



Office of Inspector General  
U.S. General Services Administration



# Semiannual Report to the Congress

October 1, 2003 - March 31, 2004

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

The Congress requested the Inspectors General of major Federal agencies to report on the most significant management challenges facing their respective agencies. Our strategic planning process commits us to addressing these critical issues. The following table briefly describes the challenges we have identified for GSA and references related work products issued by the GSA OIG and discussed in this semiannual report.

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>PROCUREMENT ACTIVITIES</b>	Simplified processes have reduced order and delivery time, yet competitive principles are not always followed and opportunities may be missed for less costly services and products.	2 – 5, 23 – 28
<b>CONTRACT MANAGEMENT</b>	GSA's multibillion dollar acquisition programs have expanded rapidly in terms of sales, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.	6 – 11
<b>INFORMATION TECHNOLOGY</b>	Technology applications have increased exponentially as "E-Gov" is used to better manage operations and interface with the public, but complex integration and security issues exist.	11 – 14
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.	14 – 17
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. A broadly integrated security program is required.	17 – 18
<b>AGING FEDERAL BUILDINGS</b>	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	19 – 22
<b>HUMAN CAPITAL</b>	GSA's corporate knowledge is eroding and efforts to obtain requisite skills for the future are impeded. Better recruitment and training programs are needed to develop the 21st century workforce.	No Reports This Period

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## Foreword

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*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 six-month reporting period that ended March 31, 2004.*

*During the past six months, we continued to work with GSA to identify business management and operational improvements in the Agency's programs and operations. We issued reports focusing on the major challenges facing the Agency, particularly in the areas of procurement, contract management, information technology (IT), management controls, the protection of Federal facilities and personnel, and aging Federal buildings. We devoted considerable resources to our review of contracting practices at the Federal Technology Service's (FTS) Client Support Centers (CSCs). This period we completed reviews in three regions and found improper contracting practices similar to those previously reported. Subsequently, the Administrator and the FTS Commissioner requested that we initiate audits of CSC activities in the remaining regions throughout the nation; these reviews are currently underway.*

*In FY 2003, a reorganization of the Office of Audits created four specialized audit units to lead audit work within GSA's major functional areas — Acquisition Programs, Real Property, IT, and Finance. The most newly established group, the Real Property Audit Office, issued its first two reports this period, each discussing substantive issues affecting Public Buildings Service (PBS) operations. We found continued problems relating to PBS' management and administration of leases in three regions. We also found that PBS was slow to implement key processes and activities emphasized under its laudable Construction Excellence Program.*

*We identified over \$327 million in financial recommendations on how funds could be put to better use. We achieved over \$57 million in management decisions agreeing with audit recommendations, civil settlements, and direct recoveries. We made 347 referrals for criminal prosecution, civil litigation, and administrative action. Criminal cases originating from OIG referrals resulted in 77 successful prosecutions.*

*I want to express my appreciation to Congress, as well as to the senior management of the Agency, for their support over this past year to the mission of this Office. I also want to express my appreciation for the accomplishments of all OIG employees and commend them for their continued professionalism, dedication, and willingness to accept new challenges.*

*Daniel R. Levinson  
Inspector General  
April 30, 2004*



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**This semiannual report may be accessed on the Internet at the following address: <http://www.gsa.gov/inspectorgeneral>**



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## Summary of OIG Performance

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### ***OIG Accomplishments***

**October 1, 2003 – March 31, 2004**

Total financial recommendations \$328,162,191

These include:

- Recommendations that funds be put to better use \$327,549,488

- Questioned costs \$612,703

Audit reports issued 91

Referrals for criminal prosecution, civil litigation, and administrative action 347

### ***Results Attained***

Management decisions agreeing with audit recommendations; civil settlements; and court-ordered and investigative recoveries \$57,913,504

Indictments and informations on criminal referrals 99

Cases accepted for criminal prosecution 31

Cases accepted for civil action 8

Successful criminal prosecutions 77

Civil settlements 4

Contractors/individuals debarred 21

Contractors/individuals suspended 57

Employee actions taken on administrative referrals involving GSA employees 29





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## Executive Summary

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During this period, the OIG continued to direct its audit, investigative, and evaluative resources to address what we believe to be the major management challenges facing the Agency. We provided a variety of traditional services, including program evaluations; contract and financial auditing; management control reviews; and investigative coverage and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. We also continued to provide professional assistance services and reviews of proposed legislation and regulations.

### **Management Challenges**

We have highlighted a number of reviews that address major management issues facing GSA. We continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. During this period, our efforts included work focusing on procurement activities, contract management, information technology (IT), management controls, the protection of Federal facilities and personnel, and aging Federal buildings.

### **Procurement Activities**

In our previous semiannual report, we highlighted an ongoing audit of inappropriate contracting practices at the Federal Technology Service's (FTS) Client Support Centers (CSCs) in three GSA regions. Our audit identified numerous improper task order and contract awards. In making these awards, CSC officials breached government procurement laws and regulations and, on a number of occasions, processed procurement transactions for goods and services through the IT Fund that were well outside the fund's legislatively authorized purposes. We identified a variety of improper contracting practices including: improper sole source awards, misuse of small business contracts, ordering work outside the contract scope, improper order modifications, frequent inappropriate use of time and materials task orders, and not enforcing contract provisions. Subsequent to this audit, GSA's Administrator and the FTS Commissioner requested that we initiate audits of CSC activities in the remaining regions throughout the nation. These reviews are currently underway and are planned for completion near the end of the fiscal year (page 2).

Improper contracting practices

The GSA Acquisition Manual requires that the Federal Supply Service's (FSS) Multiple Award Schedule (MAS) contracts include an Economic Price Adjustment (EPA) clause. This clause precludes contractors from changing contract prices without contracting officer approval. In conducting a number of interim audits of Hardware SuperStore contracts, we determined that FSS had excluded the EPA clause from the catalog service section of the contracts. Through these contracts, customer agencies can order items such as hardware, tools, appliances, and

Economic Price Adjustment clause

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## Executive Summary

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paints. We advised management that by excluding the EPA clause from the contracts, FSS compromised its control over price changes and became vulnerable to higher prices dictated by the contractors. In response, FSS developed a revised EPA clause and submitted it to appropriate officials for inclusion in the next refresh of the Hardware SuperStore solicitation (page 4).

### FSS' Office of Global Supply

FSS' Office of Global Supply operates the Special Order Program to acquire supply items for customer agencies that are not stocked at either the Warehouse Distribution Centers or the GSA Supply Stores. Because the Special Order Program operates under industrial funding, FSS must mark up its acquisition prices to recover its operating costs. FSS currently uses 28 different markup rates to recover Special Order Program operating costs. We reported that a single rate or a simplified markup schedule would be more effective. We also recommended that Global Supply ensure completion and formal issuance of its national policies and procedures to ensure effective controls over the Program which generated sales of about \$270 million in FY 2003 (page 5).

### Contract Management

### PBS leasing concerns

The Public Buildings Service (PBS) houses over 50 percent of its tenants in leased space. The annual cost of these 6,600 leases is approximately \$3.6 billion, the largest single item in PBS' budget. Previous audits by our office have raised concerns regarding the controls over lease files and the accuracy of leasing data. Our review of PBS' management and administration of leases in several regions found problems with ensuring tenants receive those services provided under their lease (i.e. cleaning and maintenance), with mitigating fire and life safety issues, and with ensuring sufficient control over file documentation and billing accuracy. With regard to lease files, we found that PBS has improved controls over lease file documentation and data accuracy, but there were problems with extensive missing files, missing lease documents, and \$3 million of billing errors in the lease files sampled (page 6).

### Supply depot modernization study

The Office of Global Supply manages a logistics program through which it receives, stores, and distributes items to Federal customers. It currently operates two distribution centers — the Eastern Distribution Center (EDC) and the Western Distribution Center (WDC). Before relocating the WDC to a newer facility made available by the Defense Logistics Agency (DLA), FSS commissioned a study to explore alternative methods to modernize the facility. As a result of the study, FSS selected a modernization alternative costing \$21 million with projected annual savings of \$9.7 million. Since FSS was also considering a similar study regarding modernizing its facilities at the EDC, we evaluated the validity of the study's projected savings. We were able to substantiate potential savings

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## Executive Summary

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of only \$3.8 million attributable to modernization. Additionally, we reviewed the Interservice Support Agreement between FSS and DLA and noted that FSS had no contingency plan to address possible disruption to WDC operations if DLA should terminate its agreement (page 7).

### Wireless telephone service

We reviewed FTS' wireless telephone service program as a follow-up to an FY 2000 audit. The prior audit reported that FTS' Federal Wireless Telecommunications Services (FWTS) contract created sole-source marketing opportunities for its two major subcontractors and that there was a potential overlap between FSS and FTS contracts for wireless services. The follow-up review determined that FTS took several steps to expand competition such as establishing an on-line wireless products store and authorizing two regional contracts, although these were not successful. In response to our current concerns regarding sole source issues, FTS advised that it will extend the FWTS contract until it awards the replacement contract for FTS2001, and that the replacement contract will include a full array of multi-vendor wireless products and services (page 8).

### FSS acquisition workforce qualifications

The Clinger-Cohen Act of 1996 (the Act) requires the establishment of policies and procedures for the management of the Federal acquisition workforce to ensure personnel are qualified to perform critical acquisition duties and tasks. In accordance with the Act, the Office of Federal Procurement Policy (OFPP) developed governmentwide qualification standards for the 1102 Contracting Series. Our review addressed whether FSS was ensuring its acquisition personnel complied with the qualification standards established by OFPP. We made recommendations to ensure that 1102 employees who are promoted based on the issuance of temporary waivers complete the waiver requirements within the specified timeframes (page 9).

### Information Technology

### Enterprise architecture

The Clinger-Cohen Act also makes the development and implementation of an agency-wide enterprise architecture a key part of the Information Technology (IT) Capital Planning and Investment Control process. An enterprise architecture is a blueprint for systematically and completely defining an organization's current and targeted IT environment, along with a plan on how to transition to the target environment. Our most recent assessment has found that while GSA has begun laying the groundwork, a fully functional enterprise architecture will not likely be completed for several years, and there is little evidence that current system development efforts will be consistent with long range IT goals. GSA has made minimal investments in developing and implementing an enterprise architecture, and thus, an overall weakness in GSA's IT Capital Planning and Investment Control process exists since it is not yet guided by an agency-wide enterprise architecture to ensure compatible systems and reduce duplication (page 11).

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## Executive Summary

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### FTS' Third Generation System

As part of its effort to modernize its aging legacy system environment, FTS awarded a contract in August 2002, for a commercial vendor to build and operate FTS' new Third Generation System (3GS) based on a commercial-off-the-shelf product. The new system is intended to provide FTS employees and Federal clients with real-time access to acquisition, financial, project, program, and contracting information. Current cost estimates for a nine-year system lifecycle have risen to \$143.9 million, well above the \$37.5 million used to determine return on investment and to justify development of the system. Our review of the 3GS development found that while FTS has made progress in configuring the new system for its needs, there are significant technical and project risks hindering a successful system implementation. Due to the unexpected complexity of implementing the system, FTS has delayed the implementation date by several months (page 12).

### GSA.gov

GSA has recently completed a redesign of the GSA.gov Web portal aimed at more effectively marketing GSA's products and services to Federal departments and agencies. The redesigned GSA.gov Web portal launched in October 2003 addresses previously identified problems with site navigation and inconsistent appearance. While the redesign initiative has improved the GSA.gov Web portal, the Agency has not yet implemented similar best practices on other Service and Staff Office Web pages managed outside the portal, or ensured that the portal's search capabilities provide users the most up-to-date search results (page 13).

### Management Controls

### Travel Management Centers

Many Federal agencies obtain their travel services through a task order issued against GSA's Master Contract for Travel Management Center (TMC) Services. In FY 2003, the sales reported under these task orders exceeded \$720 million. The costs to operate the TMC program are recouped from the agencies as part of an Industrial Funding Fee (IFF) that is included in each TMC transaction. We performed a review of data submitted by the TMC contractors and found discrepancies between the IFF reported amounts and the actual payments received from the TMCs, and problems with the data sources that FSS relies upon to review the accuracy of the IFF payments. Because TMCs fail to consistently provide all of the required information with remittances and FSS has not enforced the contract to obtain the information, the reconciliation process is difficult. Although the TMC Master Contract grants GSA access to directly pertinent records involving transactions related to the contract, it does not allow access to other sales records, i.e., commercial and personal travel accounts. Without complete access to this data, we could not provide assurance that the IFF reported to GSA was correct (page 14).

### Fleet's European operations

GSA Fleet provides about 6,500 non-combat vehicles to U.S. military operations located in Europe. Our audit focused on the procurement and payment procedures of Fleet's European operations. We found that

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## Executive Summary

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some of the methods Fleet had established to make vendor payments posed control risks. Some procurements for purchases in excess of \$2,500 were made without adequate competition or documentation of the basis of sole-source procurements. The primary automotive fuel supplier was providing bills in a format that impaired Fleet's automated review of the bills for accuracy. Employees' access to the financial system was not adequately monitored and controlled. We also identified erroneous payments because of a system breakdown (page 15).

### Lodging per diem rates

GSA's Office of Governmentwide Policy (OGP) is responsible for establishing lodging per diem rates for Federal employees. As part of our review of this process, we served as non-voting advisors to the Governmentwide Per Diem Advisory Board (Board). The Board developed 33 recommendations related to lodging per diems. OGP has implemented seven of the Board's recommendations and has taken steps to evaluate several additional recommendations. We identified two areas of concern regarding the Board's recommendations. We found that OGP is using the premier lodging program in the rate-setting process. OGP has contracted with hotels in the top 87 travel destinations and based the per diem rate on the highest contract rate for each city. The average lodging cost for an area should be the basis for setting per diem rather than rates based on property specific variables. Also, we are concerned over the absence of clear performance measures to ensure travelers' and taxpayers' interests are considered, and to assess the impact of changes (page 16).

### Protection of Federal Facilities and Personnel

### Improper contractor security clearances

In recent semiannual reports, we have highlighted our concerns that significant numbers of GSA contractor employees did not have proper security clearances. GSA's policy requires that all contractor employees pass a background suitability check in order to work in GSA-controlled buildings. This period, we completed a review covering 1,551 Public Buildings Service (PBS) contract employees in one region. We identified 290 instances where these employees were working at GSA-controlled facilities without the required suitability check. In addition, 163 contract employees were overdue for the recertification required after five years. We observed that property managers did not have current rosters of contractor employees and often did not have adequate records of the clearance status of each employee. Also, service contracts awarded by the region did not include a clause requiring background suitability checks. The failure to ensure that contract employees have proper security clearances places employees, visitors, and the physical assets at risk (page 18).

### Aging Federal Buildings

The PBS Portfolio Restructuring Initiative represents the Agency's plan to eliminate underperforming assets and arrive at a smaller self-sustaining

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## Executive Summary

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### Portfolio Restructuring Initiative

portfolio of strong income-producing owned properties complemented by a larger leased inventory. Based on audit tests, we concluded that the present strategy is unlikely to achieve its ultimate goal of a self-sustaining inventory of Federally-owned properties. Fund performance will itself benefit from the disciplined, analytical management that this initiative introduces, but the goal of self-sufficiency may not be attainable. We identified significant problems in the data underlying key inputs, such as reimbursable expenses not credited back to specific buildings and items expensed rather than being capitalized, both of which impact current building net income; and estimates of fair market value based upon assumptions rather than on actual appraisal-based data, all of which impair the validity of the tiering process and carry a potential to distort capital allocation decisions. We also found that the restructuring strategy of disposing of underperforming, owned assets and subsequent replacement with leased space may not succeed in shoring up the Federal Buildings Fund (FBF). Finally, we compared rent estimates contained in the tiering model with market data in a sample of appraisals and found that in most cases, market data revenue was lower than the model's revenue by as much as 41 percent. This foreshadows a potential decline in overall FBF revenue, as new rates are negotiated to replace expiring occupancy agreements (page 19).

### Construction Excellence Program

In 1999, PBS established the Construction Excellence Program to promote project management methods and techniques that, when implemented effectively, should help keep projects on time, on budget, at their original scope and as a result, minimize cost escalations and claims. In our audit of seven construction projects in various stages of completion, we found that all but one required additional funds or scope reductions to the initial design, and that three of the ongoing projects are behind their original schedules. We also found that PBS was slow to implement key processes and activities, including those emphasized under the Construction Excellence Program. The Construction Excellence Program also advocates using the Source Selection procurement method as an opportunity for PBS to carefully review prospective contractors through the evaluation of predetermined technical factors as well as bid price. However, we found that most of the projects did not utilize techniques specifically designed to address the technical issues in individual projects. We also found that PBS was underutilizing Project Management Plans, a key planning tool of the Construction Excellence Program that outlines the project scope, milestone schedule, budget, team organization, strategy to be used in contracting and procurement, and basic systems to be utilized. While four of the seven projects we reviewed did have plans documented, they were not followed, kept up-to-date, or communicated to appropriate parties (page 20).



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## ***Executive Summary***

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### ***Promoting and Protecting Integrity***

In our ongoing efforts to promote and protect the integrity of GSA's programs and operations, we aggressively conduct investigations and pursue the prosecution of individuals and companies committing criminal and civil fraud and other offenses that impact GSA programs. A number of these investigations have led to enforcement actions during this semiannual period, including:

- Tiger Natural Gas settled a civil fraud case with the government for \$11.5 million for misappropriating natural gas it supplied to Federal facilities under GSA's National Gas Acquisition Program (page 23).
- The government settled a civil fraud case with Polaroid Corporation for providing false pricing information and for failing to report discounts. In its bankruptcy proceedings, Polaroid agreed to a \$3.2 million debt to resolve the government's defective pricing allegations (page 23).
- As a member of a task force to investigate telecommunications fraud, the OIG's Office of Investigations participated in two joint investigations. One investigation involved illegally accessing long distance telephone lines by intrusion into Private Branch Exchange (PBX) switches and resulted in an individual being sentenced to 46 months incarceration, 36 months supervised release, and being ordered to pay \$798,758 in restitution. In the other case, an individual was sentenced to 12 months incarceration, three years supervised release, and ordered to pay restitution in the amount of \$73,394 for engaging in calling card fraud by "shoulder surfing" (page 24).
- As part of an ongoing probe into corruption involving the GSA Public Buildings Service, a former GSA building manager pled guilty to bribery in connection with the awarding of GSA contracts involving a Federal Courthouse in Chicago, Illinois. She pled guilty to bribery after the investigation disclosed she had received over \$18,000 in new windows and siding for her residence and awarding over \$80,000 in bogus contracts to the firm. Another GSA employee, pled guilty to receiving more than \$10,000 in cash from various GSA contractors in exchange for awarding several limited value contracts. This GSA OIG corruption case resulted from a five-year investigation in which 16 defendants have been charged to date (page 24).
- Ace Moving and Storage agreed to pay \$54,000 to the government to settle a civil fraud claim for overbilling the government on various moves conducted under its contract (page 25).
- An ongoing proactive investigation of the misuse of GSA-issued fleet charge cards resulted in the sentencing of a former Amtrak and a Veteran's Administration employee for theft charges and charge card abuse with restitution totaling over \$22,000 (page 25).

