



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2006 - September 30, 2006

# 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>	Merging GSA's procurement organizations will yield a single acquisition service that will award and administer governmentwide contracts worth \$40 to \$50 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals, such as ensuring competition and meaningful price analysis, has diminished.	2 – 4
<b>CONTRACT MANAGEMENT</b>	GSA's multibillion dollar acquisition programs have expanded rapidly in terms of sales, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.	4 – 6
<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.	6 – 8
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The need for strong internal controls underlies several of the other management challenges.	8 – 10
<b>HUMAN CAPITAL</b>	GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21 <sup>st</sup> century workforce.	10 – 11
<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>AGING FEDERAL BUILDINGS</b>	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	No Reports This Period

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## Foreword

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I am pleased to report to the people of the United States and their representatives in Congress that the Office of Inspector General (OIG) at GSA has continued to work hard on your behalf to identify waste, fraud, and abuse in programs managed by the General Services Administration. For the period covered by this semiannual report (SAR), over \$622 million has been identified as funds recommended for better use or questioned costs. The OIG has issued 70 audit reports and made 337 referrals for criminal prosecution, civil litigation, and/or administrative action. These activities are valuable in their own right, as well as for their deterrent effect.

The Office of Inspector General, in conjunction with the Department of Justice, just achieved the largest recovery in a civil settlement under the False Claims Act in the history of GSA's Multiple Award Schedules (MAS) program—a \$98.5 million dollar recovery from the Oracle Corporation for PeopleSoft's defective pricing of sales under GSA's MAS Program (to be discussed in more detail in the next SAR). GSA's MAS contracting program—with sales of well over \$30 billion in the last fiscal year—depends on vendors' honesty in price negotiations. PeopleSoft misled and overcharged the government for years. Without the OIG's auditors' specialized training and years of experience examining GSA's MAS pricing arrangements, the overcharging could have continued far beyond the amount recovered. The OIG's preaward and postaward audits have saved the taxpayers billions of taxpayer dollars over the years (approximately \$1.6 billion in just the past 18 months). All of these results provide to the American taxpayer a return of many times the cost of OIG operations.

Looking ahead, we will continue the audit and investigative initiatives which serve the people of the United States, and will be adding to them in the following ways:

- Homeland Security. GSA OIG will be doing more to improve the Nation's homeland security, in a series of activities planned in cooperation with the OIG of the Department of Homeland Security.
- National Procurement Fraud Task Force. The GSA OIG has increased coordination with other agencies to increase the prosecution of procurement fraud. I worked with the Justice Department and a number of fellow Inspectors General to develop a National Procurement Fraud Task Force, of which I serve as the Vice Chair. The Task Force will help protect American taxpayers by increasing the deterrence and effectiveness of sanctions imposed on parties found guilty of procurement fraud.
- Computer Crime. We are developing ways to improve the reporting of computer crime in which the American people are victimized by electronic fraud and other offenses against Federal E-Gov applications. Improved reporting will facilitate the government's ability to prevent and punish computer crime and protect individuals' private information entrusted to the government.

- Suspension and Debarment. The OIG will continue to focus on whether GSA's actions on suspension and debarment recommendations from the OIG are timely and adequate to maintain the integrity of the contractor pool eligible to receive public funds for performing tasks.

IG Independence

The independence of the Office of Inspector General is essential to carrying out objective audits and investigations per the mandate of the Inspector General Act of 1978, as amended. It is also an asset to GSA in providing a source of credibility in those cases where it can vouch for the efforts of the Agency to improve its practices, as in the "Get It Right" training effort that former GSA Administrator Perry initiated.

I want to express my appreciation to Congress and OMB and senior GSA staff who have worked with us in achieving our tremendous results for the taxpayer.



Brian D. Miller  
Inspector General  
October 31, 2006

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## Summary of OIG Performance

**April 1, 2006 – September 30, 2006**

### **OIG Accomplishments**

Total financial recommendations \$622,716,483

These include:

- Recommendations that funds be put to better use \$622,480,897
- Questioned costs \$235,586

Audit reports issued 70

Referrals for criminal prosecution, civil litigation, and administrative action 337

### **Results Attained**

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$528,682,998

Indictments and informations on criminal referrals 42

Cases accepted for criminal prosecution 24

Cases accepted for civil action 3

Successful criminal prosecutions 43

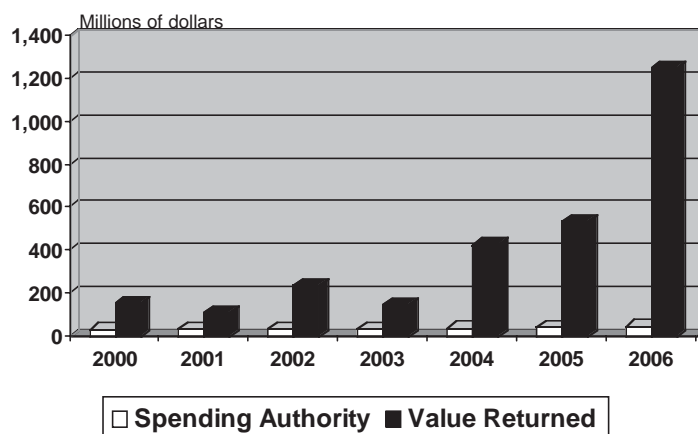
Civil settlements 2

Contractors/individuals debarred 48

Contractors/individuals suspended 53

Employee actions taken on administrative referrals involving GSA employees 7

**OIG Spending Authority Compared to Value Returned\***



\*Value returned is the sum of accepted audit findings plus investigation recoveries.

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## *Fiscal Year 2006 Results*

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During Fiscal Year (FY) 2006, OIG activities resulted in:

- Over \$870 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.
- 155 audit reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- Nearly \$1.2 billion in management decisions agreeing with audit recommendations; \$52.4 million in criminal, civil, and administrative recoveries; and \$3.0 million in other recoveries.
- 249 new investigations opened and 148 cases closed.
- 63 case referrals (141 subjects) accepted for criminal prosecution and 10 case referrals (42 subjects) accepted for civil litigation.
- 82 criminal indictments/informations and 106 successful prosecutions on criminal matters referred.
- 10 civil settlements.
- 14 employee actions taken on administrative referrals involving GSA employees.
- 73 contractor/individual suspensions and 65 contractor/individual debarments.
- 279 legislative matters and 22 regulations and directives reviewed.
- 2,112 Hotline calls and letters received of which 81 were referred for criminal or civil investigations, 81 were referred to other agencies for follow up, and 214 were submitted to GSA for review and appropriate administrative actions.



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## Executive Summary

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

### **Management Challenges**

We have highlighted a number of reviews that address major management issues facing GSA. We continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. During this period, our efforts included work focusing on acquisition programs, contract management, information technology (IT), management controls, and human capital.

### **Acquisition Programs**

#### Contract preaward review program

The OIG's contract preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This period, the OIG performed preaward reviews of 45 contracts with an estimated value of \$5.1 billion. We recommended that more than \$622 million of funds be put to better use through lower contract prices (page 2).

#### FAS contracting practices

Since FY 2002, we have been performing reviews of contracting practices at the Federal Acquisition Service's Client Support Centers (FAS' CSCs). CSCs help customer agencies define their IT requirements, identify sources of products or services, prepare task orders, and assist in managing projects. In FY 2005, CSC procurements exceeded \$3.6 billion, with Department of Defense (DoD) customers representing about 84 percent of the business. As part of our continuing effort on reviewing CSC contracting practices, we performed a 2005 joint review with the DoD OIG, of each CSC to determine compliance with defense procurement requirements. We found that 11 of the 12 CSCs were not compliant but were making significant progress toward becoming compliant, and one was compliant. During this period we conducted follow-up testing of controls, jointly with the DoD OIG, and determined that while some minor procurement deficiencies existed in several of the regional CSCs, they were isolated cases and did not indicate a pattern of non-compliance. Overall, we determined that the 11 CSCs are now compliant with procurement regulations (page 3).

### **Contract Management**

#### FEDSIM

GSA's Federal Systems Integration and Management Center (FEDSIM) provides IT solutions for Federal agencies by contracting with private sector

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## Executive Summary

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vendors. FEDSIM uses a variety of contract vehicles to provide the larger, often complex, IT solutions to the Federal agencies it serves on a reimbursable basis. In our review of FEDSIM, we found that FEDSIM was generally complying with the Federal Acquisition Regulation, but that there were opportunities for improving task order management and increasing price competition (page 4).

### GSA's University for People

GSA's University for People (U4P) provides training opportunities to GSA employees nationwide. U4P is a fully reimbursable "fee for use" program and enters into a memorandum of agreement with each of its clients that identifies the type of training requested and the total cost. At the request of the National Capital Region's Acting Regional Administrator, we initiated a review of the program which focused on U4P's procurement practices and contract administration. We found substantial procurement deficiencies and irregularities in U4P's delivery of project management training. As a result, we recommended that U4P develop a formal business plan, obtain appropriate procurement support, and establish appropriate fund and accounting controls to ensure compliance with applicable appropriation law (page 5).

### Information Technology

### IT Security Program

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, implement, and document an agency-wide information security program. While GSA continues to better secure its systems, system security officials do not consistently ensure effective implementation of GSA's IT Security Policy. Although steps have been taken to address previously reported weaknesses, we found instances where system security officials did not ensure that systems were properly secured. We noted improvements in the number of critical vulnerabilities identified by our automated systems vulnerability scanning this year, compared to prior years. And as in previous years, we identified weaknesses with implementation of the Certification and Accreditation process, contractor background investigations, and contractor provided solutions. During our review, we issued an Alert Report to management which identified two significant areas of risk with Web applications including: 1) insufficient validation of data fields, and 2) unsecured Web servers running outdated and unsupported operating system software (page 7).

### Management Controls

### Quick-Mod Program

FAS' Information Technology Acquisition Center piloted the Quick-Mod Program to provide customer agencies with the most current IT products on the market. Under the Quick-Mod Program, contractors are allowed to modify or add products to GSA Advantage!™, for pre-approved product categories and pricing structures without contracting officer approval. Contracting officers are required to review modifications/additions after they are posted on GSA Advantage!™. The Program is being tested with contractors who supply products under Schedule 70, "General Purpose

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## Executive Summary

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Commercial Information Technology Equipment, Software, and Services,” SIN 132-8 “Purchase of Equipment.” Management requested that we perform this review to determine if Quick-Mod should be expanded to other schedules. We found that a lack of management controls allowed incorrect prices and unauthorized products to be placed on GSA Advantage!™ and go undetected. Consequently, customers have access to products and prices via GSA Advantage!™ that 1) are not based upon a contractually pre-negotiated rate, or 2) are not fair and reasonable since they exceed the established pricing structure. We recommended that FAS should not expand the Quick-Mod program to other schedules at this time (page 8).

### Overtime management

The National Capital Region, with the largest number of government-owned buildings in GSA, is responsible for providing a multitude of building operations functions and has incurred significant overtime labor costs. Our review focused on the management control environment for building operations that frequently incur overtime costs. In FY 2004, about a third of the 1,262 employees that engaged in these functions received a total of nearly \$3.4 million for overtime, averaging 19 percent of their base pay; the trend continued in FY 2005. We concluded the region needs better oversight and control of overtime costs. We recommended that management redesign the overtime form as a mandatory, standard electronic version that captures pertinent data elements and implements a variance analysis reporting capability to provide a means to better control the overtime expense element (page 9).

### Human Capital

### Competitive sourcing

Competitive sourcing is the process for competition between Federal agencies and the private sector to determine who is best able to perform commercial activities to ensure the best value. The President’s Management Agenda (PMA) requires agencies to explore competitive sourcing as a means to make government more efficient. GSA currently maintains a score of “Green” for Competitive Sourcing on the PMA Scorecard for both “Current Status” and “Progress in Implementing” the PMA. Our review noted several areas of concern that may negatively impact GSA’s ability to continue effective and efficient implementation of the PMA, and place GSA in jeopardy of losing its “Green” status. First, as the competitive sourcing focus shifts from GSA’s Public Buildings Service to the rest of the Agency, there will be a significant loss of first hand knowledge and experience with the process. It is expected that future competitions will be more standard, increasing the length and complexity of the process. In addition, the merger of the Federal Supply Service and Federal Technology Service into the new Federal Acquisition Service (FAS) may have a negative impact on scheduled competitions. Also, GSA has yet to post and share lessons learned from the competitive sourcing process as required by OMB Circular A-76 (page 10).

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## ***Executive Summary***

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

This period we obtained criminal, civil, and other monetary recoveries totaling more than \$8.7 million. Our work involved a wide variety of criminal and civil investigations and reviews, and participation in joint task forces with other Federal law enforcement agencies (page 12).

### **Public Corruption Initiative—Highlights**

A joint investigation was initiated when it was suspected that David H. Safavian, GSA's former Chief of Staff, aided a Washington, DC lobbyist in the lobbyist's attempts to acquire GSA-controlled property in and around DC. Safavian was found guilty of obstructing the work of the GSA OIG and of lying to a GSA ethics official. It also convicted him of lying to the GSA OIG and making a false statement to the Senate Indian Affairs Committee. He was sentenced to 18 months incarceration and 2 years of supervised probation. In a collateral investigation, Congressman Robert Ney pled guilty to conspiracy in violation of post-employment restrictions for former Congressional staff members, mail and wire fraud, and depriving the public of honest services (page 12).

A former FTS program director, one of his employees, and a GSA contractor employee used their respective positions to arrange no-show jobs for a company that held contracts to provide IT-related support services to the U.S. Army. The FTS program director pled guilty to making false claims and tax evasion. His employee pled guilty to filing false claims; the GSA contractor pled guilty to making false claims. Sentencing is pending for all three individuals (page 13).

The director of GSA's National Center for Utilities Management accepted gratuities from Tiger Natural Gas, Inc. (Tiger) of Tulsa, Oklahoma. The director pled guilty to conspiracy to engage in conflicts of interest and was sentenced to 6 months home confinement and 3 years probation (page 14).

