



**Office of Inspector General  
U.S. General Services Administration**

# Semiannual Report to the Congress

**October 1, 2007 – March 31, 2008**

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

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

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>ACQUISITION PROGRAMS</b>	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 – 3
<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.	3 – 4
<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.	4 – 9
<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.	9 – 17
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.	17 – 20
<b>HUMAN CAPITAL</b>	GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21 <sup>st</sup> century workforce.	No Reports This Period
<b>STEWARDSHIP OF FEDERAL REAL PROPERTY</b>	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	20 – 22

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## Foreword

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

*For the period covered by this semiannual report (SAR), we identified almost \$242 million as funds recommended for better use and questioned costs. The OIG issued 73 audit reports. We also made 197 referrals for criminal prosecution, civil litigation, and administrative action—activities valuable in their own right, as well as for their deterrent effect. In this reporting period we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$292 million. Those results provided to the American taxpayer a return of many times the cost of OIG operations.*

*In the recently completed Fiscal Year (FY) 2007, the OIG achieved actual taxpayer savings of almost \$719 million, about \$15 in savings for each dollar invested in the operation of the OIG. The OIG also provided audit recommendations to GSA on questioned costs and recommended better use of funds totaling over \$900 million during FY 2007, and secured 129 indictments and criminal informations in relation to GSA employees and contractors.*

*We continue to work with other OIGs and law enforcement agencies as part of the National Procurement Fraud Task Force (Task Force) of which I serve as Vice Chair. As Co-Chair of the Legislation Committee, I helped to coordinate efforts to implement recommendations of the Task Force's 2007 white paper on procurement legislation. The OIG also participates with the United States Attorney's offices across the country in regional procurement fraud working groups. As we carry out all our duties, we endeavor to assist GSA to accomplish its important mission in an efficient manner and to observe all applicable requirements.*

*This reporting period, as well, at the behest of the Task Force the OIG organized the first IG-sponsored, governmentwide Forensic Auditing Forum for 200 Federal employees from 30 different agencies. The Forum focused on efforts to utilize the forensic auditing approaches to better target the work of Inspectors General and to link identification of fraud, waste, and abuse to successful prosecutions of offenders. Plans are underway for a second Forensic Auditing Forum in 2008 aimed at expanding the use of this powerful technique to protect taxpayer dollars.*

*I want to express my appreciation for the steady record of accomplishment of OIG employees and commend them for their continued professionalism, dedication, and performance in fulfilling their oaths to uphold the law. I also wish to recognize the continued, strong support of the Congress, OMB, and employees throughout GSA for the efforts of the OIG.*



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



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## Summary of OIG Performance

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October 1, 2007 – March 31, 2008

### ***OIG Accomplishments***

Total financial recommendations \$241,503,104

These include:

- Recommendations that funds be put to better use \$237,361,030
- Questioned costs \$ 4,142,074

Audit reports issued 73

Referrals for criminal prosecution, civil litigation, & administrative action 197

### ***Results Attained***

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$292,411,275

Indictments and informations on criminal referrals 47

Cases accepted for criminal prosecution 40

Cases accepted for civil action 9

Successful criminal prosecutions 32

Civil settlements 6

Contractors/individuals suspended and debarred 39

Employee actions taken on administrative referrals involving GSA employees 27





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## *Executive Summary*

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

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

### ***Management Challenges***

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

#### **Acquisition Programs**

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The predecisional, 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 49 contracts with an estimated value of \$6.9 billion. We recommended that approximately \$237 million of funds be put to better use (page 2).

#### **Contract Management**

**FedRooms Program.** Under the FedRooms Program (FedRooms), GSA's Federal Acquisition Service (FAS) provides lodging options compliant with Federal Travel Regulations for civilian and military Federal travelers while on official business. The focus of the review was to determine whether: (1) FedRooms provided Federal travelers ease of reservation access, best value, reservation flexibility, and Federal Emergency Management Agency compliant hotels; (2) Federal travelers were using FedRooms; and (3) FAS could enhance the program. FedRooms provided all of the benefits to Federal

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## Executive Summary

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travelers that the program claimed. However, travelers did not first consider using FedRooms to select and reserve commercial hotel lodging. We recommended that the Commissioner, FAS, develop a business plan which includes addressing the obstacles that may affect the future viability of the FedRooms program (page 3).

### Information Technology (IT)

**GSA's Privacy Act Program.** GSA's Privacy Act Program is intended to ensure that the Agency fulfills the Privacy Act of 1974 requirements enacted to balance a person's right to privacy with the Federal Government's need for information to carry out its responsibilities. GSA's Chief Human Capital Officer has primary responsibility for the Agency's program, including development of privacy data protection policies and implementation of protection procedures governing the collection, use, sharing, disclosure, transfer, storage, and security of information in an identifiable form related to its employees and the public. We found that GSA has taken steps toward improving the protection of Personally Identifiable Information (PII); however, improvements to GSA's Privacy Act Program are needed to ensure that PII is consistently protected to further reduce the risk of unauthorized or unintentional disclosure of sensitive information (page 5).

**Pegasys Security Controls.** Pegasys is GSA's Web-based core financial management system of record, which is based on a commercial-off-the-shelf product that is provided by CGI American Management Systems' Momentum Financials™. Pegasys supports financial and management information requirements of managers and administrative staff, and it was implemented within GSA in October 2002. In July 2006, Pegasys was upgraded to modernize and improve its capabilities as GSA's core accounting system. During our audit, we identified instances where Pegasys and system controls should be strengthened in 5 of the 18 Federal Information Security Management Act (FISMA) security control areas we tested. Improved security controls for configuration management, system and communications protection, web application security, system and services acquisition, and awareness and training are needed to manage risk according to FISMA provisions (page 8).

### Management Controls

**GSA Fleet License Plates.** GSA Fleet (Fleet) owns and operates over 200,000 vehicles it supplies to other Federal agencies on a reimbursable basis. Federal regulations require most Fleet vehicles be equipped with two license plates that identify them as Federal vehicles owned by Fleet and for official use only. In some cases, stolen federally-issued plates were placed on unauthorized vehicles to impersonate government vehicles thereby diverting attention from illegal activities. Because of the possible security risks these illegal activities pose, Fleet requested a review of the controls it uses to minimize lost and stolen plates. Our audit objective was to determine whether Fleet had sufficient controls over its license plates, or whether additional

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## *Executive Summary*

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controls were needed. We made eight recommendations for improvements to GSA (page 10).

**GSA's Suspension and Debarment Program.** Within GSA, the Office of the Chief Acquisition Officer (OCAO) has overall responsibility for the suspension and debarment of its contractors for cause under the Federal Acquisition Regulation (FAR) and oversight of the Excluded Parties List System, a governmentwide publication of those parties excluded from Federal procurement programs. In FY 2006, a backlog of suspension and debarment cases occurred because the OCAO allowed a lapse in staffing the Division for approximately six months. We recommended that the GSA Chief Acquisition Officer: 1) ensure that the Suspension and Debarment Division maintains adequate staffing levels at all times to avoid future case backlogs; 2) establish controls to ensure that any future similar contract actions clearly define contractor roles and authorities with respect to inherently governmental work; and 3) establish controls to ensure that in future contracts requiring security clearances and non-disclosure agreements, the contracting officer's technical representative ascertain that these requirements are met prior to the start of work (page 12).

**Inventory Management Software, Federal Acquisition Service.** FAS awarded a contract for approximately \$3 million to Manugistics, Incorporated (Manugistics) for inventory software. This action was taken in response to an analysis of GSA's Supply Business Line. The purpose of acquiring this software was to implement a supply chain suite of applications that would project demand and plan for inventory replenishment thereby aligning FAS Office of Supply's inventory management approach with commercial best practices. We found that approximately two years after implementation of the Manugistics software, the majority of inventory managers and store coordinators were not using it to the fullest extent possible. The review also identified that the Manugistics software could be improved to manage inventory in the depots and stores. We found that procurement and holding costs in the system were outdated which could affect the accuracy of order quantities and how frequently items are replenished. We made seven recommendations for improvement (page 14).

**Greater Southwest Region Public Building's Service El Paso Service Center's Procurements.** The Region's Acquisition Services Operations Branch assigns responsibility for awarding contracts between its Border Section contracting officials and the El Paso Service Center's building management specialists. Our analysis of the overall procurements determined that both groups had compliance issues with FAR and/or contract requirements. Also noted for management's attention involved an appearance that the Service Center may be giving preferential treatment to three contractors who received 80 percent of micro-purchases without competition. We made several recommendations to the PBS Assistant Regional Administrator to strengthen and improve current practices in the Acquisition Services Operations Branch (page 15).

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## Executive Summary

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### Protection of Federal Facilities and Personnel

**PBS's Response to Hurricane Katrina.** As the civilian Federal government's landlord, GSA's Public Buildings Service (PBS) is responsible for safeguarding the Government's real property assets and for providing space and services to its nearly 60 agency customers, housing over one million Federal employees. As one of the worst natural disasters the United States has ever experienced, Hurricane Katrina struck the Gulf Coast in August 2005, impacting 93,000 square miles of the United States and causing \$96 billion in damage, including extensive damage to a number of Federal buildings in two regions. The devastation dramatically increased PBS's workload beyond its normal obligation to its customers. In preparing for Hurricane Katrina, PBS had limited disaster-related standard operating procedures and building-specific disaster plans, which contributed to inconsistent preparation. The degree of building preparations undertaken before the storm to minimize damage varied widely with a result that some buildings in the impact zone may have sustained avoidable damage. We made six recommendations for improvement (page 18).

### Stewardship of Federal Real Property

**PBS's Appraisal Process for Rent Pricing.** PBS collects rent revenue from over 100 Federal agencies housed in over 8,600 buildings. Rent revenue is deposited into the Federal Buildings Fund and used to operate federally-owned buildings and pay rent to lessors for leased space. Rent charged in federally-owned space, which represents 50 percent of GSA's rentable square footage, is required by law to approximate commercial market rates. The OIG conducted a review of PBS's Rent Pricing Program to address issues raised by the previous Director of the Administrative Office of the United States Courts (AOUSC) in a June 2006 letter to the GSA Inspector General. The audit did not support the AOUSC's assertions but did identify issues with controls over appraisal adjustments. We made three recommendations for improvement (page 20).

### Promoting and Protecting Integrity

GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil and other monetary recoveries totaled more than \$292 million.

### Significant Civil Actions and Criminal Investigations

**Civil Settlements.** Hexcel Corporation agreed to pay \$15 million and Gator Hawk Armor, Inc. agreed to pay \$425,000 in a case involving the sale of defective soft body armor from 2002 through 2005 (page 23).

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## Executive Summary

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**Bribery.** In two cases involving over \$1.1 million in bribes and conspiracy, 6 individuals pled guilty to steering technology contracts to companies they owned or controlled, and one individual pled guilty to accepting bribes to inflate rankings of contractor proposals (page 23).

**Fraud and Money Laundering.** In six cases involving several types of fraud and money laundering, OIG investigators successfully obtained judgments of almost \$678,000 in forfeitures, restitutions, and fines, and sentencing of 10 individuals amounting to 4 years 10 months incarceration, 9 years probation, 6 months home confinement, 10 years of supervised release and 200 hours of community service (page 25).

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

Eleven individuals pled guilty, 17 individuals were indicted, and 9 individuals were arrested in connection with cases arising out of fleet charge card investigations. These cases involved thousands of dollars of fraudulent activities associated with the program (page 29).

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

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.” 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.

During this reporting period, the OIG made 197 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy; subsequently, GSA issued 39 suspension and debarment actions based on current and previous OIG referrals (page 29).

### **Integrity Awareness – Highlights**

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees’ roles in helping to ensure the integrity of Agency operations. This period, we presented 34 briefings attended by 305 regional and Central Office employees. The briefings explained the statutory mission of the OIG and methods available for reporting suspected instances of wrongdoing (page 29).

### **OIG Hotline – Highlights**

The OIG received 1,300 Hotline contacts during this reporting period. Of these contacts: 183 cases were initiated. Of these cases, 82 were referred to GSA program officials for review and action; 34 cases were referred to other Federal agencies for follow up; and 51 were referred to OIG for criminal/civil investigations or audits (page 30).

