



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2011 – September 30, 2011

# 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 \$183 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.	1
<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.	2
<b>FINANCIAL REPORTING</b>	GSA systems, including its financial system of record (Pegasys), continue to have deficiencies in interoperability and interfaces. As a consequence, GSA management continues to rely heavily on manual workarounds and significant adjusting entries to prepare the financial statements and related note disclosures.	No Reports This Period
<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.	No Reports This Period
<b>GREENING INITIATIVE—SUSTAINABLE ENVIRONMENTAL STEWARDSHIP</b>	With its major role in federal building construction and operations, GSA faces challenges to lead change and achieve its goals for sustainability and a Zero Environmental Footprint.	6
<b>FEDERAL BUILDINGS FUND</b>	Faced with an aging, deteriorating inventory, GSA is challenged in making the best use of available funds to deliver high performance workplaces on schedule and within budget.	No Reports This Period
<b>AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009</b>	Mandated to obligate \$5.5 billion to convert federal buildings into High-Performance Green Buildings, as well as to construct federal buildings, courthouses, and land ports of entry within a 20-month period, shortened planning and contracting phases will likely have continual challenges on the construction phase and contract administration workload.	7

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## Foreword

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*On behalf of the Office of Inspector General (OIG), I am pleased to provide this report to the Members of Congress and the people of the United States. This report reflects the OIG's effectiveness in combating fraud, waste, and abuse in connection with the programs and operations of GSA. This is the sixty-fifth report to the Congress since the appointment of GSA's first Inspector General.*

*For the period covered by this report, we issued 81 audit reports and identified over \$285 million in funds recommended for better use and questioned costs. We also made 369 referrals for criminal prosecution, civil litigation, and administrative action. In this reporting period, management decisions agreeing with our audit findings totaled \$266.7 million while civil settlements and court-ordered investigative recoveries totaled \$130.2 million.*

*Our Office of Audits has continued to focus on GSA's Multiple Awards Schedule program audits with a concentration in preaward reviews, Recovery Act oversight, and construction audits. Our Office of Investigations focused on major procurement fraud, construction fraud, counterfeit product identification in the federal government supply line, government credit card abuse, and theft of excess property. Our Office of Forensic Auditing has continued its proactive data analysis to uncover potentially fraudulent activity.*

*On behalf of the U.S. Attorney General's Financial Fraud Enforcement Task Force, I continued to reach out to both the public and private sectors as part of a collaborative effort to prevent and detect fraud in government contracts and procurement. I also began reaching out to private industry to address the growing problem of counterfeit products that may find their way into the federal supply chain through GSA contracts.*

*I want to express my appreciation for the accomplishments of all the OIG employees who continue to show a dedication to effective public service. I also want to thank the Members of Congress, OMB, and employees throughout GSA for their continued support.*



Brian D. Miller  
Inspector General  
October 31, 2011

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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, financial, regulatory, and system audits and assessment of management controls. The office conducts attestation engagements in support of GSA contracting officials to carry out their procurement responsibilities and obtain best value for federal customers and the American taxpayers. The office also provides other services to assist management 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 and regulatory review.
- The Office of Forensic Auditing, Evaluation, and Analysis, a multidisciplinary staff that employs innovative auditing and investigative techniques to

conduct investigations and reviews of potentially fraudulent, improper, wasteful, and/or abusive activities within selected Agency operations and programs. The evaluation and analysis program conducts operational assessments of the OIG's central and field offices and other operating components, implements the OIG's Federal Managers' Financial Integrity Act program, and undertakes special projects and analyses as required by the Inspector General.

- The Office of Administration, a professional staff that provides information technology, budgetary, administrative, executive resources, and personnel support services to all OIG offices.

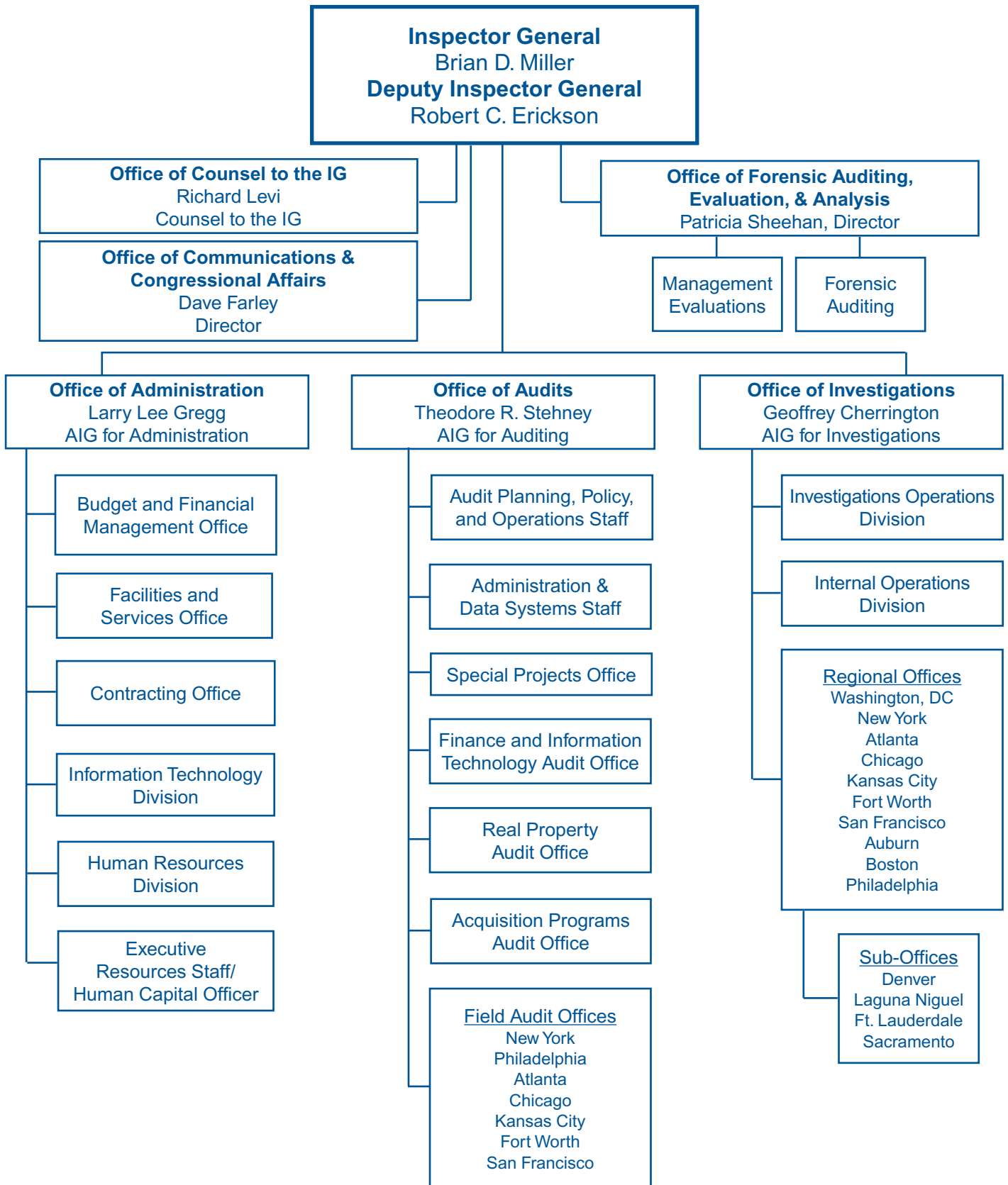
### Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office Building. Field and regional offices are maintained in Atlanta, GA; Auburn, WA; Boston, MA; Chicago, IL; Denver, CO; Fort Lauderdale, FL; Fort Worth, TX; Kansas City, MO; Laguna Niguel, CA; New York, NY; Philadelphia, PA; Sacramento, CA; San Francisco, CA; and the Washington, D.C. area. A contact list of OIG offices and key officials is provided in Appendix VIII.

### Staffing and Budget

As of September 30, 2011, our on-board staffing level was 313 employees. The OIG's Fiscal Year (FY) 2011 budget was \$58.8 million with an additional \$2.2 million in funds appropriated under the American Recovery and Reinvestment Act of 2009 (Recovery Act/ ARRA).

# OIG Organization Chart



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## Summary of OIG Performance

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April 1, 2011 – September 30, 2011

<b>Total financial recommendations</b>	<b>\$285,694,165</b>
These include:	
• Recommendations that funds be put to better use	\$220,167,642
• Questioned costs	\$65,526,523
Audit reports issued	81
Audit memorandums provided to GSA	17
<b>Management decisions agreeing with audit recommendations</b>	<b>\$266,667,102</b>

Referrals for criminal prosecution, civil litigation, & administrative action	369
Indictments and informations on criminal referrals	49
Cases accepted for criminal prosecution	32
Cases accepted for civil action	9
Successful criminal prosecutions	39
Civil settlements	10
Contractors/individuals suspended and debarred	91
Employee actions taken on administrative referrals involving GSA employees	12
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$130,238,540</b>



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## *Fiscal Year 2011 Results*

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### *During Fiscal Year 2011, OIG activities resulted in:*

- Almost **\$460** 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 and **29** audit memorandums that assisted management in improving the efficiency and effectiveness of Agency operations.
- Over **\$571** million in management decisions agreeing with audit recommendations; **\$376.1** million in criminal, civil, administrative, and other recoveries.
- **260** new investigations opened and **233** cases closed.
- **71** case referrals (**124** subjects) accepted for criminal prosecution and **18** case referrals (**22** subjects) accepted for civil litigation.
- **85** criminal indictments/informations and **64** successful prosecutions on criminal matters referred.
- **28** civil settlements.
- **26** employee actions taken on administrative referrals involving GSA employees.
- **88** contractor/individual suspensions and **61** contractor/individual debarments.
- **2710** Hotline calls and letters received of which **167** were referred for criminal or civil investigations, **88** were referred to other agencies for follow up, and **166** were submitted to GSA for review and appropriate administrative actions.

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## Executive Summary

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### Summary of Results

During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what it has identified as the major management challenges facing the Agency and achieved significant results. Since April 1, 2011, the OIG has issued 81 audit reports and referred 369 cases for criminal prosecution, civil litigation, or administrative action. At the close of this fiscal year, we had made almost \$460 million in recommendations that funds be put to better use and in questioned costs, \$285 million of which occurred in this semiannual period alone. In addition, our actions led to civil settlements and court-ordered and investigative recoveries of over \$130 million this period, and \$376.1 million for the fiscal year.

In its effort to promote economy and efficiency throughout Agency programs, the OIG focused specifically on audits of GSA's acquisition, information technology, greening, and the American Recovery and Reinvestment Act of 2009 (Recovery Act) initiatives; investigations of fraud, waste, and abuse by GSA employees and contractors; and litigation support of civil fraud actions and criminal prosecutions. Below are some of the highlights of the OIG's actions during this semiannual period.

### Management Challenges Highlights

The OIG continued to provide high quality audit recommendations and advice so that GSA can lead the government in economical contracting and procurement. The focus this semiannual period was on acquisition programs, information technology, greening initiatives, and Recovery Act projects. Here are a select few audits and memorandums that identify major challenges facing GSA.

**Acquisition Programs.** GSA provides federal agencies with billions of dollars of services and products. During this reporting period, the Office of Audits performed 52 preaward audits of contracts with an estimated value of almost \$4 billion. Because of their pre-decisional, advisory nature, the OIG's preaward audits play a crucial role in improving the government's negotiating position and realizing millions of dollars in savings on negotiated contracts. These savings are mainly the result of report findings identifying recurring issues. In a memorandum

to the Federal Acquisition Service (FAS) Commissioner, we identified that vendors: provided information that was not current, accurate, and/or complete in support of their proposed prices; had minimal or no non-federal commercial customers, making it impossible to use non-governmental commercial sales as a basis for determining price reasonableness; and, supplied labor that did not meet the minimum educational or experience qualifications required by the contracts (page 1).

**Information Technology.** GSA faces challenges in providing effective and reliable IT systems and solutions. For instance, our audit of the Acquisition Career Management Information System (ACMIS) found that GSA spent in excess of \$5.3 million in taxpayer funds on a government-wide system that is unreliable because system development and maintenance was not properly managed (page 2). Additionally, our audits of the Agency's IT Security Program identified weaknesses related to security misconfigurations in databases that house sensitive data (page 3) and that contractor personnel supporting two of the reviewed systems had not undergone government background investigations despite policy requirements (page 3).

**Greening Initiative.** Recent regulatory initiatives have given GSA additional responsibilities to lead the change towards sustainability in federal construction, building operations, and acquisition. The Agency, however, faces challenges in implementing its Strategic Sustainability Performance Plan and in achieving its goal of a Zero Environmental Footprint. Our audit of GSA's Alternative Fuel Vehicle surcharge payments found that the Agency needs to improve its monitoring of these payments to prevent non-compliance with federal regulations (page 6).

**Recovery Act.** The Recovery Act provided GSA with \$5.5 billion to convert federal buildings into "High-Performance Green Buildings" as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandated that funds be fully obligated by the end of FY 2011 and, as such, this short timeframe strained the capabilities of project teams.

During this semiannual period, we issued a Recovery Act Report on the Thurgood Marshall U.S. Courthouse, which found that the Public Building Service (PBS) violated the Federal Acquisition Regulation (FAR) and

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## Executive Summary

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the Competition in Contracting Act by awarding the Construction Manager as Constructor (CMc) contract at a firm-fixed price at nearly 60 percent more than the agreed-upon guaranteed maximum price (page 7). Another Recovery Act report on the Energy Retrofit for the New Carrollton Federal Building revealed that the award exceeded the underlying bid; there was a large variance between the independent government estimate and the award; and, there was an incomplete assessment of an energy conservation measure (page 7).

In addition, the OIG issued a memorandum on the purchase of photovoltaic panels with Recovery Act money for the Paul Simon Federal Building. The panels were assembled in China, thus, violating Recovery Act requirements (page 8).

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

The OIG combated fraud, waste, and abuse through civil and administrative recoveries and criminal investigations during this semiannual period. When systemic issues are identified through investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled over \$130 million.

**Government Infrastructure Protection Initiative (GIPI).** The GSA's Office of Investigations created GIPI to combat the proliferation of counterfeit information technology products in the federal supply chain. Partnering with the Intellectual Property Rights Center of Immigration and Customs Enforcement (ICE), the GSA OIG conducted an investigation of Chun-Yu Zhao, Donald Cone, and JDC Networking for their role in the sale of counterfeit Cisco products to GSA suppliers and at least one government agency from a company based in China. Zhao and Cone were charged with conspiracy, money laundering, wire fraud, immigration fraud, and intellectual property rights violations. Zhao was sentenced to 60 months' imprisonment and three years of supervised release, and ordered to pay over \$2.7 million in restitution (page 10). This and other cases described in this report indicate the pivotal role that investigations into intellectual property rights play in protecting government infrastructure from this significant vulnerability.