Two GSA contractor employees conspired to steal and depredate U.S. Government property valued at \$192,000 from a cellblock that was under construction at the new U.S. District Courthouse in the Eastern District of New York. The contractors pled guilty to conspiracy to commit depredate against property of the United States and were each sentenced to 3 years probation and ordered to pay a fine and restitution (page 15).

A U.S. Army employee used his official position as contracting officer technical representative to direct prime contractors to subcontract with two companies in which he had financial interest. He pled guilty to wire fraud and was sentenced to 24 months incarceration, 3 years supervised probation, and ordered to pay \$150,049 in restitution (page 15).

A joint investigation found that the assistant district director for the SBA's 8(A) Business Development Program in Puerto Rico and the U.S. Virgin

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## Executive Summary

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Islands used his position to obtain monies for his personal benefit from a GSA contractor that did business through this program. The director received \$20,000 in cash from the GSA contractor; the contractor received over \$3 million in 8(A) contracts, renewals, and extensions for his business. A Federal jury found the former director guilty of bribery; sentencing is pending (page 16).

The owner of Electrics and More established a large inventory of computer and medical equipment bought through GSA auctions in order to create fictitious invoices for “new” equipment. The owner claimed that he furnished “new” equipment to educational programs in Missouri and received over \$2 million in tax credits. When the inventory was questioned, there was a suspicious fire. The owner pled guilty to mail fraud and money laundering and was sentenced to 60 months confinement, 36 months parole, and ordered to pay restitution in the amount of \$2,004,813 (page 16).

The technical services supervisor at Tricon Restaurants International (Tricon) conspired with the president of Gate Engineering Corporation (Gate), a GSA contractor. While employed with Tricon, the supervisor received over \$31,000 in payoffs from the president of Gate in exchange for directing over \$1 million dollars in electrical contract work to Gate. The supervisor was found guilty of conspiracy and was sentenced to 12 months and 1 day incarceration and 2 years supervised release. The president pled guilty to making kickback payments and was sentenced to 12 months home confinement with electronic monitoring, 4 years probation, 400 hours of unpaid community service, and was ordered to pay a fine of \$250,000. Also, the attorney representing the defendant was found guilty of conspiracy, witness tampering, and obstruction of an investigation and was sentenced to 33 months imprisonment, 3 years supervised probation, 120 hours community service, and ordered to surrender his law license (page 17).

### **Fleet Charge Card Initiative—Highlights**

During FY 2006, the OIG received reimbursable funding from the GSA fleet program to place an increased emphasis on charge card fraud. The OIG examines the use of these charge cards at commercial service stations under vehicle leasing agreements with various Federal agencies. The initiative involves investigative staff, identifying both the accounting anomalies associated with the current billing procedures and instances of criminal fraud and abuse associated with improper card usage. From October 2005 through September 2006, the OIG initiated 94 investigations of fleet card fraud. To date, these cases have resulted in 63 judicial actions including 19 indictments and 44 criminal convictions. The monetary returns paid by defendants totaled \$402,256 in restitution, fines, and special assessments (page 20).

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## Executive Summary

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### Civil Actions—Highlights

AT&T Corporation (AT&T) agreed to pay \$2.9 million to settle a *qui tam* complaint relating to overcharges for telecommunications services. The complaint alleged that AT&T overcharged the government with regard to Pre-Subscribed Interexchange Carrier Charges (page 22).

The Hunt Corporation (Hunt) agreed to pay \$1.9 million to settle a potential civil False Claims Act case relating to Hunt's withholding of payments to its subcontractors under its contract for the construction of the United States Federal Building and Courthouse in Hammond, Indiana (page 23).

### Suspension and Debarment Initiative—Highlights

During this reporting period, the OIG made 111 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. This period GSA issued 53 suspension and 48 debarment actions based on OIG referrals. Currently, 260 OIG referrals are pending decisions/actions by the Agency (page 23).

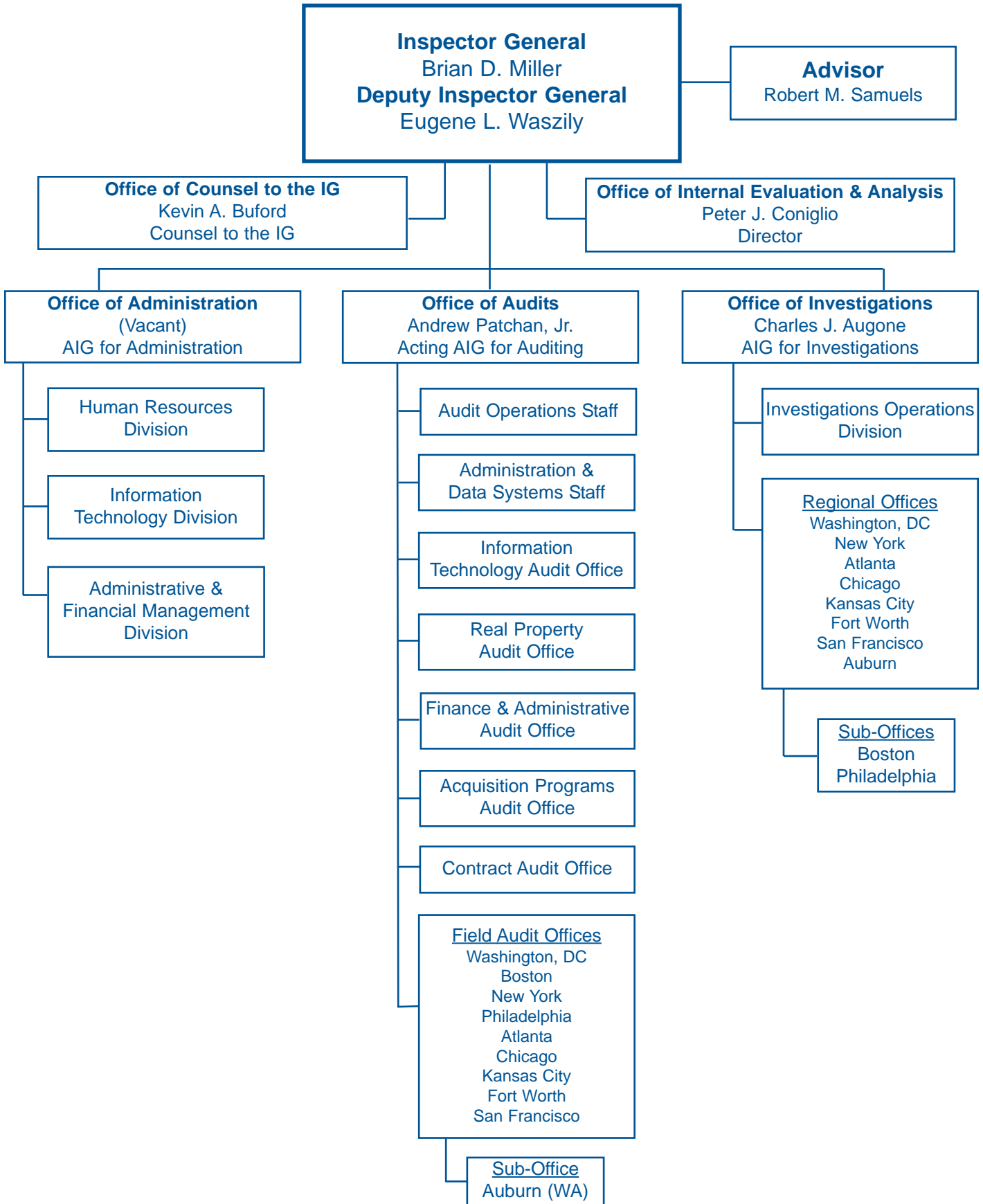
### Summary of Results

The OIG made over \$622 million in financial recommendations to better use government funds; made 337 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 152 legislative and regulatory actions; and received 1,121 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$528 million. (See page v for a summary of this period's performance.)

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# OIG Organization Chart





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## OIG Profile

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

### Organization

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

- **The Office of Audits**, an evaluative organization staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office additionally provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review.
- **The Office of Internal Evaluation and Analysis**, a quality control staff that provides management assessments of OIG operations and conducts internal investigations and reviews at the direction of the Inspector General.
- **The Office of Administration**, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

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

### Staffing and Budget

As of September 30, 2006, our on-board strength was 291 employees. The OIG's Fiscal Year (FY) 2006 budget was \$48.3 million.

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## Management Challenges

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

### **Acquisition Programs**

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

### **Significant Contract Preaward Reviews**

The OIG's contract preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward reviews of 45 contracts with an estimated value of \$5.1 billion. We recommended that more than \$622 million of funds be put to better use through achieving lower contract prices.

Many of the reviews disclosed that vendors offered prices and labor rates to GSA that were not as favorable as the prices and rates other customers received from these vendors. For example, contrary to one company's disclosure, the offer to GSA was not reflective of the company's most favored customer pricing. Another company did not completely disclose its commercial end-user discounts and practice of awarding volume discounts.

There are now more than 10,000 vendors doing over \$35 billion in business annually under GSA's rapidly expanding procurement programs. Based on documentation we received in FY 2006, GSA contracting officers, using the information included in our preaward audit reports, negotiated lower contract prices or more favorable terms and conditions equivalent to a savings of \$31 for every dollar invested in OIG preaward contract reviews, significantly benefitting the government and the taxpayer. The Office of Management and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Through the Federal Acquisition Service (FAS) contract program revenues, OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an increase in preaward contract reviews, as well as more contract performance reviews that evaluate contractors' compliance with pricing,

**Over \$600 million  
in savings can  
be achieved  
through lower  
contract prices.**

**OMB authorized  
additional funding  
for further reviews.**

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## Management Challenges

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

billing, and terms of their contracts, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. We now allocate about 45 percent of our resources to contract reviews.

During this 6-month period, management decisions were made on 49 of the preaward reports issued during the last year, which recommended that more than \$509 million of funds be put to better use. Management agreed with 100 percent of the recommended savings.

### **FAS Contracting Practices and Agency Improvement Actions**

Since FY 2002, we have been performing reviews of contracting practices at the Federal Acquisition Service's<sup>1</sup> (FAS) Client Support Centers (CSCs). CSCs help customer agencies define their IT requirements, identify sources of products or services, prepare task orders, and assist in managing projects. In FY 2005, CSC procurements exceeded \$3.6 billion, with Department of Defense (DoD) customers representing about 84 percent of the business. Our initial audits in 2003 and 2004 identified a number of improper task order and contract awards, including work outside the contract scope, improper order modifications, frequent inappropriate use of time-and-materials task orders, and failure to enforce contract provisions. In response to our audit findings, GSA has initiated a number of improvement actions to ensure controls are in place in each CSC including the "Get it Right" initiative which includes educating and training acquisition employees, aligning performance measures, publishing new contracting regulations and procedures, and validating the proper use of GSA contract vehicles and services. GSA has also deobligated and returned excess client-agency funds from prior fiscal years, and issued guidelines to contracting staff on the use of fiscal year funding.

As directed by the Ronald W. Reagan National Defense Authorization Act for FY 2005, we performed a 2005 joint review with the DoD Office of Inspector General of each CSC to determine compliance with defense procurement requirements. We found that 11 of the 12 CSCs were not compliant but were making significant progress toward becoming compliant, and one was compliant.

As also mandated in the Act, we conducted follow-up testing of controls, jointly with the DoD OIG, to determine whether the 11 CSCs are now compliant. The objective of this review was to test the effectiveness of

<sup>1</sup> On October 12, 2006, GSA's Administrator signed the GSA Order officially creating the Federal Acquisition Service (FAS). This order combined the former Federal Technology Service (FTS) and Federal Supply Service (FSS) to create FAS. It also combines the General Supply Fund and the IT Fund into a single Acquisition Services Fund.

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## Management Challenges

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### Acquisition Programs (continued)

recent GSA and DoD procurement initiatives, and whether current contracting practices have improved, including meeting requirements for obtaining competition in awarding task orders.

On September 29, 2006, we issued 11 regional CSC reports. While we did find some minor procurement deficiencies in several of the regional CSCs, we found they were isolated cases, were not pervasive, and did not indicate a pattern of non-compliance. We determined, overall, that the 11 CSCs are now compliant with procurement regulations. We recognize that during the period of our review, GSA and DoD components lacked a common understanding of the proper use of funds across fiscal years and the format for interagency agreements, and there was no clear official position between the two agencies. GSA and DoD officials are continuing to work on developing consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

**CSCs found compliant with procurement regulations.**

### Contract Management

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

### FEDSIM

GSA's Federal Systems Integration and Management Center (FEDSIM) provides IT solutions for Federal agencies by contracting with private sector vendors. FEDSIM uses a variety of contract vehicles to provide the larger, often complex, IT solutions to the Federal agencies it serves. FEDSIM provides the acquisition services and project management throughout a project's life on a reimbursable basis.

FEDSIM is organized into two main divisions—one to serve DoD and the other for civilian agencies. Each division has two subdivisions—contracting and project management. In 2004, FEDSIM generated about \$1.4 billion in revenue, with DoD clients representing approximately 60 percent of the business.

In our review, we found that FEDSIM was generally complying with the Federal Acquisition Regulation, but that there were opportunities for improving task order management and increasing price competition.

**Business practices can be improved to increase price competition.**

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## **Management Challenges**

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

Specifically, the terms and conditions of task orders were not always enforced. We identified deficiencies regarding inaccurate contractor invoicing, unsupported contractor travel and other costs, and lack of security clearances, which we believe were caused by an overreliance on outside parties to supply information and support. Some invoices were approved without adequate support and as a result the government accepted sub-standard services and, in some cases, did not receive all services.

We also found FEDSIM business practices can be improved to increase price competition. FEDSIM publishes fairly narrow cost ranges derived from government estimates in its solicitations. We found contractors generally proposed prices within a few percentage points of the mid-point of the ranges.

In our September 29, 2006 report, we recommended that the Commissioner, Federal Acquisition Service direct FEDSIM management to:

- Have project managers proactively manage task orders.
- Institute quality control procedures to improve fair opportunity, competition, and planning in the procurement process.
- Analyze the basis and approach for setting published cost ranges and levels of effort in the solicitation to promote opportunities for further cost savings.

