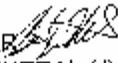




U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

DAVID L. BIBB
DEPUTY ADMINISTRATOR (AD)

FROM: BRIAN D. MILLER 
INSPECTOR GENERAL (J)

SUBJECT: Limited Audit of the Fiscal Year 2006 Federal Managers'
Financial Integrity Act Section 2 and Section 4 Assurance
Statements
Report Number: AG60224/A/F/F07003

Please find attached the results of the Office of Inspector General's Limited Audit of the Fiscal Year 2006 Federal Managers' Financial Integrity Act Section 2 and Section 4 Assurance Statements.

If you or your staff have any questions concerning this report, please contact me on (202) 501-0450 or Andrew Patchan on (202) 501-0374.

Attachment



**LIMITED AUDIT OF THE FISCAL YEAR 2006
FEDERAL MANAGERS' FINANCIAL
INTEGRITY ACT SECTION 2 AND
SECTION 4 ASSURANCE STATEMENTS
REPORT NUMBER: A060224/A/F/F07003
NOVEMBER 1, 2006**

November 1, 2006

Reply to Andrew Patchan, Jr.
Attn of: Acting Assistant Inspector General for Auditing (JA)

Subject: Limited Audit of the Fiscal Year 2006 Federal Managers' Financial
Integrity Act Section 2 and Section 4 Assurance Statements
Report Number: A060224/A/F/F07003

To: Lurita Doan
 Administrator (A)

 David L. Bibb
 Deputy Administrator (AD)

This report presents the results of the Office of Inspector General's (OIG) limited audit of the General Services Administration's (GSA) Fiscal Year 2006 Federal Managers' Financial Integrity Act (FMFIA) Section 2 and Section 4 Assurance Statements. The assurance statement questionnaires prepared by the Regional Administrators (RAs) and the Heads of Services and Staff Offices (HSSOs) are used by the Management Control and Oversight Council as a basis for developing the Administrator's FMFIA Assurance Statement to the President and Congress. The objective of the audit was to determine whether the Section 2 and Section 4 Assurance Statement questionnaires, as prepared by the RAs and the HSSOs, adequately disclosed all known control weaknesses and non-conformances in the Agency's programs, operations, and systems.

To accomplish our objective we reviewed the FMFIA Section 2 and Section 4 Assurance Statement questionnaires submitted by the RAs and HSSOs, internal and external audit reports, and the findings noted to date by PricewaterhouseCoopers LLP (PwC), an independent public accounting firm, in their audit of GSA's Fiscal Year 2006 Financial Statements.

The audit was performed in accordance with generally accepted government auditing standards from August through October 2006. However, we did not perform an assessment of the internal control structure over the agency's FMFIA evaluation and reporting process. Accordingly, we do not express an opinion on the adequacy of the basis used in the preparation of the assurance statements submitted by the RAs and HSSOs.

RESULTS OF AUDIT

In reviewing those management and systems control weaknesses reported in the FMFIA Section 2 and Section 4 Assurance Statement questionnaires as prepared by GSA management, the Agency senior officials reported weaknesses in the following areas: Compliance with Federal Financial System Requirements; Human Capital Management; and Internal Control Issues at the Ft. Worth Office of Finance. In addition to these weaknesses, our review of audits performed by the OIG identified issues relating to the Implementation of the Federal Information Security Management Act and Required Background Investigations Not Completed for Contractors.

Compliance with Federal Financial System Requirements

The Chief Financial Officer (CFO) and Deputy CFO both issued qualified Section 4 Assurance Statements due to Compliance with Federal Financial System Requirements. The rationale behind the qualification was distributed across three areas: 1) a need for significant clean-up of Unfilled Customer Orders and Obligations, 2) the lack of integrated feeder systems for Pegasys, and 3) inconsistent data elements from the feeder systems. The report on GSA's compliance with the Office of Management and Budget (OMB) Circular No. A-123, Appendix A, also noted high risk areas for each of the Services at GSA. The report listed exceptions for the Federal Supply Service in Unfilled Customer Orders and Undelivered Orders, the Federal Technology Service had exceptions in Unassigned Funding and Non-Dial Tone Undelivered Orders and, the Public Buildings Service had exceptions in Unfilled Customer Orders, Delivered Orders Unpaid, and Undelivered Orders.

