



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2008 – September 30, 2008

# 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>ACQUISITION PROGRAMS</b>                           | GSA's procurement organization awards and administers government-wide contracts worth \$40 to \$50 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals such as ensuring competition, meaningful price analysis, and implementation of statutory and regulatory compliance-type requirements has diminished. | 2                      |
| <b>CONTRACT MANAGEMENT</b>                            | GSA's multibillion-dollar acquisition programs have expanded rapidly in terms of sales, variety, and the complexity of the procurements performed. While many GSA contracts are well-crafted and properly administered, we find a continuing need for management attention to enhance economy and efficiency in the Agency's contracts.  | 5                      |
| <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.  | 7                      |
| <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. The need for strong internal controls underlies several of the other management challenges.   | 14                     |
| <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. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.   | 26                     |
| <b>HUMAN CAPITAL</b>                                  | GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21 <sup>st</sup> century workforce.   | No Reports This Period |
| <b>STEWARDSHIP OF FEDERAL REAL PROPERTY</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.  | No Reports This Period |

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## Foreword

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*I am pleased to provide this report to the people of the United States and their elected representatives in Congress. The Office of Inspector General (OIG) at GSA has been working successfully to identify waste, fraud, and abuse in the programs and operations of GSA.*

*For the period covered by this semiannual report (SAR), the OIG identified over \$359 million as funds recommended for better use and questioned costs. The OIG issued 66 audit reports. We also made 207 referrals for criminal prosecution, civil litigation, and administrative action—activities valuable in their own right, as well as for their deterrent effect. In this reporting period we achieved savings from management decisions on financial recommendations, and from civil settlements, and investigative recoveries totalling over \$345 million. Those results provided to the American taxpayer a return of many times the cost of OIG operations.*

*In the recently completed Fiscal Year (FY) 2008, the GSA-OIG achieved actual taxpayer savings of almost \$637 million, about \$12 in savings for each dollar invested in the operation of the OIG. The OIG also provided audit recommendations to GSA on questioned costs and recommended better use of funds totaling over \$601 million during FY 2008 and secured 102 indictments and criminal informations in relation to GSA employees and contractors.*

*This reporting period, the GSA OIG's new Forensic Auditing Unit is up and running. The Unit utilizes the forensic auditing approaches to better target the work of Inspectors General and to link this powerful technique for identification of fraud, waste, and abuse to successful prosecutions of offenders. We expect that this approach, which also brings together important skills across the OIG in concentrated ways, will highlight the value of increased teamwork in pursuit of our mandate to protect taxpayer dollars. The OIG also helped to organize and participated in the first National Procurement Fraud Conference in Richmond, VA in September 2008. The conference featured a strong forensic auditing component, and was a follow up to the first government-wide Forensic Auditing Forum, which the GSA OIG convened in early 2008.*

*We continue to work with other OIGs and law enforcement agencies as part of the National Procurement Fraud Task Force (NPFTF) of which I serve as Vice Chair. As Co-Chair of the Legislative Committee, I helped to coordinate efforts to implement recommendations of the Task Force's 2007 white paper on procurement legislation, features of which have appeared in the "Close the Contractor Fraud Loophole Act of 2008" (the FAR amendment) and the "IG Reform Act of 2008" (electronic evidence and PFCRA extension) signed recently by the President. The OIG also participates with the United States Attorney's offices across the country in regional procurement fraud working groups. As we carry out all our duties, we endeavor to assist GSA to accomplish its important mission in an efficient manner and to observe all applicable requirements.*

*I continue to be gratified by the consistent record of accomplishment of OIG employees and wish to commend them for their continued professionalism, dedication, and performance in fulfilling their oaths to uphold the law. I also wish to recognize the continued, strong support of the Congress, OMB, and employees throughout GSA for the efforts of the OIG.*



*Brian D. Miller  
Inspector General  
September 30, 2008*



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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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April 1, 2008 – September 30, 2008

### ***OIG Accomplishments***

Total financial recommendations \$359,652,851

These include:

• Recommendations that funds be put to better use \$355,064,515

• Questioned costs \$ 4,588,336

Audit reports issued 66

Referrals for criminal prosecution, civil litigation, & administrative action 207

### ***Results Attained***

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$345,044,686

Indictments and informations on criminal referrals 39

Cases accepted for criminal prosecution 42

Cases accepted for civil action 4

Successful criminal prosecutions 45

Civil settlements 4

Contractors/individuals suspended and debarred 110

Employee actions taken on administrative referrals involving GSA employees 15

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## *Fiscal Year 2008 Results*

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### **During Fiscal Year 2008, OIG activities resulted in:**

- Over \$601.1 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- 139 audit reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- Almost \$601.2 million in management decisions agreeing with audit recommendations; \$36.3 million in criminal, civil, administrative, and other recoveries.
- 236 new investigations opened and 159 cases closed.
- 82 case referrals (127 subjects) accepted for criminal prosecution and 13 case referrals (21 subjects) accepted for civil litigation.
- 102 criminal indictments/informations and 97 successful prosecutions on criminal matters referred.
- 10 civil settlements.
- 42 employee actions taken on administrative referrals involving GSA employees.
- 86 contractor/individual suspensions and 71 contractor/individual debarments.
- 355 legislative matters and 14 regulations and directives reviewed.
- 2,808 Hotline calls and letters received of which 99 were referred for criminal or civil investigations, 83 were referred to other agencies for follow up, and 236 were submitted to GSA for review and appropriate administrative actions.



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## *Executive Summary*

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During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what we have identified as the major management challenges facing GSA. We conducted audit reviews and investigations to ensure the integrity of the Agency's financial statements, programs, and operations, and to ensure that the taxpayers' interests were being protected. The OIG also continued to initiate actions to prevent fraud, waste, and abuse, and to promote economy and efficiency throughout GSA.

The OIG's resources have been directed specifically toward conducting preaward, financial, and programmatic audits; management control assessments; contract reviews; investigations of fraud, abuse, and related actions by GSA employees and government contractors; litigation support in civil fraud actions, enforcement actions, criminal prosecutions, contract claims, and administrative actions, all in an effort to maintain the integrity of GSA programs.

### *Management Challenges*

The OIG continued to strive to provide the high level of quality in its reviews and recommendations for which it is known, and which it believes necessary in order for GSA to continue leading the government in contracts and procurements. During this semiannual period, the focus has been on preaward contract reviews, acquisition programs, contract management, management controls, protection of Federal facilities and personnel, information technology (IT), civil actions, and criminal actions. The following are significant reviews and cases that the OIG has identified as major issues facing GSA.

### *Acquisition Programs*

**Significant Preaward Reviews and Other Audits.** The OIG's preaward review program provides information to contracting officers (CO) for use in negotiating contracts. This period, the OIG performed preaward reviews of 41 contracts with an estimated value of \$5.5 billion. We recommended that more than \$355 million of funds be put to better use. During this reporting period, management decisions were made on 30 of the preaward reports issued during the last year, which recommended that over \$346 million of funds be put to better use. Management agreed with 93.1 percent of the recommended savings (page 2).

**Survey of the Federal Acquisition Service (FAS) Organization.** On October 6, 2006, Congress enacted Public Law 109-313, the General Services Administration Modernization Act, which established The Federal Acquisition Service (FAS). The FAS is a consolidation of what were previously the GSA's Federal Technology Service and Federal Supply Service. Our survey objective was to determine whether the FAS organization has achieved the benefits and guiding principles it was designed to accomplish. We found that FAS has had a number of successes with regard to its development. Although we recognize that the transformational change FAS has undertaken will take years to implement fully, we do believe that the

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## Executive Summary

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organization's progress should be monitored carefully by management to address the existing and future challenges and ensure that FAS delivers excellent acquisition services and the best value for the government and the taxpayer (page 3).

### Contract Management

**Improving the FedRooms Program Based On Benchmarking.** Our February 2008 review determined that usage of FedRooms was low and recommended that the Commissioner of FAS develop a business plan for FedRooms. The objective for the current follow-up review was to determine how FAS can improve FedRooms to gain wider participation by hotels and travelers. In order to increase FedRooms usage among Government travelers and thereby strengthen the Government's leverage in the marketplace, our benchmark partners advised and we found that several steps must be taken, including: implement policy language that will strongly influence Government travelers to use the lodging program; effectively communicate with travelers when non-use of the program is detected; enhance the FedRooms.com on-line booking tool and travel authorization process; consider program funding alternatives; and retain ownership rights to the program website (page 5).

### Information Technology (IT)

**Work Remains in Implementing a Fully Integrated Pegasys Financial Management System.** The objective of this audit was to gather information on the status of Pegasys and evaluate risks and potential improvements in two main areas: (1) development and maintenance of an integrated accounting and financial management system, and (2) system operations and response to management and user needs. GSA's fragmented financial systems environment, with duplicate systems and nonstandard business processes, has complicated and delayed OCFO efforts to migrate the remaining functionality of GSA's previous accounting system, integrate feeder systems, and meet strategic goals. We recommended that the Chief Financial Officer develop a detailed plan for migration of remaining functionality of the previous system; review whether Pegasys is meeting Agency and customer needs; and improve security and privacy controls for sensitive Pegasys data (page 7).

**Access Controls Could Help Protect Personnel Information within the Comprehensive Human Resources Integrated System (CHRIS).** This audit of the Comprehensive Human Resources Integrated System built on the results of previous reviews and focused primarily on whether specific management, operational, and technical controls have been implemented to appropriately limit access to sensitive personnel information. Our audit identified several areas where improved access controls for CHRIS could better protect personnel information, including by helping to enforce requirements that the system's users be given no more access than necessary to perform their official duties. We also recommended that the GSA Chief Human Capital Officer address CHRIS technical vulnerabilities and ensure all known vulnerabilities are promptly recorded and mitigated (page 9).

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**FY 2008 Office of Inspector General FISMA Review of GSA's Information Technology Security Program.** The objectives of this audit were to assess the effectiveness of controls over GSA information systems and data and to address specific questions and reporting requirements identified by OMB. We reviewed four systems, including one contractor system, to assess implementation of GSA's IT Security Program. Deficiencies in the following areas adversely impact the effectiveness of GSA's IT Security Program: 1) contractor oversight, 2) protection of sensitive information, 3) security of publicly facing websites, and 4) controls for minor applications. We recommended that the Chief Information Officer develop standard requirements for IT service contracts that promote compliance with GSA IT Security Policy; ensure consistent background investigation requirements for contractor personnel; implement encryption of mobile devices; and ensure that all of GSA's publicly facing web applications support and implement sufficient encryption (page 10).

### Management Controls

**Audit of Reimbursable Work Authorizations.** The primary objectives of our review were to determine whether 1) Reimbursable Work Authorizations (RWAs) are properly accounted for and 2) controls over RWAs are adequate and effective. In many cases, the RWAs did not have a documented scope of work or an underlying estimate for the work when PBS accepted them. This raises concerns about the bona fide need of the client. Also, PBS did not always follow the appropriate procurement regulations when contracting for the repairs and alterations. We recommended that the Public Buildings Service implement and adhere to the controls recommended by the national RWA project management team, and ensure that the risks identified in this report are accounted for in the team's reengineered project management process (page 14).

**Limited Review of Alliant and Alliant Small Business.** The objectives of this review were (1) to determine to what extent FAS followed applicable laws, regulations, and guidance in awarding and administering a contract to interview the previous customers of offerors in the Alliant and Alliant Small Business solicitation and (2) to determine how FAS ensured that the interviewing contractor had no conflict of interest. We determined that FAS did not undertake sufficient acquisition planning, that FAS selected the contractor that submitted the highest-priced proposal (36% higher than the next proposal) without analyzing whether the benefits of the higher priced proposal merited the additional cost, and that FAS did not analyze the level of effort and labor mix to determine whether the total price was fair and reasonable. Additionally, we determined that FAS did not comply with proper contract administration procedures relative to the inspection and acceptance of contract deliverables (page 16).

**Review of GSA's General Management and Administration Working Capital Fund.** The General Management and Administration (GM&A) Working Capital Fund (WCF) is a fully reimbursable revolving fund that

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## Executive Summary

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finances administrative support services that are provided to GSA organizations and other select Federal agencies. The objective of the review was to gain an understanding of the GM&A WCF and how the costs associated with this fund are allocated to the organizations within GSA. Our review found weaknesses and a lack of controls in the methods used to allocate GSA's administrative service charges to components within GSA. Additionally, we question whether it is allowable for GSA to utilize an unused portion of the GM&A WCF as an offset to the next year's Centralized Administrative Support bill. We also found insufficient documentation of expenditures and approvals of expenditures from the Surge Account, the Administrator's discretionary fund to use for special initiatives (page 18).

**Audit of the Greater Chicagoland Service Center.** The objective of the audit was to determine if the PBS Greater Chicagoland Service Center (1) made procurements that were prudent and in accordance with laws, regulations, and established policy and controls, and (2) effectively performed contract administration duties to assure that the quality and quantity of goods and services were what the Government ordered and paid for. The audit revealed that the Service Center did not always effectively exercise sound business judgment nor adhere to applicable laws, regulations, and established policy and procedures when making procurements. In particular, the Service Center misused an existing operations and maintenance (O&M) contract to procure and install touchless faucets and toilet/urinal valves for various buildings in downtown Chicago. Both the procurement process and the administration of the contract failed to follow the applicable procurement laws and regulations (page 21).

**Acquisitions with the Office of the Chief Acquisition Officer (OCAO).** Between 2002 and 2005, the GSA OCAO awarded three contracts in support of OCAO initiatives to obtain and collect information on the GSA acquisition workforce. Our objective was to determine whether the contracts were awarded and administered in accordance with acquisition regulations, policies, and procedures. We found problems with contract oversight, in particular contract files that lacked required documents and complete information; vendor payments without adequate documentation; and deliverables not received in accordance with the contract. Other contract issues include improper funding related to Intra-agency Agreements, improper use of fiscal year funds on the Acquisition Career Management Information System contract, and timeliness of Acquisition Workforce Study modifications. On October 15, 2007, the OCAO Operational Contracting Staff was abolished and its functions transferred to the Contracting Division, Office of Management Services (page 23).

**Review of GSA's Office of Congressional and Intergovernmental Affairs and the Office of Governmentwide Policy.** On December 21, 2006, the GSA Administrator signed an order establishing the Office of Congressional and Intergovernmental Affairs and Governmentwide Policy as one organization from two separate offices. However, on February 15, 2007,

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## Executive Summary

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Congress signed Public Law 110-5, which prohibited the merger without the explicit approval of the Committees on Appropriations of the House of Representatives and the Senate. Once Congress disallowed the merger, the audit objective became determining how GSA was complying with the Congressional direction. While we found no evidence that GSA actively implemented the consolidation of the two offices after the Congressional enactment prohibited such action, the Agency did not rescind the order establishing the merger until 17 months after Congressional disallowance. With the issuance of the revised GSA Order, GSA has been in compliance with Public Law 110-5 and the 2008 Consolidated Appropriations Act, as we found no indication that organizational funds had been intermingled (page 24).

**Audit of PBS's Controls Over Security of Building Information.** After the Alfred P. Murrah Federal Building bombing, GSA and other agencies reviewed GSA's construction and security criteria to find ways to prevent such an occurrence in the future. The audit objective was to determine whether PBS has adequate controls in place to protect sensitive building information. The audit revealed that the oversight practices of PBS project managers and contracting officers to implement PBS security policies were inconsistent. Inconsistencies were especially evident in the contract files, as many contracts did not include language that would obligate contractors to use reasonable care to protect sensitive building information. GSA should include the contractors' responsibilities for safeguarding sensitive building information in the contract, including informing their subcontractors working on GSA construction projects of their responsibilities (page 26).

### Promoting and Protecting Integrity

GSA is responsible for providing working space for 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. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil and other monetary recoveries totaled more than \$18.1 million.

### Significant Civil Actions and Criminal Investigations

**Civil Settlements.** W.W. Grainger paid the United States \$6 million to settle a case involving sourcing from countries that do not have reciprocal trade agreements with the U.S., in violation of the Trade Agreements Act (page 29). Protective Products International, Inc., agreed to pay the U.S. almost \$1 million to resolve allegations that it knowingly sold the government substandard and defective soft body armor (page 30). General Dynamic Information Technology agreed to pay the U.S. \$307,500 for submitting bills to the government containing inflated hours and hourly rates (page 30). Computer Sciences Corporation agreed to pay the government \$1.37 million

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## Executive Summary

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to settle a case involving its receipt of kickbacks from companies with which it did business (page 29).

**Fraud and Theft of Government Property.** In three cases involving over \$4 million in government property, three individuals pled guilty to illegally obtaining government property; one individual additionally pled guilty to money laundering (page 32). OIG investigators successfully obtained judgments of over \$2.5 million in restitution, and sentences of 7 years and 9 months of total incarceration, 18 months of home confinement or detention, 24 years of probation, and 8 years of supervised release, against nine individuals who were convicted of or pled guilty to charges of fraud against the United States (page 31).

**Other Crimes.** OIG investigators also obtained guilty pleas or convictions for aggravated identity theft, immigration-related violations, attempted tax evasion, and receipt of child pornography (page 32).

### **GSA Voyager Fleet Charge Card Abuse**

During this period, 21 individuals pled guilty, 20 individuals were indicted, and 11 individuals were arrested in connection with cases arising out of fleet charge card investigations. These cases involved thousands of dollars of fraudulent activities associated with this program (page 35).

### **Suspension and Debarment – Highlights**

During this reporting period, the OIG made 116 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 110 suspension and debarment actions based on current and previous OIG referrals (page 35).

### **Integrity Awareness – Highlights**

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 29 briefings attended by 722 regional and Central Office employees (page 36).

### **OIG Hotline – Highlights**

During this reporting period, we received 1,508 Hotline contacts. Of these contacts, 268 Hotline cases were initiated. In 154 of these cases, referrals were made to GSA program officials for review and action as appropriate, 49 were referred to other Federal agencies for follow up, 48 were referred for OIG criminal/civil investigations or audits, and 17 did not warrant further review (page 36).