In response to our draft report, the Commissioner agreed with the first two recommendations but disagreed with the third. We revised our third recommendation to clarify our concerns. We noted that while there may be benefits to publishing cost ranges and an estimated level of effort in solicitations, FEDSIM may be missing opportunities for further cost savings by publishing cost ranges which are not analytically based and narrowly defined.

### **GSA's University for People**

GSA's University for People (U4P) provides training opportunities for GSA employees. Although it is a component of the National Capital Region (NCR), U4P extends its services to GSA employees, nationwide. U4P is a fully reimbursable "fee for use" program and enters into a memorandum of agreement with each of its clients (GSA internal organizations such as FAS and the Office of Chief Information Officer) that identifies the type of training requested and the total cost. While U4P manages the client obligated training funds, course scheduling, and payment remittals, a vendor under contract with U4P provides the actual training. During FY 2005, the vendor trained 2,662 GSA employees at a cost of more than \$1.4 million. We

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## Management Challenges

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

performed a review focusing on U4P's procurement practices and contract administration at the request of NCR's Acting Regional Administrator.

Specifically, we addressed U4P's delivery of project management training, and found substantial procurement deficiencies and irregularities. First, U4P entered into an unauthorized, sole source procurement to acquire project management training on behalf of its client organizations. This contract was negotiated, signed, and executed by a government representative who lacked the authority to enter into that agreement on behalf of the government.

Secondly, as specific client requirements arose, U4P issued task orders that misleadingly referenced another GSA-issued contract held by the vendor (a legitimate multiple award schedule (MAS) contract put in place by FAS), while the terms and conditions of the unauthorized sole source contract were in fact controlling.

We also found, due in some part to the underlying procurement vehicle, fundamental controls absent from U4P's contract administration process. Generally, vendor invoices were not, and could not, be reconciled with their originating order document; current administrative practices did not permit reconciliation between the source of funding (customer orders placed with U4P) and the payment for services (U4P orders placed with its vendor); and a number of obligations remained open beyond the appropriate fiscal year with no apparent valid justification under appropriations law.

As a result of our review, we recommended that U4P:

- Develop a formal business plan.
- Develop and maintain acquisition plans to support its business plan.
- Obtain appropriate procurement support.
- Establish appropriate fund and accounting controls to ensure compliance with applicable appropriation law as well as to facilitate program management.

Management concurred with our recommendations.

### **Information Technology**

*GSA is in the process of replacing or upgrading a number of its legacy information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new IT projects are intended to go beyond automating current business functions and to create real change in the way*

**Multiple procurement deficiencies and fundamental control weaknesses exist in project training contract.**



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## Management Challenges

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

*that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **GSA's IT Security Program**

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, implement, and document an agency-wide information security program. While GSA continues to better secure its systems, system security officials do not consistently ensure effective implementation of GSA's IT Security Policy. Although GSA's Senior Information Security Officer has taken steps to address previously reported weaknesses, we continue to find instances where system security officials did not ensure that systems were properly secured. Effective implementation of GSA's IT Security Program at the system level is dependent upon improved accountability for persons with key IT security responsibilities. There is a need for improved policy and procedures to establish standardized performance goals and measures for those with key IT security responsibilities, since these individuals do not typically report directly to the GSA Office of the Chief Information Officer. We did note improvements evidenced by a major decrease in the number of critical vulnerabilities identified by our automated systems vulnerability scanning this year, compared to prior years. As in previous years, we identified weaknesses with implementation of the Certification and Accreditation process, contractor background investigations, and contractor provided solutions. Shortfalls in these key areas demonstrate the need for improved accountability for individuals with key IT security responsibilities. Finally, an analysis of technical security controls for Web applications and Voice over Internet Protocol (VOIP) implementations found that GSA's IT Security Program would benefit from a more proactive approach to addressing emerging IT security risks.

**Accountability of IT system security officials and performance measures need to be improved to ensure IT security.**

During our review, we identified two significant areas of risk with Web applications: 1) insufficient validation of data fields, and 2) unsecured Web servers running outdated and unsupported operating system software. We issued an Alert Report to the Chief Information Officer on May 2, 2006 notifying management to focus immediate attention on these risks.

In our September 8, 2006 report, we recommended that the Chief Information Officer:

- Improve accountability for employees and contractors responsible for IT security by developing standardized performance goals and measures.
- Strengthen policy and clarify responsibilities in the background investigation process.

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## Management Challenges

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

- Ensure the IT Architecture Planning Committee takes action to address risks with emerging technologies.
- Develop and implement technical/hardening guides for securing Web applications and VOIP.

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

### **Management Controls**

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

### **FAS' Quick-Mod Program**

FAS' Information Technology Acquisition Center piloted the Quick-Mod Program to provide customer agencies with the most current IT products on the market. The Program is being tested with contractors who supply products under Schedule 70, "General Purpose Commercial Information Technology Equipment, Software, and Services," SIN 132-8 "Purchase of Equipment." Under the Quick-Mod Program, contractors are allowed to modify or add products to GSA Advantage!<sup>™</sup>, for pre-approved product categories and pricing structures without contracting officer approval. Contracting officers are required to review modifications/additions after they are posted on GSA Advantage!<sup>™</sup>. Management requested that we perform this review to determine if Quick-Mod should be expanded to other schedules.

We found that a lack of management controls allowed incorrect prices and unauthorized products to be placed on GSA Advantage!<sup>™</sup> and go undetected. Contracting officers either did not effectively review the Quick-Mods or chose not to perform reviews at all. During our review, we found that contracting officers did not have a strong understanding of their overall responsibilities and review procedures under the Quick-Mod Program. As a result of these conditions, 8 of the 10 Quick-Mods sampled had unauthorized products and/or incorrect prices.

We determined that the unauthorized products found in the Quick-Mods included software, licenses, maintenance, training, and miscellaneous products. When unauthorized products were listed on GSA Advantage!<sup>™</sup>, customers were viewing products for which there was no contractual price

**Lack of management controls allow unauthorized or incorrectly priced products to be offered for sale under GSA Advantage!<sup>™</sup>.**



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## Management Challenges

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

structure. In addition, we found that many Quick-Mods had pricing errors. Although contractors have been made aware of Quick-Mod policy, they still entered incorrect data into the system. Consequently, customers have access to products and prices via GSA Advantage!<sup>TM</sup> that: 1) are not based upon a contractually pre-negotiated rate, or 2) are not fair and reasonable since they exceed the established pricing structure. It is our opinion that FAS should not expand the Quick-Mod Program to other schedules at this time.

In our April 6, 2006 report, we recommended that the Acting Commissioner of FAS develop a single point of entry database that contractors can use to enter modifications, and contracting officers can use to verify Quick-Mods. This would eliminate the need for contractors to submit a separate spreadsheet for contracting officers to review, which is not linked directly to data placed on GSA Advantage!<sup>TM</sup>. Secondly, we recommended that FAS institute policies to determine whether contractors who make repeated mistakes should be allowed to continue under the Program, and to remove those who blatantly abuse the Quick-Mod Program.

Management generally concurred with the report recommendations.

### **Overtime Management**

The National Capital Region, with the largest number of government-owned buildings in GSA, is responsible for providing a multitude of building operations functions and has incurred significant overtime labor costs. We focused our review on the management control environment for building operations support such as utility systems repair, mechanical engineering, fire systems, and custodial tasks, since these employees most frequently incur overtime costs. In FY 2004, about a third of the 1,262 employees engaged in these functions received a total of nearly \$3.4 million for overtime, averaging 19 percent of their base pay; the trend continued in FY 2005.

We concluded the region needs better oversight and control of overtime costs. The current control environment in the region relies on poorly designed overtime control forms and procedures. The design and implementation shortcomings of the GSA form used to request, authorize, and report overtime compromise effective management control of the expense. We found that existing records cannot fully support or justify the costs incurred, required reconciliations and validation tests were not performed, and overtime was not subject to routine examination or analysis. We observed a standard practice that reduced the authorization process to a generic description of work to be performed with no justification for why the function required overtime. We also noted a continual use of overtime for shift coverage, an indication of an inadequate resource management plan. As a result, the process is left vulnerable to undetected errors and abuse.

**Region lacks controls to justify and reconcile over \$3.4 million in overtime costs.**

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## Management Challenges

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

In our April 19, 2006 report, we recommended that the Assistant Regional Administrator, in conjunction with the appropriate policy office:

- Redesign the overtime form as a mandatory, standard electronic version that captures pertinent data elements.
- Implement a variance analysis reporting capability to provide a means to better control the overtime expense element.

Management generally concurred with the recommendations.

### **Human Capital**

*Like many Federal agencies, GSA has an aging workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. Much of the downsizing was accomplished through early retirement and buyout authority, and by filling job vacancies sparingly.*

*Congress and the Government Accountability Office (GAO) have identified human capital management policies as a missing link in the government's performance management framework. GAO identified human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills as key areas needing attention.*

### **GSA's Competitive Sourcing Initiative**

Competitive sourcing is the process for competition between Federal agencies and the private sector to determine who is best able to perform commercial activities to ensure the best value. The President's Management Agenda (PMA), enacted in 2001, requires agencies to explore competitive sourcing as a means to make government more efficient.

GSA currently maintains a score of "Green" for Competitive Sourcing on the PMA Scorecard for both "Current Status" and "Progress in Implementing" the PMA. GSA achieved this status, in part, through the performance of competitions and the development of the GSA Green Plan. Guidance for public-private competitions is provided by OMB Circular A-76 (A-76).

In our review, we noted several areas of concern that may negatively impact GSA's ability to continue effective and efficient implementation of the PMA, and place GSA in jeopardy of losing its "Green" status on the PMA scorecard.

First, as the competitive sourcing focus shifts from GSA's Public Buildings Service (PBS) to the rest of the Agency, there will be a significant loss of first

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## Management Challenges

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***Lessons learned from the competitive sourcing process need to be shared within GSA and with other agencies.***

### ***Human Capital (continued)***

hand knowledge and experience with the process since, between FY 2004 and 2005, PBS has performed 53 of the 54 completed competitions, all of which were streamlined (less complex with short completion timeframes). Future reviews will be “standard” competitions which are more complex and can take considerably longer to complete. Adding to this, the merger of FSS and FTS into the new FAS may have a negative impact on scheduled competitions. Also, GSA has yet to post and share lessons learned from the competitive sourcing process as required by A-76. Finally, GSA is scheduled to re-compete the previously cancelled agency-wide marketing function but has not yet addressed the problems and issues that led to the cancellation.

To help ensure that GSA continues to effectively and efficiently implement the provisions of the PMA and A-76, we recommended that the Office of Performance Improvement:

- Seek the active participation of PBS staff to ensure their experiences and knowledge gained from prior competitions is carried forward to upcoming competitions.
- Examine the potential impact of the FSS/FTS reorganization on the scheduled competitions to determine whether to proceed, and examine alternative areas for competition where necessary.
- Post lessons learned from both streamlined and standard competitions to the SHARE A-76! Web site.
- Review the issues that led to the cancelled marketing competition before re-competing the function.

The Acting Associate Administrator, Office of Performance Improvement, generally agreed with the recommendations and stated that the office has already taken some steps toward implementation.

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## Promoting and Protecting Integrity

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*GSA is responsible for providing working space for almost one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled more than \$8.7 million.*

### **Public Corruption Initiative**

The detection and investigation of criminal conduct by employees of GSA and other government employees and contractors doing business with GSA have been given top priority within the Office of Investigations. Our efforts have led to several prosecutions, sending the message to other government employees and the public that the Office of Inspector General is aggressively pursuing public corruption.

**Public corruption initiative leads to numerous arrests of GSA employees.**

With the cooperation and assistance of several United States Attorneys' Offices, the Department of Justice (DOJ), and the Federal Bureau of Investigation (FBI), many overt and covert investigations are ongoing to detect and prosecute corrupt public officials. The results have increased public awareness and added a deterrent effect.

The following are examples of public corruption cases worked by the Office of Investigations during this reporting period.

### **Former GSA Chief of Staff and U.S. Congressman Found Guilty in Public Corruption Investigation**

A major public corruption case being investigated by the OIG, the FBI, the Department of Interior OIG, and the Internal Revenue Service (IRS) was initiated when it was suspected that from May 16, 2002 until January 10, 2004, David H. Safavian, GSA's former Chief of Staff, aided a Washington, DC lobbyist in the lobbyist's attempts to acquire GSA-controlled property in and around Washington, DC. In August 2002, this lobbyist took Safavian and others on a golf trip to Scotland.

On June 20, 2006, a jury found Safavian guilty of obstructing the work of the GSA OIG and of lying to a GSA ethics official. It also convicted him of lying to the GSA OIG and making a false statement to the Senate Indian Affairs Committee. He had resigned from his White House post last year as the

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## Promoting and Protecting Integrity

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Federal Government's chief procurement officer. On October 27, 2006, Safavian was sentenced to 18 months incarceration and 2 years supervised probation.

In a collateral investigation, on September 15, 2006, Congressman Robert Ney pled guilty to conspiracy in violation of post-employment restrictions for former Congressional staff members, mail and wire fraud, and depriving the public of honest services.

### Former GSA Employees Pled Guilty to Making False Claims

A joint investigation with the DoD Criminal Investigative Service and the IRS was initiated when our audit office reported possible irregularities with the issuance of an IT task order designated for full and open competition.

The investigation disclosed that the former Federal Technology Service (FTS) program director, one of his employees (a supervisory IT specialist), and a GSA contractor employee (who was the IT specialist's daughter) used their respective positions to arrange no-show jobs for a company that held contracts to provide IT-related support services to the U.S. Army at Fort Monmouth, New Jersey. The company then billed the Army for services, which the director approved—approximately \$283,000 in payment claims for work that the company did not perform. The contractor's employee received \$125,424 in salary for performing almost no work.

Further investigation disclosed that the FTS director and his employee arranged for a company on a separate GSA contract to be a subcontractor and were paid \$555,710 for GSA IT-related services. The contractor's employee received \$156,788 in salary for performing almost no work.