Shortage of Human Capital

In reviewing the Section 2 Assurance Statements we found 9 instances in which a shortage in human capital was noted. However, only 1 of these 9 instances resulted in a qualified opinion. According to responses in the Section 2 Assurance Statements, these shortages may be attributed to unfilled vacancies, an agency-wide hiring freeze, and employee buyouts. In 2006, GSA implemented a temporary hiring freeze for the Federal Technology Service, Federal Supply Service, and General Management and Administration staff for organizations funded through the Working Capital Fund. The concerns noted throughout the Section 2 Assurance Statements was that the shortage of human capital may have an effect on the ability to sustain and recruit new business opportunities, customer service, and the ability to meet performance requirements.

Internal Control Issues at Forth Worth Office of Finance

As reported in the Region 7 Section 2 Assurance Statement, the Ft. Worth Office of Finance issued a qualified assurance statement relating to internal controls. Specifically, the assurance statement details inadequate internal controls to preclude overspending of client agency funding, a lack of timely close out of contract payment files and prompt return of excess client funding, a lack of strong system internal controls related to the submission of financial data through FTS' Order Management Information System (OMIS), and lack of strong internal controls related to the timely reconciliation of PBS charge card logs.

GSA's Implementation of the Federal Information Security Management Act

As required, the OIG performed the Fiscal Year 2006 review regarding GSA's progress in implementing the Federal Information Security Management Act (FISMA). The purpose of FISMA is to provide a framework for securing Federal information systems. Although steps have been taken to address previously reported weaknesses, the auditors found instances where the Information System Security Officers (ISSO) and Information System Security Managers (ISSM) did not ensure that systems were properly secured. The auditors also found that there is a need for improved policy and procedures to establish standardized performance goals and measures for associates and contractors performing ISSO and ISSM responsibilities, since these individuals do not typically report directly to the Office of the GSA Chief Information Officer.

Required Background Investigations Not Completed for Contractors

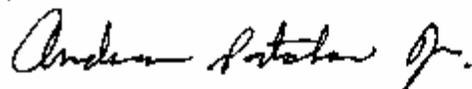
As part of the OIG's FISMA Review of GSA's Information Technology Security Program, the status of contractor background investigation was tested for ten systems. In eight of the nine systems utilizing contractor support personnel reviewed, a number of security investigations had neither been completed and/or requested as follows:

- For the e-buy system, out of 94 contractor personnel, 12 background investigations were completed and 82 were not completed.
- For the USA Services/NCC system, for all 5 contractor personnel, background investigations were not requested.
- For the Data Gateway system, out of 5 contractor personnel, 1 background investigation was completed, 2 were not completed, and 2 were not requested.
- For the FEDdesk system, out of 7 contractor personnel, 6 background investigations were completed and 1 was not completed.
- For the Region 5 PBS LAN system, out of 22 contractor personnel, 7 background investigations were completed and 15 were not completed.

- For the Region 5 FTS LAN system, out of 4 contractor personnel, 3 background investigations were not completed and 1 was not requested.
- For the RAS system, out of 10 contractor personnel, 4 background investigations were completed and 6 were not completed.
- For the OA Tool system, out of 23 contractor personnel, 9 background investigations were completed, 6 were not completed, and 8 were not requested.

Overall, the auditors found that out of 177 contractors only 46 GSA required National Agency Check with Inquiries Credit (NACIC) Background Investigations had been completed.

We appreciate the cooperation and courtesies extended to our staff during this audit. Should you or your staff have any questions, please contact Anthony Mitchell on (202) 501-0006 or me on (202) 501-0374.



Andrew Patchan, Jr.
Acting Assistant Inspector General for Auditing (JA)

**LIMITED AUDIT OF THE FISCAL YEAR 2006
FEDERAL MANAGERS' FINANCIAL
INTEGRITY ACT SECTION 2 AND
SECTION 4 ASSURANCE STATEMENTS
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