

# **GENERAL SERVICES ADMINISTRATION OFFICE OF INSPECTOR GENERAL**

---

**REVIEW OF FEDERAL SUPPLY SERVICE  
TRAVEL AND TRANSPORTATION  
MANAGEMENT DIVISION'S  
FREIGHT MANAGEMENT PROGRAM  
REPORT NUMBER A060153/F/7/V07004**

**MAY 21, 2007**





U.S. General Services Administration  
Office of Inspector General

---

Date: May 21, 2007

Reply to

Attn of: Regional Inspector General for Auditing  
Greater Southwest Region (JA-7)

Subject: Review of Federal Supply Service  
Travel and Transportation Management Division's  
Freight Management Program  
Report Number A060153/F/7/V07004

To: James A. Williams, Commissioner  
Federal Acquisition Service (Q)

Timothy Burke, Acting Assistant Commissioner  
Office of Transportation and Property Management (FB)

This report presents the results of our review of the Federal Supply Service, Travel and Transportation Management Division's Freight Management Program. This review was included in the Office of Inspector General's Fiscal Year (FY) 2006 Annual Audit Plan.

Thank you for the courtesies extended to my staff. If you have any questions regarding this report, please contact Joe Lara or me on (817) 978-2571.

Grace D. McIver  
Audit Manager  
Greater Southwest Region (JA-7)

# TABLE OF CONTENTS

---

**EXECUTIVE BRIEF** ..... i

**INTRODUCTION**

    Background..... 1

    Objectives, Scope, and Methodology..... 3

**RESULTS OF REVIEW**

    Results in Brief..... 5

    Finding 1 - Controls Over IFF Remittance ..... 5

        Verification of Reported Sales and Revenue..... 5

        Accuracy of the NAMP Report ..... 6

        Safeguards Over Credit Card Information ..... 7

        Reconciliation of the NAMP Report to Payments ..... 8

    Finding 2 - Determination of Best Value ..... 8

        Support for Performance Measures ..... 8

        Accuracy of TMSS Percentage Savings ..... 8

    Other Matters ..... 9

        TSPs in TMSS..... 9

        Implementation of TMSS Modules ..... 9

    Conclusion ..... 10

    Recommendations ..... 10

    Management’s Response ..... 11

    Internal Controls..... 11

**APPENDICES**

    Acronyms .....A-1

    Performance Measure Chart.....B-1

    Management’s Written Response ..... C-1

    Report Distribution ..... D-1

# **EXECUTIVE BRIEF**

---

## **Purpose**

The objectives of the review were to determine if the organization ensures: (1) competitive rates that provide best value to the federal user; and (2) agencies are remitting the Industrial Funding Fee (IFF) in an accurate, complete, and timely manner. If not, what are the effects? If the effects are significant, what improvements can be made?

## **Background**

The Federal Property and Administrative Services Act of 1949 (Act of 1949) designated the General Services Administration (GSA) as traffic manager for federal agencies and the only agency authorized to negotiate with transportation carriers on behalf of other civilian agencies. However, if an agency chooses not to use a GSA tender, the agency may negotiate its own freight services. Within GSA, the Federal Supply Service, Office of Transportation and Property Management, Travel and Transportation (T & T) Management Division develops and manages various programs for the acquisition of travel and transportation. The FMP, managed by the T & T Management Division, provides a framework for fulfilling the domestic and international freight shipping requirements of federal agencies. Prior to Fiscal Year (FY) 1995, transportation management services were funded by appropriation. However, changes to congressional funding in 1995 forced GSA to offer transportation services on a reimbursable basis to recover its costs.

## **Results in Brief**

The T & T Management Division cannot ensure the IFF is remitted in an accurate, complete, and timely manner because they do not have adequate controls in place over the reporting and remitting of sales data and revenue. As a result, the T & T Management Division does not have reliable financial information to effectively and efficiently manage the program. While the T & T Management Division has a platform for Transportation Services Providers (TSPs) to compete for freight business, management cannot effectively determine if it has achieved its organizational goal to provide best value to its customers because a majority of FMP's best value performance measures rely on sales and revenue, which we found to be inaccurate and unsupported because most transportation transactions involve direct procurement between the customer agency and the TSP, therefore T & T Management Division must rely on customer agencies to accurately report the shipments and remit the IFF.

## **Conclusion**

We believe the current system of collecting sales and revenue from federal users has inherent weaknesses, which prohibit the T & T Management Division from securing accurate, complete, and current information to effectively manage its program. The T & T Management Division has no enforcement capabilities to review federal users' records and cannot track sales and revenue to an independent system or source.