The FTS director hired a second company, "R-ZED Engineering," (a sole proprietorship he controlled) as a subcontractor for the second company's GSA contract. The director mailed approximately 35 payments, totaling \$151,500, to a post office box that he had opened in the name of R-ZED Engineering. R-ZED Engineering never performed any work as a subcontractor. Instead, he deposited the second company's checks into either his personal bank account or an account he controlled in the name of "R-ZED Engineering Services."

The FTS program director pled guilty to conspiracy to defraud the United States by making false claims and to tax evasion. The IT specialist pled guilty to filing false claims. The IT specialist's daughter pled guilty to conspiracy to defraud the United States by making false claims. Sentencing is pending for all three individuals.

### GSA Employee Pleads Guilty to Accepting Bribes

During an investigation of Trataros Construction Inc. (TCI), the president of TCI, pursuant to a nonprosecution agreement with the U.S. Attorney's Office,

**GSA director  
involved in  
procurement fraud  
scheme.**

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## Promoting and Protecting Integrity

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***GSA architect  
guilty of accepting  
bribes.***

disclosed that he paid cash bribes to a former GSA Public Buildings Service (PBS) architect. TCI was the prime GSA PBS contractor on the U.S. Post Office and Courthouse project in Old San Juan, Puerto Rico.

The investigation disclosed that TCI paid cash bribes to the former architect in exchange for his assistance on the project. At the time of the bribe payments, the architect was the GSA contracting officer's representative. The contract value was over \$23 million. In exchange for the bribe payments, the architect agreed not to negotiate aggressively on behalf of GSA PBS when TCI submitted requests for payment on change orders. Additionally, he agreed to recommend approval of the claims for progress payments submitted by TCI that overstated the work completed on the project. The GSA employee pled guilty to bribery and was sentenced to 3 years probation and ordered to pay \$6,000 in restitution and a \$100,000 fine.

### **Former GSA Official Sentenced in Procurement Fraud Case**

An investigation was initiated when it was reported that the director of GSA's National Center for Utilities Management was accepting cash payments from Tiger Natural Gas, Inc. (Tiger) of Tulsa, Oklahoma. The director was responsible for buying natural gas in bulk for Federal facilities, including prisons and hospitals, around the country.

The investigation disclosed that the director accepted gratuities from Tiger. Specifically, it was found that Tiger provided the director with \$14,000 in meals and entertainment and gave his wife \$11,000 in exchange for allowing the company to overcharge the government. In exchange, the director invited Tiger to overcharge Federal prisons, hospitals, and other facilities.

The director resigned from his position as director of a GSA office when he was targeted by investigators looking into a scheme to overcharge the government for natural gas. He pled guilty to conspiracy to engage in conflicts of interest and was sentenced to 6 months home confinement and 3 years probation.

Previously, Tiger agreed to pay \$11 million in fines and restitution to the government to settle civil litigation resulting from this case.

### **PBS Director Pleads Guilty in Property Management Scheme**

An investigation was initiated when it was alleged that a GSA PBS employee had approved contracts in which she had a financial interest. The U.S. Attorney for the Western District of Kentucky filed a criminal information charging the GSA director of the Kentucky Property Management Center with approving government contracts that benefited her financially.

The director had direct authority over a number of GSA contractors, including a GSA contractor who at various times employed her live-in

***PBS director  
charged with  
criminal conflict of  
interest.***



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

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companion and her two dependent children. Despite this knowledge and corresponding financial interest, she participated personally and substantially through the decision, approval, and recommendation of government contracts for this GSA contractor. It is illegal for a Federal employee to participate in the approval or recommendation of a government contract that would financially benefit them. The director pled guilty to acts affecting personal interest. She was sentenced to 2 years probation, fined, and agreed not to seek re-employment with GSA or any other government agency; she also resigned from her position with GSA.

### **GSA FTS Director Pleads Guilty to Theft of Government Property**

An investigation was initiated based on information received indicating that a GSA FTS director knowingly submitted fraudulent claims to the U.S. Government involving two separate personal trips. In April 2005, the director purchased an airline ticket on her government travel account for an unauthorized trip. In May 2005, the director filed a travel voucher for unauthorized meals and an unapproved round trip airline ticket. She pled guilty to theft of government property and was sentenced to 100 hours of community service and ordered to pay restitution.

### **Two GSA Contractor Employees Conspired to Steal and Depredate Government Property**

A joint investigation with the U.S. Marshals Service disclosed that two GSA contractor employees conspired to steal and deplete U.S. Government property from a cellblock that was under construction at the new U.S. District Courthouse in the Eastern District of New York. The U.S. property consisted of security surveillance equipment valued at approximately \$192,000.

Specifically, the employees attempted to use a drill, a hammer, and a lock picking kit to open the lock on the cell door. They committed depredation of GSA property by attempting to bypass the security system by performing an electrical override to disable the electronic lock on the cell doors, which damaged the system. The total cost of the damage to the security system was approximately \$31,000. The contractors pled guilty to conspiracy to commit depredation against property of the United States and were each sentenced to 3 years probation and ordered to pay a fine and restitution.

### **Government Employee Pleads Guilty to Wire Fraud**

An investigation was initiated when it was alleged that a U.S. Army employee and his girlfriend conspired to defraud the U.S. Government through knowingly making and submitting false and fictitious invoices to the government for work and services on GSA contracts that they did not perform.

The investigation disclosed that the employee used his official position as contracting officer technical representative to obtain more than \$150,000 from the government by directing prime contractors to subcontract with two

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## Promoting and Protecting Integrity

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**GSA contractor  
guilty of accepting  
kickbacks.**

companies in which he had financial interest. He pled guilty to wire fraud and was sentenced to 24 months incarceration, 3 years supervised probation, and ordered to pay \$150,049 in restitution.

### **GSA Contractor Pleads Guilty to Mail Fraud**

A joint investigation with the FBI disclosed that a former assistant project manager with ADF Steel Corporation (ADF) was accepting cash payoffs on various commercial, city, and Federal jobs. It was determined that ADF was a subcontractor under J.A. Jones Construction Company in the GSA PBS renovation contract of the Brooklyn Federal Courthouse.

The investigation found that the manager defrauded the owners of ADF and ultimately the government, by accepting payoffs from a subcontractor who worked on the Courthouse project. The manager had the subcontractor inflate bids for work in the Courthouse project and various other jobs to include a cash payoff to him of 15 percent of the bid. He accepted at least \$13,000 from the subcontractor. The manager pled guilty to mail fraud and was sentenced to 3 years probation and ordered to pay restitution in the amount of \$9,100.

### **SBA Official Found Guilty of Bribery**

A joint investigation was conducted in conjunction with the DOJ Antitrust Division, Atlanta, Georgia Field Office; the U.S. Small Business Administration (SBA), Office of Inspector General; and the FBI when it was alleged that the assistant district director for the SBA's 8(A) Business Development Program in Puerto Rico and the U.S. Virgin Islands used his position to obtain monies for his personal benefit from a GSA contractor that did business through this program. The investigation found that the director requested and received over \$20,000 in cash from the GSA contractor in order to ensure that he did not adversely affect the contractor's business dealings with the SBA. Additionally, in exchange for the \$20,000, the contractor received over \$3 million in 8(A) contracts, renewals, or extensions for his business. On August 22, 2006, a Federal jury in the U.S. District Court/District of Puerto Rico found the former director guilty of bribery; sentencing is pending.

### **GSA Contractor Pleads Guilty to Using Surplus Government Property to Defraud the State of Missouri**

A joint investigation with the U.S. Postal Inspection Service, IRS, and the State of Missouri Attorney General's Office revealed that the owner of Electrics and More purchased GSA surplus property and stored it in his warehouse in Missouri. By establishing a large inventory of computer and medical equipment through GSA auctions, he was able to create fictitious invoices for newer equipment not actually housed in his warehouse.

**Contractor uses  
GSA surplus  
property program  
to defraud state.**

The owner claimed that he furnished "new" medical and computer equipment to educational programs in Missouri and obtained over \$2 million



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

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in Missouri tax credits. When the inventory was questioned, there was a suspicious fire. The owner pled guilty to mail fraud and money laundering and was sentenced to 60 months confinement, 36 months parole, and ordered to pay restitution in the amount of \$2,004,813.

### **GSA Contract Employees Plead Guilty to Conspiracy and Theft of Government Property**

An investigation revealed that four former contract employees of TMI Management Systems, Inc., GSA Eastern Distribution Center (EDC) were stealing government property valued at approximately \$311,000 from the GSA EDC and then selling the property on eBay and at local flea markets. The execution of search warrants at one contract employee's residences confirmed allegations. Two of the contractors have pled guilty to conspiracy and theft of government property; sentencing is pending. Charges are pending for the other two contract employees.

### **President of Gate Engineering Corporation Sentenced for Making Kickback Payments**

A joint investigation by the OIG, the DOJ Antitrust Division, and the SBA OIG disclosed that the president of Gate Engineering Corporation (Gate), a GSA contractor, was paying off the technical services supervisor at Tricon Restaurants International (Tricon) in exchange for Tricon awarding electrical contracts to Gate.

The investigation revealed that the technical services supervisor conspired with the president of Gate. While employed with Tricon, the supervisor received over \$31,000 in payoffs from the president of Gate in exchange for directing over \$1 million in electrical contract work to Gate. A Federal jury found the supervisor guilty of conspiracy and sentenced him to 12 months and 1 day incarceration and 2 years supervised release. Pursuant to a plea agreement, the president pled guilty to making kickback payments and was sentenced to 12 months home confinement with electronic monitoring, 4 years probation, 400 hours of unpaid community service (100 hours per year), and was ordered to pay a fine of \$250,000.

Also, the defendant's attorney in the Gate case was found guilty by a Federal jury of conspiracy, witness tampering, and obstruction of an investigation and was sentenced to 33 months imprisonment, 3 years supervised probation, 120 hours community service, and ordered to surrender his law license.

### **President of Company Pleads Guilty to Theft of Government Property**

A joint investigation with the U.S. Air Force, Office of Special Investigations disclosed that Bald Industries (BI) did not deliver items ordered by the Air Force from the company. The investigation revealed that the Air Force placed an order on a GSA contract with BI for two walk-in freezers and four refrigerators. BI received payment for the order but the president made false

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## *Promoting and Protecting Integrity*

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statements to his supplier that there were money restrictions with the military, and instructed the supplier to modify the delivery of the refrigeration units. As a result, only two refrigeration units were shipped to the Air Force.

The president of BI pled guilty to theft of government property and was sentenced to 4 months incarceration, 3 years supervised probation, and ordered to pay \$41,052 in restitution.

### **GSA Contractor Pleads Guilty to Fraud and False Statements**

An investigation was initiated when the DOJ OIG reported that six companies might have been involved in bid rigging and/or false statements or false claims in connection with Department of Homeland Security, DoD, and GSA construction contracts. The ongoing investigation disclosed that the owner of one of the six companies knowingly and willfully made material false, fictitious, and fraudulent statements to the U.S. Coast Guard (USCG) Civil Engineering Unit on a mechanical rehabilitation project.

Specifically, the USCG issued a bid solicitation for the mechanical rehabilitation of a sandblast building. The bid solicitation for the USCG project required each bidding party to provide three references for prior jobs performed. In response to the bid solicitation the owner had a subordinate prepare a bid that included three job references, including a fire sprinkler retrofit project. At the time the subordinate included the job references in the USCG project bid, the owner was aware that the fire sprinkler retrofit job reference was false, and that he never performed the project. The USCG bid, which contained the fraudulent job reference, was signed on the owner's behalf with his authorization and sent from his offices in Mesa, Arizona to the USCG office in Cleveland, Ohio for the mechanical rehabilitation of a sandblast building.

On August 1, 2006, the owner pled guilty to fraud and false statements and was sentenced to 3 years supervised probation and ordered to pay a \$5,000 fine.

### **Works Progress Administration Artwork Recovered**

During the depths of the Great Depression, the Federal Government under the Works Progress Administration (WPA) (later renamed the Work Projects Administration) employed thousands of artists to create public art. As a result, numerous works of art adorned Federal buildings throughout the nation. Since 1949, GSA has been the custodian of the WPA works of art. Some artists who got their start working under the program became renowned, and the works they created became quite valuable. In the 1990's, GSA initiated a project to identify, locate, catalog, and recover lost/stolen WPA paintings.

*Bid-rigging scheme  
uncovered.*

*WPA artwork  
recovered.*

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## Promoting and Protecting Integrity

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In 2001, to facilitate the recovery of missing artwork, a list of 136 pieces of lost/stolen artwork was developed by GSA fine arts specialists. This information was coordinated with DOJ and listed in a stolen art database maintained by the FBI. Fine arts dealers are required to check this database prior to the sale of any work of art.

In June 2006, an R.A.D. Miller painting titled *House With Fence* (which is the property of GSA and part of the WPA project) was identified on the Internet site of the Sanford Alderfer Auction Company in Hatfield, Pennsylvania. The auction house provided the name and contact information of the consigner of the painting being auctioned. A joint investigation and counsel review led to the successful recovery and return of the painting to the control of the U.S. Government. The value of the painting is estimated at \$15,000. After final cataloging and appraisal, the painting was subsequently loaned to the James A. Michner Art Museum in Bucks County, Pennsylvania for public display. We continue to review and assist in the recovery of missing/stolen WPA artwork.

### Telecommunications Fraud

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

A fraud investigation was initiated when Alltel Communications, Inc. (Alltel) disclosed to members of the NYECTF that an individual was engaged in a fraudulent telecommunications activity known as “social engineering.” The investigation found that the individual misrepresented himself as an Alltel customer service representative and fraudulently obtained personal account information from at least 29 separate customer accounts. After obtaining the victims’ account information, he opened additional phone lines and obtained approximately 25 mobile phone handsets under the names of these victims and had them shipped to his residence. On June 12, 2006, the individual pled guilty to conspiracy to commit mail fraud and aggravated identity theft; sentencing is pending.