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## *Executive Summary*

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- The president of Techneon International, a tool company, was sentenced to 25 months in prison, three years supervised release, and was ordered to pay restitution in the amount of \$90,741 for theft of government funds and making false statements (page 26).
- Two individuals pled guilty to stealing Federal surplus property for their own use. One was sentenced to home detention, probation, and community service; and both were ordered to pay restitution totaling over \$18,000 (page 26).
- Two GSA contractors were sentenced for bribing a GSA official in connection with GSA renovation and construction contracts. One contractor was sentenced to two years probation and ordered to pay a \$10,000 fine, and the other contractor was sentenced to one year probation, fined, and ordered to pay \$2,000 in restitution (page 26).
- Sixty-one illegal aliens were arrested at a GSA construction site and turned over to the U.S. Department of Homeland Security, Immigration and Customs Enforcement after allegations arose that a subcontractor working on a GSA construction project had instructed its employees, who were not legally authorized to work in the United States, to use false social security numbers and identities to qualify for employment (page 27).
- An individual was sentenced to 27 months incarceration, eight years supervised probation, and ordered to pay restitution of \$2,000 after pleading guilty to fraud in connection with identification documents and information (page 27).
- A former GSA realty specialist pled guilty to conflict of interest charges after she went to work for a company with whom she had negotiated leases on behalf of the government (page 27).

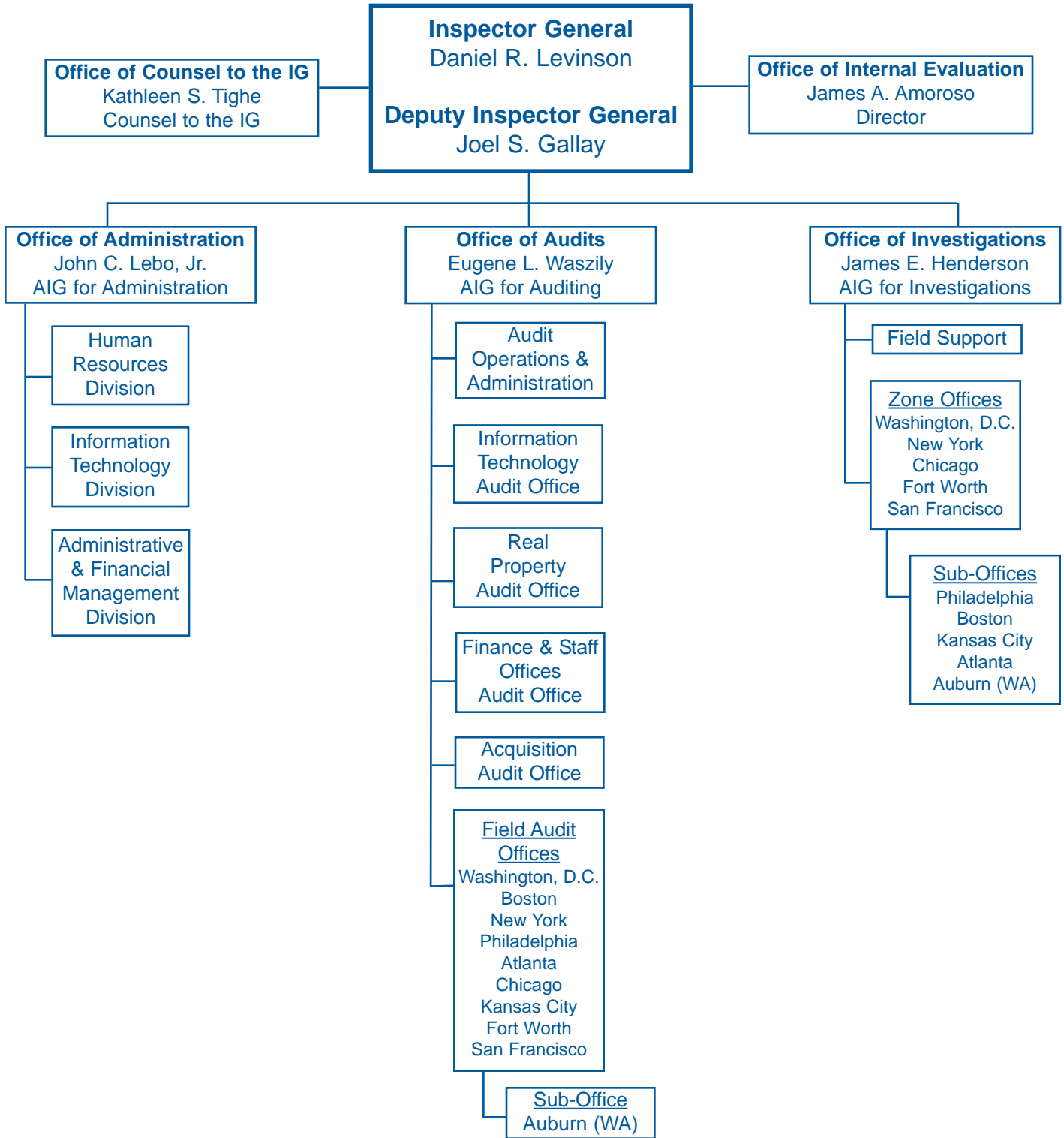
### *Summary of Results*

The OIG made over \$327 million in financial recommendations to better use government funds; made 347 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 147 legislative and regulatory actions; and received 882 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$57 million. (See page v for a summary of this period's performance.)





# OIG Organization Chart



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## OIG Profile

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*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 five components work together to perform the missions mandated by Congress.*

### Organization

The OIG provides nationwide coverage of GSA programs and activities. Our components include:

- **The Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office additionally provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **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**, 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 legislative/regulatory review and Congressional liaison functions.
- **The Office of Internal Evaluation**, an analytical staff that provides coverage of OIG operations primarily through management assessments, and conducts internal investigations and reviews at the direction of the Inspector General.
- **The Office of Administration**, which provides information technology systems, budgetary, administrative, personnel, and communications services.

### Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office Building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, Auburn, and Washington, D.C. (A contact list of OIG offices and key officials is provided in Appendix VI.)

### Staffing and Budget

As of March 31, 2004, our on-board strength was 265 employees. The OIG's Fiscal Year (FY) 2004 budget is \$38.9 million.

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## Management Challenges

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*Each year since 1998, we have identified and shared with Congress and senior GSA management what we believe to be the major challenges facing the Agency. (The current list is summarized on the front inside cover.) This period we continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. The following sections highlight our activities in these areas.*

### **Procurement Activities**

*GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts. We conduct reviews of these activities to ensure that the taxpayers' interests are protected.*

### **Improper Contracting Practices**

In our previous semiannual report, we highlighted an ongoing audit of improper contracting practices at the Federal Technology Service's (FTS) Client Support Centers (CSCs) in three GSA regions. CSCs help customer agencies define their information technology (IT) requirements, identify sources of products or services, prepare contract task orders, and assist in managing projects, depending upon the level of support needed by the customer. CSC procurement revenues grew from \$3.8 billion in FY 2001 to \$5.8 billion in FY 2003. This period, we completed our audit work in those three regions. Our audit identified numerous improper task order and contract awards. In making these awards, CSC officials breached government procurement laws and regulations and, on a number of occasions, processed procurement transactions for goods and services through the IT Fund that were well outside the fund's legislatively authorized purposes, including \$36 million for construction of classrooms and office buildings; \$38 million for floating marine barriers; and \$36 million for pathogen detection devices and services. Inappropriate contracting practices included: improper sole source awards, misuse of small business contracts, ordering work outside the contract scope, improper order modifications, frequent inappropriate use of time and materials task orders, and not enforcing contract provisions.

Of 92 FSS Schedule orders for services in our review sample, the CSCs awarded 50 without the benefit of competition. A substantial number of these sole source awards were not proper. Recent legislation and FSS ordering procedures specify the need to obtain a minimum of three offers for most orders to ensure fair and reasonable prices. We concluded that, particularly in the case of professional services, the client generally had a vendor in mind before coming to GSA, and the CSCs were not effective in expanding the competitive environment in order to obtain potentially lower prices.

***FTS' Client Support Centers awarded millions of dollars in improper task orders and contracts, including over \$100 million in non-IT related transactions.***

***Over half of the Schedule orders for services were awarded without competition.***

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## Management Challenges

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***Eighty-one percent of small business 8(a) task orders were improper.***

### ***Procurement Activities (continued)***

The Federal Acquisition Regulation (FAR) allows for sole source procurements to eligible small business 8(a) firms if the anticipated total value of the non-manufacturing contract is under \$3 million. But within our sample of 86 small business 8(a) task orders and contracts, we found that FTS directed improper procurements for millions of dollars in 70 of these cases to obtain the services of companies its customers wanted. We noted instances where FTS used these contracts in breach of regulations to improperly perform work not within the scope of the contract, and where the vast majority of work was subcontracted by the 8(a) vendor to another company. In making several of these awards, significant funds were wasted by compensating the contractors for doing little more than placing orders with other favored contractors to do the actual work. Many of these task orders represented split procurements in order to avoid exceeding the competitive threshold established for 8(a) firms by the FAR. We also identified inappropriate contract scopes of work for other than small business firms. These actions likely resulted in increased costs for goods and services and other liabilities for the government.

The CSCs perpetuated non-competitive situations by processing multiple modifications to task orders, adding work, and extending the time the contractor had to complete the task. In many cases, the modifications were improper because they: (1) added work and option periods that were not consistent with the original statement of work, (2) exercised task option years without performing the requisite analyses, or (3) extended the period of performance of the task without appropriate justification.

As a result of these improper contracting practices, the procurements did not provide reasonable assurance that the government received supplies and services at fair and reasonable prices, and the fundamental objectives underlying the Federal procurement process were not achieved.

We identified several factors that contributed to these problems — an ineffective system of internal management controls, CSC personnel sacrificing adherence to proper procurement procedures in order to accommodate customer preferences, and a culture that emphasized revenue growth. These factors created an environment that fostered client-driven decisions and inattention to laws and regulations, increasing the program's vulnerability to fraud, waste, and abuse. We also determined that FTS' performance measures do not adequately promote competition. Therefore, we concluded that the internal controls that were established were not always effective and did not provide assurance that government funds were reasonably protected.

***A culture emphasizing revenue growth and accommodating customer preferences increased the program's vulnerability to fraud, waste, and abuse.***

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## Management Challenges

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### ***Procurement Activities (continued)***

In our January 8, 2004 report, we recommended that FTS:

- Perform a detailed analysis of the factors contributing to the problems identified, including an ineffective system of internal management controls, CSC personnel's lack of adherence to proper procurement procedures, and an overemphasis on revenue growth and client-driven decisions.
- Based on this analysis, determine what changes are needed in the structure, operations and mission of the CSCs, mix of resources, and management control processes to align policies and procedures with laws and regulations and GSA's own core values in ensuring the government obtains best value, and develop a time-phased action plan to implement these changes.
- Develop additional performance measures for the CSCs that promote competition and other sound procurement practices.

The FTS Commissioner concurred with our recommendations and stated that FTS has begun to implement a series of actions and initiatives to improve acquisition quality and integrity across the organization. She also stated that GSA and FTS management are working together to review the CSC operations, adjust goals, and take strong actions to remedy problems.

Subsequent to this audit, GSA's Administrator and the FTS Commissioner requested that we initiate audits of CSC activities in the remaining regions throughout the nation. These reviews are currently underway and are planned for completion before the end of the fiscal year.

### **Exclusion of the Economic Price Adjustment Clause in FSS MAS Contracts**

The GSA Acquisition Manual requires that FSS Multiple Award Schedule (MAS) contracts include an Economic Price Adjustment (EPA) clause. The clause requires contractors to submit proposed price increases to contracting officers for evaluation prior to implementation and precludes contractors from unilaterally changing contract prices. In conducting a number of interim audits of Hardware SuperStore contracts, we determined that FSS had excluded the EPA clause from the catalog service section of the contracts. Through these contracts, customer agencies can order items such as hardware, tools, appliances, and paints. Contracting officials said they had excluded the clause to more adequately mirror commercial practice and to reduce required contract maintenance.

***GSA's  
Administrator and  
FTS Commissioner  
request an  
expanded review.***

***FSS' exclusion of  
the Economic  
Price Adjustment  
clause made FSS  
vulnerable to  
unilateral price  
increases.***

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## Management Challenges

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### ***Procurement Activities (continued)***

In our February 2, 2004 report, we advised management that by excluding the EPA clause from the contracts, FSS compromised its control over price changes and became vulnerable to higher prices dictated by the contractors.

In response to our review, FSS developed a revised EPA clause that addresses our concerns. Once approved by appropriate officials, the revised EPA clause will be included in the next refresh of the Hardware SuperStore MAS contract solicitation. Accordingly, the audit report did not contain any formal audit recommendations.

### **Audit of FSS Global Supply's Special Order Program**

The Federal Supply Service's (FSS) Office of Global Supply (Global Supply) operates the Special Order Program to acquire supply items for customer agencies that are not stocked at either the Warehouse Distribution Centers or the GSA Supply Stores. In FY 2003 the Program generated sales of about \$270 million. Program orders are processed out of three commodity centers, located in Texas, New York, and Missouri. Because the Special Order Program operates under industrial funding, FSS must mark up its acquisition prices to recover its operating costs. Markups are developed based on factors such as staff hours used to support procurements, dollar acquisition thresholds, and source(s) of supply.

FSS uses 28 different markup rates based on costs for individual acquisition centers. However, since FSS now focuses on the Special Order Program as a whole, we believe that a single rate or a simplified markup schedule would be more effective.

We noted that Global Supply recently began to write consolidated and consistent national policies and procedures for the Special Order Program to measure and improve the efficiency in the delivery of goods and services. We believe formal issuance of national policies and procedures are of utmost importance to ensure effective controls for Global Supply.

In our March 31, 2004 report, we recommended that Global Supply ensure the updated policies and procedures are formally issued, and that it considers simplifying the markup schedule to fulfill its industrial funding needs. The FSS Commissioner generally concurred with our recommendations.

***Multiple markup rates in FSS' Special Order Program can be simplified to improve efficiency.***



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## Management Challenges

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### Contract Management

GSA increasingly accomplishes its mission by using contractors to provide client services and products. Its multibillion dollar acquisition programs have expanded rapidly in terms of size, variety, and complexity of the procurements performed. While many GSA contracts are well crafted and properly administered, we are finding an increasing number of weaknesses. Our recent audit work reveals a growing list of warning signs throughout the acquisition process that suggests the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.

### Oversight of Leases

The Public Buildings Service (PBS) houses over 50 percent of its tenants in leased space. The annual cost of these 6,600 leases is approximately \$3.6 billion, the largest single item in PBS' budget. Realty specialists and property managers are responsible for the lease administration and day-to-day lease management, respectively. Inspecting and evaluating the leased property and maintaining liaison with both the lessor and the tenant are key responsibilities of these officials. Ensuring customer satisfaction and accuracy of data in the leasing information system are major performance measures.

Previous audits by our office have raised concerns regarding the controls over lease files and the accuracy of leasing data. Our review of PBS' management and administration of leases in three regions identified problems with failing to ensure that tenants receive those services provided under the lease, with mitigating fire and life safety issues, and with ensuring sufficient control over file documentation and billing accuracy. While PBS has improved controls over lease file documentation and data accuracy, one region had extensive missing files, all three regions had missing lease documents, and, in a sample of 29 lease files, there were billing errors with an approximate absolute value of \$3 million.

Our review also determined that PBS was not monitoring receipt of periodic cleaning and maintenance services required by the lease, and was inconsistent in its oversight of leased properties. We also found that PBS had adopted a passive approach to resolving issues of poor quality or lack of service, relying on the tenant to complain rather than ensuring required services are provided.

We also found numerous unresolved safety conditions in leased buildings, including longstanding problems (going back to the early 1980s). Some unresolved conditions were the types that could cause risk of severe injury or occupational illness, indicating a breakdown in the process to mitigate fire and life safety issues. Only one of the three

**Lease oversight needs to be improved to ensure tenants receive all lease services and that critical safety conditions are promptly resolved.**



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## Management Challenges

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### **Contract Management (continued)**

regions we reviewed required performance evaluations for safety issues. However, during our review, PBS issued guidance that updated fire protection, life safety, and environmental procedures for lease acquisitions.

In our February 10, 2004 report, we recommended that PBS:

- Proactively manage leases by obtaining from the lessors detailed schedules on periodic services to be performed, provide this information to property managers, and document inspections to make certain deficiencies are corrected.
- Fully implement the PBS fire safety procedures and processes established to reduce the risk of injury in PBS leased space.
- Strengthen the accuracy and sufficiency of file documentation and pursue correction of billing errors.

The Commissioner agreed with the report recommendations.

### **Modernizing the Supply Depot**

The Office of Global Supply manages a logistics program through which it receives, stores, and distributes items to Federal customers. It currently operates two distribution centers — the Eastern Distribution Center (EDC) in New Jersey and the Western Distribution Center (WDC) in California.

Before relocating the WDC to a newer facility made available by the Defense Logistics Agency (DLA), FSS commissioned a study to explore alternative methods to modernize the facility. As a result of the study, FSS selected a modernization alternative costing \$21 million with projected savings of \$9.7 million annually. Since FSS was also considering a similar study regarding modernizing its facilities at the EDC, we evaluated the validity of the study's projected savings. We also reviewed the Interservice Support Agreement between FSS and DLA.

FSS projected saving \$3.2 million in rent, \$1.6 million in transportation, \$4.8 million in labor, and \$0.1 million in FedEx expenses. We were able to substantiate potential savings of only \$3.8 million attributable to modernization.