We recognize there is a current pilot project in place to test the capability of TSPs to track sales and remit IFF. We believe shifting the responsibility to TSPs with the proper controls in place may alleviate these weaknesses and increase usage of the T & T Management Division's FMP.

### **Recommendations**

We recommend that the Acting Assistant Commissioner of the Office of Travel and Property Management require the T & T Management Division to:

- 1a. Develop and implement a system to capture and monitor freight sales;
- 1b. Develop and implement a process to independently verify reported sales;
- 1c. Establish policies and procedures to ensure the accuracy and completeness of the National Account Manager Program (NAMP) report;
- 1d. Establish policies and procedures to ensure quarterly reports are submitted in a timely manner;
- 1e. Develop and implement necessary safeguards to maintain credit card information once obtained from the customer agency;
- 1f. Establish policies and procedures to routinely reconcile the NAMP report to the Financial Management Information System (FMIS) and adjust accruals accordingly;
- 1g. Conduct a reconciliation of prior years' NAMP reports to FMIS and seek recovery of funds due;
- 2a. Develop and implement a process to ensure data used in the performance measure calculations is accurate and verifiable;
- 2b. Establish policies and procedures to ensure information disclosed to customers in the Transportation Management Services Solution (TMSS) is accurate and supportable; and
- 3a. 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.

### **Management's Response**

In his May 16, 2007, response, the FAS Commissioner generally concurred with our findings and recommendations. Management's response is included in its entirety as Appendix C of this report.

# INTRODUCTION

---

## Background

The Federal Property and Administrative Services Act of 1949 (Act of 1949) designated the General Services Administration (GSA) as traffic manager for federal agencies and the only agency authorized to negotiate with transportation carriers on behalf of other civilian agencies. However, if an agency chooses not to use a GSA tender, the agency may negotiate its own freight services. The Act of 1949 also provided the GSA funding for the cost of providing transportation services.

In April 2006, the GSA received final approval from Congress to establish the Federal Acquisition Services (FAS), merging the Federal Supply Service (FSS) and the Federal Technology Service. The GSA Administrator signed a GSA order finalizing the organizational structure of the FAS in October 2006. GSA plans to begin the implementation of the FAS in April 2007.

The FSS, Office of Transportation and Property Management, Travel and Transportation (T & T) Management Division<sup>1</sup> develops and manages various programs for the acquisition of travel and transportation. The programs include the Freight Management Program (FMP). To assist FMP customers with freight services, the T & T Management Division developed the Transportation Management Services Solution (TMSS), a comprehensive online freight and household goods transportation management system.

The mission of the T & T Management Division is to provide and manage competitive travel and transportation services, at best value, to enable federal agencies to accomplish their missions<sup>2</sup>. In alignment with the agency's strategic goals, the T & T Management Division's performance goals are to: (1) provide best value for customer agencies and taxpayers, (2) operate efficiently and effectively, (3) ensure financial accountability, (4) maintain a world class workforce and workplace, and (5) carry out social, environmental, and other responsibilities as a federal agency. In accordance with the Government Performance and Results Act of 1993, the T & T Management Division developed annual performance measures by which to compare actual program results with the established performance goals.

The FMP, managed by the T & T Management Division, provides a framework for fulfilling the domestic and international freight shipping requirements of federal agencies<sup>3</sup>. Prior to Fiscal Year (FY) 1995, transportation management services were funded by appropriation. However, changes to congressional funding in 1995 forced GSA to offer transportation services on a reimbursable basis to recover its administrative costs. Accordingly, the T & T Management Division began charging its customer agencies an Industrial Funding Fee (IFF).

---

<sup>1</sup> The organizational structure at the end of our fieldwork

<sup>2</sup> T & T Management Division's mission as of the end of our fieldwork, March 3, 2007

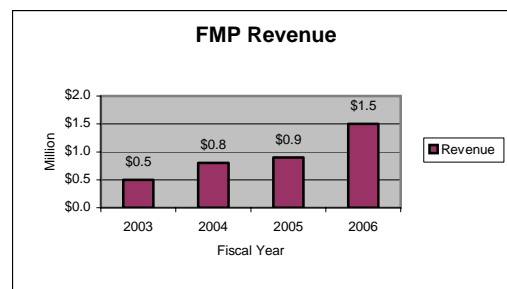
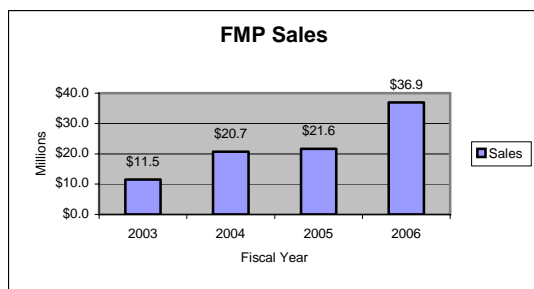
<sup>3</sup> The T & T Management Division does not have much, if any, international freight business.

