



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

# Semiannual Report to the Congress

**April 1, 2001 - September 30, 2001**

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

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

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. A broadly integrated security program is required.	2 – 6
<b>PROCUREMENT ACTIVITIES</b>	Simplified processes have reduced order and delivery time, yet competitive principles are not always followed and opportunities may be missed for less costly services and products.	6 – 9, 19 – 21, 32
<b>INFORMATION TECHNOLOGY</b>	Technology applications have increased exponentially as “E-Gov” is used to better manage operations and interface with the public, but complex integration and security issues exist.	10 – 14
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.	14 – 17
<b>HUMAN CAPITAL</b>	GSA's corporate knowledge is eroding and efforts to obtain requisite skills for the future are impeded. Better recruitment and training programs are needed to develop the 21st century workforce.	17 – 18
<b>AGING FEDERAL BUILDINGS</b>	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	No Reports This Period

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## Foreword

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*This is my first Semiannual Report to the Congress. Since my arrival at GSA I have been impressed by the Agency's broad range of responsibilities, and by the people who carry them out. I have also been very much impressed by the abilities and commitment of the people of the Office of Inspector General (OIG), and their dedication to working with the Agency to bring about positive change and to protect the integrity of GSA's programs and operations.*

*Like everyone else, we in the OIG were shocked and deeply saddened by the tragic events of September 11th. The terrorist attacks on the World Trade Center and the Pentagon, along with subsequent events, have fundamentally altered the environment in which we all work and live. The terrible loss of life and massive destruction of property will not be forgotten. At the same time, there has been reflected in the response of people at the scene and in the weeks subsequent to the attacks, a level of courage, determination and generosity that defines the human spirit at its best. I would like to take this opportunity to commend the personnel of GSA and the OIG for their actions in the wake of the terrorist attacks.*

*In both New York and Washington, GSA personnel immediately joined with other Federal, state, and local officials to assist with rescue and recovery efforts. Federal Protective Service officers, within minutes of the attacks and without regard for their personal safety, began evacuating personnel from government work spaces and assisting with search and rescue efforts. In the days after September 11th, GSA effectively mobilized to provide over a million square feet of temporary office space for displaced Federal employees and for disaster relief teams from other Federal agencies. Working with other agencies and contractors, telephone, data lines and other telecommunication systems were restored in remarkably short order. GSA personnel throughout the regions quickly provided disaster relief and recovery organizations with needed supplies and equipment, including protective gear for recovery workers, desks and office equipment, and trucks, buses, and other vehicles to transport people and equipment where needed. GSA should be congratulated for its leadership and truly exceptional efforts in getting our affected Federal communities back in action.*

*I am particularly proud of how the OIG responded. Personnel from our New York Office assisted with recovery efforts at the site. At the request of the Federal Bureau of Investigation (FBI), Special Agents from New York and Boston immediately began providing investigative assistance to the FBI Terrorism Task Force. We are continuing to assist the FBI in these efforts. Also, Special Agents from our other regions have volunteered to participate in the Federal Air Marshal program, and will be serving interim duty onboard commercial flights until the Air Marshal corps can be fully staffed. This kind of response on the part of GSA and our office is reflective of the dedicated and selfless service rendered by public employees and others in recent weeks.*

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## Foreword

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*While tragic events like we have just experienced naturally tend to overshadow normal day-to-day activities, this report, as required, reflects the full range of key OIG activities for the 6 months from April through September 2001. As detailed within, this has been a very productive period for the OIG. We have continued our efforts to address the major management challenges facing GSA, as well as a number of other important programmatic and operational issues.*

*Our activities produced over \$32 million in savings from management decisions on audit financial recommendations, and from civil settlements and investigative recoveries. The Executive Summary which follows highlights our work and directs the reader to more specific, detailed information within the report.*

*As I begin my tenure as GSA's Inspector General, I look forward to continuing to build on the OIG's traditions of excellence and service. I am honored by and welcome the opportunity to work closely with GSA's leaders and the Congress to help ensure the effectiveness, efficiency, and integrity of the Agency's programs and operations.*

*Daniel R. Levinson  
Inspector General  
October 31, 2001*

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## Summary of OIG Performance

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### ***OIG Accomplishments***

**April 1, 2001 - September 30, 2001**

Total financial recommendations \$24,670,418

These include:

• Recommendations that funds be put to better use \$23,584,287

• Questioned costs \$1,086,131

Audit reports issued 83

Referrals for criminal prosecution, civil litigation, and administrative action 322

### ***Results Attained***

Management decisions agreeing with audit recommendations; civil settlements; and court-ordered and investigative recoveries \$32,129,882