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## *Executive Summary*

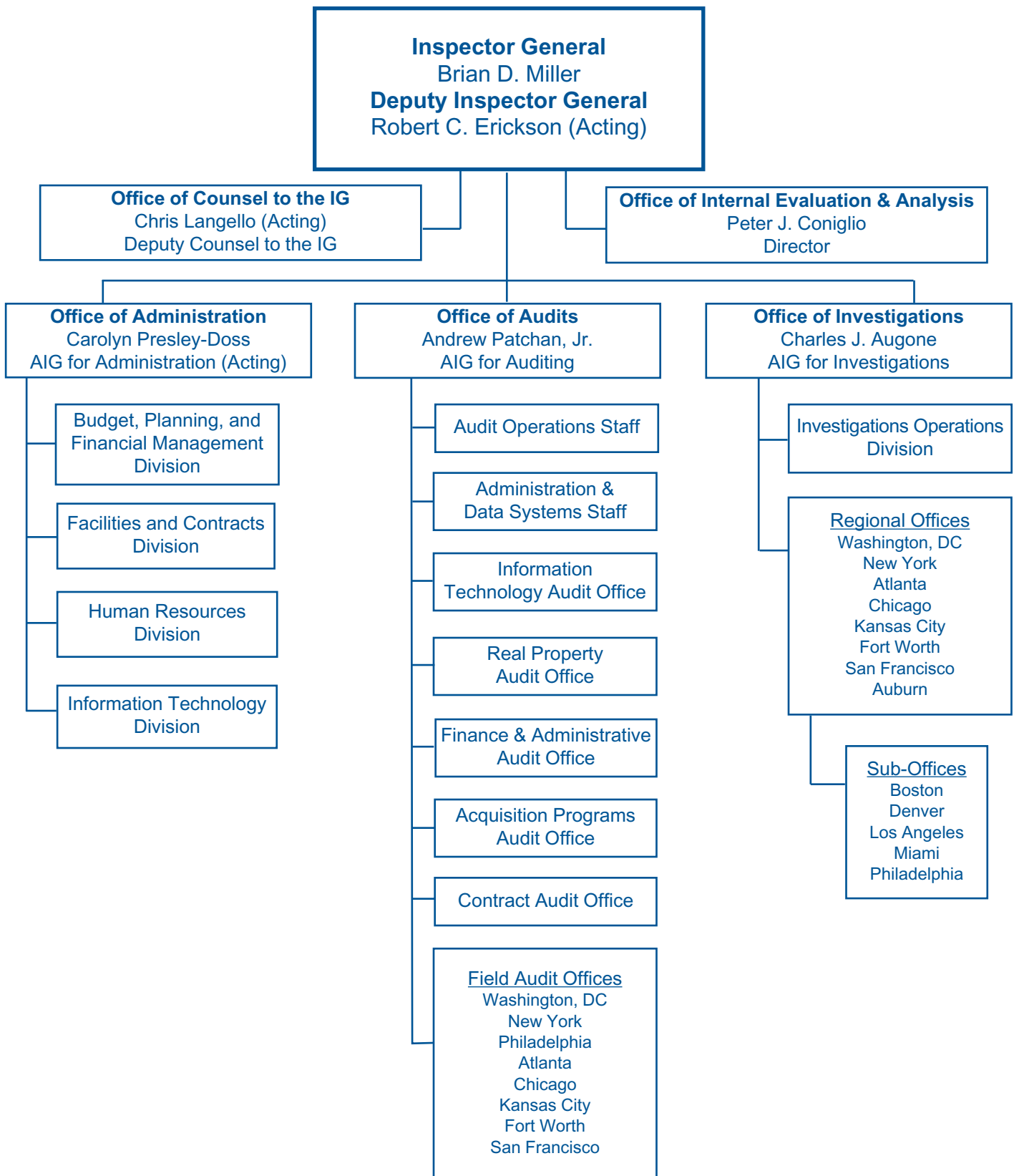
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### ***Summary of Results***

The OIG made almost \$242 million in financial recommendations to better use government funds; made 197 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 160 legislative and regulatory actions; issued 28 subpoenas; and received 1,300 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$292 million.

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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, assessments of management controls, and financial and compliance audits. The office conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office also provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review.
- **The Office of Internal Evaluation and Analysis**, a multidisciplinary staff that manages operational reviews of the OIG components, performs special projects for the Inspector General, including research and analysis, provides advice to the Inspector General, and conducts internal affairs reviews and investigations.
- **The Office of Administration**, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

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

### Staffing and Budget

As of March 31, 2008, our on-board strength was 290 employees. However our onboard staffing level is planned to be 316 by the end of FY 2009 once anticipated new hires arrive and their security clearances have been completed. The OIG's FY 2008 budget is \$58.3 million, which includes \$4.5 million in funds carried over from FY 2007 and \$5.4 million in reimbursable authority.

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## Management Challenges

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

### **Acquisition Programs**

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

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

The OIG's preaward review program provides information to contracting officers 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 49 contracts with an estimated value of \$6.9 billion. We recommended that more than \$237 million of funds be put to better use.

Three of the more significant Multiple Award Schedule contracts we reviewed had projected governmentwide sales totaling \$1.4 billion. The review findings recommended that nearly \$100 million in funds be put to better use. The reviews disclosed that these vendors offered prices and discounts to GSA that were not as favorable as the prices and discounts other customers received from these vendors. For example, one vendor did not disclose its actual sales practices, and its offer to GSA was not reflective of the company's most favored customer pricing. Another vendor, a dealer, did not provide sufficient information to ensure that GSA is receiving the best prices possible. Finally, another vendor proposed labor category rates based on the highest paid employee in each category. We calculated the rates using the average rates for the employees in each labor category.

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

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## Management Challenges

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

staff to support expanded contract review activities including, primarily, an increase in preaward contract reviews, as well as more contract performance reviews that evaluate contractors' compliance with pricing, billing, contract terms, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. We now allocate about 50 percent of our resources to contract reviews.

During this reporting period, management decisions were made on 31 of the preaward reports issued during the last year, which recommended that almost \$273 million of funds be put to better use. Management agreed with 99.9 percent of the recommended savings.

### **Contract Management**

*GSA increasingly accomplishes its mission by using contractors to provide client services and products. Its multibillion dollar acquisition programs have expanded rapidly in terms of size, variety, and complexity of the procurements performed. While many GSA contracts are well crafted and properly administered, we continue to find a significant number of weaknesses. Our audit work in recent years has revealed a growing list of warning signs throughout the acquisition process that suggest that training and improved technical and management skills are needed for the procurement workforce to operate in the more sophisticated arena and keep pace with new demands.*

### **Review of the FedRooms Program, Federal Acquisition Service**

*Report Number A0701671Q/9IP08002, issued February 4, 2008*

Under the FedRooms Program (FedRooms), GSA's Federal Acquisition Service (FAS) provides lodging options compliant with Federal Travel Regulations (FTR) for civilian and military Federal travelers while on official business. FedRooms offers a single search and booking system with multiple travel benefits and assurances to Federal travelers, including rates at or below per diem; room cancellation until 4 PM on the day of arrival without penalty; and Last Room Availability at two-thirds of the program's hotels. According to the FTR, first consideration must be given to commercial lodging facilities under FedRooms, which has a worldwide inventory of nearly 4,500 participating hotels, when Federal travelers make their hotel selection. Carlson Wagonlit Travel was awarded the contract to manage and market the program in September 2004.

The focus of the review was to determine whether: (1) FedRooms provided Federal travelers ease of reservation access, best value, reservation flexibility, and Federal Emergency Management Agency compliant hotels; (2) Federal travelers were using FedRooms; and (3) FAS could enhance the program. We reviewed both FAS and the contractor's data, reports, and traveler

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## Management Challenges

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

surveys related to FedRooms from 2004 through 2007, and based our analyses on short-term stay hotels representing 75 percent of the total participating properties.

FedRooms provided all of the benefits to Federal travelers that the program claimed. However, travelers did not first consider using FedRooms to select and reserve commercial hotel lodging. For calendar year 2006, FedRooms usage accounted for less than one percent of the total Federal travel lodging dollars spent and total travel room nights. FedRooms activity over the past 2.5 years showed an increase of only 15 percent based on hotel expenditures. Low usage of the program could be attributed to several possibilities: program marketing not receiving desired results; personal preferences of travelers; and minimal incentive for travelers along with the lack of a mandate to use FedRooms. Further, several program obstacles exist that management should address through a business plan before enhancements to the program can be considered.

The obstacles in the program that need management's attention include: (1) lack of incentives for Federal travelers; (2) no differentiation between the FedRooms rate and the government rate; and (3) limitation of GSA's per diem rate for lodging. First, there were no incentives such as free meals, no-cost internet service, and/or courtesy airport shuttle provided by FedRooms hotels to cause dramatic changes in travelers' behavior in booking a FedRooms property over their favorite hotel. Second, there was no difference between the FedRooms rate and the hotel's government rate. Major participating hotel chains generally provide most of the FedRooms benefits with their own government rates, thus avoiding the 2.75 percent FedRooms fee. Finally, as the government's per diem rates for lodging already provide a built-in price control or ceiling, hotels are discouraged to offer room rate reductions for FAS's FedRooms. With the government's buying power of 21 million annual room nights for official business travel, the government is in a position to leverage its buying power, thereby dramatically increasing its opportunity for savings under FedRooms.

We recommended that the Commissioner, FAS, develop a business plan which includes addressing the obstacles that may affect the future viability of the FedRooms program. These obstacles include providing incentives to federal travelers and differentiating the FedRooms rate from the hotel's government rate. Further, the plan should take into consideration the impact of the government's per diem rates for lodging on the FedRooms program. The FAS Commissioner concurred with the report's recommendation.

### **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*

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## Management Challenges

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

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

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

*Report Number A060228/OITIF08007, issued March 31, 2008*

The GSA's Privacy Act Program is intended to ensure that the Agency fulfills the Privacy Act of 1974 requirements, enacted to balance a person's right to privacy with the Federal Government's need for information to carry out its responsibilities. GSA's Chief Human Capital Officer (CHCO) has primary responsibility for the Agency's program, including development of privacy data protection policies and implementation of protection procedures governing the collection, use, sharing, disclosure, transfer, storage, and security of information in an identifiable form related to its employees and the public.

The Office of Management and Budget (OMB) defines personally identifiable information (PII) as "information which can be used to distinguish or trace an individual's identity, such as their name, social security number, and biometric records, alone or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth and mother's maiden name." Information systems containing PII can be either electronic or manual. Various laws and regulations address the need to protect sensitive information held by government agencies, specifically the Privacy Act of 1974 (and revisions), the E-Government Act of 2002 (including the Federal Information Security Management Act), and related OMB circulars and memoranda.

Our audit objectives were to determine if GSA: (1) manages sensitive personal information pursuant to legal and regulatory requirements, including e-Government provisions for privacy controls; (2) has implemented technical, managerial, and operational privacy-related controls to effectively mitigate risks inherent to Privacy Act systems of records; and, (3) has established procedures and automated mechanisms to verify control efficacy. If not, what additional measures are needed to improve protection of such sensitive data at GSA?

We found that GSA has taken steps toward improving the protection of PII; however, improvements to the GSA Privacy Act Program are needed to ensure that PII is consistently protected to further reduce the risk of unauthorized or unintentional disclosure of sensitive information. In a 2006 benchmark report, the CHCO highlighted GSA's use of information in an

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## **Management Challenges**

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

identifiable form, identified the Agency's privacy and data protection policies and procedures, and required the use of certain technical controls to protect PII. Additionally, the Office of the Chief Human Capital Officer (OCHCO) has worked with the GSA Chief Information Officer (CIO), who manages the Agency's Information Technology Security Program, to issue a joint instructional letter. This letter introduced agency-specific policy and direction for protecting PII in GSA's IT systems, including associated records, as printed paper documents or other storage media. GSA also recognized the need to eliminate unnecessary use of social security numbers in IT systems. However, while improvements have been made to the GSA Privacy Act Program, key components are not yet in place to ensure that PII is adequately protected from inappropriate access or modification.

The Privacy Act Program has not yet ensured that all required privacy controls are in place and operating effectively and that GSA employees and contractors are fully aware of key roles, responsibilities, and accountability for protecting PII across GSA's IT infrastructure. Improved management controls are needed to guide GSA's Privacy Act Program, including a comprehensive assessment of the adequacy of existing controls. Additionally, GSA needs to ensure that all IT support contracts include the appropriate privacy related clauses to ensure that contractors are aware of restrictions on Privacy Act data and their responsibilities for protecting PII. While the OCHCO has provided basic privacy awareness training to the majority of GSA associates and contractors, role-based privacy training is needed for those responsible for the protection of PII. Further, vulnerability scans performed on a sample of major IT systems (real property, acquisition, and e-Travel) that collect and store PII revealed that software security patches have not been consistently and promptly applied, leaving these systems vulnerable to known security weaknesses. In response to evolving requirements aimed at improving the protection of PII, including remote access to and transportation and storage of PII, GSA has taken initial steps. However, further action is needed to ensure that shared goals for preventing, detecting, and/or recovering from a potential PII security breach are established and achieved in order to adequately manage escalating risks in this area.

Within GSA, the CIO and CHCO share responsibility and accountability for developing, implementing, and administering the Agency's controls for protecting PII, and the Office of Acquisition Policy within the Office of the Chief Acquisition Officer is responsible for developing, coordinating, and obtaining the required clearance on the Federal Acquisition Regulation (FAR) clauses related to privacy and protection of sensitive personal information. GSA has taken action to improve the protection of PII, including revisions to its IT Security Policy to provide additional safeguards for PII and implementation of a Privacy Act Program that identifies roles and responsibilities for protecting PII. GSA has also established a minimum level



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## Management Challenges

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

of controls required for Privacy Act systems which address specific PII challenges, including potential unauthorized or unintentional disclosure of privacy information. However, improvements to the GSA Privacy Act Program are needed to ensure that PII is consistently protected and that risk of disclosure of such sensitive information is further reduced. An effective Privacy Act Program would employ controls to protect PII data across the Agency's system environment to ensure that GSA employees and contractors are aware of their responsibilities to secure privacy information not only required by law but also what is expected by Agency policy. Given their shared responsibility for developing and implementing controls for the protection of PII, clarification of roles and responsibilities between the CIO and CHCO regarding verification of the implementation of privacy-related controls would assist the two offices with managing and monitoring their respective security and privacy programs and ensure that key components necessary for an effective Privacy Act Program have been identified, developed, and implemented.