**Civil Recoveries.** The GSA OIG has consolidated investigative efforts related to civil recoveries. Chief among our civil recoveries this semiannual period was a \$20.4 million settlement by SAIC to resolve allegations of false claims. This settlement resulted from a joint qui tam investigation involving the Justice Department, the Defense Criminal Investigative Service, and the Naval Criminal Investigative Service (page 11). Also to resolve false claims allegations, FedEx agreed to pay \$8 million after a joint investigation between the GSA OIG, the DOJ OIG, and the Department of Agriculture OIG revealed that FedEx couriers were taking advantage of "security-delivery exception codes" to excuse their own failures to deliver packages on time without reimbursing agencies as required by the company's timely delivery guarantee (page 11).

Additionally, the OIG continues to investigate Trade Agreements Act (TAA) violations. Two companies, Premier and Companies, Inc., and Palm Business Supply, agreed to pay the United States \$1.75 million and \$135,000 respectively to settle false claims act allegations when investigators found that they knowingly misrepresented that the products sold under government contracts were manufactured in the U.S., when many were actually manufactured in China (page 11).

**Criminal Investigations.** Investigations uncovered two separate payphone scams intended to bilk the government and private companies of millions. The individuals involved exploited the Federal Communications Commission's regulation that allows payphone service providers to collect \$.49 for each call made to a toll-free number by rigging phones to repeatedly dial these numbers (page 12). As part of a proactive investigation into a bribery/ kickback scheme involving multiple government officials, Gary Thompson, a GSA Building Manager, was sentenced to nine months' incarceration and a court-ordered forfeiture of \$55,000 for accepting cash bribes in return for maintenance contracts at GSA facilities (page 12). A Navy Petty Officer was also convicted of fraud for accepting kickbacks (page 12). During this semiannual period, our agents also investigated computer theft schemes, fraudulently obtained citizenship, and multiple fleet credit card scams (page 13).

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## *Executive Summary*

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**WPA Artwork.** The GSA OIG continued its collaborative campaign to recover and restore artwork commissioned in the New Deal Era to the United States. During this semiannual period, we recovered six pieces and identified 20 other potential WPA artworks (page 16).

**Suspension and Debarment.** During this reporting period, the OIG made 180 referrals for consideration of suspension or debarment to GSA, and GSA issued 91

suspension and debarment actions based on current and previous OIG referrals (page 17).

**Hotline.** The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. The OIG received 1,125 contacts, from which 209 Hotline cases were initiated (page 17).

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## Management Challenges

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Since 1998, we have identified and shared with Congress and senior GSA management those areas and issues we believe to be the major challenges facing the Agency. (This year's list is summarized on the front inside cover of this report.) During this reporting period, we continued our work addressing these challenges by recommending corrective actions, and working with management to improve Agency operations. The following highlights some of our activities.

### Acquisition Programs

GSA provides federal agencies with billions of dollars of products and services through various types of contracts. As of September 30, 2011, there were over 19,000 Multiple Award Schedule (MAS) contracts under GSA's procurement program with over \$39.2 billion in annual sales. We oversee this program by conducting attestation engagements and audits of these contracts. Historically, for every dollar invested in our contract audits, we achieve at least \$10 in lower prices or more favorable contract terms and conditions for the benefit of the government and the taxpayer.

### Significant Preaward Audits

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. This program provides vital and current information enabling contracting officers to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. During this period, we performed preaward audits of 52 contracts with an estimated value of almost \$4 billion. We recommended more than \$220 million in funds to be put to better use. Management decisions were made on 32 of our preaward audit reports, which recommended over \$201 million of funds to be put to better use, and management agreed with all of our recommended savings.

Three of our more significant audits were of MAS contracts with projected government-wide sales totaling more than \$853 million. These audits resulted in recommendations of \$154 million in funds to be put to better use. Two of the three audits disclosed that alternate proposals based on cost build-up information were required from the vendors. One vendor did not have sufficient commercial sales to use as a basis for determining fair and reasonable pricing, and the other was unable to adequately show that the offered labor categories were comparable to those offered commercially. The alternate cost build-up information they provided showed that the proposed rates were overstated in several respects. The proposed general

and administrative and overhead rates were too high, and an incorrect methodology was used in calculating the direct labor base; it included indirect and overqualified employees. The third audit showed that the lease factors used were outdated and recommended the GSA contracting officer require submission of updated information. We suggested that the new data be: (1) representative of current market/economic conditions, (2) tied to a financial index, and (3) updated on a quarterly basis. This audit also showed that the existing basis of award customer offered minimal price protection to the government. The audit identified better end-user pricing with a different customer, which if targeted as the new basis of award and used to negotiate comparable discounts, would help the government recognize substantial cost savings.

The Office of Management and Budget (OMB) has long recognized both the value of our audit coverage and the dichotomy between the growth in GSA's contract activities and our limited audit resources. Beginning in Fiscal Year (FY) 2004, OMB supplemented our financial support, through Federal Acquisition Service (FAS) contract program revenue, so that we could increase our oversight in this area. These additional funds allowed us to hire staff to support expanded audit and attestation engagement activities, primarily preaward examinations (with minor increases in performance audits as well). Starting in FY 2010, OMB replaced the supplement by increasing the OIG's direct appropriations to help ensure continued service in this area. As in the past, we will work closely with FAS to develop preaward and contract performance assessment programs that strengthen government-wide contracts and provide value for the taxpayers.

### Audit Memorandum to the FAS Commissioner: Major Issues from Fiscal Year 2010 Multiple Award Schedule Preaward Audits

Dated September 20, 2011

While conducting our FY 2010 preaward contract audits, we identified three recurring issues that impact the

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## Management Challenges

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### Acquisition Programs (continued)

GSA's MAS program. While we audit a limited number of the contracts in GSA's Schedules Program, the high rates at which these three issues recur suggest that similar concerns would be uncovered in a comprehensive, program-wide audit. Therefore, we provided this information to GSA so they can decide how to best address them. First, the majority of vendors we reviewed provided information that was not current, accurate, and/or complete in support of their proposed prices. Second, nearly half of the vendors we reviewed had minimal or no non-federal commercial customers, making it impossible to use non-governmental commercial sales as a basis for determining price reasonableness. Last, over a quarter of the vendors we reviewed supplied labor that did not meet the minimum educational or experience qualifications required by the contracts.

We performed 49 preaward audits in FY 2010, 24 of which were based on commercial pricing. In 20 cases (83 percent), the commercial sales practice data the contractor submitted to support its proposed pricing reflected non-current, inaccurate, and/or incomplete information. If the greater discounts and terms identified in these 20 audits could be negotiated, the government would realize overall cost avoidances of \$116.5 million.

In 21 of the 49 (43 percent) audits we performed, we found that commercial customers accounted for five percent or less of the vendor's total sales. In 12 instances, the vendor had no commercial sales. Allowing vendors with minimal or no commercial sales to remain on GSA Schedules creates a situation in which customers could wind up paying significantly higher prices than warranted.

We audited 37 professional services contracts and found 10 instances in which vendors charged customer agencies for labor that did not meet the minimum educational or experience qualifications called for by their contracts. In these cases, customers were overcharged approximately \$3 million for levels of service they did not receive.

We believe FAS should take action to ensure that its contracting officers appropriately and consistently evaluate discount information. This evaluation should include consideration of the difference between "standard" and "non-standard" discounts, the frequency and range of discounts, and the impact of rebates. If FAS continues to allow vendors with minimal or no commercial sales to remain on Schedule, it should take appropriate steps to ensure that (1) GSA Schedule prices meet the stated goal of being the vendor's best price, and (2) there is an effective mechanism to enforce the price reductions clause of the contract. Finally, we suggest that FAS take appropriate action to ensure that vendors provide ordering agencies with individuals who meet the labor qualifications called for under the contract.

### Information Technology

*Improved planning, development, and implementation of information technology (IT) systems and services are needed to ensure quality data and to support business decisions. GSA management faces challenges in meeting two strategic business goals of (1) providing effective and reliable IT systems and solutions and (2) providing balanced stewardship of information and technology. Challenges exist because GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction.*

### Audit of the Acquisition Career Management Information System (ACMIS)

*Report Number A090023/OIA/IF11006, dated July 20, 2011*

GSA spent in excess of \$5.3 million in taxpayer funds on a government-wide system that cannot be used for its intended purpose. The data in ACMIS cannot be relied upon to provide agencies with useful information for training, staffing, and budgeting decisions related to the acquisition workforce. In addition, poor system functionality and help desk support contribute to user dissatisfaction. ACMIS failed because GSA's Office of

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## Management Challenges

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### Information Technology (continued)

Acquisition Policy and the Federal Acquisition Institute (FAI) did not properly manage and oversee system development and maintenance, including contract management. To develop a replacement system, the Office of Governmentwide Policy must address deficiencies that caused the ACMIS to fail. Attention to contract management, system development lifecycle principles, and accountability for the new system are essential to ensure future success. During our audit, FAI decided to modify an existing system to function with the capabilities necessary to replace ACMIS.

We recommended that the Associate Administrator, Office of Governmentwide Policy:

- Implement controls to ensure data reliability.
- Work with the Office of Federal Procurement Policy to establish controls for agency accountability for system use and data accuracy. Such controls may include centralized data entry.
- Ensure development of appropriate functionality, including system navigation, reporting and tracking features, system interfaces, and an automatic password reset function.
- Ensure contracts awarded for the development, implementation, and maintenance of the system contain proper requirements related to user support, including development of specific help desk deliverables.
- Ensure controls are in place for proper oversight of help desk performance.
- Establish controls to ensure proper oversight and accountability for the development, implementation, and maintenance of the system that will replace ACMIS, including contract management.
- Ensure that the development, implementation, and maintenance of the system that will replace ACMIS adhere to system development life cycle guidelines, including applicable GSA Orders and the GSA System Development Life Cycle Guidance Handbook.

The Associate Administrator concurred with the report recommendations.

### FY 2011 Office of Inspector General FISMA Audit of GSA's Information Technology Security Program

Report Number A110160/OIF/F11008, dated September 28, 2011

The Federal Information Security Management Act of 2002 (FISMA) directs IGs to perform an annual independent evaluation of their respective Agency's information technology security program and controls for select systems. Accordingly, we reviewed three GSA systems to determine if GSA has developed, documented, and implemented an Agency-wide information security program. The reviewed systems were (1) AT&T Operational Support, (2) Electronic Project Management (ePM), and (3) SmartPay-Citibank.

We concluded that GSA's Chief Information Officer (CIO) continues to take steps to improve the Agency-wide IT Security Program. For example, the CIO has updated GSA's IT Security Policy, published procedural guidance on a variety of information security topics, and expanded the IT Security Program to include additional technical testing requirements. However, we found that additional steps are needed to strengthen GSA's IT Security Program in five key areas.

- We identified weaknesses relating to security misconfigurations and unpatched database or operating system software. As a result, these systems and their sensitive data were placed at an increased risk of inappropriate access, modification, or destruction.
- We reviewed two public GSA social media websites and identified areas needing additional oversight and monitoring to better manage IT security risks. We identified that automated programs and malicious users could post inappropriate information. Additionally, we identified a configuration weakness that placed the confidentiality of users' private communications at risk.
- We identified sensitive documents on a public GSA website, including IT security documentation, placing GSA systems and data at increased risk.

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## Management Challenges

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### Information Technology (continued)

- Contractor personnel supporting two of the contractor systems we reviewed had not undergone government background investigations despite contract and GSA policy requirements. Government background investigations are necessary to ensure that contractor personnel are suitable to access GSA systems and data.
- All three reviewed systems deviated from GSA's IT Security Policy regarding warning banners. Warning banners are important since they caution individuals with malicious intent of the potential legal ramifications of their act.

We recommended that GSA's Chief information Officer take actions to:

- Strengthen configuration management practices by:
  - Ensuring that authenticated operating system testing is conducted for all GSA systems.
  - Updating the GSA IT Security Policy and related guidance to clarify technical testing frequency requirements.
- Improve security of GSA's social media technologies by:
  - Updating GSA's guidance, including policies, for social media and IT security to address risks specific to social media.
  - Strengthening the existing reviews of GSA's social media sites to ensure that the inventory is complete and the risks identified in this report are addressed.
  - Establishing IT security standards for social media platforms widely used at GSA.
- Clarify labeling requirements for GSA's sensitive security documentation.
- Improve personnel security of commercial systems used to provide government services by:
  - Developing guidance to assist GSA system officials in identifying contractor personnel in positions that require government background investigations.

- Monitoring whether GSA system officials are adhering to this guidance.
- Ensure that appropriate warning banners are displayed?

The CIO concurred with our report recommendations.

The following describes the systems we tested:

The **AT&T Operational Support System**<sup>1</sup> is a commercial system selected to support the FAS Network Universal and Enterprise contracts for telecommunication products and services. This moderate impact system<sup>2</sup> serves as a single point of entry for GSA and customer agencies to place orders, pay bills, report service problems, and perform other customer service-related tasks online. This moderate impact system offers users customer support, service management, inventory management, and program management capabilities.

The **Electronic Project Management (ePM)**<sup>3</sup> system is a moderate impact system intended to standardize Public Buildings Service (PBS) project and program management activities, and to ensure effective and timely information sharing to both internal and external stakeholders. The ePM system is used by GSA executives, as well as architects, engineers, and contractors to track and report on GSA's overall portfolio of design and construction programs. As a tool for managing PBS design and construction projects, this system also serves as the central repository for managing project documentation and communication for the entire project lifecycle.

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<sup>1</sup> FY 2011 Office of Inspector General Information Technology Security Audit of the AT&T Operational Support System (OSS), Report Number A110096/Q/F/P11009, dated September 30, 2011.

<sup>2</sup> For more information on system impact levels, refer to FIPS PUB 199, Standards for Security Categorization of Federal Information and Information Systems, February 2004.

<sup>3</sup> FY 2011 Office of Inspector General Information Technology Security Audit of the Electronic Project Management System; Report Number A110114/P/F/R11014, dated September 30, 2011.



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## Management Challenges

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### Information Technology (continued)

The **SmartPay-Citibank System**<sup>4</sup> is a moderate impact system, deployed by Citibank N.A. of Sioux Falls, South Dakota (Citibank) to fulfill the SmartPay® 2 contract requirements. The SmartPay-Citibank system features a suite of web-based tools for managing government charge cards. In addition to providing charge cards and customer support, the suite includes program management functions such as establishing and maintaining cardholder accounts and analyzing spending patterns. In addition, the system provides cardholder functions; these allow cardholders to review their statements and make travel card payments.

### Audit of the Information Technology Solutions Shop (ITSS) System Performance and Functionality

*Report Number A100123-2/Q/FIP11006, dated May 16, 2011*

This audit disclosed that GSA's ITSS system lacks a fully-automated and convenient means for processing procurements from pre-solicitation to close-out. As a result, ITSS users rely on manual processes and external applications to complete the procurement process.