Indictments and informations on criminal referrals 23

Cases accepted for criminal prosecution 23

Cases accepted for civil action 4

Successful criminal prosecutions 20

Civil settlements 3

Contractors/individuals debarred 22

Contractors/individuals suspended 44

Employee actions taken on administrative referrals involving GSA employees 23

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## *Fiscal Year 2001 Results*

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During Fiscal Year (FY) 2001, OIG activities resulted in:

- Over \$102 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- Management decisions to put funds of \$98 million to better use based on OIG recommendations.
- 198 audit reports that assisted management in making sound decisions regarding Agency operations.
- 2 implementation reviews that tracked the progress of actions in response to internal audit reports.
- \$131 million in management decisions agreeing with audit recommendations; civil settlements; and court-ordered and investigative recoveries.
- 219 new investigations opened and 216 cases closed.
- 55 case referrals (93 subjects) accepted for criminal prosecution and 17 case referrals (22 subjects) accepted for civil litigation.
- 51 criminal indictments/informations and 43 successful prosecutions on criminal matters referred.
- 5 civil settlements.
- 38 employee actions taken on administrative referrals involving GSA employees.
- 75 contractor/individual suspensions and 28 contractor/individual debarments.
- 366 legislative matters and 65 regulations and directives reviewed.
- 2,161 Hotline calls and letters received of which 246 warranted further GSA action.

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## Executive Summary

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During this period, the OIG continued to direct its audit, investigative, and evaluative resources to activities that address what we believe to be the major management challenges facing the Agency. We provided a variety of traditional services, including program evaluations; contract and financial auditing; management control reviews; and investigative coverage and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. We also continued to provide professional assistance through enhanced consulting services, alert reports designed to quickly inform management of potentially serious deficiencies, and reviews of proposed legislation and regulations.

### **Management Challenges**

We have highlighted a number of our reviews that address major management issues facing GSA. In November 2000, we identified to members of the Congressional leadership the most serious management challenges currently facing the Agency. Some of these challenges are in the areas of Federal facilities and personnel protection, procurement activities, information technology, management controls, and human capital. Our efforts during this period focused on the following:

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

#### Security within Federal facilities

GSA is responsible for developing and managing a physical security program aimed at protecting Federal buildings and the people who work in and visit those buildings. Since the bombing of the Murrah Federal building in Oklahoma City, the OIG has continuously assessed GSA's physical security program. We have issued over 25 audit and special alert reports recommending corrective actions and improvements in all aspects of the program. GSA management has been responsive to our work and has implemented many program enhancements. However, improving physical security is an ongoing challenge for GSA and for the OIG – a challenge greatly magnified by the terrorist attacks of September 11th, and subsequent events (pages 2-3).

As this reporting period ended, we were nearing completion of our nationwide review of the implementation of GSA's enhanced Federal Security Risk Management Program, a survey process designed to identify vulnerabilities of individual buildings and assess the adequacy of measures taken to lower the risks. At the same time, we started to make ready for a comprehensive "re-look" at the key elements of the overall security program to determine what progress has been made in addressing previously identified shortcomings and to assess how well the security program is working as a whole.

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## Executive Summary

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### Safety risk prevention and detection

As part of our continuing efforts to help GSA better manage its public buildings program, this period we issued reports dealing with two additional safety related issues: asbestos management and fire prevention. GSA, through its Asbestos Management Program, is responsible for minimizing occupational exposure to asbestos in the buildings it controls. We observed the technical aspects (project specific) and reviewed the administrative aspects of asbestos management in the National Capital Region. We found that the project specific work, aimed at reducing identified or potential hazards and performed by professionals who understand the serious consequences of mishandling asbestos containing material (ACM), was well managed and controlled. However, we found that the administrative aspects of the program need improvement in order to provide proper procedures and controls to ensure health risks are minimized and full regulatory compliance is achieved. We found that a master list of buildings with known ACM was incomplete. It was also revealed that asbestos surveys, intended to inform contractors and building maintenance workers of the location and condition of ACM in a given building, are not updated to reflect the results of additional assessments and abatement work (page 4).

We reviewed fire safety risk management in Public Buildings Service (PBS) facilities. Currently, the Agency's fire safety and prevention activities primarily reside with the Fire Protection Engineers, located in 10 of GSA's 11 regional offices. These individuals are responsible for conducting building surveys, assessing the adequacy of fire safety systems, and conducting prevention training. We found fire safety and prevention within GSA is not a coordinated endeavor and numerous inconsistencies exist with regard to fire safety activities. Most facilities reviewed had some fire safety risk conditions that posed unacceptable, but correctable, risk to the property, its occupants, and visitors. In one case, we issued an Alert Report to management after observing numerous system and structural deficiencies in a facility housing 2,500 Federal employees (page 5).

