



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

April 22, 2013

The Honorable Jeanne Shaheen
520 Hart Senate Office Building
United States Senate
Washington, DC 20510

Dear Senator Shaheen:

I am in receipt of your April 5, 2013, letter asking for the immediate and future impacts sequestration will have on the ability of the General Services Administration (GSA) Office of Inspector General (OIG) to conduct effective oversight of government spending. I appreciate your support of Inspectors General and the opportunity to comment on this matter.

GSA is largely unaffected by sequestration because its major functions are fee-driven. In contrast, the GSA OIG is funded entirely by appropriations. Consequently, sequestration has a disparate and disproportionate impact on the OIG. The OIG's 270 employees work to fight fraud, waste, and mismanagement in an agency with over 12,000 employees and through which, over \$50 billion flows annually. Sequestration exacerbates that imbalance and will undermine our ability to carry out our oversight mission.

Our best estimates indicate that furloughs will be necessary in FY 2014. This will strain the OIG staff resources that have historically saved money for the taxpayer. For instance, over the past two years, the OIG helped secure more than half a billion dollars in criminal, civil, and administrative recoveries on behalf of the United States. In addition, we identified more than \$1.2 billion in questioned funds and funds that could be used more efficiently. Our Office of Investigations assisted the Department of Justice (DOJ) and United States Attorneys in 131 successful criminal prosecutions, and our Office of Audits produced 344 reports and memoranda on GSA's stewardship of Recovery Act funds, contracting practices, and other agency programs. Last year's management deficiency report on the GSA's 2010 Western Regions Conference changed the landscape for federal agency conference practices and is expected to achieve cost-savings throughout government.

The audit and investigative work that produces these results demands a high level of expertise including experienced special agents, auditors, forensic auditors, and attorneys. Therefore, the dominant allocation of funds in our office is to salaries and benefits. To prepare for sequestration, we began instituting cost saving measures last year, including a modified hiring freeze. At present, the OIG has 46 vacancies from its 316 available full time equivalent (FTE) slots-- a reduction of 14% of our workforce. Decreases to our budget hinder our ability to hire the seasoned professionals that our oversight work demands. There is no doubt that continuing operations at a sequestration level and the consequential reduction in professional staff will impact the OIG's primary statutory mission to provide oversight of GSA programs and activities, which remain largely unaffected by sequestration.

Our audit staff has been particularly hard hit. We have significantly fewer auditors available to conduct contract and internal audits and assist DOJ in its efforts related to civil recoveries involving the False Claims Act. Such cases are particularly significant to the taxpayer, as evidenced by a 2011 settlement in which Oracle agreed to pay the United States \$199.5 million plus interest for failure to meet the

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company's contractual obligations to GSA. As a result of our strained resources in FY 2014, we expect a reduction of approximately \$281.7 million in financial recommendations, cost avoidances, and recoveries for our Office of Audits alone.

The impact of sequestration will be further exacerbated by the fact that as GSA moves towards completion of its Recovery Act construction projects, the OIG workload in the construction claim arena is expected to skyrocket. GSA relies on the OIG's assistance to effectively defend, negotiate, and settle the contractor disputes and claims that are bound to arise after construction projects finish. Each construction project is subject to multiple claims, and each claim requires extensive audit resources to review the tens of millions of dollars in question. For instance, the San Francisco Federal Building construction project alone yielded eight claims. It took 11,250 total audit hours to ultimately result in savings to the United States of \$43.5 million. We expect claims for at least eleven projects for FY 2014, but this number will increase exponentially as more Recovery Act projects are completed and claims are filed. With sequestration, however, our resources will be severely decreased thereby limiting our ability to perform these crucial audits.

My office has requested \$62,908,000 for FY 2014 in order to meet our oversight mission needs. While I assure you that, regardless of the funding provided, my office will continue to strive to provide the most effective oversight possible to achieve greater efficiencies and savings in GSA's operations and programs, a loss of resources will necessarily have a negative impact on our mission. Please feel free to contact me with any questions, or have your staff contact (b) (6) at (b) (6) with any questions or for more information. Thank you for your attention to this matter.

Sincerely,



Brian D. Miller
Inspector General