ITSS was developed in 1997, as an on-line, web-based purchase order system to facilitate the development of delivery and purchase orders. GSA attempted to replace ITSS through the award of a series of task orders issued between 2002 and 2005. However, FAS was unable to implement the replacement system and consequently returned to ITSS.

OMB Circular A-130 Management of Information Resources specifies that agencies must develop information systems that facilitate interoperability, application portability, and scalability of electronic applications across networks of heterogeneous hardware, software, and telecommunications platforms. Some regional client service centers have developed their own applications and tools to facilitate the workflow ITSS does not provide. For example, the National Capital

Region developed a dashboard application to create tracking numbers, and to support management decisions and reporting. Additionally, the Southeast Region developed a Microsoft Access database, Workflow application, and an eApproval application to perform similar functions.

We recommended that the FAS Commissioner should ensure that:

- A fully-functional procurement system is designed for FAS's Assisted Acquisition Service that incorporates a standardized procurement process. Specifically, the Assisted Acquisition Service needs to develop short-term actionable goals to address missing functionalities within ITSS and work toward a long-term solution for a procurement system.
- Standardized training is developed for ITSS system users.

The FAS Commissioner concurred with the report recommendations.

### Audit of GSA's Transition from FTS2001 to Networx

*Report Number A110086/O/F/F11007, dated September 22, 2011*

This audit found that the GSA's Office of the CIO (OCIO) did not complete the transition of GSA telecommunications services to Networx prior to the expiration of the FTS2001 contracts. Consequently, GSA remains partially dependent on antiquated telecommunications services that impede a seamless, secure, and interoperable federal telecommunications environment.

During the planning and execution of the transition process, the OCIO overlooked best practices suggested by the Government Accountability Office and the FAS Project Management Office. Specifically, the OCIO did not properly maintain its existing telecommunications inventory; therefore it was unavailable for verification during the process. GSA began its conversion after the Networx contract award using the Transition Baseline Inventory provided by the Networx Project Management Office. To compensate, the OCIO simultaneously validated the prior telecommunications inventory as it was moving to Networx.

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<sup>4</sup> FY 2011 Office of Inspector General Information Technology Security Audit of the SmartPay-Citibank System, Report Number A110095/Q/F/P11008 dated September 30, 2011.

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## Management Challenges

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### Information Technology (continued)

In the process, the OCIO is relying on the FAS to assist with migrating external customer agencies housed in GSA facilities. Also, GSA identified key agency personnel who would perform transition duties in addition to their existing responsibilities. Currently, GSA's OCIO is still moving GSA to Networx via FTS2001 bridge contracts.

We recommended that the CIO:

- Establish an inventory and an inventory management and validation system to ensure that telecommunications inventory records remain accurate; and
- Document identified internal setbacks, obstacles encountered, and the lessons learned during the transition from FTS2001 to Networx to facilitate the execution of future transitions.

The CIO concurred with the report recommendations.

### Greening Initiative – Sustainable Environmental Stewardship

*Under recent regulatory initiatives, GSA has additional responsibilities to lead change toward sustainability in federal construction, building operations, acquisition, and government-wide policy. The Agency, however, faces challenges in implementing its Strategic Sustainability Performance Plan and achieving its goal of a Zero Environmental Footprint. Three obstacles exist for successful implementation. First, GSA needs a transparent management framework to coordinate its business lines with its external partners. Second, GSA needs metrics that align effectiveness of actions with its mission. Third, GSA needs to capture accurate and complete data to monitor and evaluate sustainable activities.*

### Review of GSA Fleet's Monitoring of Alternative Fuel Vehicle Surcharge Payments

*Report Number A100188/Q/AIP11007, dated June 9, 2011*

Our review of Alternative Fuel Vehicle (AFV) surcharge payments disclosed that GSA's Fleet needs to improve its monitoring of these payments.

Fleet is a comprehensive leasing program that provides vehicles to customer agencies and offers complete management support over the lifecycle of those vehicles. To comply with the Energy Policy Act (EPACT) of 2005, Fleet charges an incremental cost to the customer agencies in the year an AFV is acquired. This incremental cost is assessed as an AFV surcharge.

All customer agencies leasing from Fleet had year-end balances (either positive or negative) resulting from their AFV surcharge payments in FY 2010. Fleet carried these balances into the following fiscal year, earmarking the funds for specific agencies. This allows customer agencies to continually over-obligate incremental surcharge payments, creating the opportunity for agencies to “park” funds with Fleet and placing GSA at risk of not complying with federal regulations. Agencies that use appropriated, fixed-year funds to pay their AFV surcharges could place GSA in violation of the Bona Fide Needs rule if GSA incurs an obligation against these expired funds. Furthermore, if a customer agency pays a future year's or previous year's AFV surcharge payment out of current-year funds, it is likely in violation of the Anti-Deficiency Act.

Also, in order to promote AFV utilization, the EPACT of 2005 requires that the financial burden associated with the purchase of AFVs be spread across the entire federal fleet. Fleet allocates EPACT-exempt agency payments directly back to those agencies. Instead, these payments should be collected to relieve the financial burden of AFV acquisitions across the entire federal fleet, not that of specific agencies.

We recommended that the FAS Commissioner:

- Modify AFV surcharge payment monitoring practices to ensure compliance with federal regulations; and
- Revise the current practice of allocating AFV surcharges paid by EPACT-exempt agencies to those specific agencies in an effort for these funds to benefit the entire AFV leasing program.

The FAS Commissioner concurred with the report recommendations.

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## Management Challenges

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### **American Recovery and Reinvestment Act of 2009**

*The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided GSA with a \$5.55 billion appropriation for its Federal Buildings Fund, and in accordance with the Act, GSA's PBS is using the funds to convert federal buildings into High-Performance Green Buildings as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandates that \$5 billion of the funds were to be obligated by September 30, 2010, and that the remaining funds are obligated by September 30, 2011. Under this mandate GSA's project teams have had to plan and contract for projects within extremely short timeframes. Even with the addition of new employees and contract support staff, meeting these deadlines has strained the capabilities of the project teams even before the beginning of actual construction for these projects. The GSA OIG is conducting oversight activities including internal audits, attestation engagements, and memorandums of construction and modernization projects funded by the Recovery Act.*

### **Recovery Act Report – Thurgood Marshall U.S. Courthouse Project Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090172/IP/R/R11012, dated August 19, 2011*

This audit disclosed that PBS exercised an option under this contract in a manner that represented a cardinal change to the contract and violated both Federal Acquisition Regulation (FAR) and Competition in Contracting Act of 1984 (CICA) requirements.

PBS exercised the construction phase option of this Construction Manager as Constructor (CMc) contract for a firm-fixed price of \$201,903,657, or nearly 60 percent more than the \$126,862,518 guaranteed maximum price (GMP). By not competing the award, PBS effectively made the option a sole source procurement. In addition, PBS based its price reasonableness determination on competition at the subcontractor level, and by comparing the proposed price to a government estimate that was not prepared independently.

We recommended that the PBS Commissioner ensure that controls are in place to prevent CMc construction options from being exercised at firm-fixed prices that exceed the agreed-upon GMP and that firm-fixed price contracts are negotiated in final prior to award.

The PBS Commissioner concurred with the report recommendations.

### **Recovery Act Report – Energy Retrofit for the New Carrollton Federal Building Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090184/IP/R/R11010, dated June 13, 2011*

Our audit of this \$11,681,779, minority owned business 8(a) acquisition disclosed a discrepancy between the award document and the underlying bid, as well as violations of GSA policy. We found that (1) the award document exceeded the underlying bid by \$4,863,443; (2) the price reasonableness determination was questionable because of the large variance between the independent government estimate and the award; and (3) there was an incomplete assessment of one energy conservation measure.

We recommended that the Regional Administrator, National Capital Region, ensure that the award amount is corrected. The Regional Administrator concurred with the report recommendation.

### **Recovery Act Report – Improper Obligation of Construction Contingency Funds Audit of GSA's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090172/IP/R/R11016, dated September 30, 2011*

This audit found that GSA improperly awarded two contract modifications for the Department of Commerce Building modernization project in the National Capital Region. These modifications obligated construction funds, but did not satisfy the specificity requirements of the Recording Statute. In addition, the modifications were not fully priced prior to execution, violating the FAR.

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## Management Challenges

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### **American Recovery and Reinvestment Act of 2009 (continued)**

Recovery Act funds are available for obligation provided they meet Recording Statute requirements. To incur an obligation, an agency must have documentary evidence of a binding agreement between the agency and a vendor for specific goods or work services to be provided. GSA issued these modifications to cover five broad categories of work without specifically defining the scope of work.

The FAR requires that all contract modifications, including change orders, be priced before they are executed unless delays would adversely affect the interests of the government. Similarly, the GSA Acquisition Manual states that the government can order a contractor to proceed with work on a price to be determined later (PDL) basis, if the necessity to proceed does not allow time to reach an agreement on a contractor's proposal. These modifications did not establish pricing prior to award even though they did not qualify for a FAR or a PDL exception.

We recommended that the PBS Commissioner develop and implement a methodology to review GSA contract modifications to ensure that obligations are valid. In performing the review, GSA should document the review methodology/process, track which actions were reviewed and by whom, record any improper obligations found, de-obligate unspent funds, and report the findings to the independent public accountant.

The PBS Commissioner concurred with the report recommendation.

#### **Memorandum: Purchase of Photovoltaic Panels (Made in China) with American Recovery and Reinvestment Act of 2009 Funds for the Paul Simon Federal Building in Carbondale, IL**

*Memorandum Number A090184-49, dated July 29, 2011*

Our review of the task order for the installation of photovoltaic panels at the Paul Simon Federal Building in Carbondale, IL disclosed the panels were assembled in China. Projects funded by the Recovery Act prohibit the use of foreign-made products.

PBS approved these panels because they were offered on an existing FAS Multiple Award Schedule contract as part of a larger system. In our opinion, this was an incorrect determination. The FAS schedule contract did not indicate that the system was compliant with Recovery Act requirements.

Although items on schedule must comply with the Trade Agreements Act (TAA) that does not necessarily mean that the items comply with the Recovery Act's Buy American requirements. The Recovery Act restricts the use of manufactured goods used as construction material. These Chinese-manufactured photovoltaic panels, even when offered on a schedule contract as part of a larger system, cannot be purchased with Recovery Act funds.

We advised that PBS and FAS take action to correct this situation and to preclude it from happening in the future.

FAS disagreed with our position and responded that PBS had used the schedule correctly. In addition, FAS asserted that, while the panels were foreign in origin, they were part of an overall system, and only the Bureau of Customs can make a determination regarding TAA compliance.

PBS responded that it has initiated corrective actions to address the issues we identified.

#### **Special Project Memorandum: Analytical Procedures for Evaluating Cost Proposals Received Under a Utility Energy Services Contract at Saint Elizabeths**

*Memorandum Number A090168-06, dated September 7, 2011*

As part of our ongoing oversight of the consolidation of the Department of Homeland Security's headquarters at the Saint Elizabeths Campus, we reviewed a utility energy services contract (UESC) task order awarded to the Washington Gas Light Company under GSA's area-wide utility contract. This task order, valued at \$33,330,327, provides for design and construction of the electrical distribution system.

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## Management Challenges

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### ***American Recovery and Reinvestment Act of 2009 (continued)***

In awarding this task, GSA had neither a basis for determining price reasonableness, nor a justification for using other than full and open competition. Additionally, funds were inappropriately “borrowed” from this task order to accomplish other work, thereby understating actual obligations - a violation of appropriations law.

A UESC is a special purpose contract that permits a government agency to contract directly with a utility provider to obtain a broad range of energy services. These contracts can be structured to permit private financing. In this case Recovery Act funds were used.

Contrary to the requirements of the FAR, GSA conducted only a limited cost analysis and no price analysis. As a result, they had no means of determining price reasonableness. The task was awarded at the proposed price with all allowances, contingencies, overhead, and markups accepted.

In addition, the task was modified to accomplish additional work. To pay for this, some task elements were deferred to an unspecified future funding period. However, the work to be set aside consisted of functions that must be completed in order to accomplish the purpose of the initial task. Effectively, the modification was not a substitution for, but an increase in, the scope of work. The net effect of this action was to under-record current period obligations, overstate the available fund balance, and create a potential \$1.6 million violation of the Antideficiency Act.

### ***Other Initiatives***

The FAR requires government contractors to disclose credible evidence of violations of federal criminal law under Title 18 of the United States Code and the False Claims Act to agencies' OIGs. To facilitate implementation of this requirement we developed internal procedures to process, evaluate, and act on these disclosures and created a website for contractor self reporting.

### **FAR Rule for Contractor Disclosure**

Effective December 12, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on a final rule amending the FAR. The final rule implements the Close the Contractor Fraud Loophole Act, Public Law 110–252, Title VI, and Chapter 1. Under the rule, a contractor must disclose, to the relevant agency's OIG, credible evidence of a violation of federal criminal law (e.g. 18 U.S.C. and the False Claims Act) including fraud, conflicts of interest, bribery, or the offering or acceptance of gratuities connected to the award, performance, or closeout of a government contract performed by the contractor or a subcontractor. The rule provides for suspension or debarment when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

### **Disclosures for this Reporting Period**

As disclosures are made, the OIG's Office of Audits, Office of Investigations, and Office of Counsel jointly examine each acknowledgment and make a determination as to what actions are warranted. During this reporting period, the OIG received eight disclosures and performed work on 27 existing disclosures. These disclosures were connected to employee fraud and inappropriate behavior as well as failures to comply with contract requirements related to sales practice disclosures, price reduction monitoring and employee qualifications. During this reporting period, the OIG concluded its evaluation of eight disclosures that resulted in \$109,636 of savings and recoveries to the government. The OIG also assisted on six disclosures that were referred by another agency because of their potential impact on GSA's operations.

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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 initiative actions and inspections 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 over \$130 million** (see Tables 5 and 6).

### Significant Initiatives, Civil Actions, and Criminal Investigations

#### Government Infrastructure Protection Initiative (GIPI)

The GSA OIG's Office of Investigations created the Government Infrastructure Protection Initiative (GIPI) to combat the proliferation of counterfeit software, information technology products and other business products in the federal supply chain, which could pose a significant vulnerability to the government's infrastructure. GSA OIG partnered with the Intellectual Property Rights Center operated by Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI). This partnership facilitates the identification of unscrupulous suppliers to protect government buyers.