The TMSS is a web-based freight and household goods transportation management system designed exclusively for federal civilian agencies. Currently, TMSS enables customer agencies to manage their transportation process specifically, rate and route shipments, book shipments online, generate electronic bills of lading, and complete shipments. Upon full implementation, TMSS will allow customer agencies to perform pre-payment audits, pay for the transportation services provided, resolve claims, produce reports, and facilitate post-payment audits.

The T & T Management Division established zonal offices to serve customer agencies within their geographical responsibility and to provide training and assistance in using the TMSS. Customer agencies must sign an agreement to obtain freight services and are required to report sales and pay the IFF for services rendered. In part, these services include:

- ❑ Publishing and maintaining the GSA Standard Tender of Services (STOS), which establishes rates, rules, and terms and conditions Transportation Service Providers (TSPs) must follow in conducting business with federal civilian agencies;
- ❑ Tailoring requirements whereby the customer agency may include its own special or unique requirements as part of the STOS;
- ❑ Representing federal agencies' transportation interests before TSPs, TSP trade associations, and other organizations representing the transportation industry as well as in proceedings before various regulatory bodies; and
- ❑ Providing the TMSS, whereby customer agencies have the ability to do cost comparisons with the most accurate and up-to-date rate information, utilize an electronic bill of lading, and book and complete shipments online.

As shown in the charts below, the FMP sales and revenue increased from \$11.5 to \$36.9 million (roughly 221 percent) and \$0.5 to \$1.5 million (about 200 percent) from FY 2003 to FY 2006.



## **Objectives, Scope, and Methodology**

The objectives of our review were:

Does the organization ensure: (1) Competitive rates that provide best value to the federal user; and (2) agencies are remitting the IFF in an accurate, complete, and timely manner? If not, what are the effects? If the effects are significant, what improvements can be made?

Our review was limited to the T & T Management Division's FMP. Also, we limited our evaluation of FMP's performance measures to those addressing the performance goals to provide best value, operate effectively and efficiently, and ensure financial accountability. See Appendix B – Performance Measure Chart.

### **To accomplish our objectives, we:**

- ❑ Reviewed the Act of 1949 to obtain the legislative intent of GSA's freight program;
- ❑ Ascertained what services are offered by the T & T Management Division and how these services are delivered;
- ❑ Obtained the FMP sales and revenue data for the last 4 years;
- ❑ Attempted to verify the accuracy of the FMP average cost savings rate of 45 percent off commercial rates as purported on TMSS;
- ❑ Determined the actual number of current, approved TSPs in TMSS;
- ❑ Documented the TSP approval and rate submission process;
- ❑ Reviewed pertinent documents, such as the GSA STOS, Requests for Offer (RFOs), etc.;
- ❑ Reviewed and evaluated nine performance measures specific to the FMP;
- ❑ Documented the process for recording sales and revenue;
- ❑ Documented and evaluated controls over the timely collection, accuracy, and completeness of reported revenue;
- ❑ Reviewed 93 quarterly reported amounts for 39 of 171 customer agencies to ensure they were accurately recorded in the National Account Manager Program (NAMP) report;
- ❑ Reconciled amounts in the FY 2006 NAMP report to GSA's Financial Management Information System (FMIS) payment records to determine the accuracy of the FMP's reported revenue;
- ❑ Compared T & T Management Division's controls over IFF reporting and collection for the FMP to those for the Centralized Household Goods Traffic Management Program and Western Distribution Center Pilot Program; and



- Interviewed T & T Management Division officials to obtain an understanding of the FMP and documents reviewed.

The audit was conducted in accordance with generally accepted government auditing standards.

# RESULTS OF REVIEW

---

## Results in Brief

The T & T Management Division cannot ensure the IFF is remitted in an accurate, complete, and timely manner because they do not have adequate controls in place over the reporting and remitting of sales data and revenue. As a result, the T & T Management Division does not have reliable financial information to effectively and efficiently manage the program. While the T & T Management Division has a platform for TSPs to compete for freight business, management cannot effectively determine if it has achieved its organizational goal to provide best value to its customers because a majority of FMP's best value performance measures rely on sales and revenue, which we found to be inaccurate and unsupported because most transportation transactions involve direct procurement between the customer agency and the TSP, therefore T & T Management Division must rely on customer agencies to accurately report the shipments and remit the IFF.