We determined that the projected rent savings was a reasonable estimate that might be realized by relocating the WDC. However, the savings can be realized by moving and do not pertain to modernization. We were unable to substantiate the projected transportation cost savings due to

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## Management Challenges

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**Supply depot modernization cost savings are overstated.**

### ***Contract Management (continued)***

the study's insufficient analysis and use of unreliable data, and we found that the FedEx savings were based on an assumed discount that will not be realized. We did find that the modernization could result in labor savings, but less than that projected by the study. We recomputed the labor savings to reflect the actual size of the workforce, which resulted in an annual projected savings of approximately \$3.8 million. Because of the weaknesses noted, FSS needs to more closely scrutinize projected cost savings in future studies before proceeding with modernization at the EDC.

Additionally, we reviewed the Interservice Support Agreement between FSS and DLA and noted that either party can terminate the agreement with a 180-day notification. FSS had no contingency plan to address possible disruption to WDC operations should DLA cancel the agreement.

Our November 19, 2003 report recommended that FSS:

- Analyze and validate the contractor's proposed savings before implementing modernization at the EDC.
- Develop a contingency plan to minimize the impact on operations should a further relocation be needed.

The Commissioner generally concurred with our recommendations, but did not agree with our conclusion that relocation and modernization should have been assessed as independent events and that transportation savings were unsubstantiated. The report is still in the resolution process.

### **Wireless Telephone Service**

We conducted a follow-up review of a July 2000 audit of FTS' wireless telephone service program. In the prior audit, we reported that FTS' Federal Wireless Telecommunications Services (FWTS) contract created sole-source marketing opportunities for its two major subcontractors and that there was a potential overlap between FSS and FTS contracts for wireless services. We recommended that FTS not exercise future options to extend the FWTS contract and work with FSS to conduct market research and develop a cohesive acquisition plan for wireless services.

We found that, contrary to our previous recommendations, FTS has continued to exercise the annual FWTS contract options. FTS advised that, although several companies expressed interest in signing on to the FWTS contract, the companies ultimately chose not to participate. FTS also took several steps to expand competition such as establishing an

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## Management Challenges

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**Wireless telephone service contracts can be enhanced through increased competition and evaluating customer agency usage and satisfaction.**

### **Contract Management (continued)**

on-line wireless products store and authorizing two regional contracts, although these were not successful. The FWTS contract has generated a substantial revenue stream for FTS as it has grown from approximately \$881,000 in FY 1997 to more than \$64 million for FY 2003, however it still includes a sole source opportunity for the two major subcontractors.

We also observed that FTS does not have comprehensive knowledge of the customer base, a process for gauging customer satisfaction, or a process for evaluating the accuracy of contract information reported by the service providers. By addressing these areas, FTS may be able to add value to its customers, ensuring they obtain optimal prices, plans, and services.

In response to the OIG's continuing concerns with the FWTS contract and sole source issues, FTS advised that it will extend the FWTS contract until FTS awards the replacement contract for FTS2001, and that the replacement contract will include a full array of multi-vendor wireless products and services. The FWTS program manager advised us that she would adopt our suggestions on providing added value by obtaining more information on customer agencies' accounts and use, measuring customer satisfaction, and ensuring the accuracy of contract information. Due to FTS' ongoing actions in this area, we did not include formal recommendations.

### **FSS Acquisition Workforce Qualifications**

The Clinger-Cohen Act of 1996 (the Act) requires the establishment of policies and procedures for the management of the Federal acquisition workforce to ensure personnel are qualified to perform critical acquisition duties and tasks. In accordance with the Act, the Office of Federal Procurement Policy (OFPP) developed governmentwide qualification standards for the 1102 Contracting Series. The standards prescribe education and training requirements to be achieved by 1102s at each General Schedule (GS) grade. In addition to the standards prescribed by OFPP, Federal agencies may require agency-specific training for personnel in selected positions. Our review addressed whether FSS was ensuring its acquisition personnel complied with the qualification standards established by OFPP.

While FSS is striving to increase the percentage of its Clinger-Cohen compliant 1102 workforce, we believe more can be done. We reviewed a sample of 60 percent of the 558 1102s on staff as of March 31, 2003. We found that 66 percent of those sampled met FSS' "at-grade" qualification standards. However, to become fully Clinger-Cohen compliant, employees must have a four-year degree, 24 hours of business credits, and complete GSA-specific mandatory training classes.

**Many FSS acquisition staff do not meet education and training standards.**

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## *Management Challenges*

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### ***Contract Management (continued)***

FSS can promote non-compliant 1102s to the GS-13 level if a temporary waiver is issued. Although these waivers have explicit timeframes for employees to complete the missing qualifications, there appears to be no consequence if the requirements are not met within the timeframe. We reported on some compliance problems, including failure to complete classes within the required timeframe and promoting to GS-13 or higher without the issuance of a waiver.

There are a number of mechanisms in place within GSA to assist the Agency in complying with and tracking the acquisition workforce qualifications. These include training and education through partnership programs with higher education institutions and educational vendors, and the pilot of the GSA-sponsored Applied Learning Center (ALC) available to GSA's 1102 series employees; issuance of temporary waivers; and implementation of a new tracking system.

The Senior Procurement Executive has piloted and proposed the full development of the ALC as a means of increasing compliance by awarding training and education credits and justifying the issuance of temporary waivers. However, we found that FSS and others have voiced concerns about the ALC, and at the time of our review, no decision had been made regarding its full development. Also, until recently, there was no centralized system to track FSS' 1102 acquisition workforce data. We found that although the system is now in place, the data is not yet complete, and there is no verification system in place to ensure the accuracy or reliability of the data. We also found that FSS and the Senior Procurement Executive are issuing conflicting guidance on the interpretation and definition of Clinger-Cohen qualification standards for acquisition staff.

In our March 25, 2004 report, we recommended that the FSS Commissioner continue an on-going dialogue with the Senior Procurement Executive addressing concerns regarding the implementation of the Applied Learning Center; ensure that 1102 employees who are promoted based on the issuance of temporary waivers complete the temporary waiver requirements within the specified timeframes; and work with the appropriate entities to promote and hire acquisition staff in compliance with the provisions of the acquisition workforce qualifications.

We also recommended that the Senior Procurement Executive create and implement quality control procedures for inputting and maintaining high-quality data within the tracking system, and establish a standardized definition of Clinger-Cohen compliance to be formally communicated to the Services, Staff Offices, and Regions.

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## Management Challenges

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### **Contract Management (continued)**

The FSS Commissioner and the Senior Procurement Executive both agreed with our recommendations. The report is still in the resolution process.

### **Information Technology**

*GSA is in the process of replacing a number of its old information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new information technology (IT) projects are intended to go beyond automating current business functions and create real change in the way that GSA does business. However, development of new GSA systems has typically experienced schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **Clinger-Cohen Act Implementation**

The Clinger-Cohen Act of 1996 makes the development and implementation of an agency-wide enterprise architecture a key part of the IT Capital Planning and Investment Control process. An enterprise architecture establishes the agency-wide roadmap to achieve the mission of an agency through optimal performance of its core business processes within an efficient information technology environment. Simply stated, an enterprise architecture is a blueprint for systematically and completely defining an organization's current and targeted information technology environment, along with a plan on how to transition to the target environment. GSA's IT Capital Planning and Investment Control process should incorporate Clinger-Cohen goals by including cost effective IT investments that fit into the target enterprise architecture.

While GSA has begun laying the groundwork, a fully functional enterprise architecture will likely not be completed for several years, and there is little evidence that current system development efforts will be consistent with long range IT goals. GSA has made minimal investments in developing and implementing an enterprise architecture compared to other Federal agencies, and thus an overall weakness exists in GSA's IT Capital Planning and Investment Control process since it is not yet guided by an agency-wide enterprise architecture to ensure compatible systems and reduce duplication. To implement an enterprise architecture, GSA needs a development plan and implementation schedule that identifies agency-wide roles, responsibilities, milestones, and deliverables tied to the Agency's governance structure, along with the policy and processes in place for IT capital investments. Success of the development plan and implementation schedule depends on GSA top management's support for

***There is little evidence that GSA's current system development efforts will be consistent with long range goals.***

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## Management Challenges

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**GSA has made minimal investment in an enterprise architecture.**

### **Information Technology (continued)**

effective policy coupled with strategic goals and performance measures for enterprise architecture in GSA's Service and Staff Offices.

In our March 10, 2004 report, we recommended that the Chief Information Officer (CIO) establish an enterprise architecture development plan and implementation schedule that includes Service and Staff Office roles and responsibilities, and engage the GSA Administrator's support to ensure the development and implementation of Service and Staff Offices' strategic goals and performance measures for an enterprise architecture, to be used as a basis for GSA's IT Capital Planning and Investment Control process.

The Chief Information Officer generally concurred with the audit findings and recommendations. We made appropriate adjustments to the final report to reflect several concerns raised by the CIO in response to the draft of the report. The audit is still in the resolution process.

### **System Review of the FTS' Third Generation System (3GS)**

As part of its effort to modernize its aging legacy system environment, FTS awarded a contract in August 2002 for a commercial vendor to build and operate FTS' new Third Generation System (3GS) based on a commercial-off-the-shelf product. The new system is intended to provide FTS employees and Federal clients with real-time access to acquisition, financial, project, program, and contracting information. It will replace four legacy stovepipe applications that have evolved with minimal coordination during development, resulting in significant redundancy and fragmentation across these systems. Our review of the 3GS development found that while FTS has made progress in configuring the new system for its needs, there are significant technical and project risks hindering a successful system implementation. Due to the unexpected complexity of implementing the system, FTS has delayed the implementation date by several months.

FTS' aggressive developmental schedule has not provided adequate flexibility to adjust to unexpected delays. Further, the schedule has not allowed key security components, including finalizing user roles and security documentation for the system, to be completed. As FTS completes the configuration of 3GS, other significant obstacles remain that could hinder a successful implementation. An interface with GSA's financial system of record, completion of comprehensive system testing, and formulation of an effective end-user training program are all critical to success and are still lacking. Performance goals for 3GS that are measurable and system-specific are also needed. In addition, current cost estimates for a nine-year system lifecycle have risen to

**FTS' development of the 3GS System has encountered several project and technical risks, schedule delays, and increased costs.**



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## Management Challenges

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### *Information Technology (continued)*

\$143.9 million, well above the \$37.5 million used to determine return on investment and to justify development of the system. Consequently, FTS needs to update its benefits-cost analysis and return on investment for 3GS based on the new estimated lifecycle costs for the system. Immediate attention to each of these risk areas is necessary to better ensure a successful system deployment and realization of expected benefits and cost savings for 3GS.

As noted above, FTS has not completed the 3GS interface with GSA's financial system of record. As discussed in our Federal Managers' Financial Integrity Act review (page 29), the Chief Financial Officer has raised concerns related to the user controls associated with the implementation of Pegasys as GSA's financial system of record. The CFO noted that problems were identified in processing payments, which required manual payments outside of the system. Additionally, the CFO reported that the validation and reconciliation of some accounts were not completed as timely as necessary and that financial reports are now less precise than in prior years. This issue was also identified as a material weakness in the Financial Statement audit (page 30).

In our February 11, 2004 report, we recommended that FTS

- Update the benefits-cost analysis conducted for 3GS to verify the return on investment based on new estimated lifecycle costs.
- Finalize and comprehensively test user and portal roles to validate segregation of duties and implementation of logical security controls prior to implementing the system.
- Prioritize the completion of key system documentation.
- Develop measurable performance improvement goals to monitor actual performance compared to expected results for 3GS.

Management generally concurred with our findings and recommendations and began taking actions to address the issues raised in our review.

### **GSA.gov**

GSA has recently completed a redesign of the GSA.gov Web portal to make it a marketing tool for GSA's products and services available to Federal departments and agencies. The redesigned GSA.gov Web portal launched in October 2003 addresses previously identified problems with site navigation and inconsistent appearance. Through the use of best practices, the portal now has a unified navigational system that makes it easier to use. While the redesign initiative has improved the GSA.gov

***Further  
improvements  
needed in GSA's  
redesigned Web  
portal.***

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## Management Challenges

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### ***Information Technology (continued)***

Web portal, the Agency has not yet implemented similar best practices on other Service and Staff Office Web pages managed outside the portal, or ensured that the portal's search capabilities provide users the most up-to-date search results.

Our March 30, 2004 report recommended that the Office of Citizen Services and Communications develop and implement direction and guidance for all GSA Offices to employ consistent best practices on their Web pages, and to ensure that comprehensive and current search results are produced from the GSA.gov Web portal.

### ***Management Controls***

*Multiple management controls and extensive supervisory reviews have been replaced, through streamlining efforts, by fewer and broader controls, making it essential that the remaining control processes be emphasized and consistently followed. Streamlined processes have helped GSA achieve its goal of serving customers more quickly and efficiently; however, the Agency is exposed to the risk of mismanagement and abuse if program officials do not ensure the faithful application of existing safeguards.*

### ***Travel Management Centers***

Many Federal agencies obtain their travel services through a task order issued against GSA's Master Contract for Travel Management Center (TMC) Services. As of 2003, GSA clients had over 1,000 active task orders with 44 contractors. Air and rail ticket sales under these task orders exceeded \$720 million in 2003. The costs to operate the TMC program are recouped from the agencies as part of an Industrial Funding Fee (IFF) that is included in each TMC transaction. The TMCs are required to report and remit the IFF collected to GSA quarterly. Late reporting and/or late remittances have been a concern that FSS has been addressing with the TMCs.

Based on our review of data submitted to GSA by the TMC contractors, we were unable to confirm that the contractors remitted the IFF in an accurate, complete, and timely manner. We identified discrepancies between the IFF reported amounts and the actual payments received from the TMCs, and problems with the data sources that FSS relies upon to review the accuracy of the IFF payments. Because TMCs fail to consistently provide all of the required reference information with remittances and FSS has not enforced the contract to obtain the information, the reconciliation process is difficult. While the TMC Master Contract grants GSA access to directly pertinent records involving transactions related to the contract, it does not explicitly allow access to

***Controls are lacking in FSS' Travel Management Center Services to ensure contractors remit accurate and complete Industrial Funding Fee payments.***



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## Management Challenges

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### **Management Controls (continued)**

other sales records, i.e., commercial and personal travel accounts. Without complete access to this data, we could not provide assurance that the IFF reported to GSA was correct.

FSS has begun the award and implementation phase of the new Travel Services Solutions (TSS) contract, which will eventually replace the existing Master Contract. We believe that with the issuance of the new solicitation, some of the shortcomings with the current contract have been addressed. The new contract will allow FSS to take action, including canceling the contract, if TSS contractors fail to provide accurate sales reports or pay the IFF in a timely manner.

In our March 26, 2004 report, we recommended that FSS ensure that:

- The contractors provide the required detail reference information in a timely manner and that the appropriate GSA offices have the necessary information to promote effective controls over the IFF collection and monitoring process.
- It identifies and resolves discrepancies between the IFF reported amounts and IFF payments received from the TMCs.
- The new contract terms and conditions will allow GSA complete, unrestricted access to contractors' records including government, commercial, and personal travel accounts sales information.

The FSS Commissioner concurred with the report recommendations. The report is still in the resolution process.

### **FSS' European Fleet Operations**

GSA's Fleet operations provide about 6,500 non-combat vehicles to U.S. military operations located in Europe. The Fleet began operations in Germany in 1997 and has since expanded its operations to Italy, Belgium, Greece, and Spain. It operates under constraints much different than those in the United States, due to foreign currencies and constantly fluctuating exchange rates.

Our audit focused on the procurement and payment procedures of Fleet's European operations. During our audit we found that some of the methods Fleet had established to make payments to vendors posed control risks and employees' access to the financial system was not adequately monitored and controlled.

The primary difficulty posed by euro payments is simultaneously paying the transaction in euros and booking the entry in dollars in Pegasys. The

**Control risks exist in FSS' European Fleet operations in making foreign currency payments.**

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## Management Challenges

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### **Management Controls (continued)**

process Finance has developed with the Department of Treasury (Treasury) results in Pegasys entries after the payment has been processed by Treasury and the Federal Reserve Bank, which converts the euro to dollars and pays the transaction in euros. Because the initial input controls for some payment methods are outside of Pegasys, a single user is able to enter and process a transaction without further approval.

As a result of the lack of controls, a payment in the amount of \$27,310 had been made to the wrong vendor and had gone undetected until our audit. We also identified a file containing 57 transactions totaling about \$13,350 that had been submitted to the finance office twice and paid twice because of a system breakdown. We found procurements for purchases in excess of \$2,500 made without adequate competition or documentation of the basis of sole-source procurements. We also found that the primary automotive fuel supplier was providing bills in a format that impaired Fleet's automated review of the bills for accuracy.

In our March 18, 2004 report, we recommended that Fleet management:

- Closely monitor and control the vendor direct payment process.
- Provide additional training to European employees responsible for procuring Fleet goods and services on the appropriate procurement regulations and requirements.
- Establish procedures to obtain detailed fuel bills that can be examined electronically.
- Resolve financial system access issues regarding users authorized to use the direct payment process and those who leave GSA.

The Commissioner agreed with our findings and recommendations.

In a separate report, we discussed with the Chief Financial Officer (CFO) the details that led to the duplicate payments. As a result of our work, the CFO's Office and Fleet began to recover the payments made in error and to address the control issues that led to the erroneous payments.

The report is still in the resolution process.

### **Review of GSA's Process for Establishing Lodging Per Diems**

As directed by statute, GSA establishes lodging per diem rates for Federal employees. GSA's Office of Governmentwide Policy (OGP)

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## Management Challenges

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***A time-phased action plan is needed to ensure implementation of a government advisory board's recommendations on setting lodging per diem rates.***

### ***Management Controls (continued)***

assumed responsibility for the rate setting process from FSS in 1996 and has made various refinements to the process. As part of our review of this process, we served as non-voting ex-officio advisors to the Governmentwide Per Diem Advisory Board (Board), a panel of travel and lodging experts from government and the commercial sector that met from June 2002 through January 2003. The Board developed 33 recommendations related to lodging per diems. OGP has implemented seven of the Board's recommendations and has taken steps to evaluate several additional recommendations. However, we believe that OGP needs to establish a time-phased action plan to ensure that all recommendations are evaluated in a timely manner. Although the lodging per diem methodology is in a state of transition, we identified two areas of concern regarding the Board's recommendations.