#### Cisco Counterfeiters Convicted and Sentenced

During this reporting period, GSA OIG and ICE HSI agents culminated a year-long investigation of Chun-Yu Zhao, Donald Cone, and JDC Networking, Inc., on September 9, 2011, after Zhao (owner of JDC Networking) was sentenced to 60 months of imprisonment, three years of supervised release, and ordered to pay \$2,709,238 in restitution to the United States. In addition to this sentence, the judge ordered Zhao to be stripped of her U.S. citizenship. On August 18, 2011, Cone was sentenced to 30 months of imprisonment and three years of supervised release, and ordered to pay \$148,300 in restitution and a \$100 special court assessment fee. These sentences follow a 29-count indictment of four subjects in the Eastern District of Virginia, which charged the group with conspiracy, money laundering, wire fraud, immigration fraud, and intellectual property rights violations.

This investigation was initiated after Customs and Border Protection officers discovered counterfeit Cisco

equipment being imported for ultimate sale to GSA suppliers and at least one U.S. Government agency from a company based in Beijing, China. The subsequent joint GSA OIG and ICE HSI investigation revealed that the vendor was a naturalized U.S. citizen from China, who was using several addresses in northern Virginia to conduct business. A search warrant executed at the vendor's residence resulted in the seizure of additional counterfeit equipment and various documents, confirming that the company had supplied counterfeit Cisco products directly to the government and to a number of GSA suppliers.

In May 2011, Zhao and Cone were convicted after a three-week jury trial that resulted in three days of deliberations. The jury also returned a verdict for forfeiture of numerous assets associated with Zhao, including two Porsches, one Mercedes, seven bank accounts containing more than \$1.6 million, and four homes and three condominiums with a total value of more than \$2.6 million.

#### Supplier of Counterfeit Goods Sentenced

Babak Shirazi was sentenced to two years of federal probation, with the first nine months to be served in home detention under electronic monitoring, and to pay a \$7,500 fine and a \$100 special assessment. On February 15, 2011, Shirazi pled guilty to federal trafficking in counterfeit goods violations as the result of a joint investigation conducted by the GSA OIG and ICE HSI investigation that revealed that Shirazi purchased counterfeit Cisco computer parts abroad, imported them into the United States, and subsequently sold them to a GSA Multiple Award Schedule (MAS) vendor for sale. As a result of Shirazi's scheme, the vendor unwittingly sold \$27,000 of counterfeit parts to the Bureau of Land Management through GSA's MAS.

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## Promoting and Protecting Integrity

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

#### **Civil Recoveries**

The Office of Investigations consolidated investigative efforts related to civil recoveries involving qui tam filings, Federal Acquisition Regulation (FAR) disclosures, and Trade Agreement Act (TAA) violations in its Washington, D.C., field office. In recognition of the need to expand civil recovery efforts throughout its field offices, the GSA OIG formalized this initiative as a separate headquarters unit to make use of the expertise the organization has gained through previous successful investigations. The unit serves as a one-stop shop for expert information and advice that is necessary to conduct civil investigations, and which contributed to the successes outlined below.

#### **Accenture Agrees to \$63.7 Million Settlement to Resolve Claims**

On September 9, 2011, Accenture LLP agreed to pay the United States \$63.675 million, resolving allegations that it received kickbacks for its recommendations of hardware and software to the government, fraudulently inflated prices, and rigged bids in connection with federal information technology contracts. The lawsuit, filed in the U.S. District Court for the Eastern District of Arkansas, alleged that Accenture submitted or caused to be submitted false claims for payment under numerous contracts with federal agencies for information technology (IT) services.

#### **SAIC Agrees to Pay Government \$22.6 Million to Settle False Claims Act Claims**

On September 29, 2011, Science Applications International Inc., (SAIC), its subcontractor, Applied Enterprise Solutions (AES), AES CEO Dale Galloway, and former government employees Stephen Adamec and Robert Knesel agreed to pay the United States \$22,676,000 to resolve allegations that the defendants submitted false claims under a contract with GSA in support of the Naval Oceanographic Major Shared Resource Center. The contract, awarded in April 2004, was to provide support services for the National Center for Critical Information Processing and Storage at Stennis Space Center in Mississippi. GSA awarded the contract to SAIC, which teamed with Lockheed Martin and AES to perform the task order. SAIC will pay \$20,400,000, AES and Dale Galloway will pay \$2,166,000, and Adamec and Knesel will also pay

\$110,000. This settlement resulted from a joint qui tam investigation directed by the Department of Justice (DOJ) Civil Division and investigated by the GSA OIG, the Defense Criminal Investigative Service (DCIS), and the Naval Criminal Investigative Service (NCIS).

#### **FedEx Agrees to Pay \$8 Million to Resolve False Claims Allegations**

On April 29, 2011, Federal Express Corporation (FedEx) agreed to pay the United States \$8 million to resolve allegations that FedEx and its affiliates violated the False Claims Act by routinely falsifying security delays and other “excusable” delays at GSA and other government installations in order to prevent government customers from seeking a monetary refund for late deliveries. This investigation was initiated based on a whistleblower lawsuit filed by a former FedEx employee who, in the wake of the 2001, terrorist attacks in New York and Washington, D.C., observed the company’s couriers using “delivery exception codes” to reflect that increased security measures at government facilities were causing delays in the timely delivery of overnight FedEx packages. The lawsuit alleged that, even after heightened security measures subsided or became routine procedures for entering government locations, FedEx couriers continued to use the security-delay exception code in order to excuse their own failures to deliver priority overnight packages by the specified time of 10:30 AM and to avoid the obligation to reimburse government customers under the company’s money back guarantee. This settlement is the result of a GSA OIG qui tam investigation that was conducted in collaboration with the DOJ OIG and the Department of Agriculture OIG.

#### **Premier and Companies, Inc., and Palm Business Supply Agree to Settle False Claims Act Violations**

On April 14, 2011, Premier and Companies, Inc., agreed to pay the United States \$1,750,000, and on June 29, 2011, Palm Business Supply agreed to pay the United States \$135,000 to reserve false claims. These recoveries culminate the efforts of DOJ and the U.S. Attorney for the Southern District of California initiated after the completion of a GSA OIG qui tam investigation that revealed both Premier and Companies and Palm Business Supply knowingly misrepresented that their

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## Promoting and Protecting Integrity

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

products sold under government contracts were manufactured in the United States, when in fact many of the products were manufactured in the People's Republic of China, Thailand, and Taiwan in violation of the TAA.

#### **Criminal Investigations**

##### **Joint Investigation Leads to Guilty Plea and Return of \$2.3 million**

On September 8, 2011, Breck Taylor, former president of Red River Computer Company, Inc., pled guilty to federal wire fraud, attempted wire fraud, and conversion of government funds violations. Taylor was sentenced to 36 months of incarceration and ordered to forfeit \$431,949 in proceeds from his fraud scheme. This sentence follows a joint investigation conducted by the GSA OIG, DCIS, and the FBI that disclosed Taylor, while president, defrauded the government through dozens of contracts. In August 2011, Red River agreed to pay the government \$2.3 million to resolve claims that the company had also violated the False Claims Act.

##### **Investigation of Payphone Scam Uncovers \$1.2 Million in Fraud**

On April 13, 2011, two former employees of a payphone service provider were charged with federal conspiracy, wire fraud, money laundering, and criminal asset forfeiture violations. These charges resulted from a GSA OIG investigation worked jointly with the Internal Revenue Service Criminal Investigation that revealed the pair schemed to defraud the federal government, state agencies, and private businesses of \$1,200,000 by programming phones owned by their company to exploit the Federal Communications Commission (FCC) regulation allowing payphone service providers to collect \$0.49 for each such call completed from their payphones. The fraudulent fees were paid by subscribers of the toll-free numbers, which included GSA.

##### **Agents Uncover Scam to Use Payphones to Bilk Government and Private Companies of Millions**

On September 20, 2011, Nicolaos Kantartzis, president of Federal Telephone Company, Inc., pled guilty to federal wire fraud violations and subsequently forfeited \$2.8 million in proceeds from his fraud scheme. The plea and forfeiture were a result of an investigation,

initiated by the GSA OIG and worked jointly with the FBI, which disclosed that Kantartzis programmed approximately 160 payphones owned by his company to automatically dial toll-free numbers and exploit the FCC regulation allowing payphone service providers to collect \$0.49 for such calls made from their payphone. These fraudulent fees were paid by subscribers of the toll free numbers. Victims of this "dial around compensation" fraud scheme included GSA, a number of other federal agencies, and private businesses.

##### **GSA Building Manager Sentenced in Bribery Scheme**

On August 2, 2011, Gary Thompson, a GSA Building Manager, was sentenced to nine months' incarceration, three years of supervised release, 100 hours of community service, and a court-ordered forfeiture in the amount of \$55,000. This sentence follows a proactive GSA OIG investigation that identified several government employees and contractors involved in a bribery/kickback scheme. The investigation revealed that Thompson accepted over \$7,000 in cash bribe payments, over a period of several years, in return for maintenance contracts at GSA facilities.

##### **California Businessman Pleads Guilty to Bribery Conspiracy and False Tax Return**

On May 16, 2011, Jesse Denome, President of JD Machine Tech, Inc., pled guilty to a bill of information charging him with federal conspiracy, bribery, and tax violations. This plea is the result of a GSA OIG investigation conducted jointly with NCIS, DCIS, and the FBI which disclosed that Denome provided San Diego area government contracting officials with cash, mortgage payments, vehicle payments, credit card payments, and other items in exchange for contract awards. Charges against his conspirators are currently pending in the Southern District of California.

##### **Navy Petty Officer Convicted of Accepting Kickbacks**

On August 23, 2011, Logistics Specialist Petty Officer Brandon C. Washington, assigned to Naval Air Station Key West in Florida, was convicted of fraud in violation of the Uniform Code of Military Justice after a general court martial. Washington was subsequently sentenced to three months of confinement, forfeiture of \$2,900 in salary, a fine of \$2,400, a reduction in grade from E-5 to



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## Promoting and Protecting Integrity

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

E-1, and a bad conduct discharge from the Navy. The actions taken resulted from a joint investigation by the GSA OIG, NCIS, DCIS, and the FBI that revealed Washington accepted kickbacks of cash and gift cards from a vendor engaged in business with the Navy in exchange for making purchases from the vendor with a GSA Smartpay purchase card.

#### **Former GSA Employee Convicted and Denaturalized After Fraudulently Obtaining Citizenship**

On September 9, 2011, Wei Zhang, a former GSA Information Technology Specialist, was sentenced to 90 days of home confined electronic monitoring, two years of probation, a \$200 special assessment fee, and a fine of \$5,000. Zhang pled guilty to federal violations that she used her fraudulently-obtained citizenship to secure employment with GSA. The GSA OIG joined this ICE investigation after they reported that Zhang, a Chinese born national, was suspected of fraudulently obtaining her U.S. Naturalization Certificate from a Citizenship and Immigration Service official who had been convicted of accepting bribes in exchange for citizenship. She will be removed from the country upon completion of her sentence.

#### **Company President Sentenced After Failing to Supply Orders to Government**

On August 9, 2011, Gregory Jackson was sentenced to 18 months of incarceration, followed by 36 months of supervised release and ordered to pay \$321,997 in restitution to GSA. This sentence follows Jackson's June 1, 2011, guilty plea to a single federal theft of government funds violation. A GSA OIG investigation was initiated after the GSA Federal Acquisition Service (FAS) reported that Karson Distribution Company (KDC) failed to deliver products that GSA had purchased. A review of those orders disclosed that the vast majority were 40-60 days delinquent and that FAS repeatedly attempted to contact Jackson to secure delivery. FAS cancelled the outstanding orders and demanded that all GSA funds be returned. Jackson subsequently dissolved KDC and did not return the funds he received.

#### **Army Sergeant Pleads Guilty to Theft Scheme**

On May 12, 2011, former Army Sergeant Broomfield pled guilty to theft. Following his plea, on August 31,

2011, Broomfield was sentenced to 30 months of incarceration; three years of supervised release, and ordered to pay restitution of \$317,308. The conviction and sentencing follow a joint GSA OIG investigation involving the Army, Criminal Investigative Command, Major Procurement Fraud Unit, after it was determined that Broomfield ordered various items through the GSA Advantage program and had those items shipped to his residence. Special agents recovered property valued at \$92,000 that had been obtained through the scheme from his residence and a storage unit.

#### **Contract Employees for GSA Sentenced in Computer Theft Scheme**

On September 16, 2011, Dante Buggs and Ronald Boddie, two GSA IT contract employees, were sentenced to two months of incarceration, two years of supervised release, and ordered to pay a \$100 special court assessment fee. In addition, a forfeiture agreement was signed by both individuals to jointly pay \$1,600. In June 2011, the pair pled guilty to conspiracy and theft after a joint GSA OIG and Federal Protective Service investigation identified Buggs and Boddie as being responsible for the theft of approximately 40 GSA laptop computers from a GSA facility in Virginia, which were then sold to an unwitting purchaser.

#### **Contract Employee Pleads Guilty to Computer Theft**

On June 23, 2011, Andre Arrington, a former GSA IT contract employee, pled guilty to second degree theft in the Superior Court of the District of Columbia. Arrington was subsequently sentenced to one year of supervised release and 120 hours of community service, and ordered to pay \$400 in restitution to the Metropolitan Police Department (MPD) and a \$50 special assessment fee. GSA OIG and MPD had arrested Arrington in May after an MPD undercover storefront operation identified him as being involved in the sale of four laptop computers that were owned by GSA.

#### **GSA OIG Agents Uncover Scheme to Use Donated Aircraft Improperly**

On June 7, 2011, Darryl Reynolds, President of the Texas Firebirds Volunteer Fire Department (TFVFD), was sentenced after pleading guilty to making a false statement to the Federal Aviation Administration in

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## Promoting and Protecting Integrity

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

connection with an aircraft he obtained for the TFVFD through the Federal Surplus Property Program. Reynolds was sentenced to five months of incarceration, five months of home confinement, three years of supervised release, and a \$10,000 fine. Reynolds also forfeited his interest in the helicopters and fixed-wing aircraft he received through the program. This sentence follows a joint investigation conducted by the GSA OIG, DCIS, the Department of Transportation OIG, and the Texas Department of Public Safety, which revealed Reynolds received eight helicopters and one fixed-wing aircraft that the government donated through the Federal Surplus Property Program for the specific purpose of conducting law enforcement, aerial search and rescue, and firefighting operations. The investigation revealed that the aircraft had never been used for such operations.

#### **Company President Pleads Guilty to False Statements**

On June 29, 2011, Sean Roach, the president of Zebra Engineering Controls, pled guilty to a bill of information that charged him with making false statements after a joint investigation conducted by the GSA OIG and DCIS revealed that Roach falsely certified that he had paid all of his subcontractors in order to receive progress payments on a federal contract. By means of these false certifications, he obtained approximately \$68,000 to which he was not entitled.