## Finding 1 - Controls over IFF Remittance

The T & T Management Division cannot ensure the amounts customer agencies report and remit for the IFF are accurate, complete, and timely because controls over the reporting and collection processes are not adequate. Office of Management and Budget Circular A-123 (revised) states, "management is responsible for establishing and maintaining internal control[s] to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations." Specifically, we found control issues with verification of reported sales and revenue, accuracy of the NAMP report, safeguards over customer agency credit card information, and reconciliation of the NAMP report to payments. As a result, the T & T Management Division does not have reliable financial information to effectively and efficiently manage the program.

Verification of Reported Sales and Revenue - The T & T Management Division relies solely on customer agencies voluntarily reporting business volume and revenue because an independent mechanism for capturing all sales does not exist. Furthermore, the T & T Management Division currently does not have the authority to audit or verify reported sales at the source document level. Customers are not required to place orders using TMSS, and the T & T Management Division has no other system to track sales or tenders and is not directly involved in the acquisition process, except for Standing Route Orders and specialized services. Therefore, there is no method for producing a verifiable record of sales transactions.

For instance, the United States Postal Service (USPS) reported sales and revenue for the first three quarters of FY 2006 and paid IFF for the first two quarters. Although the USPS reported approximately \$54,700 of IFF due and payable in the third quarter report, the USPS did not remit payment. (See Reconciliation of the NAMP Report to Payments below.) The T & T Management Division has not been able to collect this

amount; and without a source to track service usage or independently verify tender sales, the T & T Management Division is unable to resolve the dispute.

The self-reporting “honor system,” in and of itself, creates a conflict of interest for the customer because the 4 percent IFF payable to the T & T Management Division creates a disincentive for customers to complete purchases using the GSA tender and/or report sales to the T & T Management Division. (See Accuracy of the NAMP Report Finding below.) Without accurate sales information, the T & T Management Division cannot effectively manage and meet program goals.

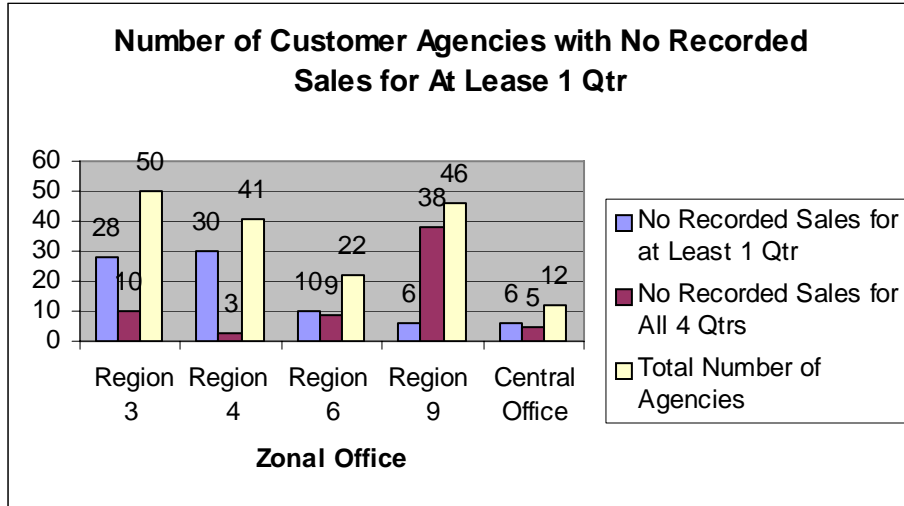
Accuracy of the NAMP Report - The NAMP report is not accurate and complete because the T & T Management Division does not have policies and procedures to ensure timely submittal of the quarterly sales reports and the accuracy of the data entered from those reports. The NAMP report captures business volume and revenue reported by customer agencies, and the method of payment for IFF due. Finance accesses the NAMP report to bill and record revenue for the T & T Management Division.

The Atlanta Zonal Office is responsible for maintaining the NAMP report including recording of the reported sales and reconciliation of the reports. Each T & T Management Division zonal office is responsible for maintaining records of transportation transactions for specialized services and special agency agreements, and for reporting sales and revenue to the Atlanta Zonal Office. Our analysis of 156<sup>4</sup> quarterly reports that 39 customer agencies were required to submit disclosed 8 reported amounts not recorded, 1 recorded amount not supported, and 63 quarterly reports apparently not submitted. Although we could not find any policy requiring them to do so, the Atlanta Zonal Office did not review the reports, correct the errors, or act on apparent delinquent quarterly reports.