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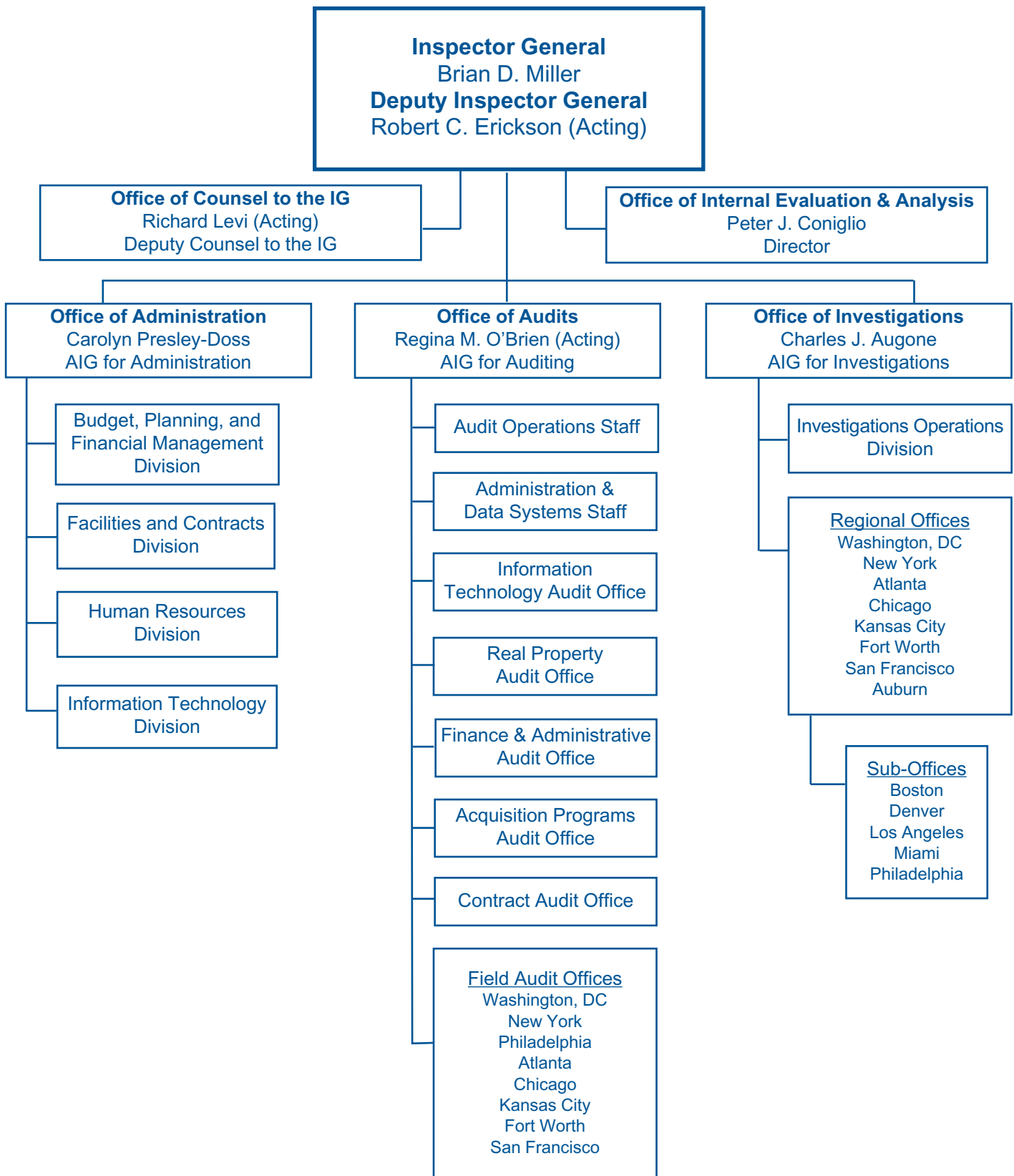
## *Executive Summary*

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### ***Summary of Results***

The OIG made over \$355 million in financial recommendations to better use government funds; made 207 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 209 legislative and regulatory actions; issued 26 subpoenas; and received 1,508 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$345 million.

# OIG Organization Chart





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## OIG Profile

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### Organization

*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.*

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

- The Office of Audits, an evaluative organization 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 conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office also provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- The Office of Investigations, an investigative organization that conducts a nationwide program to prevent, detect, and investigate 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.
- The Office of Internal Evaluation and Analysis, a multidisciplinary staff that manages operational reviews of the OIG components, performs special projects for the Inspector General, including research and analysis, provides advice to the Inspector General, and conducts internal affairs reviews and investigations.
- The Office of Administration, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field offices are maintained in Atlanta, Boston, Chicago, Denver, Fort Worth, Kansas City, Los Angeles, Miami, New York, Philadelphia, San Francisco, Auburn, WA, and Washington, DC. (A contact list of OIG offices and key officials is provided in Appendix VII.)

### Staffing and Budget

As of September 30, 2008, our on-board staff level was 298 employees. However, we anticipate that we will achieve an onboard staff level of 316 full time equivalents by the end of Fiscal Year (FY) 2009. The OIG's FY 2009 President's budget request was \$54 million and in lieu of a full year appropriation, the OIG is currently operating under a FY 2009 Continuing Resolution that extends through March 6, 2009. In addition to these funds, the OIG anticipates receiving \$5.4 million during FY 2009 in reimbursable authority.

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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.*

### **Acquisition Programs**

*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.*

### **Significant Preaward Reviews and Other Audits**

The OIG's preaward review program provides information to contracting officers (CO) for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to COs, 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 reviews of 41 contracts with an estimated value of \$5.5 billion. We recommended that more than \$355 million of funds be put to better use.

Three of the more significant Multiple Award Schedule (MAS) contracts we reviewed had projected government-wide sales totaling \$1.2 billion. The review findings recommended that \$172 million in funds be put to better use. The reviews disclosed that these vendors offered prices and discounts to GSA that were not as favorable as the prices and discounts other customers received from these vendors. For example, one vendor for information technology (IT) services derived its offered labor rates from a customer with few IT service purchases. We provided the CO with lower labor rates based on a category of customer with IT sales more comparable to the volume of sales under the MAS contract. Another vendor for products and services did not disclose its actual sales practices, and its offer to GSA was not reflective of the company's most favored customer pricing. Finally, a vendor for service solutions with no commercial customers provided us with cost buildup data which we adjusted to reflect the vendor's current labor and indirect rates.

There are more than 17,000 contracts with over \$35 billion in business annually under GSA's procurement programs. Past history has shown that for every dollar invested in preaward contract reviews, at least \$10 in lower prices or more favorable terms and conditions are attained for the benefit of the government and the taxpayer. The Office of Management and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Through the Federal Acquisition Service (FAS) contract program revenue,

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## **Management Challenges**

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### ***Acquisition Programs (continued)***

OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an increase in preaward contract reviews, as well as more contract performance reviews that evaluate contractors' compliance with pricing, billing, contract terms, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. We now allocate about 50 percent of our resources to contract reviews.

During this reporting period, management decisions were made on 30 of the preaward reports issued during the last year, which recommended that over \$355 million of funds be put to better use. Management agreed with 93.1 percent of the recommended savings.

### **Survey of the Federal Acquisition Service Organization**

*Report Number A070122/QIA/P08006, dated July 30, 2008*

On October 6, 2006, Congress enacted Public Law 109-313, the General Services Administration Modernization Act (the Act), that established FAS. The FAS is a consolidation of what were previously the GSA's Federal Technology Service and Federal Supply Service. With the establishment of FAS, GSA was tasked with merging two services with diverse cultures and methodologies into one cohesive organization operating under one Commissioner. The merger caused a major transformation of the organizational framework of GSA and also had a great impact on the Agency's employees, customer agencies, and the Federal acquisition environment.

GSA's vision for FAS was to support strategic sourcing efforts across the government by providing greater efficiency, effectiveness, and consistency with internal operations, and to provide superior customer service by providing goods and services to Federal government agencies at the best value. In the first organizational design plans, GSA developed guiding principles for FAS's development:

- Provide clear lines of accountability for business results
- Minimize redundancy of functions
- Provide easy access for customers to reach GSA's services
- Facilitate matching workforce to changing workloads
- Improve retention of key competencies in GSA's workforce

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## *Management Challenges*

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### *Acquisition Programs (continued)*

- Streamline/consolidate transaction processing to lower overhead costs
- Partner support services with business units

Our survey objective was to determine whether the FAS organization has achieved the benefits and guiding principles it was designed to accomplish.

We found that FAS has had a number of successes with regard to its development. FAS management has established an organizational structure that is based on the products/services provided to customer agencies. Other achievements include: management's advancement toward the integration of its technological assets for uniformity, the implementation of various process improvement initiatives, the establishment of the FAS Management Council, and consistent management of the new Acquisition Services Fund.

While FAS has had successes, challenges remain that impact FAS employees and customer agencies. Some of the most notable impediments are: managing and maintaining legacy systems; maintaining a strong and dedicated management council; administrative challenges, including elimination of references to the former organizations; and assessing the fee structure to ensure that it meets the financial needs of the new organization in the most efficient manner. In addition, employees located in FAS regional offices face the challenge of balancing their local responsibilities with their responsibilities to their national reporting organizations.

We did not make any recommendations in the survey given the magnitude of the change that FAS has undertaken and the initiatives that are already underway; however, we did include some observations. In order to address remaining challenges, management should apply workforce and knowledge planning practices to ensure that FAS always has the necessary staff to manage its existing and future systems. Also, FAS's Management Council would benefit from the use of additional organizational documentation, such as a charter, in order to ensure it accomplishes its intended purpose. To achieve consistency across the FAS organization, management should develop and implement organization codes and functional statements effectively and in a timely manner. Further, management should be aware of and address the challenges that accompany the transition to the new Acquisition Services Fund.

We recognize that the transformational change FAS has undertaken will take years to fully implement. However, management should carefully monitor the organization's progress to address existing and future challenges and ensure that FAS delivers excellent acquisition services and best value for the government and the taxpayer. Legislative, regulatory, and oversight functions are currently in place to make sure that this progression continues.

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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 continue to find a significant number of weaknesses. Our audit work in recent years has revealed a growing list of warning signs throughout the acquisition process that suggest that training and improved technical and management skills are needed for the procurement workforce to operate in the more sophisticated arena and keep pace with new demands.*

### Improving the FedRooms Program Based On Benchmarking

*Report Number A080074/Q/A/P08009, dated September 29, 2008*

The FAS requested a benchmarking study as a follow-up to our review of FedRooms, (Report Number A070167/Q/9/P08002, issued on February 4, 2008). FedRooms is a non-mandated program which promotes the following benefits with a hotel room reservation: rates at-or-below Federal per diem allowances; no-fee reservation cancellation privileges; no added costs such as health club or resort fees; no early check-out fees; and, last room availability of program rates at many hotels. The February 2008 review determined that usage of FedRooms was low and recommended that the Commissioner of FAS develop a business plan for FedRooms. The objective for the follow-up review was to determine how FAS can improve FedRooms to gain wider participation by hotels and travelers, based on best practices used by large corporations and states. The basis for our analyses was domestic transient or short-term stay hotels, which represent 73 percent of the total properties participating in FedRooms.

On September 21, 2004, Carlson Wagonlit Travel (CWT) was awarded the contract to manage FedRooms. Program costs are approximately \$650,000 annually for CWT (plus marketing expenses) and \$853,000 per year for GSA. To fund FedRooms, program hotels are required to remit a 2.75 percent fee to CWT, whereby CWT retains 2 percent and sends 0.75 percent to GSA. As of July 24, 2008, 6,578 hotels were participating in FedRooms. Smart Pay charges for official civilian and military hotel rooms were \$2.5 billion for FY 2007.

In FY 2007, less than one percent of hotel room reservations by Federal travelers was made at the FedRooms rate. As a result, the Government has very little leverage in the marketplace to further the goals of the program.

Benchmarking partners advised that the key to improving hotel rates and amenities in a lodging program was to limit the number of program hotels and to achieve actual stays by employees at these hotels. According to our partners, implementing a successful lodging program positioned them with leverage or buying power to negotiate with hotels for possibly even better rates and amenities.

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## Management Challenges

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In order to increase FedRooms usage among government travelers and thereby strengthen the Government's leverage in the marketplace, our benchmark partners advised and we found that several steps must be taken: implement policy language that will strongly influence government travelers to use the lodging program; effectively communicate with travelers regarding the policy, the benefits of the lodging program, and when non-use of the program is detected; enhance the FedRooms.com on-line booking tool and travel authorization process; consider program funding alternatives; and, carefully define in the contract how to perform crucial program functions and retain ownership rights to the program website.

We recommended that the Acting Commissioner of the Federal Acquisition Service:

- Work in partnership with the Office of General Counsel and the Office of Governmentwide Policy to strengthen/improve the language in the Federal Travel Regulation (FTR) for FedRooms, including requiring travelers to cite one of the four exceptions listed in the FTR if they do not use a FedRooms hotel and obtain supervisory approval for the non-use.
- Direct GSA program officials to work with CWT to determine the most effective method of marketing FedRooms and following up with non-compliant travelers.
- As a means of increasing traveler use of FedRooms and satisfaction with their on-line booking experience, direct FAS to work with (a) CWT to improve its website, FedRooms.com, and (b) the E-Gov Travel Service vendors to automatically default and route to the preferred hotel content (FedRooms) within the on-line booking tool when an overnight stay is required.
- Perform cost studies of funding alternatives to the 2.75 percent fee assessed to program hotels as a means of gaining greater hotel participation in FedRooms, greater traveler usage of the program, and program revenues that cover program costs.
- Carefully define in the FedRooms follow-on solicitation issues such as (a) a methodology to solicit offers from, select or remove, and charge program hotels, and (b) ownership rights to the website used to list hotel information and make reservations, so flexibility in vendor selection for follow-on contracts to manage FedRooms is preserved.

The Acting FAS Commissioner generally concurred with the report findings and recommendations.

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## Management Challenges

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### **Information Technology**

*GSA is in the process of replacing or upgrading a number of its legacy 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 IT projects are intended to go beyond automating current business functions and to create real change in the way that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **Work Remains in Implementing a Fully Integrated Pegasys Financial Management System**

*Report Number A070094/B/TIF08009, dated June 23, 2008*

The Chief Financial Officers (CFO) Act of 1990 requires Chief Financial Officers to develop and maintain an integrated agency accounting and financial management system including reporting and internal controls. In October 2002, GSA's Office of the Chief Financial Officer (OCFO) implemented Pegasys, a Commercial-off-the-Shelf (COTS) product based on CGI Momentum Financials, as the Agency's financial management system of record. With the implementation of Pegasys, several accounting functions, including accounts payable, general ledger and cash management were migrated from GSA's legacy National Electronic Accounting and Reporting (NEAR) system to Pegasys. The OCFO had decided to replace NEAR because it recognized that the system had become increasingly burdensome and costly to maintain; did not conform to regulatory requirements; required development of many custom "bolt on" solutions to enable it to meet the Agency's financial needs; and was technically complex due to the number of files, data structures, and interfaces that were required to operate the system. CGI Momentum Financials, on which Pegasys is based, is a Financial Systems Integration Office certified COTS product designed to meet Federal financial system requirements and is used by over 100 Federal organizations, including GSA. In July 2006, the OCFO implemented a web-based version of Pegasys that provided several additional system enhancements. However, the NEAR system continues to perform key accounting processes, including those for accounts receivables and billing, asset accounting, credit cards accounts payable, and inventory control.

The objective of this audit was to gather information on the status of Pegasys and evaluate risks and potential improvements in two main areas: (1) development and maintenance of an integrated accounting and financial management system, and (2) system operations and response to management and user needs.

With the implementation of Pegasys in October 2002, and subsequent efforts undertaken to migrate functionality from GSA's legacy NEAR system, the OCFO has made progress in modernizing the Agency's financial systems

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## Management Challenges

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### *Information Technology (continued)*

environment to meet regulatory requirements and provide enhanced services to GSA and external customers. The OCFO has also undertaken several efforts to better ensure Pegasys' success, such as analyzing current business processes and developing a target financial systems environment. However, several key steps remain in completing the development of an integrated financial management system. GSA's fragmented financial systems environment, with duplicate systems and nonstandard business processes, has complicated and delayed OCFO efforts to migrate remaining NEAR functionality, integrate feeder systems, and meet strategic goals with the system. Within this financial systems environment, the OCFO also faces obstacles with ensuring the security and privacy of Pegasys data and transactions that are often scattered in multiple agency systems. Significant access control weaknesses with web applications that interface with, or process system information, have put at risk sensitive Pegasys data, including Personally Identifiable Information (PII) and the integrity of certain transactions. While implementation reviews have been conducted for the system to provide management with information on changes that may be needed and to assist with migration and integration, opportunities exist to provide a broader review of whether Pegasys is meeting GSA and customer needs in a cost-effective manner. Reported total costs to develop, operate, and maintain the system have reached approximately \$209 million. However, costs are not consistently classified and recorded within Pegasys itself, making it difficult to independently verify reported cost figures. With increasing system costs, and important procurement activities underway to migrate NEAR system functionality to Pegasys, it is important that the OCFO ensure that project costs are consistently tracked within the financial management system of record and reported to decision makers.

To successfully transition to the target financial management architecture and meet strategic goals related to timely and accurate financial reporting and analysis, reliable financial management systems, and delivery of world class financial management services to GSA and external customers, we recommended that the Chief Financial Officer:

- Coordinate with GSA Services, Staff Offices, and Regions to develop a detailed plan for migration and integration of remaining NEAR functionality and other systems with Pegasys.
- Ensure that system implementation review processes comprehensively consider how Pegasys is meeting Agency and customer needs.
- Work with GSA Services, Staff Offices, and Regions to improve security and privacy controls for sensitive Pegasys data.
- Ensure that Pegasys costs are appropriately classified, identifiable, and tracked within the Agency's financial accounting system of record.