#### **Interior Designer Sentenced After Defrauding ICE**

On July 13, 2011, Darlene Mathis-Gardner, president of Systems Design, Inc., was sentenced to 18 months of incarceration, three years of supervised release and 360 hours of community service, and ordered to pay \$389,738 in restitution. In April 2011, Mathis-Gardner had pled guilty to conspiracy and false claims after a joint GSA OIG and ICE Office of Professional Responsibility investigation revealed Mathis-Gardner and others misrepresented themselves as independent contractors, submitted false information as to their qualifications, and created fictitious documentation of the company's past performance in order to convince government officials that they were qualified to perform the GSA contract design work at the ICE Headquarters building. Based on these misrepresentations and false documents, the government awarded the company a contract worth approximately \$1.3 million.

#### **Former Region 9 Deputy Regional Commissioner Debarred**

On April 13, 2011, GSA's Suspension and Debarment Official debarred Daniel B. Voll from participating in federal procurement and non-procurement activities until June 7, 2013. Voll had previously retired as the Deputy Regional Commissioner for Region 9 Public Buildings Service and had been convicted of theft after a GSA OIG investigation revealed that between 2005 and 2009, he misappropriated GSA funds totaling approximately \$61,000.

#### **Auto Auctioneer Sentenced After "Title Laundering" Scheme Investigated**

On July 28, 2011, Danilo Santos pled guilty to grand theft and forgery in violation of Florida law. Santos was sentenced to five years of probation, ordered to surrender all passports, and ordered to pay full restitution and \$603 in special assessments. Santos immediately remitted \$300,000 to the victim in court. This sentence is the result of a joint GSA OIG and Miami Police Department investigation into allegations that Santos had been offering to sell luxury GSA Fleet vehicles below market price. The complainant paid Santos for this supposed merchandise, and was defrauded of approximately \$370,000. Subsequently, two additional victims were identified who paid Santos \$300,000 for a yacht he claimed he had obtained through a GSA Auction. Santos admitted to the fraud scheme, which he orchestrated by altering federal documents to sell yachts that he did not own. Santos was subsequently charged in Florida state court with Grand Theft, Organized Scheme to Defraud, Forgery, Uttering a Forged Instrument, and Unlawful Use of Indicia of Authority.

#### **Four Guilty in Scheme to Obtain Clean Vehicle Titles**

On May 20, 2011, June 1, 2011, and July 26, 2011, respectively, Jayeshkum Patel, Daniel Bass, and Babauk Harizavi pled guilty to mail fraud, in violation of federal law. On September 21, 2011, a federal jury found Jerry Weaver guilty of two counts of mail fraud. These convictions were obtained as the result of a joint investigation by the GSA OIG, the FBI, the U. S. Postal Inspection Service, the Texas Department of Transportation, and the National Insurance Crime Bureau. Agents learned that Harizavi, Bass, Patel, and

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## Promoting and Protecting Integrity

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

Weaver conspired to request and file fraudulent paperwork with the Texas Department of Motor Vehicles, using the mechanic's lien process to obtain clean Texas vehicle titles for damaged vehicles, including GSA Fleet vehicles that had been sold as salvage.

#### **\$670,000 in Federal Surplus Property Recovered**

In July 2011, John D. Horner, Chief of Mountain Fire Rescue (MFR) in Mountain Ranch, CA, returned surplus federal property valued at more than \$670,000 to the Defense Reutilization and Marketing Office after a GSA OIG investigation revealed that Horner and MFR inappropriately obtained most of its property through the Federal Surplus Personal Property Donation Program administered by the Department of General Services (DGS) for the State of California. The property returned included three armored personnel carriers, three gamma goat vehicles, and 41 pieces of body armor. DGS subsequently revoked Horner's and MFR's eligibility to participate in the surplus program.

#### **Joint Investigation Reveals Vehicle Repair Scam**

On September 15, 2011, Gregory Weis, owner of Columbia Auto Service, was sentenced to pay restitution in the amount of \$3,307 and pay a \$430 fine or serve 15 days in jail. This sentence follows his guilty plea to Michigan state misdemeanor counts of false pretenses. Weis had been initially charged with two felony and one misdemeanor false pretense violations as the result of a GSA OIG, Michigan Secretary of State, and Battle Creek Police Department investigation that revealed Weis' business performed unnecessary repairs to three government-owned vehicles in July 2010.

#### **Couple Sentenced After Using Fleet Cards to Steal \$298,780 in Fuel**

On September 27, 2011, Lanaire White was sentenced to 84 months of incarceration, three years of supervised release, and ordered to pay \$298,780 in restitution and a \$1,600 special court assessment fee. On June 6, 2011, White was convicted after a jury trial conspiracy; wire fraud; theft; theft of government property; unauthorized access device fraud; and firearms violations. His ex-wife, Colleen White, was sentenced to 41 months incarceration and three years of supervised release, and ordered to pay restitution in the amount of

\$298,780 and a \$100 special court assessment fee, after pleading guilty to conspiracy and wire fraud. These sentences were the result of proactive GSA OIG investigative efforts to identify suspicious purchases made at gas stations in the Hampton, VA, area where they observed Lanaire White using multiple fleet credit cards to fuel non-government vehicles. The credit cards were traced back to Colleen White, who had access to the cards through her employment in the Fort Monroe Motor Pool office. The total loss attributed to this fraud scheme was \$298,780.

#### **GSA OIG Investigation Leads to Indictment of Three in Fleet Card Scam**

During the time period of July 18-22, 2011, GSA OIG Special Agents arrested three subjects for felony theft stemming from their fraudulent use of a fleet credit card. The previous investigation leading to these arrests identified numerous unauthorized charges that had been made through a number of fleet cards associated with GSA lease vehicles assigned to Amtrak. Agents identified over \$35,000 in fraudulent charges. This case is being prosecuted by the Cook County State Attorney's Office in Cook County, IL.

#### **National Park Service Employee Serves Six Months Home Confinement for Credit Card Fraud**

On May 17, 2011, a National Park Service (NPS) maintenance worker was sentenced to six months of home confinement with electronic monitoring and three years' probation, and ordered to pay \$10,383 in restitution for federal violations stemming from his unauthorized use of fleet credit cards assigned to GSA vehicles that had been leased to the National Park Service. Previously, the maintenance worker pled guilty to a bill of information that was filed after GSA OIG Special Agents initiated an investigation after GSA Fleet Management reported suspicious fleet credit card transactions. Subsequent investigation revealed the credit cards were being used by an NPS employee to unlawfully purchase fuel for several privately owned vehicles and had made over \$10,000 of unauthorized purchases since 2000.

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## Promoting and Protecting Integrity

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

#### **Former Veterans Affairs Employee and Conspirator Sentenced for Credit Card Fraud**

On August 1, 2011, a federal district judge found Neal Fowler guilty of conspiracy and theft. Fowler was sentenced to five years probation and ordered to pay \$27,767 in restitution and a \$200 special assessment fee. Fowler's conspirator, Tatina Kyles, was also found guilty of conspiracy and theft and sentenced to five years of probation and ordered to pay a \$200 special assessment fee and an additional \$27,767 in restitution. The sentencing documents designated Fowler and Kyles as being jointly responsible for paying the restitution. These convictions and sentences resulted from a joint GSA OIG and Veterans Affairs (VA) OIG investigation that revealed Fowler (who was employed by the VA at the time of the fraud), inappropriately used his position to obtain access to a government fleet credit card and provide it to Kyles to use to purchase over \$27,000 in fuel for private vehicles. The VA terminated Fowler as a result of the investigation.

#### **Three Charged in Fleet Card Fraud Scheme**

On May 12, 2011, three people were indicted and charged with conspiracy and access device fraud, following a joint investigation conducted by the GSA OIG and the Fort Polk Military Police, which identified fraudulent fleet card charges made on vehicles that had been taken out of service for repairs or body work. Video surveillance identified three subjects making fuel purchases with the fleet credit cards. The individuals confessed and surrendered the fleet cards. The approximate loss to the government was \$30,000.

#### **Subject Charged After GSA OIG Identifies \$18,000 in Fraud**

On July 20, 2011, one person was indicted for theft of public money and property, trafficking in unauthorized access devices, and unauthorized sale with an access device. The investigation leading to this indictment was initiated after the GSA Fleet Loss Prevention Team alerted the GSA OIG of suspicious transactions being made with a GSA fleet credit card. GSA OIG Special Agents subsequently identified the person responsible for the transactions and recovered the stolen credit card. The approximate loss to the government was \$18,000.

#### **GSA OIG Establishes Intelligence Program to Enhance Investigative Capabilities**

In January of 2011, the Office of Investigations developed a Criminal Intelligence program. The mission of the program is to provide direct investigative support to special agents in regional field offices. The unit acts as a force multiplier by consolidating investigative databases, analytical expertise and GSA information systems access management into one functional unit. Through a Memorandum of Understanding with the Financial Crimes Enforcement Network (FinCEN), the unit also provides access to Bank Secrecy Act data. The program enhances the effectiveness of special agents by providing timely, relevant, and incisive intelligence products which allow special agents to focus greater resources on field operations. The program receives an increasing number of requests for support and has demonstrated sustained results with responsive information of investigative value. The Criminal Intelligence program will continue to improve services for the Office of Investigations by expanding the array of available investigative tools.

#### **Works Progress Administration (WPA) Art Recovery Project**

GSA is the custodian of the many works of art produced through the Works Progress Administration (WPA). Since the United States commissioned countless pieces of art during the New Deal era, many precious historical pieces have unlawfully made their way into the marketplace and collectors' hands. The OIG has continued to work closely with the Public Buildings Service, Fine Arts Program Office, to identify and recover lost and stolen American Cultural Property produced at government expense during the New Deal era. We also continued our campaign to more widely publicize recovery efforts. On May 31, 2011, the Public Broadcasting Service program, The Antiques Road Show, aired a segment concerning our art recovery efforts, and we immediately observed an increase in the numbers of reports relating to WPA artwork improperly remaining in public hands.

Our accomplishments during this reporting period include six recoveries of lost artwork which include The Welder by Lee Fredriksen; Iris Garden, by Anne

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## Promoting and Protecting Integrity

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

Fletcher; Scrub Woman, by Gustave Hildebrand; Granny, by Leo McMillan; and Tear Station, 40 Below, and Tears Station, 40 Below by Arthur Kerrick. In addition, at least 20 other potential WPA pieces of art were identified, and the GSA OIG is working with the GSA FAP to either facilitate their return to GSA or update lending agreements with the current possessors such as public institutions, art galleries, and museums.

The recovery of one of the paintings, Iris Garden, occurred after the possessor watched the May 31, 2011, episode of The Antiques Road Show which presented a story on the GSA OIG's efforts to reclaim WPA artwork that is no longer in the government's custody. The possessor immediately contacted the GSA OIG and advised he wished to return the painting that had been in his possession since he was a child. He related that he obtained the painting in 1970 after the Berryville, VA High School building was set to be demolished and the Clarke County School Board invited representatives from each school in the county to take whatever it wanted from the building. The principal of Boyce Elementary School asked the possessor and a friend, who were both 12 years old at the time, to accompany him to the school to help load items the principal thought would benefit their school. As a reward for their efforts, the principal told the boys they could keep whatever they could carry out of the building on one trip. The possessor carried out a framed print of Gilbert Stuart's unfinished painting of George Washington and an unsigned painting entitled Iris Garden. The painting remained in his possession ever since.

### **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 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 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 180 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 91 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 44 briefings attended by 335 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 1,125 Hotline contacts. Of these contacts, 209 Hotline cases were initiated. In 71 of these cases, referrals were made to GSA program officials for review and action as appropriate, 39 were referred to other federal agencies for follow up, 98 were referred for OIG criminal/civil investigations or audits, and 5 did not warrant further review.

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## *Forensic Auditing, Evaluation, and Analysis*

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### ***Forensic Auditing***

- The Forensic Auditing function employs innovative auditing and investigative strategies to assess situations in which fraud is suspected, detect fraudulent activities, and provide evidence that meets the standard of proof required by criminal courts. During this period, Forensic Auditing continued to provide extensive data mining and analysis in support of joint activities with the Office of Investigations, continued three proactive fraud detection projects initiated in prior reporting periods, and commenced two new proactive reviews. Proactive initiatives this period resulted in one referral to the Office of Investigations for further investigation, with additional referrals anticipated.

### ***Evaluations & Analysis***

- The Evaluation and Analysis function conducts operational assessments of OIG field offices and operating components. During this reporting period,

Evaluation and Analysis conducted two operational assessments of OIG field offices and completed the Federal Managers Financial Integrity Act (FMFIA) Internal Control Review and FMFIA Annual Assurance statement.

### ***Statistical Support***

- The Statistical Support function continued to provide assistance in statistical sampling and data analysis to the OIG auditors and investigators. Efforts focused on assembling operational and performance data from across OIG offices to produce integrated assessments in support of Evaluation and Analysis field office reviews. Additionally, a historical evaluation of GSA Fleet operational costs was initiated, as well as, a comprehensive analysis of OIG audit and investigative monetary results and False Claims Act settlements. Staff also continued to provide assistance in responding to informational and congressional requests.

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## Government-Wide Policy Activities

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We regularly provide advice and assistance on government-wide 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 government-wide policies and programs, most of the legislation and regulations reviewed invariably affect government-wide issues in areas such as procurement, property management, travel, and government management and information technology systems. To ensure the auditor's independence when performing subsequent audit work, we participate in Agency task forces, committees, and working groups in an observer or advisor capacity.

### Interagency Committees and Working Groups

We participated in a number of interagency committees and working groups that address government-wide issues that cut across agency lines:

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The Inspector General is a member of the Investigations Committee, Professional Development Committee, and Homeland Security Roundtable.
- **Federal Audit Executive Council Contracting Committee.** The Assistant Inspector General for Audits and the Deputy Assistant Inspector General, Acquisition Programs Audit Office, participate in the Federal Audit Executive Council Contracting Committee, created in December 2007. This Committee provides a forum to share information about, and coordinate audits of, significant contracting and procurement issues of interest to the OIG community and the federal government as a whole. The Committee also develops and recommends best practices to be used by OIGs in addressing contracting issues.
- **Financial Fraud Enforcement Task Force's Recovery Act, Procurement, and Grant Fraud Working Group: Public and Private Sector Outreach Committee.** The U.S. Attorney General's Financial Fraud Enforcement Task Force collaborates with federal agencies and state and local partners to prevent, detect, and prosecute financial fraud. In recognition of the important perspectives on fighting fraud brought by state and local governments as well as the private companies, the Public and Private Sector Outreach Committee of the Task Force, co-chaired by Inspector General Miller and U.S. Department of the Treasury Inspector General Eric

Thorson, has been reaching out through discussions and meetings with various audiences throughout the country. During this reporting period, IG Miller made presentations to GSA contractors and employees at the GSA Expo and the Association of Inspectors General. IG Miller also met with officials in Massachusetts Attorney General Martha Coakley's office, the National Association of Attorneys General, and Colorado Attorney General John Suthers to discuss developing partnerships in fighting fraud. These partnerships will facilitate information sharing about disreputable individuals and companies. GSA OIG has already been sharing information with federal, state, and local partners through a quarterly report containing criminal convictions and civil settlements as well as an interactive map linking state and local websites that contain information on disreputable individuals and companies.