### Procurement Activities

### MAS contracting program

GSA's Multiple Award Schedule (MAS) contracting program has grown from sales of \$5.6 billion in FY 1997 to \$13.6 billion in FY 2000. As the MAS program has grown, certain program fundamentals, including pricing objectives and other pricing tools, have been marginalized. These fundamentals, which are set out by regulation, include the mandate for most-favored customer (MFC) pricing, the requirement to perform meaningful price analysis when awarding or extending contracts, and the use of preaward audits to assist in negotiating contracts. An OIG review revealed that the Federal Supply Service (FSS) was not consistently negotiating MFC pricing on the photocopier and IT schedules. This

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## Executive Summary

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occurred because FSS was not fully leveraging the government's aggregate buying power and because it often failed to properly evaluate differing terms and conditions. We noted that on the photocopier contracts alone, in the 1998 - 1999 time period, contracting officers sustained only \$3.8 million or about 2 percent of the \$199 million in recommended cost avoidances. We also found that over 50 percent of the sample of the MAS contract extensions we reviewed were extended without a meaningful or vigorous price analysis. Finally, we noted significant decreases in the number of requests we received from FSS for preaward audits, even as MAS sales skyrocketed. In FY 1990, 211 requested preawards were conducted, while in FY 2000, 23 were requested and conducted (page 6).

We performed a limited review of the award and administration of a vendor's 5-year, \$73 million MAS contract. The contracting officer (CO) wrote that because he was able to obtain improved prompt payment discounts, the prices provided by the vendor were deemed fair and reasonable. We found no support for this conclusion by the CO. We also learned that during negotiations, FSS contracting personnel accepted a weakened version of a contract clause that in its standard version is designed to afford the government pricing protection throughout long-term contracts (page 8).

### Information Technology

GSA is developing and implementing Electronic Commerce (EC) systems in order to enhance the Agency's buying and paying functions, improve customer service, and support internal business operations. Because EC systems are linked to the Internet, they face increased risks of unauthorized use. Our review of nine selected EC systems found that the absence of clear leadership within GSA has left the Services, Staff Offices, and regions without guidance on how best to implement and ensure security for GSA's expanding EC-based business operations. We noted that two-thirds of the EC systems lacked completed security plans. In addition, all of the security plans contained weaknesses because critical system controls were not included. Finally, continuity and contingency planning documentation was lacking in most of the security plans that had been developed. Our recommendations included ensuring the security plans for EC systems fully identify system security requirements and necessary controls (page 10).

### Electronic Commerce systems

To meet the requirements of the Government Information Security Reform Act, which focuses on the program management, implementation, and evaluation aspects of Federal information systems security, we updated information on the security status of seven of the systems that were included in our earlier EC systems security review. We found that only

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## Executive Summary

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two of the systems had an approved risk assessment, one had an approved security plan, and two had not begun any of these key security tasks (page 11).

### Metropolitan Area Acquisition Program

The Metropolitan Area Acquisition (MAA) Program was developed by GSA's Federal Technology Service (FTS) as an innovative way to provide better value local voice and data telecommunications services to its Federal customers. The plan was to open a series of competitive procurements that would result in contract awards to more than one vendor per city to ensure ongoing, task-order competition over the life of the contract. Phase I included the cities of New York, Chicago, and San Francisco. The procurement yielded multiple offers, but the winning variance was so great that FTS chose to make a single award in each city. We found that 17 months after Notice to Proceed, the conversion of FTS' users to the MAA Program ranged from only 7 percent to 38 percent. The experience in the Phase II cities we examined (Philadelphia, Buffalo, and Boston) was similar. We provided suggestions for improvement in a number of areas, including customer service and contractor relations (page 13).

### Property Management Centers controls

#### Management Controls

Property Management Centers (PMCs) fulfill the needs and requests of government agencies that occupy space in Federally-owned and leased buildings. Our review of the PMC located in Springfield, Illinois revealed several deficiencies related to its procurement and contract administration functions. We found examples where GSA did not receive services contracted and paid for and construction projects were delivered late. The areas reviewed involved service contracts, construction contracts, temporary duty travel expenses, and personal services contracts. We offered recommendations to strengthen the management controls over the procurement and contract administration functions (page 14).

### Financial management

GSA is in the process of replacing its aging financial accounting system, with a new fully integrated financial management system known as Pegasys. In previous semiannual reports, we cited our concerns that the scope, the timelines for implementation, and the costs associated with the modernization project, were all increasing at a rapid and unabated pace. Subsequently, measures were taken to refocus the project's scope to concentrate on replacement of the core accounting system, with the related systems to be upgraded under separate modernization efforts later. This period we examined the contract vehicles being used to have system engineers and programmers transform the commercial-off-the-shelf (COTS) software into Pegasys, a financial software system tailored to meet GSA's unique business requirements as well as comply with the

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## Executive Summary

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newest governmentwide accounting standards. We noted that, as currently structured, the contractor has few incentives to complete work tasks economically or promptly. Our recommendations encouraged revamping the current agreement to build in incentives beneficial to both parties (page 15).