First, we identified concerns with OGP using negotiated contract rates from the premier lodging program to set lodging per diem rates. OGP has contracted with hotels in the top 87 travel destinations and based the per diem rate on the highest contract rate for each city. The average lodging cost for an area should be the basis for setting per diem rather than rates based on property specific variables, especially since the rates can dramatically impact governmentwide travel costs estimated to be about \$10 billion a year. Our second concern is the absence of clear performance measures to ensure travelers' and taxpayers' interests are considered, and to assess the impact of changes.

We recommended that the Associate Administrator, OGP:

- Develop a time-phased action plan for evaluating and implementing the Board's recommendations related to establishing lodging per diem rates.
- Document the reason for modification or dismissal of any of the Board's recommendations.

The Associate Administrator concurred with the recommendations in our report and advised us that OGP has hired a contractor to help develop formal performance measures.

### ***Protection of Federal Facilities and Personnel***

*Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,300 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the*

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## Management Challenges

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### ***Protection of Federal Facilities and Personnel (continued)***

*Federal Protective Service (FPS) was transferred from GSA to the Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency has a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including child care center personnel), pre-lease security checks, occupant emergency plan support, and continuity of operations support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary concern of GSA.*

### **Security Clearance Process for Contractor Personnel**

In recent semiannual reports, we have highlighted our concerns that significant numbers of GSA contractor employees do not have proper security clearances. GSA's policy requires that all contractor employees are required to pass a background suitability check in order to work in GSA-controlled buildings. We identified this condition during several audits throughout the country. This period, we completed a review covering 1,551 Public Buildings Service (PBS) contract employees in one region.

We identified 290 instances where contract employees were working at GSA-controlled facilities without the required suitability check. In addition, 163 contract employees were overdue for the recertification required after five years. We attributed this largely to the lack of a formalized suitability tracking system in the region. We also observed that property managers did not have current rosters of contractor employees and often did not have adequate records of the clearance status for each contractor employee. Furthermore, service contracts awarded by the region did not include a clause requiring background suitability checks.

The failure to ensure that contract employees have proper security clearances places employees, visitors, and the physical assets at risk. If PBS is to have assurance that contractor personnel meet security clearance requirements, property managers and contracting officials have to play a more active role in monitoring the contractor workforce.

During the course of our fieldwork, regional officials took responsive corrective action by developing a Web-based PBS Security Clearance Tracking System. In our October 20, 2003 report, we recommended that the region continue development of this tracking system and ensure that all regional service contracts include clauses requiring suitability determinations and five-year recertifications. Management agreed with our recommendations. The report is still in the resolution process.

***Nearly twenty percent of PBS contract employees in one region lacked required background checks.***

***Regional officials take corrective action and develop a clearance tracking system.***

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## Management Challenges

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### **Aging Federal Buildings**

*GSA is being challenged to provide quality space to Federal agencies in a competitive environment with an aging, deteriorating inventory of buildings and critical budgetary limitations. It is estimated that it would take over \$5 billion to bring the building inventory up to standard. GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, and how to fund the highest priority projects in a timely manner.*

### **The Portfolio Restructuring Initiative**

The majority of PBS' inventory of owned buildings is over 30 years old, and quality, health, and safety deficiencies present in many are serious and widespread. At the end of FY 2002, PBS estimated that \$5.5 billion was needed for outstanding repair and alteration of these assets. The PBS Portfolio Restructuring Initiative represents the Agency's plan to eliminate underperforming assets and arrive at a smaller self-sustaining portfolio of strong income-producing owned properties, complemented by a larger leased inventory. Based on audit tests of the primary assumptions upon which the initiative is constructed, we concluded that the present strategy is unlikely to achieve its ultimate goal of a self-sustaining inventory of Federally-owned properties, i.e., one capable of funding long-term capital requirements solely out of the proceeds of current operations. Fund performance will itself benefit from the more disciplined, analytical management that this initiative introduces, but the goal of self-sufficiency may not be attainable.

The "tiering" model adopted by PBS mirrors commercial practice, grouping the buildings into several classes (performing, underperforming, and non-performing), and identifying the potential profitability of each to be used as a guide for both disposal and reinvestment decisions. Key inputs are current building net income, estimates of fair market value, repair needs, and replacement cost. The model itself is logical and generally appropriate although we believe it should be separately applied to both owned buildings and leased inventory to determine whether each asset is maximizing its potential. We did, however, identify significant problems in the data underlying these key inputs that impair the validity of the tiering process and carry a potential to distort capital allocation decisions.

We also found that the restructuring strategy of disposing of underperforming, owned assets and subsequent replacement with leased space may not succeed in shoring up the Federal Buildings Fund (FBF). Asset disposal does not reduce the cost of operating the PBS organization; it only eliminates the direct cost of operating the building in question. The pool of expenses that represents the cost of operating the

**Shortcomings in PBS' Portfolio Restructuring Initiative impair its effectiveness.**

**Disposal of underperforming assets may not shore up the Federal Buildings Fund.**

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## Management Challenges

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### ***Aging Federal Buildings (continued)***

PBS organization, referred to as general and administrative costs or G&A, is essentially fixed — changes to the mix of buildings result only in a redistribution of the same total cost pool. Further, the current G&A allocation methodology is too complicated, erratic, and generally deficient as a basis for investment decisions at the building-specific level. Thus, it is unclear whether leasing results in full cost recovery for PBS, even in the aggregate.

Finally, we compared rent estimates contained in the tiering model with market data in a sample of appraisals and found that in most cases, market data revenue was lower than the model's revenue, by as much as 41 percent. This foreshadows a potential decline in overall FBF revenue, as new rates are negotiated to replace expiring occupancy agreements. The Public Buildings Act, PBS' authorizing legislation, requires that GSA rent "approximate commercial charges for comparable space and services". PBS determines this by means of an independent rent appraisal, which is a professional's opinion as to what the rent should be based on comparable commercial activity. Non-comparable space is priced at a return-on-investment basis.

The appraisers also noted some instances where the Federal tenancy behaves like its own submarket, paying above comparable "market" rates with little tendency to seek out non-Federal space alternatives available in an otherwise soft market. Assuming a conventional economic model, Federal tenants apparently perceive additional value in such benefits as 120-day termination rights, visible building security, a typically robust and secure technical infrastructure, and being in a shared Federal community.

In our December 31, 2003 report, we recommended that PBS continue to explore alternative means of financing needed repair and modernization, and where possible seek to maximize revenue by pricing that more fully captures underlying demand. We also advocated a more discrete accounting, dividing the fund and all of its related expenses into two portfolios, one comprised of leased properties, the other comprised of owned properties. The PBS Commissioner noted that although PBS may not agree with all report specifics, it conceptually agrees with the report content and concurs with the report recommendations. The report is still in the resolution process.

### **Audit of PBS' New Construction Program**

Over the years, cost growth, particularly due to contract change orders and contractor claims, has been a concern on new GSA construction projects. For the five-year period 1999–2003, the budget for new



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## Management Challenges

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***PBS' construction projects have experienced hundreds of millions of dollars in cost escalations and claims.***

### ***Aging Federal Buildings (continued)***

construction under PBS' Construction and Acquisition Program totaled \$2.1 billion. Over the same time, PBS funded an additional \$124 million for project cost escalations and settled \$151 million in claims. More than \$300 million in claims are currently pending. In 1999, PBS established the Construction Excellence Program to promote project management methods and techniques that, when implemented effectively, should help keep projects on time, on budget, at their original scope, and as a result minimize cost escalations and claims.

In an audit of seven construction projects in various stages of completion, we found that all but one required additional funds or scope reductions to the initial design, and that three of the ongoing projects were behind their original schedules. We also found that PBS was slow to implement key processes and activities, including those emphasized under the Construction Excellence Program. Several of these controls and techniques occur early in the project when decisions on scope, schedule, and budget have a great impact.

For example, the Construction Excellence Program advocates using design reviews at 30, 60, and 90 percent of design completion, and alternative construction delivery methods that lead to early reviews of the design drawings, thus identifying problems early on before they become critical. We noted that when the design could not be constructed for the budgeted amount, repercussions were felt throughout the project. Processes aimed at addressing this problem included design reviews, early involvement of the construction contractor through different delivery methods, and mutual agreement with the customer on the budget, scope, and requirements of the project.

***Contracting officials are slow to adopt Construction Excellence Program techniques.***

Construction Excellence also advocates using the Source Selection procurement method as an opportunity for PBS to carefully review prospective contractors through the evaluation of predetermined technical factors as well as bid price. For example, PBS can call upon vendors to provide oral presentations and answer specific questions to provide a better assessment of contractor abilities. However, we found that most of the projects did not utilize oral presentations or questions specifically designed to address the technical issues in individual projects.

We also found that PBS was underutilizing Project Management Plans, a key planning tool of the Construction Excellence Program that outlines the project scope, milestone schedule, budget, team organization, strategy to be used in contracting and procurement, and basic systems to be utilized. While four of the seven projects we reviewed did have plans documented, they were not followed, kept up-to-date, or communicated to appropriate parties.



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## ***Management Challenges***

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### ***Aging Federal Buildings (continued)***

We identified that improvements are needed in project administration activities as well, to ensure the delivery of a successful project. These include: ensuring change orders are properly executed, supported, and fully costed; maintaining project schedules; and keeping accurate accounting records.

In our March 3, 2004 report, we recommended PBS:

- Develop and issue a project management handbook for construction.
- Give consideration to the adoption of additional best practices, such as greater oversight of projects and using peer reviews to assess the use of project management techniques.
- Emphasize more diligent project administration.

The PBS Commissioner stated that he is in general agreement with the findings of the audit, which is still in the resolution process.

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## Promoting and Protecting Integrity

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GSA is responsible for providing working space for almost one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and 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 conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations and that the taxpayer's interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions.

### **Significant Criminal and Civil Actions**

#### **Natural Gas Vendor Pays \$11.5 Million to Settle Government Fraud Claims**

On January 9, 2004, the government negotiated a settlement with Tiger Natural Gas (Tiger), of its civil False Claims Act liability for misappropriating natural gas it obtained under a Department of Interior (DOI) program that provides natural gas from Federal lands. Tiger is a vendor that provides natural gas to GSA's National Gas Acquisition Program (NGAP). Tiger was to have supplied the gas obtained under the DOI program to Federal facilities under GSA's NGAP program and contracts. The government's investigation determined that, in fact, Tiger sold the gas on the commercial spot market for profit. In the settlement, Tiger agreed to pay \$11.5 million to the government, and agreed to exclude itself from participation in any GSA procurements for a period of five years. It also agreed to remove a principal owner from any GSA-related responsibilities.

#### **Polaroid Agrees to \$3.2 Million Debt to Resolve Government's Defective Pricing Allegations**

On March 16, 2004, the government resolved a *qui tam* lawsuit brought against Polaroid Corporation for violations of the civil False Claims Act. The settlement resolved allegations that, from 1990 to 1997, Polaroid provided false pricing information during the negotiation and award of two GSA Multiple Award Schedule contracts and that Polaroid failed to report discounts it had given to non-government customers through the course of the two contracts. The government alleged that, as a result of these omissions and misrepresentations, Polaroid knowingly submitted false claims, which resulted in inflated prices that were paid by the government. In the settlement agreement, Polaroid, which in 2001 had filed for Chapter 11 bankruptcy reorganization, agreed that the United

**Fraud charges  
against natural  
gas vendor settled  
for \$11.5 million.**

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## Promoting and Protecting Integrity

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States' Proof of Claim filed in Polaroid's bankruptcy proceedings would be allowed for \$3.2 million. The amount of funds the United States will actually recover will be determined by the United States Bankruptcy Court when it distributes assets to all general unsecured creditors. Under the *qui tam* provisions of the False Claims Act, a portion of the settlement will be paid to the former Polaroid employee who initially filed the "whistleblower" lawsuit.

### Telecommunications Fraud

The OIG continues to be a principal participant in the New York Electronic Crimes Task Force (NYECTF), which has been investigating telecommunications fraud primarily involving Federal facilities within the New York metropolitan area. GSA is the principal provider of telecommunications services for these facilities. NYECTF members include the Secret Service, Department of Defense, Department of Justice, New York City Police, and telecommunications industry representatives.

One fraud investigation completed during this reporting period involved the intrusion into Private Branch Exchange (PBX) telephone switches. PBXs, or telephone switches, are usually breached through their voice mail systems. The investigation found that an individual used his telephone lines to illegally access the PBX of companies who utilize AT&T as their long distance carrier. The individual pled guilty to charge card fraud and was sentenced to 46 months incarceration, 36 months supervised release, and ordered to pay restitution of \$798,758.

Another completed investigation was initiated when an AT&T Network Security Specialist disclosed to members of the NYECTF that an individual was engaged in calling card fraud by "shoulder surfing". The investigation found that the individual watched people dial their calling card numbers, recorded the numbers, and then sold the calling card numbers to individuals who used them to make unauthorized telephone calls. The individual pled guilty to charge card fraud and was sentenced to 12 months incarceration, three years supervised release, and ordered to pay restitution in the amount of \$73,394.

### 16 Defendants Plead Guilty in Corruption Probe

As a result of an ongoing criminal investigation involving the Public Buildings Service (PBS), 16 individuals, including former PBS employees and GSA contractors, pled guilty during this reporting period. This investigation, conducted jointly with the Federal Bureau of Investigation, was initiated based on information that GSA employees were illegally awarding contracts involving a Federal Courthouse in Chicago, Illinois for various building services and supplies in exchange for bribes and kickbacks.

**Investigation  
uncovers corrupt  
contracting at  
Federal  
Courthouse.**

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## ***Promoting and Protecting Integrity***

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This five-year investigation uncovered a pervasive, corrupt environment involving the payment of gifts, money, and illegal drugs in return for the award of GSA contracts. In addition, the investigation revealed that some GSA employees, working in concert with certain vendors, were receiving plumbing supplies and other goods and equipment for their personal use, the cost of which was billed to GSA.

One of the GSA employees charged was a building manager who had been employed by GSA for over 30 years. She pled guilty to bribery after the investigation disclosed she had received over \$18,000 in new windows and siding for her residence in exchange for providing favorable treatment to a GSA contractor, awarding over \$80,000 in bogus contracts to the firm. Another GSA employee, a former maintenance supervisor, pled guilty to receiving more than \$10,000 in cash from various GSA contractors in exchange for awarding several limited value contracts.

To date, some individuals have been sentenced, including the owner and president of a construction firm who received 18 months incarceration. Over \$60,000 in fines and restitution have been ordered, and the sentencing of several individuals involved is pending.

### **Moving Services Vendor Settles Overbilling Charges**

The government negotiated a settlement with Ace Moving and Storage (Ace) to settle its civil False Claims Act liability. Ace held five contracts with GSA for the provision of transportation, labor, and related moving services to GSA and other Federal agencies in Pennsylvania and New Jersey. The investigation determined that during 1998 through 2002 Ace billed for hours not worked and for laborers working on separate move locations at the same time. Ace agreed to pay \$54,000 to the government to settle its liability.

### **Fleet Charge Card Abuse**

The GSA OIG has an ongoing proactive investigative project to identify and investigate fraud associated with the misuse of GSA-issued fleet charge cards. During this period, cases developed resulted in the sentencing of two former government employees.

In the first instance, a joint investigation by the OIG and the National Railroad Passenger Corporation (Amtrak) OIG determined that an Amtrak employee was using a fleet card that had been assigned to a vehicle leased to Amtrak to purchase gas for other motorists in exchange for cash. The employee pled guilty to theft charges and was sentenced to a one year suspended sentence and one year probation, and ordered to pay restitution.

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## Promoting and Protecting Integrity

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In a second instance, an investigation revealed that a former Veteran's Administration (VA) employee used five fleet cards that had been assigned to vehicles leased to the VA to purchase gas for his personal car and various other non-government cars. The employee pled guilty to charge card abuse and was sentenced to pay \$22,257 in restitution, 12 months incarceration, and three years supervised release.

### **Theft of Government Funds**

An investigation found that the president of Techneon International, a tool company, was paid over \$90,000 for tools that he did not supply to GSA and its customers. He pled guilty to theft of government funds and making false statements. He was sentenced to 25 months in prison, three years supervised release, and ordered to pay restitution in the amount of \$90,741.

### **Theft of Donated Property**

An investigation found that a former board member of a Nebraska state agency fraudulently obtained Federal surplus property through GSA's surplus property program. The member obtained property on at least 58 occasions for this state agency and then diverted the property for his own use and the use of others. The individual was sentenced in U.S. District Court to six months home detention, five years probation, 250 hours community service, and ordered to pay restitution of \$15,233.

Another investigation found that a former president of a Missouri township acquired tools and equipment from GSA's surplus property program, allegedly for his township. He never placed these items into use as required by the program, but kept them at his home for his own use. He pled guilty in U.S. District Court to stealing surplus Federal property and was ordered to pay restitution in the amount of \$2,859. As part of the plea agreement, he was also ordered to return the diverted equipment.

### **Two GSA Contractors Sentenced for Bribery of GSA Official**

As the result of an OIG investigation, two GSA contractors were sentenced in U.S. District Court for bribing a GSA official. The bribes and gratuities were paid to a GSA building management specialist in connection with GSA renovation and construction contracts in excess of \$11 million. One contractor was sentenced to two years probation and ordered to pay a \$10,000 fine; the other contractor was sentenced to one year probation, ordered to pay \$2,000 in restitution, and fined.

The investigation was initiated when a contractor complained to a GSA manager that a building management specialist had solicited a bribe in exchange for awarding a maintenance contract at a Federal building. In addition to these contractors, six GSA building management specialists and six other GSA contractors were arrested on bribery charges as a

***Public officials  
convicted of  
diverting Federal  
surplus property.***

***GSA contractors  
sentenced for  
bribery on  
renovation and  
construction  
projects.***

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## *Promoting and Protecting Integrity*

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result of this investigation. As previously reported, all have been convicted and sentenced for their involvement in this matter.

### **Sixty-One Illegal Aliens Arrested**

An investigation was initiated when it was alleged that a subcontractor working on a GSA construction project had instructed its employees, who were not legally authorized to work in the United States, to use false social security numbers and identities to qualify for employment. The subcontractor was performing work for a contractor who was building a new Federal courthouse in Miami. During a joint task force operation, 61 illegal aliens were arrested on the GSA construction site and were turned over to the U.S. Department of Homeland Security, Immigration and Customs Enforcement. To date, 39 individuals have been convicted and were deported. The investigation is ongoing with respect to the contracting companies involved.

