



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

# GSA Did Not Comply with the Improper Payments Elimination and Recovery Act for FY 2014

*Report Number A150021/B/5/F15004  
May 1, 2015*



# Office of Audits Office of Inspector General U.S. General Services Administration

## REPORT ABSTRACT

### OBJECTIVE

To determine whether GSA complied with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 for fiscal year (FY) 2014.

### **GSA Did Not Comply with the Improper Payments Elimination and Recovery Act for FY 2014**

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### **WHAT WE FOUND**

We identified the following during our audit:

Finding 1 – GSA did not comply with IPERA due to failure to meet improper payment reduction targets from the prior year.

Finding 2 – GSA reported inaccurate financial information in its FY 2014 Agency Financial Report (AFR).

Finding 3 – The Office of the Chief Financial Officer (OCFO) did not complete corrective actions associated with prior year Office of Inspector General recommendations.

Finding 4 – Regional reviews for claims validations were not timely.

Finding 5 – The OCFO inconsistently applied its process for identifying and tracking claims across the regions.

Finding 6 – The OCFO did not ensure that all claim forms submitted by PRGX Global, Inc. (PRGX) were complete.

### **WHAT WE RECOMMEND**

Based on our audit findings, we recommend the Chief Financial Officer:

1. Fulfill the requirements of Office of Management and Budget (OMB) Memorandum 15-02 by submitting the required plan for addressing noncompliance within 90 days;
2. Ensure that supporting documentation is maintained for purchase card payments as required in GSA Order CFO 4200.1A *Use of the GSA Purchase Card*;
3. Comply with existing procedures for AFR improper payments reporting and expand upon these procedures to ensure AFR improper payments information is supported, complete, and verified;
4. Submit corrected FY 2014 improper payments information for reporting in the OMB MAX Information System;
5. Implement proposed corrective actions related to training and supervisory reviews to ensure accurate reporting of improper payments information;
6. Strengthen policy and supervision associated with claims review and validation to emphasize adherence to the existing 60-day timeframe and waiver process for review of submitted claims;
7. Establish procedures to ensure that claims submitted by PRGX that are below the contracted threshold are appropriately identified, tracked, and reported in the AFR; and
8. Implement review procedures to ensure that all approved claim forms are completed in accordance with PRGX contract terms and OMB requirements.

### **MANAGEMENT COMMENTS**

The Chief Financial Officer agreed with our findings and recommendations. Management comments are included in their entirety as **Appendix D**.

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

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DATE: May 1, 2015

TO: Gerard Badorrek  
Chief Financial Officer (B)

FROM: Michael Lamonica   
Audit Manager  
Great Lakes Region Audit Office (JA-5)

SUBJECT: GSA Did Not Comply with the Improper Payments Elimination and  
Recovery Act for FY 2014  
*Report Number A150021/B/5/F15004*

This report presents the results of our audit of the GSA's fiscal year 2014 improper payments performance. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in **Appendix D** of this report.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

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On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

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## Introduction

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The Improper Payments Information Act of 2002 was enacted to enhance the accuracy and integrity of federal payments by providing a framework that allows federal agencies to identify specific causes of improper payments and to implement necessary solutions to reduce them.<sup>1</sup> The Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) were subsequently enacted to expand upon the requirements of the Improper Payments Information Act of 2002.<sup>2</sup>

The Office of Management and Budget (OMB) issued Memorandum 15-02 (M-15-02)<sup>3</sup> on October 20, 2014, to provide updated guidance to all federal agencies regarding the implementation of IPERIA.<sup>4</sup>

To be in compliance with IPERA, an agency must:

- Publish an Agency Financial Report (AFR);
- Conduct a program specific risk assessment;
- Issue improper payment estimates;
- Publish programmatic corrective action plans in the AFR;
- Publish and meet annual reduction targets for each program; and
- Report a gross improper payment rate of less than 10 percent for each program and activity included in its improper payments report.

Every year, each agency's Office of Inspector General (OIG) reviews improper payment reporting in its agency's AFR to determine if the agency is in compliance with IPERA. If an agency does not meet one or more of the above requirements, then it is not compliant under IPERA.

### Objective

The objective of our audit was to determine if GSA complied with the Improper Payments Information Act of 2002, as amended by IPERA and IPERIA, during fiscal year (FY) 2014.

See **Appendix A** – Purpose, Scope, and Methodology for additional details.

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<sup>1</sup> Under Executive Order 13520, federal agencies are required to decrease improper payments by intensifying efforts to: eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government; ensure transparency and public scrutiny of significant payment errors; focus on identifying and eliminating improper payments; provide for accountability; and coordinate with other federal, state, and local agencies to identify and eliminate improper payments.

<sup>2</sup> IPERA provides guidance related to the identification and elimination of improper payments as well as compliance requirements for federal agencies. IPERIA provides additional elaboration on the determination and recovery of improper payments and also includes guidance related to preventive prepayment procedures associated with the Do Not Pay initiative for reducing improper payments.

<sup>3</sup> Issuance of this guidance modified OMB Circular A-123, Appendix C, Parts I and II (issued as OMB M-11-16) and Part III (issued as OMB M-10-13).

<sup>4</sup> OMB M-15-02 requires agencies to: review all programs and activities they administer and identify those that may be susceptible to significant improper payments; obtain statistically valid estimates of the annual amount of improper payments for programs identified as susceptible to improper payments; implement actions to reduce erroneous payments; and report annual amounts and rates of improper payments for all programs and activities determined to be susceptible to significant improper payment in the Agency Financial Report.

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## Results

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GSA has not complied with IPERA during FY 2014, as the Agency failed to meet its stated reduction targets from the prior year for both the Purchase Cards and the Building Operations – Utilities programs. We also found that GSA: reported numerous inaccuracies in its FY 2014 AFR, did not complete corrective actions associated with prior year OIG recommendations, had untimely reviews of claims forms associated with recovery audits, inconsistently applied its process for identifying and tracking claims across GSA's regions, and did not ensure the completeness of forms associated with payment recapture claims.