- **Government Infrastructure Protection Initiative (GIPI).** The GSA OIG's Office of Investigations initiated the Government Infrastructure Protection Initiative (GIPI) to combat the proliferation of counterfeit software, information technology products and other business products in the federal supply chain, which could pose a significant vulnerability to the government's infrastructure. GSA OIG partnered with the Intellectual Property Rights Center operated by ICE, Homeland Security Investigations.

During this reporting period, IG Brian Miller began efforts to increase public awareness, open lines of communication, and better coordinate with private industry on this growing problem. On July 21, 2011, IG Miller spoke at an Alliance for Grey Market and Counterfeit Abatement meeting in Newport, RI. He also met with Cisco senior legal and management officials in San Francisco in August 2011. Additionally, senior management officials from the Office of

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## Government-Wide Policy Activities

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

Investigations participated in cross-sector roundtable discussions on how to better protect the government supply chain from the dangers associated with counterfeiting.

- **Regional Procurement Fraud Working Group.** The Special Agent in Charge and the Regional Inspector General for Audits in our Heartland Region Office participate in the quarterly meetings of the Western District of Missouri and Kansas Regional Procurement Fraud Working Group (Working Group). The goal of the Working Group is to detect, prevent, and prosecute procurement fraud. The meetings are chaired by the Chief of the Fraud and Corruption Unit of the U.S. Attorney's Office for the Western District of Missouri, and attended by attorneys, agents, and auditors from various federal government agencies. Members of this group include representatives from the Department of Justice, the Regional Field Office of the FBI, and the Region's Offices of Inspectors General. In addition to increasing the contact, and improving the communication, between agencies and the U.S. Attorney's Offices, these meetings have resulted in innovative methods to identify and prosecute fraud and have brought about the development of collaborative cases among different government agencies.
- **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 workpaper management system that strengthens the audit process and increases the efficiency of our auditors.
- **Interagency Fraud and Risk Data Mining Group (IFRDMG).** The Office of Forensic Auditing, Evaluation, and Analysis, is a participating member of the IFRDMG, and hold an executive committee board member position in guiding the future of this group. The IFRDMG collaborates the efforts of investigators and auditors across the federal Inspector General community for the purpose of sharing best practices and evaluating the latest data mining and risk

modeling tools and techniques to detect emerging risks and patterns.

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

During this reporting period, the OIG reviewed numerous legislative matters and proposed regulations. We also responded to requests from Congressional members on behalf of their constituents. Additionally, we issued 35 subpoenas in support of our audit, inspection, evaluative, and investigative work. The OIG also made substantive comments on several proposed laws and regulations.

### **Testimony**

On April 14, 2011, the Inspector General testified before the Subcommittee on Economic Development, Public Buildings and Emergency Management of the House Transportation and Infrastructure Committee at a hearing entitled, "Richard H Poff Federal Building Renovation: Is it Costing the Taxpayer Too Much?" The hearing focused on GSA's use of Recovery Act funds for the renovation and modernization of the Richard H. Poff Federal Building in Roanoke, Virginia. The Inspector General's testimony focused on two issues: GSA's award of a contract for construction services for the Richard H. Poff Federal Building without adequate price competition, in violation of the Competition in Contracting Act, and GSA's decision to proceed with building renovations before it had completed a cost benefit analysis.

### **Intra-agency Task Forces, Committees, and Working Groups**

The OIG provides advice and counsel to GSA while monitoring ongoing Agency initiatives. Our representatives advise management of potential problems at the earliest possible opportunity. Our purpose is to help ensure that appropriate management controls are in place when installing new, or modifying existing, Agency systems, and to offer possible solutions when addressing complex financial and operational issues.



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## Government-Wide Policy Activities

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### ***Intra-agency Task Forces, Committees, and Working Groups (continued)***

Our participation with the Agency on task forces, committees, and working groups—typically as nonvoting advisory members—allows us to contribute our expertise and advice, while improving our familiarity with the Agency’s rapidly changing systems. However, the nature of our involvement does not preclude our ability to independently audit Agency programs.

During this period we were involved with:

- **The Multiple Award Schedule Working Group.** This group was established as a result of an OIG report released in August 2001 on MAS pricing practices. Its membership is primarily comprised of representatives from the FAS and the OIG, along with representatives from the Office of the Chief Acquisition Officer and ad hoc members from other GSA components. It serves as an effective communications

channel for both broad policy issues and specific matters having to do with particular contracts. The Working Group has focused on OIG preaward audits, as well as MAS negotiation issues. It has also developed guidance for MAS contracting officers (COs) regarding how best to use our preaward audits. Further, it has reinvigorated the process by which FAS and the OIG collaboratively select and commence preaward attestation engagements of contractors, and has built into this process a specific mechanism which allows COs to request audits of individual contractors. It also focuses on issuing guidance to COs regarding negotiation objectives and how to handle discrete MAS negotiation issues. The Working Group also provided input to FAS in support of its efforts to upgrade and enhance pricing performance measures on MAS contracts.

## Statistical Summary of OIG Accomplishments

### Reports Issued

The OIG issued 81 reports. The 81 reports contained financial recommendations totaling \$285,694,165 including \$220,167,642 in recommendations that funds be put to better use and \$65,526,523 in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

well as the status of those reports as of September 30, 2011. Table 1 does not include four implementation reviews that were issued during this period because they are excluded from the management decision process. Table 1 also does not include two reports excluded from the management decision process because they pertain to ongoing investigations.

### Management Decisions on Reports

Table 1 summarizes the status of the universe of reports requiring management decisions during this period, as

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

	Number of Reports	Reports with Financial Recommendations*	Total Financial Recommendations
<i>For which no management decision had been made as of 04/01/2011</i>			
Less than six months old	20	8	\$30,495,361
Six or more months old	1	1	\$494,639
Reports issued this period	77	52	\$285,694,165
<b>TOTAL</b>	<b>98</b>	<b>61</b>	<b>\$316,684,165</b>
<i>For which a management decision was made during the reporting period</i>			
Issued prior periods	21	9	\$30,990,000
Issued current period	49	36	\$235,677,102
<b>TOTAL</b>	<b>70</b>	<b>45</b>	<b>\$266,667,102</b>
<i>For which no management decision had been made as of 09/30/2011</i>			
Less than six months old	28	16	\$50,017,063
Six or more months old	0	0	\$0
<b>TOTAL</b>	<b>28</b>	<b>16</b>	<b>\$50,017,063</b>

\*These totals include audit reports issued with both recommendations that funds be put to better use and questioned costs.

## Statistical Summary of OIG Accomplishments

### Management Decisions on Reports with Financial Recommendations

Tables 2 and 3 present the reports 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 Reports with Recommendations that Funds be Put to Better Use**

	Number of Reports	Financial Recommendations
<i>For which no management decision had been made as of 04/01/2011</i>		
Less than six months old	6	\$30,246,424
Six or more months old	1	\$494,639
Reports issued this period	36	\$220,167,642
<b>TOTAL</b>	<b>43</b>	<b>\$250,908,705</b>
<i>For which a management decision was made during the reporting period</i>		
Recommendations agreed to by management based on proposed –		
Management action	32	\$201,511,071
Legislative action		
Recommendations not agreed to by management	0	\$0
<b>TOTAL</b>	<b>32</b>	<b>\$201,511,071</b>
<i>For which no management decision had been made as of 09/30/2011</i>		
Less than six months old	11	\$49,397,634
Six or more months old	0	\$0
<b>TOTAL</b>	<b>11</b>	<b>\$49,397,634</b>

## Statistical Summary of OIG Accomplishments

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

	Number of Reports	Questioned Costs
<i>For which no management decision had been made as of 04/01/2011</i>		
Less than six months old	3	\$248,937
Six or more months old	0	\$0
Reports issued this period	25	\$65,526,523
<b>TOTAL</b>	<b>28</b>	<b>\$65,775,460</b>
<i>For which a management decision was made during the reporting period</i>		
Disallowed costs	20	\$65,156,031
Cost not disallowed	0	\$0
<b>TOTAL</b>	<b>20</b>	<b>\$65,156,031</b>
<i>For which no management decision had been made as of 09/30/2011</i>		
Less than six months old	8	\$619,429
Six or more months old	0	\$0
<b>TOTAL</b>	<b>8</b>	<b>\$619,429</b>

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## Statistical Summary of OIG Accomplishments

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### Investigative Workload

The OIG opened 123 investigative cases and closed 110 cases during this period. In addition, the OIG received and evaluated 89 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 to 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.

During this period, the OIG also made 11 referrals to GSA officials for information purposes only.

### Actions on OIG Referrals

Based on these and prior referrals, 32 cases (56 subjects) were accepted for criminal prosecution and 9 cases (9 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 49 indictments/informations and 39 successful prosecutions. OIG civil referrals resulted in 10 case settlements. Based on OIG administrative referrals, management debarred 38 contractors/individuals, suspended 53 contractors/individuals, and took 12 personnel actions against employees.

**Table 4. Summary of OIG Referrals**

Type of Referral	Cases	Subjects
Criminal	55	83
Civil	19	29
Administrative	58	77
Suspension	14	44
Debarment	24	136
<b>TOTAL</b>	<b>170</b>	<b>369</b>

## Statistical Summary of OIG Accomplishments

### Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, recoveries, forfeitures, judgments, and restitutions payable to the U.S. Government as a result

of criminal and civil actions arising from OIG referrals. Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities.

**Table 5. Criminal and Civil Recoveries**

	Criminal	Civil
Fines and Penalties	\$1,322,215	
Settlements		\$98,546,000
Recoveries		
Forfeitures	\$14,317,565	
Seizures	\$1,480	
Restitutions	\$12,833,307	
<b>TOTAL</b>	<b>\$28,524,567</b>	<b>\$98,546,000</b>

**Table 6. Other Monetary Results**

Administrative Recoveries	\$3,167,973
Forfeitures	0
<b>TOTAL</b>	<b>\$3,167,973</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, GAO and IG Audit Response Branch, 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 identified in prior reports to the Congress have not yet been fully implemented. These audits are being implemented in accordance with currently established milestones.

### **Consistency in Implementing Policy Across Acquisition Centers - Temporary Extensions**

Period First Reported: October 1, 2010 to March 31, 2011

The objective of the audit was to determine if FAS acquisition centers are consistently implementing and adhering to regulations, policies, and procedures regarding temporary extensions. The report contained three recommendations, which have not been implemented.

The recommendations involve FAS ensuring consistency in implementing and adhering to regulations, policies, and procedures regarding temporary extensions; remedying potential financial and competition issues by examining the contracts with performance period lapses identified in this report; and improving FAS's ability to manage and reduce the need for temporary extensions within the MAS program. They are scheduled for completion by April 15, 2012.

### **FY 2010 FISMA Review of GSA's Information Technology Security Program**

Period First Reported: October 1, 2010 to March 31, 2011

The objective of the audit was to determine if GSA has developed, documented, and implemented an agency-wide information security program. The report contained four recommendations; three have not been implemented.

The recommendations involve the OCIO working with system security officials to prioritize the implementation of audit logging and monitoring controls for GSA systems; ensuring that the multi-factor authentication is in place for all remotely-accessed systems; and implementing an encryption solution for agency laptops that integrates into GSA's network environment. They are scheduled for completion by January 15, 2012.

### **Information Technology Security Audit of the Information Technology Solution Shop (ITSS) System**

Period First Reported: October 1, 2010 to March 31, 2011

The objective of the audit was to determine if FAS has implemented management, operational, and technical security controls to effectively manage risks inherent with a "moderate" risk system, in accordance with FISMA and GSA's IT Security Program. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves FAS implementing two-factor authentication for remote access by the ITSS system administrators. It is scheduled for completion by February 15, 2012.

### **FY 2010 Information Technology Security Audit of the Electronic Acquisition System (EAS)/Comprizon**

Period First Reported: October 1, 2010 to March 31, 2011

The objective of the audit was to determine if PBS has implemented management, operational, and technical security controls to effectively manage risks inherent with a "moderate" risk system, in accordance with FISMA and GSA's IT Security Program. The report contained two recommendations; one has not been implemented.

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

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The remaining recommendation involves PBS addressing the system security vulnerabilities identified in this report to ensure that GSA IT Security Policy is followed and that system hardening guides are properly implemented for all system components. It is scheduled for completion by November 15, 2011.

### **Audit of the General Services Administration's Fiscal Year 2010 Financial Statements**

Period First Reported: October 1, 2010 to March 31, 2011

The objective was to conduct an audit of GSA's consolidated balance sheet, the individual balance sheet of the Federal Building Fund and the Acquisition Service Fund, the related consolidated and individual statement of net cost, the changes in net position and the combined and individual statements of budgetary resources for fiscal year 2010. The report contained 117 recommendations; 28 have not been implemented.

The remaining recommendations involve the Office of the Chief Financial Officer (OCFO) working with agency officials to correct significant deficiencies related to: (1) controls over budgetary accounts and transactions; (2) controls over accounting and reporting of general property and equipment; (3) controls over accounting and reporting of environmental liabilities; (4) controls over revenue and expense recognition policies in the Federal Acquisition Services Fund; and (5) general and application controls over financial management systems. They are scheduled for completion by July 15, 2012.

### **Multiple Award Schedule Vendors' Invoicing Practices Relative to Prompt-Payment Discounts**

Period First Reported: October 1, 2009 to March 31, 2010

The objective of the audit was to determine the extent to which the government may be at risk of losing Prompt Payment Discount (PPD) savings as the result of MAS vendors citing incorrect payment terms on their invoices. The report contained seven recommendations; one has not been implemented.

The remaining recommendation involves the FAS seeking recoveries, when economical, advisable, and feasible from MAS vendors when there is a failure to cite contractual PPD terms on invoices. It is scheduled for completion by December 15, 2011.

### **Opportunities Exist to Improve GSA's Implementation of the E2 Travel System**

Period First Reported: October 1, 2009 to March 31, 2010

The objective of the audit was to determine whether GSA's implementation of the E2 system is effectively and efficiently meeting management and user needs, including program and financial requirements, and the achievement of intended goals and benefits for an e-Government travel management system. The report contained two recommendations, which have not been implemented.

The recommendations involve the Chief Financial Officer (CFO) taking the necessary actions to improve system usability and controls for system operations across GSA. They are scheduled for completion by January 15, 2012.

### **GSA's Fiscal Year 2009 Financial Statements**

Period First Reported: October 1, 2009 to March 31, 2010

The objective of the audit was to provide a report on internal controls over financial reporting, including safeguarding assets and compliance with laws and regulations, and if necessary, to report instances in which GSA's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996. The report contained 85 recommendations; 3 have not been implemented.