***Individual sentenced for manufacturing thousands of counterfeit police badges and identification cards.***

### **Counterfeit Police Badges and Identification Cards**

A joint investigation with the Police Impersonation Unit of the Internal Affairs Bureau of the New York City Police Department disclosed that an individual possessed and was producing counterfeit identification cards and badges of Federal law enforcement officers. Thousands of false identification documents and badges of various enforcement agencies were found in the individual's possession. The individual was sentenced in U.S. District Court to 27 months incarceration, eight years supervised probation, and ordered to pay restitution of \$2,000 after pleading guilty to fraud in connection with identification documents and information.

### **Realty Specialist Pleads Guilty to Conflict of Interest**

An investigation found that immediately upon a former GSA realty specialist's retirement, she went to work for a company with whom she had negotiated leases valued at approximately \$18 million on behalf of the government. She pled guilty in U.S. District Court to conflict of interest charges and was sentenced to one year probation and ordered to pay a fine.

### ***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 four briefings attended by 115 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, the briefings make GSA employees



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## *Promoting and Protecting Integrity*

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aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

### ***Hotline***

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. We also developed and use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 882 Hotline contacts. Of these contacts, 159 Hotline cases were initiated. In 97 of these cases, referrals were made to GSA program officials for review and action as appropriate, 17 cases were referred to other Federal agencies for follow-up, 23 were referred for OIG criminal/civil investigations or audits, and 22 did not warrant further review.

### ***Significant Preaward and Other 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 to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward audits of 57 contracts with an estimated value of \$1.4 billion. The audit reports contained \$327 million in financial recommendations.

Three of the more significant Multiple Award Schedule contracts we audited had projected governmentwide sales totaling \$464 million. The audit findings recommended that \$284 million in funds be put to better use. The audits disclosed that these vendors offered prices to GSA that were not as favorable as the prices other customers receive from these vendors.

We audited a number of claims for increased costs for construction projects. Three of the more significant projects audited contained proposed amounts totaling \$18 million, and our audits of the claims recommended adjustments of over \$13 million. Our audits of several subcontractors on one construction project found that the claimed amounts were not supported by the companies' records. In other audits of claims for increased costs due to delays or changes, we adjusted costs because the claimed amounts were either overstated or unsupported.



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## *Promoting and Protecting Integrity*

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### ***Federal Managers' Financial Integrity Act Review***

The Federal Managers' Financial Integrity Act (FMFIA), Section 2, requires GSA management to provide assurance to the President and the Congress that Agency resources are protected from fraud, waste, mismanagement, and misappropriation.

The Regional Administrators' and Heads of Services and Staff Offices' assurance statements are used by the Agency's Management Control Oversight Council as a basis for developing the Administrator's assurance statement.

Each year, we review the Agency's FMFIA process to assess the completeness of management's reporting of known significant weaknesses and deficiencies. For FY 2003, the Regional Administrator, Heartland Region, the Federal Technology Service (FTS) Commissioner, and the Chief Financial Officer (CFO) raised concerns related to the March 2003 OIG Alert Report regarding the use of Client Support Center task orders in Region 10. The report disclosed numerous inappropriate contract practices caused by a lack of management control and oversight coupled with an overriding effort to maximize revenue for FTS. As this was an Alert Report, no formal recommendations were made. However, the CFO's assurance statement noted it had formed a partnership with FTS to initiate a contractual review of the contract processes and to provide financial counsel as appropriate.

In our FMFIA report, we highlighted several additional OIG audits of contract administration performed during FY 2003. One audit found that, due to a declining staff and insufficient operating budget, Public Buildings Service (PBS) offices are utilizing high-risk business solutions to obtain lease acquisition services through the use of brokerage contracts. These practices weakened internal controls and made the risk of undetected fraud unacceptably high.

OIG audits performed in GSA's Regional Offices also identified issues with PBS contract administration of construction projects. Specifically, one review performed in the Southeast Sunbelt Region found that officials improperly used the Source Selection method, resulting in not selecting the most suitable construction contractors for the project, and that overall project administration was not effective. Another review performed in the Rocky Mountain Region found that PBS had not ensured compliance with the terms of a service contract, thereby inadequately protecting the government's interests.

The CFO's assurance statement also raised concerns related to the user controls associated with the implementation of Pegasys as GSA's

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## *Promoting and Protecting Integrity*

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financial system of record. The CFO noted that problems were identified in processing payments, which required manual payments outside of the system. Additionally, the CFO reported that the validation and reconciliation of some accounts were not completed as timely as necessary and that financial reports are now less precise than in prior years.

FMFIA, Section 4 relates to the CFO's disclosure of nonconformances with Federal financial management system policies and standards. We determined that the CFO had completely and accurately disclosed nonconformances regarding:

- the need to strengthen monitoring controls surrounding financial management systems;
- the need to further strengthen network and application security controls; and
- the need to improve the development, implementation, and change controls over GSA's financial applications.

We noted, however, that the Financial Management Systems Review Questionnaire could be improved by including OMB Circular A-127 requirements for ongoing maintenance of financial systems.

### ***Financial Statement Audit and Related Reviews***

With the passage of the Chief Financial Officer's Act of 1990, Congress and the Office of Management and Budget (OMB) have established a framework for financial audits and reviews designed to enhance the Federal Government's financial management and reporting practices. Summarized below are the results of our financial and financial-related reviews.

As in past years, the Financial Statement audit was performed by an independent public accounting firm, with oversight, support work, and guidance provided by the OIG. In its qualified opinion on the effectiveness of internal controls over financial reporting, the firm identified a material weakness concerning GSA's need to strengthen monitoring controls surrounding the Agency's financial management systems. During its testing of internal controls, the firm noted that certain monitoring controls were not clearly defined or were not implemented in a timely manner. Specifically, the firm identified a number of issues involving key reconciliations, including a lack of policies and procedures for the performance of key reconciliations, a lack of sufficient documentation and evidence of supervisory review, and several instances in which key reconciliations were not completed in a timely manner.

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## *Promoting and Protecting Integrity*

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In addition to the material weakness noted above, the firm identified four reportable conditions concerning GSA's need to:

- Further strengthen network and application security controls.
- Improve development, implementation, and change controls over GSA's financial applications.
- Improve controls over transferring substantially complete construction-in-process projects.
- Improve contracting practices in the FTS Office of IT Solutions.

The firm also identified two instances of non-compliance with laws and regulations concerning:

- Contracting practices in the FTS Office of IT Solutions; and
- The Federal Financial Management Improvement Act (FFMIA), as it relates to GSA's compliance with Federal financial systems.

### **Testing Controls Over Performance Measures**

The OIG conducted the portion of GSA's FY 2003 Financial Statement Audit related to internal controls over performance measures. Our report identified a reportable condition regarding the need for the CFO to verify and ensure the reliability of the data supporting the performance measures. While progress was made in FY 2002 to develop a process to assess controls over performance measure data, the report found that, because of staffing limitations, this process was not fully implemented for all Services and Staff Offices on a rotational basis during FY 2003.

### **Evaluation of Specific Performance Measures**

As part of the financial statement audit process and in accordance with the provisions of OMB Bulletin No. 01-02, the OIG also performed an assessment of internal controls over the existence and completeness of data supporting specific performance measures for the CFO and PBS.

In the review of the CFO's performance measure for "Percentage of Invoices Received Electronically," we found that there is a low risk that internal controls would not provide reasonable assurance that the data supporting the specific measure exist and are complete. However, in our review of PBS' performance measure, "Cost for Leased Space Relative to Market (Weighted Average for Four Categories)", we identified a medium risk that the internal control processes used by PBS would not provide reasonable assurance that the data supporting the measure exist and are complete. The assessment of medium risk stemmed from the fact that

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## *Promoting and Protecting Integrity*

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PBS has not implemented a comprehensive process requiring the Regional Offices to review applicable performance data in order to establish if it should be included in the determination of performance measures. In addition, PBS has not implemented a comprehensive process by which its Office of Business Operations monitors the effectiveness of internal control systems to ensure accurate performance data.

### **Agreed-Upon Procedures Reviews**

In support of the Financial Statement Audit, we performed agreed-upon procedures reviews over GSA's FY 2003 environmental liabilities and legal loss contingencies. In accordance with the provision of OMB Bulletin No. 01-02, we also performed an agreed-upon procedures review to assist OPM in assessing the reasonableness of retirement, health benefits, life insurance withholdings and contributions, and semiannual headcount information submitted by GSA.

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## Governmentwide Policy Activities

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*We regularly provide advice and assistance on governmentwide policy matters to the Agency, as well as to other Federal agencies and to committees of Congress. In addition, as required by the Inspector General Act of 1978, we 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. Because of the central management role of the Agency in shaping governmentwide policies and programs, most of the legislation and regulations reviewed invariably impact governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.*

### **Interagency Committees and Working Groups**

This period, we provided advice and assistance to the Office of Management and Budget (OMB) on various procurement policy issues, particularly in the area of time-and-materials or labor-hours contracts.

In addition, we participated on a number of interagency committees and working groups that deal with cross-cutting and governmentwide issues:

- The Assistant Inspector General (AIG) for Auditing represents all civilian government agencies on the Cost Accounting Standards Board, an independent board within OMB's Office of Federal Procurement Policy, which promulgates, amends, and revises Cost Accounting Standards designed to achieve uniformity and consistency in cost accounting practices by individual government contractors.
- The AIG for Investigations serves as the Chair of the Assistant Inspectors General for Investigations Subcommittee. This subcommittee reports to the the President's Council on Integrity and Efficiency (PCIE) Investigative Committee. The subcommittee deals with investigative issues that affect all OIG Offices of Investigations, such as statutory law enforcement, peer review, and coordinated assistance to the Department of Justice.
- OIG audit representatives participate in the PCIE IT Roundtable to address specialized security training and overall IT security issues based on IT information security audits. At a recent workshop focusing on best practices in meeting IG responsibilities associated with the Federal Information Security Management Act (FISMA), our staff presented information on the benefits and lessons learned with their use of a commercially available software tool to test technical controls for GSA's systems reviewed for FISMA.
- Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the PricewaterhouseCoopers TeamMate

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## Governmentwide Policy Activities

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Users Group to discuss concerns and new challenges facing TeamMate users. TeamMate is an automated audit workpaper management system designed to make the audit process more efficient.

- The Special Assistant to the AIG for Auditing represents GSA on the White House Commission on the National Moment of Remembrance. The Commission was established to enhance the legacy of Memorial Day as a day to honor those who have sacrificed their lives for the principles of freedom and liberty. Major initiatives included Commission activities on Federal, state, and local government Web sites; and seeking the participation of Federal employees, retirees, and benefit recipients.
- OIG Audit representatives provided advice and assistance to the Electronic Records Policy Working Group — an interagency working group focused on improving the management of electronic records. The working group was established by the Interagency Committee on Government Information, one of three committees formed as part of the E-Gov Act of 2002, and has held a series of public meetings to obtain views from the public and Federal agencies.
- The Inspector General (IG) serves on the Human Resources and Legislation Committees of the PCIE. The Human Resources Committee fosters educational opportunities for members of the IG community and assists in ensuring the professional development of OIG personnel. The Legislation Committee develops, coordinates, and represents to Congress official PCIE positions on particular legislative issues.
- The IG serves as Editor-in-Chief of *The Journal of Public Inquiry*, a semiannual publication of the Federal IG community. The Fall/Winter issue marked the 25th Anniversary of the Inspector General Act with articles by former Senators John Glenn and William Roth, Jr., PCIE Chair Clay Johnson III, and Vice Chairs Gaston Gianni, Jr., and Barry R. Snyder. The issue also recognized the contributions of other Federal entities created in 1978 with articles on the 25th Anniversary of the Ethics in Government Act and the Contract Disputes Act of 1978. Also included were articles on OIG auditor and investigator core competencies, the theft and misuse of government information, and the history of the IG dating back to the American Revolutionary War.

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## Governmentwide Policy Activities

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### Legislation and Regulations

During this reporting period, the OIG reviewed 131 legislative matters and 16 proposed regulations and directives. The OIG specifically commented on the following legislative and other items:

- *FAR Case 2000-305 – Commercially Available Off-the-Shelf Items and List of Inapplicable Statutes.* This proposed rule would have exempted commercially available off-the-shelf (COTS) items procurements from an additional set of statutes, including the Comptroller General's audit authority and the Trade Agreements Act. We noted that many procurements under GSA's Multiple Award Schedule (MAS) program would qualify as COTS items procurements for purposes of the regulation. We expressed our view that eliminating these provisions' applicability to COTS items procurements would not be in the government's best interests. Specifically, we pointed out that the Comptroller General's audit authority, embodied in 41 U.S.C. § 254(d) and 10 U.S.C. § 2513(c) as well as 48 C.F.R. § 52.215(d), is the last remaining general contractual audit authority applicable to commercial items contracts, and that it is important to preserve this authority. In this connection, we noted that audit authorities applicable to MAS contracts were severely limited in scope in 1997, and that the Federal Acquisition Regulation (FAR) Audit-Negotiation clause was made inapplicable to commercial items contracts by the Federal Acquisition Streamlining Act, Public Law 103-355 (1994). We also noted that the rule proposed to eliminate the applicability of the Trade Agreements Act (TAA) as to COTS items procurements. The TAA applies to MAS commercial item procurements, and generally prohibits acquisition of products from nondesignated countries. We noted that the Office of the United States Trade Representative opposed this measure, and that we deferred to its comments on the underlying trade policy issues. We did point out, however, that public comments suggested that a reason to eliminate the TAA's applicability was that the statute is obsolete and is not observed or enforced; in this connection, we noted that the OIG has active, pending investigations and cases where the primary allegations are violations of the TAA.
- *FAR Case 2001-018 – Proposed Rule Regarding Applicability of the Cost Principles and Penalties for Unallowable Costs.* We provided comments to the FAR Council on the above-captioned proposed rule that would narrow the applicability of FAR Part 31 cost principles to those fixed-price contracts where cost analysis is performed and where cost and pricing data is obtained. Currently, the cost principles apply to such contracts if cost analysis is performed regardless of whether such data is obtained. We noted that a proposed new FAR Part 31 definition of fixed-price contract, which would include "the fixed hourly-rate portion of time-and-materials and labor-hour contracts" would engender further confusion in the acquisition community over time-and-



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## Governmentwide Policy Activities

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materials task orders (including task orders under GSA's MAS program in particular) and their appropriate use. We recommended that the definition be eliminated or that it be made clear that the definition is limited to FAR Part 31. In addition, we noted that the FAR Council should make clear that the rule did not impact the underlying statutory authorities regarding obtaining cost and pricing data.

- *Draft FY 2003 OMB Report to Congress on Federal Government's Information Security Management.* We provided comments to OMB regarding the agency summary portion of the above-captioned draft OMB report to Congress. We clarified that vulnerability scanning by the OIG indicated that GSA had some weaknesses in its IT system security; a statement in the draft report noted that GSA had developed and complied with specific configuration requirements, including patching of known vulnerabilities. We also noted that a statement regarding GSA's efforts to verify all weaknesses are appropriately included in future Plans of Action and Milestones Reports (POA&M) was not attributable to the OIG review, and that the OIG had not confirmed the agency's efforts in this regard.
- *FSS Negotiations Guidance.* We provided input to FSS in drafting a guidance document intended for contracting officers (COs) relating to negotiating most-favored customer pricing and other terms and conditions under GSA's MAS contracts. This input was provided through an MAS working group comprised of both FSS and OIG employees. Generally, we noted that additional guidance on MAS negotiations was advisable. Specifically, we commented that the draft guidance should emphasize more directly the regulatory pricing goal of achieving most-favored customer pricing. We also had a number of comments having to do with coverage regarding how COs should interpret and negotiate against a vendor's pricing to other large commercial or corporate customers. FSS has noted that it plans to incorporate this guidance into mandatory training for its contracting officers.
- *Quick-Mods Pilot Proposal.* We provided FSS with comments on its proposal to implement a Quick-Mods initiative for information technology (IT) products under MAS contracts. The pilot would allow vendors to add or substitute upgraded IT products more quickly at prenegotiated markups or discounts through a streamlined, electronic process. This process is intended to eliminate much of the administrative burden on GSA COs associated with processing modifications for product additions or substitutions. We noted our general support for the pilot and the notion of electronic contracting generally, but repeated our view that such a pilot should include proper safeguards. For example, we noted that FSS could seek audit

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## Governmentwide Policy Activities

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assistance when appropriate to ensure that vendors are complying with Quick-Mods requirements. We also noted that it should be emphasized to COs that the scope of Quick-Mods will not encompass unique or new products for which a preexisting discount has not been negotiated; such products, we noted, are properly subject to the existing paper-based modifications procedure which requires, among other things, that a vendor provide supporting pricing information and that the CO approve the addition of the products in advance.

- *Acquisition Planning – GSA Draft Directive.* We provided GSA with comments on draft changes to acquisition planning requirements. We noted our support for changes to the order that imposed additional acquisition planning requirements, especially in the area of IT procurements. Our comments related to the advisability of a new provision that would require a comprehensive acquisition plan for first time or unique acquisitions regardless of dollar level. We noted that GSA might want to consider adding language that provides that the requirement would apply in instances where the procurement was expected to exceed a particular dollar amount or materiality threshold.

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## Professional Assistance Services

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*The General Accounting Office recently issued a revision to the independence standard contained in the Government Auditing Standards. This amendment prohibits Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. Although we have always maintained our independence when working closely with GSA management, we are no longer performing consulting assignments and are carefully assessing our services to meet the new standard. As allowed under the new standard, we are continuing our participation on Agency improvement task forces, committees, and working groups in an observer or advisory capacity.*

**Task Forces, Committees, and Working Groups.** The OIG provides advice and counsel to GSA while monitoring ongoing Agency initiatives. Our representatives advise management at the earliest possible opportunity of potential problems, help ensure that appropriate management controls are provided when installing new or modifying existing Agency systems, and offer possible solutions when addressing complex financial issues.