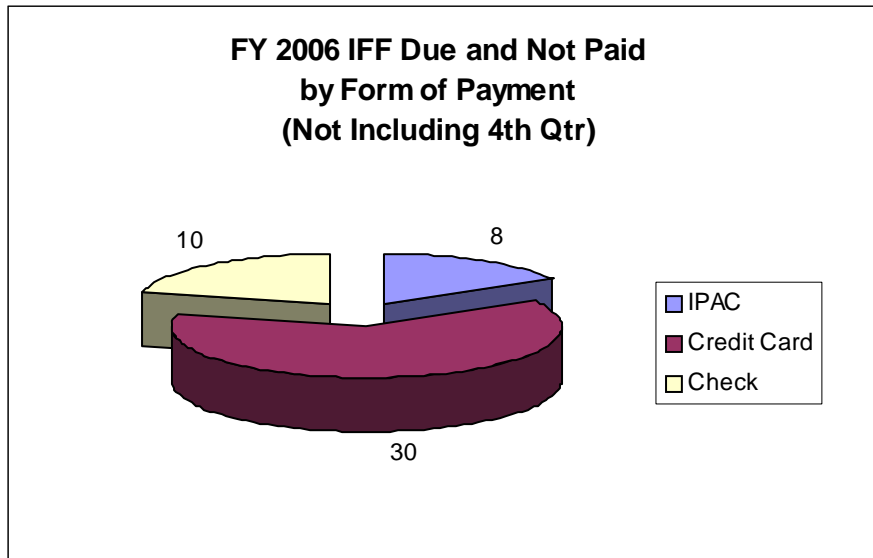
Further, we conducted a review at the agency level and found a larger problem exists in obtaining timely quarterly reports. Based on our review of the FY 2006 NAMP report, we found 145 of 171 (85 percent) customer agencies did not report sales and IFF for at least one quarter. Further, 65 of the 171 customer agencies did not report sales for all four quarters. See chart below. Without an accurate and complete NAMP report, the T & T Management Division cannot determine, and Finance cannot bill revenue owed.

---

<sup>4</sup> Based on the assumption that the 39 customer agencies should have submitted 4 quarterly reports during FY 2006. We did not take into account new customer agencies that may have signed a TSA during FY 2006 and therefore not required to submit all 4 quarterly reports for FY 2006.



Safeguards Over Credit Card Information - The T & T Management Division does not have the necessary safeguards in place to secure customer agency credit card information to aid in the timely processing of recurring quarterly payments. According to T & T Management Division officials, they contact customer agencies every quarter to obtain credit card information. Our reconciliation (see Reconciliation of the NAMP Report to Payments below) found 30 of 48 instances totaling \$20,051 where payments should have been paid in FY 2006 by credit card. The inability of T & T Management Division officials to securely maintain credit card information for ready access resulted in unnecessary repetitive quarterly contacts. This situation has undoubtedly caused payment issues.



Reconciliation of the NAMP Report to Payments - The T & T Management Division does not reconcile the NAMP report to revenue recorded in GSA's FMIS. Thus, T & T Management Division does not adjust the revenue accrual amount when appropriate. Our reconciliation disclosed FMP's FY 2006 revenue was materially understated by \$606,642 for the first three quarters. The T & T Management Division revenue accrual is based on estimated annual revenue for the fiscal year. Currently, the T & T Management Division does not perform a reconciliation of revenue owed to revenue received. Reconciliations of IFF due to payments made may identify revenue accrual adjustments that should be booked after each quarter.

## **Finding 2 – Determination of Best Value**

Although T & T Management Division's freight rates appear to be competitive, the T & T Management Division does not have verifiable information to evaluate their program goal to provide best value to their customers. The T & T Management Division developed nine performance measures for the FMP, seven of which address best value. We found four of the seven performance measures (See Appendix B – Performance Measure Chart) use unverifiable business volume or revenue, as discussed in Finding 1 above, as the basis for its performance measure calculations. In addition, the T & T Management Division's TMSS claim of average savings of 45 percent off commercial rates is unverifiable. In the absence of verifiable data, the T & T Management Division is unable to accurately measure its performance and thus cannot effectively determine if they achieved their goal of providing best value.

Support for Performance Measures - Four of FMP's best value performance measures<sup>5</sup> are not supported with verifiable data. These measures are meaningful if accurate and supportable. However, these performance measures use booked revenue, which we found to be inaccurate and unverifiable in Finding 1 above. Further, the T & T Management Division uses an unsupported 40 percent cost savings rate in its cost savings performance measure. As a result, the T & T Management Division cannot effectively measure whether they provide best value to their customers.