### **Finding 1 – GSA did not comply with IPERA due to failure to meet improper payment reduction targets from the prior year.**

GSA did not meet its improper payments reduction estimates as set forth in the prior year AFR, thus resulting in noncompliance with IPERA during FY 2014. For its Purchase Cards and Building Operations – Utilities program areas, GSA was not within 0.1 percentage points of its prior year improper payment estimates, as required by IPERA and OMB M-15-02.<sup>5</sup> OMB clarified that this criterion corresponds specifically with AFR *Table 1 Improper Payment Reduction Outlook* (Table 1).

The current year improper payment rate for the Purchase Cards program as reported in the FY 2014 AFR Table 1 was 8.68 percent. The prior year estimate for the current year improper payment rate was projected at 7.3 percent. GSA did not meet this estimate by 1.38 percentage points. The Building Operations – Utilities program's current year improper payment rate as reported in the FY 2014 AFR was 0.88 percent, while the prior year estimate for the current year improper payment rate was projected at 0 percent. GSA did not meet this percentage estimate by 0.88 percentage points. See **Appendix B** for excerpts from GSA's published FY 2013 and FY 2014 AFRs.

According to the requirements of OMB M-15-02, agencies shall identify the reasons their programs and activities are at risk of improper payments and establish an inventory of root causes for risk-susceptible programs.<sup>6</sup> The Office of the Chief Financial Officer (OCFO) determined that the improper payment rates reported for the Purchase Cards and Building Operations – Utilities programs were attributable to administrative and documentation errors.<sup>7</sup> Specifically, the OCFO determined that 111 of 929 Purchase Card transactions were improper due to lack of supporting documentation based on existing documentation standards,<sup>8</sup> and 3 of 296 Building Operations – Utilities transactions were improper due to contract administration errors.

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<sup>5</sup> OMB M-15-02 Part II (A)(3)(e).

<sup>6</sup> Root causes fall into three categories: administrative and documentation errors, authentication and medical necessity errors, and verification errors.

<sup>7</sup> The OCFO test plans for these two programs included explanations and notes identifying that documentation errors were the principal root cause of improper payments.

<sup>8</sup> GSA Order CFO 4200.1A *Use of the GSA Purchase Card*, which requires record-keeping of source documentation for all purchases.

In accordance with the requirements of OMB M-15-02, within 90 days of the determination of noncompliance, GSA must submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that GSA will take to become compliant with IPERA. These actions must include: the establishment of measurable milestones to be accomplished in order to achieve compliance for each program area, designation of a senior agency official who shall be accountable for GSA's progress towards compliance, and the establishment of an accountability mechanism with appropriate incentives and consequences tied to the success of the designated senior agency official in leading GSA's efforts to achieve compliance for each program area.

### Recommendations 1 and 2

We recommend the Chief Financial Officer:

1. Fulfill the requirements of Office of Management and Budget (OMB) Memorandum 15-02 by submitting the required plan for addressing noncompliance within 90 days.
2. Ensure that supporting documentation is maintained for purchase card payments as required in GSA Order CFO 4200.1A *Use of the GSA Purchase Card*.

### Management Comments

The Chief Financial Officer agreed with our audit finding and concurred with our recommendations. Management comments are included in their entirety as **Appendix D**.

### **Finding 2 – GSA reported inaccurate financial information in its FY 2014 Agency Financial Report (AFR).**

GSA did not accurately report its improper payments information in the FY 2014 AFR and in the OMB MAX Information System (MAX).<sup>9</sup> As a result, GSA's financial position regarding improper payments was misstated for the fourth consecutive year.<sup>10</sup>

The reported data in five of the seven required AFR tables contained errors.<sup>11</sup> A summary of financial inaccuracies for these five AFR tables is noted in *Figure 1* on page 4. Additional details regarding these misstatements are included in **Appendix C**.

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<sup>9</sup> OMB uses MAX to collect, validate, analyze, and publish information relating to its governmentwide management and budgeting activities.

<sup>10</sup> OIG Reports *Audit of GSA's Improper Payments Performance* (Report Number A120002/B/F/F12002, March 9, 2012); *Audit of GSA's FY 2012 Improper Payments Performance* (Report Number A130014/B/F/F13002, March 14, 2013); and *Audit of GSA's FY 2013 Improper Payments Performance* (Report Number A140021/B/9/F14002, April 15, 2014).

<sup>11</sup> The regulations requiring reporting improper payments information include IPERA; OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*; and OMB Circular A-136, *Financial Reporting Requirements*. The OCFO developed standard operating procedures associated with the payment recapture reporting process to be used when compiling the AFR tables required by OMB A-136.



In this appendix, we specifically identified the affected line items for each table in the AFR and the reason(s) for the difference(s).

**Figure 1 – Summary of Financial Inaccuracies (AFR Tables 2 – 6)**

**Table 2 Payment Recapture Audit Reporting**

<b>Program</b>	<b>Reported (a)</b>	<b>Audited (b)</b>	<b>Difference (a) – (b)</b>	<b>Note</b>
Rental of Space	\$3,354,547,177	\$3,334,547,176	\$20,000,001	2-1
Rental of Space	\$9,870,357	\$9,842,450	\$27,906	2-2
Rental of Space	\$4,509,451	\$4,537,357	<\$27,906>	2-3
Rental of Space	\$89,631,453	\$86,224,017	\$3,407,436	2-4
Rental of Space	\$99,501,810	\$98,986,679	\$515,131	2-5
Rental of Space	\$32,826,747	\$33,341,878	<\$515,131>	2-6
PBS Duplicates	\$8,540,865,179	\$8,549,159,898	<\$8,294,719>	2-7
FAS Duplicates	\$12,288,848,832	\$12,292,464,340	<\$3,615,508>	2-8