We recommended that the Chief Human Capital Officer:

- Develop an implementation plan for the Privacy Act Program which identifies key roles, responsibilities, milestones, and management performance measures to achieve long-term improvement goals.
- Work closely with the Chief Information Officer to establish collaborative agency-wide procedures to:
  - Ensure that the Privacy Act Program is integrated with the Agency's security program and assesses risk with and identifies controls for all PII, including PII residing outside of major IT systems.
  - Periodically assess the need for and potential uses of automated content management and data leakage tools or other procedures to assist in identifying and protecting PII within GSA's IT and system environment.
  - Confirm that required security hardening guides are being followed and that vulnerabilities are promptly recorded and mitigated for major IT systems that collect and store PII.
  - Implement remaining privacy controls required by OMB's June 23, 2006 memorandum, *Protection of Sensitive Agency Information*, including encryption and two-factor authentication for systems maintaining PII.
  - Develop a plan that includes the key activities, milestones, and performance measures necessary to guide GSA in discontinuing the collection and storage of social security numbers in IT systems where no longer required.
- Work with the Office of the Chief Acquisition Officer to review contracts in support of major IT systems that collect and store PII to ensure that the

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## Management Challenges

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

appropriate privacy clauses have been included and that contractors supporting GSA's IT systems that collect and store PII are aware of and fulfill their roles and responsibilities for protecting GSA's PII.

- Complete development and implementation of role-based training for GSA associates and contractors who are responsible for protecting sensitive information, including PII.

The CHCO and CIO provided consolidated management comments on specific audit findings and recommendations that indicated general concurrence and agreed to develop an implementation plan for the Privacy Act Program which identifies key roles, responsibilities, milestones, and management performance measures to achieve long-term improvement goals.

### **Pegasys Security Controls Interim Audit Report**

*Report Number A070094/BI/TIF08001, dated October 3, 2007*

Pegasys is GSA's Web-based core financial management system of record, which is based on a commercial-off-the-shelf (COTS) product that is provided by CGI American Management Systems' (AMS) Momentum Financials™. Pegasys supports financial and management information requirements of managers and administrative staff, and was implemented within GSA in October 2002. In July 2006, Pegasys was upgraded to modernize and improve its capabilities as GSA's core accounting system. Pegasys is categorized under the Federal Information Security Management Act (FISMA) as a moderate risk system. The objective of this system security assessment was to assess the implementation of management, operational, and technical security controls for Pegasys, including controls established with GSA's IT security program to address FISMA requirements.

During our audit, we identified instances where Pegasys and system controls should be strengthened in 5 of the 18 FISMA security control areas we tested. Improved security controls for configuration management, system and communications protection, Web application security, system and services acquisition, and awareness and training are needed to manage risk according to FISMA provisions. Implementation of security controls within these five areas should be consistent with GSA policy and National Institute of Standards and Technology (NIST) requirements.

- Network and vulnerability scanning and database security testing confirmed that several configuration management security weaknesses previously identified by the Office of the Chief Financial Officer (OCFO) had not been corrected at the time of our scanning. Additional opportunities to improve configuration management include an Internet



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## Management Challenges

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

protocol (IP) address change that was not properly communicated through GSA, changing or setting expirations for passwords, and the need to appropriately configure a contractor laptop used to access Pegasys.

- In system and communications protection, a review of system security documentation identified that controls for and risks associated with accessing data in the Business Objects database had not been included with the system certification and accreditation for Pegasys, yet Pegasys depends on this utility to provide reporting functionality. This reliance on information system services provided by an external service provider introduces challenges that include determining how the external services are protected in accordance with the organization's security requirements.
- Assessment of Web application security confirmed one weakness that had not been resolved at the time of our scanning and identified instances where the application was not configured in accordance with the GSA CIO Web application security procedural guide.
- In system and services acquisition, we identified that the contractor security policy and procedures have not been updated to reflect strengthened security controls required by FISMA.
- While contractors with significant security responsibilities have received security awareness training, they have not been provided role-based security training. Appropriate role-based security training for contractors with significant security responsibilities is needed to ensure the ability to provide for the confidentiality, integrity, and availability of Pegasys and its data.

Management recommendations related to strengthening security controls were not included in this interim audit report. Recommendations will be included in the final audit report.

The results of our audit and the specific findings in the audit report were discussed with the OCFO management. Since this was an interim audit report, management did not provide official written comments.

### **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.*

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## Management Challenges

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

#### **Audit of GSA Fleet's Control of License Plates, Federal Acquisition Service**

*Report Number A070076|Q|5|P08001, dated October 9, 2007*

GSA Fleet (Fleet) owns and operates over 200,000 vehicles it supplies to other Federal agencies on a reimbursable basis. Federal regulations require most Fleet vehicles be equipped with two license plates that identify them as Federal vehicles owned by Fleet, and for official use only. In some cases, stolen federally-issued plates were placed on unauthorized vehicles to impersonate government vehicles thereby diverting attention from illegal activities. Because of the possible security risks these illegal activities pose, Fleet requested a review of the controls it uses to minimize lost and stolen plates. Our audit objective was to determine whether Fleet had sufficient controls over its license plates, or whether additional controls were needed.

For the year ended April 2007, Fleet had approximately 1,680 reports of missing plates, or an average of about 140 per month. Over 80 percent were listed as missing a single plate rather than a set of plates and 86 percent of these were missing the front plate. Replacing missing plates is time-consuming and costly. For example, Fleet must furnish the customer agency a new set of license plates and a matching charge card, and the vehicle is out of commission until the replacements are received.

Federal license plates currently have no expiration dates, so lost or stolen plates can be used indefinitely. Although the design has changed over the years, older plates are still used on federally-owned vehicles. Therefore, there is no assurance that misplaced or stolen plates of any age would be noticed.

During our audit we found these additional control issues for GSA management to consider.

- Excessive quantities of license plates from prior years were stored at some Fleet offices throughout the country because Fleet had no comprehensive list of available license plates or an effective system for matching orders for license plates with existing inventory. The inventory records for nine field locations and Central Office showed carryover stock from FY 2006 totaling about 3,100 sets of plates, with quantities at individual locations ranging from 72 to 723 sets. There were plates in stock that had been held four or more years.
- Fleet vehicles (about 7,800 vehicles) that used state license plates to hide their Federal ownership retained Fleet license plates as well. Some of these vehicles had been turned in at the end of their life cycle with the Fleet plates missing. Fleet had no way of knowing when the plates

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## **Management Challenges**

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

disappeared or whether they were subsequently used for improper or illegal purposes.

- Fleet receives two plates for its trailers (about 850 trailers), but the trailers have only one mounting position on the back. The second plate serves no purpose. It may be given to the customer to store, mounted over the first plate on the back of the trailer, or retained by the Fleet Management Center.
- The license plates of vehicles turned in by Federal agencies frequently were not removed immediately, nor destroyed until the vehicles were sold. Plates disappeared between the time vehicles were turned in and when they were sold.
- Lost and stolen license plates are posted in the National Crime Information Center, a system controlled by the Federal Bureau of Investigation. Until Fleet's losses are posted in this system, it has little assurance law enforcement offices will be aware of missing license plates. However, Fleet offices experienced difficulty getting lost and stolen license plates posted in the National Crime Information Center system in the past because of communication breakdowns with the Department of Homeland Security (DHS), Federal Protective Service Mega Centers. These are Fleet's contact points for getting the information posted. Although communication improved after Fleet developed a computer program to help with the process, we found indications of some continued weaknesses in the reporting.

We recommended to the Commissioner, Federal Acquisition Service, that the Fleet:

- (1) Establish a central license plate listing in its central computer, the Fleet Management System, that at a minimum includes the license plate numbers and locations of all unassigned Fleet license plates.
- (2) Not allow Fleet license plates to be retained with state-plated vehicles unless an agency can clearly establish a definite need for the GSA plates.
- (3) Establish a means of assigning Fleet license numbers to state-plated cars for vehicle identification within Fleet's system, but without issuance of actual plates.
- (4) Either order one plate when ordering trailer plates, or immediately destroy the second plate upon receipt if two plates have to be ordered. Also, locate, destroy, and document the destruction of the second plate for existing trailers.
- (5) Destroy license plates as soon as practical once they are no longer needed, rather than holding them until vehicles are sold.

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## Management Challenges

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

- (6) Centralize its reporting of lost and stolen plate information to the DHS to the extent practical.

We also recommended to the Acting Associate Administrator, Office of Governmentwide Policy, that the Office of Travel, Transportation and Asset Management:

- (1) Analyze whether the Federal Management Regulation should be changed to require one license plate per Federal vehicle rather than two.
- (2) Continue its efforts to change the Federal Management Regulation to require Federal license plate expiration dates.

The Commissioner, Federal Acquisition Service, and the Acting Associate Administrator, Office of Governmentwide Policy, agreed with their respective report recommendations.

### **Review of GSA's Suspension and Debarment Program**

*Report Number A070105/OIA/F08004, issued December 20, 2007*

Within the GSA, the Office of the Chief Acquisition Officer (OCAO) has overall responsibility for the suspension and debarment of its contractors for cause under the Federal Acquisition Regulation (FAR) and oversight of the Excluded Parties List System, a governmentwide publication of those parties excluded from Federal procurement programs. The OCAO administers the Suspension and Debarment Program, and an appointed Suspension and Debarment Official (SDO) makes all final decisions for sanctions imposed in the public interest for the Government's protection. Contractors debarred, suspended, or proposed for debarment are excluded from receiving contracts, and agencies are prohibited from soliciting offers from, awarding contracts to, or consenting to subcontracts with such contractors, unless the agency head determines that a compelling reason exists for such action.

In GSA, almost all suspension and debarment cases are referred to the Suspension and Debarment Division (Division) by the OIG Office of Investigations. Following background information research, a Division staff member prepares a case summary review, enters relevant information into a case inventory database, and forwards the case to the SDO for a referral decision. The SDO has four options in making a decision: (1) request a Show Cause letter to request additional information; (2) send a Notice of Suspension; (3) send a Notice of Proposed Debarment; or (4) take no action after a determination that the entity does not represent a present threat to the government's interests. The Division has a performance measure of 30 days to review all OIG suspension and debarment referrals, and respond with a proposed course of action, or request additional information.

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## ***Management Challenges***

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

In FY 2006, a backlog of suspension and debarment cases occurred because the OCAO allowed a lapse in staffing the Division for approximately six months. Staffing levels were affected by employee retirements and reassignments. During this time, 159 entities were referred to the Division, and some were not processed for up to one year after referral, so the OCAO assigned additional staff on a temporary detail and hired a contractor to assist with case dispensation. Our review objectives were to determine what actions had taken place to address the backlog of cases and what needed to occur to process suspension and debarment cases more effectively and efficiently. Further, the review also addressed concerns as to whether the OCAO's hiring of temporary contractor personnel to assist in eliminating the case referral backlog was appropriate.

By early FY 2007, the OCAO had eliminated the case backlog with the assistance of the additional staff and contractor employees. It also established controls to manage the caseload and standardize processes. The Acting SDO and temporary staff implemented controls to inventory and track the status of referrals and developed a procedural handbook for processing referrals. In July 2007, the OCAO hired permanent staff for the Division. Our review concluded that these controls appeared to be effective in ensuring that the Division processes the cases in a timely manner and in accordance with the FAR. However, continued management attention is needed to ensure that backlogs do not recur. Relative to the hiring of contractor personnel to assist with eliminating the referral backlog, we determined that the work was performed under a fully competitive task order, and that the work was not inherently governmental because government staff retained authority over suspension and debarment decisions. We did find, however, that improved controls are needed to ensure that contractor roles are clearly defined, and that contractors have both the proper security clearances and signed non-disclosure agreements.

We recommended that the GSA Chief Acquisition Officer:

- Ensure that the Suspension and Debarment Division maintains adequate staffing levels at all times to avoid future case backlogs.
- Establish controls to ensure that any future similar contract actions clearly define contractor roles and authorities with respect to inherently governmental work.
- Establish controls to ensure that in future contracts requiring security clearances and non-disclosure agreements, the contracting officer's technical representative ascertain that these requirements are met prior to the start of work.

The Chief Acquisition Officer concurred with all recommendations.

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## Management Challenges

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

#### **Review of the Use of Inventory Management Software, Federal Acquisition Service**

*Report Number A070164/FIAIP08004, dated March 21, 2008*

FAS awarded a contract for approximately \$3 million to Manugistics, Incorporated (Manugistics) for inventory software. This action was taken in response to an analysis of GSA's Supply Business Line. The purpose of acquiring this software was to implement a supply chain suite of applications that would project demand and plan for inventory replenishment thereby aligning the FAS Office of Supply's inventory management approach with commercial best practices. This software will replace the legacy systems inventory management functionality, improve demand forecasting accuracy, reduce inventory levels, and maintain high customer service. FAS began implementing the inventory software in its acquisition centers and depots in September 2005.

The objectives of our audit were to determine whether: (1) FAS was using the Manugistics inventory management software to the fullest extent possible, and if not, what were the reasons for inconsistent usage; and (2) the Manugistics software could be improved to better manage inventory in the depots and stores.

We found that approximately two years after implementation of the Manugistics software, the majority of inventory managers and store coordinators were not using it to the fullest extent possible. For example, 20 of the 34 store coordinators and inventory managers interviewed used the older Customer Supply Center and FSS-19 legacy systems to recalculate replenishment recommendations generated by the Manugistics' software. The users advised that they were skeptical of the new software's output and did not fully understand how it made its projections and recommendations. Although most users received training before and after the software was implemented, the majority of users felt they needed additional training in using the software and understanding inventory management concepts and terminology. In addition, the majority of the users we interviewed did not see much benefit to the new software and preferred the legacy systems. However, some features of the new software represent significant enhancements over the legacy systems' capabilities, but there are no specific performance measures that demonstrate to the users how the new software improves inventory management accuracy and timeliness. Further, to reduce reliance by the users on the legacy systems, FAS should remove redundant inventory management functionality from the legacy systems.