The T & T Management Division developed two additional measures to evaluate performance in the areas of operation and financial accountability of the program. We found these two performance measures were also based on inaccurate and unverifiable booked revenue.

Accuracy of TMSS Percentage Savings<sup>6</sup> - At least one of the T & T Management Division's claims, percent of savings, made on TMSS's website is unverifiable. It is a good business practice to support public disclosures of business information or practices with accurate, complete, and current information. The T & T Management

---

<sup>5</sup> The four best value performance measures using revenue are Business Volume, Cost Savings, Freight Revenue, and Percentage of Transportation External Business Volume Booked through TMSS.

<sup>6</sup> This issue was revised as a result of management's response provided in the memorandum, dated May 16, 2007. See Appendix C.

Division may be misleading TMSS users into assuming the rates in TMSS are more competitive than they actually are.

The T & T Management Division's website asserts its rates are competitive and provides an average savings of 45 percent<sup>7</sup> off commercial rates. T & T Management Division officials stated that the savings percentage was based on a study performed years ago that was not provided. Although management states a study was conducted, if produced, it would not suffice because the study would not be current.

### **Other Matters**

During the course of our review, we identified other issues that need to be brought to management's attention. While we found a small number of approved TSPs with current rates, we found a much larger population of approved TSPs that do not have current rates and may not meet requirements to maintain participation in the program. Additionally, the T & T Management Division has not developed and implemented TMSS modules in a timely manner.

TSPs in TMSS - The T & T Management Division does not have a policy to remove or recertify TSPs in TMSS who do not have current rates. We found 884 out of 1,034 TSPs on the TMSS mailing list that do not have current rates. However, TSPs that participate in the FMP do not all file rates in TMSS. Some TSPs offer rates for specialized services and other TSPs may be underlying carriers<sup>8</sup>. As such, their rates would not be in TMSS.

TSPs who do not have current TMSS rates or specialized services rates, or who are not current underlying carriers have not recertified they meet the terms and conditions in the STOS and RFO. As a result, customer agencies may obtain services from TSPs that may not be currently qualified to provide transportation services to the government.

Upon the initial approval process, TSPs are required to submit the appropriate documentation per the STOS, and sign a partnership agreement and a certification statement. After receiving the T & T Management Division approval, TSPs may offer rates annually in response to an RFO. TSPs recertify they meet all the terms and conditions required by STOS and RFO when they offer rates. T & T Management Division should determine if it is in the best interest of the program to establish a policy or procedure requiring approved TSPs without current rates to recertify.

Implementation of TMSS Modules – The T & T Management Division has not fully implemented all planned TMSS modules. Although we did not review the implementation of TMSS modules in depth, we found that the implementation of proposed TMSS modules is not timely. In June 2003, FMP management implemented

---

<sup>7</sup> In calculating its FY 2006 performance measures, FMP management applied a 40 percent cost saving rate, also unverifiable.

<sup>8</sup> Underlying carriers have been approved by the T & T Management Division. They perform services for a broker and follow the rates and terms and conditions of the broker's STOS.

the first module of TMSS, which included modules for cost comparison, rate filings, and customer registration enhancements. In mid-April 2004, FMP management implemented the electronic bill of lading and online shipment booking modules. The complete shipments module became effective in May 2005. As of March 2006, FMP had not implemented pre-payment audit, payment, post-payment audit, claims, and reports modules. T & T Management Division officials stated these modules have not been completed because of the limited number of resources assigned to the development and implementation TMSS modules. In addition, the new modules require coordination and/or interface with electronic data from other offices.

## **Conclusion**

We believe the current system of collecting sales and revenue from federal users has inherent weaknesses, which prohibit the T & T Management Division from securing accurate, complete, and current information to effectively manage its program. The T & T Management Division has no enforcement capabilities to review federal users' records and cannot track sales and revenue to an independent system or source.

We recognize there is a current pilot project in place to test the capability of TSPs to track sales and remit IFF. We believe shifting the responsibility to TSPs with the proper controls in place may alleviate these weaknesses and increase usage of the T & T Management Division's FMP.