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## Management Challenges

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

The Chief Financial Officer concurred with the audit findings and recommendations.

### **Access Controls Could Help Protect Personnel Information within the Comprehensive Human Resources Integrated System (CHRIS)**

*Report Number A060246/OIT/F08013, dated September 8, 2008*

GSA's Office of the Chief Human Capital Officer (OCHCO) deployed the Comprehensive Human Resources Integrated System (CHRIS), a customized version of Oracle's Federal Human Resources Management System, in August 2000 to provide on-line capabilities through a client server environment and improve Human Resources (HR) processing. GSA and other Federal customers rely on CHRIS to initiate, generate, and store personnel actions and to generate HR data needed to meet internal and external reporting requirements. In two prior audit reports, we reported the potential impact of strategic challenges and security vulnerabilities on CHRIS, and over the past seven years, the system has undergone significant changes to improve user-based functionality. This audit built on the results of the previous CHRIS reviews and focused primarily on whether specific management, operational, and technical controls have been implemented to appropriately limit access to sensitive personnel information.

In fully implementing the CHRIS system, GSA's OCHCO has provided important on-line capabilities and improved HR processes for GSA personnel and employees of other Federal agencies that have contracted with GSA to use the system. Our audit identified several areas where improved access controls for CHRIS could better protect personnel information. We found that careful consideration of the system's functionality and controls is needed to better restrict access to certain personnel data. Overall, improved access controls would help to enforce "Least Privilege" requirements for CHRIS. "Least Privilege" is a policy that requires that a system's user be given no more access than necessary to perform his or her official duties. Mainly, more consideration of potential risks with specific manager self-service capabilities and associated access controls is needed to demonstrate that required security controls are in place and operating as expected. Independent reviews of CHRIS audit logs could also help address "Separation of Duties" control risks, and particular attention to controls for system reporting capabilities would greatly assist in efforts to protect CHRIS data. We also identified the need to better define key roles and responsibilities for establishing and maintaining controls over CHRIS reporting practices through the on-line reporting utility. Further, security vulnerabilities were found in regards to the Oracle database and web application.

To better restrict access to personnel information, we recommended that the GSA Chief Human Capital Officer:

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## Management Challenges

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

- Complete a comprehensive assessment to determine if CHRIS has been implemented in accordance with user and management requirements and whether “Least Privilege” controls are in place and operating as intended.
- Ensure independent reviews of CHRIS auditing and monitoring logs are completed.
- Coordinate with Public Buildings Service (PBS) to establish a Memorandum of Understanding that defines roles and responsibilities for securing CHRIS data for PBS and the OCHCO and identifies security controls required to protect personnel data viewed with the Business Objects reporting utility.
- Address CHRIS technical vulnerabilities and ensure all known vulnerabilities are promptly recorded and mitigated.

The GSA Chief Human Capital Officer concurred with the report findings and recommendations.

### **FY 2008 Office of Inspector General FISMA Review of GSA’s Information Technology Security Program**

*Report Number A080081/OITIF08016, dated September 11, 2008*

The Federal Information Security Management Act of 2002 (FISMA) requires Federal agencies to develop, implement, and document an agency-wide information security program. FISMA provides a framework for securing Federal information systems including: (1) assurance of the effectiveness of information security controls over information resources; (2) development and maintenance of minimum controls required to protect Federal information and information systems; and (3) a mechanism for improved oversight of agency information security programs. The objectives of this audit were to assess the effectiveness of controls over GSA systems and data and to address specific questions and reporting requirements identified by OMB. We reviewed four systems, including one contractor system, to assess implementation of GSA’s IT Security Program.

FISMA audit work relies on GSA’s IT Security Policy,<sup>1</sup> procedures, standards, and guides for implementing GSA’s IT Security Program. GSA’s IT Security Program incorporates designated security roles and responsibilities and National Institute of Standards and Technology guidance into agency policies and procedures. In addition, GSA has taken steps to identify and reduce risks through implementation of additional management, operational, and technical

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<sup>1</sup> GSA Order CIO P 2100.1D - GSA Information Technology (IT) Security Policy, June 21, 2007.

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## Management Challenges

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

controls. However, inconsistent implementation of controls and insufficient management oversight of contractors continue to hinder GSA's IT Security Program from being fully effective in identifying and managing risks for all GSA systems and data. Deficiencies in the following areas adversely impact the effectiveness of GSA's IT Security Program: 1) contractor oversight, 2) protection of sensitive information, 3) security of publicly facing websites, and 4) controls for minor applications.

GSA's oversight of contractor-supported systems needs to be more comprehensive. Management oversight of contractor-supported systems reviewed this year had not ensured that risks were adequately managed, since task-order requirements and deliverables were not comprehensive. Configuration management weaknesses expose systems to undue risks that could affect the confidentiality, integrity, or availability of GSA systems and data. In addition, contractor background investigations were not appropriately performed for contractors supporting three of four systems reviewed. The failure to perform appropriate and timely background investigations means that contractors were granted privileged access without appropriate approval, placing GSA systems and data at risk of insider attack.

All actions necessary to ensure the adequate protection of sensitive information have not been completed, including the implementation of a comprehensive breach notification policy and OMB Memorandum M-06-16 requirements. The memorandum requires all agencies to encrypt data on mobile devices, implement a 30-minute timeout for remote access and mobile devices, use two-factor authentication for remote access, and log all computer-readable data extracts from database holding Personally Identifiable Information (PII). Incomplete implementation of encryption and a breach notification policy put GSA and its systems at risk of losing sensitive data and not being able to respond to the data breach in a timely, effective, and comprehensive manner.

GSA has not consistently secured its public web presence through the protection of login credentials, support for required encryption, and consistent use of government domains. Of the 38 GSA publicly facing web applications we assessed, nine do not employ encryption to protect login credentials, an additional nine applications do not support the use of required encryption, and six applications are hosted on .com domains that are not approved for Federal websites. When proper protection mechanisms are not used, systems and data are susceptible to eavesdropping and phishing attacks.

Security controls for minor applications were not adequate to address risk. Weaknesses in securing minor applications occurred when system owners focused on the major components within their system boundaries and the GSA IT Security policy and procedures do not explicitly address minor applications.

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## Management Challenges

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

To strengthen GSA's IT Security Program and improve the security of information technology assets, we recommended that the Chief Information Officer take actions to:

- Work with the Office of the Chief Acquisition Officer to develop standard requirements and deliverables for IT service contracts and task orders that promote compliance with GSA IT Security Policy and procedures.
- Work with the Office of the Chief Acquisition Officer and the Office of the Chief Human Capital Officer to ensure consistent background investigation requirements in policies, procedures, and task orders.
- Expedite actions to implement encryption of mobile devices and two-factor authentication, and work with the Office of the Chief Human Capital Officer to promptly fulfill responsibilities for implementing a comprehensive breach notification policy.
- Enhance monitoring of GSA's public web presence and ensure that all of GSA's publicly facing web applications:
  - Encrypt login credentials.
  - Support Federal Information Processing Standards (FIPS) Publication 140-2 encryption.
  - Use approved Government domains for GSA web applications.
- Ensure that the IT Security Policy thoroughly addresses requirements for the need for securing minor applications.

The Chief Information Officer concurred with the report findings and recommendations.

To assess the effectiveness of GSA's IT Security Program for meeting the FISMA requirements, we based our results on four separate audits of the following systems: Public Buildings Service (PBS) Corporate, Region 7 Local Area Network (LAN); Office of General Counsel LAN; and, the Regional Business Applications (RBA). The reports contain audit findings and recommendations. Below each report is summarized.

- PBS Corporate is a general support system operated by contractors and owned by PBS. It includes 41 minor applications and hosts PBS's national applications, including eLease, IRIS, and OA Tool. PBS Corporate provides the hardware and necessary facilities for the operation of all its applications and provides common security controls for PBS national applications including: contingency planning, incident response, some personnel security controls, physical security, environmental security, and operating system patch management. In our review of selected IT system security

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## Management Challenges

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

controls for PBS Corporate, we found that controls covering Federal systems required by FISMA and the GSA IT security program were not working effectively in 7 of 17 areas. We identified opportunities to improve security controls in the areas of access control, certification and accreditation, configuration management, identification and authentication, planning, system and services acquisition, and system and information integrity. The report contained two recommendations for the PBS Commissioner to identify all minor applications with significant data sensitivity or mission criticality and develop and incorporate performance measures into the contract/task order procuring system.

- The Region 7 FTS/PBS LAN is a general support system that provides network connectivity services within the Fort Worth, Texas, Regional Office Building and for field offices throughout the five-state region. The system encompasses user workstations, telecommunications equipment (including hubs and switches), and test platforms, and consists of many components. The Region 7 LAN is a Federal system owned by the GSA Office of the CIO and supported by contractors and regional staff. In our review of selected IT system security controls for the Region 7 LAN, we found controls covering Federal systems required by FISMA and the GSA IT security program were not working effectively in 6 of 17 areas. We identified opportunities to improve security controls in the areas of access control, configuration management, identification and authentication, personnel security, system and communications protection, and system and information integrity. The report contained two recommendations for the Chief Information Officer to reduce risk, enhance system security, and ensure background investigations are conducted in accordance with Agency policy.
- The Office of General Counsel (OGC) carries out the legal activities of GSA; ensures full and proper implementation of GSA's statutory responsibilities; and, provides legal counsel to the Administrator, the Deputy Administrator, and other officials of GSA (with the exception of certain legal activities of the Office of Inspector General and the Board of Contract Appeals). The OGC LAN supports activities for the OGC and the Office of Civil Rights by providing connectivity and electronic communications for the purpose of legal research, word processing, document management, file sharing, and Internet connectivity. In our review of selected IT system security controls for the OGC LAN, we found controls covering Federal systems required by FISMA and the GSA IT security program were not working effectively in 5 of 17 areas. We identified opportunities to improve security controls in the areas of access control, configuration management, identification and authentication, personnel security, and system and services acquisition. The report contained two recommendations for the General Counsel to reduce risk and enhance security.

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## Management Challenges

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

- The Regional Business Applications (RBA) system supports GSA's acquisition-related and financial processing totaling billions of dollars. RBA supports the FAS by providing the functionality to capture, process, award, and track the finances of Federal agency client task orders for goods and services under the Information Technology, Professional, and Expanded Services programs. Additionally, RBA assists in the information capture for external agency orders placed against GSA Government-wide Acquisition Contracts (GWACS). In our review of selected IT system security controls for the RBA system, we found controls covering Federal systems required by FISMA and the GSA IT security program were not working effectively in 7 of 17 areas. We identified opportunities to improve security controls in the areas of access control, audit and accountability, configuration management, contingency planning, identification and authentication, personnel security, and system and communications protection. The report contained four recommendations for the Acting Commissioner, Federal Acquisition Service, to reduce risk, enhance RBA system security and oversight, address configuration vulnerabilities, and ensure that contingency planning efforts for RBA include an approved Business Impact Analysis.

### **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.*

### **Audit of Reimbursable Work Authorizations**

*Report Number A060101/PI2/R08006, dated September 30, 2008*

The Public Buildings Service (PBS) was established by the Public Buildings Act of 1959, which sets forth the functions of PBS, including providing repairs and alterations of Government owned or leased space on a reimbursable basis. PBS established the Reimbursable Work Authorization (RWA) vehicle to provide this service to its client Federal agencies. RWAs capture and bill the costs of altering, repairing, renovating or providing services in space managed by GSA, over and above the basic operations financed through rent, and in other properties managed by the Federal community. A properly executed RWA provides written documentation to ensure there is a formal agreement between the customer and PBS. The RWA must include a clear, concise statement identifying the requesting agency's specific need and clearly establishing the financial arrangements between the requesting

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## **Management Challenges**

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

agency and PBS. RWAs have become a significant part of PBS's operation with more than 10,000 requests accepted annually, resulting in \$1 billion in business.

The primary objectives of our review were to determine if 1) RWAs are properly accounted for and 2) controls over RWAs are adequate and effective.

The Office of Audits performed a study of PBS's RWA activities and found multiple issues. In many cases, the RWAs did not have a documented scope of work or the underlying estimate for the work when PBS accepted the RWA. The lack of scope and estimates raises concerns about the bona fide need of the client as in cases where the RWA funding was used for customer work outside of the scope originally cited in the RWA or work was performed well after the receipt of the RWA, sometimes in the next fiscal year. In addition, RWAs were sometimes left open after the work was completed and the funding used for other projects. Also, PBS did not always follow the appropriate procurement regulations when contracting for the repairs and alterations.

Further, RWA policies were unclear regarding whether work needed authorization from Congress when the costs were expected to be above the prospectus threshold. Additionally, in some cases project costs were allocated to the wrong building or allocated inconsistently. Finally, for RWAs in leased space, a single person was often responsible for all aspects of the RWA rather than having the duties segregated to ensure proper internal controls.

PBS has recognized that RWA management is a problem area affecting its financial controls and relationships with clients and in recent years undertook significant initiatives to improve RWA performance. In May 2005, PBS issued a RWA National Policy Document to consolidate pre-existing RWA policy and guidance, ensure a standardized RWA process from initiation to closure, and serve as the primary resource for PBS staff for guidance on RWA policy. In July 2006, PBS created a national RWA project management team (National Team) to review and assess the RWA program. While our audit was on-going, the National Team issued a draft report in January 2007 that made recommendations for improving (1) standardized policy interpretation, (2) financial management and reporting, (3) the project management process, (4) RWA management and training and (5) ownership over the RWA.

We recommended that the Commissioner of the Public Buildings Service:

- Ensure the controls recommended by the National Team are effectively implemented and adhered to and that the results achieved are monitored.

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## Management Challenges

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

- Ensure the residual risks associated with the RWA process identified in this report are incorporated into the National Team's reengineered process, addressed by management where clarifications are needed and/or disseminated to GSA associates as part of their overall training/implementation process. Specifically, GSA needs to ensure that:
  - RWAs impacted by prospectus-related issues, such as projects being divided into phases, RWA amendments pushing the prospectus threshold or RWAs based on a client agency's specific line-item appropriation, are handled appropriately.
  - Applicable procurement regulations are followed when providing contracting support to client agencies under an RWA.
  - RWA project costs are allocated to the specific facilities for which the costs were incurred.
  - Project management service costs are consistently allocated to the specific RWAs.
  - Duties are properly segregated for leased space alterations using RWA funding.

The Commissioner of PBS concurred with the report findings and recommendations.

### **Limited Review of Alliant and Alliant Small Business**

*Report Number A080152/QA/IP08008, dated September 22, 2008*

In 2006, FAS issued solicitations for two GWACs—Alliant and Alliant Small Business with an estimated value of \$65 billion. Proposals submitted for award under the Alliant and Alliant Small Business contracts were subject to a past performance evaluation. FAS contracted for assistance with conducting interviews of the Alliant and Alliant Small Business offerors' previous customers to obtain performance information to be used in these past performance evaluations. The contractor was responsible for conducting approximately 600 interviews for Alliant and 1,500 for Alliant Small Business, transcribing those interviews and then obtaining a validation of the interview answers from the interviewees. The contractor then provided the information to GSA's past performance evaluation team for the respective contracts.

GSA ultimately selected 29 contractors for award for Alliant and 62 contractors for award for Alliant Small Business. Subsequently, eight unsuccessful offerors under Alliant sought review of the award process. The U.S. Court of Federal Claims concluded on March 3, 2008 that the GSA failed to take adequate steps to ensure that the past performance information it received was relevant to the evaluation factors and also failed to ensure that the information obtained was accurate. Past performance evaluation issues were one factor that led the Court to require FAS to reevaluate all of the



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## **Management Challenges**

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

Alliant proposals. Given the Court's conclusion and the reevaluation of the Alliant and Alliant Small Business awards, we initiated a limited review of the past performance support task order.

The objectives of this review were (1) to determine to what extent FAS followed applicable laws, regulations, and guidance when awarding and administering the past performance support task order and (2) to determine how FAS ensured that the contractor had no conflict of interest.

Our limited review of the Alliant and Alliant Small Business past performance support task order identified that FAS did not always adhere to relevant policies and procedures during the key phases of planning, award, and administration. We determined that FAS did not prepare an acquisition plan for the past performance support task order, as required by GSA Order OGP 2800.1. Through acquisition planning, the requiring activity should identify specific requirements and outline a preliminary statement of need. Additionally, the activity should establish realistic delivery and performance schedules and identify management responsibilities for overseeing contract performance. Given that there is no evidence of sufficient acquisition planning, there is limited assurance that the government's needs were met in the most effective, economical, and timely manner.

We also found that there was no evidence of a tradeoff analysis or an evaluation of level of effort and labor mix in the contract file documentation to ensure that the government is receiving a fair and reasonable price. Of the three contractors who submitted proposals in response to the solicitation FAS issued for the past performance support task order, the selected contractor submitted the highest priced proposal, 36 percent higher than the next proposal. Although the selected contractor's technical evaluation was the highest, there is no evidence that the contracting officer performed the tradeoff analysis in making a best value determination, as required by the Federal Acquisition Regulation (FAR). The FAR permits tradeoffs among cost or price and non-cost factors to allow the government to accept other than the lowest priced proposal if the perceived benefits of the higher-priced proposal merit the additional cost. In addition, the FAR has specific requirements for the determination of price reasonableness for orders for services. Specifically, the FAR requires an analysis of the level of effort and labor mix to arrive at the conclusion that the total price is fair and reasonable. The contract file documentation does not reflect that this analysis was performed. Thus, there is concern whether the government needed to pay a premium for this work and whether the government received a fair and reasonable price.

Additionally, we determined that FAS did not comply with proper contract administration procedures relative to the inspection and acceptance of contract deliverables. Deliverables to be received by the government included

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## Management Challenges

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

all interview reports and a file showing the interviewees' validations. FAS received all of the interview reports; however, the Contracting Officer's Technical Representative (COTR) authorized final payment to the contractor without receiving the validation documentation. As a result, there was no assurance that the contractor performed the work for which it was paid. Consequently, GSA relied upon the past performance information obtained by the contractor when evaluating Alliant and Alliant Small Business proposals for awards and awarded those contracts without ensuring the information was valid and accurate. Finally, we determined that FAS required the selected contractor to self-certify that no conflict of interest existed between it and the contractors bidding on the Alliant or Alliant Small Business GWACs.