### GSA SmartPay

During this reporting period, the OIG pursued 51 investigations involving alleged abuse of the GSA SmartPay charge card program. The GSA SmartPay program is the principal vehicle for Federal agencies to acquire charge card services in order to procure goods and services for government offices, travelers, and fleet vehicles. The investigations resulted in two administrative actions against employees, four arrests, two convictions, and restitution of nearly \$150,000 (page 17).

### Human Capital

GSA, as with all Federal agencies, faces the difficult management challenge of acquiring a workforce with the skills and talents needed to meet the demands of the 21st century. To help GSA meet this challenge, we performed a benchmark review of other Federal agencies and several private organizations as to how they were assessing their progress in accomplishing this objective. We encouraged GSA to follow the course set by others who have first performed detailed self-assessment studies that serve as the foundation for further analyses and action on specific human capital issues such as recruiting, retention, succession planning, and skills development (page 17).

### Other Reviews of GSA Programs

### Energy review

GSA's Natural Gas Program, administered by the Agency's National Center for Utilities Management, offers Federal facilities an opportunity to realize cost savings by purchasing utilities from independent contractors rather than a local utility company. PBS awards contracts to independent suppliers, who transport the gas to a local utility company over various interstate pipelines. The local utility company delivers it through its own distribution system to an end-user facility. GSA reported savings of over \$16 million for FY 2000. After a review of the program, we offered recommendations to improve the billing and collecting processes (page 23).

### PBS accounting for costs

PBS needs accurate information concerning the revenues and expenses incurred for each property it manages. At the request of GSA management, we reviewed the allocation methods used by PBS to properly assign costs to specific individual properties. Our review determined costs were properly classified, consistently recorded, and charged to the appropriate buildings in the regions (page 24).

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## *Executive Summary*

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### Fraud recoveries

#### ***Other Procurement and Related Activities***

During this period, we worked with the Department of Justice to obtain nearly \$1 million in civil settlements from several contractors for potential false claims and contract violations on matters related to providing copying equipment from prohibited foreign sources, providing inaccurate pricing information on computer hardware and software products which led to higher government prices, and overbillings for systems furniture and computer cabling (pages 19-20). Also, as a result of OIG investigations, we were able to obtain restitution of over \$660,000 for fraudulent activities, including duplicate billings for fuel storage tanks and for fictitious orders for computer equipment using a government charge card (pages 20-21).

#### ***Other Criminal Investigations***

As a result of a major OIG-led investigation into corruption in connection with building construction and repair/alteration contracts, a GSA employee received a criminal sentence and five contractors pled guilty to charges of bribery and accepting gratuities. Additionally, five GSA employees and five contractors are still awaiting court action (page 33).

Two separate investigations resulted in the convictions of GSA employees for abusive sexual contact. In one case, a GSA maintenance work inspector pled guilty to charges of abusive sexual contact with female employees who worked for a GSA contractor. In the other case, a GSA mechanic was sentenced after being convicted of abusive sexual contact against a female co-worker (page 33).

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

The OIG made over \$23 million in financial recommendations to better use government funds; made 322 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 238 legislative and regulatory actions; and received 1,074 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$32 million. (See page v for a summary of this period's performance.)

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## OIG Profile

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

### Organization

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

- **The Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office additionally provides advisory and consulting services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative unit that manages a nationwide program to prevent and detect illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review and Congressional liaison functions.
- **The Internal Evaluation Staff**, a multidisciplinary staff that plans and directs field office appraisals and conducts internal affairs reviews and investigations.
- **The Office of Administration**, an in-house staff that provides information technology systems, budgetary, administrative, personnel, and communications services.

### Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, and Washington, D.C. Sub-offices are also maintained in Auburn and Cleveland.

### Staffing and Budget

As of September 30, 2001, our on-board strength was 272 employees. The OIG's FY 2001 budget is \$34.4 million.