**Table 3 Payment Recapture Audit Targets**

<b>Program</b>	<b>Reported</b>	<b>Audited</b>	<b>Difference</b>	<b>Note</b>
Rental of Space	\$9,870,357	\$9,842,450	\$27,906	3-1

**Table 4 Aging of Outstanding Overpayments**

<b>Program</b>	<b>Reported</b>	<b>Audited</b>	<b>Difference</b>	<b>Note</b>
Rental of Space	\$2,904,738	\$2,894,799	\$9,938	4-1
Rental of Space	\$1,604,713	\$1,642,473	<\$37,760>	4-2

**Table 5 Disposition of Recaptured Funds**

<b>Program</b>	<b>Reported</b>	<b>Audited</b>	<b>Difference</b>	<b>Note</b>
Rental of Space	\$9,870,357	\$9,842,450	\$27,906	5-1

**Table 6 Overpayments Recaptured Outside of Payment Recapture Audits**

<b>Source of Recovery</b>	<b>Reported</b>	<b>Audited</b>	<b>Difference</b>	<b>Note</b>
GSA Identified	\$54,660,616	\$50,466,978	\$4,193,638	6-1
GSA Identified	\$38,655,909	\$33,137,342	\$5,518,567	6-2
GSA Identified	\$31,607,266	\$79,674,228	<\$48,066,962>	6-3
GSA Identified	\$86,267,882	\$130,141,206	<\$43,873,324>	6-4
GSA Identified	\$69,767,440	\$67,149,916	\$2,617,524	6-5

Improper payments information from the Agency AFR is subsequently included in OMB's governmentwide report on improper payments, per OMB M-15-02. The OCFO



submitted its AFR information to OMB for entry into OMB MAX via a designated reporting spreadsheet. The differences noted in *Figure 1* for Table 6 were reported to OMB MAX.<sup>12</sup>

As for future year projected improper payments, the OCFO also inaccurately reported information for Table 1 to OMB MAX, as shown below, for the Hurricane Sandy Disaster Relief Fund program. The FY 2014 AFR reported future year estimates that led to an improper payment rate of 0 percent. However, the OCFO reported an improper payment rate of 51 percent to OMB MAX. See *Figure 2* below and also **Appendix B** for excerpts from GSA's FY 2014 AFR.

**Figure 2 – OMB MAX Inaccuracies**

**Table 1 Improper Payment Reduction Outlook (in millions)**

Reported	Program or Activity	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$
FY 2014 AFR	Hurricane Sandy Disaster Relief Fund	\$0.570	0%	\$0.0
OMB MAX	Hurricane Sandy Disaster Relief Fund	\$0.573	51%	\$0.295

The OCFO did not follow its existing procedures for AFR reporting. Additionally, these procedures do not include the steps needed to consistently and accurately complete all AFR tables. We also noted that the OCFO did not verify source data, which was incomplete and contained manual entry errors. Furthermore, the OCFO did not perform adequate supervisory reviews for the reported improper payments information in the AFR and OMB MAX.

#### Recommendations 3 and 4

We recommend the Chief Financial Officer:

3. Comply with existing procedures for AFR improper payments reporting and expand upon these procedures to ensure AFR improper payments information is supported, complete, and verified.
4. Submit corrected FY 2014 improper payments information for reporting in the OMB MAX Information System.

#### Management Comments

The Chief Financial Officer agreed with our audit finding and concurred with our recommendations. Management comments are included in their entirety as **Appendix D**.

<sup>12</sup> Inaccurate information from the AFR reported in OMB MAX was also noted in OIG Report *Audit of GSA's FY 2013 Improper Payments Performance* (Report Number A140021/B/9/F14002, April 15, 2014).

### **Finding 3 – The Office of Chief Financial Officer (OCFO) did not complete corrective actions associated with prior year Office of Inspector General recommendations.**

The OCFO did not provide supporting documentation to confirm the resolution of all prior year OIG audit recommendations.<sup>13</sup> In our prior year report, we found the OCFO inaccurately reported its improper payments information in the FY 2013 AFR and in OMB MAX. The corresponding recommendation to the prior year finding stated that the OCFO should “adhere to established accounting processes and strengthen current review procedures to ensure accurate reporting of improper payments information in the AFR.”<sup>14</sup> In response to this recommendation, the OCFO submitted a corrective action plan, which included action steps to train OCFO Office of Financial Policy and Operations staff on improper payments AFR reporting and conduct quarterly supervisory reviews of IPERA AFR information.

OCFO personnel stated that they performed training and supervisory review to implement the action steps. However, the OCFO did not provide evidence to support this assertion. We found that only one individual was trained and no supervisory review was performed. This, in addition to the number of identified AFR reporting inaccuracies, affirms that the measures taken by the OCFO were inadequate.

Without adequate training and supervisory reviews, the OCFO cannot ensure that its staff is fully equipped with the skills necessary for accurate financial reporting or that errors will be identified and mitigated before inaccurate financial information is ultimately included in the AFR.

#### **Recommendation 5**

We recommend the Chief Financial Officer:

5. Implement proposed corrective actions related to training and supervisory reviews to ensure accurate reporting of improper payments information.

#### **Management Comments**

The Chief Financial Officer agreed with our audit finding and concurred with our recommendation. Management comments are included in their entirety as **Appendix D**.

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<sup>13</sup> OIG Report *Audit of GSA's FY 2013 Improper Payments Performance* (Report Number A140021/B/9/F14002, April 15, 2014).

<sup>14</sup> This recommendation relates to Finding 1 from OIG Report A140021/B/9/F14002, which stated that the OCFO “did not accurately report its improper payments data in the FY 2013 AFR and in the OMB MAX Information System (MAX). As a result, GSA's financial position regarding improper payments was misstated.”