## **Recommendations**

We recommend that the Acting Assistant Commissioner of the Office of Travel and Property Management require the Travel and Transportation Management Division to:

- 1a. Develop and implement a system to capture and monitor freight sales;
- 1b. Develop and implement a process to independently verify reported sales;
- 1c. Establish policies and procedures to ensure the accuracy and completeness of the NAMP report;
- 1d. Establish policies and procedures to ensure quarterly reports are submitted in a timely manner;
- 1e. Develop and implement necessary safeguards to maintain credit card information once obtained from the customer agency;
- 1f. Establish policies and procedures to routinely reconcile the NAMP report to the FMIS and adjust accruals accordingly;
- 1g. Conduct a reconciliation of prior years' NAMP reports to FMIS and seek recovery of funds due;
- 2a. Develop and implement a process to ensure data used in the performance measure calculations is accurate and verifiable;
- 2b. Establish policies and procedures to ensure information disclosed to customers in TMSS is accurate and supportable; and

- 3a. 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.

### **Management's Response**

In his May 16, 2007, response, the FAS Commissioner generally concurred with our findings and recommendations. Management's response is included in its entirety as Appendix C of this report.

### **Internal Controls**

We assessed the internal controls relevant to the T & T Management Division's IFF reporting and collection processes. We identified control weakness and provided recommendations to strengthen and improve the current practices.



## APPENDIX A

---

### Acronyms

BV	Business Volume
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FMIS	Financial Management Information System
FMP	Freight Management Program
FSS	Federal Supply Service
FY	Fiscal Year
GSA	General Services Administration
IFF	Industrial Funding Fee
NAMP	National Account Manager Program
NASA	National Aviation and Space Administration
RFO	Request for Offer
SRO	Standing Route Order
STOS	Standard Tender of Service
TMSS	Transportation Management Services Solution
TSA	Transportation Service Agreement
TSPs	Transportation Service Providers
T & T	Travel and Transportation
USPS	United States Postal Service

## APPENDIX B

### Performance Measure Chart

	Goal	Measure	Measure Valid	Measure Verifiable	Notes
1	Provide Best Value for Customer Agencies and Taxpayers	External customer satisfaction (Transportation)	Yes	Yes	
2		Satisfaction with TMSS (targeted question from customer satisfaction survey)	Yes	Yes	
3		Business volume	Yes	No	1
4		Freight revenue	Yes	No	2
5		Vendor satisfaction (Transportation only)	Yes	Yes	
6		Percentage of transportation external business volume booked through TMSS	Yes	No	3
7		Freight and HHG savings	Yes	No	4
8	Operate efficiently and effectively	Operating cost per \$100 of business volume	Yes	No	5
9	Financial Accountability	Direct cost as a percent of revenue	Yes	No	6

#### Notes:

1. *BV (Reported IFF/.04 IFF rate)* – The T & T Management Division relies on customers to report revenue (IFF) and BV (sales) on the honor system and does not have an independent system of capturing either. Further, the T & T Management Division’s calculation of BV assumes reported IFF was based on 4 percent for all customers, when in fact FMP has negotiated rates for some customers.
2. *Freight Revenue (IFF)* - This performance measure is not verifiable as discussed in Note 1 above.

3. *Percentage of Transportation External Business Volume Booked Through TMSS (TMSS Bill of Ladings/BV)* – The T & T Management Division miscalculated this performance measure because they measured sales with bill of ladings and not percentage of transportation external business volume booked through TMSS. However, neither calculation can be supported because both calculations use BV in the base, which cannot be supported (see Note 1 above). Further, percentage of transportation external business volume cannot be verified to customer reported sales because the majority of customers report lump sales amounts.
4. *Cost savings [(BV/1-40% cost saving rate) – BV]* - This performance measure is not verifiable because two calculation components 40 percent cost savings rate and BV are not supported. See Note 1 for explanation why revenue was not supported.
5. *Operating cost per \$100 of BV [Operating Cost/(BV/100)]* - This performance measure is not verifiable because it relies on BV, which we found is unverifiable in Note 1.
6. *Direct cost as a percent of revenue (Direct Cost/Revenue (IFF))* - This performance measure is not verifiable because it relies on revenue, which we found unreliable in Note 1.

# APPENDIX C

---

## Management's Written Response



MAY 16 2007

GSA Federal Acquisition Service

MEMORANDUM FOR RODNEY J. HANSEN  
DEPUTY ASSISTANT INSPECTOR GENERAL  
FOR AUDITING (JA-7)

FROM: JAMES A. WILLIAMS *JA Williams*  
COMMISSIONER *5/16/07*  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: OIG Draft Report: "Review of Federal Supply Service  
Travel and Transportation Management Division's Freight  
Management Program" (A060153)

Thank you for the opportunity to review the above draft report. I generally concur with the report's findings. Attached for your consideration are specific comments regarding the recommendations and one of the findings.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Ms. Cathy Fick at (703) 605-5452 or [catherine.fick@gsa.gov](mailto:catherine.fick@gsa.gov) for additional information.