We recommended that the Acting Commissioner of the Federal Acquisition Service:

- Provide contracting officers with periodic refresher training on the requirements for acquisition planning, price analysis and award determination for orders placed under Multiple Award Schedules.
- Increase supervisory oversight during the award and administration of task orders to ensure the adherence to policies and procedures.
- Ensure that (a) contract administration duties are part of the designated Contracting Officer Representative (COR) or COTR's regular job responsibilities; (b) all CORs and COTRs attend training related to their roles and responsibilities on a regular basis; (c) OMB guidelines on COTR training and certification are followed; and (d) COR and COTR delegations are properly documented.

The FAS Acting Commissioner concurred with the report findings and recommendations.

### **Review of GSA's General Management and Administration Working Capital Fund**

*Report Number A070096/B/F/F08008, dated June 24, 2008*

The General Management and Administration (GM&A) Working Capital Fund (WCF) is a fully reimbursable revolving fund that finances administrative support services that are provided to GSA organizations and other select Federal agencies. The GM&A WCF is comprised of three main services. First, Centralized Administrative Support (CAS) is comprised of agency-wide functions such as finance, budget and accounting support, information technology, personnel administration, acquisition policy, and legal services. The CAS represents the largest portion of GM&A WCF at approximately 55 percent of total obligations and includes the Surge Account, which is the

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## **Management Challenges**

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

Administrator's discretionary fund to use for special initiatives. Second, Centralized Charges consists of costs paid by GSA for programs and services such as Unemployment Compensation, Workman's Compensation, postage, FTS long distance services, and wireless cell phone service. Third, Enterprise Infrastructure Operations includes charges paid to the Office of the Chief Information Officer for services, such as desktop services, customer services, network operations, infrastructure applications and business applications.

The GM&A WCF is authorized to recover, through billing rates, all costs of providing requested services to GSA organizations and select Federal agencies, including charges for personnel, materials, equipment, and related expenses. The billing rates are based on a workload statistics methodology or full-time equivalent (FTE) methodology. The objective of the review was to gain an understanding of the GM&A WCF and how the costs associated with this fund are allocated to the organizations within the GSA.

Our review of the GM&A WCF found weaknesses and a lack of controls in the methods used to allocate GSA's administrative service charges to components within GSA. Some staff offices charge GSA components based on workload statistics. However, the Office of the Controller officials stated they do not maintain the documentation to support these statistics. The majority of the GM&A WCF charges allocated to GSA components are apportioned pro rata based upon the components' FTE levels as a percentage of GSA's FTE level. According to the Office of the Controller officials, there is no requirement that workload statistics be submitted. However, without workload statistics, the charges apportioned to individual components may not be accurate. Additionally, there is little documentation on overall policies and procedures for allocating charges for the GM&A WCF. Furthermore, according to the Office of the Controller, any funds remaining in the GM&A WCF Account are rolled into the Agency's unobligated Balance Account at the end of the fiscal year. In the next fiscal year, a portion of the unobligated balance is reallocated to GSA components in the form of a credit for the next CAS bill. Some GSA components such as the Office of Governmentwide Policy (OGP) and the OIG receive one-year appropriated funds from Congress.

Appropriations rules require that funds be used only for a purpose authorized by law and that funds not spent before the end of their appropriated lifespan must be returned to the Treasury. The funds the OGP and the OIG utilize to pay the CAS bill are appropriated funds. These funds are collected by the Agency and placed into the WCF. Although the Agency "refunds" any unused portion of the GM&A WCF in the form of a reduction of the next year's CAS bill, unspent appropriated funds used to fund the GM&A WCF should be returned to the appropriated organization that submitted them to be either utilized by that organization or returned to the Treasury. We question whether it is allowable for GSA to utilize an unused portion of the GM&A WCF as an offset to the next year's CAS bill.

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## Management Challenges

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

We also found control weaknesses in the Surge Account. The Surge Account can be used for: (1) the Administrator's corporate projects; (2) the Administration's unfunded mandates; and (3) one-time costs or recurring costs for items where permanent out-year financing has been approved and/or the agency will absorb from the existing baseline in future fiscal years; and expenditures must support GSA customers/stakeholders, although external customers may benefit indirectly. It is not intended for the use of (1) increases in operating expenses of Staff Offices; (2) renovation of offices; (3) replacement of furniture; (4) replacement of personal computers; and (5) funding for existing staff or new staff where subsequent year funding has not been secured by paying customers.

According to the Office of the Controller, disbursements from the Surge Account must go through an approval process. Once a request is submitted by the Administrator to the OCFO, the Agency's General Counsel and the Office of Controller within the OCFO must approve the request before any disbursements are made from the Surge Account. However, the Controller's Office was not able to provide any documentation validating this approval process.

Funding that is at the discretion of the head of the agency should include clear and detailed documentation and formal policies and procedures on how the funds can be used. Prior to 2007, the Surge Account funding and disbursements flowed through the accounting system as part of the CAS funding and disbursements, but were not specifically identified as Surge disbursements; rather, they were simply included in the "Remaining CFO Activities" line item as part of the "Corporate Account." We reviewed all disbursements from the overall "Corporate Account" for FY 2006 and FY 2007. During our review, we noted a contract totaling \$219,000 for the Fitness Center Renovation in the September Corporate Account documentation. Since there was a \$29,000 charge in FY 2007 for the Fitness Center equipment, we inquired whether the \$219,000 was also a Surge disbursement as it was not initially disclosed as a FY 2006 disbursement. The Controller's Office confirmed this was a Surge disbursement, and should have been captured in the FY 2006 data provided to the OIG. This discrepancy was caused by not specifically identifying Surge funding and disbursements within the CAS account. Office of the Controller officials stated there were no other such Surge Account disbursements that were not identified. However, since Surge Account disbursements were not identified as such, we are unable to verify whether there were any additional Surge Account disbursements.

Based on our review, we recommended that the Chief Financial Officer:

- Develop formal policies and procedures for allocating CAS charges including determining the appropriate cost allocation methodology (i.e. workload statistics or FTE level), and documenting the rationale for the chosen methodology.

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## **Management Challenges**

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

- Ensure all policies and procedures defining the appropriate use of the Surge Account are followed and the method of approval for each disbursement from the Surge Account is documented.
- Seek a legal opinion from the Office of General Counsel on whether, and under what conditions, it is allowable under appropriations law to utilize the unused portion of the GM&A WCF to reduce the subsequent year's CAS bill or, is it more appropriate to return any unused appropriated funds back to the organization that submitted them.

The Chief Financial Officer agreed with the findings and recommendations.

### **Audit of the Greater Chicagoland Service Center**

*Report Number A060125/IP/5/R080004, dated June 4, 2008*

GSA, through PBS, has the responsibility to provide fully serviced space to house Government agencies in federally owned and leased buildings. PBS service centers fulfill the needs and requests of Government agencies that occupy space in the buildings. In general, service center activities include procurement, asset management, and contract and lease administration. The service center also provides the technical resources necessary for building repairs and workspace alterations.

The Greater Chicagoland Service Center (Service Center), which is headquartered in Chicago, Illinois, manages over seven million square feet of space located in 22 Government-owned buildings and 148 leased buildings in northern Illinois and northern Indiana. It has approximately 80 employees organized into eight management teams. The staff is located in Chicago, and Hammond and South Bend, Indiana. The objective of the audit was to determine if the Service Center (1) made procurements that were prudent and in accordance with laws, regulations, and established policy and controls, and (2) effectively performed contract administration duties to assure that the quality and quantity of goods and services were what the Government ordered and paid.

Our review showed a significant improvement in quality control plans, quality assurance surveillance plans, and security clearances relative to our prior audits of other PBS field activities in the Great Lakes Region. However, the Service Center did not always effectively exercise sound business judgment nor adhere to applicable laws, regulations, and established policy and procedures when making procurements. The Service Center also did not effectively perform certain contract administration duties that resulted in additional costs to the Government. In many cases, effective internal management controls were absent or poorly implemented.

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## Management Challenges

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

The Service Center misused an existing operations and maintenance (O&M) contract to procure and install touchless faucets and toilet/urinal valves costing nearly \$200,000 in the John C. Kluczynski Federal Building. The orders were placed non-competitively with the O&M contractor using operations and maintenance funds instead of repair and alterations funds. In addition, the orders were split so as to be below the simplified acquisition threshold of \$100,000. No justification was prepared showing that touchless faucets would result in any reasonable savings to the Government. Also, no reason was given for (1) procuring the new costly faucets/valves when a restroom remodeling project (\$12.4 million) was scheduled for the near future, (2) the specification of only one brand name, or (3) the decision to relieve the O&M contractor of replacing any defective equipment on a case-by-case basis up to the \$2,000 repair threshold of the contract. While the audit was in progress, an additional \$327,000 worth of faucets/valves were ordered for other downtown Chicago buildings.

Other contract administration problems identified included not adhering to labor rates established in an O&M contract (\$112 paid vs. \$46.75 contract rate) and ignoring the provisions of the Davis-Bacon Act on construction contracts. In addition, the existence of higher union labor rates to bidders on a janitorial contract, which resulted in a contract amendment that increased the cost to the Government by \$1.6 million over the life of the contract, was not disclosed, and approximately \$600,000 in reimbursable monies were not returned to customer agencies in a timely manner.

We recommended that the Regional Administrator:

- Develop and implement a system of internal controls to ensure that procurement laws and regulations are followed and proper funds are used.
- Establish and implement a system of internal controls to ensure that the Service Center employees perform their contract administration/management responsibilities in accordance with contract specifications and laws/regulations and recover any improper payments to contractors.
- Develop and implement an effective system of internal controls for managing reimbursable monies in order to ensure that they are properly recorded, filed, and closed out in a timely manner.
- Develop and implement an effective system of internal controls so that adequate disclosures are made in contract solicitations in order to assure the integrity of the procurement process.

The Regional Administrator concurred with the findings and recommendations.

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## Management Challenges

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

#### **Acquisitions with the Office of the Chief Acquisition Officer**

*Report Number A070046/OIA/F08011, dated July 30, 2008*

GSA's Office of the Chief Acquisition Officer (OCAO) was established in June 2004 to strengthen GSA's acquisition activities and assure that best value acquisition services are delivered to Federal agency customers in support of their missions while balancing an emphasis on compliance, ethics, and integrity. The OCAO is responsible for supervising a variety of acquisition activities, including: ensuring compliance with applicable laws, regulations and policies; fostering full and open competition for contract awards; and developing the acquisition workforce, and the workforce's accountability for acquisition decision-making. An operational contracting staff was also housed in the OCAO.

Between 2002 and 2005, the OCAO operational contracting staff awarded three contracts in support of OCAO initiatives to obtain and collect information on the GSA acquisition workforce. The initiatives included the Acquisition Career Management Information System (ACMIS), the Applied Learning Center (ALC), and the Acquisition Workforce Study (AWS). On August 22, 2006, the Office of Inspector General received a hotline complaint from a confidential source with concerns about whether GSA could rely on the AWS, ALC, and ACMIS to achieve its goal of building and retaining an optimal acquisition workforce. The complainant also expressed additional concerns regarding the award and administration of the contracts. Our objectives were to determine the validity of these allegations by addressing whether the contracts were awarded and administered in accordance with acquisition regulations, policies, and procedures.

The results of our review identified that policies and procedures were not always adhered to during key phases in the award and administration of the AWS, ALC, and ACMIS contracts. Of significance is the issue of contract oversight. Contract files did not always include all required documents and information was not always complete. Vendor payments were made without adequate documentation, and deliverables were not received in accordance with the contract. In addition, decisions made in the management of these contracts adversely impacted the validity and usefulness of the end products.

The monetary impact of these contracts includes approximately \$1.6 million spent on the full development of the ALC, and more than \$5 million expended in support of the contract from the 2004 original launch until its final shutdown in 2006 by the OCAO after numerous shutdowns over the course of its life due to protests and other issues. Further, the ALC was not adequately evaluated to ensure the integrity of the tool. In addition, the AWS, which cost \$474,000, was not usable for its original purposes and resulted in added costs of approximately \$14,350 due to a lack of adherence to the proposal

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## Management Challenges

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

methodology. Other contract issues include improper funding related to Intra-agency Agreements, improper use of fiscal year funds on the ACMIS contract, and timeliness of AWS modifications.

We expressed our concerns to the Chief Acquisition Officer (CAO) in June 2007, and informed the CAO that we intended to recommend that the OCAO operational contracting staff be relocated to a more appropriate position within GSA. On October 15, 2007, GSA Order ADM 5440.606 was issued that abolished the OCAO operational contracting staff and its functions related to contracting and purchasing for the GSA Headquarters GM&A offices and transferred the functions to the Contracting Division, Office of Management Services.

We recommended that the Chief Acquisition Officer:

- Strengthen management controls in regard to oversight when awarding and administering contracts to ensure that contract files are in conformance with policies and procedures and that contract personnel adhere to the FAR and General Services Administration Acquisition Manual.
- Ensure that appropriated funds are obligated and used in accordance with the FAR.
- Determine the status of Intra-agency Agreement funds discussed in the report and take appropriate action.
- Reassess controls on the disbursement of Intra-agency funds and, where necessary, strengthen controls to ensure that funds are properly disbursed.

The Chief Acquisition Officer concurred with the findings and recommendations.

### **Review of GSA's Office of Congressional and Intergovernmental Affairs and the Office of Governmentwide Policy**

*Report Number A070187/OIA/IF08014, dated September 10, 2008*

On December 21, 2006, the GSA Administrator signed GSA Order ADM 5440.600, which established the Office of Congressional and Intergovernmental Affairs and Governmentwide Policy as one organization from two separate offices. The merger would align the two entities under an Associate Administrator, who would report directly to the Administrator. All current functions, positions, personnel, authorities, funds, equipment, and other resources would transfer to the new organization and the new organization would maintain a substructure consisting of the two entities.



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## **Management Challenges**

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

However, on February 15, 2007, Congress signed Public Law 110-5, Revised Continuing Appropriations Resolution 2007 that prohibited the merger without the explicit approval of the Committees on Appropriations of the House of Representatives and the Senate, and further continued appropriations through the end of the fiscal year for the two entities to exist and operate separately. In addition, on December 26, 2007, Congress passed the Consolidated Appropriations Act, 2008, stating that no funds could be used by GSA to reorganize its organizational structure without approval by the Appropriations Committees through an operating plan change. Our initial objectives were to assess the benefits of establishing the newly consolidated group, including whether the consolidation would encumber administrative and operational controls and fiscal processes. However, once Congress disallowed the merger, we revised the objective to determine how GSA was complying with the Congressional direction.

While we found no evidence that GSA actively implemented the consolidation of the two offices after the Congressional enactment prohibited such action, the Agency did not rescind the GSA Order establishing the merger until July 15, 2008, 17 months after Congressional disallowance. With the issuance of the revised GSA Order, GSA has been in compliance with Public Law 110-5 and the 2008 Consolidated Appropriations Act, as we found no indication that organizational funds had been intermingled. For future consideration, however, GSA's Office of General Counsel has interpreted the funding restrictions as annual in nature, i.e. applying only for the duration of the fiscal year. Further, Counsel issued an opinion that the provision of the Consolidated Appropriations Act that prohibited GSA from using funds for reorganization without prior Congressional approval must be narrowly construed and only required GSA to notify the Appropriations Committees regarding Agency reorganizational matters germane to the appropriations process and within the jurisdiction of the Committees.

While we recognize Counsel's opinion on the subject appropriations bills, in our opinion, however, the bills' intention is to provide a restriction on using funds to reorganize the organizational structure. Thus, for future actions, when management proposes organizational changes, they must heed the restriction in the Consolidated Appropriations Act, 2008.

We recommended that the Associate Administrator, Office of Congressional and Intergovernmental Affairs in accordance with applicable laws, ensure that GSA notifies or obtains approval from Congressional appropriations committees prior to implementing organizational changes. Management generally concurred with the recommendation.

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## Management Challenges

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

*Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,600 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 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 a Memorandum of Agreement for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including childcare 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.*

### **Audit of PBS's Controls Over Security of Building Information**

*Report Number A070216/PIR/R08005, dated September 30, 2008*

A priority for the General Services Administration (GSA) is the physical protection of Federal employees, the visiting public, and its facilities. After the Alfred P. Murrah Federal Building bombing, GSA and other agencies reviewed GSA's construction and security criteria to find ways to prevent such an occurrence in the future. There is a growing concern that unrestricted construction documents pose a vulnerability that could be exploited by terrorists or other criminal elements. In order to reduce the exposure to possible attacks or threats to GSA-controlled facilities, the Public Buildings Service (PBS) issued PBS Instructional Letter PBS-IL-01-3, entitled, "Dissemination of Sensitive but Unclassified Paper and Electronic Design and Construction Documents," dated July 30, 2001. Sensitive but Unclassified (SBU) information was defined by the policy as drawings, plans, and specifications for new or current GSA-controlled space, produced specifically as contract and solicitation documents for construction purposes; material used to define structural analysis for facilities or for installation of security systems; or any documents that would disclose information about security guards or security systems of any kind. The objectives of this policy were to 1) diminish the potential that construction or security related documents (either paper or electronic) will be used by a person or persons with an interest in causing harm to persons or property, and 2) not impede the availability of necessary information to those with legitimate needs, such as the professional design community, contractors, professional schools and forums, and states, cities, and towns where GSA has facilities.

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## *Management Challenges*

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

In March 2002, GSA enhanced its policy by issuing GSA Order PBS 3490.1 (PBS 3490.1), entitled, "Document Security for Sensitive but Unclassified Paper and Electronic Building Information." The objectives of the policy were essentially the same as above, with the principles of this policy being: 1) only give the information to those who have a need to know, 2) keep records of who got the information, and 3) safeguard the information during use and destroy it properly after use.