#### **Finding 4 – Regional reviews for claims validations were not timely.**

Regional reviews of payment recapture claims submitted by the payment recapture audit contractor, PRGX Global, Inc. (PRGX), were not completed within the timeframe established by OCFO policy. Without adherence to the established timeframe, the OCFO is at risk of not identifying improper payments that should be captured and reported in the current AFR period; thus, potentially misstating GSA's financial position.

The statement of work in the PRGX contract states "GSA will review and verify any debts to be posted within 60 days." On April 26, 2014, GSA issued a modification to the contract to establish a tiered approach, to the previously established review requirements, and included additional review times based on the volume of claims submitted per region. On July 9, 2014, in response to our prior year audit report, the OCFO issued instructional letter CFO IL-14-01 *Deadline for Claims Review and Validation*, to promote more timely collection of debts that are owed to the government and comply with federal policy guidance for the prompt processing and collection of federal claims. According to that guidance, GSA services and staff offices have 60 days to validate a claim from the date it is received, unless an exception applies.

Our review identified that of 50 approved PRGX payment recapture claims, 22 were not reviewed by GSA within 60 days. The 22 claims were all reviewed prior to the April 26, 2014, modification, with review times ranging from 65 to 684 days. These claims also did not have any exceptions or waivers documenting explanations for review time delays.

#### **Recommendation 6**

We recommend the Chief Financial Officer:

6. Strengthen policy and supervision associated with claims review and validation to emphasize adherence to the existing 60-day timeframe and waiver process for review of submitted claims.

#### **Management Comments**

The Chief Financial Officer agreed with our audit finding and concurred with our recommendation. Management comments are included in their entirety as **Appendix D**.

#### **Finding 5 – The OCFO inconsistently applied its process for identifying and tracking claims across the regions.**

We noted variations among several regions pertaining to the PRGX materiality thresholds in effect for the identification of reportable claims. Without adherence to a standard threshold for identifying and tracking reportable claims, the OCFO is at risk for continued inconsistent and inaccurate reporting of its financial information.

Four regions did not adhere to the established materiality thresholds, resulting in several claims being erroneously included in AFR *Table 2 Payment Recapture Audit Reporting* (Table 2). In one region, two claims below the \$500 threshold were cancelled instead of captured in AFR *Table 6 Overpayments Recaptured Outside of Payment Recapture Audits* (Table 6). In three other regions, claims below the \$500 threshold were included in Table 2 instead of Table 6.

The PRGX contract statement of work established a materiality threshold of \$500 for contract payment recapture claims submitted by PRGX, which are reported in Table 2. OCFO personnel stated that claims identified during internal GSA payment reviews, which are reported in Table 6, have established thresholds of \$100 and \$50 for the Fort Worth and Kansas City finance centers, respectively.

### Recommendation 7

We recommend the Chief Financial Officer:

7. Establish procedures to ensure that claims submitted by PRGX that are below the contracted threshold are appropriately identified, tracked, and reported in the AFR.

### Management Comments

The Chief Financial Officer agreed with our audit finding and concurred with our recommendation. Management comments are included in their entirety as **Appendix D**.

### **Finding 6 – The OCFO did not ensure that all claim forms submitted by PRGX Global, Inc. (PRGX) were complete.**

PRGX claim forms submitted to GSA were not complete. Specifically, we found that boxes indicating whether a claim is “within scope” or “outside the scope of the Recovery Audit” were left unchecked.<sup>15</sup> By not fully completing the claim form, PRGX may potentially be in breach of contract, due to its failure to inform GSA of out of scope payments according to the PRGX contract and OMB requirements.

In our FY 2013 audit report,<sup>16</sup> we recommended the OCFO modify the PRGX payment recapture contract to meet OMB requirements. GSA exercised a modification amending the contract language to include the requirement that “the contractor must notify the agency of any overpayment identified...that are beyond the scope of the contracts.” As part of the amended language, PRGX was required to indicate via check box whether a claim is within or outside of the scope of the recovery audit. However, despite the contract modification, PRGX has not completed the required section of the claim forms

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<sup>15</sup> This issue was also noted during the prior year improper payments audit, OIG Report *Audit of GSA's FY 2013 Improper Payments Performance* (Report Number A140021/B/9/F14002, April 15, 2014).

<sup>16</sup> OIG Report *Audit of GSA's FY 2012 Improper Payments Performance* (Report Number A130014/B/F/F13002, March 14, 2013).

nor has the OCFO enforced the contract terms or ensured that OMB requirements were met.

### Recommendation 8

We recommend the Chief Financial Officer:

8. Implement review procedures to ensure that all approved claim forms are completed in accordance with PRGX contract terms and OMB requirements.

### Management Comments

The Chief Financial Officer agreed with our audit finding and concurred with our recommendation. Management comments are included in their entirety as **Appendix D**.

### **Other Observations**

During the course of our audit, we noted additional issues warranting management's attention. Although there are no formal recommendations for these issues, the OCFO should be aware of our concerns regarding staffing issues that have affected the OCFO's capabilities and the presentation of future year estimates in AFR Table 1.

OCFO personnel stated that understaffing has been an ongoing issue affecting their ability to complete duties associated with financial reporting. Additionally, we have observed constant turnover in OCFO personnel, which also affects reporting. If staffing continues to pose a problem, the lack of procedures to ensure consistent replication for financial reporting (as noted in *Finding 2*) will continue to hinder the OCFO's ability to accurately report financial information.