Another NYECTF fraud investigation disclosed that the owner of a T-Mobile dealer and five of his employees were involved in a scheme whereby they fraudulently obtained the identities of T-Mobile cellular telephone customers and then used this information to illegally obtain, without the consent or knowledge of the victims, large numbers of mobile handsets from T-Mobile. Industry specialists for T-Mobile indicate that the losses associated with the fraudulent handset orders are approximately \$674,600. The owner pled guilty to conspiracy to commit wire fraud, conspiracy to commit mail fraud,

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## Promoting and Protecting Integrity

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and aggravated identity theft and is scheduled to be sentenced on October 24, 2006. Of the five employees, two pled guilty to conspiracy to commit mail fraud; two pled guilty to conspiracy to commit wire fraud and aggravated identity theft; and one pled guilty to wire fraud, fraud with an access device, and destruction of records. Sentencing for these individuals have not been determined.

### ***Fleet Charge Card Initiative***

During FY 2006, the OIG received reimbursable funding from the GSA fleet program to place an increased investigative emphasis on charge card fraud. The fleet card program at the OIG examines the use of these charge cards at commercial service stations under vehicle leasing agreements with various Federal agencies. The initiative entails investigative staff identifying both the accounting anomalies associated with the current billing procedures and instances of criminal fraud and abuse associated with improper card usage. The OIG initiative on the investigative side has resulted in the following:

***Charge card fraud initiative leads to 44 convictions.***

- From October 2005 through September 2006, the OIG worked on 58 investigations dealing with fleet card fraud.
- To date, these cases have resulted in 63 judicial actions including 19 indictments and 44 criminal convictions.
- The monetary returns paid by defendants totaled \$402,256 in restitution, fines, and special assessments. In addition, the GSA fleet program has been able to identify and cancel numerous charge cards that have been misused and bill back the agencies assigned the cards.
- Analysis of GSA fleet card investigations indicates that enforcement actions during the past year may have averted as much as \$2 million in potential losses to the Agency.
- Examples of the types of cases investigated under this initiative include: double-billing for purchases at a service station, multiple purchases on the same day for personal use, and theft and illegal use of a fleet card.

During this reporting period, the following fleet charge card cases were investigated by the Office of Investigations.

- A joint investigation by the OIG and the Amtrak OIG determined that a gas station attendant in New Jersey was making unauthorized fuel charges using a fleet card assigned to Amtrak. It was found that multiple, same day fuel purchases were made on several Amtrak vehicles leased through the GSA Fleet Management Program. The fuel purchases totaled over \$2,999. He pled guilty to theft charges.

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## *Promoting and Protecting Integrity*

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- An investigation was initiated when it was reported that a fleet card issued to a National Guard Unit was lost, yet daily purchases of gas with the card were being recorded. Video surveillances captured the fraudulent use of the card by four individuals. Two of the individuals pled guilty to theft of government property. One was sentenced to serve 36 months probation, 3 months of home detention, and was ordered to pay restitution in the amount of \$10,888. The other individual was sentenced to 12 months probation and ordered to pay restitution.
- A joint investigation by the OIG and the Department of Veterans Affairs (VA) revealed that a VA employee was fraudulently using four fleet cards assigned to the Veteran's Medical Center in Philadelphia, Pennsylvania. It was found that the employee used the cards to purchase gas for known cocaine dealers and received either cocaine or cash at 60 cents on the dollar in payment. He pled guilty to theft of government property and was sentenced to 3 years supervised probation and ordered to pay restitution in the amount of \$9,559.
- An investigation was initiated when it was reported that six gas cards were reported missing from an Albuquerque Auto Action in New Mexico. The investigation revealed that an individual stole the fuel cards when a government agency turned in its vehicle. The individual then used the cards to fraudulently purchase gas. The individual, an employee of the auto action company, pled guilty to theft charges and was sentenced to serve 100 hours of community service and ordered to pay restitution.
- A joint investigation by the OIG and the AMTRAK Police Department determined that a National Railroad Passenger Corporation employee was making unauthorized fuel charges using a fleet card he stole from the corporation. The fuel purchases totaled over \$7,615. He pled guilty to theft charges and resigned from his position.
- An investigation was initiated after GSA reported that the same gas card was being used to make multiple fuel purchases on the same day, often within minutes of one another. The individual admitted that he purchased the gas card for \$80 and had been using the card to fuel his car as well as those of his friends and family. He pled guilty to theft of government property; sentencing is pending.
- An investigation was initiated when it was reported that a gas card assigned to a GSA vehicle leased to the Colville Confederated Tribes was missing. The investigation disclosed that an individual was using the stolen gas card for his personal gain. He pled guilty to embezzlement and conversion of public property in the amount of \$925; sentencing is pending.
- An investigation was initiated when it was reported that a reservist with the Georgia Army National Guard stole a fleet card from the Fort

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## Promoting and Protecting Integrity

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McPherson military base. He was charged with using a stolen fleet card to purchase fuel from several fuel service stations.

- An investigation was initiated when it was reported that gas cards assigned to vehicles leased by the National Oceanic and Atmospheric Association were being used to make multiple gas purchases on the same day. A husband and wife were indicted for theft of government property.
- An investigation was initiated when it was reported that possible unauthorized purchases of gas were being made with a gas card issued to a vehicle leased by GSA to the Department of the Army. The investigation revealed that an Army specialist and her fiancé were using the card to fill up their personal cars as well as their friends' cars. Both pled guilty to theft of government property and were sentenced to 24 months probation and ordered to pay \$3,000 in restitution.
- An employee of the Department of Public Works was arrested for gas card fraud. The investigation disclosed that the employee used a gas card assigned to the Department to fuel two privately-owned vehicles and vehicles owned by other individuals. The loss to the government totaled approximately \$2,800.
- An employee of the Bureau of Engraving and Printing pled guilty to theft of government property. The investigation revealed that the employee used a gas card for a vehicle assigned to Saint Elizabeth's Hospital to fuel a privately-owned vehicle. He was sentenced to 12 months probation, 50 hours of community service, and ordered to pay \$2,667 in restitution.
- An employee of the U.S. Postal Service (USPS) was arrested for grand larceny. The investigation disclosed multiple, same-day fuel purchases minutes apart from each other at various gas stations using a gas card assigned to the USPS. The employee admitted to fraudulently using the card to refuel his personal vehicle and selling gasoline at a discount to conspirators. The loss to the government was approximately \$2,648.

### **Significant Civil Actions**

#### **AT&T Pays \$2.9 Million for Overcharging Government Customers**

In a settlement agreement signed June 6, 2006, AT&T Corporation (AT&T) agreed to pay \$2.9 million to settle a *qui tam* complaint relating to overcharges for telecommunications services. The complaint alleged that AT&T, during its FTS bridge contract from 1998 to 2001, overcharged the government with regard to Pre-Subscribed Interexchange Carrier Charges (PICCs). Under the contract, AT&T was allowed to pass through to the government "actual charges" associated with the PICCs. However,



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

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according to the relator, AT&T passed through to the government costs and fees for PICCs in excess of what was allowed under the contract.

### **Construction Company Pays \$1.9 million for False Certifications About Payments to Subcontractors**

On April 10, 2006, The Hunt Corporation (Hunt) agreed to pay \$1.9 million to settle a potential civil False Claims Act case relating to Hunt's withholding of payments to its subcontractors under its contract with PBS for the construction of the United States Federal Building and Courthouse in Hammond, Indiana. In each of its progress payment applications to GSA, Hunt officials certified that Hunt was in compliance with the timely payment requirements of the Federal Acquisition Regulation and its contract, i.e. that payments to subcontractors had already been made, or would be made in a timely manner from the proceeds of each payment received from GSA, and that the requests for progress payments did not include any amounts which Hunt intended to withhold or retain from its subcontractors. The case stemmed from a GSA OIG audit of progress payments made to Hunt, which was initiated as a result of complaints to PBS officials by Hunt subcontractors that they were not being paid in a timely manner.

An OIG investigation, performed under the supervision of the United States Attorney's Office for the Northern District of Indiana, and the Commercial Litigation Branch, Civil Division, Department of Justice, confirmed the findings of the audit report, and found a widespread practice by Hunt of retaining money from its subcontractors while billing GSA for the entire amount of its progress, as measured by the schedule of values in place during the contract.

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

The GSA has a responsibility to ascertain whether the people or companies they do 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 assist GSA in ensuring that the government does not award contracts to individuals or companies that lack business integrity or honesty. Additionally, the OIG assisted the Department of Interior (DOI) OIG in reviewing and analyzing several of their investigations for potential debarment action. The GSA OIG processed 13 completed DOI investigations and made recommendations for consideration of debarment to the GSA suspension/debarment official during this reporting period.

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During this reporting period, the OIG made 111 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. This period GSA issued 53 suspension and 48 debarment actions based on OIG referrals. Currently, 253 OIG referrals are pending decisions/actions by the Agency.

### ***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 21 briefings attended by 207 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees 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 1,121 Hotline contacts. Of these contacts, 235 Hotline cases were initiated. In 134 of these cases, referrals were made to GSA program officials for review and action as appropriate, 43 cases were referred to other Federal agencies for follow up, 32 were referred for OIG criminal/civil investigations or audits, and 26 did not warrant further review.

### ***GSA OIG Receives OSC Certification***

On September 26, 2006, the U.S. Office of Special Counsel certified that the GSA Office of Inspector General has successfully met all of the requirements of 5 U.S.C. §2302(c). The certification means that the GSA OIG has demonstrated its commitment to ensuring that its employees are fully aware of their rights and responsibilities under the Whistleblower Protection Act. To obtain the certification, the GSA OIG provided both written and oral training to its supervisors, ensuring that they understand how to identify and respond to whistleblower complaints.

### ***Hurricane Katrina***

The Federal Inspector General community, coordinated through the President's Council on Integrity and Efficiency/Executive Council on Integrity



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

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and Efficiency (PCIE/ECIE), initiated an aggressive review of agencies' response efforts to the Gulf Coast hurricane disasters. The Department of Justice established a fraud task force that includes Federal, state, and local law enforcement agents. These actions focus on ensuring relief funds were spent wisely; improving agency response to disasters; and identifying fraud, waste, and abuse early in the process.

As part of the PCIE Katrina working group, we have initiated an audit that assesses the effectiveness of GSA's response to Hurricane Katrina. Under the 2004 National Response Plan, which is the Federal Government's unified approach to disasters, GSA serves a central role in procuring equipment and services used by the Federal Emergency Management Agency (FEMA). GSA has awarded approximately \$1 billion in contracts on FEMA's behalf. In these procurements, FEMA uses GSA contracting professionals to award contracts for which FEMA has identified the procurement requirement and is billed directly. In our ongoing audit, we are examining 255 of GSA's procurements for FEMA totaling over \$695 million. In addition, we are also reviewing charges against mission assignments as well as the related management controls and processes internal to GSA. While we are continuing with our audit, we have been providing preliminary observations to management, through audit memoranda, to provide timely feedback during the current hurricane season.

Additionally, GSA has responsibilities as the landlord to Federal agencies in the affected area to locate or repair space so that the agencies may continue their missions. Initially, 84 facilities in four states were affected. We are examining GSA's role as landlord during the response to Hurricane Katrina.

### ***Protecting Personally Identifiable Information***

Following numerous high profile incidents involving the substantial compromise or loss of sensitive personal information associated with the growing threat of identity theft, the Office of Management and Budget issued memorandum M-06-16, on June 23, 2006. The memorandum stresses that Federal agencies need to take all necessary/reasonable measures to swiftly eliminate significant vulnerabilities to the sensitive information entrusted to them. It required agencies to take specified actions to ensure that safeguards are in place and appropriately reviewed within 45 days from the issuance of the memorandum. As part of the PCIE/ECIE initiative, we performed a fast paced assessment of GSA's compliance with the requirements of the memorandum. The PCIE/ECIE drafted a report summarizing the Inspectors General's findings and agencies' actions.

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## Governmentwide Policy Activities

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*We regularly provide advice and assistance on governmentwide policy matters to the Agency, as well as to other Federal agencies and to committees of Congress. In addition, as required by the Inspector General Act of 1978, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of the Agency in shaping governmentwide policies and programs, most of the legislation and regulations reviewed invariably affect governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.*

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

This period, we provided advice and assistance to the Office of Management and Budget (OMB) on various procurement policy issues. In addition, we participated on a number of interagency committees and working groups that deal with cross-cutting and governmentwide issues:

- The IG is a participating member of the PCIE/ECIE Homeland Security Roundtable, headed by the IG of the Department of Homeland Security. The Homeland Security focus of the Roundtable was a springboard for a review of the Federal response efforts to Hurricane Katrina and Hurricane Rita. The Roundtable meets quarterly to help coordinate efforts of the IG community, to ensure accountability of the Federal money being spent in those response efforts, and to deter waste, fraud, and abuse.
- The Deputy Inspector General represents all civilian government agencies on the Cost Accounting Standards Board, an independent board within OMB's Office of Federal Procurement Policy, which promulgates, amends, and revises Cost Accounting Standards designed to achieve uniformity and consistency in cost accounting practices by individual government contractors.
- The Acting Assistant Inspector General for Auditing co-chairs the IT Committee under the PCIE Federal Audit Executive Council. This Committee is responsible for leading discussion and reaching consensus among all of the OIGs regarding a myriad of IT issues, including proposed legislation and regulations, OMB questions and reporting requirements, and IT audit approaches and best practices. OIG audit representatives participate in the Federal Audit Executive Council's IT Committee to develop approaches and techniques for conducting IT security audits under the Federal Information Security Management Act (FISMA). Audit representatives also participate in the PCIE IT Roundtable to discuss various methodologies and best practices for conducting IT audits.
- The Acting Assistant Inspector General for Auditing participates in the After Action/Lessons Learned Working Group in response to the Katrina disaster, under the PCIE/ECIE Homeland Security Roundtable.

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## ***Governmentwide Policy Activities***

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- Our TeamMate™ Technical Support Group participates in the TeamMate™ Federal Users Group and the PricewaterhouseCoopers TeamMate™ Users Group to discuss concerns and new challenges facing TeamMate™ users. TeamMate™ is an automated audit workpaper management system designed to make the audit process more efficient.

### ***Legislation and Regulations***

During this reporting period, the OIG reviewed 140 legislative matters and 12 proposed regulations.