Since May 2007, there have been two examples of security breaches over SBU information, where building drawings were found in public places. In another instance, a control weakness was identified in a PBS database containing SBU information. Given these security incidents, and the concern about unrestricted construction documents, the audit objective was to determine whether PBS has adequate controls in place to protect sensitive building information.

PBS needs to improve its implementation of controls over sensitive building information to reduce the risk of inappropriate disclosure that may result in harm to people or property. Overall, implementation of the controls to meet the requirements for safeguarding sensitive building information varied widely. The oversight practices of PBS project managers and contracting officers to implement PBS security policies were inconsistent. Our analysis indicated that the compliance of SBU requirements by two of the regions was significantly higher than that of the third region. Also, while we found the majority of the building drawings were properly stored (88 percent), only 9 percent of the removable electronic media containing SBU were encrypted as required by an Office of Management and Budget memorandum on "Protection of Sensitive Information."

Inconsistencies were especially evident in the contract files, as many contracts did not include language that would obligate contractors to use reasonable care to protect sensitive building information. The primary non-government users of SBU building information are the contractors that perform the construction related work required by PBS. It is imperative that these contractors have an understanding of PBS's expectations for safeguarding sensitive building information when handling applicable SBU documents. As such, GSA should include the contractors' responsibilities for safeguarding sensitive building information in the contract, including informing their subcontractors working on GSA construction projects of their responsibilities. PBS should also use contractual language to establish penalties for noncompliance since there currently are no statutory penalties for failing to properly safeguard SBU building information. If a security breach does occur and these security requirements are not included in the contract, GSA's ability to take action against the negligent party will be limited. Finally, while the majority of PBS staff interviewed was aware of PBS 3490.1, few had

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## ***Management Challenges***

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

received formal training in the requirements and how to implement them which could have contributed to the inconsistencies we observed.

We recommended that the PBS Commissioner:

- Incorporate PBS 3490.1 requirements directly into the boilerplate Solicitation for Offers and contracts for architect and engineering, construction, and lease construction contracts.
- Require contractors to include PBS 3490.1 requirements in their subcontracts.
- Develop a course of action to be taken when contractors do not fulfill their contractual obligations regarding the protection of SBU information.
- Ensure officials are provided training on PBS 3490.1, to include encryption software applications available to PBS project personnel.
- Implement a system of controls to ensure that PBS 3490.1 requirements are being followed by PBS project teams.

The PBS Commissioner concurred with the report findings and recommendations.

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## Promoting and Protecting Integrity

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*GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a government-wide 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 taxpayers' 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. During this period, criminal, civil, and other monetary recoveries totaled more than \$18.1 million.*

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

#### **W.W. Grainger Pays \$6 Million to Resolve False Claims Act Allegations**

W.W. Grainger, Inc. (WWG), paid the United States \$6 million to settle allegations in a qui tam action that it violated Trade Agreements Act (TAA) provisions of its Multiple Award Schedule contract by overcharging GSA customers on "sourced items."

The settlement resolves allegations that WWG sold government agencies products from countries that do not have reciprocal trade agreements with the United States, such as China and Taiwan. WWG was required by its contract with GSA and the TAA to prevent such items from being offered for sale to U.S. government agencies. This settlement also resolves allegations that WWG sold government agencies sourced (special order) items at a markup greater than that allowed by WWG's contract with GSA.

The majority of the settlement was reparation for the violations of the TAA that were discovered by GSA OIG during a post-award audit of WWG's contract with GSA. The overcharges on sourced items were identified by a qui tam action that was filed under the provisions of the False Claims Act by a former WWG employee (the "relator"). The relator received \$70,400 of the total recovery as a statutory award. Under qui tam provisions of the False Claims Act, private parties can file actions on behalf of the United States and receive a portion of the proceeds of a settlement or judgment awarded against the defendant.

The settlement resulted from a joint investigation with the Department of Justice's Civil Division and the U.S. Attorney's Office for the Eastern District of Wisconsin.

#### **\$1.37 Million Civil Settlement**

Computer Sciences Corporation (CSC) agreed to pay the government \$1,370,000 to settle allegations that it asked for and received improper

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

payments on technology contracts with government agencies. The Department of Justice announced this settlement on May 13, 2008.

The complaint alleged that CSC knowingly solicited and/or received payments of money and other things of value, known as alliance benefits, from a number of companies with whom it had global alliance relationships. The government intervened in these actions because the alliance relationships and resulting alliance benefits amounted to kickbacks and undisclosed conflict of interest relationships in violation of contractual provisions and the applicable provisions of the Federal Acquisition Regulation.

The action against CSC is part of a larger, ongoing investigation. The settlement resulted from an investigation by the Department of Justice, Commercial Litigation Branch, Civil Division; U.S. Attorney's Office in Little Rock, Arkansas; Department of Energy OIG; Defense Criminal Investigative Service; Postal Service OIG; NASA OIG; Army Criminal Investigation Command; Defense Contract Audit Agency; and GSA OIG.

### **\$960,000 Civil Settlement**

On April 10, 2008, Protective Products International, Inc. (Protective Products), agreed to pay the Government \$960,000 to resolve allegations that it violated the False Claims Act in connection with its role in the manufacture and sale of defective Zylon bulletproof vests to federal, state, local, and tribal law enforcement agencies.

The investigation revealed that Protective Products knew that the Zylon manufactured by Toyobo Corporation (Toyobo) was defective and degraded quickly when exposed to heat, light, and humidity. It was also found that Protective Products knew that Toyobo provided them with "Red Thread" Zylon, which was weaker than standard Zylon. This settlement was the result of an ongoing investigation by the Department of Justice's Civil Division, the U.S. Attorney's Office for the District of Columbia, the GSA OIG, the Defense Criminal Investigative Service, the Army Criminal Investigative Division, the U.S. Agency for International Development OIG, the Air Force Office of Special Investigations, and the Department of Energy OIG.

### **\$307,500 Civil Settlement**

On May 1, 2008, General Dynamic Information Technology (GDIT) agreed to pay the government \$307,500 for submitting false claims. The Government alleged that from March 2001 to February 2004, GDIT submitted false bills for payment for services rendered by the Institute of Scientific Research at Boston College for computer and network technical support. The investigation disclosed that GDIT submitted invoices and received payment from the Government for hours billed but not worked.

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

The Government also alleged that from October 2003 to September 2007, GDIT submitted bills for services that were rendered by GDIT at Robins Air Force Base, Georgia, for certain Software/Systems Engineers. The investigation disclosed that GDIT billed the Government for services at a billing rate designated for work being performed at the contractor's worksite, a higher labor rate, when the work was actually being performed at the Government's worksite.

The settlement agreement was the result of a joint investigation conducted by the GSA OIG and the Department of the Air Force, Office of Special Investigations.

### **President of Pacific General, Inc., Pleads Guilty to Conspiracy**

An investigation was initiated when the Department of Interior OIG requested assistance in the review of criminal charges and suspension/debarment actions against Pacific General, Inc. (PGI). The investigation substantiated the charges and the president and vice president of PGI were indicted by a grand jury for conspiracy, false claims, mail fraud, and false statements against the government. On April 21, 2008, the president of PGI pled guilty to these charges and was sentenced on August 11, 2008, to 4 months' house arrest and 5 years' probation, and ordered to pay restitution in the amount of \$435,297. On May 5, 2008, the vice president of PGI pled guilty to misprision of a felony and was sentenced to 5 years' probation and ordered to pay restitution in the amount of \$69,731.

On May 8, 2008, President Bush signed the consolidated Natural Resources Act of 2008, Public Law No. 110-229, authorizing the Secretary of the Interior to spend \$1.4 million to pay the subcontractors of PGI for work performed and not paid for during 2002 and 2003 under a GSA indefinite delivery indefinite quantity contract.

### **GSA Contractor Pleads Guilty to Product Substitution and Filing False Claims**

A joint investigation with the Defense Criminal Investigative Service was initiated when BJC Sales was alleged to have filed false claims and substituted products under a GSA contract. The company, its owner, his wife, and his daughter had previously been placed on the Excluded Parties List System for a term of 10 years in October 2003 by the Defense Logistics Agency.

GSA awarded BJC Sales a Standing Quote for Purchase (SQP) on February 18, 2004, with an expiration date of February 28, 2005. Under this GSA SQP, BJC Sales shipped a total of 26,398 smoke detectors to various U.S. Government entities and received payments totaling \$131,990. In their response to the Request for Quotation BJC Sales stated they would be

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

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### ***Significant Civil Actions and Criminal Investigations (continued)***

providing “UL 217” (Underwriters Laboratory) compliant Kidde Safety Product smoke detectors. The investigation confirmed that BJC Sales had affixed counterfeit UL labels to the detectors so that they appeared to be UL 217 compliant.

The investigation revealed that the owner’s wife presented a letter to GSA stating that BJC Sales would supply UL tested smoke detectors, placed counterfeit UL labels on the smoke detectors to falsify their authenticity, and submitted a letter to a Military Academy fictitiously and falsely representing the company and the owner to avoid detection for being debarred. The owner, his wife, and his daughter pled guilty to making false statements and mail fraud. The owner was sentenced to 3 years’ 3 months’ incarceration *and* 3 years’ supervised release, and ordered to pay restitution in the amount of \$828,133. The owner’s wife was sentenced to 6 months’ incarceration, 6 months’ home confinement, and 3 years’ supervised release. The owner’s daughter was sentenced to 4 months’ confinement, 4 months’ home detention, and 3 years’ supervised probation, and ordered to pay restitution in the amount of \$601,771.

### **GSA Employee Pleads Guilty to Theft of Government Property**

An investigation was initiated when it was reported that an anonymous telephone call was received from an individual requesting access codes for a Dell laptop computer that he purchased from a GSA employee. The investigation found that a GSA employee stole a new Dell laptop computer along with all of its components (property of the U.S. Government valued at \$2,402) from the Denver Federal Center and sold it for \$1,000. The employee pled guilty to theft of government property and on May 6, 2008, was sentenced to 1 year of probation and ordered to pay restitution in the amount of \$2,402.

### **GSA Employee Found Guilty of Receiving Child Pornography**

An investigation was initiated based on information received from U.S. Immigration and Customs Enforcement (ICE) stating that it received a referral indicating the National Central Bureau of the Federal Republic of Germany for the I.C.P.O. – Interpol had reported that an Internet site owner had self-reported his website was being used to traffic child pornography. One of the provided IP addresses was identified as belonging to GSA.

The investigation revealed that a GSA employee was using his GSA computer to view child pornography while on official duty in a Federal building. On June 11, 2008, he was found guilty by a federal jury for receiving child pornography. On October 24, 2008, he was sentenced to 4 years’ confinement, 5 years’ supervisory release, and fined \$25,000.



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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

#### **Fire Department Volunteer Sentenced for Theft of Government Property**

An investigation was initiated when it was reported that theft of Federal property from the West Virginia State Agency for Surplus Property facility was occurring. Information was received that the former administrator of the Berwind Volunteer Fire Department was illegally acquiring, using, and possibly selling Federal surplus property.

The investigation determined the former administrator used the status of the Fire Department to create a fictitious branch of the Fire Department to acquire equipment not made available to the general public. He denied the Fire Department access to this equipment, sold the equipment on the open market, and used the proceeds to purchase more equipment through the Federal Surplus Property Program. Through this scheme, he managed to acquire property with an original acquisition value in excess of \$4,000,000.

On July 21, 2008, he was sentenced to 2 years' incarceration and 3 years of supervised probation for theft of government property and money laundering. He was also ordered to pay restitution in the amount of \$113,578, and to surrender all Federal Surplus Property located on and around his property. An inventory identified approximately 100 pieces of Federal surplus property with an original acquisition value of \$1,800,807.

This is a joint investigation with the Defense Criminal Investigative Service (DCIS), the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI), the West Virginia Fire Marshall's Office, the West Virginia State Police, the McDowell County Sheriff's Office, the Mercer County Sheriff's Office, and the West Virginia State Legislature Commission for Special Investigations.

#### **Owner of Vehicle Repair Shop Sentenced for Filing False Claims**

An investigation was initiated when the GSA Fleet reported that Ray's Service Center (RSC) may have submitted fraudulent fleet vehicle repair claims. The investigation determined the owner and operator of RSC routinely placed telephone claims to the GSA Maintenance Control Center (MCC) for approval and confirmation of repairs to GSA Fleet vehicles assigned to Shaw Air Force Base although the repairs were not being completed at RSC.

It was determined that in approximately one year, the owner received \$25,000 from GSA as a result of false repair claims submitted to the MCC for GSA vehicles assigned to the Air Force base. He pled guilty to theft of government property and was sentenced on May 13, 2008, to 5 years' probation and ordered to pay restitution in the amount of \$26,472.

#### **Illegal Aliens Permitted to Work on \$45 million Federal Project**

A joint investigation with the Department of Labor OIG, Social Security Administration OIG, and ICE was initiated when it was alleged that illegal

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

immigrants were working on a \$45 million Federal building renovation project in Omaha, Nebraska. The investigation revealed that Tufly Drywall (a Caddell Construction subcontractor) knowingly hired illegal immigrants.

The subcontractor allowed the immigrants to bypass GSA security requirements to work on this project by submitting false names and social security numbers on their certified payrolls. To date 10 subcontractor employees were identified as being illegal immigrants working on the Federal building. Of these 10 individuals, 6 were indicted and 4 were arrested by ICE for immigration-related violations. Additionally, three Tufly Drywall officials were indicted for conspiracy to harbor illegal immigrants. Of the 9 individuals above who were indicted, 6 of them were convicted; and 2 of the 6 convicted were sentenced during this reporting period. Both of those sentenced received 2 years' confinement, 1 year's probation, and a fine. The investigation is ongoing.

### **Contractors Sentenced for Conspiracy to Commit Mail Fraud**

An investigation was initiated when the president of PM Services Company (PMS) reported that she fired an employee who violated the Anti-Kickback Act by securing a job with OAI Associates (one of PMS's competitors) while under PMS's employment. The investigation disclosed the employee's laptop confirmed that he was receiving payments from various subcontractors used by PMS. On February 11, 2008, he pled guilty to conspiracy and attempting to evade taxes. A sentencing date has been scheduled for October 30, 2008.

During this reporting period, four of PMS's subcontractors were sentenced after pleading guilty to conspiracy. On June 26, 2008, the owner of Air Specialties, Inc., was sentenced to 5 years' probation, ordered to pay restitution in the amount of \$32,728, and fined \$2,000. On July 10, 2008, the owner of Applied Power Group, Inc., was sentenced to 6 months' home detention, ordered to pay restitution in the amount of \$58,590, and fined \$3,000. On July 22, 2008, a Maryland-based contractor was sentenced to 120 days' home confinement, 5 years' probation, and ordered to pay restitution in the amount of \$23,952. On August 7, 2008, the owner of Precision Mechanical was sentenced to 60 days in prison, 120 days' home detention, 5 years' probation, and ordered to pay restitution of \$84,333.

### **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,

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

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### ***Significant Civil Actions and Criminal Investigations (continued)***

New York City Police Department, and telecommunications industry representatives.

In a previously reported investigation involving the owner of a T-Mobile dealer and six of his employees, three former salespersons were sentenced during this reporting period. On June 3, 2008, one former salesperson was sentenced to 5 years' probation and ordered to pay \$400,000 restitution after having pled guilty to conspiracy to commit wire fraud, conspiracy to commit mail fraud, and aggravated identity theft. The investigation revealed this individual was involved in a scheme whereby she fraudulently obtained the identities of T-Mobile cellular telephone customers and then used this information to illegally obtain, without the consent or knowledge of the victims, large numbers of mobile handsets from T-Mobile.

On August 8, 2008, two former salespersons were each sentenced to 3 years' probation and ordered to pay a \$300 special assessment fee after each pled guilty to a criminal Information charging them with conspiracy to commit mail fraud. The investigation revealed that they were involved in a scheme whereby they fraudulently renewed customer service contracts and activated additional telephone lines without the knowledge and consent of those customers.

In another previously reported investigation involving J.P. Morgan Chase Bank, it was revealed that four individuals schemed to fraudulently make wire transfers out of bank accounts maintained for several United Nations Missions by making requests on purported letterhead from the victim countries. These transactions were not authorized. During this reporting period, on September 9, 2008, the last of these four individuals was sentenced to 4 years' incarceration, 5 years' supervised release, and ordered to pay \$245,174 restitution after having pled guilty to the charge of conspiracy to commit bank fraud.

### ***GSA Voyager 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 Voyager Fleet charge cards. During this period, 21 individuals pled guilty, 20 individuals were indicted, and 11 individuals were arrested in connection with cases arising out of fleet charge card investigations. These cases involved thousands of dollars of fraudulent activities associated with this program.

### ***Suspension and Debarment Initiative***

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in federally-assisted programs and procurements, and that they are not considered "excluded parties." Excluded parties are individuals and companies debarred, suspended, proposed for debarment, or declared ineligible to receive contracts by a

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

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### ***Suspension and Debarment Initiative (continued)***

Federal agency. The Federal Acquisition Regulation authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can timely ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 116 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 110 suspension and debarment actions based on current and previous OIG referrals.

### ***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 29 briefings attended by 722 regional and Central Office 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 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 use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,508 Hotline contacts. Of these contacts, 268 Hotline cases were initiated. In 154 of these cases, referrals were made to GSA program officials for review and action as appropriate, 49 were referred to other Federal agencies for follow up, 48 were referred for OIG criminal/civil investigations or audits, and 17 did not warrant further review.

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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 affect governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.*

### **Internal Evaluations**

- **Forensic Auditing Initiative.** Over the last several months, the OIG Office of Internal Evaluation and Analysis (JE) has placed high emphasis on the establishment and development of a multi-disciplinary team devoted to the identification, assessment, and prosecution of crimes against the Agency, with a concentration on procurement and contract fraud. Given the substantial and increasing use of contracting for services and support by Federal agencies, the potential for procurement fraud has rapidly escalated. The Forensic Auditing Initiative (FAI) will utilize innovative strategies that enhance the traditional audit and investigative practices and procedures to detect fraudulent activities, assess situations when a fraud has taken place, and produce evidence meeting the standards required by criminal courts.