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## Management Challenges

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*Each year since 1998, we have identified and shared with Congress and senior management what we believe to be the major challenges facing the Agency. This year, we made recommendations in several major areas that GSA management needs to take steps to address. The OIG is committed to helping to address these issues; it is our mission to assist management in improving Agency operations.*

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

*Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,300 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. In recent years, the increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. The complexities involved in establishing a broadly integrated safety/security program make this a major challenge.*

Since 1996, the OIG has consistently cited the protection of Federal facilities and personnel as one of the key management challenges facing GSA. The terrorist attacks of September 11, 2001, and subsequent events have only too harshly demonstrated the importance of this issue and have put it in a new context. The challenge is a difficult one: the need to ensure appropriate and effective security to protect Federal facilities, employees, and the public, while also ensuring that our buildings and institutions remain open and accessible in keeping with the character of a free society.

The OIG has been continuously involved in the assessment of the physical security programs managed by GSA designed to protect Federal buildings and those who work in or visit these facilities. Subsequent to the 1995 bombing of the Alfred P. Murrah Federal Building in Oklahoma City, the Department of Justice led a task force that developed a new set of security standards for Federal facilities. Since then, GSA has worked to implement these standards. The OIG has assisted in this effort by performing, in a systematic manner, detailed reviews of the major elements of the overall security program.

An effective security program requires that each element be well designed and operate as intended. Weakness in a single part materially increases the risk that the entire protective system will fail; the system will only be as strong as its weakest element. The key elements of the Federal Protective Service (FPS) buildings security program are:

- a contract guard force, supported by the FPS law enforcement officer corps;

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## Management Challenges

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

- an FPS criminal investigative corps, responsible for investigating crime and, more importantly in this context, serving as the focal point for receiving building security-related intelligence from the various law enforcement agencies, and for managing the Agency's intelligence sharing program;
- systems of security/screening equipment and protective devices designed to detect and prevent the introduction of weapons, explosives, or unauthorized personnel; and
- vulnerability assessments designed to evaluate building security risks and develop means to mitigate risks.

### **Security Within Federal Facilities**

Since 1996, the OIG has issued more than 25 audit and special alert reports addressing various aspects of the physical security program. The results, especially in our earlier efforts, frequently reported serious systemic operating shortcomings. GSA management has been responsive to our findings and has implemented many corrective actions and enhancements.

Each year, we have extended our coverage of additional major aspects of the security program. We are conducting a national review examining how FPS is implementing the new risk assessment methodology designed to adequately address potential threats to Federal facilities. When finished with this risk assessment audit, we will have completed major audits of all aspects of GSA's physical security program.

This by no means will complete our work. While we have seen substantial improvements in the overall security program since we started our evaluation work, both we and GSA management are aware that the program still faces many challenges – challenges that have been greatly expanded in nature and dimension by the recent terrorist events.

The physical security program is an ongoing priority for GSA management and our office alike. We look forward to continuing to work with program officials to help fashion performance measures and control and tracking systems, and to otherwise address any identified problems or develop enhancements to help improve the security of our public buildings. The overriding goal for management must be to make the process of reviewing performance, responding to deficiencies, and monitoring conditions a seamless part of its ongoing operations and practices.

***While there have been substantial improvements, the security program still faces many challenges, greatly magnified by the recent terrorist events.***

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## Management Challenges

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

#### **Safety Risk Prevention and Detection**

This period, we reviewed two areas that present additional kinds of safety risks.

#### **Asbestos Management**

Asbestos, once a commonly used substance found in many building materials, is now known to release fibers into the air that can cause significant health dangers. GSA is responsible for minimizing occupational exposure to asbestos in the buildings it controls. In the National Capital Region, nearly 200 government-owned or leased buildings have known asbestos-containing material (ACM). Through the Asbestos Management Program (Program), GSA manages asbestos in place where it is in good condition, and promptly takes abatement action where asbestos material is damaged or subject to disturbance by routine operations or planned renovations.

We observed the technical aspects and reviewed the administrative aspects of asbestos management in the Region. The technical aspect represents the work carried out by the industrial hygienists, abatement contractors, and other technical professionals who understand the serious health consequences of mishandling asbestos-containing material and employ their expertise to minimize the risk of exposure to workers and tenants. This work is typically project-specific and appears to be well-managed and controlled. The administrative aspect is concerned with procedures and controls that govern the general Program objective of managing asbestos in place, and provides assurance that overall health risks have been minimized and that full regulatory compliance has been achieved. Here, we believe improvements are needed.

The Program master list, which should include all buildings in the Region which have had ACM, whether or not abated, was incomplete. Some buildings that have been substantially abated, and even several that currently have known ACM, had been dropped from the inventory. We concluded that a historical record of all buildings that have ever been identified as containing asbestos should be maintained so that a full reconciliation between the asbestos program area of responsibility and the complete GSA building inventory is possible.

Asbestos survey reports should be used to inform contractors and building maintenance workers of the location and condition of all identified ACM in a given building. However, we found that the majority of these surveys are not updated to reflect the results of additional assessments and abatement work.