Additionally, the information reported in Table 1 does not present specific information to support the calculation of the improper payment percentage reduction targets. Future year estimates of program outlays, improper payment amounts, and improper payment percentages reported in Table 1 do not clearly indicate how the reductions would be achieved. Program outlay and improper payment amounts populated for the Purchase Cards, Building Operations - Utilities, and Other Sensitive Payments programs for Current Year (CY) +1 through CY+3 are the same in each program area over the 3-year reduction target. See **Appendix B** for the 2014 AFR information. The information listed in the AFR, when computed, does not equal the reported percentages. We found the information sent to OMB for OMB MAX reporting and the AFR supporting documentation were both more accurate than the data actually reported in the AFR.

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## ***Conclusion***

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GSA has not complied with IPERA during FY 2014, as the Agency failed to meet its stated reduction targets from the prior year for both the Purchase Cards and the Building Operations – Utilities programs. GSA also reported numerous inaccuracies in its FY 2014 AFR. Additionally, GSA's regional reviewers did not complete the reviews of claims submitted by PRGX in a timely fashion or verify that claim forms were complete. Furthermore, the OCFO is not performing sufficient training or oversight for accurately reporting its improper payments information, nor has the OCFO maintained adequate procedural documentation to ensure that information is reported consistently. The OCFO's ability to provide accurate financial reporting, as required by law, is severely affected by these issues, and is compounded by high staff turnover.

As a result of these issues, GSA was not only noncompliant with IPERA, but its financial position regarding improper payments was misstated. Without improved procedural documentation, training, and oversight, GSA is at risk for continued inaccurate financial reporting.

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## **Appendix A – Purpose, Scope, and Methodology**

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### **Purpose**

This audit was included in the GSA OIG's FY 2015 Audit Plan, in compliance with the requirements of IPERA.

### **Scope and Methodology**

We reviewed GSA's improper payments performance for FY 2014 using a risk based approach.<sup>17</sup>

To accomplish our objective, we:

- Reviewed relevant criteria, including public laws, executive orders, OMB memoranda, and GSA directives, internal procedures, and policies;
- Reviewed prior audit reports related to improper payments issued by the Government Accountability Office and GSA OIG;
- Examined supporting documentation for GSA's AFR, risk assessment, organizational structure, and corrective actions from prior year GSA OIG audit recommendations;
- Evaluated documentation from PRGX, including its Statement of Work, claims listing, and improper payments reports;
- Examined a random sample of 56 claim forms submitted by PRGX for accuracy, completeness, and timeliness;
- Verified OCFO's calculations of prior year identified overpayments to PRGX and verified matching receiving reports for current year invoices;
- Obtained and reviewed all GSA regions' procedures for claims processing;
- Selected a judgmental sample of 46 payments reviewed internally by GSA and reviewed them for accuracy and completeness;
- Conducted meetings and communicated with GSA OCFO personnel;
- Accessed the GSA financial systems Pegasys<sup>18</sup> and the Financial Management Information System.<sup>19</sup>

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<sup>17</sup> As defined by the Government Accountability Office, the assessment of audit risk involves both qualitative and quantitative considerations. Factors impacting audit risk include time frames, complexity, or sensitivity of the work; size of the program in terms of dollar amounts and number of citizens served; systems and processes to detect inconsistencies, significant errors, or fraud; and auditors' access to records.

<sup>18</sup> Pegasys, GSA's core financial system, supports funds management (budget execution and purchasing), credit cards, accounts payable, disbursements, standard general ledger, and reporting.

<sup>19</sup> The Financial Management Information System provides daily, monthly, and yearly financial data for reconciliation, financial analysis, and management reporting.



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## ***Appendix A – Purpose, Scope, and Methodology (cont.)***

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We conducted the audit between October 2014 and February 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **Internal Controls**

We limited our assessment of internal controls to those related to the OCFO's improper payment recapture audit program. We reviewed the OCFO's procedures and processes to assess compliance with IPERA, the improper payments contract for recapture audit services, and financial documentation to assess the effectiveness of the controls. Based on our review we made recommendations to strengthen and improve the controls discussed in the Results section of the report, and commented on OCFO staffing and AFR presentation in the Other Observations section of the report.

## Appendix B – Excerpts of GSA Published AFRs for FY 2013 and FY 2014

This appendix provides excerpts of GSA's reported improper payments information published in its AFRs for FY 2013 and FY 2014.

### FY 2013 AFR Information (Table 1)

Table 1 Improper Payment Reduction Outlook (in millions)

Program or Activity	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	N/A	N/A	N/A	\$5,556	1.07%	\$59.55	\$29	\$30.6	\$5,593	1.02%	\$57	\$5,593	1%	\$56	\$5,593	1%	\$56
Building Operations - Utilities	N/A	N/A	N/A	\$400	0.06%	\$0.25	\$-	\$0.249	\$383	0%	\$-	\$383	0%	0	\$383	0%	\$-
Integrated Technology Service - Wide Area Network	N/A	N/A	N/A	\$753	0%	\$-	\$-	\$-	\$743	0%	\$-	\$743	0%	\$-	\$743	0%	\$-
Purchase Cards	N/A	N/A	N/A	\$54.9	7.79%	\$4.28	\$4.28	\$0.00	\$34	7.3%	\$2.3	\$34	6.8%	\$2.3	\$34	6.2%	\$2.1
Other Sensitive Payments	N/A	N/A	N/A	\$17.7	1.67%	\$0.30	\$0.29	\$0.01	\$18	1.5%	\$2.7	\$18	1.3%	\$0.23	\$18	1.1%	\$0.20

### FY 2014 AFR Information (Tables 1 - 6)

Table 1 Improper Payment Reduction Outlook (in millions)