During the period from April 1, 2008, to September 30, 2008, the FAI concentrated its efforts on securing adequate staffing and resources to support a unit composed of auditors, management and program analysts, and investigators. In addition, the unit focused on the acquisition of recommended training in forensic auditing and the identification of relevant databases to be used in identifying fraudulent activities.

- **Self-Assessment Studies.** JE also designed and field-tested an electronic instrument to be used to monitor compliance and uniformity among the regional offices with investigative policies and practices. The electronic questionnaire gathers data from senior investigative staff (SACs and ASACs) on a wide variety of operational mandates, including: significant cases, investigative procedures, case file documentation, maintenance of evidence, agent training and professional development, firearms, personnel issues, liaison relationships, and equipment.

The instrument, following drafting, was given extensive review by senior investigators prior to deployment of a pilot version and was tested in the field at one of the OIG regional offices not participating in the review of the draft. The field test revealed a need to enhance narrative description to explain what might appear to be disparities from recommended or mandated practices. JE is now finalizing the content and organization of the instrument following the field test and expects the instrument to be in

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## Governmentwide Policy Activities

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### *Internal Evaluations (continued)*

final form and available for distribution to all regional offices during the first half of FY 2009.

- **Statistical Support to Audits and Investigations.** During the last half of FY 2008, JE upgraded its staffing to include a senior statistician to provide assistance in scientific sampling and database analysis to the OIG auditors and investigators. During this period, statistical methods have been applied to such varied areas of concern as purchase card usage, fleet vehicle use and Voyager charge card use, leased office space for Federal employees, procurement fraud, suspension and debarment databases, and wage rates on construction projects. In addition, assessments of contracting tools, such as the wage pricing tool and database, have also been a focus of statistical review.

### *Interagency Committees and Working Groups*

We participated in a number of interagency committees and working groups that address cross-cutting and governmentwide issues:

- **National Procurement Fraud Task Force.** The Inspector General (IG) is the Vice-Chair of the National Procurement Fraud Task Force (Task Force), which was established in October 2006 to promote the prevention, early detection, and prosecution of procurement fraud against the United States. Members of the Task Force include OIGs, Federal law enforcement agencies, defense-related agencies, and the Department of Justice. The Task Force has effectively bolstered the investigation of fraud, waste, and abuse in Federal contracts through increased coordination among the various disciplines affected by procurement fraud. The IG chairs two Task Force committees, the Legislation Committee and the Information Sharing Committee.

As part of the Task Force, the IG co-hosted the first-ever National Procurement Fraud Conference, *Effective Programs and Strategies in Combating Procurement Fraud*, which took place in Richmond, Virginia, from September 9-11, 2008. More than 30 distinguished presenters from both inside and outside the Federal system shared their knowledge and expertise in the three-day program that addressed issues and challenges relating to government fraud. There were over 500 attendees from the Inspector General community and other Federal entities involved in government procurement and combating fraud.

- **President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE).** The IG is a member of several PCIE committees including the Homeland Security Roundtable, the Human Resources Committee, and the Investigations Committee. The Homeland Security focus of the Roundtable was a springboard for a review of the Federal Government's practices during the Gulf Coast Hurricane Recovery.

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## Governmentwide Policy Activities

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### *Interagency Committees and Working Groups (continued)*

The mission of the Human Resources Committee is to provide educational opportunities for members of the PCIE and ECIE communities and to assist in ensuring the development of competent personnel. The purpose of the Investigations Committee is to advise the Inspector General community on issues involving investigative functions, establish investigative guidelines, and promote best practices.

- **PCIE Federal Audit Executive Council Information Technology Committee.** The former AIGA, during his tenure with the GSA OIG, was the co-chair for the Information Technology (IT) Committee under the PCIE Federal Audit Executive Council (FAEC) and continues as co-chair for the Committee while holding a similar position with another organization. The Committee is responsible for leading discussion and reaching consensus among all of the OIGs regarding a myriad of IT issues. Our Information Technology Audit Office provides both technical and administrative support to the Committee. Currently, the Committee is providing leadership and technical support on three important initiatives: (1) sponsoring consolidated comments from the Federal IG community to the U.S. Government Accountability Office regarding updates to its Federal Information Systems Controls Manual, including changes requested by IT auditors; (2) conveying to the Office of Management and Budget (OMB) “lessons learned” across the Federal IG community with annual reporting required by the Federal Information Security Management Act, including feedback on the standardized reporting template provided by OMB; and (3) advocating an amendment of the Consolidated Appropriations Act to resolve concerns raised by the IG community regarding previous stipulations on reviews of Agencies’ privacy programs and controls.
- **FAEC Contracting Committee.** The AIGA and the Deputy Assistant Inspector General, Acquisition Programs Audit Office, participate in the FAEC Contracting Committee, created in December 2007. This Committee provides a forum to share information and coordinate reviews of significant contract and procurement community issues of interest across the IG community and Federal Government. The Committee also proposes the development and recommendation of best practices to be used by IGs to address contracting issues.
- **TeamMate Technical Support Group.** Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the CCH TeamMate Users Group to discuss concerns and new challenges facing TeamMate users. TeamMate is an automated audit paperwork management system that strengthens the audit process and increases efficiency.

### **Legislation, Regulations, and Subpoenas**

During this reporting period the OIG reviewed 200 legislative matters and 9 proposed regulations. The OIG also issued 26 subpoenas.

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## Professional Assistance Services

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*Government Auditing Standards prohibit 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. To maintain our independence when working closely with GSA management, we carefully assess our services to ensure compliance with the standards. As allowed under the standards, we participate in 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 and operational 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 nevertheless maintain our ability to independently audit and review programs. Our participation on task forces is typically as a nonvoting advisory member.

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

- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The Working Group is primarily comprised of members of the Federal Acquisition Service (FAS) and the OIG, with representation also from the Office of the Chief Acquisition Officer and other Agency ad hoc members. The Working Group has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or reviews.

The Working Group has had several areas of focus, including preaward contract reviews and MAS negotiations issues. The Working Group has developed guidance to MAS contracting officers (COs) regarding the performance and use of preaward MAS contract reviews. Further, the Working Group has reinvigorated the process by which FAS and the OIG collaboratively select and commence preaward reviews of vendors, and has built into this process a specific mechanism for COs to request reviews of particular vendors. The Working Group has focused on issuing guidance to COs regarding negotiation objectives and discrete negotiation issues for MAS contract awards. The Working Group also provided input to FAS in its efforts to upgrade or enhance pricing performance measures on MAS contracts.

During FY 2008, at the request of FAS, the OIG's Contract Audit Office provided training sessions to FAS contracting officers, entitled,



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## *Professional Assistance Services*

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“Understanding the Auditor’s Role in the MAS Procurement Process,” which included topics such as the preaward MAS audit process, types of reviews conducted, the auditor’s role in MAS contract negotiations, and typical preaward review findings. The Contract Audit Office also made presentations, at FAS’s request, to MAS vendors and FAS COs at several FAS Industry Day meetings. The OIG developed the presentations to educate MAS contractors about the audit process and assist them in understanding how to be in compliance with their MAS contract requirements.

In further educational efforts, the former GSA OIG Assistant Inspector General for Auditing made a presentation at the request of the MAS Advisory Panel highlighting deficiencies in MAS vendor proposals identified in reviews performed by the Office of Audits. A former GSA Administrator established this Panel to examine the “most favored customer” and price reduction provisions of the MAS program. The presentation included review results showing MAS vendors were not offering the Government “most favored customer” pricing the majority of the time, and in many cases, the vendor’s offers to GSA were not accurate, current, and complete.

- **GSA IT Governance Groups.** Audit representatives participate as nonvoting members on three of GSA’s major IT governance teams and attend key leadership forums and committee meetings. The Information Technology Architecture Planning Committee defines the standards for GSA’s information technology in support of business goals and at the direction of the Information Technology Council (ITC). The ITC, comprised of senior IT staff members from the Office of the Chief Information Officer and GSA services, staff offices, and regions collaboratively explores and determines actions needed to ensure that IT decisions have a sound business and IT investment basis. Senior audit representatives also participate in meetings of the Business Systems Council, a senior management forum chaired by the Deputy Administrator. The Business Systems Council makes decisions regarding major IT investments in conjunction with GSA’s Performance Management process, the Human Capital Planning process, the IT Capital Planning and Investment process, and ongoing business process changes for the Agency.
- **Single Audit Act 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 primarily as they relate to the personal property disposal program.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 66 audit reports during this reporting period. The 66 reports contained financial recommendations totaling \$359,652,851 including \$355,064,515 in recommendations that funds be put to better use and \$4,588,336 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 September 30, 2008. There were 10 reports more than six months old awaiting management decision as of September 30, 2008. Table 1 does not include 2 reports issued to another agency this period. Table 1 also does not include 4 reports excluded from the management decision process because they pertain to ongoing investigations.

**Table 1. Management Decisions on OIG Audits**

|   | Number of<br>Reports | Reports with<br>Financial<br>Recommendations | Total<br>Financial<br>Recommendations |
|---|----------------------|--|---------------------------------------|
| For which no management decision<br>had been made as of 04/01/2008      |                      |  |                                       |
| Less than six months old  | 29                   | 16   | \$108,665,006                         |
| Six or more months old  | 4                    | 4  | \$364,489,084                         |
| Reports issued this period  | <u>64</u>            | <u>32</u>                                    | <u>\$359,652,851</u>                  |
| <b>TOTAL</b>  | <b>97</b>            | <b>52</b>                                    | <b>\$832,806,941</b>                  |
| For which a management decision<br>was made during the reporting period |                      |  |                                       |
| Issued prior periods  | 22                   | 12   | \$114,216,519                         |
| Issued current period   | <u>36</u>            | <u>21</u>                                    | <u>\$238,056,670</u>                  |
| <b>TOTAL</b>  | <b>58</b>            | <b>33</b>                                    | <b>\$352,273,189</b>                  |
| For which no management<br>decision had been made<br>as of 09/30/2008   |                      |  |                                       |
| Less than six months old  | 29                   | 12   | \$133,614,358                         |
| Six or more months old  | <u>10</u>            | <u>7</u>                                     | <u>\$346,919,394</u>                  |
| <b>TOTAL</b>  | <b>39</b>            | <b>19</b>                                    | <b>\$480,533,752</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  
Recommendations that Funds be Put to Better Use**

|  | <u>Number of<br/>Reports</u> | <u>Financial<br/>Recommendations</u> |
|--|------------------------------|--------------------------------------|
| For which no management decision had been made as of 04/01/2008      |                              |                                      |
| Less than six months old   | 14                           | \$104,715,718                        |
| Six or more months old   | 4                            | \$364,489,084                        |
| Reports issued this period   | <u>29</u>                    | <u>\$355,064,515</u>                 |
| <b>TOTAL</b>   | <b><u>47</u></b>             | <b><u>\$824,269,317</u></b>          |
| For which a management decision was made during the reporting period |                              |                                      |
| <b>TOTAL</b>   | <b><u>30</u></b>             | <b><u>\$346,477,254</u></b>          |
| For which no management decision had been made as of 09/30/2008      |                              |                                      |
| Less than six months old   | 10                           | \$130,872,669                        |
| Six or more months old   | 7                            | \$346,919,394                        |
| <b>TOTAL</b>   | <b><u>17</u></b>             | <b><u>\$477,792,063</u></b>          |

## Statistical Summary of OIG Accomplishments

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

|  | Number of<br>Reports | Questioned<br>Costs |
|--|----------------------|---------------------|
| For which no management<br>decision had been made<br>as of 04/01/2008      |                      |                     |
| Less than six months old   | 2                    | \$3,949,288         |
| Six or more months old   | 0                    | \$0                 |
| Reports issued this period   | <u>3</u>             | <u>\$4,588,336</u>  |
| <b>TOTAL</b>   | <b>5</b>             | <b>\$8,537,624</b>  |
| For which a management<br>decision was made during<br>the reporting period |                      |                     |
| <b>TOTAL</b>   | <u>3</u>             | <u>\$5,795,935</u>  |
| For which no management<br>decision had been made<br>as of 09/30/2008      |                      |                     |
| Less than six months old   | 2                    | \$2,741,689         |
| Six or more months old   | 0                    | \$0                 |
| <b>TOTAL</b>   | <u>2</u>             | <u>\$2,741,689</u>  |

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## Statistical Summary of OIG Accomplishments

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### **Investigative Workload**

The OIG opened 93 investigative cases and closed 68 cases during this period. In addition, the OIG received and evaluated 42 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                | 67           | 112             |
| Civil                   | 11           | 14              |
| Administrative          | 40           | 81              |
| <b>TOTAL</b>            | <b>118</b>   | <b>207</b>      |

In addition, the OIG made 19 referrals to GSA officials for information purposes only.

### **Actions on OIG Referrals**

Based on these and prior referrals, 42 cases (64 subjects) were accepted for criminal prosecution and 4 cases (7 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 39 indictments/informations and 45 successful prosecutions. OIG civil referrals resulted in 4 case settlements. Based on OIG administrative referrals, management debarred 48 contractors/individuals, suspended 62 contractors/individuals, and took 15 personnel actions against employees.

## Statistical Summary of OIG Accomplishments

### Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, forfeitures, 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 | \$ 39,299          |                    |
| Settlements         |                    | \$8,637,500        |
| Forfeitures         | 818,770            |                    |
| Seizures            | 1,390,400          |                    |
| Restitutions        | 5,747,348          |                    |
| <b>TOTAL</b>        | <b>\$7,995,817</b> | <b>\$8,637,500</b> |

Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities.

**Table 6. Other Monetary Results**

|                           |                    |
|---------------------------|--------------------|
| Administrative Recoveries | \$1,474,573        |
| Forfeitures               | 2,270              |
| <b>TOTAL</b>              | <b>\$1,476,843</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.

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

### **FedRooms Program**

*Period First Reported: October 1, 2007, to April 30, 2008*

The focus of the review was to determine if the FedRooms program provided value to Federal travelers and whether the program was being utilized by a substantial percentage of these travelers. The report contained one recommendation; it has not been implemented.

The recommendation involves developing a business plan that includes addressing the obstacles that may affect the future viability of the FedRooms program. It is scheduled for completion on January 15, 2009.

### **Improvements to the GSA Privacy Act Program Are Needed to Ensure That PII is Adequately Protected**

*Period First Reported: October 1, 2007, to April 30, 2008*

We found that GSA has taken steps toward improving the protection of Personally Identifiable Information; however, improvements to the GSA Privacy Act Program are needed. The report contained four recommendations; none have been implemented.

The recommendations include developing an implementation plan for the privacy act program which identifies key roles, responsibilities, milestones, and management performance measures to achieve long-term improvement goals; ensuring that the Privacy Act Program is integrated with the agency's security program; working with the Office of the Chief Acquisition Officer to review contracts in support of major IT systems that collect and store PII to ensure that the

appropriate privacy clauses have been included and that contractors supporting privacy act systems of records are aware of and fulfill their roles and responsibilities for protecting GSA's PII; and completing development and implementation of role-based training for GSA associates and contractors who are responsible for protecting sensitive information, including PII. They are scheduled for completion between November 15, 2008 and November 15, 2009.

### **Use of Inventory Management Software**

*Period First Reported: October 1, 2007, to April 30, 2008*

Our review objectives were to determine whether: (1) FAS was using the Manugistics inventory management software to the fullest extent possible, and if not, what were the reasons for inconsistent usage; and (2) the Manugistics software could be improved to better manage inventory in the depots and stores. The report contained seven recommendations; six have not been implemented.

The remaining recommendations involve the FAS Commissioner providing additional training related to the proper and practical application of the Manugistics software and inventory management concepts and terminology; removing redundant inventory management functionality from the legacy systems; maintaining up-to-date procurement and inventory costs in the Manugistics software; and conducting three cost/benefit studies related to implementing improvements to transportation management information, incorporating contract data in the Manugistics software, and adding data warehousing to maintain historical data regarding actions taken by inventory managers and store coordinators and routinely report this information to their supervisors.

They are scheduled for completion between November 15, 2008 and June 15, 2009.

### **PBS's Response to Hurricane Katrina**

*Period First Reported: October 1, 2007, to April 30, 2008*

Our audit objectives were to: (1) review the effectiveness of preventive actions taken by GSA to

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## Appendix I—Significant Audits from Prior Reports

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safeguard assets and to prepare GSA tenants for Hurricane Katrina; (2) analyze the processes used to assess and repair those properties damaged by Katrina; (3) review the steps taken by PBS to determine the necessary actions for affected leased properties (e.g., terminate, suspend, or continue leases); and (4) ascertain the financial implications of Hurricane Katrina on the Federal Buildings Fund. The report contained six recommendations; two have not been implemented.

The remaining recommendations require the Commissioner, PBS, to continue to enhance and improve damage assessment capabilities, such as the “PC tablets,” developed by Region 4 personnel, for future disaster responses and to ensure that steps are taken to prepare tenants in hurricane zones before each hurricane season, such as updating and providing Region 4’s “Hurricane Preparedness” presentation. They are scheduled for completion on November 15, 2008 and January 15, 2009, respectively.

### **PBS’s Appraisal Process for Rent Pricing**

*Period First Reported: October 1, 2007, to April 30, 2008*

The review identified issues with controls over the appraisal adjustments. The report contained three recommendations; none have been implemented.

The recommendations involve establishing specific documentation requirements for appraisal files to substantiate regional appraiser’s decisions and actions regarding an appraisal file, reinforcing appraisal instructions and guidance with PBS regional appraisers to ensure the appraisal review process uncovers appraisal policy violations, and developing consistent critical performance elements for regional appraisers that will ensure performance expectations do not conflict (in fact and appearance) with the professional duties of the regional appraiser. They are scheduled for completion on January 15, 2009.