Attachment

cc: Andrew Patchan  
Assistant Inspector General for Auditing (JA)

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
[www.gsa.gov](http://www.gsa.gov)

**Federal Acquisition Service Comments on the OIG Draft Report:  
“Review of Federal Supply Service Travel and Transportation Division’s  
Freight Management Program” (A060153)**

***Recommendation No. 1a:***

*Develop and implement a system to capture and monitor freight sales.*

FAS agrees. We will continue to develop the Transportation Management Services Solution (TMSS) to capture and monitor customer freight shipments and sales. TMSS will also be supplemented by the use of new National Account Management Program (NAMP) policies and procedures to capture and monitor sales not included in TMSS.

***Recommendation No. 1b:***

*Develop and implement a process to independently verify reported sales.*

FAS agrees. We will conduct a random sample of customer transportation bills from transportation audit records on a biannual basis to confirm freight sales.

***Recommendation No. 1c:***

*Establish policies and procedures to ensure the accuracy and completeness of the NAMP report.*

FAS agrees. Effective May 13, 2007, responsibility for the management of NAMP was transferred from the zonal office to Central Office. Policies and procedures, i.e., reporting requirements from the zones to Central Office, will be revised accordingly.

***Recommendation No. 1d:***

*Establish policies and procedures to ensure quarterly reports are submitted in a timely manner.*

FAS agrees. Within 14 days after the quarterly reports are due, the NAMP coordinator will compare the current customer list with the submitted reports. Any customer who has not submitted a report will be contacted and given 15 days to do so. If no report is submitted, that customer’s access to TMSS will be removed.

***Recommendation No. 1e:***

*Develop and implement necessary safeguards to maintain credit card information once obtained from the customer agency.*

FAS agrees. However, please note that in early May 2007 the responsibility for handling credit card information was transferred to the Office of the Chief Financial Officer

(OCFO) in Kansas City. The FAS business line will no longer maintain any credit card information, although we will continue to work with the OCFO in its handling of all credit card payments.

**Recommendation No. 1f:**

*Establish policies and procedures to routinely reconcile the NAMP report to the Financial Management Information System (FMIS) and adjust accruals accordingly.*

FAS agrees. At the close of each quarter we will reconcile the NAMP report with the information contained in the Financial Management Information System (FMIS). This information will be considered for a midyear accrual adjustment, if necessary.

**Recommendation No. 1g:**

*Conduct a reconciliation of prior years' NAMP reports to FMIS and seek recovery of funds due.*

FAS agrees. However, records are only available for the time period of FY 2005 to the present. We are currently reconciling these NAMP reports to FMIS and have already recovered a significant portion of the funds due.

**Recommendation No. 2a:**

*Develop and implement a process to ensure data used in the performance measure calculations is accurate and verifiable.*

**Recommendation No. 2b:**

*Establish policies and procedures to ensure information disclosed to customers in TMSS is accurate and supportable.*

FAS agrees with both recommendations. We are currently drafting a statement of work to hire a contractor to perform an annual benchmark analysis of our rates to determine the actual percentage of savings from commercial rates. The contractor will be tasked to provide recommendations on the factors to be considered in our performance measure calculations, as well as the validation of savings using rates residing in TMSS.

However, under Finding No. 2, "Accuracy of TMSS Percentage Savings and Number of TSPs" (pages 8-9), we disagree with the audit statement: "...number of TSPs on TMSS's website is inaccurate." The actual number of approved Transportation Services Providers (TSPs) is greater than the number of TSPs that file rates in TMSS. For example, brokers file rates in TMSS on behalf of underlying GSA-approved TSPs. In addition, TSPs that provide specialized transportation equipment must be approved to file tenders under the GSA Freight Management Program (FMP).

**Recommendation No. 3a:**

*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.*

FAS agrees. Effective May 21, 2007, a pilot project will begin for TMSS prepayment audit and payment of Global Supply transportation transactions. Once the pilot is complete, the TMSS prepayment audit and payment modules will be released for use by other freight customers.

# APPENDIX D

---

## Report Distribution

Commissioner, Federal Acquisition Service (Q) .....	3
Acting Assistant Commissioner, Office of Transportation and Property Management (FB).....	1
Assistant Inspector General for Auditing (JA & JAO) .....	2
Audit Follow-Up Evaluation Branch Chief (BECA) .....	1
Deputy Assistant Inspector General for Auditing (JA-A).....	1