Program or Activity	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	\$5,556	1.07%	\$59.55	\$5,591.77	0.68%	\$38.22	\$23.39	\$14.83	\$5,736	0.60%	\$34	\$5,736	0.55%	\$32	\$5,736	0.5%	\$29
Building Operations – Utilities	\$400	0.06%	\$0.24	\$376.86	0.88%	\$3.31	\$3.31	\$-	\$370	0.83%	\$3	\$370	0.78%	\$3	\$370	0.73%	\$3
Integrated Technology Service - Wide Area Network	\$753	0%	\$-	\$749.64	0%	\$-	\$-	\$-	\$855	0%	\$0	\$855	0%	\$-	\$855	0%	\$-
Purchase Cards	\$55	7.79%	\$4.28	\$33.88	8.68%	\$2.94	\$2.94	\$-	\$23	8%	\$2	\$23	7.5%	\$2	\$23	7.00%	\$2
Other Sensitive Payments	\$18	1.67%	\$0.30	\$9.73	0.09%	\$0.01	\$0.01	\$-	\$12	0.08%	\$0	\$12	0.07%	\$0	\$12	0.06%	\$0
Hurricane Sandy Disaster Relief Fund	N/A	N/A	N/A	\$0.11	0%	\$-	\$-	\$-	\$0.57	0%	\$0	\$0.57	0.00%	\$-	\$0.57	0%	\$-

## Appendix B – Excerpts of GSA Published AFRs for FY 2013 and FY 2014 (cont.)

**Table 2 Payment Recapture Audit Reporting**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY+PYs)	Cumulative Amounts Determined Not to be Collectable (CY+PYs)
Rental of Space	Contract	\$3,354,547,177	\$3,354,547,177	\$14,379,807	\$9,870,357	69%	\$4,509,451	31%	\$-	\$-	\$117,948,750	\$89,631,453	\$132,328,557	\$99,501,810	\$32,826,747	\$839,384
Supply	Contract	\$-	\$-	\$279,824	\$23,334	8%	\$256,490	92%	\$-	\$-	\$-	\$-	\$279,824	\$23,334	\$256,490	\$-
PBS Duplicates	Contract	\$8,540,865,179	\$8,540,865,179	\$-	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
FAS Duplicates	Contract	\$12,288,848,832	\$12,288,848,832	\$-	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
GSA SmartPay Tax Pilot	Other	\$86,129	\$86,129	\$38,817	\$5,235	13%	\$33,582	87%	\$-	\$-	\$-	\$-	\$38,817	\$5,235	\$33,582	\$-
<b>Total</b>		<b>\$24,184,347,317</b>	<b>\$24,184,347,317</b>	<b>\$14,698,448</b>	<b>\$9,898,925</b>	<b>67%</b>	<b>\$4,799,523</b>	<b>33%</b>	<b>\$-</b>	<b>\$-</b>	<b>\$117,948,750</b>	<b>\$89,631,453</b>	<b>\$132,647,198</b>	<b>\$99,530,379</b>	<b>\$33,116,820</b>	<b>\$839,384</b>

**Table 3 Payment Recapture Audit Targets**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY	CY	CY	CY + 1	CY + 2	CY + 3
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered / Amount Identified)	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target
Rental of Space	Contract	\$14,379,807	\$9,870,357	69%	72%	75%	80%
Supply	Contract	\$279,824	\$23,334	8%	50%	55%	60%
GSA SmartPay Tax Pilot	Other	\$38,817	\$5,235	13%	18%	23%	28%

**Table 4 Aging of Outstanding Overpayments**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Outstanding	CY Amount Outstanding	CY Amount Outstanding
		(0 – 6 months)	(6 months to 1 year)	(over 1 year)
Rental of Space	Contract	\$2,904,738	\$1,604,713	--
Supply	Contract	\$0	\$256,490	--
GSA SmartPay Tax Pilot	Other	\$2,941	\$30,641	--
<b>Total</b>		<b>\$2,907,679</b>	<b>\$1,891,844</b>	<b>--</b>

## Appendix B – Excerpts of GSA Published AFRs for FY 2013 and FY 2014 (cont.)

*Table 5 Disposition of Recaptured Funds*

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	\$-	\$-	\$-	\$9,870,357	\$-	\$-
Supply	Contract	\$-	\$-	\$-	\$23,334	\$-	\$-
GSA SmartPay Tax Pilot	Other	\$-	\$-	\$-	\$-	\$-	\$5,235

*Table 6 Overpayments Recaptured Outside of Payment Recapture Audits*

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
GSA Identified	\$54,660,616	\$38,655,909	\$31,607,266	\$31,111,531	\$86,267,882	\$69,767,440

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## **Appendix C – AFR Tables: Summary of Financial Inaccuracies**

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This appendix provides further detail for audited amounts in *Figure 1 - Summary of Financial Inaccuracies* under *Finding 2*.

### **NOTES:**

- 2-1 **Rental of Space:** The **Amount Subject to Review for CY Reporting** and the **Actual Amount Reviewed and Reported (CY)** for Rental of Space are overstated by \$20,000,001. A manual data entry error occurred when the OCFO transferred the information from the supporting documentation to the AFR for reporting.
- 2-2 **Rental of Space:** The **Amount Recovered (CY)** is overstated. Supporting documentation for 72 of 397 recovered claims was not provided, and the amount recovered could not be verified. This led to a net overstatement of \$27,906.
- 2-3 **Rental of Space:** The **Amount Outstanding (CY)** is calculated by subtracting **Amount Recovered (CY)** from **Amount Identified for Recovery (CY)**. Because of the overstatement noted in **Note 2-2** above, the **Amount Outstanding (CY)** was understated by \$27,906.
- 2-4 **Rental of Space:** The **Amounts Recovered (PYs)**<sup>20</sup> is overstated. The OCFO did not follow its procedures for IPERA reporting and incorrectly included its inaccurately calculated amounts for current year (FY 2014) recovered amounts of prior year (FY 2013) identified claims in **Amounts Recovered (PYs)**. This error led to an overstatement of \$3,407,436. See **Note 2-5** below for further explanation regarding the inaccurately calculated amounts for prior year identified, current year recovered claims.
- 2-5 **Rental of Space: Cumulative Amounts Recovered (CY+PYs)** is overstated. The **Amount Recovered (CY)** is overstated by \$27,906. See **Note 2-2** above. Documentation provided by the OCFO for 16 of 207 current year recovered amounts of prior year identified claims did not support the OCFO calculated amount of \$3,407,436. We calculated the amount at \$2,920,211. The current year recovered amounts of prior year identified claims are overstated by \$487,225. These errors led to a net overstatement for the **Cumulative Amounts Recovered (CY+PYs)** of \$515,131.
- 2-6 **Rental of Space: Cumulative Amounts Outstanding (CY+PYs)** is understated by the same errors as noted in **Notes 2-3** and **2-5** above. The **Cumulative Amounts Outstanding (CY+PYs)** is net understated by \$515,131.