### **MAS Contract Workload Management**

*Period First Reported: April 1, 2007, to September 30, 2007*

The focus of the review was to determine if FAS was effectively managing the workload associated with

processing contract actions in the Schedules program. The report contained ten recommendations; five have not been implemented.

The remaining recommendations involve developing policy to standardize processes for the method and timing of entering contract modification information into FSS Online; adopting a more structured approach to reduce the number of existing underutilized schedule contracts; establishing specific nationwide guidance related to Price Analysis Documentation Requirements and Negotiation Policies and Techniques for schedule contracts; establishing performance measures that evaluate contracting officers’ contract specialists’ (a) verification of vendor disclosures related to Commercial Sales Practice, (b) effectiveness in analyzing prices and conducting negotiations, and (c) consideration of the field pricing assistance; and developing standardized procedures for the initial screening of offers. They are scheduled for completion between November 15, 2008 and August 15, 2009.

### **FAS’s Administration of Unused Airline Tickets**

*Period First Reported: April 1, 2007, to September 30, 2007*

We found that the process for refund collections for unused airline tickets needed significant improvements. The report contained six recommendations; two have not been implemented.

The remaining recommendations involve the FAS Commissioner directing the Assistant Commissioner, travel, motor vehicle and card services to pursue other alternatives such as DFAS deductions (maximum of \$7.7 million) and/or legal action to collect on the outstanding claim of \$8.34 million from the non-bankrupt airline, and developing a feasible plan in conjunction with the Office of General Counsel that will lead to finalizing settlements of unused airline tickets estimated at \$48 million with the three bankrupt airlines. They are scheduled for completion on November 15, 2008.

### **Security of GSA’s Electronic Messaging Services**

*Period First Reported: April 1, 2007, to September 30, 2007*

Our review assessed whether GSA has adequate security controls to manage risks with GEMS and GNNI

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## Appendix I—Significant Audits from Prior Reports

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applications. The report contained seven recommendations; two have not been implemented.

The remaining recommendations involve the GSA-CIO working closely with Services/Staff Offices/Regions to inventory all GSA's Lotus Notes databases and applications and remove those that are outdated, lack necessary controls or do not adhere to guidelines and completing a comprehensive certification and accreditation process that ensures that risks and controls are identified and documented. They are scheduled for completion on November 15, 2008.

### **Travel and Transportation Management Division's Freight Management Program**

*Period First Reported: April 1, 2007, to September 30, 2007*

Our review objectives were to determine if the organization ensures competitive rates that provide best value to the Federal user, and agencies are remitting the Industrial Funding Fee (IFF) in an accurate, complete, and timely manner. The report contained three recommendations; one has not been implemented.

The remaining recommendation requires the Travel & Transportation Management Division to determine the status and need of the incomplete Transportation Management Services Solution (TMSS) Modules, prepare a timetable for completing those still desired, and assign the necessary resources to complete the development and implementation of TMSS in a timely manner. It is scheduled for completion on March 15, 2009.

### **Heating Operation and Transmission District's Operations and Finances**

*Period First Reported: April 1, 2007, to September 30, 2007*

The focus of our review was to determine if GSA's Heating Operation and Transmission District (HOTD), a steam and chilled water utility service to government and quasi-government customers in the National Capital Region, operates and uses its assets economically, efficiently, and securely. The report contained thirteen recommendations; eight have not been implemented.

The remaining recommendations involve preparing annual financial statements for HOTD that comply

with Federal Accounting Standards, subjecting HOTD to more rigorous financial and operational analysis, replacing the deficient Induced Draft Fan to permit as-designed system functionality and performance testing of the cogeneration system, determining the best use of the West Plant Asset, developing a Contingency Plan for providing utility services in the event central plant operations are interrupted, discontinuing the use of Reimbursable Work Authorizations (RWA) for HOTD services in order to correct accounting data, recognizing the HOTD organization as a discrete facility within the financial system, and developing the capability to isolate HOTD financial activities by business line. They are scheduled for completion between November 15, 2008 and January 15, 2009.

### **PBS's Use of Occupancy Agreements as a Billing Source**

*Period First Reported: October 1, 2006, to March 31, 2007*

The focus of the review was to determine whether the occupancy agreements billing process resulted in more accurate, easier to understand customer bills. The report contained two recommendations; one has not been implemented.

The remaining recommendation involves developing and implementing a methodology to provide customers with additional information to explain rate changes and Miscellaneous Billing Adjustments. It is scheduled for completion on November 15, 2008.

### **GSA's Electronic Contract Proposal and Modification System**

*Period First Reported: October 1, 2006, to March 31, 2007*

The review's objective was to determine whether eOffer/eMod are realizing expected benefits and if sufficient security controls have been designed and implemented. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves analyzing usage rates and developing strategies to address the causes of low usage. It is scheduled for completion on November 15, 2008.

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## ***Appendix I—Significant Audits from Prior Reports***

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### ***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 not been implemented.

The remaining recommendation, which requires developing access to sufficient and reliable data for all delivery methods, is scheduled for completion on November 15, 2008.

## *Appendix II–Audit Report Register*

| Date of Report | Audit Number | Title | Financial Recommendations     |                                |
|----------------|--------------|-------|-------------------------------|--------------------------------|
|                |              |       | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |

(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)

### *PBS Internal Audits*

|          |         |   |
|----------|---------|---|
| 05/29/08 | A080106 | Alert Report on Audit of GSA's Acquisition of Services for the International Trade Center at The Ronald Reagan Building |
| 06/04/08 | A060125 | Audit of the Greater Chicagoland Service Center, Public Buildings Service, Great Lakes Region                           |
| 07/14/08 | A070108 | FY 2007 Office of Inspector General Information Technology Security Audit of PBS Corporate                              |
| 09/30/08 | A060101 | Audit of Reimbursable Work Authorizations   |
| 09/30/08 | A070216 | Audit of PBS's Controls Over Security of Building Information   |

### *PBS Contract Audits*

|          |         |   |
|----------|---------|---|
| 04/10/08 | A080083 | Review of a Claim for Increased Costs: H.J. Martin & Son, Inc., Subcontractor to Mid Canada Millwork, Ltd., Contract Number GS-09P-01-KTC-0071  |
| 04/29/08 | A080084 | Review of Change Order Proposal for Resolution of Wage Rate: KenMor Electrical Company, LP, Subcontractor to W.G. Yates and Sons Construction Company, Contract Number GS-07P-05-URC-5007 |
| 05/14/08 | A080068 | Preaward Review of Change Order Proposal: Five Star Electric Corporation, Subcontractor to Volmar Construction, Inc., Contract Number GS-02P-04-DTC-0029                                  |
| 05/22/08 | A080076 | Preaward Review of Change Order Proposal: Volmar Construction, Inc., Contract Number GS-02P-04-DTC-0029   |
| 06/10/08 | A080088 | Review of a Claim: Control Air Conditioning Corporation, Subcontractor to Dick Corporation/ Matt Construction Company, a Joint Venture, Contract Number GS-09P-01-KTC-0071                |

## *Appendix II—Audit Report Register*

| Date of Report                    | Audit Number | Title   | Financial Recommendations     |                                |
|-----------------------------------|--------------|---|-------------------------------|--------------------------------|
|                                   |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 07/10/08                          | A080117      | Preaward Review of Spatial Data Management Services Contract: TSIG Consulting Inc., Solicitation Number GS-02P-08-PFD-0005                            |                               |                                |
| 07/14/08                          | A070232      | Review of Lease Number GS-06P-40004, Internal Revenue Service Consolidation, 315 West Pershing Road, Kansas City, Missouri                            |                               | \$2,719,705                    |
| 07/28/08                          | A080171      | Review of Change Order Proposal: Waldorf Demolition, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)           |                               |                                |
| 08/07/08                          | A080158      | Preaward Review of a Claim: GPA-Buffer, L.P., Lease Number GS-04B-039838  |                               |                                |
| 09/24/08                          | A070127      | Limited Review of Contractor's Competitive Bidding Practices: Leon D. DeMatteis Construction Corp., Contract Number GS-02P-04-DTC-0032(N)             |                               |                                |
| <b><i>FSS Contract Audits</i></b> |              |   |                               |                                |
| 06/11/08                          | A040224      | Review of Multiple Award Schedule Contract Number GS-07F-8854D for the Period February 1, 1996 Through December 31, 2006: ADT Security Services, Inc. |                               | \$1,846,647                    |
| <b><i>FAS Internal Audits</i></b> |              |   |                               |                                |
| 06/05/08                          | A070212      | Audit of GSA Fleet's Alternative Fuel Vehicle Surcharges, Federal Acquisition Service   |                               |                                |
| 07/30/08                          | A070122      | Survey of the Federal Acquisition Service Organization  |                               |                                |
| 09/10/08                          | A080081      | FY 2008 Office of Inspector General Information Technology Security Audit of the Regional Business Applications System                                |                               |                                |
| 09/22/08                          | A080152      | Limited Review of Alliant and Alliant Small Business  |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report                    | Audit Number | Title   | Financial Recommendations     |                                |
|-----------------------------------|--------------|---|-------------------------------|--------------------------------|
|                                   |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 09/29/08                          | A080074      | Improving the FedRooms Program Based on Benchmarking, Federal Acquisition Service   |                               |                                |
| <b><i>FAS Contract Audits</i></b> |              |   |                               |                                |
| 04/03/08                          | A070149      | Preaward Review of Multiple Award Schedule Contract Extension: Apptis, Inc., Contract Number GS-35F-4460G                                   |                               |                                |
| 04/10/08                          | A070168      | Preaward Review of Multiple Award Schedule Contract Extension: MSC Industrial Direct Co., Inc., Contract Number GS-06F-0010N                |                               |                                |
| 04/14/08                          | A080086      | Preaward Review of Multiple Award Schedule Contract Extension: BOH Environmental, LLC, Contract Number GS-07F-0516N                         |                               |                                |
| 04/15/08                          | A070166      | Preaward Review of Multiple Award Schedule Contract Extension: RS Staffing Services, Inc., Contract Number GS-10F-0092N                     |                               |                                |
| 04/17/08                          | A070196      | Preaward Review of Multiple Award Schedule Contract Extension: NCR Government Systems LLC, Contract Number GS-35F-4933H                     |                               |                                |
| 05/05/08                          | A070219      | Preaward Review of Multiple Award Schedule Contract Extension: Navarro Research and Engineering, Incorporated, Contract Number GS-00F-0092N |                               |                                |
| 05/05/08                          | A080107      | Preaward Review of Multiple Award Schedule Contract Extension: Superior Protection Service, Inc., Contract Number GS-07F-0605N              |                               |                                |
| 05/15/08                          | A080065      | Preaward Review of Multiple Award Schedule Contract Extension: CGI Federal Inc., Contract Number GS-35F-4797H                               |                               |                                |

## *Appendix II—Audit Report Register*

| Date of Report | Audit Number | Title  | Financial Recommendations     |                                |
|----------------|--------------|--|-------------------------------|--------------------------------|
|                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 05/16/08       | A080072      | Preaward Review of Multiple Award Schedule Contract Extension: Sprung Instant Structures, Inc., Contract Number GS-07F-9950H                       |                               |                                |
| 05/20/08       | A070218      | Preaward Review of Multiple Award Schedule Contract Extension: KPMG, LLP, Contract Number GS-23F-8127H   |                               |                                |
| 05/22/08       | A070229      | Preaward Review of Multiple Award Schedule Contract Extension: Citrix Systems, Incorporated, Contract Number GS-35F-0332N                          |                               |                                |
| 05/22/08       | A080091      | Preaward Review of Multiple Award Schedule Contract Extension: Environmental Systems Research Institute Incorporated, Contract Number GS-35F-5086H |                               |                                |
| 05/30/08       | A070211      | Preaward Review of Multiple Award Schedule Contract Extension: Jeskell, Incorporated, Contract Number GS-35F-4902H                                 |                               |                                |
| 06/03/08       | A070188      | Preaward Review of Multiple Award Schedule Contract Extension: Covenant Homeland Security Solutions, Ltd., Contract Number GS-07F-0505M            |                               |                                |
| 06/05/08       | A070095      | Preaward Review of Multiple Award Schedule Contract Extension: GTSI Corporation, Contract Number GS-35F-4120D                                      |                               |                                |
| 06/06/08       | A080115      | Preaward Review of Multiple Award Schedule Contract Extension: Home Depot U.S.A., Inc., Contract Number GS-06F-0052N                               |                               |                                |
| 06/10/08       | A080078      | Preaward Review of Multiple Award Schedule Contract Extension: Unisource Worldwide, Inc., Contract Number GS-15F-1110H                             |                               |                                |



## *Appendix II–Audit Report Register*

| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>   | <b>Financial Recommendations</b>     |                                       |
|-----------------------|---------------------|--|--------------------------------------|---------------------------------------|
|                       |                     |  | <b>Funds to Be Put to Better Use</b> | <b>Questioned (Unsupported) Costs</b> |
| 06/17/08              | A080126             | Preaward Review of Multiple Award Schedule Contract Extension: Engineering Management Concepts, Incorporated, Contract Number GS-10F-0364N |                                      |                                       |
| 07/01/08              | A070213             | Preaward Review of Multiple Award Schedule Contract Extension: Tarheel Specialties, Incorporated, Contract Number GS-07F-0152N             |                                      |                                       |
| 07/01/08              | A070198             | Preaward Review of Multiple Award Schedule Contract Extension: ITS Corporation, Contract Number GS-35F-4674H                               |                                      |                                       |
| 07/11/08              | A080079             | Preaward Review of Multiple Award Schedule Contract Extension: Eagle Group International, Incorporated, Contract Number GS-10F-0397N       |                                      |                                       |
| 07/23/08              | A070217             | Preaward Review of Multiple Award Schedule Contract Extension: Compuware Corporation, Contract Number GS-35F-5337H                         |                                      |                                       |
| 07/31/08              | A070207             | Preaward Review of Multiple Award Schedule Contract Extension: Americom Government Services, Inc., Contract Number GS-35F-0301N            |                                      |                                       |
| 08/05/08              | A080077             | Preaward Review of Multiple Award Schedule Contract Extension: Gartner, Inc., Contract Number GS-35F-5014H                                 |                                      |                                       |
| 08/06/08              | A080054             | Preaward Review of Multiple Award Schedule Contract: CAS Severn, Inc., Solicitation Number FCIS-JB-980001-B                                |                                      |                                       |
| 08/08/08              | A080092             | Preaward Review of Multiple Award Schedule Contract Extension: Agilent Technologies, Incorporated, Contract Number GS-24F-0806A            |                                      |                                       |
| 08/19/08              | A080157             | Preaward Review of Multiple Award Schedule Contract Extension: Dehler Manufacturing Company, Inc., Contract Number GS-27F-2030B            |                                      |                                       |

## *Appendix II—Audit Report Register*

| Date of Report | Audit Number | Title  | Financial Recommendations     |                                |
|----------------|--------------|--|-------------------------------|--------------------------------|
|                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 08/21/08       | A070089      | Review of Multiple Award Schedule Contract Number GS-00F-0052M for the Period April 1, 2002 Through December 31, 2006: Cherokee Information Services, Inc. |                               |                                |
| 08/27/08       | A080055      | Preaward Review of Multiple Award Schedule Contract Extension: Base Technologies, Inc., Contract Number GS-35F-5451H                                       |                               |                                |
| 08/28/08       | A080165      | Preaward Review of Multiple Award Schedule Contract Extension: ITS Services, Inc., Contract Number GS-35F-5518H  |                               |                                |
| 08/28/08       | A070230      | Preaward Review of Multiple Award Schedule Extension: BearingPoint, LLC, Contract Number GS-35F-4338D  |                               |                                |
| 09/02/08       | A080071      | Preaward Review of Multiple Award Schedule Contract Extension: MPC-G, LLC, Contract Number GS-35F-0348N  |                               |                                |
| 09/03/08       | A080167      | Preaward Review of Multiple Award Schedule Contract Extension: Phoenix Consulting Group, Incorporated, Contract Number GS-07F-0684N                        |                               |                                |
| 09/17/08       | A080101      | Preaward Review of Multiple Award Schedule Contract Extension: Matthew Bender and Company, Inc., Contract Number GS-02F-0174N                              |                               |                                |
| 09/24/08       | A070217      | Limited Scope Review of Multiple Award Schedule Contract Extension: Compuware Corporation, Contract Number GS-35F-5337H                                    |                               | \$21,984                       |

### *Other Internal Audits*

|          |         |   |  |  |
|----------|---------|---|--|--|
| 06/23/08 | A070094 | Work Remains in Implementing a Fully Integrated Pegasys Financial Management System |  |  |
| 06/24/08 | A070096 | Review of GSA's General Management and Administration Working Capital Fund          |  |  |

## *Appendix II–Audit Report Register*

| Date of Report | Audit Number | Title  | Financial Recommendations     |                                |
|----------------|--------------|--|-------------------------------|--------------------------------|
|                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 07/30/08       | A070046      | Hotline Complaint - Acquisitions with the Office of the Chief Acquisition Officer  |                               |                                |
| 08/28/08       | A080081      | FY 2008 Office of Inspector General Information Technology Security Audit of the Office of General Counsel LAN                       |                               |                                |
| 09/08/08       | A060246      | Improved Access Controls Could Help Protect Personnel Information within the Comprehensive Human Resources Integrated System (CHRIS) |                               |                                |
| 09/10/08       | A080081      | FY 2008 Office of Inspector General Information Technology Security Audit of the Region 7 FTS/PBS LAN                                |                               |                                |
| 09/10/08       | A070187      | Review of GSA's Office of Congressional and Intergovernmental Affairs and the Office of Governmentwide Policy                        |                               |                                |
| 09/11/08       | A080081      | FY 2008 Office of Inspector General FISMA Review of GSA's Information Technology Security Program                                    |                               |                                |

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

|          |         |   |  |  |
|----------|---------|---|--|--|
| 09/26/08 | A080108 | Report on Applying Agreed-Upon Procedures Re: FY 2008 Fund Balance with Treasury                        |  |  |
| 09/29/08 | A080093 | General Services Administration Office of Inspector General's Report on Applying Agreed Upon Procedures |  |  |

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

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Public Law 104-106 requires the head of a Federal agency to complete final action on each management decision required with regard to a recommendation in an Inspector General's report within 12 months after the date of the report. If the head of the Agency fails to complete final action within the 12-month period, the Inspector General shall identify the matter in the semiannual report until final action is complete. In GSA,

the Office of the Chief Financial Officer (OCFO) is responsible for monitoring and tracking open recommendations. While we continue to assist the Agency in resolving these open items, various litigative proceedings, continuing negotiations of contract proposals, and corrective actions needed to undertake complex and phased-in implementing actions often delay timely completion of the final action.