Our direct participation with the Agency on task forces, committees, and working groups allows us to contribute our expertise and advice, while improving our own familiarity with the Agency's rapidly changing systems. We also benefit by expanding our new initiatives within the Federal community. We nevertheless maintain our ability to independently audit and review programs. Our participation on the task forces is typically as a non-voting advisory member. We maintain a strict policy of excluding staff members who have served on developmental task forces from subsequent audits of the same subject areas.

Some areas in which we have been involved this period include:

- **Single Audit Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities as they relate to the personal property disposal program.
- **The Information Technology (IT) Council.** The Council monitors policies and programs to ensure IT consistency throughout the Agency. It is comprised of the Chief Information Officers of the various GSA Services and Staff Offices. Representatives of our office participate in

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## Professional Assistance Services

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meetings at the request of the Agency on such matters as systems controls, architecture, security, or new legislative requirements.

- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of a Special Report the OIG released in August 2001 relating to MAS contracting pricing practices — *MAS Pricing Practices: Is FSS Observing Regulatory Provisions Regarding Pricing? (August 24, 2001)*. That report found that GSA was not consistently negotiating most-favored customer pricing, was extending contracts without adequate price analyses, and was not effectively using preaward audits to negotiate prices. The MAS Working Group is primarily comprised of members of the Federal Supply Service (FSS) and the OIG with representation also from the Office of General Counsel, and the Office of Acquisition Policy. The Working Group meets regularly and serves as a standing forum for discussion and resolution of issues or concerns having to do with MAS contracting. It has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or audits.

The Working Group has had several areas of focus including preaward contract audits and MAS negotiations issues. The Working Group has developed guidance to MAS contracting officers (COs) regarding the performance and use of preaward MAS contract audits. Further, the Working Group has reinvigorated the process for FSS and the OIG collaboratively selecting and commencing preaward audits of vendors, and has built into this process specific mechanisms for COs to request audits of particular vendors. The Working Group has also focused on issuing guidance to COs regarding negotiations objectives and discrete negotiations issues for MAS contract awards. The issues addressed relate to instances or concerns reflected in the OIG Special Pricing Report, and include, for example, useful strategies to negotiate using the government's significant volume purchasing power. The Working Group also provided some input to FSS in its efforts to upgrade or enhance pricing performance measures on MAS contracts. In the future, the Working Group is considering systematically exploring other emerging MAS-related areas or concerns.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 91 audit reports during this reporting period. The reports contained financial recommendations totaling \$328,162,191, including \$327,549,488 in recommendations that funds be put to better use and \$612,703 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations 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 March 31, 2004. There were no reports more than six months old awaiting management decisions as of March 31, 2004. Table 1 does not include 6 reports issued to other agencies this period. Table 1 also does not include 6 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 10/1/03			
Less than six months old	29	18	\$ 15,135,507
Six or more months old	0	0	0
Reports issued this period	<u>85</u>	<u>42</u>	<u>328,053,318</u>
<b>TOTAL</b>	<b>114</b>	<b>60</b>	<b>\$343,188,825</b>
For which a management decision was made during the reporting period			
Issued prior periods	29	18	\$ 15,135,507
Issued current period	<u>35</u>	<u>12</u>	<u>25,067,052</u>
<b>TOTAL</b>	<b>64</b>	<b>30</b>	<b>\$ 40,202,559</b>
For which no management decision had been made as of 3/31/04			
Less than six months old	50	30	\$302,986,266
Six or more months old	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>50</b>	<b>30</b>	<b>\$302,986,266</b>

## 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).

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

	<b>No. of Reports</b>	<b>Financial Recommendations</b>
For which no management decision had been made as of 10/1/03		
Less than six months old	18	\$ 15,135,507
Six or more months old	0	0
Reports issued this period	36	327,440,615
<b>TOTAL</b>	<b>54</b>	<b>\$342,576,122</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management based on proposed		
•management action	—	\$ 39,957,800
•legislative action	—	—
Recommendations not agreed to by management	—	253
<b>TOTAL</b>	<b>29</b>	<b>\$ 39,958,053</b>
For which no management decision had been made as of 3/31/04		
Less than six months old	25	\$302,618,069
Six or more months old	0	0
<b>TOTAL</b>	<b>25</b>	<b>\$302,618,069</b>

## Statistical Summary of OIG Accomplishments

**Table 3. Management Decisions on OIG Audits  
with Questioned Costs**

	No. of Reports	Questioned Costs
For which no management decision had been made as of 10/1/03		
Less than six months old	0	\$ 0
Six or more months old	0	0
Reports issued this period	6	612,703
<b>TOTAL</b>	<b>6</b>	<b>\$612,703</b>
For which a management decision was made during the reporting period		
Disallowed costs	—	\$244,506
Costs not disallowed	—	0
<b>TOTAL</b>	<b>1</b>	<b>\$244,506</b>
For which no management decision had been made as of 3/31/04		
Less than six months old	5	\$368,197
Six or more months old	0	0
<b>TOTAL</b>	<b>5</b>	<b>\$368,197</b>



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## Statistical Summary of OIG Accomplishments

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### **Investigative Workload**

The OIG opened 88 investigative cases and closed 82 cases during this period. In addition, the OIG received and evaluated 32 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**

<b>Type of Referral</b>	<b>Cases</b>	<b>Subjects</b>
Criminal	44	153
Civil	10	16
Administrative	83	178
<b>TOTAL</b>	<b>137</b>	<b>347</b>

In addition, the OIG made 40 referrals to GSA officials for information purposes only.

### **Actions on OIG Referrals**

Based on these and prior referrals, 31 cases (118 subjects) were accepted for criminal prosecution and 8 cases (12 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 99 indictments/informations and 77 successful prosecutions<sup>1</sup>. OIG civil referrals resulted in 4 case settlements. Based on OIG administrative referrals, management debarred 21 contractors/individuals, suspended 57 contractors/individuals, and took 29 personnel actions against employees.

Note 1: Of the 99 indictments and 77 prosecutions, 61 indictments and 39 prosecutions resulted from one case involving individuals illegally working at a GSA construction site. This case is discussed on page 27.

## 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 as a result of criminal and civil actions arising from OIG referrals.

**Table 5. Criminal and Civil Recoveries**

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 556,806	\$ —
Settlements and Judgments	—	15,754,000
Restitutions	1,127,247	—
<b>TOTAL</b>	<b>\$1,684,053</b>	<b>\$15,754,000</b>

Table 6 presents the amount of administrative recoveries, recovered property, and savings as a result of investigative activities.

**Table 6. Other Monetary Results**

Administrative Recoveries	\$262,401
Recovered Property	10,744
Investigative Savings	<u>26,528</u>
<b>TOTAL</b>	<b>\$299,673</b>

# ***APPENDICES***



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## Appendix I—Significant Audits from Prior Reports

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Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the 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.

### Control Reviews

*Period First Reported: April 1, 2003 to September 30, 2003*

A series of three control reviews covered a secured item inventory, vehicle maintenance and repair costs, and construction project funding limitations. The reports contained eight recommendations; four have been implemented.

The remaining recommendations involve increasing the height of the security fencing, ensuring consistent FMS data entry procedures, evaluating performance goals established for the National Maintenance Control Center, and ensuring the judgment fund is not used to fund change orders. They are scheduled for completion between May 15, 2004 and July 15, 2004.

### Oversight of Performance-Based Contracts

*Period First Reported: April 1, 2003 to September 30, 2003*

The review examined the administration of performance-based services contracts. The report contained one recommendation; it has not been implemented.

The recommendation involves issuing written guidance and instructions to contracting personnel. It is scheduled for completion on July 15, 2004.

### FSS Automated Supply System (FSS-19) and Online System Capabilities

*Period First Reported: April 1, 2003 to September 30, 2003*

The review evaluated the FSS automated supply system and online system capabilities. The report contained six recommendations; two have been implemented.

The remaining recommendations involve ensuring that all identified weaknesses are included and tracked in the POA&M; prioritizing the development of key security documentation; developing ISAs, MOUs, and SIIPs for FSS-19 external connections; and completing NACIC background investigations for all contractors granted access. They are scheduled for completion between June 15, 2004 and November 15, 2004.

### Qualification Standards for Acquisition Personnel

*Period First Reported: April 1, 2003 to September 30, 2003*

The review assessed whether FTS' acquisition personnel were meeting qualification standards. The report contained three recommendations; one has been implemented.

The remaining recommendations involve discussing issues and addressing deviations from qualification standards and training requirements, and ensuring personnel know the qualification standards and training requirements. They are scheduled for completion on May 15, 2004.

### Construction Claims

*Period First Reported: October 1, 2002 to March 31, 2003*

The review examined construction claims. The report contained seven recommendations; five have been implemented.

The remaining recommendations involve extending overhead rates from potential contractors and requiring supervision of project personnel and documentation of project files. They are scheduled for completion between May 15, 2004 and July 15, 2004.

### PBS' Use of Brokerage Contracts

*Period First Reported: October 1, 2002 to March 31, 2003*

The review examined national and regional brokerage services contracts. The report contained three recommendations; two have been implemented.

The remaining recommendation involves considering lessons learned from current and expired brokerage contracts before committing to a new procurement strategy. A completion date will be provided to the OIG upon determination of award and effective dates.

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## Appendix I—Significant Audits from Prior Reports

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### **FSS' City Pair Program**

*Period First Reported: October 1, 2002 to March 31, 2003*

The review identified opportunities for improvements in the City Pair Program. The report contained five recommendations; two have been implemented.

The remaining recommendations require educating contractors and travelers on the benefits of using dual fares, obtaining accurate and timely information to be used by program officials, and following through with the ad hoc committee recommendations. They are scheduled for completion between May 15 and July 15, 2004.

### **Consolidation of Distribution Centers**

*Period First Reported: October 1, 2002 to March 31, 2003*

The review examined the operations of the FSS Stock Program. The report contained two recommendations; one has been implemented.

The remaining recommendation, which requires developing access to reliable data for all delivery methods, is scheduled for completion on June 15, 2005.

### **Billing and Payment Systems**

*Period First Reported: April 1, 2002 to September 30, 2002*

The review examined controls over reimbursable work authorizations (RWA) billings between GSA and other Federal agencies. The report contained two recommendations; one has been implemented.

The remaining recommendation involves incorporating estimated cost data for planning workflow before and during the RWA work process. It is scheduled for completion on June 15, 2004.

### **Securing GSA's E-Mail System**

*Period First Reported: April 1, 2002 to September 30, 2002*

The review examined GSA's electronic mail system security. The report contained six recommendations; four have been implemented.

The remaining recommendations involve conducting background investigations on contractor personnel and requiring password aging. They are scheduled for completion between May 15, 2004 and June 15, 2004.

### **Use of the Occupancy Agreement**

*Period First Reported: October 1, 2001 to March 31, 2002*

The review examined rent billing records covered by Occupancy Agreements (OA). The report contained six recommendations; one has been implemented.

The remaining recommendations involve establishing and supporting the OA, considering an electronic signature requirement, measuring the time an OA remains in draft status, tracking the variance between OA projected rent and the actual billed rent, and including enough information on the OA to identify the space assigned. They are scheduled for completion on June 15, 2004.

### **Operating Equipment Inventories**

*Period First Reported: October 1, 2000 to March 31, 2001*

The review focused on equipment maintenance maintained by contractors. The report contained two recommendations; one has been implemented.

The remaining recommendation involves identifying the responsibility for maintenance programs to contractors. It is scheduled for completion on July 15, 2004.

## 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: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations to these reports are not listed in this Appendix.)</i>				
<b>PBS Internal Audits</b>				
10/20/03	A030086	Review of Background Suitability Checks for Contract Employees		
12/31/03	A030080	Review of PBS Portfolio Restructuring Initiative		
02/10/04	A030104	Audit of PBS Lease Oversight Practices		
03/03/04	A030103	Audit of PBS’s New Construction Program		
03/04/04	A030256	Limited Audit of the Public Buildings Service’s Performance Measure: “Cost for Leased Space Relative to Market (Weighted Average for Four Categories)”		
03/15/04	A030056	Audit of Contracting for Utility Services, Public Buildings Service		
<b>PBS Contract Audits</b>				
10/08/03	A030209	Audit of Claim for Increased Costs: Commonwealth Electric Company of the Midwest, Subcontractor to The Clark Construction Group, Inc., Contract Number GS06P96GZC0508		
10/09/03	A030244	Preaward Audit of Architect and Engineering Design Services Contract: Shalom Baranes Associates, Solicitation Number GS11P02MKC0057		
10/09/03	A030247	Preaward Audit of Architect and Engineering Design Services Contract: Syska Hennessy Group, Inc., Solicitation Number GS11P02MKC0057		
10/09/03	A030248	Preaward Audit of Architect and Engineering Design Services Contract: STUDIOS Architecture, Solicitation Number GS11P02MKC0057		



## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
10/09/03	A030250	Preaward Audit of Architect and Engineering Design Services Contract: Thornton-Tomasetti-Cutts LLC, Solicitation Number GS11P02MKC0057		
10/16/03	A030225	Preaward Audit of Claim: AMEC Construction Management, Inc., Contract Number GS-11P96MKC0015		
10/23/03	A030240	Preaward Audit of Architect and Engineering Bridging Design Services Contract: GGA.Ehrenkrantz Eckstut & Kuhn Architects, Solicitation Number GS-11P-02-MKC-0019		
10/23/03	A030260	Preaward Audit of Architect and Engineering Services Contract: Staunton Chow, P.C., Engineers & Architects, Solicitation Number GS-02P-03-DTD-0012(N)		
10/29/03	A030252	Preaward Audit of Architect and Engineering Design Services Contract: Place Architecture, LLC, Solicitation Number GS08P03JFC0021		
11/04/03	A030261	Preaward Audit of Architect and Engineering Services Contract: Perkins Eastman Architects, P.C., Solicitation Number GS-02P-03-DTD-0008(N)		
11/25/03	A030228	Preaward Audit of a Change Order Proposal: United Technology Service, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006		
12/05/03	A030241	Audit of Claim for Increased Costs: BPI Mechanical, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015		
12/11/03	A030220	Audit of Claim for Increased Costs: The Waldinger Corporation, Subcontractor to The Clark Construction Group, Inc., Contract Number GS06P96GZC0508		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
12/12/03	A040087	Preaward Audit of Architect and Engineering Services Contract: Holabird and Root, LLC, Contract Number GS11P03MKC0037		
12/16/03	A040088	Preaward Audit of Architect and Engineering Services Contract: Wiley & Wilson, Inc.; Solicitation Number GS-11P-03-MKC-0037		
12/31/03	A030172	Preaward Audit of a Claim: Cord Contracting Co., Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
12/31/03	A030215	Preaward Audit of a Claim: A&L Construction Corporation, Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
01/12/04	A040067	Audit of Claim for Increased Costs: C.J. Coakley Co., Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015		
01/12/04	A040098	Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072		
01/15/04	A030155	Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
01/16/04	A030234	Preaward Audit of a Claim: KSW Mechanical Services, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
01/29/04	A030223	Preaward Audit of Claim: John J. Kirlin, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P96MKC0015		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
02/03/04	A040119	Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072		
02/04/04	A040101	Preaward Review of Cost or Pricing Data: National Institute of Building Sciences, Solicitation Number GS-11P-04-MKD-0012		
03/01/04	A030259	Preaward Audit of a Claim: Airflex Industrial Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
03/05/04	A040129	Preaward Audit of Architect/Engineering Proposal: Weinstein Architects and Urban Designers, Solicitation Number GS-10P-04-LTC-0009		
03/16/04	A040107	Attestation Review of Architect and Engineering Services Contract: DBI Architects, P.C., Contract Number GS11P02ZGD0206		
03/23/04	A030191	Preaward Audit of a Claim: Five Star Electric Corp., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)		
03/31/04	A030230	Preaward Attestation Review of a Claim: Singleton Electric Company, Inc., a Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015		
<b><i>FSS Internal Audits</i></b>				
11/19/03	A030139	Review of Depot Upgrades and Modernization, Federal Supply Service		
02/02/04	A030174	Review of the Exclusion of the Economic Price Adjustment Clause in FSS' Hardware SuperStore, Hardware Store Department Multiple Award Schedule Contracts		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
03/18/04	A030131	Audit of the Procurement and Payment Practices of GSA Fleet’s European Operations		\$6,685
03/25/04	A030147	Audit of FSS’s Acquisition Workforce Qualifications		
03/26/04	A030143	Audit of FSS’s Travel Management Center Services – Industrial Funding Fee		
03/31/04	A030150	Audit of FSS Global Supply’s Special Order Program		
03/31/04	A030131	Audit of Duplicate European Autopay Payments		
<b><i>FSS Contract Audits</i></b>				
10/01/03	A030229	Preaward Audit of Multiple Award Schedule Contract Extension: Viacore FSD, Inc., Contract Number GS-35F-0072J		
10/15/03	A030175	Preaward Audit of Multiple Award Schedule Contract: Visionics Corporation, Contract Number GS-07F-0112H		
10/17/03	A030211	Preaward Audit of Multiple Award Schedule Contract: Iowa Foundation for Medical Care, Contract Number GS-35F-5831H		
10/27/03	A030258	Preaward Audit of Multiple Award Schedule Contract: Camber Corporation, Contract Number GS-35F-5812H		
10/29/03	A030156	Preaward Audit of Multiple Award Schedule Contract: R.S. Information Systems, Inc., Solicitation Number FCIS-JB-980001-B		
10/29/03	A030181	Limited Scope Postaward Audit of Multiple Award Schedule Contract: R.S. Information Systems, Inc., Contract Number GS-35F-5355H		\$283,816
11/03/03	A040052	Limited Postaward Audit of Multiple Award Schedule Contract: Camber Corporation, Contract Number GS-35F-5812H		\$28,133

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
11/13/03	A030246	Preaward Audit of Multiple Award Schedule Contract Extension: Onboard Software Inc., Contract Number GS-35F-0117J		
11/13/03	A030207	Preaward Audit of Multiple Award Schedule Contract: Furniture by Thurston, Contract Numbers GS-27F-2003B and GS-27F-2004B		
11/20/03	A040054	Preaward Audit of Multiple Award Schedule Contract: The Public Strategies Group, Inc., Contract Number GS-10F-0023J		
11/24/03	A030239	Preaward Audit of Multiple Award Schedule Contract: BAE Systems Analytical Solutions, Inc., Contract Number GS-10F-0016J		
12/16/03	A030231	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Rodco-Brandt Manufacturing, Contract Number GS-27F-2008B		\$244,506
12/17/03	A040001	Preaward Audit of Multiple Award Schedule Contract: Concord Communications, Incorporated, Solicitation Number FCIS-JB-980001B		
12/17/03	A030168	Preaward Audit of Multiple Award Schedule Contract: Dynamic Systems, Inc., Solicitation Number FCIS-JB-980001B		
12/18/03	A030268	Preaward Audit of Multiple Award Schedule Contract Extension: Xerox Corporation, Contract Number GS-15F-9537C		
01/05/04	A030221	Preaward Audit of Multiple Award Schedule Contract Extension: SAP Public Services, Inc., Contract Number GS-35F-5891H		
01/13/04	A030265	Interim Audit of Multiple Award Schedule Contract: BearingPoint, LLC, Contract Number GS-23F-9796H		

## Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
01/13/04	A040015	Preaward Audit of Multiple Award Schedule Contract: O’Gara-Hess & Eisenhardt Armoring Company, Contract Number GS-07F-0177J		
01/14/04	A030198	Audit of Request for Equitable Adjustment: HTI Titan Industries, Inc., Contract Number GS-35F-4906G		
01/30/04	A040093	Preaward Audit of Multiple Award Schedule Contract: PKC Corporation, Contract Number GS-35F-0244J		
02/19/04	A040118	Attestation Review of Multiple Award Schedule Contract: BTAS, Inc., Contract Number GS-35F-0546J		
02/25/04	A040049	Attestation Review of Preaward Multiple Award Schedule Contract: EG&G Technical Services, Inc., Contract Number GS-35F-5927H		
03/02/04	A040004	Preaward Attestation Engagement Review of Multiple Award Schedule Contract Extension: Black Box Corporation, Contract Number GS-35F-0158J		
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Contract Period December 12, 1996 Through October 31, 2003		\$46,805
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006		
03/12/04	A040082	Preaward Attestation Engagement Review of Multiple Award Schedule Contract Extension: ITT Industries, Inc., Advanced Engineering & Sciences Division, Contract Number GS-35F-0109J		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
03/16/04	A040086	Preaward Audit of Multiple Award Schedule Contract: Lakeshore Learning Materials, Contract Number GS-07F-0212J		
03/19/04	A040105	Attestation Engagement Review of Multiple Award Schedule Contract: Rhombic Systems, Inc., Contract Number GS-35F-0461J		
03/22/04	A040094	Preaward Attestation Engagement Review of Multiple Award Schedule Contract Extension: Thomasville Furniture Industries, Inc., Contract Number GS-27F-00131		
03/24/04	A040128	Preaward Attestation Review of Multiple Award Schedule Contract: 3H Technology, LLC, Solicitation Number FCIS-JB-980001B		
<b><i>FTS Internal Audits</i></b>				
12/18/03	A030109	Review of FTS' Wireless Telephone Service Program		
01/08/04	A020144	Audit of Federal Technology Service's Client Support Centers		
02/11/04	A030002	Review of the Federal Technology Service's Third Generation System (3GS)		
<b><i>Other Internal Audits</i></b>				
10/30/03	A030237	Limited Audit of the Fiscal Year 2003 Federal Managers' Financial Integrity Act Section 2 Assurance Statements		
12/03/03	A030256	Report on Internal Controls Over Performance Measures		
12/19/03	A030110	PricewaterhouseCoopers, LLP Fiscal Year 2003 EDP Management Letter		
12/23/03	A030206	Audit of the Headquarters Building's Security Office Program		



## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
12/31/03	A030256	Limited Audit of the Office of the Chief Financial Officer’s Performance Measure: Percentage of Invoices Received Electronically		
03/02/04	A030237	Limited Audit of the Chief Financial Officer’s Fiscal Year 2003 Federal Managers’ Financial Integrity Act Section 4 Assurance Statement		
03/10/04	A020054	Clinger-Cohen Act Implementation Requires Commitment at all Levels		
03/15/04	A020203	Review of GSA’s Process for Establishing Lodging Per Diems		
03/30/04	A020246	Audit of the GSA.gov Web Portal		
03/31/04	A030110	Audit of the General Services Administration’s Fiscal Years 2003 and 2002 Financial Statements		

### ***Non-GSA Internal Audits***

10/22/03	A030154	General Services Administration Office of Inspector General’s Report on Applying Agreed-Upon Procedures		
11/17/03	A030110	Report on Applying Agreed-Upon Procedures Re: FY 2003 Environmental Liabilities		
12/03/03	A030110	Report on Applying Agreed-Upon Procedures Re: FY 2003 Loss Contingencies		

### ***Non-GSA Contract Audits***

10/02/03	A030254	Preaward Audit of Cost or Pricing Data: Shell Oil Company		
02/12/04	A040120	Preaward Audit of Cost or Pricing Data: Shell Oil Company		
02/20/04	A040138	Preaward Audit of Cost or Pricing Data: Shell Oil Company		

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## Appendix III—Audit Reports over 12 Months Old with Final Action Pending

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Pursuant to Section 810, Prompt Resolution of Audit Recommendations, of the National Defense Authorization Act, (Public Law 104-106), 5 U.S.C. App. 3, § 5 note, this appendix identifies those audit reports where final actions remain open 12 months after the report issuance date. The GSA Office of the Chief Financial Officer, Office of the Controller, furnished the following information.

*Audits with Management Decisions Made after February 10, 1996 for Which No Final Action Has Been Completed*

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/21/97	A70632	Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)
06/27/97	A71811	Audit of Claim for Increased Costs, Miscellaneous Subcontractors to: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/11/97	A71803	Audit of Claim for Increased Costs: Nicholson Construction Company, Contract Number GS06P94GYC0037
07/22/97	A71804	Audit of Claim for Increased Costs: Rodio/ICOS St. Louis Joint Venture, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/31/97	A71820	Audit of Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
11/26/97	A22536	Postaward Audit of Multiple Award Schedule Contract: Ingres Corporation, Contract Number GS00K89AGS5589
11/26/97	A32476	Limited Audit of Government Billings: Ingres Corporation, Contract Number GS00K89AGS5589
02/05/98	A80609	Preaward Audit of a Delay Claim: The Woodworks Architectural Millwork, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
03/19/98	A81515	Audit of Claim for Increased Costs: Herman B. Taylor Construction Company, Contract Number GS-07P-92-HUC-0017
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
09/04/98	A990302	Postaward Audit of Multiple Award Schedule Contract: Westinghouse Furniture Systems, Contract Number GS-00F-76574
09/22/98	A80931	Preaward Review of Multiple Award Schedule Contract For The Extension Period April 1, 1999 Through March 31, 2004: Computer Associates International, Inc., Contract Number GS-35F-5169H
09/24/98	A82456	Audit of Termination Settlement Proposal: Witherington Construction Corporation, Contract Number GS-07P-95-HUC-0068
10/13/98	A80636	Preaward Audit of a Claim: Structural Preservation Systems, Inc., Contract Number GS-02P-96-DTC-0033
02/05/99	A995113	Preaward Audit of Supplemental Architect and Engineering Services Contract: Van Deusen & Associates, Solicitation Number GS-02P-98-PLD-0029(N)
03/24/99	A995128	Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P95GZC0501
03/30/99	A995150	Preaward Audit of Supplemental Architect and Engineering Services Contract; Ammann & Whitney Consulting Engineers, P.C., Solicitation Number GS-02P-98-PLD-0015(N)
04/02/99	A995182	Preaward Audit of Architect and Engineering Services Contract: Staunton Chow Engineers, P.C., Solicitation Number GS-02P-98-PLD-0015(N)
05/05/99	A995151	Preaward Audit of Supplemental Architect and Engineering Services Contract: Wank Adams Slavin Associates, Solicitation Number GS-02P-98-PLD-0015(N)
06/08/99	A995192	Limited Postaward Audit of Multiple Award Schedule Contract for the Period April 1, 1997 Through February 28, 1999: Danka Office Imaging Company, Contract Number GS-26F-1018B
06/15/99	A42113	Postaward Audit of Multiple Award Schedule Contract: Herman Miller Inc., Contract Number GS-00F-07000
06/15/99	A995171	Audit of Incurred Costs: Niagara Mohawk Power Corporation, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036
06/22/99	A995164	Preaward Audit of Multiple Award Schedule Contract: Compaq Computer Corporation, Extension to Contract Number GS-35F-4544G
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
07/07/99	A995249	Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0041(N)

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
07/30/99	A995173	Audit of Incurred Costs: Duke Engineering & Services, Contract Numbers EMR-1999-MO-2032 & EMN-1999-MO-2036
09/09/99	A995283	Preaward Review of Multiple Award Schedule Contract: National Education Training Group, Inc., Contract Number GS-02B-22885
09/15/99	A52534	Postaward Audit of Multiple Award Schedule Contract: Intermecc Corporation, Contract Number GS00K91AGS5288
09/15/99	A52565	Postaward Audit of Multiple Award Schedule Contract: Intermecc Corporation, Contract Number GS00K91AGS5288 (PS01)
09/15/99	A52566	Postaward Audit of Multiple Award Schedule Contract: Intermecc Corporation, Contract Number GS00K91AGS5288 (PS02)
09/23/99	A995296	Preaward Audit of Multiple Award Schedule Contract: TCT Technical Training, Inc., Contract Number GS-02F-9308C for the Period October 1, 1999 to September 30, 2004
10/13/99	A995262	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract GS-02P-95-DTC-0014(N)
10/26/99	A995278	Preaward Audit of a Claim: Midlantic Erectors, Inc., Subcontractor to Metropolitan Steel Industries, Inc., Contract Number GS-02P-95-DTC-0014(N)
11/04/99	A995272	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014(N)
11/10/99	A995271	Preaward Audit of Architect and Engineering Services Contract: HLW International LLP, Contract Number GS-02P-93-CUC-0062
11/30/99	A995289	Preaward Audit of Architect and Engineering Services Contract: Accu-Cost Construction Consultants, Inc., Subcontractor to HLW International LLP, Contract Number GS-02P-93-CUC-0062
12/08/99	A995330	Preaward Audit of Multiple Award Schedule Contract: Caswell International Corporation, Contract Number GS-02F-0434D
01/11/00	A000819	Preaward Audit of Architect and Engineering Services Contract: Gordon H. Smith Corporation, Subcontractor to HLW International LLP, Contract Number GS-02P-93-CUC-0062
02/15/00	A40910	Postaward Audit of Multiple Award Schedule Contract: McNaughton Book Service, Contract Number GS-02F-52166 for the Period February 24, 1989 to July 31, 1992
02/17/00	A000923	Preaward Audit of Multiple Award Schedule Contract: Shamrock Scientific Specialty Systems, Inc., Contract Number GS-14F-9732C

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
03/02/00	A000934	Preaward Audit of Multiple Award Schedule Contract: TimeMed Labeling Systems, Inc., Contract Number GS-14F-0150D
03/06/00	A000948	Preaward Audit of Multiple Award Schedule Contract: 3M Company, Contract Number GS-14F-0161D
03/06/00	A000963	Preaward Audit of a Claim: Trataros Construction, Inc., Contract Number GS-02P-96-DTC-0033
03/09/00	A000911	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: Adams Marketing Associates, Inc., Contract Number GS-14F-9734C
03/10/00	A000936	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: George W. Allen Co., Inc., Contract Number GS-14F-0177D
03/29/00	A81830	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Period March 8, 1991 Through February 29, 1996
03/29/00	A995122	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Interim Period March 1, 1996 Through April 30, 1998
04/25/00	A000975	Preaward Audit of Multiple Award Schedule Contract: Day Runner, Incorporated, Contract Number GS-14F-0193D
05/11/00	A000993	Preaward Audit of a Claim: Trataros Construction, Inc., Contract Number GS-02P-96-DTC-0033
05/16/00	A001007	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: Franklin Covey, Contract Number GS-14F-9729C
05/18/00	A001009	Limited Postaward Audit of Multiple Award Schedule Contract: Day Runner, Incorporated, Contract Number GS-14F-0193D
05/25/00	A000955	Limited Scope Postaward Audit: Voyager Fleet Systems, Inc., Contract Number GS-23F-98006
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
06/27/00	A000860	Interim Postaward Audit: Voyager Fleet Systems, Inc.'s Compliance with Fuel Tax Requirements under Contract Number GS-23F-98006

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
06/30/00	A001000	Limited Scope Postaward Audit: AOC Solutions, Inc., Contract Number GS-23F-98006
07/19/00	A000940	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
07/27/00	A001028	Limited Review of Contract Extension Claim: International Services, Inc., Contract Number GS-02P-94-CTD-0141
08/12/99	A995215	Audit of Incurred Costs: KeySpan Energy, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036
08/24/00	A000941	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
08/31/00	A001044	Audit of Billings Under Contract Number GS06P99GZC0304: Fire Assurance, Inc.
10/17/00	A001024	Preaward Audit of a Claim: Canron Fabrication Corp., Second-Tier Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/30/00	A000942	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
12/13/00	A010047	Preaward Audit of Claim: Culpepper Construction Company, Inc., Contract Number GS-04P-96-EXC-0033
01/10/01	A001092	Audit of Billings under Contract Number GS06P99GZC0304: Wayne Automatic Sprinkler Corporation, Subcontractor to Fire Assurance, Inc.
01/10/01	A001021	Postaward Audit of Multiple Award Schedule Contract: Merant, Inc. for the Interim Period March 26, 1999 Through September 30, 2000, Contract Number GS-35F-0322J
01/25/01	A001081	Preaward Audit of a Claim for Increased Costs: Coken Company, Inc., Subcontractor to Dick Corporation, U.S. Courthouse & Federal Building, Phoenix, Arizona, Contract Number GS-09P-96-KTC-0070
01/29/01	A000909	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
02/08/01	A010089	Audit of a Claim for Increased Costs: Palafox Street Associates, L.P., Federal Courthouse, Pensacola, FL, Lease Number GS-04B-35055
02/28/01	A010093	Preaward Audit of a Change Order Proposal: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N
03/20/01	A001119	Audit of Forward Pricing Rates: J.A. Jones-GMO, LLC, Contract Number GS-02P-99-DTC-0006 & GS-02P-98-DTC-0088



## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
03/29/01	A010169	Preaward Audit of Cost Plus Fixed Fee IDIQ Proposal: RS Information Systems, Inc., Solicitation Number GSC-TFMGD-00-3006
04/30/01	A010127	Audit of Billings under Contract Number GS06P99GZC0315: DKW Construction, Inc.
05/11/01	A010128	Preaward Audit of a Change Order Proposal: D.A.G. Floors, Inc., Subcontractor to J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N
05/23/01	A010160	Preaward Audit of Cost or Pricing Data: John Milner Associates, Inc., Solicitation Number 2PCB-CM-010174
05/30/01	A010175	Preaward Audit of Cost or Pricing Data: Caswell International Corporation, Contract Number GS-02F-0434D
05/31/01	A010118	Preaward Audit of a Claim for Increased Costs: Amelco Construction, Roybal Federal Building & Courthouse, Los Angeles, California, Contract Number GS-09P-98-KTC-0020
06/06/01	A000965	Limited Scope Postaward Audit of Multiple Award Schedule Contract for the Period July 1, 1999 Through December 31, 1999: Franklin Covey, Contract Number GS-14F-9729C
06/19/01	A001113	Limited Scope Postaward Audit: Voyager Fleet Systems, Inc., Contract Number GS-23F-98006 for the Interim Period November 30, 1998 Through December 31, 2000
07/31/01	A001055	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
08/14/01	A010222	Preaward Audit of Architect and Engineering Proposal: Perkins and Will, Inc., Solicitation Number GS-09P-00-KTC-0088
09/17/01	A010221	Preaward Audit of Multiple Award Schedule Contract: Konica Business Technologies, Inc., Solicitation Number FCGE-C100-0001-B
09/26/01	A010253	Price Adjustments on Multiple Award Schedule Contract: TransUnion Corporation, Contract Number GS-22F-9602D for the Interim Period November 1, 2001 Through April 30, 2005
10/18/01	A63630	Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996
10/19/01	A010215	Preaward Audit of a Claim for Increased Costs: Century Steel, Inc., Subcontractor to J.A. Jones Construction Company, Lloyd D. George U.S. Courthouse, Las Vegas, Nevada, Contract Number GS-09P-97-KTC-0014



## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
10/31/01	A010246	Preaward Audit of Multiple Award Schedule Contract for the Period October 1, 2001 through September 30, 2005: Kyocera Mita America, Inc., Solicitation Number FCGE-C1-00-0001-B
10/31/01	A010265	Preaward Audit of Architect and Engineering Services Contract; HNTB District of Columbia Architecture, P.C., Solicitation Number GS-11P-00-MQC-0041
11/08/01	A010214	Preaward Audit of a Claim for Increased Costs: Strocal, Inc., Subcontractor to J.A. Jones Construction Company, Lloyd D. George U.S. Courthouse, Las Vegas, Nevada, Contract Number GS-09P-97-KTC-0014
11/29/01	A010011	Limited Scope Postaward Audit: MasterCard International's Compliance with Fuel Tax Requirements under GSA's SmartPay Contract
12/18/01	A001123	Postaward Audit of Multiple Award Schedule Contract: Rose Talbert Paint Company, Contract Number GS-10F-48584, for the Period May 9, 1988 through April 30, 1991
01/11/02	A010281	Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
01/17/02	A010247	Preaward Audit of Multiple Award Schedule Contract: Cummings-Allison Corporation, Solicitation Number FCGE-C1-00-0001-B
01/17/02	A010247	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Cummings-Allison Corporation, Contract Number GS-25F-5126C
02/20/02	A010138	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
02/26/02	A010220	Preaward Audit of a Claim for Increased Costs: J.A. Jones Construction Company, Inc., Lloyd D. George U.S. Courthouse, Las Vegas, Nevada, Contract Number GS-09P-97-KTC-0014
03/07/02	A020108	Limited Scope Postaward Audit of the Industrial Funding Fee Submitted under Multiple Award Schedule Contract Number GS26F1006B: Kyocera Mita America, Inc.
04/03/02	A010263	Preaward Audit of a Claim: Island ADC, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/11/02	A60648	Postaward Audit of Multiple Award Schedule Contract: Gaylord Bros., Contract Numbers GS-00F-3918A & GS-00F-3919A
04/18/02	A010248	Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
04/26/02	A010262	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/29/02	A020154	Audit of Request for Equitable Adjustment: Control Systems International, Contract Number GS-04P-97-EXC-0015
04/30/02	A020101	Preaward Audit of a Claim, Additional Change Items: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
05/16/02	A020115	Limited Scope Audit of a Termination Claim: Patriot Group Contractors, Inc., Contract Number GS-11P-99-MAC-0006
05/17/02	A020125	Audit of Acceleration Costs: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N
05/17/02	A020134	Audit of Delay Costs: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N
05/22/02	A020157	Audit of Request for Equitable Adjustment: William R. Nash, Inc., Contract Number GS-04P-97-EXC-0015
05/28/02	A020158	Audit of Request for Equitable Adjustment: Lynn Rai Electric, Inc., Contract Number GS-04P-97-EXC-0015
05/29/02	A020109	Preaward Audit of a Claim: Schindler Elevator Corporation, Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
05/29/02	A020124	Preaward Audit of a Claim for Increased Costs: Res-Com Insulation, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/30/02	A020155	Audit of Request for Equitable Adjustment: Bay Mechanical, Inc., Contract Number GS-04P-97-EXC-0015
05/31/02	A020156	Audit of Request for Equitable Adjustment: Mechanical Insulations, Inc., Contract Number GS-04P-97-EXC-0015
06/06/02	A020132	Audit of Claim for Increased Costs: Dick Corporation, Contract Number GS-05P-97-GBC-0011
06/06/02	A020141	Audit of Claim for Increased Costs: The Albert M. Higley Co., Subcontractor to Dick Corporation, Contract Number GS-05P-97-GBC-0011
06/06/02	A020142	Audit of Claim for Increased Costs: Mohawk Re-Bar Services, Inc., Subcontractor to Dick Corporation, Contract Number GS-05P-97-GBC-0011