The review also identified that the Manugistics software could be improved to manage inventory in the depots and stores. We found that procurement and holding costs in the system were outdated which could affect the accuracy of

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## **Management Challenges**

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

order quantities and how frequently items are replenished. Transportation costs were not considered in the new software yet these costs average four percent for in-bound freight and six percent for out-bound freight. Also, contract coverage data is not included in the software. Having this information in the same location as the other inventory data would serve as a convenience to FAS in determining how soon or how large a quantity an order needs to be placed. Lastly, the software does not maintain an audit trail of the factors and parameters that are changed by the users because it was initially thought too costly to develop the necessary data warehousing capabilities to store this information.

We recommended that the Commissioner, FAS:

- Provide additional training related to the proper and practical application of the Manugistics software and inventory management concepts and terminology.
- Develop meaningful performance measures to fully realize the benefits of the Manugistics software.
- Remove redundant inventory management functionality from the Legacy systems.
- Maintain up-to-date procurement and inventory costs in the Manugistics software.
- Conduct a cost/benefit study related to implementing improvements to transportation management information.
- Conduct a cost/benefit study related to incorporating contract coverage data in the Manugistics software.
- Conduct a cost/benefit study related to adding data warehousing to maintain historical data regarding actions taken by inventory managers and store coordinators and routinely report this information to their supervisors.

The Commissioner concurred with the report's recommendations.

### **Review of the Greater Southwest Region Public Building's Service El Paso Service Center's Procurements**

*A070150/PI7IR08001, issued November 29, 2007*

In the Greater Southwest Region (GSR), PBS's Acquisition Services Operations Branch assigns dual responsibility for awarding contracts between contracting officials in its Border Section for the majority of services



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## Management Challenges

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

over the micro-purchase threshold and the El Paso Service Center (Service Center) building management specialists for most procurements within the micro-purchase threshold. The micro-purchase threshold for supplies, equipment, and some services is currently \$3,000 and for contracts involving construction, alteration, or repair of public buildings or public works it is \$2,000. The El Paso Center contracted for building maintenance and cleaning services through a property management contractor for various buildings and border stations allowing for awards up to \$25,000 for repairs without competition.

Our review objective was to determine whether the Service Center made procurements in accordance with procurement laws and regulations and GSA's policies and procedures, and if procurements are not compliant, what control issues exist. To determine the level of compliance, we reviewed supporting documentation for credit card transactions from the three most used vendors representing 80 percent of the micro-purchases valued at about \$90,460, and procurements over the micro-purchase threshold valued at \$244,736, for the period October 1, 2005, through March 31, 2007.

Although we found that the Service Center's micro-purchases were in compliance with procurement regulations and GSA's policies and procedures, the GSWR Border Section procurement officials did not fully comply with the FAR or the terms and conditions of the Service Center's building maintenance contract in place when procuring services over the micro-purchase threshold. Our analysis determined that 25 of 30 procurements over the threshold amount had compliance issues. Accordingly, as a result of non-compliance with FAR and the contract requirements, the government may not have received best value.

The Border Section procurement officials were not compliant with FAR for half of the procurements over the micro-purchase threshold awarded under simplified acquisition procedures. Specifically, officials did not: (1) solicit competition for construction services; (2) obtain funding approval prior to contractor performing services; (3) demonstrate anticipated costs to the government were fair and reasonable for a sole source award; (4) include mandatory clauses for construction services contracts; and (5) issue a written solicitation for construction services over \$2,000. In addition, a credit cardholder with micro-purchase authority procured construction services that exceeded the micro-purchase threshold.

Further, the Border Section procurement officials were not fully compliant with all of the terms and conditions of the building maintenance contract for 95 percent of awards under the contract. Specifically, the procuring officials did not document on the purchase order the description of services being procured, the maximum number of hours and amount of material costs for which the contractor would be compensated, and a ceiling amount not to be



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## Management Challenges

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

exceeded without written approval of the contracting officer's representative (COR). Added to this, the COR did not obtain an itemized written estimate of the labor hours and costs of parts and materials possibly required to complete the repair, and ensure that the contractor maintained a log showing each person involved in repairs. Additionally, three procurements were outside the scope of the building maintenance contract repair clause.

Another control issue noted for management's attention involved an appearance that the Service Center may be giving preferential treatment to the three aforementioned contractors, in particular to one company owned by a relative of an El Paso property manager that received one-third of the micro-purchases made by credit cardholders. In fact, during the review period, approximately 80 percent of the micro-purchases were directed to the three contractors without competition.

To strengthen and improve current practices in the GSWR PBS Acquisition Services Operations Branch, we recommended that the Assistant Regional Administrator, Public Buildings Service, require the Acquisition Director to:

- Develop training for procuring officials to ensure:
  - Procurements of construction services over \$2,000 meet FAR requirements;
  - Costs anticipated for sole source awards are fair and reasonable;
  - Credit cardholders do not exceed their micro-purchase authority; and
  - Procurements awarded on the basis of the building maintenance contract repair clause, if any, meet the terms and conditions.
- Develop and implement policies and procedures to ensure funding approval is obtained before work is performed.
- Ratify the transaction made by the cardholder that exceeded his micro-purchase procurement authority.

The Regional Administrator generally concurred with our findings and recommendations.

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

*Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,700 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to the Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency*

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## Management Challenges

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

*has a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including childcare center personnel), pre-lease security checks, occupant emergency plan support, and continuity of operations support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary concern of GSA.*

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

*Report Number A070075/PIR/IR08003, issued March 20, 2008*

As the civilian Federal government's landlord, PBS is responsible for safeguarding the government's real property assets and for providing space and services to its nearly 60 agency customers, housing over one million Federal employees. As one of the worst natural disasters the United States has ever experienced, Hurricane Katrina struck the Gulf Coast in August 2005, impacting 93,000 square miles of the United States and causing \$96 billion in damage, including extensive damage to a number of Federal buildings in two regions. The devastation dramatically increased PBS's workload beyond its normal obligation to its customers. PBS had to prepare its customers and real property assets for the hurricane; maintain customer communications/hotlines; assess damage caused by the hurricane; help customers return to operational status; and return owned and leased space to operational status. Accordingly, our audit objectives were to: (1) review the effectiveness of preventive actions taken by GSA to safeguard assets and to prepare GSA tenants for Hurricane Katrina; (2) analyze the processes used to assess and repair those properties damaged by Katrina; (3) review the steps taken by PBS to determine the necessary actions for affected leased properties (e.g., terminate, suspend, or continue leases); and (4) ascertain the financial implications of Hurricane Katrina on the Federal Buildings Fund.

In preparing for Hurricane Katrina, PBS had limited disaster-related standard operating procedures and building-specific disaster plans, which contributed to inconsistent preparation. Overall, PBS effectively disseminated information to customers and quickly deployed personnel to assess and repair damaged buildings and address customer agency space needs. To accomplish this emergency response task, PBS engaged a cadre of personnel, including property managers, leasing specialists, contracting officers, and other specialists. However, the degree of building preparations undertaken before the storm to minimize damage varied widely with a result that some buildings in the impact zone may have sustained avoidable damage.

The widespread devastation caused by Hurricane Katrina created an extraordinary demand for remediation and repair services, forcing GSA to

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## ***Management Challenges***

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

compete with local businesses for a limited number of contractors, supplies, and services. As a result, PBS had to absorb increased repair and leasing costs in an effort to restore buildings quickly and respond to customer needs. PBS may have paid higher costs for some repair work due to the extended use of a time and materials contract as well as inflated post-disaster construction rates.

Also as a result of the hurricane, PBS incurred additional leasing costs for both existing leases and post-hurricane leasing actions. The disastrous conditions left in Katrina's wake impeded PBS's ability to exercise the Fire and Casualty Damage clause for hurricane-damaged leased space. This clause, which allows the government to terminate partially destroyed leases for space rendered untenable by fire or other casualty, requires the government to give written notice to the lessor within 15 calendar days of the fire or other casualty in order to exercise the clause. PBS's inability to exercise this clause was particularly costly in GSA's Greater Southwest Region, where it awarded temporary leases with terms often greater than needed by tenants, ultimately resulting in vacant space and no termination rights. Due to the post hurricane market conditions and uncertain customer requirements, GSA agreed to buyout lease agreements that cost the government more than \$5 million.

To improve PBS's disaster preparations and response, we recommended that the Commissioner, Public Buildings Service should:

- Ensure that disaster-related standard operating procedures and building-level plans for disaster preparations, including those performed by contractors, are developed for buildings in hurricane zones to ensure measures are taken to adequately safeguard real property assets during future disasters.
- Ensure steps are taken to prepare tenants in hurricane zones before each hurricane season, such as updating and providing GSA's Southeast Sunbelt Region's "Hurricane Preparedness" presentation.
- Continue to enhance and improve its damage assessment capabilities, such as use of the interactive assessment tool pre-loaded with data necessary to perform assessments developed by GSA's Southeast Sunbelt Region, for future disaster responses.
- Explore alternative methods to procure and administer repair and remediation contracts to control costs after a major disaster.
- Ensure that measures are taken to follow up with lessors and obtain refunds as appropriate for terminated leased space that is re-let or sold after government buyouts.

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## Management Challenges

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

- Follow through with efforts to update the Fire and Casualty Damage clause to allow for situations where PBS is unable to access leased buildings, assess building damage, or contact lessors in order to prevent buyout agreements situations from occurring in future disasters.

The Commissioner generally concurred with the report's recommendations.

### ***Stewardship of Federal Real Property***

*GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings. In addition, the Agency is facing critical budgetary limitations since it is primarily reliant on its operations to replenish the Federal Buildings Fund. It is estimated that it would take over \$6 billion for repair and alteration projects over the next five years. GSA needs a comprehensive strategy to enable an evaluation of its building projects nationwide to make the best use of available funds.*

### **Review of PBS's Appraisal Process for Rent Pricing**

*Report Number A060197/IPR/R08002, dated January 2, 2008*

PBS collects rent revenue from over 100 federal agencies housed in over 8,600 buildings. Rent revenue is deposited into the Federal Buildings Fund and used to operate federally owned buildings and pay rent to lessors for leased space. Rent charged in federally owned space, which represents 50 percent of GSA's rentable square footage, is required by law to approximate commercial market rates. The major components of rent in federally owned buildings are the shell rent, operating costs and parking. These are established by a market-based appraisal using comparable properties. The market-based appraisal relies on the professional experience and judgment of the performing appraiser who is bound by professional appraisal standards and GSA's annual instructions for the appraisal of Fair Annual Rental rates. It is PBS policy to use a contractor to perform appraisals, but prior to policy revisions in June 2006, qualified PBS staff were allowed to prepare appraisals in-house. PBS policy also permitted GSA's regional appraisers to make adjustments to the appraised rate to correct for "particular facts concerning a specific occupancy of which the appraiser was unaware." The appraisal report and final value conclusions are reviewed by the GSA regional appraiser and accepted as a reasonable approximation of commercial market rates for the subject building.

The OIG conducted a review of PBS's Rent Pricing Program to address issues raised by the previous Director of the Administrative Office of the United States Courts (AOUSC) in a June 2006 letter to the GSA Inspector General. These issues were: (1) PBS employees were materially adjusting independent appraisal rates upward; (2) the Linking Budget to Performance program (LB2P) may have created an incentive for PBS employees to alter

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## **Management Challenges**

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### ***Stewardship of Federal Real Property (continued)***

rental rates; (3) PBS has been overcharging the Courts due to misclassified tenant space and erroneous billing; and, (4) tenant access to appraisal documents was limited. The audit work included an examination of appraisal files and aspects of the LB2P program, as well as an evaluation of the critical performance elements included in the GSA regional appraisers' annual performance evaluations.

The audit did not support the AOUSC's assertions but did identify issues with controls over appraisal adjustments. We reviewed 377 contract appraisals in 4 regions and found that PBS personnel had adjusted 43 percent in a predominantly upward direction. The average adjustment was an increase of \$2.34 per square foot, with adjustments ranging from an increase of \$16.86 per square foot to a decrease of \$9.49 per square foot. Although all 4 regions made adjustments, 70 percent of the adjustments (excluding contractor errors or omissions) were made in one region. These adjustments were permitted by the PBS policy in effect at that time; however, we have seen a substantial decrease in recent years of the adjustments due to initiatives undertaken by PBS. According to the written rationale included in most of the appraisal files, the majority of the adjustments made by the regional appraisers were to correct deficiencies they identified in the contractor's appraisal. For example, 70 adjustments were made to correct obvious contractor errors such as typographical errors, math errors, transposed numbers, incorrect rates brought forward to the summary sheet from the body of the report or rates not brought forward to the summary sheet. In addition, downward adjustments were being made consistently. The audit also identified several control issues related to appraisal adjustments that need to be addressed. For example, the appraisal files rarely contained supplementary documents to support the regional appraiser's adjustments. Our review also found instances where the contract appraisal did not follow PBS policy and the contractor errors were not identified or corrected by regional appraisers. There was also limited documentation of regional oversight over appraisal reviews.

While aspects of the LB2P program do encourage increasing revenue, the nature and timing of the rent appraisal process and LB2P program do not provide an inherent incentive to adjust appraisals for a personal benefit. Contract appraisals are completed and reviewed 22 months (on average) prior to becoming effective, in order to provide customer agencies sufficient time to plan and prepare for budget cycles and to complete the appraisal process. Since LB2P bonuses are paid approximately five months after the fiscal period in which the appraised rental rate goes into effect, this results in a 39-month waiting period before any possible benefit could be received. Additionally, for most years of the LB2P program, the target for the Funds from Operations (FFO) measure was based on revenue projections. Therefore, adjustments made by regional appraisers would likely be included in the region's revenue projections and incorporated into its FFO performance

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## Management Challenges

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### ***Stewardship of Federal Real Property (continued)***

measure target. Also, in a review of over 50 critical elements in the regional appraisers' annual performance evaluations, we found no consistency among the language used by the regions and identified only two elements with language that could be interpreted as encouraging profitability in PBS buildings. Neither regional appraiser with these critical elements made predominately upward adjustments to the applicable contract appraisals.