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## Professional Assistance Services

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*Government Auditing Standards prohibit Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. To maintain our independence when working closely with GSA management, we carefully assess our services to ensure compliance with the standards. As allowed under the standards, we are continuing our participation on Agency improvement task forces, committees, and working groups in an observer or advisory capacity.*

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

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

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

- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.
- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The MAS Working Group is primarily comprised of members of the Federal Acquisition Service (FAS) and the OIG, with representation also from the Office of General Counsel and the Office of the Chief Acquisition Officer. The Working Group has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or reviews.

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## *Professional Assistance Services*

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

- **GSA IT Governance Groups.** Audit representatives participate as nonvoting members on three of GSA's major IT governance teams and attend all meetings. The Information Technology Architecture Planning Committee defines the standards for GSA's information technology in support of business goals and at the direction of the Information Technology Council (ITC). The ITC is comprised of senior IT staff members from the Office of the Chief Information Officer with GSA services, staff offices, and regions to collaboratively explore and determine actions needed to ensure that IT decisions have a sound business and IT investment basis. Senior audit representatives also participate in meetings of the Business Systems Council, a senior management forum chaired by the Deputy Administrator, which make decisions regarding major IT investments in conjunction with GSA's Performance Management process, the Human Capital Planning process, the IT Capital Planning and Investment process, and ongoing business process changes for the Agency.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 70 audit reports during this reporting period. The 70 reports contained financial recommendations totaling \$622,716,483 including \$622,480,897 in recommendations that funds be put to better use and \$235,586 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

### **Management Decisions on Audit Reports**

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2006. There were no reports more than 6 months old awaiting management decisions as of September 30, 2006. Table 1 does not include one report issued to other agencies this period. Table 1 also does not include five reports excluded from the management decision process because they pertain to ongoing investigations.

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

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 4/1/06			
Less than six months old	39	21	\$ 112,216,801
Six or more months old	0	0	0
Reports issued this period	69	40	622,716,483
<b>TOTAL</b>	<b>108</b>	<b>61</b>	<b>\$ 734,933,284</b>
For which a management decision was made during the reporting period			
Issued prior periods	39	21	\$ 112,216,801
Issued current period	44	21	405,998,742
<b>TOTAL</b>	<b>83</b>	<b>42</b>	<b>\$ 518,215,543</b>
For which no management decision had been made as of 9/30/06			
Less than six months old	25	19	\$ 216,717,741
Six or more months old	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>19</b>	<b>\$ 216,717,741</b>

## Statistical Summary of OIG Accomplishments

### **Management Decisions on Audit Reports with Financial Recommendations**

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs).

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

	No. of Reports	Financial Recommendations
For which no management decision had been made as of 4/1/06		
Less than six months old	19	\$ 103,855,576
Six or more months old	0	0
Reports issued this period	36	622,480,897
<b>TOTAL</b>	<b>55</b>	<b>\$ 726,336,473</b>
For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>36</b>	<b>\$509,618,732*</b>
For which no management decision had been made as of 9/30/06		
Less than six months old	19	\$ 216,717,741
Six or more months old	0	0
<b>TOTAL</b>	<b>19</b>	<b>\$ 216,717,741</b>

*\*Management agreed with 100 percent of the recommended amount.*



## Statistical Summary of OIG Accomplishments

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

	No. of Reports	Questioned Costs
For which no management decision had been made as of 4/1/06		
Less than six months old	2	\$ 8,361,225
Six or more months old	0	0
Reports issued this period	<u>4</u>	<u>235,586</u>
<b>TOTAL</b>	<b>6</b>	<b>\$ 8,596,811</b>
 For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>6</b>	<b>\$10,327,538*</b>
 For which no management decision had been made as of 9/30/06		
Less than six months old	0	\$ 0
Six or more months old	0	0
<b>TOTAL</b>	<u><b>0</b></u>	<u><b>\$ 0</b></u>

*\*Includes \$1,730,727 that management decided to seek that exceeded recommended amounts.*

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## Statistical Summary of OIG Accomplishments

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### ***Investigative Workload***

The OIG opened 131 investigative cases and closed 61 cases during this period. In addition, the OIG received and evaluated 53 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### ***Referrals***

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

**Table 4. Summary of OIG Referrals**

<b>Type of Referral</b>	<b>Cases</b>	<b>Subjects</b>
Criminal	42	108
Civil	5	9
Administrative	91	220
<b>TOTAL</b>	<b>138</b>	<b>337</b>

In addition, the OIG made 25 referrals to GSA officials for information purposes only.

### ***Actions on OIG Referrals***

Based on these and prior referrals, 24 cases (52 subjects) were accepted for criminal prosecution and 3 cases (7 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 42 indictments/informations and 43 successful prosecutions. OIG civil referrals resulted in 2 case settlements. Based on OIG administrative referrals, management debarred 48 contractors/individuals, suspended 53 contractors/individuals, and took 7 personnel actions against employees.

## Statistical Summary of OIG Accomplishments

### Monetary Results

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

**Table 5. Criminal and Civil Recoveries**

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 705,669	\$ —
Settlements		4,846,000
Restitutions	2,507,330	—
<b>TOTAL</b>	<b>\$3,212,999</b>	<b>\$4,846,000</b>

Table 6 presents the amount of administrative recoveries, cost avoidance, and management commitment as a result of investigative activities.

**Table 6. Other Monetary Results**

Administrative Recoveries	\$176,902
Cost Avoidance	464,002
Management Commitment	36,825
<b>TOTAL</b>	<b>\$677,729</b>

# ***APPENDICES***



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

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Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

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

### **PBS Environment Program Management**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review found that the scope of the Environment Management Program needs to be expanded, and the database needs several application controls. The report contained ten recommendations; two have been implemented.

One recommendation involves implementing a national Environmental Management System (EMS) to ensure the PBS program's national office continues to make progress, to develop and implement a regional strategy, and to incorporate the recommendations of the EPA EMS review. It is scheduled for completion on January 15, 2007. Another recommendation involves improving the Environmental Risk Index (ERI) by expanding its scope, ensuring that all regional environment officials know how to include delegated buildings, and enhancing the ERI database with a number of controls. It is scheduled for completion between November 15, 2006 and April 15, 2007. Another recommendation involves ensuring that PBS management supervises the environmental liability report. It is scheduled for completion on April 15, 2007. The fourth recommendation involves applying a risk-based approach to identify tenants whose activities pose a greater risk to the environment and execute a written agreement with them. It is scheduled for completion on January 15, 2007.

### **Southeast Sunbelt Region PBS Environment Program Management**

*Period First Reported: October 1, 2005, to March 31, 2006*

This regional review identified a need to expand the ERI to include delegated facilities and to improve the accuracy of environmental liability reporting. The report contained two recommendations; they have not been implemented.

The recommendations require strengthening environmental liability reporting and ensuring that the environmental officials include delegated buildings. They are scheduled for completion on November 15, 2006.

### **Tenant Improvements**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review of tenant improvements in three GSA regions disclosed the need for better oversight of the tenant improvement process in leased space. The report contained four recommendations; they have not been implemented.

The recommendations involve ensuring that associates follow established guidance, initiating a standardized methodology for tracking and reconciling improvement costs, providing guidance and training related to cost proposals, and ensuring that the responsible person manages tenant improvement projects. They are scheduled for implementation between January 15, 2007 and July 15, 2007.

### **Using Facility Management Schedules**

*Period First Reported: October 1, 2005, to March 31, 2006*

This review found that PBS was not using the FSS Facilities Maintenance and Management schedules extensively. The report contained two recommendations; they have not been implemented.

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## Appendix I—Significant Audits from Prior Reports

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The recommendations require fostering awareness and compliance with guidelines, and assessing how the MAS schedule can best serve PBS's need for facility maintenance contracting. They are scheduled for completion on February 15, 2007 and May 15, 2007, respectively.

### **Review of the Western Distribution Center Relocation Project**

*Period First Reported: October 1, 2005, to March 31, 2006*

In the review of the relocation project, we found that the procurement was inadequately competed and administered contributing to cost overruns. The report contained three recommendations; they have not been implemented.

The recommendations involve strengthening the management controls over the acquisition process, heightening the awareness among associates on the importance of proper procurement practices, and enforcing compliance with acquisition policies, regulations, and procedures. They are scheduled for completion on December 15, 2006.

### **E-Gov Travel**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review of the management practices providing oversight of the E-Gov Travel Initiative and support agencies disclosed that cost, schedule, and performance risks exist. The report contained five recommendations; three have been implemented.

The remaining recommendations require developing realistic Industrial Funding Fee revenue estimates and creating guidance to help agencies develop reasonable deployment and migration task timeframes. They are scheduled for completion between November 15, 2006 and February 15, 2007.

### **Fleet's Purchase of Defense Energy Support Center Fuel**

*Period First Reported: October 1, 2005, to March 31, 2006*

This review identified the need to develop a centralized electronic billing and payment procedure between Defense Energy Support Center (DESC) and GSA's

Fleet. The report contained four recommendations; they have not been implemented.

The recommendations involve working with DESC to establish a written agreement, establishing internal procedures to quickly review the bills and process them for payment, and working with DESC to reevaluate and resolve disputed bills. They are scheduled for completion between November 15, 2006 and March 15, 2007.

### **CONNECTIONS Program Contract**

*Period First Reported: October 1, 2005, to March 31, 2006*

This review found that several problems exist in the use of the CONNECTIONS contract at the regional level. The report contained three recommendations; two have been implemented.

The remaining recommendation, which requires establishing a percentage limit for other direct costs to be used by all the regions, is scheduled for completion on December 15, 2006.

### **IT System Contingency Planning**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review identified the need to develop a comprehensive FSS-19 specific IT contingency plan to cover all system components and procedures. The report contained two recommendations; they have not been implemented.

The recommendations involve addressing steps to develop an IT contingency plan in accordance with agency-wide policy and guidance and ensuring that policy and guidance address all key policy elements. They are scheduled for completion on February 15, 2007 and April 15, 2007, respectively.

### **Federal Procurement Data System—Next Generation**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review disclosed that certain contract and system requirements had not been addressed and discrepancies existed in some elements in the system. The report contained three recommendations; two have been implemented.



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## Appendix I—Significant Audits from Prior Reports

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The remaining recommendation, which requires resolving all data element discrepancies and data migration issues, is scheduled for completion on November 15, 2006.

### **Repair and Alterations Program**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review centered on whether GSA has an effective strategy to repair and modernize federally-owned buildings. The report contained four recommendations; they have not been implemented.

The recommendations involve a comprehensive plan addressing repair and modernization requirements of the GSA building inventory; advocating its processes and systems to assess building conditions, identify building deficiencies, and schedule work items; completing a strategy to systematically define the building inventory to meet customer agency long-term needs; and developing a methodology to prioritize the prospectus-level projects. They are scheduled for completion on November 15, 2006.

### **Expanded Direct Delivery Program**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review focused on the timely processing of customer orders under two blanket purchase agreements under the Office of Global Supply's Expanded Direct Delivery (EDD) Program. The report contained two recommendations; one has not been implemented.

The remaining recommendation involves establishing incentives for EDD contractors to fulfill their performance metric on order fills and back orders and establishing a system to address missing shipment status records. It is scheduled for completion on November 15, 2006.

### **Contractor Assessment Initiative**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review focused on the Administrative Report Card which was created to assist contracting officers in making decisions about exercising contract options and awarding additional contracts. The report contained six recommendations; two have been implemented.

The remaining recommendations involve ensuring that all significant contractual areas are included on the report card, integrating a rating and weighting system, providing guidance on formulating the report card and follow-up procedures on contractor deficiencies, and instituting a directive that contractors use the report card. They are scheduled for completion between November 15, 2006 and December 15, 2006.

### **GSA Advantage!**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review centered on specific shortfalls with GSA Advantage's management funding and planning process. The report contained four recommendations; they have not been implemented.

The recommendations involve establishing a management structure with adequate authority and responsibility, developing and implementing specific performance measures, ensuring adequate processes are in place to minimize potential delays of vendor product data uploads, and analyzing virtual stores to ensure the benefits of these investments exceed their development and maintenance costs. They are scheduled for completion on November 15, 2006.

### **Comprehensive Human Resources Integrated System**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review of the Comprehensive Human Resources Integrated System identified user reluctance to use the system and the availability of duplicative system functionality provided by other GSA systems. The report contained three recommendations; one has been implemented.

The remaining recommendations involve conducting a post-implementation review and ensuring that adequate security controls are in place to manage risks. They are scheduled for completion on November 15, 2006.

### **Review of FedBizOpps**

*Period First Reported: April 1, 2004, to September 30, 2004*

The review involved an online survey of FedBizOpps users to gather information on user satisfaction to assess the effectiveness of FedBizOpps. The report

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

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contained four recommendations; one has been implemented.

The recommendations involve developing a process to solicit input from vendors on system enhancements, evaluating enhancements to FedBizOpps based on vendor input, and ensuring that memoranda of agreement are in place for FedBizOpps users. The recommendations are scheduled for completion between November 15, 2006 and May 15, 2006.

### ***Consolidation of Distribution Centers***

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

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

The remaining recommendation, which requires developing access to reliable data for all delivery methods, is scheduled for completion on November 15, 2006.

## Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<p><i>(Note: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)</i></p>				
<b>PBS Internal Audits</b>				
04/19/06	A050130	Review of Overtime Management Controls in GSA Public Buildings Service, National Capital Region		
<b>PBS Contract Audits</b>				
06/14/06	A020126	Review of Progress Payments Under Fixed-Price Construction Contract: U.S. Courthouse, Hammond, Indiana, Hunt Construction Group, Inc., Contract Number GS-05P-96-GBC-0015		\$169,273
08/01/06	A050253	Limited Review of a Claim for Increased Costs: Garfunkel Development Corporation, Contract Number GS-04B-36092		
09/13/06	A060231	Preaward Review of Architect and Engineering Services Contract: Teng & Associates, Inc., Contract Number GS-01P-06-BZC-0004		
09/26/06	A060203	Review of a Claim for Termination: Ross Barney and Jankowski Inc., Contract Number GS-04P-04-EXC-0046		
<b>FSS Internal Audits</b>				
04/06/06	A060029	Review of the Federal Supply Service's Quick-MOD Program		
06/07/06	A060016	Review of Inventory of Sensitive Items, Western Distribution Center, Pacific Rim Region, Federal Supply Service		
06/30/06	A060164	Review of Federal Supply Service Travel Card Program, Pacific Rim Region		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<b><i>FSS Contract Audits</i></b>				
04/12/06	A060008	Preaward Review of Multiple Award Schedule Contract: Lenovo, Inc., Solicitation Number FCIS-JB-98001B		
04/12/06	A060064	Preaward Review of Multiple Award Schedule Contract Extension: Cherokee Information Services, Incorporated, Contract Number GS-00F-0052M		
04/18/06	A050122	Review of Industrial Funding Fee Remittances: Fastenal Company, Contract Number GS-06F-0039K		\$35,274
04/20/06	A060114	Preaward Review of Multiple Award Schedule Contract Extension: GE Ion Track, Incorporated, Contract Number GS-07F-9500G		
04/25/06	A050265	Preaward Review of Multiple Award Schedule Contract Extension: Lawson Products, Inc., Contract Number GS-06F-0027L		
04/27/06	A050200	Preaward Review of Multiple Award Schedule Contract: Motorola Incorporated, Solicitation Number FCIS-JB-980001-B		
04/27/06	A050242	Preaward Review of Multiple Award Schedule Contract Extension: EC America, Inc., Contract Number GS-35F-0414K		
04/28/06	A060041	Preaward Review of Multiple Award Schedule Contract Extension: Morgan Research Corporation, Contract Number GS-23F-0191L		
05/04/06	A060087	Preaward Review of Multiple Award Schedule Contract Extension: Rapisan Security Products, Incorporated, Contract Number GS-07F-9429G		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
05/04/06	A050223	Limited Scope Review of Multiple Award Schedule Contract Number GS-07F-8785D for the Period January 1, 2004 Through September 30, 2005: Advantor Systems Corporation		\$19,765
05/05/06	A050079	Limited Scope Review of Multiple Award Schedule Contract: Johnson Controls, Inc., Contract Number GS-07F-7823C		\$11,274
05/09/06	A050180	Preaward Review of Multiple Award Schedule Contract Extension: Office Depot, Incorporated, Contract Number GS-14F-0040K		
05/09/06	A060077	Preaward Review of Multiple Award Schedule Contract Extension: Worldwide Language Resources, Inc., Contract Number GS-10F-0307L		
05/11/06	A060073	Preaward Review of Multiple Award Schedule Contract Extension: Safety Systems Corporation, Contract Number GS-07F-8860D		
05/11/06	A060108	Preaward Review of Multiple Award Schedule Contract Extension: Protective Materials Company, Contract Number GS-07F-9489G		
05/17/06	A050195	Preaward Review of Multiple Award Schedule Contract Extension: TAC Americas, Inc., Contract Number GS-07F-7851C		
05/17/06	A060147	Preaward Review of Multiple Award Schedule Contract Extension: K-Con, Inc, Contract Number GS-07F-0216L		
05/19/06	A060083	Preaward Review of Multiple Award Schedule Contract Extension: Information Manufacturing Corporation, Contract Number GS-25F-0032L		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
05/24/06	A050245	Preaward Review of Multiple Award Schedule Contract: Corporate Express, Inc., Solicitation Number GS-14F-0016L		
05/24/06	A060104	Preaward Review of Multiple Award Schedule Contract Extension: Benefit Recovery Specialists, L.P., Contract Number GS-23F-0186L		
06/01/06	A060111	Preaward Review of Multiple Award Schedule Contract Extension: American Science & Engineering, Inc., Contract Number GS-07F-8897D		
06/08/06	A050251	Preaward Review of Multiple Award Schedule Contract Extension: ARES Corporation, Contract Number GS-23F-0113L		
06/08/06	A060107	Preaward Review of Multiple Award Schedule Contract Extension: OMNIPLEX World Services Corporation, Contract Number GS-15F-0051L		
06/12/06	A060099	Preaward Review of Multiple Award Schedule Contract Extension: Criticom, Inc., Contract Number GS-35F-0272L		
06/20/06	A050235	Preaward Review of Multiple Award Schedule Contract Extension: Research Triangle Institute, Contract Number GS-10F-0097L		
06/22/06	A060154	Preaward Review of Multiple Award Schedule Contract Extension: Pierce Manufacturing, Inc., Contract Number GS-30F-1045D		
06/28/06	A060130	Preaward Review of Multiple Award Schedule Contract Extension: InfoReliance Corporation, Contract Number GS-35F-0273L		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
07/05/06	A060162	Preaward Review of Multiple Award Schedule Contract Extension: Corporate Relocation Services, Contract Number GS-23F-0243L		
07/06/06	A060054	Preaward Review of Multiple Award Schedule Contract Extension: Applera Corporation - Applied Biosystems Group, Contract Number GS-26F-5927A		
07/14/06	A060090	Preaward Review of Multiple Award Schedule Contract Extension: Point Blank Body Armor, Inc., Contract Number GS-07F-8942D		
07/19/06	A060100	Preaward Review of Multiple Award Schedule Contract Extension: The Gallup Organization, Contract Number GS-00F-0078M		
07/20/06	A060062	Preaward Review of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-26F-5944A		
07/25/06	A060146	Preaward Review of Multiple Award Schedule Contract Extension: Xitech Corporation, Contract Number GS-35F-0244L		
07/27/06	A060063	Preaward Review of Multiple Award Schedule Contract Extension: EMC Corporation, Contract Number GS-35F-0088K		
08/09/06	A050204	Preaward Review of Multiple Award Schedule Contract Extension: Plantronics, Incorporated, Contract Number GS-35F-0167L		
08/14/06	A060093	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-23F-0215L		



## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
08/15/06	A060127	Preaward Review of Multiple Award Schedule Contract Extension May 7, 2006 Through May 6, 2011: W. B. Brawley Company, Contract Number GS-27F-0018L		
08/31/06	A060191	Preaward Review of Multiple Award Schedule Contract Extension: Deco, Incorporated, Contract Number GS-07F-0103M		
09/07/06	A060181	Preaward Review of Multiple Award Schedule Contract Extension: Haverstick Government Solutions, Inc., Contract Number GS-35F-0496L		
09/07/06	A060183	Preaward Review of Multiple Award Schedule Contract: Cubic Simulation Systems, Inc., Solicitation Number 2FYA-WA-030003-B		
09/12/06	A060115	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-03F-0553L		
09/25/06	A060215	Preaward Review of Multiple Award Schedule Contract Modification: SAP Public Services, Inc., Contract Number GS-35F-5891H		
09/28/06	A060155	Preaward Review of Multiple Award Schedule Contract Extension: Security Consultants Group, Inc., Contract Number GS-07F-0267L		

### ***FTS Internal Audits***

09/25/06	A060151	Review of Federal Technology Service's Telecommunications Ordering and Pricing System		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Northeast and Caribbean Region		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Mid-Atlantic Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Southeast Sunbelt Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Greater Southwest Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Rocky Mountain Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, New England Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Heartland Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Pacific Rim Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Great Lakes Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, Northwest/Arctic Region		
09/28/06	A050198	Review of Federal Technology Service's Client Support Center, National Capital Region		
09/29/06	A050078	Review of Federal Systems Integration and Management Center (FEDSIM)		
<b><i>FTS Contract Audits</i></b>				
04/27/06	A050259	Preaward Review of Price Adjustment Claim: Lockheed Martin Information Technology, Task Order Number R1570125, Contract Number GS-35F-4863G		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<b><i>Other Internal Audits</i></b>				
05/02/06	A060123	Alert Report on Information Technology Security Controls for GSA's Public and Intranet Web Applications and Web Servers		
08/28/06	A050250	Review of GSA's University for People, National Capital Region		
09/08/06	A060123	FY 2006 Office of Inspector General FISMA Review of GSA's Information Technology Security Program		
09/29/06	A050260	Review of GSA's Competitive Sourcing Initiative		
<b><i>Non-GSA Contract Audits</i></b>				
09/07/06	A060150	Review of Del Amo Reimbursement Requests: Shell Oil Company		

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

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 often phased-in implementing actions often delay timely completion of the final action.

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

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
<b>Contract Audits</b>		
03/21/97	A70632	Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)
06/27/97	A71811	Audit of Claim for Increased Costs, Miscellaneous Subcontractors to: Morse Diesel International, Inc., Contract Number GS-06P-94-GYC-0037
07/11/97	A71803	Audit of Claim for Increased Costs: Nicholson Construction Company, Contract Number GS-06P-94-GYC-0037
07/22/97	A71804	Audit of Claim for Increased Costs: Rodio/ICOS St. Louis Joint Venture, Subcontractor to Morse Diesel International, Inc., Contract Number GS-06-P94-GYC-0037
07/31/97	A71820	Audit of Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-06-P94-GYC-0037
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
02/05/98	A80609	Preaward Audit of a Delay Claim: The Woodworks Architectural Millwork, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
02/05/99	A995113	Preaward Audit of Supplemental Architect and Engineering Services Contract: Van Deusen & Associates, Solicitation Number GS-02P-98-PLD-0029(N)
03/24/99	A995128	Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS-06P-95-GZC-0501

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

Date of Report	Audit Number	Title
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
07/07/99	A995249	Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0041(N)
10/13/99	A995262	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract GS-02P-95-DTC-0014(N)
10/26/99	A995278	Preaward Audit of a Claim: Midlantic Erectors, Inc., Subcontractor to Metropolitan Steel Industries, Inc., Contract Number GS-02P-95-DTC-0014(N)
11/04/99	A995272	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014(N)
11/10/99	A995271	Preaward Audit of Architect and Engineering Services Contract: HLW International LLP, Contract Number GS-02P-93-CUC-0062
03/29/00	A81830	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Period March 8, 1991 Through February 29, 1996
03/29/00	A995122	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Interim Period March 1, 1996 Through April 30, 1998
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
07/19/00	A000940	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
08/24/00	A000941	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/17/00	A001024	Preaward Audit of a Claim: Canron Fabrication Corp., Second-Tier Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/30/00	A000942	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
01/29/01	A000909	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
02/08/01	A010089	Audit of a Claim for Increased Costs: Palafox Street Associates, L.P., Federal Courthouse, Pensacola, FL, Lease Number GS-04B-35055

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/20/01	A001119	Audit of Forward Pricing Rates: J.A. Jones-GMO, LLC, Contract Number GS-02P-99-DTC-0006 & GS-02P-98-DTC-0088
04/30/01	A010127	Audit of Billings under Contract Number GS-06P-99-GZC-0315: DKW Construction, Inc.
05/11/01	A010128	Preaward Audit of a Change Order Proposal: D.A.G. Floors, Inc., Subcontractor to J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N
07/31/01	A001055	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/18/01	A63630	Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS-00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996
10/31/01	A010265	Preaward Audit of Architect and Engineering Services Contract; HNTB District of Columbia Architecture, P.C., Solicitation Number GS-11P-00-MQC-0041
01/11/02	A010281	Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
02/20/02	A010138	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/03/02	A010263	Preaward Audit of a Claim: Island ADC, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/11/02	A60648	Postaward Audit of Multiple Award Schedule Contract: Gaylord Bros., Contract Numbers GS-00F-3918A & GS-00F-3919A
04/18/02	A010248	Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/26/02	A010262	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/30/02	A020101	Preaward Audit of a Claim, Additional Change Items: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
05/16/02	A020115	Limited Scope Audit of a Termination Claim: Patriot Group Contractors, Inc., Contract Number GS-11P-99-MAC-0006
05/17/02	A020134	Audit of Delay Costs: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
05/29/02	A020109	Preaward Audit of a Claim: Schindler Elevator Corporation, Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
05/29/02	A020124	Preaward Audit of a Claim for Increased Costs: Res-Com Insulation, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/12/02	A020097	Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/27/02	A010239	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
07/16/02	A020191	Preaward Audit of Supplemental Architect and Engineering Contract: McMullan & Associates, Inc., Solicitation Number GS-11P-01-YTD-0319
07/30/02	A020086	Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems North, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
09/04/02	A020180	Preaward Audit of Architect and Engineering Services Contract: Adtek Engineering, Inc., Solicitation Number GS-11P-01-YTD-0319
09/24/02	A020196	Preaward Audit of Architect and Engineering Services Contract: BEI Structural Engineers, Inc., Solicitation Number GS-11P-01-YTD-0319
09/26/02	A020201	Preaward Audit of a Claim: Almar Plumbing and Heating Corp., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/02/02	A020178	Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L
11/14/02	A020223	Preaward Audit of a Claim: Fine Painting Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
11/20/02	A010279	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
01/30/03	A020248	Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012
03/14/03	A020197	Preaward Audit of a Claim: Rael Automatic Sprinkler Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014



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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/21/03	A020133	Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159
05/02/03	A030106	Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/29/03	A020230	Preaward Audit of a Claim for Increased Costs: C.E. Toland & Son, Subcontractor to Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/02/03	A030138	Audit of Claim for Increased Costs: Hunt Construction Group, Inc., Contract Number GS-05P-96-GBC-0015
07/02/03	A030163	Preaward Audit of Multiple Award Schedule Contract Extension: Information Network Systems, Inc., Contract Number GS-35F-5002H
08/08/03	A030177	Review of Incurred Costs: Jacobs Facilities, Inc., Contract Number GS-11P-98-MYD-0015
09/29/03	A030152	Preaward Audit of a Claim: J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006
10/09/03	A030247	Preaward Audit of Architect and Engineering Design Services Contract: Syska Hennessy Group, Inc., Solicitation Number GS-11P-02-MKC-0057
10/09/03	A030248	Preaward Audit of Architect and Engineering Design Services Contract: STUDIOS Architecture, Solicitation Number GS-11P-02-MKC-0057
10/09/03	A030250	Preaward Audit of Architect and Engineering Design Services Contract: Thorton-Tomasetti-Cutts LLC, Solicitation Number GS-11P-02-MKC-0057
10/09/03	A030244	Preaward Audit of Architect and Engineering Design Services Contract: Shalom Baranes Associates, Solicitation Number GS-11P-02-MKC-0057
10/16/03	A030225	Preaward Audit of Claim: AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015
12/05/03	A030241	Audit of Claim for Increased Costs: BPI Mechanical, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015
12/17/03	A030168	Preaward Audit of Multiple Award Schedule Contract: Dynamic Systems, Inc., Solicitation Number FCIS-JB-980001B