***Responses to specific asbestos hazards are effective, but some program management issues need more attention.***

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## **Management Challenges**

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

Although the majority of building managers believed their maintenance workers had received site-specific training, the workers surveyed did not believe they had received this type of training. A building-specific training program that incorporates the ACM survey could increase workers' asbestos awareness, emphasize appropriate work practices, and strengthen program safety.

In our September 6, 2001 report, we offered a series of recommendations to help improve Program accountability and provide the measurable, reliable data needed to demonstrate an effective management-in-place strategy.

The Acting Regional Administrator, National Capital Region, agreed with the recommendations included in our report. The audit is still in the resolution process.

### **PBS's Fire Safety Risk Management**

GSA endeavors to provide a functional, safe, and healthful work environment for the more than 8,300 Federally-owned and leased facilities it manages. An effective fire safety program would help achieve this objective. GSA must promote safety policies to assess risk, make decision-makers aware of risk, and act promptly and appropriately in response to risk.

PBS's record in the prevention of loss of life due to fires is commendable, with no fatalities during the period January 1990 through September 2000. However, during this same period, PBS properties experienced 19 major fires, resulting in an estimated \$32 million in damage to real and personal property. The most serious of these was an electrical fire in a leased facility that caused \$16 million in property damage. The extensive damage was attributed, in part, to the lack of fire sprinklers in the area where the fire started.

The PBS Central Office was responsible for directing and coordinating Agency-wide fire safety policies and procedures prior to 1995. Currently, the Agency's fire safety and prevention activity principally resides in its regional offices, with Fire Protection Engineers (FPEs) as the primary focal point. There are 22 FPEs dispersed throughout 10 of GSA's 11 regional offices, with one region having had no FPEs since 1994. These individuals perform design reviews, conduct building safety surveys, assess the adequacy of fire safety systems, conduct fire safety and prevention training, and consult with regional officials on fire safety matters.

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## Management Challenges

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

Fire safety and prevention within GSA is no longer a coordinated endeavor; there are numerous inconsistencies in the regional fire safety activities. The average number and square footage of buildings for which each FPE is responsible varies extensively. The time FPEs allocate to significant fire risk prevention and detection activities also varies across the regions. Due to the very large numbers of buildings for which some FPEs are responsible, along with other duties, GSA can have only limited assurance that fire safety risks are being promptly identified and mitigated.

***Most buildings reviewed had some unacceptable, but correctable, safety hazards.***

We found that most of the facilities reviewed had some fire safety risk conditions that posed unacceptable, but correctable, risk to the property, its occupants, and visitors. In the most serious case, we issued an Alert Report to management after observing numerous system and structural safety deficiencies at a leased facility housing 2,500 Federal employees. We noted the absence of building-wide automatic sprinklers, smoke detectors, and visual fire alarms; a lack of emergency power for fire pumps and elevators; and inadequate stairwell egress. All of these factors posed risks that needed to be acted upon promptly. In response to the report, management is taking action to expedite the installation of an automatic sprinkler system and is investigating the installation of a partial smoke detection system.

In our September 18, 2001 report, we recommended that the Commissioner, Public Buildings Service, implement a comprehensive fire safety management system that focuses on a national fire safety strategy. We are awaiting management's response.

### ***Procurement Activities***

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

#### **MAS Contracting Program**

GSA's Multiple Award Schedule (MAS) contracting program, which is administered by FSS, has grown significantly in recent years. It has become one of the major vehicles through which government agencies purchase commercial products and services. In FY 1997, the MAS program generated \$5.6 billion in sales; in FY 2000, sales under the program had grown to \$13.6 billion.

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## Management Challenges

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**Contracting officers are not consistently using available tools to negotiate favorable MAS contract prices.**

### ***Procurement Activities (continued)***

A review conducted by the OIG examined how well FSS contracting officers (COs) are adhering to MAS pricing fundamentals. These fundamentals, which are set out by regulation, include the mandate for most-favored customer (MFC) pricing so as to ensure volume pricing is achieved; the requirement to perform meaningful price analysis when awarding or extending contracts; and the use of preaward audits to assist in negotiating contracts. Our review concluded that these program fundamentals have been marginalized. The resulting report had three findings:

- *FSS is not consistently negotiating MFC prices.* We reviewed contract negotiations on three different schedules – photocopier, information technology (IT), and furniture – awarded by FSS in the 1998-1999 time period. We found that, of the 11 copier contracts reviewed, COs achieved MFC pricing in only 1 negotiation; of the 14 IT contracts reviewed, COs achieved MFC pricing in 4 negotiations; and, of the 6 furniture contracts reviewed, COs achieved MFC pricing in 5 negotiations. Our review indicated that COs failed to achieve MFC pricing principally because they failed to target commercial pricing at a level commensurate with government sales; they rejected better commercial pricing rather than evaluating and quantifying differing terms and conditions; and they too readily accepted vendors' unsubstantiated or inaccurate information regarding pricing practices. Preaward audits of the contracts in the study recommended cost avoidances of \$309.6 million. Overall, COs actually negotiated only \$18.2 million, or 5.9 percent, of this amount in savings through pricing improvements under these contracts. On the photocopier contracts, COs sustained only \$3.8 million, or about 2 percent, of the \$199 million in recommended cost avoidances. This compares to a 71.4 percent sustained rate achieved on photocopier contracts for the period FY 1990-1997.
- *Many MAS contract extensions are accomplished without adequate price analysis.* A variety of regulatory and other provisions require that COs, at the time of extension, determine that prices are fair and reasonable. COs must document the analysis performed and rationale used to determine that exercise of the option to extend was in the best interest of the government. The OIG review found that, of the 80 contracts reviewed, 44 of those were extended without a meaningful or vigorous price analysis. In these 44 cases, we found no documentation indicating that a CO had asked for updated pricing information (or obtained a statement that pricing had not changed since initial award), performed market research, or requested a preaward audit to evaluate the offer.

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## Management Challenges

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### **Procurement Activities (continued)**

- *Preaward audits are not being used effectively to negotiate better MAS prices.* Preaward audits are provided to COs in advance of negotiations to assist COs in negotiating favorable pricing, and, for MAS contracts, typically focus on a vendor's commercial sales practices. We found that the number of preaward audits requested for MAS contract actions has decreased significantly in recent years, even as total sales under MAS contracts have increased dramatically. In FY 1990, 211 preawards were conducted. In FY 1997, the year GSA issued a General Services Acquisition Regulation rule emphasizing preawards, only eight were requested and performed. In FY 2000, a year during which MAS sales amounted to \$13.6 billion, just 23 preaward audits for contracts with \$694 million in projected sales were requested and conducted.

We reported our findings and recommended actions to FSS management officials on August 24, 2001. The review is an OIG position paper. Accordingly, it is not subject to the formal audit resolution process.

### **MAS Contract**

We performed a limited review of the award and administration of a vendor's 5-year, \$73 million MAS contract with GSA for photographic equipment and supplies, which revealed that the CO wrote that because he was able to obtain improved prompt payment discounts, the prices provided by the vendor were deemed fair and reasonable. We found no support for this conclusion by the CO. We also learned that during negotiations, FSS contracting personnel accepted a weakened version of a contract clause that in its standard version is designed to afford the government pricing protection throughout long-term contracts.

In our July 31, 2001 report, we recommended that the Chief, Photographic and Support Branch, Office and Photographic Equipment Division, ensure that the contract clause required by GSA's procurement regulations is included in the vendor's upcoming corporate contract.

Management officials agreed with our recommendation in the report. The audit is still in the resolution process.

### **Procurement Center Follow-up Review**

We conducted a follow-up review of the operations of FSS's Hardware SuperStore located in the Heartland Region. In a 1999 audit of this organization, previously known as the Hardware and Appliances Center, we identified major risks to fulfillment of the Center's mission to provide

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## Management Challenges

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**Efforts to improve contracting have yet to alleviate MAS pricing concerns.**

### **Procurement Activities (continued)**

high quality and reasonably priced products in a timely manner. We reported that COs did not adhere to important procurement directives, price analyses, and negotiating techniques in awarding MAS contracts.

This period's follow-up review showed that while FSS has developed adequate contract inventory systems and increased management emphasis on staff training, concerns remain regarding fair and reasonable pricing on MAS contracts. The SuperStore's acquisition personnel still tend to place significant reliance on unverified contractor-submitted commercial sales practices information in the determination of fair and reasonable pricing for MAS contract awards and modifications. Although file documentation sometimes indicated there were critical pricing issues to be considered, there was no indication these issues were raised by contracting officials during negotiations.

Our September 28, 2001 report recommended that the FSS implement a strategic risk assessment process to evaluate the impact on the government if competitive pricing and terms were not obtained.

Management agreed with our recommendations in the report. The audit is still in the resolution process.

### **FTS's Millennia Program**

In 1999, the Federal Technology Service (FTS) established the Millennia Program, a multiple award contract vehicle designed to provide customers with software engineering, communications, and systems integration services. Individual Millennia task orders are for large, complex projects, with a minimum threshold of \$10 million and a duration of more than 1 year. GSA had awarded 23 Millennia task orders through March 2001, with a value of approximately \$2.25 billion.