The remaining recommendations involve the CFO working with other agency officials to: develop and implement a process to review and document a periodic review of PBS portal audit logs identifying access violations; update web server to restrict arbitrary HTML/

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

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Code to address cross-site scripting issues; and strengthen the effectiveness of OCFO policies and FAS monitoring obligations including year-end cut-off procedures to reserve outstanding obligations related to minimum revenue guarantees (MRG) as of September 30, 2009 for the WAN Program. They are scheduled for completion by May 15, 2012.

### **Consistency in Implementing Policy Across Acquisition Centers**

Period First Reported: April 1, 2009 to September 30, 2009

The objectives of the audit were to determine if policy and related guidance for the MAS Program are being implemented effectively by the Acquisition Centers (Centers), and to identify best practices for use by the Centers. The objectives were further narrowed to focus on pricing, including rate escalation and price adjustment. The report contained four recommendations; three have not been implemented.

The remaining recommendations involve FAS developing and implementing policy and training for acquisition personnel on a number of subjects, including most favored customer pricing, the use of cost analyses, and the use of volume discounting during negotiations; assessing the viability of developing or establishing resources at the national level to support contracting officers in all Centers; and ensuring the accuracy of contract information published in GSA Advantage. They are scheduled for completion by January 15, 2012.

### **Performance Measurement Improvements for the MAS Program**

Period First Reported: April 1, 2009 to September 30, 2009

The objective of the audit was to determine if the FAS has performance measures for MAS contracting officers that stress the importance of contract quality, including pricing, and if not, to identify potential performance measures FAS could implement to ensure that MAS contracts reflect the intent and goals of the Schedules program. The report contained three recommendations, which have not been implemented.

Two recommendations involve the development of organizational measures emphasizing the importance

of pricing to the Schedules program, and price analysis for risk-based sample of proposed awards or modifications for FY 2010 and future scorecards. The third recommendation focuses on the establishment of an internal review program that can quantifiably assess whether MAS contracts meet requirements for quality in terms of compliance with laws, regulations and guidelines. They are scheduled for completion by February 15, 2012.

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

Period First Reported: April 1, 2008 to September 30, 2008

The objectives of the audit were to assess the effectiveness of controls over GSA systems and data and to address specific questions and reporting requirements identified by OMB. Four systems were reviewed, including one contractor system, to assess implementation of GSA's IT Security Program. The report contained five recommendations; one has not been implemented.

The remaining recommendation involves the GSA Chief Information Officer taking actions to expedite the implementation of encryption of mobile devices and two-factor authentication, and work with the Office of the Chief People Officer to promptly fulfill responsibilities for implementing a comprehensive breach notification policy. It is scheduled for completion by November 15, 2011.

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

Period First Reported: October 1, 2007 to March 31, 2008

The objectives of the audit were to determine if GSA: manages sensitive personal information in accordance with legal and regulatory requirements, including e-Government provisions for privacy controls; has implemented technical, managerial, and operational privacy-related controls to effectively mitigate risks inherent to Privacy Act systems of records; and, has established procedures and automated mechanisms to

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

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verify control efficacy. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves ensuring that the Privacy Act Program is integrated with the agency's security program.

### ***Multiple Award Schedule Program Contract Workload Management***

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

The objective of the audit was to determine if the Federal Acquisition Service was effectively managing the workload associated with processing contract actions in the Schedules program. The report contained ten recommendations; four have not been implemented.

The remaining recommendations involve 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 (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 by April 15, 2012.

## *Appendix II–Audit Report Register*

Date of Report	Report 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.)				
<b><i>PBS Internal Audits</i></b>				
06/13/11	A090184	Recovery Act Report-Energy Retrofit for the New Carrollton Federal Building Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009		
08/18/11	A110171	Limited Scope Review of Southern Maryland Courthouse Annex Project		
08/19/11	A090172	Recovery Act Report - GT "Mickey" Leland Federal Building Renovation Project: Construction Contract, Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		
08/19/11	A090172	Recovery Act Report - Thurgood Marshall U.S. Courthouse Project, Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		
09/27/11	A110193	Implementation Review - Review of Cost Estimates for the Los Angeles Courthouse Project, Report Number A080125/P/R/R09001, June 23, 2009		
09/30/11	A110114	FY 2011 Office of Inspector General Information Technology Security Audit of the Electronic Project Management System		
09/30/11	A090172	Recovery Act Report - Improper Obligation of Construction Contingency Funds Review of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		
09/30/11	A090169	Recovery Act Report - Installation of Foreign Bollards at Scobey Land Port of Entry Review of PBS's Reimbursable Work Authorization Projects Funded by the American Recovery and Reinvestment Act of 2009		\$4,588

## Appendix II—Audit Report Register

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<b><i>PBS Contract Audits</i></b>				
04/14/11	A110106	Review of Proposed Rental Rate Increase Lease Number GS-06P-40004, Internal Revenue Service Center, 315 West Pershing Road, Kansas City, Missouri		\$144,778
05/17/11	A100183	Examination of a Claim: Moshe Safdie and Associates, Inc., Contract Number GS-01P-99-BWC-0016		
05/24/11	A110104	Examination of Cost Accounting Standards Board Disclosure Statement: White Construction Company, Contract Number GS-07P-06-UEC-0059		
06/01/11	A110070	Examination of a Claim: Bergelectric Corporation, Subcontractor to Caddell Construction Co., Inc. Contract Number GS-07P-05-UEC-3003		
06/10/11	A110121	Examination of Cost Accounting Standards Board Disclosure Statements: Pepper Construction Group, LLC, Contract Numbers GS-05P-09-GB-C-0031 and GS-05P-09-GB-D-0015		
06/27/11	A080142	Preaward Review of a Claim: Dick Corporation, Contract Number GS-04P-01-EXC-0044		\$8,252,950
06/29/11	A080211	Preaward Review of a Claim: John J. Kirlin, Inc., Contract Number GS-04P-01-EXC-0044		
07/06/11	A110098	Examination of a Claim: KenMor Electric Company L.P., Subcontractor to W.G. Yates & Sons Construction Company, Contract Number GS-07P-05-URC-5007		
07/08/11	A110132	Preaward Examination of Architect-Engineer Proposal: Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS11P10MKC0050		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
07/08/11	A110132	Preaward Examination of Architect-Engineer Proposal: R.A.Heintges & Associates, Subcontractor to Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS11P10MKC0050		
07/14/11	A110140	Preaward Examination of Architect/Engineering Proposal: Lehman Smith McLeish, PLLC, Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11P10MKC0050		
07/22/11	A080188	Review of a Claim: Dynalectric Company, Subcontractor to Dick Corporation, Contract Number GS-04P-01-EXC-0044		
07/25/11	A100174	Examination of a Claim: Leon D. DeMatteis Construction Corporation, Contract Number GS-02P-04-DTC-0032(N)		
07/27/11	A100170	Examination of a Claim: Caddell Construction Company, Incorporated, Contract Number GS-07P-05-UEC-3003		
08/03/11	A100182	Preaward Examination of O&M Services Contract: Security Construction Services, Inc., Solicitation Number GS-01P-10-BW-C-0026 (NEG)		
08/04/11	A110133	Preaward Examination of Architect Engineer Proposal: Arup USA, Inc., Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11P10MKC0050		
08/10/11	A110102	Examination of a Claim: W.G. Yates & Sons Construction Company, Contract Number GS-07P-05-URC-5007		
08/15/11	A110180	Examination of Architect and Engineering Services Contract: RTKL Associates, Inc., Contract Number GS-11P-11-MK-C-0045		
08/17/11	A110195	Report on Independent Audit (Adequacy Review) of J.E. Dunn Construction Co.-Midwest Initial Disclosure Statement Effective January 1, 2010		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
08/22/11	A090196	Review of Construction Management Services Contract: Bovis Lend Lease LMB, Inc., Contract Number GS-02P-04-DTC-0028(N), Options Number 3, 5, and 6		
09/01/11	A110182	Examination of a Termination Settlement Proposal: Hensel Phelps Construction Company, Contract Number GS-04P-10-BV-C-0065		
09/06/11	A100194	Preaward Examination of Cost or Pricing Data: Mitigation Technologies, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)		
09/08/11	A110021	Examination of a Claim: Myrex Industries, Subcontractor to Caddell Construction Company, Incorporated, Contract Number GS-07P-05-UEC-3003		
09/08/11	A080166	Preaward Review of a Claim: Keenan Development Associates, City of College Park and the College Park Business Industrial Development Authority, Lease Numbers GS-04B-30123 and GS-04B-33016		
09/12/11	A110146	Examination of Conversion Proposal: White Construction Company, Contract Number GS-07P-06-UEC-0059		
09/28/11	A100108	Review of Construction Management Services Contract: Bovis Lend Lease LMB, Inc., Contract Number GS-02P-07-DTC-0009(NEG), Modification Number PS05		

### *FAS Internal Audits*

05/18/11	A100123	Audit of the Information Technology Solutions Shop (ITSS) System Performance and Functionality		
06/09/11	A100188	Review of GSA Fleet's Monitoring of Alternative Fuel Vehicle Surcharge Payments		



## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
06/23/11	A110151	Implementation Review of the Corrective Action Plan for the Review of the Federal Acquisition Service Blanket Purchase Agreements for Acquisition Management Support Services, Report Number A090018/Q/A/P10002 Dated March 30, 2010		
09/29/11	A110185	Implementation Review of the FedRooms Program, Federal Acquisition Service, Report Number A070167/Q/9/P08002, dated February 4, 2008		
09/30/11	A110096	FY 2011 Office of Inspector General Information Technology Security Audit of the AT&T Operational Support System		
09/30/11	A110095	FY 2011 Office of Inspector General Information Technology Security Audit of the SmartPay-Citibank System		

### ***FAS Contract Audits***

04/05/11	A040249	Review of Multiple Award Schedule Contract Number GS-35F-0702J for the Interim Period August 23, 1999 Through August 31, 2005: Sun Microsystems, Inc.		\$9,873,969
04/05/11	A040250	Review of Multiple Award Schedule Contract Number GS-35F-4547G for the Period June 12, 1997 Through January 14, 2003: Sun Microsystems, Inc.		\$17,676,199
04/06/11	A110092	Preaward Examination of Multiple Award Schedule Contract Extension: Concurrent Technologies Corporation, Contract Number GS-00F-0072M		\$2,385
04/12/11	A100100	Preaward Review of Multiple Award Schedule Contract Extension: Arcadis U.S., Inc., Contract Number GS-10F-0266K		
04/14/11	A110035	Preaward Examination of Multiple Award Schedule Contract Extension: InfoReliance Corporation, Contract Number GS-35F-0273L		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
04/19/11	A110083	Preaward Examination of Multiple Award Schedule Contract Extension: Stanley Associates, Inc., Contract Number GS-23F-0191L		\$11,363
04/25/11	A100216	Preaward Examination of Multiple Award Schedule Contract Extension: QuadraMed Corporation, Contract Number GS-35F-0171L		
04/25/11	A100223	Preaward Examination of Multiple Award Schedule Contract Extension: Global Mail, Incorporated, Contract Number GS-10F-0208L		
05/06/11	A110043	Preaward Examination of Multiple Award Schedule Contract Extension: Keypoint Government Solutions, Incorporated, Contract Number GS-02F-0054S		
05/10/11	A110073	Preaward Examination of Multiple Award Schedule Contract Extension: PPS Infotech, LLC, Contract Number GS-35F-0372L		
05/12/11	A110044	Preaward Examination of Multiple Award Schedule Contract Extension: Vaisala, Inc., Contract Number GS-25F-6029D		\$1,243
05/12/11	A100221	Preaward Examination of Multiple Award Schedule Contract Extension: Mainline Information Systems, Inc., Contract Number GS-35F-0216L		\$208,889
05/13/11	A110113	Preaward Examination of Multiple Award Schedule Extension: Smiths Detection, Inc., Contract Number GS-07F-9597G		\$25,711
05/16/11	A110063	Postaward Examination of Multiple Award Schedule Contract Number GS-35F-0554K for the Period January 1, 2008 to December 31, 2010: IntelliDyne, LLC		\$3,948,160

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
06/01/11	A110087	Preaward Examination of Multiple Award Schedule Contract Extension: National Interest Security Company, LLC, Contract Number GS-25F-0032L		\$649,465
06/02/11	A110085	Preaward Examination of Multiple Award Schedule Contract Extension: EnviroTech Environmental Services, Incorporated, Contract Number GS-10F-0218L		
06/07/11	A090112	Postaward Review of Multiple Award Schedule Contract: ITS Services, Inc., Contract Number GS-35F-5518H, for the Period March 20, 1998, Through April 30, 2008		\$21,927,177
06/10/11	A110115	Preaward Examination of Multiple Award Schedule Contract Extension: Pacific Star Communications, Inc., Contract Number GS-35F-0031L		\$23,201
06/13/11	A110108	Preaward Examination of Multiple Award Schedule Contract Extension: Protective Products Enterprises, Contract Number GS-07F-9029D		
06/30/11	A090045	Limited Scope Postaward Review of Multiple Award Schedule Contract Number GS-07F-0496T for the Period January 1, 2005 to July 31, 2007: C-Tech Industries, Inc.		\$99,693
07/07/11	A100140	Preaward Review of Multiple Award Schedule Contract Extension: Veterans Imaging Products, Inc., Contract Number GS-14F-0005L		\$3,893
07/21/11	A100103	Preaward Review of Multiple Award Schedule Contract Extension: Altarum Institute, Contract Number GS-10F-0261K		\$48,328
07/21/11	A110120	Preaward Examination of Multiple Award Schedule Contract Extension: Deere & Company, Contract Number GS-07F-9670S		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
07/26/11	A110062	Preaward Examination of Multiple Award Schedule Contract Extension: Premier & Companies, Inc., Contract Number GS-02F-0132S		\$35,267
07/27/11	A110109	Preaward Examination of Multiple Award Schedule Contract Extension: Security Consultants Group, Incorporated, Contract Number GS-07F-0267L		
07/28/11	A110088	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-6028P for the Period January 1, 2009 to December 31, 2010: Global Protection USA, Inc.		\$29,337
08/03/11	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K		
08/04/11	A110094	Preaward Examination of Multiple Award Schedule Contract Extension: Tri-Starr Management Services, Incorporated, Contract Number GS-25F-0037S		
08/19/11	A110111	Preaward Examination of Multiple Award Schedule Contract Extension: Thermo Electron North America, LLC, Contract Number GS-24F-0026L		
08/25/11	A110136	Preaward Examination of Multiple Award Schedule Contract Extension: Konica Minolta Business Solutions U.S.A., Inc., Contract Number GS-25F-0030M		\$11,599
08/30/11	A040152	Review of Multiple Award Schedule Contract Number GS-35F-0158J for the Period December 18, 1998 Through December 27, 2003: Black Box Corporation		\$1,997,624
09/09/11	A110067	Preaward Examination of Multiple Award Schedule Contract Extension: Clifton Gunderson, LLP, Contract Number GS-23F-0135L		\$1,374