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
06/07/02	A020079	Audit of Request for Equitable Adjustment: Atlantic Coast Mechanical, Inc., Contract Number GS-04P-97-EXC-0015
06/12/02	A020097	Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/27/02	A010239	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
07/11/02	A020065	Preaward Audit of Multiple Award Schedule Contract: Danka Office Imaging Company, Solicitation Number FCGE-C1-00-0001-B
07/16/02	A020191	Preaward Audit of Supplemental Architect and Engineering Contract: McMullan & Associates, Inc., Solicitation Number GS-11P-01-YTD-0319
07/30/02	A020086	Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems North, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
08/07/02	A020173	Preaward Audit of a CQM Proposal: CCJN & Company, Architects & Planners, P.C., Requisition/Procurement Request Number 2PMC-U-02-CQM
08/12/02	A020119	Audit of Request for Equitable Adjustment: Coken Company, Inc., Contract Number GS-04P-97-EXC-0015
09/03/02	A020114	Audit of Claim for Increased Costs: Cleveland Construction, Inc., Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015
09/04/02	A020180	Preaward Audit of Architect and Engineering Services Contract: Adtek Engineering, Inc., Solicitation Number GS-11P-01-YTD-0319
09/12/02	A020184	Audit of Request for Equitable Adjustment: Atlantic Coast Mechanical, Inc., Contract Number GS-04P-97-EXC-0015
09/24/02	A020196	Preaward Audit of Architect and Engineering Services Contract: BEI Structural Engineers, Inc., Solicitation Number GS-11P-01-YTD-0319
09/26/02	A020201	Preaward Audit of a Claim: Almar Plumbing and Heating Corp., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
09/26/02	A020066	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Danka Office Imaging Company
10/02/02	A020178	Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
10/02/02	A020200	Audit of Termination Claim: Herman B. Taylor Construction Company, Contract Number GS-07P-92-HUC-017
10/22/02	A020221	Preaward Audit of a Claim: G-A Masonry Corporation, Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015
10/24/02	A020227	Audit of Request for Equitable Adjustment: Southern Pan Services Company, Contract Number GS-04P-97-EXC-0015
10/29/02	A020202	Preaward Audit of a Claim: Juba Aluminum Products Company, Inc., Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015
11/14/02	A020254	Audit of Request for Equitable Adjustment: Terry's Floor Fashions, Inc., Contract Number GS-04P-97-EXC-0015
11/14/02	A020223	Preaward Audit of a Claim: Fine Painting Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
11/20/02	A010279	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
11/22/02	A020224	Preaward Audit of a Claim for Increased Costs: Commonwealth Electric Company, Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008
11/25/02	A020199	Preaward Audit of a Claim: Triangle Grading & Paving, Inc., Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015
12/05/02	A030054	Audit of Request for Equitable Adjustment: ISEC Construction Services, GS-04P-97-EXC-0015
12/13/02	A030034	Preaward Audit of Cost or Pricing Data: OPN Architects, Inc., Contract Number GS06P02GZC0520
12/19/02	A020249	Preaward Audit of Cost or Pricing Data: HLW International, LLP, Contract Number GS-02P-93-CUC-0062
12/23/02	A020176	Preaward Audit of a Claim for Increased Costs: Vetro, Inc., Contract Number GS-09P-97-KTC-0008
01/03/03	A020208	Preaward Audit of a Claim: Clark Construction Group, Incorporated, Contract Number GS-04P-97-EXC-0015
01/03/03	A020242	Preaward Audit of Cost and Pricing Data: Stronghold Engineering, Inc., Solicitation Number GS-09P-02-KTC-0069

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title
01/07/03	A020192	Preaward Audit of a Claim for Increased Costs: Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008
01/09/03	A030075	Preaward Audit of Architect and Engineering Services Contract: William Rawn Associates, Architects, Inc., Consultant to OPN Architects, Inc., Contract Number GS06P02GZC0520
01/15/03	A020250	Preaward Audit of Cost or Pricing Data: Gordon H. Smith Corporation, Consultant to HLW International LLP, Contract Number GS-02P-93-CUC-0062
01/17/03	A030082	Audit of Request for Equitable Adjustment: ThyssenKrupp Elevator Corporation, Contract Number GS-04P-97-EXC-0015
01/22/03	A020233	Preaward Audit of a Claim for Increased Costs: Sun Mechanical Contracting, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008
01/27/03	A030096	Audit of Request for Equitable Adjustment: Spencer Tile Company, Inc., Contract Number GS-04P-97-EXC-0015
01/30/03	A020248	Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012
02/06/03	A995169	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Viking Acoustical Corporation, Contract Number GS-00F-5004A
02/07/03	A020238	Preaward Audit of a Claim for Increased Costs: Standard Drywall, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008
02/12/03	A030081	Preaward Audit of a Claim for Increased Costs: Hardrock Concrete Placement Company, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008
02/14/03	A030094	Audit of Request for Equitable Adjustment: General Spray Service, Inc., Contract Number GS-04P-97-EXC-0015
02/20/03	A020217	Preaward Audit of Sole Source Contract: NEEKO Construction, Inc., Solicitation Number GS-11P-02-ZGC-0218 "NEG" 8(A)
02/26/03	A030076	Audit of Claim for Increased Costs: Northstar Fire Protection, Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015
03/05/03	A030045	Preaward Audit of a Claim: Greenbrier Architectural Woodwork, Subcontractor to Clark Construction Group, Inc., Contract Number GS-04P-97-EXC-0015

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## *Appendix III–Audit Reports over 12 Months Old with Final Action Pending*

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/05/03	A030132	Audit of Claim for Increased Costs: Color, Inc., Subcontractor to The Clark Construction Group, Inc., Contract Number GS06P96GZC0508
03/06/03	A030083	Audit of Claim for Increased Costs: ADF International, Inc., Subcontractor to Clark Construction Group, Contract Number GS-04P-97-EXC-0015
03/11/03	A030095	Audit of Request for Equitable Adjustment: NLP Enterprises, Inc., Contract Number GS-04P-97-EXC-0015
03/14/03	A020197	Preaward Audit of a Claim: Rael Automatic Sprinkler Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
03/20/03	A020251	Audit of Claim for Increased Costs: The Cleveland Marble Mosaic Company, Contract Number GS-05P-99-GBC-0043
03/21/03	A020133	Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
03/21/03	A030098	Preaward Audit of Construction Management Services Contract: Parsons Brinckerhoff Construction Services, Inc., Solicitation Number GS-02P-02-DTC-0029(N)
03/21/03	A030126	Preaward Audit of Architect/Engineering Proposal: Thompson Vaivoda and Associates Architects, Inc., Solicitation Number GS-10P-02LTC-0039
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

Date of Report	Audit Number	Title	Projected Final Action Date
<b><i>Internal Audits</i></b>			
07/15/99	A82706	PricewaterhouseCoopers LLP Management Letter, Fiscal Year 1998 Financial Statement Audit	06/15/04
03/27/01	A000968	Review of Operating Equipment Inventories: Public Buildings Service, New England Region	07/15/04
05/29/01	A001012	PricewaterhouseCoopers LLP Fiscal Year 2000 Interim and Year-End Management Letters	10/15/05
10/17/01	A001122	Review of PBS Use of the Occupancy Agreement	06/15/04
05/10/02	A010187	Audit of the General Services Administration's Fiscal Years 2001 and 2000 Financial Statements	10/15/04
09/26/02	A020011	Audit of GSA's Electronic Mail System Security	06/15/04
09/30/02	A020056	Audit of Controls Over Reimbursable Work Authorizations Billing Practices in the Greater Southwest Region	06/15/04
11/12/02	A020055	Audit of the Southeast Sunbelt Region Public Buildings Service's Administration of Construction Projects in Regard to Claims	07/15/04
12/11/02	A020135	Review of PBS' Use of Brokerage Contracts for Lease Acquisition Services	Being Revised
02/26/03	A020163	EDP Management Letter Fiscal Year 2002 Financial Statement Audit	02/15/05
03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times	06/15/05
03/18/03	A020163	Audit of the General Services Administration's Fiscal Years 2002 and 2001 Financial Statements	10/15/05
03/31/03	A020146	Audit of FSS's City Pair Program	07/15/04



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## Appendix IV—Delinquent Debts

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The GSA Office of the Chief Financial Officer provided the following information.

### **GSA Efforts to Improve Debt Collection**

During the period October 1, 2003 through March 31, 2004, 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:

- From October 1, 2003, to March 31, 2004, GSA Finance Centers referred approximately \$3.6 million of delinquent non-Federal claims to the U.S. Treasury Department (Treasury) for cross-servicing collection activities. Collections on these claims exceeded \$38 million. Administrative offsets have resulted in additional collections of \$6.2 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). From October 1, 2003, to March 31, 2004, 55 PADs totaling \$48,015 were processed.
- In compliance with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the Treasury's Financial Management Service for collection cross-servicing.
- Persistent claims coordination between regional contracting officers, Treasury, and our Finance Centers continues to strengthen our claims collection efforts.
- In accordance with OMB Circular A-129, we continue to eliminate non-paying debts aged over two years from our accounts receivable subsidiaries. All two year old claims without collection activity were researched and either collected or written off. We also implemented a new Chief Financial Officer performance goal to review and contact delinquent accounts, especially those approaching two years old. This is done on a quarterly basis to ensure maximum effort is made to collect debts before they become two years old.
- The Profit Recovery Group, through a contract arrangement with GSA, continues to actively review and pursue overpayments in conjunction with our Public Buildings Service and Federal Technology Service Accounts Payable Division associates.
- GSA representatives held meetings with various National Institute for the Blind/National Institute for the Severely Handicapped (NIB/NISH) customers to discuss payment of GSA bills. The representatives emphasized all GSA bills must be paid within 45 days, including those for items with discrepancies. As a result, the amount of outstanding accounts receivable from NIB/NISH customers decreased from \$2.9 million on August 31, 2003, to \$2.6 million on February 29, 2004.
- As of March 5, 2004, the District of Columbia (DC) Government owed GSA \$382,208 for supply bills over two years old. This is a decrease of approximately \$368,019 from the amount owed as of September 4, 2003. Several conference calls among the DC Government, GSA Office of Finance, and the Federal Supply Service were held in the fall and winter to discuss payment of these bills. A spreadsheet of all outstanding supply bills is sent monthly to the DC Government's Inspector General (IG) and Chief Financial Officer (CFO). The conference calls resulted in payment of many outstanding delinquent bills and focused the attention of the DC Government IG and CFO offices on paying future GSA bills in a timely manner.
- In December 2003, the Heartland Finance Center established an Industrial Funding Fee (IFF) claim in the amount of \$475,629. The claim was collected and paid in full by February 2004. The amount of this IFF claim was significantly larger than most IFF claims. For comparison, the other 38 IFF claims recorded during the first two quarters of FY 2004 totaled \$124,673.

## *Appendix IV—Delinquent Debts*

The GSA Office of the Chief Financial Officer provided the following information.

- During this period, a Tiger Team was established to research and clear older payroll claims. To date, over 1,000 claims have been researched and offset, billed, or written off. Internal control and system



enhancements are being made to help eliminate situations giving rise to several types of payroll-related claims. Once implemented, these controls should reduce the number of payroll-related claims.

### *Non-Federal Accounts Receivable*

	<b>As of October 1, 2003</b>	<b>As of March 31, 2004</b>	<b>Difference</b>
Total Amounts Due GSA	\$17,564,137	\$15,402,232	-\$2,161,905
Amounts Delinquent	\$10,177,279	\$10,478,933	\$301,654
Total Amount Written Off as Uncollectible Between 10/01/03 and 03/31/04	\$208,111		

## *Appendix V—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 and the National Defense Authorization Act is also cross-referenced to the appropriate page of the report.

<b>Requirement</b>	<b>Page</b>
<b>Inspector General Act</b>	
Section 4(a)(2) – Review of Legislation and Regulations . . . . .	35–37
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. . . . .	2, 23
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .	2, 23
Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .	47
Section 5(a)(4) – Matters Referred to Prosecutive Authorities. . . . .	43
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused. . . . .	None
Section 5(a)(6) – List of Audit Reports. . . . .	49
Section 5(a)(7) – Summary of Each Particularly Significant Report. . . . .	2, 23
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs . . . . .	42
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	41
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
<b>Senate Report No. 96-829</b>	
Resolution of Audits . . . . .	40
Delinquent Debts . . . . .	71
<b>National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note . . . . .</b>	<b>58</b>

## Appendix VI—OIG Offices and Key Officials

### Office of the Inspector General

Inspector General, Daniel R. Levinson (J) .....(202) 501-0450  
Deputy Inspector General, Joel S. Gallay (JD) .....(202) 501-1362

### Office of Counsel to the Inspector General

Counsel to the IG, Kathleen S. Tighe (JC) .....(202) 501-1932  
Deputy Counsel to the IG, Virginia S. Grebasch (JCD) .....(202) 501-1932

### Office of Internal Evaluation

Director, James A. Amoroso (JE) .....(202) 501-2460

### Office of Audits

Assistant IG for Auditing, Eugene L. Waszily (JA) .....(202) 501-0374  
Deputy Assistant IG for Auditing, Andrew Patchan, Jr. (JAD) .....(202) 501-0374

### Headquarters Regional Inspectors General for Auditing (RIGAs)

Finance & Staff Offices Audit Office, RIGA Kristin R. Wilson (JA-F) .....(202) 501-0006  
Information Technology Audit Office, RIGA Gwendolyn A. McGowan (JA-T) .....(703) 308-1223  
Acquisition Programs Audit Office, RIGA Kenneth L. Crompton (JA-A) .....(703) 603-0189  
Real Property Audit Office, RIGA Regina M. O'Brien (JA-R) .....(202) 219-0088

### Regional Inspectors General for Auditing (RIGAs)

National Capital Field Office, RIGA Andrew A. Russoniello (JA-W) .....(202) 708-5340  
New England Field Office, RIGA Joseph B. Leland (JA-1) .....(617) 565-6795  
Northeast and Caribbean Field Office, RIGA Joseph M. Mastropietro (JA-2) .....(212) 264-8620  
Mid-Atlantic Field Office, RIGA Glenn D. Merski (JA-3) .....(215) 446-4840  
Southeast Sunbelt Field Office, RIGA Warren T. Platt (JA-4) .....(404) 331-5125  
Great Lakes Field Office, RIGA David K. Stone (JA-5) .....(312) 353-7781

## Appendix VI—OIG Offices and Key Officials

### Regional Inspectors General for Auditing (RIGAs) *continued*

The Heartland Field Office, RIGA Arthur L. Elkin (JA-6) . . . . .	(816) 926-7052
Greater Southwest Field Office, RIGA Rodney J. Hansen (JA-7) . . . . .	(817) 978-2572
Pacific Rim Field Office, RIGA Joseph J. Brewster (JA-9) . . . . .	(415) 522-2744
Auburn Sub-Office, Audit Manager Larry L. Pellegrini (JA-9/AUB) . . . . .	(253) 931-7650

### Office of Investigations

Assistant IG for Investigations, James E. Henderson (JI) . . . . .	(202) 501-1397
Deputy Assistant IG for Investigations, Charles J. Augone (JID) . . . . .	(202) 501-1397

### Regional Inspectors General for Investigations (RIGIs)

Washington Zone Office, RIGI Gregory G. Rowe (JI-W) . . . . .	(202) 252-0008
Philadelphia Sub-Office, Special Agent James Barry (JI-W/P) . . . . .	(215) 446-4830
New York Zone Office, RIGI Daniel J. Walsh (JI-2) . . . . .	(212) 264-7300
Boston Sub-Office, Assistant RIGI Joseph J. Dzikczek (JI-2/B) . . . . .	(617) 565-6820
Chicago Zone Office, RIGI Harvey G. Florian (JI-5) . . . . .	(312) 353-7779
Kansas City Sub-Office, Assistant RIGI John F. Kolze (JI-5/KC) . . . . .	(816) 926-7214
Fort Worth Zone Office, RIGI Charles D. Yandell (JI-7) . . . . .	(817) 978-2589
Atlanta Sub-Office, Assistant RIGI Lee P. Quintyne (JI-7/G) . . . . .	(404) 331-5126
San Francisco Zone Office, RIGI Liza Shovar (JI-9) . . . . .	(415) 522-2755
Auburn Sub-Office, Special Agent Terry Pfeifer (JI-9/A) . . . . .	(253) 931-7654

### Office of Administration

Assistant IG for Administration, John C. Lebo, Jr. (JP) . . . . .	(202) 501-2319
Human Resources Division, Director James J. Matthews (JPH) . . . . .	(202) 501-0360
Information Technology Division, Director Edward G. VanBuren (JPM) . . . . .	(202) 501-3134
Administrative and Financial Management Division, Director Marta M. Viera (JPF) . . . . .	(202) 501-2887

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## *Notes*

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