Our review concluded that changes in policy and varying interpretations of guidance contributed to the inappropriate tenant floor cut billings in one region. Tenant floor cut is the vertical penetrations cut into the floor for the benefit of a specific tenant such as the upper height of a double height courtroom. PBS used two methods to bill tenants for tenant floor cut space within the past several years — one method makes adjustments to the shell rate and the other makes adjustments to the square footage to arrive at a billing rate. Starting in FY 2002, PBS began to bill based solely on square footage without making adjustments to the shell rate. To assist in this effort, PBS is re-measuring all owned space but guidance during the transition was not sufficient to prevent errors in billing. PBS initiated a review of the Court's rent and identified one region that was inappropriately billing for space.

Finally, our review disclosed that PBS typically handled customer agencies' requests for appraisal information in accordance with the then-current policy. PBS has recently reformed its policy regarding the release of appraisal information in an effort to increase transparency in the appraisal program.

PBS is taking action to improve the effectiveness of the appraisal program. Many of its recent measures have already addressed the major issues identified in our review.

We recommended that the Commissioner, Public Buildings Service:

- Establish specific documentation requirements for appraisal files to substantiate regional appraiser's decisions and actions regarding an appraisal file (e.g. disregarded appraisals, adjustments made due to changes in space measurements, and customer appraisal requests). Requirements should provide details on what should be documented and how the documentation should be executed.
- Reinforce appraisal instructions and guidance with PBS regional appraisers to ensure the appraisal review process uncovers appraisal policy violations.
- Develop consistent critical performance elements for regional appraisers that will ensure performance expectations do not conflict (in fact and appearance) with the professional duties of the regional appraiser.

The Commissioner concurred with our findings and recommendations.



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## Promoting and Protecting Integrity

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*GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a 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 \$292 million.*

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

#### **Two Companies Provide Defective Body Armor to Law Enforcement**

Under the direction of the U.S. Department of Justice, GSA OIG and other federal law enforcement agencies jointly investigated the sale to the government of defective soft body armor (known as "bullet proof vests") containing Zylon® fiber. The investigation examined the rapid degradation of Zylon® in body armor, during the period of June 1996 through August 2005, and the consequence of whether excessive degradation caused potential failure of the vests. As a result of the investigation, on October 29, 2007, Hexcel Corporation agreed to pay the United States \$15 million, and on December 3, 2007, Gator Hawk Armor, Inc. agreed to pay the United States \$425,000, to settle potential liability.

Hexcel Corporation, a weaver of high performance fibers, wove 50 percent to 70 percent of the Zylon® fiber used in body armor sold to Federal law enforcement agencies under the GSA MAS Program. Gator Hawk Armor, a body armor manufacturer, sold vests from 2002 through 2005 to Federal law enforcement agencies through the GSA MAS Program. Ongoing civil litigation involving the overseas manufacturer of Zylon® fiber, domestic body armor manufacturers, and others in the distribution channel continues, as well as investigations of other involved entities. The joint investigation included the Defense Criminal Investigative Service (DCIS), Defense Contract Audit Agency, Treasury OIG, Energy OIG, United States Agency for International Development OIG, Air Force Office of Special Investigations, Army Criminal Investigation Division (CID), and Naval Criminal Investigative Service.

#### **Former GSA Contracting Officer Pleads Guilty to Bribery**

A joint investigation with the Social Security Administration (SSA) OIG was initiated when it was alleged that the owner of Holiday International Security Inc. (HISI) submitted false certifications to Federal agencies, including GSA

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

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

and SSA, in order to secure government contracts and over-bill the government based on these contracts. The investigation disclosed that HISI was awarded two GSA contracts to provide security guard services to GSA buildings throughout California.

The owner of HISI transferred ownership of the company to his Chief Financial Officer's wife, who then renamed the company USProtect Corporation (USProtect). The Chief Financial Officer (CFO) remained in his position and was involved in preparing, reviewing, and submitting proposals to provide security to Federal agencies. The investigation found that the CFO had been convicted of fraud in four separate Federal criminal prosecutions, and had numerous civil judgments for fraud and false statements entered against him; and that these convictions and judgments were not disclosed to the government on contract proposals, as required. By concealing these prior judgments, the CFO obtained over \$150 million from contracts procured through USProtect proposals.

Further investigation revealed that the former GSA contracting officer accepted a Caribbean cruise from the owner of HISI for administering his contracts with GSA. She also admitted that the owner of HISI paid her over \$100,000 in bribes for accepting proposals, which were millions of dollars higher than the next lowest bid. She completed a favorable performance review of USProtect's work under the GSA contracts, even though there were numerous problems and complaints with its work on the contracts. Her favorable review influenced SSA's decision to award a contract to USProtect. USProtect ultimately received over \$130 million dollars in Federal contracts as a result of the aforementioned bribery scheme.

On October 3, 2007, the owner of HISI pled guilty to bribing a public official and tax evasion. On November 30, 2007, the former CFO of USProtect, pled guilty to scheming to conceal material information and tax evasion. Sentencing has not been scheduled for either individual. On January 10, 2008, the former GSA contracting officer pled guilty to accepting bribes and evading taxes on the bribe payments. She is scheduled to be sentenced on June 16, 2008.

### **Six Individuals Plead Guilty in Multi-Million Dollar Bribery Scheme**

A joint investigation with the Internal Revenue Service (IRS) Criminal Investigations (IRS CI), Army CID, Department of Interior (DOI) OIG, Small Business Administration (SBA) OIG, and Department of Defense (DOD) DCIS was initiated when the FBI reported that employees and contractors of the U.S. Army Medical Command (USAMC) were steering technology contracts to companies they owned or controlled. The investigation found that 13 Federal Technology Service (FTS) task orders valued at approximately \$10 million were awarded in this manner.



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## Promoting and Protecting Integrity

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

The investigation revealed that a USAMC contracting officer technical representative (COTR) conspired with a USMAC contractor to award a technology contract to Communications Technology, Inc. (COMTEK) for his personal benefit. By selecting COMTEK for a contract at Madigan Army Medical Center (MAMC), the contractor agreed to hire the COTR's son without requiring him to actually work. The contractor then conspired with a COMTEK employee to receive approximately \$1 million from the MAMC contract. After the award of the MAMC contract, the COMTEK employee left COMTEK to form his own business.

The COTR, USAMC contractor, and the former COMTEK employee later founded or used the following 8(a) companies: DSS Services, Inc., Ace Unlimited, Inc., Sphinx Consultants and Associates (Sphinx), Muskogee Nation Business Enterprise, PRO-ECA, Inc., and Enterprise Consulting Agency. The Montoplis Group (Montoplis), owned by the son-in-law of another USAMC employee, was used to launder the money received in this scheme.

The COTR, the USAMC contractor, and the owner of Sphinx Consultants and Associates pled guilty to conspiracy and accepting a bribe. Their pleas held them jointly and severally liable for restitution in the amount of \$2,700,000. On April 17, 2008, the COTR and USAMC were sentenced to 7 years imprisonment and the owner of Sphinx was sentenced to 5 years 2 months imprisonment.

On October 3, 2007, the COTR's son pled guilty to aiding and abetting bribery. His sentencing has not been scheduled. On October 11, 2007, the father-in-law of the owner of Montoplis pled guilty to accepting a bribe and failure to file an income tax return and was sentenced to 5 years imprisonment, 500 hours community service, and ordered to pay restitution of \$209,000 to the Department of Defense and \$56,560 to the IRS. On October 15, 2007, the former COMTEK employee pled guilty to conspiracy and bribery. On April 17, 2008, he was sentenced to 7 years imprisonment and held jointly and severally liable for restitution in the amount of \$2,700,000.

### **GSA Contractor Agrees to \$123,529 Civil Judgment for Money Laundering**

An investigation with the New Jersey U.S. Attorney's Office, DCIS, IRS CI, and Army CID was initiated when information developed in another investigation indicated that two government officials committed procurement fraud by creating a no-show job for a family member and a subcontract for a company owned by one of the government officials. The investigation disclosed a scheme in which a GSA FTS program director and a supervisory IT specialist used their positions to arrange no-show jobs for the specialist's daughter with two companies that held GSA contracts to provide IT-related support service to the U.S. Army at Fort Monmouth, New Jersey.

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

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

One of the companies was PCC Technology, Inc. (PCC). Through a complex and intricate series of wire transfers and bank deposits, PCC moved funds it received on these contracts into various accounts (including one belonging to a relative of the owner of PCC). During the transactions, the owner of PCC maintained control of the funds by way of ownership and power of attorney. On October 2, 2007, the owner of PCC consented to forfeiture of \$123,529 for money laundering.

### **Co-Owner of Firearms Company Sentenced for Mail Fraud**

An investigation was initiated when it was alleged that Optimum Training Concepts (OPTIMUM), a firearms company that provided firearms qualification/certification to security guards employed by Sectek Incorporated (SECTEK) did not provide its security guards with security guard recertification training, as required by SECTEK's GSA contract, yet submitted documentation indicating these guards had received the training. The investigation substantiated the allegations. When the SECTEK guards (who were certified by the co-owner) were retested by the Federal Protective Service (FPS), it was found that 38 of the 73 guards did not qualify.

On February 12, 2008, the former co-owner of OPTIMUM was sentenced to 2 years probation, 200 hours of community service, and ordered to pay restitution in the amount of \$10,520 and a fine.

Previously, a former manager with SECTEK pled guilty to making false statements, when he falsely completed a form reflecting that a SECTEK guard passed a firearm qualification, when in fact he had not. On April 4, 2008, he was sentenced to 2 years probation, and ordered to pay restitution in the amount of \$10,520 and a fine.

### **Owner of Vehicle Repair Shop Pleads Guilty to Theft of Government Property**

An investigation was initiated when it was reported that the owner of Ray's Service Center allegedly was filing fraudulent claims for vehicle repairs. The investigation determined that the owner routinely placed telephone claims to the GSA Maintenance Control Center for approval and confirmation of repairs to GSA vehicles assigned to Shaw Air Force Base in Sumter, South Carolina, although these repairs were not completed at Ray's Service Center. The investigation identified \$25,548 of fraudulent repair claims by the owner. On February 14, 2008, the owner pled guilty to theft of government property. A sentencing date has not been set.

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

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

#### **Former GSA Employee Pleads Guilty to Conspiracy, Receiving an Illegal Gratuity, and False Statements**

A joint investigation with Department of Homeland Security, FPS was initiated from information obtained during the investigation of Superior Protection Inc. (SPI). SPI had a GSA MAS contract to provide armed security guards for federal facilities.

The investigation revealed that the former employee was employed as a Physical Security Specialist and COTR from December 1990 through August 2004 with GSA. As a COTR, he was responsible for monitoring SPI's armed guard services for the Federal Government, approving FPS expenditures for additional guard services, and acting as a liaison between the FPS and SPI. It was found that he used his official position as COTR to provide favorable treatment to SPI in exchange for things of value. On October 11, 2007, he pled guilty to conspiracy, receiving an illegal gratuity, and false statements and was sentenced to 6 months home confinement, 3 years probation, and ordered to pay a fine.

#### **Former GSA Employee Pleads Guilty to Federal Employees Compensation Fraud**

An investigation was initiated when the U.S. Department of Labor (DOL) reported that a former GSA employee was working for a construction company and receiving worker's compensation for an injury he sustained while employed at the GSA, Eastern Distribution Center. The investigation disclosed that from May 2006 through February 2007, the former employee worked for a construction company; yet on February 1, 2007, he certified that he had not worked for any employer from November 2005 through February 1, 2007. He indicated that he had not been physically able to perform any type of work since June 15, 1999. The records showed that between November 2005 and January 2007, the DOL, Office of Workers Compensation Programs issued tax-free Federal Employee Compensation Act benefits to him.

On October 9, 2007, the former GSA employee pled guilty, pursuant to a plea agreement, to the charge of making a false statement or fraud to obtain Federal employees compensation. On February 4, 2008, he was sentenced to 5 years probation and ordered to pay restitution in the amount of \$55,983.

#### **Veterans Affairs Employee Pleads Guilty to Purchase Card Fraud**

An investigation was initiated when it was alleged that a U.S. Department of Veterans Affairs (VA) purchase card issued under a GSA contract was used to fraudulently purchase tires. The investigation determined that a purchase card issued to a VA office in Big Spring, Texas had been fraudulently used to purchase tires and wheels from Rachal's Tires and Wheels (RT&W) in Natchitoches, Louisiana. The owner of RT&W identified an individual, who

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## Promoting and Protecting Integrity

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

was not the authorized cardholder, as the purchaser. The individual pled guilty to fraud and was sentenced on February 21, 2008 to 2 years probation, 6 months home confinement with electronic monitoring, and ordered to pay restitution in the amount of \$8,308.

#### **GSA Fleet Vendor Pleads Guilty to Fraud**

An investigation was initiated when it was reported that the owner of an automobile body shop made fraudulent and fictitious charges on Visa credit cards maintained by the GSA Maintenance Control Center. The investigation revealed that the owner submitted bills and was paid for them although no work was done. He pled guilty to fraud and was sentenced to 2 years supervised release and ordered to pay restitution.

#### **Army Director Pleads Guilty to Accepting Gratuity**

A joint investigation with the Army CID was initiated when it was reported that an Army contracting director was accepting gratuities from four GSA contractors. The investigation substantiated the allegations that the director accepted gratuities while he was administering contracts/task orders (awarded through GSA) associated with these four contractors. Specifically the investigation revealed that the director purchased a truck from one of the contractors valued at \$7,000 for \$700, rented personally owned residential property to one of the contract employees, and received a building valued at \$60,000 as a donation from one of the construction companies for his church. On December 13, 2007, he pled guilty to accepting an illegal gratuity. A sentencing date has not been scheduled.