## *Appendix II–Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/14/11	A110122	Preaward Examination of Multiple Award Schedule Contract: Agilent Technologies, Incorporated, Contract Number GS-26F-5944A		\$110,662
09/15/11	A110174	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-9029D for the Period March 5, 2010 to July 31, 2011: Protective Products Enterprises		\$63,992
09/29/11	A110073	Limited Scope Postaward Review of Multiple Award Schedule Contract: PPS Infotech, LLC, Contract Number GS-35F-0372L, For the Period May 1, 2001, Through June 30, 2011		\$374,676

### *Other Internal Audits*

07/20/11	A090023	Review of the Acquisition Career Management Information System (ACMIS)		
09/22/11	A110086	Audit of GSA's Transition from FTS2001 to Networx		
09/28/11	A110160	FY 2011 Office of Inspector General FISMA Audit of GSA's Information Technology Security Program		
09/30/11	A110082	Audit of GSA's Hiring Practices		
09/30/11	A110116	Audit of the GSA's Billing and Accounts Receivable Module Implementation		
09/30/11	A110190	Implementation Review of Corrective Action Plan of the Audit of GSA's Fiscal Year 2009 Direct Pay Purchases, Report Number A100137/B/F/F10004 dated September 30, 2010		

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## Appendix III—OIG 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>Report Number</b>	<b>Title</b>
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### Attestation Engagements

03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corp., Contract Number GS-35F-4461G
04/18/06	A050122	Review of Industrial Funding Fee Remittances: Fasternal Company, Contract Number GS-06F-0039K
08/28/07	A060196	Preaward Review of Request for Equitable Adjustment: Tigard Electric, Incorporated, Contract Number GS-10P-02-LTC-0025
04/29/08	A080084	Review of Change Order Proposal for Resolution of Wage Rate: Kenmor Electrical Company, LP, Contract Number GS-07P-05-URC-5007
08/05/08	A080077	Preaward Review of Multiple Award Schedule Contract Extension: Gartner, Inc., Contract Number GS-35F-5014H
12/12/08	A080177	Preaward Review of Multiple Award Schedule Contract Extension: Tecolote Research, Incorporated, Contract Number GS-35F-5115H
12/29/08	A090042	Postaward Audit Report on Direct Costs Incurred on Trilogy Project: Computer Sciences Corporation, Contract Number GS00-T99-ALD204
01/20/09	A080136	Preaward Review of Multiple Award Schedule Contract Extension: Dynamic Decisions, Inc., Contract Number GS-35F-5879H
02/04/09	A080067	Preaward Review of Multiple Award Schedule Contract Extension: Haworth, Inc., Contract Number GS-28F-8014H
03/03/09	A080085	Preaward Review of Multiple Award Schedule Contract Extension: The HON Company, Contract Number GS-28F-8047H
03/23/09	A080212	Preaward Review of Multiple Award Schedule Contract Extension: Phillips Corporation--Federal Division, Contract Number GS-07F-7729C
04/27/09	A080210	Preaward Review of Multiple Award Schedule Contract Extension: Immix Technology, Inc., Contract Number GS-35F-033J
06/11/09	A080077	Limited Scope Postaward Review of Multiple Award Schedule Contract: Gartner, Inc., Contract Number GS-35F-5014H
07/08/09	A090007	Preaward Review of Multiple Award Schedule Contract Extension: Booz Allen Hamilton, Inc., Contract Number GS-35F-0306J

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

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<b>Date of Report</b>	<b>Report Number</b>	<b>Title</b>
08/06/09	A090145	Preaward Review of Multiple Award Schedule Contract Extension: BTAS, Inc., Contract Number GS-35F-0546J
08/19/09	A090106	Preaward Review of Multiple Award Schedule Contract Extension: Perot Systems Government Services, Inc., Contract Number GS-00F-0049M
08/21/09	A090090	Preaward Review of Multiple Award Schedule Contract Extension: Ezenia!, Inc., Contract Number GS-35F-0475P
08/21/09	A080030	Preaward Review of Multiple Award Schedule: Hewlett-Packard Company, Solicitation Number FCIS-JB-980001-B
08/27/09	A090228	Report on Audit of Parts of A Firm Fixed Price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS11-P08-MKC0079
09/03/09	A090089	Preaward Review of Multiple Award Schedule Contract Extension: Mohawk Carpet Corporation, Lees Carpets Division, Contract Number GS-27F-0031N
09/04/09	A090254	Report on Audit of Parts of a Firm Fixed price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS11-P08-MKC0080
09/04/09	A090074	Preaward Review of Multiple Award Schedule Contract Extension: Tech Flow, Inc., Contract Number GS-35F-0210J
09/09/09	A090232	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the United States Department of Homeland Security Headquarters and Consolidated National Operations Center in Washington, DC: Haley & Aldrich, Inc., Solicitation Number GS11-P08-MKC0079
09/10/09	A090234	Report on Audit of Direct Labor Rates, Indirect Rates, and Other Direct Costs: HDR Architecture, Inc., Solicitation Number GS11-P08-MKC0079
09/25/09	A090118	Interim Postaward Review of Multiple Award Schedule Contract: Murray-Benjamin Electric Co., Contract Number GS-35F-0088N
10/21/09	A080155	Limited Scope Postaward Review of Multiple Award Schedule: Cascades Technologies, Inc., Contract Number GS-35F-0293N
10/23/09	A090170	Preaward Review of Multiple Award Schedule Contract Extension: eTouch Systems Corporation, Contract Number GS-35F-0627P
11/09/09	A090202	Preaward Review of Multiple Award Schedule Contract Extension: Computech, Inc., Contract Number GS-35F-0108K
11/17/09	A080144	Preaward Review of Multiple Award Schedule Contract Proposal: BMC Software,

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

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Date of Report	Report Number	Title
		Inc., Solicitation Number FCIS-JB-980001-B
12/10/09	A090159	Preaward Review of Multiple Award Schedule Contract Extension: RCF Information Systems, Inc., Contract Number GS-35F-0613J
12/16/09	A090101	Review of a Claim: Paramount Mechanical Corp., Subcontractor to PJ Dick, Inc., Contract Number GS-11P-02-MKC-0055
02/24/10	A090198	Preaward Review of Multiple Award Schedule Contract Extension: IBIS Tek, LLC, Contract Number GS-07F-5505R
03/22/10	A090187	Preaward Review of Multiple Award Schedule Contract Extension: B&H Foto & Electronics Corp., Contract Number GS-03-F-0022R
04/19/10	A100158	Report on Audit of Parts of a Proposal Submitted as a Subcontractor in Response to Solicitation No. GS-11P-05-MKC-0033: Chermayeff & Geismar Partners, LLC, Solicitation No. GS-11P-05-MK-C0033
04/19/10	A100159	Report on Audit of Parts of a Proposal Submitted in Response to Solicitation No. GS-11P-05-MKC-0033: Beyer Blinder Belle Architects and Planners, LLP, Solicitation No. GS-11P-05-MKC-0033
06/16/10	A100147	Limited Scope Postaward Examination of Architect/Engineering Proposal: AECOM Transportation, a Division of AECOM U.S., Subcontractor to Ross Drulis Cusenbery, Architecture, Incorporated, Contract Number GS-09P-03-KTC-0091
06/23/10	A090222	Preaward Review of Multiple Award Schedule Contract Extension: Force 3, Inc., Contract Number GS-35F-0785J
06/24/10	A090108	Preaward Review of Multiple Award Schedule Contract Extension: Integrated Data Services, Inc., Contract Number GS-35F-0372J
06/30/10	A100081	Preaward Review of Multiple Award Schedule Contract Extension: Fleishman-Hillard, Inc., Contract Number GS-23F-0117K
07/06/10	A080070	Preaward Review of Multiple Award Schedule Contract Extension: Accenture, LLP, Contract Number GS-35F-4692G
07/21/10	A100126	Examination of a Claim: TechTeam Government Solution, Inc., Solicitation Number GS-00V-08-PDD-0071
08/16/10	A090130	Limited Review of Multiple Award Schedule: Cort Business Furniture, Contract Number GS-28F-7018G
08/24/10	A090140	Postaward Review of Multiple Award Schedule Contract: Systems Research and Applications Corporation, Contract Number GS-35F-0735J
09/15/10	A080124	Limited Scope Postaward Contract Review: ASAP Software Express, Inc., Contract Number GS-35F-4027D
09/16/10	A100148	Examination of a Change Order Proposal: Alutiiq International Solutions, LLC, Solicitation Number GS-08P-08-JFC-0005



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

Date of Report	Report Number	Title	Projected Final Action Date
<b>Internal Audits</b>			
07/31/07	A060190	Review of Multiple Award Schedule Program Contract Workload Management	04/15/2012
09/12/07	A070180	Alert Report on Security of GSA's Electronic Messaging Services and National Notes Infrastructure	03/30/2012
03/31/08	A060228	Improvements to the GSA Privacy Act Program are Needed to Ensure that Personally Identifiable Information is Adequately Protected	11/15/2011
09/11/08	A080081	FY 2008 Office of Inspector General FISMA Review of GSA's Information Technology Security Program	11/15/2011
09/30/09	A070118	Review of Consistency in Implementing Policy Across Acquisition Centers	01/15/2012
09/30/09	A070171	Review of Program Performance Measurement for Procurement	02/15/2012
01/08/10	A090062	Audit of the General Services Administration's Fiscal Year 2009 Financial Statements	05/15/2012
03/15/10	A090026	Review of Multiple Award Schedule Vendors' Invoicing Practices Relative to Prompt-Payment Discounts	12/15/2011
03/31/10	A090126	FY 2009 Office of Inspector General Information Technology Security Audit of the Office of the Chief Financial Officer's Corporate Information Network	04/15/2012
03/31/10	A080180	Opportunities Exist to Improve GSA's Implementation of the E2 Travel System	01/15/2012
06/11/10	A090203	Review of Controls over Contract Awards and Modifications within the Center for Information Technology Schedule Programs	01/15/2012
08/17/10	A090018	Review of the Use of Multiple Award Schedule Contracts for Acquisition Management Support Services	12/15/2011

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## Appendix IV—Government Contractor Significant Report 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, as part of its Semiannual Report to the Congress. The annex addresses significant audit findings – unsupported, questioned, or disallowed costs in excess of \$10 million, or other significant contracting issues. During this reporting period, this office issued two contract reports that met these requirements.

The first was a review of a multiple award schedule contract with Sun Microsystems, Inc. (Sun), in which we found that the GSA contract was awarded based on inaccurate and incomplete commercial business practice information. The review, covering the period June 12, 1997, through January 14, 2003, identified numerous contract administration and compliance deficiencies, including Sun's failure to comply with the requirements of the price reduction clause, inaccurate reporting and underpayment of the Industrial Funding Fee, and incorrect billings, particularly billing sales tax despite GSA's tax-exempt status. Based on the findings of the review, we calculated a refund due the government of \$17,676,199.

The second was a postaward review of a multiple award schedule contract with ITS Services, Inc. This review was initiated based on the findings of a preaward review of the company's proposal to extend its existing contract. The preaward review identified two issues involving overbillings under the existing contract: the use of incorrect billing rates for subcontract labor and the inappropriate application of a handling fee to other direct costs. The postaward confirmed these findings and concluded that the government is due a refund of \$21,927,177 as a result of these overbillings: (\$18,872,349 related to the application of incorrect labor billing rates to subcontract labor, and \$3,054,828 related to the inappropriate handling fee).

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## ***Appendix V–OIG Reports Without Management Decision***

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Section 5(a)(10) of the IG Act as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. GSA has a system in place to track reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by the OIG and agreed to by management are addressed as efficiently and expeditiously as possible. This period there were no reports that met this requirement.

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## *Appendix VI—Peer Review Results*

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The *Dodd-Frank Wall Street Reform Act* requires each Inspector General to submit an appendix containing: the results of any peer review conducted by another Office of Inspector General (OIG) during the reporting period or if no peer review was conducted, a statement identifying the date of the last peer review conducted; a list of any outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented, the status of the recommendation and an explanation why the recommendation is not complete; and, a list of any peer reviews conducted by the OIG of another Office of Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review that have not been fully implemented.

The Office of Investigations' last peer review (2010) was conducted by the Department of Energy Office of Inspector General, which resulted in an opinion that the Office of Investigations system of internal safeguards and management procedures were in compliance with the quality standards established by the CIGIE and applicable Attorney General guidelines. The last peer review conducted for the Office of Audits was in September 2009. No material findings were reported from any peer review. In addition, we did not conduct any peer reviews of another OIG during this reporting period. As such, there are no outstanding recommendations made from any peer reviews that have not been fully implemented.

## Appendix VII—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, the National Defense Authorization Act and the Dodd-Frank Wall Street Reform Act are 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 . . . . .	20
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies . . . . .	1–9
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .	1–9
Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .	29
Section 5(a)(4) – Matters Referred to Prosecutive Authorities . . . . .	25
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused . . . . .	none
Section 5(a)(6) – List of OIG Reports . . . . .	33
Section 5(a)(7) – Summary of Each Particularly Significant Report . . . . .	1–9
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs . . . . .	24
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	23
Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made. . . . .	47
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. . . . .	22
<b>National Defense Authorization Acts</b>	
Public Law 104-106, 5 U.S.C. app. 3, § 5 note. . . . .	42
Public Law 110-181. . . . .	46
<b>Dodd-Frank Wall Street Reform Act</b>	
Peer Review Results . . . . .	48

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## Appendix VIII—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, Robert C. Erickson (JD) .....	(202) 501-0450
Director of Communications and Congressional Affairs, Dave Farley (JX) .....	(202) 219-1062

### Office of Counsel to the Inspector General

Counsel to the IG, Richard Levi (JC) .....	(202) 501-1932
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### Office of Forensic Auditing, Evaluation, and Analysis

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### Office of Audits

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Pacific Rim Field Office, James P. Hayes (JA-9) .....	(415) 522-2744

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## Appendix VIII—OIG Offices and Key Officials

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### Office of Investigations

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Director, Internal Operations Division, Bruce S. McLean (JII) .....	(202) 208-2384

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Southeast Regional Office, SAC James Taylor (JI-4) .....	(404) 331-3084
Ft. Lauderdale 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 Bryan D. Denny (JI-9) .....	(415) 522-2755
Laguna Niguel Resident Office, SA Theresa Quellhorst (JI-9L) .....	(949) 360-2214
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10).....	(253) 931-7654

### Office of Administration

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Facilities and Services Office, Supervisor Carol Mulvaney (JPF) .....	(202) 501-3119
Contracting Office, Team Leader Myra R. Hayes (JPC).....	(202) 501-2887

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