09/95	A52136	Audit of the Application of the Rate Development System		
08/09/95	A52476	Audit of Criminal History Background Checks for Child Care Employees		
08/22/95	A52115	Audit of Controls Over Processing Disbursement Orders for Treasury		

Appendix III – Delinquent Debts

GSA's Office of the Chief Financial Officer provided the following information:

GSA Efforts to Improve Debt Collection

During the period April 1, 1995 through September 30, 1995, GSA efforts to improve debt collection and reduce the amount of debt written off as uncollectible focused on upgrading the collection function and enhancing debt management. These activities included the following:

- Brought the Billed Accounts Receivable Tracking System enhancements on line in GSA's Finance Office in Fort Worth, Texas. Among other things, this data base generates letters to GSA's delinquent customers concerning expenses related to Information Technology Service and reimbursable work authorization billings. This is a significant improvement over the previous system and simplifies the required reconciliation process. The Fort Worth office is also developing a data base to generate letters to GSA's delinquent customers for other billings and claims. This will not only

simplify reporting requirements and reconciliation but also improve the monitoring of both Federal and non-federal accounts.

- Continued to participate in the IRS Tax Refund Offset Program. Submissions to the IRS under this program in the last 6 months have increased ten-fold over the last year. GSA also participates in and chairs the Federal Debt/Credit Forum which is a clearinghouse for ideas on how to collect non-federal debts.
- Initiated a program to encourage debtors wishing to make monthly payments to use pre-authorized debits. Once the debtor signs on, monthly payments are automatically taken from the debtor's bank account. Late payments and follow-up on missed payments are totally eliminated.
- Began using the Accounts Receivable Collection System (ARCS) for all claim types in GSA's Finance Office in Kansas City, Missouri. ARCS has improved delinquency follow-up time to 30 days for all claim types. Thanks to ARCS and timely follow-up, GSA has collected \$10.3 million in Fiscal Year 1995.

Non-Federal Accounts Receivable

	As of April 1, 1995	As of September 30, 1995	Difference
Total Amounts Due GSA	\$45,002,433	\$49,622,366	\$ 4,619,933
Amount Delinquent	\$23,769,614	\$20,889,860	\$(2,879,754)
 Total Amount Written Off as Uncollectible Between 4/1/95 and 9/30/95	 \$ 958,747		

Of the total amounts due GSA and the amounts delinquent as of April 1, 1995 and September 30,

1995, approximately \$602,000 and \$862,000 respectively, are being disputed.

Appendix IV – Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the

Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill is also cross-referenced to the appropriate page of the report.

Requirement	Page
Inspector General Act	
Section 4(a)(2)–Review of Legislation and Regulations	27
Section 5(a)(1)–Significant Problems, Abuses, and Deficiencies	2,9
Section 5(a)(2)–Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	2,9
Section 5(a)(3)–Prior Recommendations Not Yet Implemented	39
Section 5(a)(4)–Matters Referred to Prosecutive Authorities	35
Sections 5(a)(5) and 6(b)(2)–Summary of Instances Where Information Was Refused	None
Section 5(a)(6)–List of Audit Reports	42
Section 5(a)(7)–Summary of Each Particularly Significant Report	2,9
Section 5(a)(8)–Statistical Tables on Management Decisions on Questioned Costs.....	34
Section 5(a)(9)–Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	33
Section 5(a)(10)–Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made.....	None
Section 5(a)(11)–Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12)–Information on Any Significant Management Decisions With Which the Inspector General Disagrees	None
Senate Report No. 96-829	
Resolution of Audits	32
Delinquent Debts	63