#### **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 Visa Credit Card Services (VISA) and MasterCard International Inc. (MC) disclosed to members of the NYECTF that an individual was making unauthorized purchases with VISA and MC credit card accounts of unsuspecting credit card holders. The individual pled guilty to access device fraud and was sentenced to 2 years 10 months incarceration, 3 years supervisory release, and ordered to pay restitution in the amount of \$234,292.

Another investigation was initiated when J.P. Morgan Chase Manhattan Bank (Chase) revealed a fraudulent scheme involving the bank accounts of United

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

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

Nations (UN) Missions of several countries. The scheme involved Chase receiving via facsimile transmission a wire transfer request on purported letterhead from the victim country. The facsimile transmission sent to a Chase branch located near the UN building in New York City requested Chase make wire transfers out of various back accounts maintained for several UN missions into bank accounts located throughout New York City as stated in the bogus letterhead. These transactions were not authorized by the victim countries.

Three of the four individuals involved in this fraudulent Chase scheme pled guilty to conspiracy to commit wire fraud. All three individuals were ordered to pay restitution in the amount of \$245,174 and were sentenced to 1 year 3 months to 2 years incarceration, and 3 to 5 years supervisory release.

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

The GSA OIG has an ongoing proactive investigative project to identify and investigate fraud associated with the misuse of GSA-issued voyager fleet charge cards. During this period, 11 individuals pled guilty, 17 individuals were indicted, and 9 individuals were arrested in connection with cases arising out of fleet charge card investigations. These cases involved thousands of dollars of fraudulent activities associated with this program.

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

GSA has a responsibility to ascertain whether the people or companies 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 process and forward referrals to GSA, so GSA can timely ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 197 referrals for consideration of suspension/ debarment to the GSA Office of Acquisition Policy. GSA issued 39 suspension and debarment actions based on current and previous OIG referrals.

### ***Integrity Awareness***

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and

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

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### ***Integrity Awareness (continued)***

to reinforce employees' roles in helping to ensure the integrity of Agency operations. This period, we presented 34 briefings attended by 305 regional and Central Office employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

### ***Hotline***

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. We also use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,300 Hotline contacts. Of these contacts, 183 Hotline cases were initiated. In 82 of these cases, referrals were made to GSA program officials for review and action as appropriate, 34 were referred to other Federal agencies for follow up, 51 were referred for OIG criminal/civil investigations or audits and 16 did not warrant further review.

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

### ***Audit of the General Services Administration's Fiscal Years 2007 and 2006 Financial Statements***

*Report Number A070109IB/FIF08006, issued January 28, 2008*

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

As in past years, GSA's Financial Statement Audit was performed by an independent public accounting firm, with oversight, support work, and guidance provided by the OIG. The firm issued an unqualified opinion on the balance sheets of GSA, the Federal Buildings Fund (FBF), and the Acquisition Services Fund (ASF), as of September 30, 2007 and 2006, and the related consolidated and individual statements of net cost, changes in net position, and the combined statements of budgetary resources, for the years then ended.

GSA, FBF, and ASF had no material weaknesses in internal controls over financial reporting or instances of noncompliance with applicable laws and



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## Promoting and Protecting Integrity

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### **Financial Statement Audit and Related Reviews (continued)**

regulations. The firm did, however, identify the following significant deficiencies concerning the Agency's need to:

- Improve controls over the monitoring, accounting, and reporting of budgetary transactions.
- Strengthen system access, separation of duties, and monitoring controls.

### **Report on Internal Controls Over Performance Measures**

*Report Number A070214/B/F/F08002, issued October 22, 2007*

The OIG conducted the portion of GSA's FY 2007 Financial Statement Audit related to internal controls over performance measures. Our report noted that the internal controls designed by the Office of the Chief Financial Officer (OCFO) over GSA's performance measure data are operating effectively. Specifically, we found that, in accordance with GSA Policy, the OCFO performed and documented the required review of Agency performance measure data, and that the conclusions therein were adequately supported.

### **Reports on Applying Agreed-Upon Procedures**

#### **Re: FY 2007 Environmental Liabilities**

*Report Number A070109/S/F/S08004, issued November 2, 2007*

#### **Re: FY 2007 Loss Contingencies**

*Report Number A070109/S/F/S08005, issued November 8, 2007*

#### **Re: FY 2007 Fund Balance with Treasury**

*Report Number A070109/S/F/S08003, issued October 11, 2007*

In support of GSA's Financial Statement Audit, we performed agreed-upon procedures reviews over GSA's Fiscal Year 2007 environmental liabilities, legal loss contingencies, and Fund Balance with Treasury.

We reconciled the Office of General Counsel's environmental liability letter and supporting spreadsheets to PBS's summary schedules based on documents prepared by regional offices. In our review of legal loss contingencies, we tested 100 percent of claims for \$10 million or more to determine the Agency's planned response to the litigation and, if a possible loss was perceived, whether Office of General Counsel personnel could provide explanations of the estimates. Additionally, we also reconciled Agency Fund Balances with Treasury reports to determine that key internal controls are working as intended.

We provided the relevant information on the procedures we performed to the independent public accounting firm during October and November, 2007.



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## *Promoting and Protecting Integrity*

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### ***Financial Statement Audit and Related Reviews (continued)***

#### **Limited Audit of the Fiscal Year 2007 Federal Managers' Financial Integrity Act Section 2 and Section 4 Assurance Statements**

*Report Number A070205/AIFIF08003, issued November 9, 2007*

The Federal Managers' Financial Integrity Act (FMFIA), Section 2, requires GSA management to provide assurance to the President and the Congress that Agency resources are protected from fraud, waste, mismanagement, and misappropriation. FMFIA, Section 4 relates to the Chief Financial Officer's disclosure of nonconformance with Federal financial management system policies and standards.

GSA's Management Control and Oversight Council uses assurance statement questionnaires submitted by Regional Administrators and Heads of Services and Staff Offices as a basis for developing the Administrator's assurance statement.

Each year, we review the Agency's FMFIA process to determine whether management adequately disclosed all known control weaknesses and nonconformances in the Agency's programs, operations, and systems of management's reporting of known significant weaknesses and deficiencies. In reviewing the FMFIA assurance statement questionnaires submitted by management for FY 2007, we noted weaknesses reported in the following areas: budgetary reporting, non-compliance with Federal Financial System Requirements, and internal control issues at the Heartland Region. The independent public accounting firm auditing GSA's financial statements also identified budgetary reporting deficiencies regarding unfilled customer orders and undelivered customer orders, as well as information systems deficiencies relating to system access, segregation of duties and monitoring controls. In addition, our audits identified issues relating to the implementation of the Federal Information Security Management Act. Specifically, information systems tested were not adequately secured and required background investigations were not completed for contractors.

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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**

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

- **National Procurement Fraud Task Force.** The Inspector General (IG) is the Vice-Chair of the National Procurement Fraud Task Force (Task Force), which was established in October 2006 to promote the prevention, early detection and prosecution of procurement fraud against the United States. Members of the Task Force include OIGs, Federal law enforcement agencies, and the Department of Justice. The IG chairs two Task Force committees, the Legislation Committee and the Information Sharing Committee.

As part of the Task Force, the IG organized the Forensic Auditing Forum, which took place in Washington, DC, on January 23 and 24, 2008. The Forum focused on the concept of forensic auditing and its current and potential application as a tool to promote comprehensive reviews of agency operations. Over 200 government officials from 30 different agencies attended the forum.

- **President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE).** The IG is a member of several PCIE committees including the Homeland Security Roundtable, the Information Technology Committee, and the Contracting Committee.
  - **PCIE/ECIE Homeland Security Roundtable.** 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 Government's response to Hurricanes Katrina and 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. Further, the Assistant Inspector General for Auditing (AIGA) and the Deputy Assistant Inspector General, Real Property Audit Office, participate in

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## Governmentwide Policy Activities

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the Disaster Recovery Working Group in response to the Hurricane Katrina disaster, under the same Roundtable.

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

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

During this reporting period the OIG reviewed 155 legislative matters and 5 proposed regulations. The OIG also issued 28 subpoenas.

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## Professional Assistance Services

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

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

Our direct participation with the Agency on task forces, committees, and working groups allows us to contribute our expertise and advice, while improving our own familiarity with the Agency's rapidly changing systems. We nevertheless maintain our ability to independently audit and review programs. Our participation on task forces is typically as a nonvoting advisory member.

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

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

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

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## *Professional Assistance Services*

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- **GSA IT Governance Groups.** Audit representatives participate as nonvoting members on three of GSA's major IT governance teams and attend 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 and 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. The Business Systems Council makes decisions regarding major IT investments in conjunction with GSA's Performance Management process, the Human Capital Planning process, the IT Capital Planning and Investment process, and ongoing business process changes for the Agency.
- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.

## Statistical Summary of OIG Accomplishments

### Audit Reports Issued

The OIG issued 73 audit reports during this reporting period. The 73 reports contained financial recommendations totaling \$241,503,104 including \$237,361,030 in recommendations that funds be put to better use and \$4,142,074 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

### Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2008. There were 4 reports more than 6 months old awaiting management decision as of March 31, 2008. Table 1 does not include 5 reports issued to another agency this period. Table 1 also does not include 4 reports excluded from the management decision process because they pertain to ongoing investigations.

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

	Number of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 10/01/2007			
Less than six months old	33	17	\$505,976,591
Six or more months old	0	0	0
Reports issued this period	<u>68</u>	<u>38</u>	<u>241,503,104</u>
<b>TOTAL</b>	<b>101</b>	<b>55</b>	<b>\$747,479,695</b>
For which a management decision was made during the reporting period			
Issued prior periods	29	13	\$141,487,507
Issued current period	<u>39</u>	<u>22</u>	<u>132,838,098</u>
<b>TOTAL</b>	<b>68</b>	<b>35</b>	<b>\$274,325,605</b>
For which no management decision has been made as of 3/31/2008			
Less than six months old	29	16	\$108,665,006
Six or more months old	<u>4</u>	<u>4</u>	<u>\$364,489,084</u>
<b>TOTAL</b>	<b>33</b>	<b>20</b>	<b>\$473,154,090</b>

## Statistical Summary of OIG Accomplishments

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

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

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

	<b>Number of Reports</b>	<b>Financial Recommendations</b>
For which no management decision had been made as of 10/01/2007		
Less than six months old	15	\$504,762,444
Six or more months old	0	0
Reports issued this period	<u>34</u>	<u>237,361,030</u>
<b>TOTAL</b>	<b>49</b>	<b>\$742,123,474</b>
For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>31</b>	<b>\$272,918,672</b>
For which no management decision has been made as of 3/31/2008		
Less than six months old	14	\$104,715,718
Six or more months old	<u>4</u>	<u>364,489,084</u>
<b>TOTAL</b>	<b>18</b>	<b>\$469,204,802</b>



## Statistical Summary of OIG Accomplishments

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

	Number of Reports	Questioned Costs
For which no management decision had been made as of 10/01/2007		
Less than six months old	2	\$1,214,147
Six or more months old	0	0
Reports issued this period	<u>4</u>	<u>4,142,074</u>
<b>TOTAL</b>	<b>6</b>	<b>\$5,356,221</b>
For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>4</b>	<b>\$1,406,933</b>
For which no management decision has been made as of 3/31/2008		
Less than six months old	2	\$3,949,288
Six or more months old	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>2</b>	<b>\$3,949,288</b>

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## Statistical Summary of OIG Accomplishments

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### ***Investigative Workload***

The OIG opened 143 investigative cases and closed 91 cases during this period. In addition, the OIG received and evaluated 33 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	52	98
Civil	17	34
Administrative	34	65
<b>TOTAL</b>	<b>103</b>	<b>197</b>

In addition, the OIG made 14 referrals to GSA officials for information purposes only.

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

Based on these and prior referrals, 40 cases (63 subjects) were accepted for criminal prosecution and 9 cases (14 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 47 indictments/informations and 32 successful prosecutions. OIG civil referrals resulted in 6 case settlements. Based on OIG administrative referrals, management debarred 19 contractors/individuals, suspended 20 contractors/individuals, and took 27 personnel actions against employees.

## Statistical Summary of OIG Accomplishments

### Monetary Results

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

<b>Table 5. Criminal and Civil Recoveries</b>		
	<b>Criminal</b>	<b>Civil</b>
Fines and Penalties	\$ 523,558	
Settlements		\$ 15,592,652
Forfeitures		123,529
Restitutions	<u>1,737,322</u>	<u>                    </u>
<b>TOTAL</b>	<b>\$2,260,880</b>	<b>\$ 15,716,181</b>

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

<b>Table 6. Other Monetary Results</b>	
Administrative Recoveries	\$151,938
Investigative Savings	<u>26,021</u>
<b>TOTAL</b>	<b>\$177,959</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.

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

### **MAS Contract Workload Management**

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

The focus of the review was to determine if FAS was effectively managing the workload associated with processing contract actions in the Schedules program. The report contained ten recommendations; seven have not been implemented.

The remaining recommendations involve developing policy to standardize processes for the method and timing of entering contract modification information into FSS—Online; adopt a more structured approach to reduce the number of existing underutilized Schedule contracts; consider increasing the minimum sales threshold for Schedule contracts; establish specific nationwide guidance related to Price Analysis Documentation Requirements and Negotiation Policies and Techniques for Schedule contracts; establish performance measures that evaluate CO/CS (a) verification of vendor disclosures related to Commercial Sales Practice, (b) effectiveness in analyzing prices and conducting negotiations, and (c) consideration of the field pricing assistance; develop standardized procedures for the initial screening of offers; and develop standard operating procedures governing the transfer of contracts when Schedules are re-assigned from one center to another. They are scheduled for completion between May 15, 2008 and February 15, 2009.