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<sup>20</sup> PY is Prior Year.

## ***Appendix C – AFR Tables: Summary of Financial Inaccuracies (cont.)***

- 2-7 ***PBS Duplicates: Amount Subject to Review for CY Reporting and Actual Amount Reviewed and Reported (CY)*** are understated by \$8,294,719. Neither PRGX nor the OCFO could duplicate the query used to prepare the database information used for reporting. The supporting documentation provided for the PBS Duplicates program yielded different data.
- 2-8 ***FAS Duplicates: Amount Subject to Review for CY Reporting and Actual Amount Reviewed and Reported (CY)*** are understated by \$3,615,508. Neither PRGX nor the OCFO could duplicate the query used to prepare the database information used for reporting. The supporting documentation provided for the FAS Duplicates program yielded different data.
- 3-1 ***Rental of Space: The Amount Recovered (CY)*** is overstated by \$27,906. See **Note 2-2** above.
- 4-1 ***Rental of Space: CY Amount Outstanding (0-6 months)*** is overstated. ***CY Amount Outstanding (0-6 months)*** is calculated by subtracting the ***Amount Recovered (CY)*** from the ***Amount Identified (CY)*** and then determining the amount outstanding by calculating the time elapsed between the date the claim was identified and the end of the fiscal year. OCFO personnel used incorrect amounts for the ***Amount Identified (CY)*** and the ***Amount Recovered (CY)*** when calculating the overall amounts outstanding. See also **Note 2-2** above. We also noted a variance of \$84.65; \$0.09 of this variance was due to a manual entry error, and the remaining \$84.56 was due to an identified difference between the OIG adjusted ***Amount Identified (CY)*** and the ***Amount Identified (CY)*** identified by the OCFO in the supporting documentation for Table 4. ***CY Amount Outstanding (0-6 months)*** is net overstated by \$9,938.
- 4-2 ***Rental of Space: CY Amount Outstanding (6 months to 1 year)*** is net understated by \$37,760 due to the same errors identified in **Note 4-1**.
- 5-1 ***Rental of Space:*** Due to the overstatement of ***Amount Recovered (CY)*** identified in **Note 2-2**, the recaptured funds reported in ***Original Purpose*** are also overstated by \$27,906.
- 6-1 ***GSA Identified:*** The ***Amount Identified (CY)*** is overstated. OCFO personnel incorrectly included FY 2015 identified claims in the FY 2014 CY reporting. Also, one claim that was cancelled by PRGX, because it was previously identified by GSA, was not included in the reported amounts for ***Amount Identified (CY)***. These errors led to an overstatement of \$4,193,638.

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## ***Appendix C – AFR Tables: Summary of Financial Inaccuracies (cont.)***

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- 6-2 ***GSA Identified:*** The ***Amount Recovered (CY)*** is overstated. OCFO personnel incorrectly included FY 2013 claims in the FY 2014 CY reporting because they did not use a complete data set to calculate the information for reporting. The data set used did not include claim collection dates. This led to an overstatement of \$5,518,567.
- 6-3 ***GSA Identified:*** The ***Amount Identified (PY)*** is understated. The OCFO did not use a complete data set to calculate prior year identified amounts in FY 2013. Current year information used was complete; however, the ***Amount Identified (PY)*** was not recalculated with the current information and the audited numbers from the prior year FY 2013 audited AFR were carried forward to the FY 2014 reporting. This led to an understatement of \$48,066,962.
- 6-4 ***GSA Identified:*** The ***Cumulative Amount Identified (CY+PYs)*** is net understated by \$43,873,324. See **Notes 6-1** and **6-3** for details.
- 6-5 ***GSA Identified:*** The ***Cumulative Amount Recovered (CY+PYs)*** is net overstated by \$2,617,524. The OCFO did not include current year recovered amounts of prior year identified improper payments for an understatement in the amount of \$2,901,044. See also **Note 6-2** above for the overstatement of \$5,518,567.



## Appendix D – Management Comments



GSA Office of the Chief Financial Officer

APR 23 2015

MEMORANDUM FOR ADAM GOOCH

REGIONAL INSPECTOR GENERAL FOR AUDITING  
GREAT LAKES REGION AUDIT OFFICE (JA-5)

FROM:

GERARD BADORREK   
GSA CHIEF FINANCIAL OFFICER (B)

SUBJECT:

Response to Audit of the General Services Administration's FY  
2014 Improper Payments Performance Report Number A150021

Thank you for the opportunity to comment on the draft report. We appreciate your efforts to evaluate the performance of the GSA improper payment program and agree with the recommendations.

Corrective actions are underway to:

- Implement steps to ensure that supporting documentation is maintained for purchase card payments in accordance with GSA Order OAS 4200.1A *Management and Use of the GSA SmartPay® Purchase Card* dated January 7, 2015;
- Improve accuracy of reporting improper payments information into the Agency Financial Report (AFR) by expanding upon existing reconciliation procedures, developing reconciliation templates and edit checks, designing additional internal review procedures, and developing standard operating procedures;
- Provide training to members of the OCFO staff to improve the understanding of internal control requirements; and
- Formalize and disseminate procedures regarding claim validation reviews and timelines to all regional offices. This will include a process to track, monitor and elevate status and exceptions of each claim.