*The OCFO provided the following list of reports with action items open beyond 12 months:*

| <b>Date of Report</b>  | <b>Audit Number</b> | <b>Title</b>   |
|------------------------|---------------------|--|
| <b>Contract Audits</b> |                     |  |
| 08/05/97               | A73617              | Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511   |
| 06/17/98               | A82441              | Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010  |
| 03/24/99               | A995128             | Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS-06P-95-GZC-0501  |
| 06/01/00               | A000971             | Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project  |
| 04/30/01               | A010127             | Audit of Billings under Contract Number GS-06P-99-GZC-0315: DKW Construction, Inc.   |
| 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   |
| 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  |
| 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       |
| 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  |
| 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 |

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

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 11/20/02              | A010279             | Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032   |
| 01/30/03              | A020248             | Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012  |
| 03/21/03              | A020133             | Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032 |
| 03/25/03              | A030140             | Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159  |
| 05/02/03              | A030106             | Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032         |
| 05/29/03              | A020230             | Preaward Audit of a Claim for Increased Costs: C. E. Toland & Son, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032          |
| 01/12/04              | A040098             | Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072  |
| 02/03/04              | A040119             | Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072   |
| 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  |
| 03/09/04              | A030186             | Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G   |
| 06/28/04              | A040085             | Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J   |
| 10/29/04              | A040211             | Preaward Review of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS-28F-0010J  |
| 05/10/05              | A050112             | Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K  |
| 07/08/05              | A050138             | Review of Claim: Nason and Cullen, Inc., Contract Number GS-03B-02301   |

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

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 10/12/05              | A050105             | Preaward Review of Multiple Award Schedule Contract Extension: BCOP Federal, Contract Number GS-14F-0035K   |
| 11/30/05              | A050147             | Limited Scope Review of Task Order F11623-02-F-A425 Multiple Award Schedule Contract: Herman Miller, Inc., Contract GS-28F-8049H                  |
| 12/30/05              | A050176             | Preaward Review of Multiple Award Schedule Contract Extension: E.F. Johnson Company, Contract Number GS-35F-0675K                                 |
| 01/05/06              | A050247             | Preaward Review of Price Adjustment Claim: Lockheed Martin Information Technology, Task Order Number 103BK0034, Contract Number GS-35F-4039G      |
| 03/30/06              | A050248             | Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-BHD-0006                      |
| 04/18/06              | A050122             | Review of Industrial Funding Fee Remittances: Fastenal Company, Contract Number GS-06F-0039K  |
| 05/09/06              | A050180             | Preaward Review of Multiple Award Schedule Contract Extension: Office Depot, Incorporated, Contract Number GS-14F-0040K                           |
| 08/15/06              | A060127             | Preaward Review of Multiple Award Schedule Contract Extension May 7, 2006 Through May 6, 2011: W.B. Brawley Company, Contract Number GS-27F-0018L |
| 09/07/06              | A060181             | Preaward Review of Multiple Award Schedule Contract Extension: Haverstick Government Solutions, Inc., Contract Number GS-35F-0496L                |
| 09/13/06              | A060231             | Preaward Review of Architect and Engineering Services Contract: Teng & Associates, Inc., Contract Number GS-01P-06-BZC-0004                       |
| 10/24/06              | A060148             | Preaward Review of Multiple Award Schedule Contract Extension: Kimball International, Incorporated, Contract Number GS-29F-0177G                  |
| 10/31/06              | A060206             | Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-99-BHD-0006                   |
| 11/30/06              | A060230             | Preaward Review of Multiple Award Schedule Contract Extension: General Security Services Corporation, Contract Number GS-07F-0305M                |
| 12/08/06              | A060115             | Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-35F-0553L                        |
| 02/20/07              | A060212             | Preaward Review of Multiple Award Schedule Contract Extension: Information Management Consultants, Inc., Contract Number GS-35F-4406G             |

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

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>   |
|-----------------------|---------------------|--|
| 04/17/07              | A060242             | Preaward Review of Multiple Award Schedule Contract Extension: Gateway Companies, Inc., Contract Number GS- 35F-4565G                                      |
| 04/20/07              | A070107             | Review of a Claim: Linear Electric Company, Subcontractor to Williams Construction Services, Inc., Lease Number GS-02B-23182                               |
| 04/26/07              | A070114             | Preaward Review of Multiple Award Schedule Contract Extension: Scott Technologies, Incorporated, Contract Number GS-07F-9563G                              |
| 04/30/07              | A060245             | Preaward Review of Multiple Award Schedule Contract Extension: Comstor, Division of Westcon Group North America, Inc., Contract Number GS-35F-4389G        |
| 05/03/07              | A070036             | Preaward Review of Multiple Award Schedule Contract Extension: ASAP Software Express, Inc., Contract Number GS-35F-4027D                                   |
| 05/03/07              | A060177             | Preaward Review of Multiple Award Schedule Contract Extension: Logistics Management Institute, Contract Number GS-00F-0026M                                |
| 05/14/07              | A070047             | Limited Scope Review of Multiple Award Schedule Contract: Draegar Safety, Inc., Contract Number GS-07F-9510G   |
| 07/05/07              | A070088             | Preaward Review of Multiple Award Schedule Contract Extension: Big Top Manufacturing; Contract Number GS-07F- 9604G  |
| 07/31/07              | A060247             | Preaward Review of Multiple Award Schedule Contract Extension: AT&T Government Solutions, Inc., Contract Number GS-35F-4507G                               |
| 08/16/07              | A070092             | Preaward Review of Multiple Award Schedule Contract Extension: Simplex Grinnell LP, Contract Number GS-07F-0396M   |
| 08/22/07              | A070192             | Preaward Review of Architect & Engineering Services Contract: Cannon Design, Subcontractor to URS Group, Inc., Solicitation Number GS-05P-04-GBC-0020      |
| 08/23/07              | A070183             | Preaward Review of Architect Engineer Proposal: Perkins + Will, Solicitation Number GS-09P-06-KTC-3043   |
| 08/23/07              | A070190             | Review of Cost or Pricing Data: Mascaro Construction Company, L.P., Contract Number GS-02P-03-DTC-0010   |
| 08/27/07              | A070141             | Review of Claim for Increased Costs: Logic Vision, Inc., Contract Number GS-06P-04-GYC-0005  |
| 08/28/07              | A060196             | Preaward Review of Request for Equitable Adjustment: Tigard Electric, Inc., Subcontractor to J.E. Dunn Northwest, Inc., Contract Number GS-10P-02-LTC-0025 |

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

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 09/27/07              | A060239             | Preaward Review of Multiple Award Schedule Contract Extension: Emtec Federal, Inc., Contract Number GS-35F- 4564G |
| 09/25/07              | A070024             | Preaward Review of Multiple Award Schedule Contract Extension: Dell Marketing L.P., Contract Number GS-35F- 4076D |



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

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| <b>Date of Report</b>         | <b>Audit Number</b> | <b>Title</b>  | <b>Projected Final Action Date</b> |
|-------------------------------|---------------------|---|------------------------------------|
| <b><i>Internal Audits</i></b> |                     |   |                                    |
| 03/18/03                      | A020161             | Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times     | 11/15/2008                         |
| 12/28/06                      | A050263             | Audit of PBS's Use of Occupancy Agreements As a Billing Source  | 11/15/2008                         |
| 03/06/07                      | A060149             | Review of eOffer/eMod, GSA's Electronic Contract Proposal and Modification System                           | 11/15/2008                         |
| 05/17/07                      | A070067             | Review of the Administration of Unused Airline Tickets, Federal Acquisition Service                         | 11/15/2008                         |
| 05/21/07                      | A060153             | Review of Federal Supply Service Travel and Transportation Management Division's Freight Management Program | 3/15/2009                          |
| 07/31/07                      | A060190             | Review of Multiple Award Schedule Program Contract Workload Management                                      | 8/15/2009                          |
| 09/12/07                      | A070180             | Alert Report on Security of GSA's Electronic Messaging Services and National Notes Infrastructure           | 11/15/2008                         |
| 09/13/07                      | A060170             | Review of the Heating Operation and Transmission District's Operations and Finances                         | 1/15/2009                          |

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## ***Appendix IV–Government Contractor Audit Findings***

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The *National Defense Authorization Act for Fiscal Year 2008*, P.L. 110-181, requires each Inspector General appointed under the *Inspector General Act of 1978* to submit an annex on final, completed contract audit reports issued to the contracting activity that contain significant audit findings – unsupported, questioned, or disallowed costs in an amount in excess of \$10 million, or other significant findings – as part of the Semiannual Report to Congress. During this reporting period, the OIG issued no contract review reports under this requirement.

## Appendix V—Delinquent Debts

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

In compliance with the Debt Collection Improvement Act of 1996 (DCIA), each month the General Services Administration (GSA) transmits delinquent accounts receivable and claims from the public, which are more than 180 days old to the Department of the Treasury, Debt Management Service (DMS). GSA has continued to implement and initiate actions to improve debt collection efforts to reduce the amount of debts written-off as uncollectible.

Delinquent accounts receivable and claims coordination efforts between GSA program offices, the financial services divisions, and the Department of the Treasury (Treasury) claims cross-servicing personnel continue to strengthen our receivables and claims collection efforts. These efforts include regular teleconferences on delinquent receivables in order to exchange necessary information to further the collection process. Receivables and claims continue to be reduced by increased follow-up of delinquencies.

A claims database was established by GSA to aid in the aging and monitoring of claims activity. Other improvements include increases in telephone follow-up contacts with commercial vendors, field personnel, and

GSA managers to identify and resolve collection issues. GSA has also improved the consistency and timeliness of delinquency notices by letter, and increased efforts to identify invoice offsets on amounts due to commercial vendors on other contracts. GSA's Financial Services Division expects these administrative adjustments to result in faster claim resolution. In addition, more aggressive actions have been taken to resolve past due receivables, including timelier referrals to Treasury and accelerated write-offs of older receivable balances.

GSA converted the Accounts Receivable Collection System (ARCS) from a FoxPro to an Oracle database during the month of May 2008. The Oracle database will allow Claims staff the ability to receive support for adhoc reports as needed. In addition, research capabilities and the month end reporting process has improved.

Lastly, if more than 3% of a region's outstanding receivables are over 180 days old, the region receives a red status on GSA's Executive Financial Scorecard which serves as a primary internal control developed by GSA staff. In addition to the monthly scorecard, a weekly Accounts Receivable Aging report is sent to GSA's Assistant Regional Administrators (ARAs).

### Non-Federal Accounts Receivable

|   | As of<br>March 31, 2008 | As of<br>September 30, 2008 | Difference   |
|---|-------------------------|-----------------------------|--------------|
| Total Amounts Due GSA   | \$146,313,113           | \$168,664,853               | \$22,351,740 |
| Amounts Delinquent  | \$9,322,262             | \$14,782,891                | \$5,460,629  |
| Total Amount Written Off<br>as Uncollectable Between<br>4/01/08 and 9/30/08 |                         | \$2,228,195                 |              |

From April 1, 2008 to September 30, 2008, the Office of Financial Policy and Operations referred \$1,209,153 delinquent non-Federal claims to the U.S. Department of the Treasury for cross-servicing collection activities. Collections on non-Federal claims exceeded

\$206,055,265. Administrative offsets have resulted in additional collections of \$5,737,877. GSA also collected non-Federal claims using Pre-Authorized Debits (PADS) totaling \$10,657.

## Appendix VI—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.

| Requirement  | Page |
|--|------|
| <b>Inspector General Act</b>   |      |
| Section 4(a)(2) – Review of Legislation and Regulations. . . . .   | 39   |
| Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. . . . .  | 2–28 |
| Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies. . . . .                  | 2–28 |
| Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .  | 49   |
| Section 5(a)(4) – Matters Referred to Prosecutive Authorities. . . . .   | 45   |
| Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused. . . . .                                 | none |
| Section 5(a)(6) – List of Audit Reports. . . . .   | 53   |
| Section 5(a)(7) – Summary of Each Particularly Significant Report. . . . .   | 2–28 |
| Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs. . . . .                                  | 44   |
| Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .  | 43   |
| 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 . . . . .   | 42   |
| Delinquent Debts . . . . .   | 67   |
| <b>National Defense Authorization Act</b>  |      |
| Public Law 104-106, 5 U.S.C. app. 3, § 5 note . . . . .  | 60   |
| Public Law 110-181 . . . . .   | 66   |

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## Appendix VII—OIG Offices and Key Officials

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### Office of the Inspector General

|   |                |
|---|----------------|
| Inspector General, Brian D. Miller (J) . . . . .                                      | (202) 501-0450 |
| Deputy Inspector General (Acting), Robert C. Erickson . . . . .                       | (202) 501-0450 |
| Executive Assistant for Management, Terrence S. Donahue . . . . .                     | (202) 219-0363 |
| Special Assistant for Communications and Congressional Affairs, Dave Farley . . . . . | (202) 219-1062 |

### Office of Counsel to the Inspector General

|   |                |
|---|----------------|
| Counsel to the IG, Vacant (JC)                                  |                |
| Deputy Counsel to the IG (Acting), Richard Levi (JCD) . . . . . | (202) 501-1932 |

### Office of Internal Evaluation and Analysis

|  |                |
|--|----------------|
| Director, Peter J. Coniglio (JE) . . . . . | (202) 219-0088 |
|--|----------------|

### Office of Audits

|   |                |
|---|----------------|
| Assistant IG for Auditing (Acting), Regina O'Brien (JA) . . . . .                   | (202) 501-0374 |
| Principal Deputy Assistant IG for Auditing (Acting), James Corcoran (JAD) . . . . . | (215) 446-4846 |

### Deputy Assistant Inspectors General for Auditing

|  |                |
|--|----------------|
| Information Technology Audit Office, Gwendolyn A. McGowan (JA-T) . . . . . | (703) 308-1223 |
| Real Property Audit Office, Rolando N. Goco (JA-R) . . . . .               | (202) 219-0089 |
| Finance & Administrative Audit Office, Jeffrey C. Womack (JA-F) . . . . .  | (202) 501-0006 |
| Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A) . . . . .    | (703) 603-0189 |
| Contract Audit Office, James M. Corcoran (JA-C) . . . . .                  | (215) 446-4840 |

### Regional Inspectors General for Auditing

|   |                |
|---|----------------|
| National Capital Region Field Office, Paul J. Malatino (JA-W) . . . . .   | (202) 708-5340 |
| Northeast and Caribbean Field Office, Howard R. Schenker (JA-2) . . . . . | (212) 264-8620 |
| Mid-Atlantic Field Office, Glenn D. Merski (JA-3) . . . . .               | (215) 446-4840 |
| Southeast Sunbelt Field Office, James D. Duerre (JA-4) . . . . .          | (404) 331-5125 |
| Great Lakes Field Office, David K. Stone (JA-5) . . . . .                 | (312) 353-7781 |
| The Heartland Field Office, John F. Walsh (JA-6) . . . . .                | (816) 926-7052 |
| Greater Southwest Field Office, Rodney J. Hansen (JA-7) . . . . .         | (817) 978-2571 |
| Pacific Rim Field Office, James P. Hayes (JA-9) . . . . .                 | (415) 522-2744 |

## Appendix VII—OIG Offices and Key Officials

### Office of Investigations

Assistant IG for Investigations, Charles J. Augone (JI) . . . . . (202) 501-1397  
Deputy Assistant IG for Investigations, Gregory G. Rowe (JID) . . . . . (202) 501-1397

### Special Agents in Charge (SAC)

Mid-Atlantic Regional Office, SAC Randal A. Stewart (JI-W) . . . . . (202) 252-0008  
Philadelphia Resident Office, Assistant SAC James E. Adams (JI-3) . . . . . (215) 861-3550  
Northeast and Caribbean Regional Office, SAC Daniel J. Walsh (JI-2) . . . . . (212) 264-7300  
Boston Resident Office, Assistant SAC Luis A. Hernandez (JI-1) . . . . . (617) 565-6820  
Southeast Regional Office, SAC Lee P. Quintyne (JI-4) . . . . . (404) 331-5126  
Miami Resident Office, SA Dietrich Bohmer (JI-4M). . . . . (954) 356-6993  
Central Regional Office, SAC Stuart G. Berman (JI-5) . . . . . (312) 353-7779  
Mid-West Regional Office, SAC John F. Kolze (JI-6) . . . . . (816) 926-7214  
Denver Resident Office, SA Christopher C. Hamblen (JI-8) . . . . . (303) 236-5072  
Southwest Regional Office, SAC Paul W. Walton (JI-7) . . . . . (817) 978-2589  
Western Regional Office, SAC Liza Ivins (JI-9) . . . . . (415) 522-2755  
Los Angeles Resident Office, SA Tony Wu (JI-9L) . . . . . (949) 360-2214  
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10) . . . . . (253) 931-7654

### Office of Administration

Assistant IG for Administration, Carolyn Presley-Doss (JP) . . . . . (202) 501-4638  
Budget, Planning, and Financial Management Division, Director Kristin Sneed (JPB) . . . . . (202) 208-4198  
Facilities and Contracts Division, Director Marta M. Viera (JPFC) . . . . . (202) 501-2887  
Human Resources Division, Director Cynthia Whatley (JPH) . . . . . (202) 501-0360  
Information Technology Division, Director Michael McLaughlin (JPM) . . . . . (202) 219-2319

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# Notes

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## *Notes*

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