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

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

We found that the process for refund collections for unused airline tickets needed significant improvements.

The report contained six recommendations; three have not been implemented.

The remaining recommendations involve the FAS Commissioner directing the Assistant Commissioner, Travel, Motor Vehicle and Card Services to pursue collection efforts of unused airline tickets for prior (\$1,201,071) and current data (\$315,168), pursue other alternatives such as DFAS deductions (maximum of \$7.7 million) and/or legal action to collect on the outstanding claim of \$8.34 million from the non-bankrupt airline, and develop a feasible plan in conjunction with the Office of General Counsel that will lead to finalizing settlements of unused airline tickets estimated at \$48 million with the three bankrupt airlines. They are scheduled for completion on August 15, 2008.

### **Alert Report on Security of GSA's Electronic Messaging Services**

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

Our review assessed whether GSA has adequate security controls to manage risks with GEMS and GNNI applications. The report contained seven recommendations; three have not been implemented.

The remaining recommendations involve the GSA CIO working closely with Services/Staff Offices/Regions to: inventory all GSA's Lotus Notes databases and applications and remove those that are outdated, including ones that lack necessary controls; develop policies and procedures clarifying roles and responsibilities for use and maintenance of GSA's National Notes Infrastructure, reviewing and configuring appropriate access controls; and complete a comprehensive certification and accreditation that ensures that risks and controls are identified and documented. They are scheduled for completion between July 15, 2008 and October 15, 2008.

### **FY 2007 Office of Inspector General FISMA Review of GSA's Information Technology Security Program**

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

Our review assessed the effectiveness of GSA's IT Security Program for meeting FISMA requirements. The



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## Appendix I—Significant Audits from Prior Reports

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report contained five recommendations; three have not been implemented.

The remaining recommendations involve the GSA CIO improving management accountability by developing an inventory process for system owners, enhancing oversight of contractor-supported systems by promoting compliance with GSA policy and establishing one central point for contractor background investigations, and assisting managers in adopting performance measures consistent with GSA's IT Security Program. They are scheduled for completion on May 15, 2008.

### **Review of the Travel and Transportation Management Division's Freight Management Program**

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

Our review objectives were to determine if the organization ensures competitive rates that provide best value to the Federal user, and agencies are remitting the Industrial Funding Fee (IFF) in an accurate, complete, and timely manner. The report contained three recommendations; two have been implemented.

The remaining recommendation requires the Travel and Transportation (T&T) Management Division to determine the status and need of the incomplete TMSS Modules, prepare a timetable for completing those still desired, and assign the necessary resources to complete the development and implementation of TMSS in a timely manner. It is scheduled for completion on July 15, 2008.

### **Review of the Heating Operation and Transmission District's Operations and Finances**

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

The focus of our review was to determine if GSA's Heating Operation and Transmission District (HOTD), a steam and chilled water utility service to government and quasi-government customers in the National Capital Region, operates and uses its assets economically, efficiently, and securely. The report contained thirteen recommendations; four have been implemented.

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

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

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

The focus of the review was to determine whether the occupancy agreements billing process resulted in more accurate, easier to understand customer bills. The report contained two recommendations; one has been implemented.

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

### **Hurricane Katrina**

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

The review assessed GSA's effectiveness in its response to Hurricane Katrina. The report contained eight recommendations; three have been implemented.

The remaining recommendations involve establishing guidance and procedures related to emergency contracting, instituting nationwide emergency contracting training, ensuring proper supervision and

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## Appendix I—Significant Audits from Prior Reports

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oversight of contracting personnel supporting the Federal Emergency Management Agency (FEMA), ensuring regional management program practices are consistent, and examining current billing methodology to ensure costs incurred by GSA to support FEMA can be identified and billed to FEMA. They are scheduled for completion on May 15, 2008.

### **GSA's Telework Program**

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

The review examined GSA's Telework Program. The report contained four recommendations; they have not been implemented.

The recommendations involve creating a telework program that is consistently administered throughout the organization, developing a tracking system to identify employees participating in the program, reviewing and updating current telework guidance, as necessary, and ensuring that associates are receiving correct locality pay. The recommendations are scheduled for completion on May 15, 2008.

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

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

The review's objective was to determine whether eOffer/eMod are realizing expected benefits and if sufficient security controls have been designed and implemented. The report contained four recommendations; three have been implemented.

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

### **Overtime Management**

*Period First Reported: April 1, 2006, to September 30, 2006*

The review focused on the management control environment for building operations that frequently incur overtime costs. The report contained three recommendations; two have been implemented.

The remaining recommendation involves redesigning GSA Form 544 as a standard mandatory electronic version with e-signature capabilities. It is scheduled for completion on July 15, 2008.

### **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.

The remaining recommendation, which requires resolving all data element discrepancies and data migration issues, is scheduled for completion on August 15, 2008.

### **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; three have been implemented.

The remaining recommendation involves establishing a management structure with adequate authority and responsibility. It is scheduled for completion on June 15, 2008.

### **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 contained four recommendations; one has been implemented.

The remaining recommendations involve developing a process to solicit input from vendors on system enhancements, evaluating enhancements to Fed BizOpps based on vendor input, and ensuring that Memoranda of Agreements are in place for FedBizOpps users. The recommendations are scheduled for completion on May 15, 2008.

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

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

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

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

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

## *Appendix II–Audit Report Register*

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

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

### ***PBS Internal Audits***

11/29/07	A070150	Review of the Greater Southwest Region, Public Buildings Service: El Paso Service Center's Procurements		
01/02/08	A060197	Review of PBS's Appraisal Process for Rent Pricing		
03/20/08	A070075	Audit of PBS's Response to Hurricane Katrina PBS Contract Audits		

### ***PBS Contract Audits***

10/24/07	A070128	Preaward Review of Supplemental Architect and Engineering Services Contract: Goshow Architects, LLP, Solicitation Number GS-02P-06-DTC-0024(N)		
10/31/07	A070116	Preaward Review of Architect and Engineering Services Contract: Goody Clancy & Associates, Inc., Solicitation Number GS-02P-06-DTC-0030N		
11/05/07	A070220	Review of Claim for Increased Costs: Faith Technologies, Inc. D/B/A SKC Electric, Subcontractor to Caddell Construction Co., Inc., Contract Number GS06P02GZC0546		
11/13/07	A070209	Review of a Claim: Lucia Inc., Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-03-UTC-0003		
11/14/07	A070226	Review of Cafeteria Concession Contract: Corporate Chefs, Inc., Contract Number GS-02P-90-CTC-0140		
11/15/07	A070175	Preaward Review of Supplemental Architect and Engineering Services Contract: RMA Architects, P.S.C., Solicitation Number GS-02P-06-PCD-0072		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
01/07/08	A070233	Review of Claim for Increased Costs: Mainelli Mechanical Contractors, Inc., Subcontractor to Caddell Construction Co., Inc., Contract Number GS06P02GZC0546		
01/16/08	A080102	Preaward Survey of Contractor Accounting System: Performa Incorporated, Solicitation Number GS-01P-05-BZC-0011		
01/16/08	A080103	Report on Audit of Proposed Direct Labor and Indirect Rates: Performa Incorporated, Solicitation Number GS-01P-05-BZC-0011		
02/21/08	A080039	Limited Review of General Conditions, Overhead and Commission Rates: Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)		
03/07/08	A070202	Review of a Claim: Dick Corporation/Matt Construction Company, a Joint Venture, Contract Number GS-09P-01-KTC-0071		
03/19/08	A070177	Review of Claim for Increased Costs: Caddell Construction Co., Inc., Contract Number GS06P02GZC0546		
03/26/08	A080111	Preaward Review of a Claim: Caddell Construction Company, Inc., Contract Number GS-04P-02-EXC-0077		

### ***FSS Contract Audits***

10/19/07	A060205	Preaward Review of Multiple Award Schedule Contract Extension: FedEx Corporation, Contract Number GS-23F-0170L		
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### ***FAS Internal Audits***

10/09/07	A070076	Audit of GSA Fleet's Control of License Plates, Federal Acquisition Service		
02/04/08	A070167	Review of the FedRooms Program, Federal Acquisition Service		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
02/27/08	A070049	Review of the Value Proposition of Multiple Award Schedule Labor Rates, Information Technology Schedule 70		
03/21/08	A070164	Review of the Use of Inventory Management Software, Federal Acquisition Service		
<b><i>FAS Contract Audits</i></b>				
10/01/07	A070145	Preaward Review of Multiple Award Schedule Contract Extension: Scitor Corporation, Contract Number GS-23F-0069N		
10/01/07	A070154	Preaward Review of Multiple Award Schedule Contract Extension: Prudential Relocation, Inc., Contract Number GS-23F-9734H		
10/02/07	A060194	Limited Scope Pricing Review of Multiple Award Schedule Contract Number GS-07F-0017K for the Period April 1, 2005 Through March 31, 2006: Q-Matic Corporation		
10/04/07	A070144	Preaward Review of Multiple Award Schedule Contract Extension: Aquilent, Inc., Contract Number GS-35F-4729G		
10/12/07	A070069	Preaward Review of Multiple Award Schedule Contract Extension: Project Assistance Corporation, Contract Number GS-00F-0051M		
10/15/07	A070034	Preaward Review of Multiple Award Schedule Contract Extension: Datatrac Information Services, Inc., Contract Number GS-35F-4513G		
10/15/07	A070140	Preaward Review of Multiple Award Schedule Contract Extension: DLT Solutions, Inc., Contract Number GS-35F-4543G		

## Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
10/17/07	A060160	Limited Scope Review of Multiple Award Schedule Contract Number GS-25F-0062L for the Period February 1, 2006 to September 30, 2006: Xerox Corporation		\$109,290
10/18/07	A070153	Preaward Review of Multiple Award Schedule Contract Extension: J & L America, Inc., Contract Number GS-06F-0074M		
10/22/07	A070090	Preaward Review of Multiple Award Schedule Contract Extension: NCI Information Systems, Inc., Contract Number GS-35F-4014G		
10/24/07	A070194	Limited Scope Postaward Review of Multiple Award Schedule Contract: Big Top Manufacturing, Contract Number GS-07F-9604G		\$83,496
10/25/07	A070121	Preaward Review of Multiple Award Schedule Contract Extension: Logtec, Inc., Contract Number GS-35F-4528G		
10/31/07	A070120	Preaward Review of Multiple Award Schedule Contract Extension: Merlin International, Inc., Contract Number GS-35F-0783M		
11/01/07	A070073	Preaward Review of Multiple Award Schedule Contract Extension: Sectek Incorporated, Contract Number GS-07F-0279M		
11/07/07	A070102	Preaward Review of Multiple Award Schedule Contract Extension: Independent Stationers, Inc., Contract Number GS-14F-0043M		
11/08/07	A070197	Preaward Review of Multiple Award Schedule Contract: C-Tech Industries, Inc., Contract Number GS-07F-0493T		
11/13/07	A070185	Preaward Review of Multiple Award Schedule Contract Extension: Knoll, Incorporated, Contract Number GS-28F-8029H		



## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
11/16/07	A070206	Preaward Review of Multiple Award Schedule Contract Extension: Tallahassee Technologies, Inc., Contract Number GS-35F-0113N		
11/19/07	A070137	Preaward Review of Multiple Award Schedule Contract Extension: Robbins-Gioia, LLC., Contract Number GS-23F-7102H		
11/20/07	A070161	Preaward Review of Multiple Award Schedule Contract Extension: ARINC Engineering Services, LLC, Contract Number GS-35F-4825G		
11/29/07	A070157	Preaward Review of Multiple Award Schedule Contract Extension: Computer Sciences Corporation, Contract Number GS-23F-8029H		
12/11/07	A070170	Preaward Review of Multiple Award Schedule Contract Extension: Altec Industries, Inc., Contract Number GS-30F-1028G		
12/12/07	A070132	Preaward Review of Multiple Award Schedule Contract Extension: Camelbak Products, LLC, Contract Number GS-07F-9727H		
12/13/07	A080046	Preaward Review of Multiple Award Schedule Contract Extension: Advanced Testing Technologies, Inc., Contract Number GS-24F-3010G		
12/18/07	A070176	Preaward Review of Multiple Award Schedule Contract Extension: T-Mobile USA, Incorporated, Contract Number GS-35F-0503M		
12/19/07	A070133	Preaward Review of Multiple Award Schedule Contract Extension: World Wide Technology, Inc., Contract Number GS-35F-4194D		



## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
12/20/07	A070103	Preaward Review of Multiple Award Schedule Contract Extension: Intelligent Decisions, Inc., Contract Number GS-35F-4153D		
12/20/07	A070203	Preaward Review of Multiple Award Schedule Contract Extension: Technical Communities, Incorporated, Contract Number GS-24F-0066M		
01/08/08	A080096	Report on Audit of Fiscal Year 2005 Incurred Costs: Mitretek Systems, Incorporated (now known as Noblis Inc.)		
01/23/08	A070179	Preaward Review of Multiple Award Schedule Contract: Herman Miller, Inc., Contract Number GS-28F-8049H		
01/31/08	A080037	Preaward Review of Multiple Award Schedule Contract Extension: Alpha Protective Services, Incorporated, Contract Number GS-07F-0447N		
02/12/08	A070119	Preaward Review of Multiple Award Schedule Contract Extension: BAE Systems Information Technology, Inc., Contract Number GS-35F-4668G		
02/21/08	A080002	Preaward Review of Multiple Award Schedule Contract Extension: SI International, Inc., Contract Number GS-25F-0026N		
02/21/08	A080028	Limited Scope Preaward Review of Multiple Award Schedule Contract Extension: U.S. Tactical Supply, Inc., Contract Number GS-07F-0259N		
03/03/08	A070124	Preaward Review of Multiple Award Schedule Contract Extension: Alion Science and Technology Corporation, Contract Number GS-35F-4721G		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
03/26/08	A060186	Limited Scope Postaward Review of Multiple Award Schedule Contract Number GS-03F-5087C for the Period April 1, 1995 to March 31, 2004: L-3 Communications Corporation		\$252,377
03/31/08	A070223	Preaward Review of Multiple Award Schedule Contract Extension: Cotton & Company, LLP, Contract Number GS-23F-9807H		
03/31/08	A070227	Preaward Review of Multiple Schedule Contract Extension: Telecommunication Systems, Inc., Contract Number GS-35F-4655H		
03/31/08	A080059	Preaward Review of Multiple Award Schedule Contract Extension: Belleville Shoe Manufacturing Company, Contract Number GS-07F-9990H		
03/31/08	A080080	Postaward Audit Report on Examination of Direct Costs: Science Applications International Corporation, Task Order Number T0001AJM028 Under GSA Millennia Contract Number GS00T99ALD0210		\$3,696,911

### *Other Internal Audits*

10/03/07	A070094	Pegasys Security Controls, Interim Audit Report		
10/22/07	A070214	Report on Internal Controls Over Performance Measures		
11/09/07	A070205	Limited Audit of the Fiscal Year 2007 Federal Managers' Financial Integrity Act Section 2 and Section 4 Assurance Statements		
12/20/07	A070105	Review of GSA's Suspension and Debarment Program		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
01/28/08	A070109	Audit of the General Services Administration's Fiscal Years 2007 and 2006 Financial Statements		
01/28/08	A070109	PriceWaterhouseCoopers LLP Fiscal 2007 EDP Management Recommendation Letter		
03/31/08	A060228	Improvements to the GSA Privacy Act Program Are Needed to Ensure that Personally Identifiable Information (PII) Is Adequately Protected		
10/03/07	A070136	General Services Administration, Office of Inspector General's Report on Applying Agreed-Upon Procedures		
10/11/07	A070109	Report on Applying Agreed-Upon Procedures Re: FY 2007 Fund Balance with Treasury		
11/02/07	A070109	Report on Applying Agreed-Upon Procedures Re: FY 2007 Environmental Liabilities		
11/08/07	A070109	Report on Applying Agreed - Upon Procedures Re: FY 2007 Loss Contingencies		

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

10/10/07	A060192	Review of the Administrative Procedures of the United States Arctic Research Commission		
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## Appendix III–Audit Reports over 12 Months Old, Final Agency Action Pending

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

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

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

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
<b>Contract Audits</b>		
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
11/09/95	A21266	Postaward Audit of Multiple Award Schedule Contract: Rose Talbert Paint Company, Contract Number GS-10F-48584
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
03/24/99	A995128	Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS-06P-95-GZC-0501
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
04/30/01	A010127	Audit of Billings under Contract Number GS-06P-99-GZC-0315: DKW Construction, Inc.
10/18/01	A63630	Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996
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
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

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

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Date of Report	Audit Number	Title
06/12/02	A020097	Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
07/16/02	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
10/02/02	A020178	Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L
11/20/02	A010279	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
01/30/03	A020248	Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012
03/21/03	A020133	Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159
05/02/03	A030106	Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/29/03	A020230	Preaward Audit of a Claim for Increased Costs: C. E. Toland & Son, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
01/12/04	A040098	Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072

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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>
02/03/04	A040119	Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G.
06/09/04	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
10/29/04	A040211	Preaward Review of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS-28F-0010J
05/10/05	A050112	Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K
07/08/05	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
08/15/05	A050157	Review of Termination Settlement Proposal: CompuCom Federal Systems, Inc., Contract Number GS-00K-97-AFD-2226
10/12/05	A050105	Preaward Review of Multiple Award Schedule Contract Extension: BCOP Federal, Contract Number GS-14F-0035K
11/30/05	A050147	Limited Scope Review of Task Order F11623-02-F-A425 Multiple Award Schedule Contract: Herman Miller, Inc., Contract GS-28F-8049H
12/30/05	A050176	Preaward Review of Multiple Award Schedule Contract Extension: E.F. Johnson Company, Contract Number GS-35F-0675K
01/05/06	A050247	Preaward Review of Price Adjustment Claim: Lockheed Martin Information Technology, Task Order Number 103BK0034, Contract Number GS-35F-4039G

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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>
03/30/06	A050248	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-BHD-0006
04/18/06	A050122	Review of Industrial Funding Fee Remittances: Fastenal Company, Contract Number GS-06F-0039K
04/25/06	A050265	Preaward Review of Multiple Award Schedule Contract Extension: Lawson Products, Inc., Contract Number GS-06F-0027L
05/09/06	A050180	Preaward Review of Multiple Award Schedule Contract Extension: Office Depot, Incorporated, Contract Number GS-14F-0040K
07/25/06	A060146	Preaward Review of Multiple Award Schedule Contract Extension: Xitech Corporation, Contract Number GS-35F-0244L
08/15/06	A060127	Preaward Review of Multiple Award Schedule Contract Extension May 7, 2006 Through May 6, 2011: W.B. Brawley Company, Contract Number GS-27F-0018L
09/07/06	A060181	Preaward Review of Multiple Award Schedule Contract Extension: Haverstick Government Solutions, Inc., Contract Number GS-35F-0496L
09/13/06	A060231	Preaward Review of Architect and Engineering Services Contract: Teng & Associates, Inc., Contract Number GS-01P-06-BZC-0004
10/04/06	A070001	Preaward Review of Architect and Engineering Services Contract: Kieran Timberlake Associates, Contract Number GS-01P-05-BZC-0004
10/27/06	A060189	Preaward Review of Multiple Award Schedule Contract Extension: Akal Security, Incorporated, Contract Number GS-07F-0061M
10/24/06	A060148	Preaward Review of Multiple Award Schedule Contract Extension: Kimball International, Incorporated, Contract Number GS-29F-0177G
10/31/06	A060206	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-99-BHD-0006
11/30/06	A060230	Preaward Review of Multiple Award Schedule Contract Extension: General Security Services Corporation, Contract Number GS-07F-0305M
12/08/06	A060115	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-35F-0553L
12/21/06	A060202	Preaward Review of Multiple Award Schedule Contract Extension: Raba Technologies, LLC, Contract Number GS-35F-0063M



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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>
12/27/06	A060156	Preaward Review of Multiple Award Schedule Contract Extension: Dynamic Access Systems, LLC, Contract Number GS-23F-0280L
02/20/07	A060212	Preaward Review of Multiple Award Schedule Contract Extension: Information Management Consultants, Inc., Contract Number GS-35F-4406G
03/05/07	A060238	Preaward Review of Multiple Award Schedule Contract Extension: JB Management, Inc., Contract Number GS-35F-0106M
03/22/07	A070093	Preaward Review of Multiple Award Schedule Contract Extension: Cexec, Inc., Contract Number GS-35F-4453G
03/26/07	A060216	Preaward Review of Multiple Award Schedule Contract Extension: JHM Research & Development, Inc., Contract Number GS-25F-0020M

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>	<b>Projected Final Action Date</b>
<b><i>Internal Audits</i></b>			
03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times	07/15/2008
08/05/04	A020245	Review of FedBizOpps	05/15/2008
09/29/05	A040246	Review of the GSA Advantage! System	06/15/2008
03/30/06	A040127	Review of the Federal Procurement Data System - Next Generation (FPDS-NG)	08/15/2008
04/19/06	A050130	Review of Overtime Management Controls in GSA Public Buildings Service, National Capital Region	07/15/2008
11/14/06	A050197	Review of GSA's Telework Program	05/15/2008
12/28/06	A050263	Audit of PBS's Use of Occupancy Agreements As a Billing Source	11/15/2008
01/31/07	A060134	PricewaterhouseCoopers LLP Fiscal Year 2006 EDP Management Recommendation Letter	06/15/2008
02/26/07	A060055	Audit of GSA's Response to Hurricane Katrina	05/15/2008
03/06/07	A060149	Review of eOffer/eMod, GSA's Electronic Contract Proposal and Modification System	07/15/2008

## Appendix IV—Delinquent Debts

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

During the period October 1, 2007 through March 31, 2008, 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 October 1, 2007 to March 31, 2008, the Office of Financial Policy and Operations referred \$2,424,552 in delinquent non-Federal claims to the U.S. Department of the Treasury for cross-servicing collection activities. Collections on non-Federal claims exceeded \$49,183,301. Administrative offsets have resulted in additional collections of \$3,970,977. GSA also collected non-Federal claims through Pre-Authorized Debits (PADS) totaling \$53,941,000.
- To comply with the Debt Collection Improvement Act of 1996 GSA transmits delinquent accounts receivable and claims over 180 days old monthly to the Department of the Treasury, Debt Management Service for collection. GSA has continued to implement and initiate actions to improve debt collection efforts to reduce the amount of debts written-off as uncollectible.
- Coordination between Treasury cross-servicing personnel, regional contracting officers, realty specialists and GSA associates continues to strengthen our receivable and claim collection efforts. These efforts included regular teleconferences on delinquent receivables in order to exchange necessary information to further the collection process. Receivables and claims continue to be reduced by prompt monthly follow-up on delinquencies. In addition, delinquent debts and aged receivable reports are sent to field office personnel and regional management on a monthly basis. Aged receivable reports over 120 days are elevated to regional financial officers, regional business managers and the Assistant Regional Administrators for further action.
- The Profit Recovery Group, through a contract arrangement with GSA, continues to actively review and pursue overpayments with our Accounts Payable Division. Delinquent receivables for the non-governmental entities are forwarded to Treasury for offset/collection. This action has improved GSA's collections from the District of Columbia government and the tribal organizations.
- A GSA performance measurement goal is to reduce delinquent accounts receivables over 1 year old. Action plans to reach this goal have been developed, and progress is being monitored on a monthly, quarterly, and yearly basis. This goal and the development of related plans have had a positive impact on GSA's efforts to improve our debt collection practices.

### Non-Federal Accounts Receivable

	As of September 30, 2007	As of March 31, 2008	Difference
Total Amounts Due GSA	\$145,177,906	\$146,313,113	\$1,135,207
Amounts Delinquent	\$11,089,689	\$9,322,262	(\$1,767,427)
Total Amount Written Off as Uncollectable Between 10/1/07 and 3/31/08		\$1,380,738	

## *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 . . . . .	34
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. . . . .	2–23
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .	2–23
Section 5(a)(3) – Prior Recommendations Not Yet Implemented. . . . .	46
Section 5(a)(4) – Matters Referred to Prosecutive Authorities. . . . .	40
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused . . . . .	None
Section 5(a)(6) – List of Audit Reports. . . . .	49
Section 5(a)(7) – Summary of Each Particularly Significant Report . . . . .	2–23
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs . . . . .	39
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	38
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 . . . . .	39
Delinquent Debts . . . . .	63
<b>National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note . . . . .</b>	<b>57</b>

## Appendix VI—OIG Offices and Key Officials

### Office of the Inspector General

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

### Office of Counsel to the Inspector General

Counsel to the IG, Vacant (JC) . . . . .	(202) 501-1932
Deputy Counsel to the IG, Chris Langelo (Acting) (JCD) . . . . .	(202) 501-1932

### Office of Internal Evaluation and Analysis

Director, Peter J. Coniglio (JE) . . . . .	(202) 501-2460
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### Office of Audits

Assistant IG for Auditing, Andrew Patchan, Jr. (JA) . . . . .	(202) 501-0374
Principal Deputy Assistant IG for Auditing, Regina O'Brien (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, Jeffrey C. Womack (JA-F) . . . . .	(202) 501-0006
Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A) . . . . .	(703) 603-0189
Contract Audit Office, James M. Corcoran (JA-C) . . . . .	(215) 446-4846

### Regional Inspectors General for Auditing

National Capital Region Field Office, Paul J. Malatino (JA-W) . . . . .	(202) 708-5340
Northeast and Caribbean Field Office, Howard R. Schenker (JA-2) . . . . .	(212) 264-8620
Mid-Atlantic Field Office, Glenn D. Merski (JA-3) . . . . .	(215) 446-4840
Southeast Sunbelt Field Office, James D. Duerre (JA-4) . . . . .	(404) 331-5125
Great Lakes Field Office, David K. Stone (JA-5) . . . . .	(312) 353-7781
The Heartland Field Office, Thomas R. Barnard (Acting) (JA-6) . . . . .	(816) 926-7052
Greater Southwest Field Office, Rodney J. Hansen (JA-7) . . . . .	(817) 978-2572
Pacific Rim Field Office, James P. Hayes (JA-9) . . . . .	(415) 522-2744

## Appendix VI—OIG Offices and Key Officials

### Office of Investigations

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

### Special Agents in Charge (SAC)

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

### Office of Administration

Assistant IG for Administration, Carolyn Presley-Doss (Acting) (JP) . . . . . (202) 501-4638  
Budget, Planning, and Financial Management Division, Director Kristin Sneed (JPB) . . . . (202) 208-4198  
Facilities and Contracts Division, Director Marta M. Viera (JPFC). . . . . (202) 501-2887  
Human Resources Division, Director (Vacant) (JPH). . . . . (202) 501-0360  
Information Technology Division, Director (Vacant) (JPM) . . . . . (202) 501-3134

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Washington, DC 20405

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