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

Date of Report	Audit Number	Title
12/17/03	A040001	Preaward Audit of Multiple Award Schedule Contract: Concord Communications, Incorporated, Solicitation Number FCIS-JB-980001B
12/31/03	A030172	Preaward Audit of a Claim: Cord Contracting Co., Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
12/31/03	A030215	Preaward Audit of a Claim: A&L Construction Corporation, Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
01/12/04	A040067	Audit of Claim for Increased Costs: C.J. Coakley Co., Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015
01/12/04	A040098	Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072
01/13/04	A030265	Interim Audit of Multiple Award Schedule Contract: BearingPoint, LLC, Contract GS-23F-9796H
01/15/04	A030155	Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
01/16/04	A030234	Preaward Audit of a Claim: KSW Mechanical Services, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
01/29/04	A030223	Preaward Audit of Claim: John J. Kirlin, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015
02/03/04	A040119	Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072
03/01/04	A030259	Preaward Audit of a Claim: Airflex Industrial Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Contract Period December 12, 1996 Through October 31, 2003
03/23/04	A030191	Preaward Audit of a Claim: Five Star Electric Corp., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
03/31/04	A030230	Preaward Attestation Review of a Claim: Singleton Electric Company, Inc., a Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
06/03/04	A040091	Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Hirschfeld Steel Co., Inc., Contract Number GS-05P-97-GBC-0011
06/08/04	A040165	Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Ajay Glass & Mirror Co., Inc., Contract Number GS-05P-97-GBC-0011
06/09/04	A040095	Preaward Audit of a Termination Settlement Proposal: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/15/04	A040095	Audit of Final Contract Payment: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/28/04	A040085	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J
07/01/04	A040143	Review of Claim for Increased Costs: SimplexGrinnell, LP,GS-05P-99-GBC-0015
07/12/04	A040125	Attestation Engagement Review of A/E Services Contract: Cannon Design, Inc., Solicitation Number GS-02P-03-DTC-0003
08/31/04	A030158	Preaward Audit of a Claim: ADF Steel Corp., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
10/12/04	A040190	Review of a Claim: Peterson Geller Spurge, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
10/14/04	A040192	Preaward Review of Multiple Award Schedule Contract Extension: US Investigations Services, Professional Services Division, Incorporated, Contract Number GS-07F-0385J
10/28/04	A040161	Preaward Audit of a Claim: Artex Systems Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
10/29/04	A040211	Preaward Review of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS-28F-0010J
12/30/04	A050083	Attestation Engagement Review of Claim for Increased Costs: LDI Metalworks, Inc., Subcontractor to Mitchell Enterprises, Inc., Contract Number GS-07P-00-UJC-0007
01/04/05	A040255	Review of Information Systems Support, Inc.'s billings for Task Order Number GS10TR-00EBF-2546 Under GSA Contract Number GS-06K-97-BND-0710
01/05/05	A040212	Preaward Review of Multiple Award Schedule Contract Extension: ManTech Advance Systems International, Inc., Contract Number GS-23F-0122J
04/06/05	A050059	Preaward Review of Multiple Award Schedule Contract: Cort Business Services, Solicitation Number 3FNO-M1-010001-B

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
05/10/05	A050112	Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K
05/11/05	A020220	Review of Industrial Funding Fee Remittances: Kipper Tool Company, Contract Number GS-06F-0018L
06/10/05	A040262	Preaward Review of Multiple Award Schedule Contract Extension: Digital Systems Group, Incorporated, Contract Number GS-35F-0760J
06/17/05	A050100	Preaward Review of Multiple Award Schedule Contract Extension: Technical and Management Services Corporation, Contract Number GS-00F-0020L
06/24/05	A050077	Preaward Audit of Cost or Pricing Data: DPRA, Inc., Contract Number GS-00F-0030L
06/29/05	A040144	Preaward Audit of a Claim: Solera Construction, Inc./DCM Erectors, Inc., Joint Venture 2nd Tier Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
06/30/05	A040207	Preaward Audit of a Claim: Laquila Construction, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)
07/08/05	A050007	Preaward Review of Multiple Award Schedule Contract Extension: Network Equipment Technologies Federal, Inc., Contract Number GS-35F-0205K
07/08/05	A050138	Review of Claim: Nason and Cullen, Inc., Contract Number GS-03B-02301
07/14/05	A040022	Review of Multiple Award Schedule Contract Number GS-29F-0001N for the Interim Period October 10, 2002 to December 31, 2003: Humanscale
07/29/05	A050239	Preaward Review of Architect and Engineering Services Contract: DMJMH&N, Inc., Contract Number GS-11P-04-MKC-0038
08/02/05	A050093	Preaward Review of Multiple Award Schedule Contract Extension: H J Ford Associates, Inc., Contract Number GS-23F-0206K
08/04/05	A050203	Preaward Review of Architect Engineer Proposal: Skidmore, Owings and Merrill, LLP, Contract Number GS-05P-04-GBC-0057
08/15/05	A050157	Review of Termination Settlement Proposal: CompuCom Federal Systems, Inc., Contract Number GS-00K-97-AFD-2226
09/07/05	A050125	Preaward Review of Multiple Award Schedule Contract Extension: Steelcase, Incorporated, Contract Number GS-28F-8021H
09/12/05	A050151	Preaward Review of Multiple Award Schedule Contract Extension: Global Computer Enterprises, Inc., Contract Number GS-35F-0426K

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
09/13/05	A050073	Preaward Review of Multiple Award Schedule Contract Extension: Computer Sciences Corporation, Contract Number GS-23F-0092K
09/19/05	A040222	Postaward Review of Multiple Award Schedule Contract Number GS-07F-9477G for the Period February 1, 1999 to January 31, 2004; New Hermes, Incorporated
09/19/05	A040164	Preaward Review of Multiple Award Schedule Contract: Oracle Corporation, Solicitation Number FCIS-JB-980001B

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

Date of Report	Audit Number	Title	Projected Final Action Date
<b>Internal Audits</b>			
07/15/99	A82706	PricewaterhouseCoopers LLP Management Letter, Fiscal Year 1998 Financial Statement Audit	Open
09/27/01	A010110	Review of GSA's Natural Gas Program, Public Buildings Service	01/15/2007
03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times	11/15/2006
08/05/04	A020245	Review of FedBizOpps	05/15/2007
12/07/04	A040109	PricewaterhouseCoopers LLP Fiscal Year 2004 Information Technology Management Letter	Open
03/28/05	A040132	Audit of FTS Working Capital/Reserve Fund Levels	11/15/2006
05/03/05	A040109	Audit of the General Services Administration's Fiscal Years 2004 and 2003 Financial Statements	03/15/2007
06/06/05	A040257	Review of GSA Global Supply's Expanded Direct Delivery Program	11/15/2006
09/26/05	A040176	Audit of PBS's Major Repair and Alterations Program	10/15/2006
09/29/05	A040132	Audit of FTS Regional Telecommunications and Regional Information Technology Solutions Fees	10/15/2006
09/29/05	A040246	Review of the GSA Advantage! System	10/15/2006
09/29/05	A040252	Audit of FSS's Contractor Assessment Initiative (CAI)	12/15/2006
09/30/05	A040142	Strategic Challenges for GSA's Comprehensive Human Resources Integrated System (CHRIS)	10/15/2006

## Appendix IV—Delinquent Debts

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

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

During the period April 1, 2006 through September 30, 2006, the following activities were undertaken by GSA in an effort to improve debt collection and reduce the amount of debt written off as uncollectible.

- From April 1, 2006 to September 30, 2006, the GSA Finance Centers referred approximately \$32.9 million of delinquent non-Federal claims to the U.S. Department of the Treasury (Treasury) for cross-servicing collection activities. Collections on non-Federal claims exceeded \$216.9 million. Administrative offsets have resulted in additional collections of \$4.1 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). From April 1, 2006 to September 30, 2006, 159 PADs totaling \$49,302 were processed.
- To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury, Financial Management Service (FMS) for collection.
- Claims procedures have been revised to improve claims management and control. Changes include increases in telephone follow-up contacts with commercial vendors, field personnel, and GSA managers to obtain and resolve issues. We implemented a more consistent and timely process of delinquency notices. We have also increased our efforts to identify invoice offsets on amounts due to commercial vendors on other contracts. We expect these administrative adjustments will result in faster claim resolution. In addition, more aggressive actions have been taken to resolve past due receivables including timelier referrals to Treasury and accelerated write-offs of older receivable balances.
- As of September 30, 2006, the DC Government owed GSA \$203 for two supply bills over 300 days old. All other supply bills are under 180 days old. The GSA Automotive Acquisition Center is now accepting orders for non-emergency vehicles from the DC Government. The DC Government has ordered, received, and been billed for several vehicles. A listing of all outstanding supply bills is sent monthly to the DC Government's Inspector General and Chief Financial Officer.
- A claim was setup for \$30,778 in the Accounts Receivable Claims System (ARCS) against Raytheon Systems Company for four delinquent fleet bills from 2004 that the Billing Unit was unable to collect. If unpaid after 180 days, the claim will be referred to the Treasury Offset Program for collection. There are several more contractors that have unpaid fleet or supply bills over a year old that will be referred to the Claims Unit once a Tax ID Number (TIN) is obtained.

### **Non-Federal Accounts Receivable**

	As of April 1, 2006	As of September 30, 2006	Difference
Total Amounts Due GSA	\$158,919,439	\$159,520,284	\$600,845
Amounts Delinquent	\$21,131,176	\$16,633,579	(\$4,497,597)
Total Amount Written Off as Uncollectible Between 4/1/06 and 9/30/06	\$3,181,186		



## **Appendix V—Reporting Requirements**

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

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

<b>Requirement</b>	<b>Page</b>
<b>Inspector General Act</b>	
Section 4(a)(2) – Review of Legislation and Regulations .....	27
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. ....	2, 12
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies .....	2, 12
Section 5(a)(3) – Prior Recommendations Not Yet Implemented .....	37
Section 5(a)(4) – Matters Referred to Prosecutive Authorities. ....	33
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused. ....	None
Section 5(a)(6) – List of Audit Reports. ....	41
Section 5(a)(7) – Summary of Each Particularly Significant Report. ....	2, 12
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs .....	32
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	31
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 .....	37
Delinquent Debts .....	59
<b>National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note</b> .....	<b>49</b>

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## Appendix VI—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, Eugene L. Waszily (JD) .....(202) 501-1362  
Advisor, Robert M. Samuels (JX) .....(202) 501-0450

### Office of Counsel to the Inspector General

Counsel to the IG, Kevin A. Buford (JC) .....(202) 501-1932  
Deputy Counsel to the IG, Virginia S. Grebasch (JCD) .....(202) 501-1932

### Office of Internal Evaluation and Analysis

Director, Peter J. Coniglio (JE) .....(202) 501-2460

### Office of Audits

Acting Assistant IG for Auditing, Andrew Patchan, Jr. (JA) .....(202) 501-0374  
Acting Principal Deputy Assistant IG for Auditing, Andrew A. Russoniello (JAD) .....(202) 501-0374

### Deputy Assistant Inspectors General for Auditing

Information Technology Audit Office, Gwendolyn A. McGowan (JA-T) .....(703) 308-1223  
Real Property Audit Office, Rolando N. Goco (JA-R) .....(202) 219-0088  
Finance & Administrative Audit Office, Vacant (JA-F) .....(202) 501-0006  
Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A) .....(703) 603-0189  
Contract Audit Office, Joseph B. Leland (JA-C) .....(617) 565-6795

### Regional Inspectors General for Auditing

National Capital Region Field Office, Paul J. Malatino (JA-W) .....(202) 708-5340  
New England Field Office, Joseph B. Leland (JA-1) .....(617) 565-6795  
Northeast and Caribbean Field Office, Joseph M. Mastropietro (JA-2) .....(212) 264-8620  
Mid-Atlantic Field Office, Glenn D. Merski (JA-3) .....(215) 446-4840  
Southeast Sunbelt Field Office, James D. Duerre (JA-4) .....(404) 331-5125

## Appendix VI—OIG Offices and Key Officials

### Regional Inspectors General for Auditing (continued)

Great Lakes Field Office, David K. Stone (JA-5)	(312) 353-7781
The Heartland Field Office, Arthur L. Elkin (JA-6)	(816) 926-7052
Greater Southwest Field Office, Rodney J. Hansen (JA-7)	(817) 978-2572
Pacific Rim Field Office, Vacant (JA-9)	(415) 522-2744
Auburn Sub-Office, Auditor-in-Charge Raymond E. Drew (JA-9/AUB)	(253) 931-7650

### Office of Investigations

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

### Special Agents in Charge (SAC)

National Capital Regional Office, SAC Randal A. Stewart (JI-W)	(202) 252-0008
Philadelphia Resident Office, Special Agent James Barry (JI-3)	(215) 446-4830
Northeast and Caribbean Regional Office, SAC Daniel J. Walsh (JI-2)	(212) 264-7300
Boston Resident Office, Assistant SAC Joseph J. Dziczek (JI-1)	(617) 565-6820
Southeast Regional Office, SAC Lee P. Quintyne (JI-4)	(404) 331-5126
Great Lakes Regional Office, SAC Harvey G. Florian (JI-5)	(312) 353-7779
Heartland Regional Office, SAC John F. Kolze (JI-6)	(816) 926-7214
Southwest Regional Office, SAC Paul W. Walton (JI-7)	(817) 978-2589
Pacific Rim Regional Office, SAC Liza Shovar (JI-9)	(415) 522-2755
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10)	(253) 931-7654

### Office of Administration

Assistant IG for Administration, Vacant (JP)	(202) 501-2319
Human Resources Division, Director Arrie Etheridge (JPH)	(202) 501-0360
Information Technology Division, Director Margaret A. Hamilton (JPM)	(202) 501-3134
Administrative and Financial Management Division, Director Marta M. Viera (JPF)	(202) 501-2887

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