The attachment includes responses for each recommendation.

Should you have any questions regarding this matter, please contact Paula Bohnwagner at (202) 579-1589.

Attachment

U.S. General Services Administration  
1600 F Street, NW  
Washington, DC 20405  
[www.gsa.gov](http://www.gsa.gov)

## Appendix D – Management Comments (cont.)

### Finding 1 – GSA did not comply with IPERA due to failure to meet improper payment reduction targets from the prior year.

1. Fulfill the requirements of OMB M-15-02 by submitting the required plan for addressing noncompliance within 90 days.

**Management Response:** Management agrees with the recommendation. In accordance with M-15-02, the OCFO will submit the required plan to the Senate Committee on Homeland Security and Government Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days describing actions GSA will take to become compliant.

2. Ensure that supporting documentation is maintained for purchase card payments as required in GSA Order CFO 4200.1A *Use of the GSA Purchase Card*.

**Management Response:** Management agrees with the recommendation. The OCFO will take steps to ensure that supporting documentation is maintained for purchase card payments in accordance with GSA Order OAS 4200.1A *Management and Use of the GSA SmartPay® Purchase Card* dated January 7, 2015, which replaces GSA Order CFO 4200.1A *Use of the GSA Purchase Card*, dated August 17, 2009.

In addition, refined controls required by recent OAS policy have been strengthened to ensure the objective of maintaining proper payment support including:

- Defining required purchase card supporting documentation
- Requiring the cardholder to attach supporting documentation in Pegasys
- Requiring Approving Officials to ensure cardholders are attaching documentation in Pegasys
- Requiring the Requesting Official to ensure all required documentation is available for reconciliation, review and audit purposes

### Finding 2 – GSA reported inaccurate financial information in its FY 2014 AFR.

3. Comply with existing procedures for AFR improper payments reporting and expand upon these procedures to ensure AFR improper payments information is supported complete and verified.

**Management Response:** Management agrees with the recommendation. The OCFO will update the payment recapture audit reconciliation procedures in accordance with OMB Circular, A-136. The procedures will include step-by-step procedures to ensure the same result is reached each time reconciliation is performed. We will also ensure that the individuals responsible for preparing the

## Appendix D – Management Comments (cont.)

AFR improper payment information receive the appropriate training and understand their responsibilities. OCFO will also ensure supervisory reviews are completed for payment information in the AFR.

4. Submit corrected FY 2014 improper payments information for reporting to OMB MAX.

**Management Response:** Management agrees with the recommendation. The OCFO will make the appropriate corrections in OMB MAX.

### Finding 3 – The OCFO did not complete corrective actions associated with prior year OIG recommendations.

5. Implement its proposed corrective actions related to training and supervisory reviews to ensure accurate reporting of improper payment information.

**Management Response:** Management agrees with the recommendation. In FY 2015, the OCFO will provide classroom training opportunities for individuals with internal control and improper payment reporting responsibilities. Forty-six OCFO staff members completed the *Overview of Internal Control Guidance* class in March 2015 and twenty-one OCFO staff members completed the *Internal Controls: Meeting Federal Requirements for Accountability* class in April 2015. OCFO has approved funding for training individuals responsible for preparing improper payment information. OCFO is in the process of scheduling that class. OCFO will continue to look for opportunities to provide relevant training to OCFO staff. To insure the accuracy of the AFR improper payment information, OCFO will also ensure adequate supervisory reviews occur during the preparation of information that will be reported in the AFR. Upon receipt of the A140021 FY13 report issued April 2014, OCFO prepared and executed all CAPs. OAS closed the audit on September 30, 2014. The changes made did not have the expected impact on improving FY 2014 improper payment reporting.

### Finding 4 – Regional reviews for claim validations were not timely.

6. Strengthen policy and supervision associated with claims review and validation to emphasize adherence to the existing 60-day timeframe and waiver process for review of submitted claims.

**Management Response:** Management agrees with the recommendation. The OCFO will update and disseminate formal procedures regarding claim validation reviews and establish timelines for completion. The revised timelines will provide a reasonable timeframe to validate claims. In addition, the OCFO already has a process to formally approve and track claims exceeding the timeframe for validation. We will continue to use this monitoring process to assess which regions are failing to meet the stated goal, and to use this information to escalate the status of open claims to management.

## **Appendix D – Management Comments (cont.)**

### **Finding 5 – The OCFO inconsistently applied its process for identifying and tracking claims across the regions.**

7. Establish procedures to ensure that claims submitted by PRGX that are below the contracted threshold are appropriately identified, tracked and reported in the AFR.

**Management Response** – Management agrees with the recommendation. GSA management will notify the Staff Offices and Regions to comply with CFO P4253.1B Accounts Receivable and Debt Collection Manual. OCFO will escalate instances where claims do not comply to management's attention. The OCFO will ensure that claims are reported in the proper AFR tables in accordance with OMB Circular A-136.

### **Finding 6 – The OCFO did not ensure that all claim forms submitted by PRGX were complete.**

8. Implement review procedures to ensure that all approved claim forms are completed in accordance with PRGX contract terms and OMB requirements.

**Management Response** – Management agrees with recommendation. Management will take action to ensure that the contractor responsible for completing claim forms completes them appropriately.

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## ***Appendix E – Report Distribution***

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Acting GSA Administrator (A)

Chief Financial Officer (B)

Chief Administrative Services Officer (H)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Audit Liaison, Office of the Chief Financial Officer (B)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations (JAO)

Chief of Staff (B)

Director, Office of Financial Policy and Operations (BC)

Director, Internal Control Division (BCB)