We reviewed this Program because of concerns that other GSA programs are providing similar services and may be more appropriate to meet the needs of customer agencies. We concluded that the Millennia task orders issued by GSA were used for the types of projects for which the Program was designed and were more suitably structured to provide the requested services than other similar GSA contracting programs.

Additionally, we found that customer agencies are satisfied that GSA is providing acceptable solutions at reasonable prices. The customers indicated satisfaction with the quality of services they receive from both GSA and the Millennia contractors.

Our August 21, 2001 report contained no recommendations and is not subject to the audit resolution process.

**The Millennia Program does not duplicate other FTS contracting programs and meets customer needs.**

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## Management Challenges

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### **Information Technology**

*GSA, like most agents of government, is growing increasingly reliant on automated information systems, the Internet, and all forms of telecommunications. With this explosive growth has come a marked increase in the numbers of willful disruptions to these systems from criminals, terrorists, or vandals. The protection of systems, resources, and privacy is essential, thus making IT security one of the highest priorities.*

### **Information Systems Security**

The application of information technology (IT) has become increasingly prevalent within the government and impacts all aspects of business operations. GSA relies on its automated information systems to perform its mission and manage its operations. Many of these systems store sensitive information, such as personal employee data and contractors' proprietary data. Good IT security practices are essential in today's business environment. As GSA increasingly interconnects the Internet and its own Intranet, security risks also increase significantly.

### **Electronic Commerce Systems Security**

GSA is developing and implementing Electronic Commerce (EC) systems in order to enhance the Agency's buying and paying functions, improve customer service, and support internal business operations in a changing and increasingly competitive business environment. Conducting business through EC requires the exchange of information within government, and between the government and private industry or individuals. Because they are linked to the Internet, EC systems face increased security risks of unauthorized use, disclosure, or modification of the information in those systems.

While GSA is performing an important leadership role in Federal efforts to develop and implement EC security technologies governmentwide, and has established the Office of Electronic Commerce, we found no organizational unit in place to lead the Agency's internal EC initiatives and security. Our review of nine selected EC systems found that the absence of a lead unit within GSA has left the Services, Staff Offices, and regions without guidance on how best to implement and ensure security for GSA's expanding EC-based business operations. An overall unified approach for planning and implementing GSA's internal EC security solutions is needed to ensure that security requirements for EC systems have been adequately developed and that additional security measures are considered for these sensitive and mission-critical systems.

GSA's Chief Information Officer has issued an Information Technology Security Policy for the Agency and has established a new Center of

**Security for  
Electronic  
Commerce  
systems has not  
kept pace with  
GSA's increasing  
dependence on  
them.**

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## Management Challenges

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

Expertise (COE) for IT security to assist with systems security, but the CIO's policy does not provide specific guidance for ensuring adequate security for EC systems. With our review of the nine selected EC systems we found that risks with system interconnections, transmission of sensitive data, and unauthorized access were not managed consistently and according to requirements for IT security. At the time of our review, GSA guidance lacked clear direction for determining risks with EC system interconnection, information sharing, and access authorization and management.

Two-thirds of the GSA EC systems that we reviewed lack completed security plans, which are needed as a first step in understanding and managing risks, establishing security controls, and assigning key security roles and responsibilities. All of the security plans we reviewed contained weaknesses in that certain critical system controls were not included. Continuity and contingency planning documentation, critical to maintaining essential operations and protecting data in the event of system disruption, was lacking in most of the security plans that have been developed. Security plans for some EC systems did not clearly address personnel security controls. Because the greatest harm or disruption to a computer system often results from individuals who have authorized access to the system, it is important that personnel security controls, such as adequate background checks, security clearances for access to sensitive data, and separation of duties are documented in security plans.

In our June 21, 2001 report, we recommended that GSA's Chief Information Officer ensure that the security plans for EC systems fully identify system security requirements and necessary controls.

The CIO concurred with the recommendations in the report. The audit is still in the resolution process.

Since our review, the CIO has tasked the new COE to provide a more substantial leadership role in ensuring EC systems security. Steps taken by the COE to improve security for GSA's systems were reflected in our Government Information Security Reform Act review, highlighted below.

### **Information Security Program**

We performed a review of GSA's Agency-wide Information Security Program and controls for select systems, as required by the Government Information Security Reform Act (GISRA) of October 2000. GISRA

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## Management Challenges

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

focuses on the program management, implementation, and evaluation aspects of security for Federal information systems. As such, our audit focused on the Information Technology Security Program within GSA's Office of the Chief Information Officer (CIO). We also updated information on the security status of select EC systems in the Office of the Chief Financial Officer (CFO), Public Buildings Service, Federal Supply Service, and the Federal Technology Service. Specifically, we reviewed seven of the nine systems that were included in our earlier EC systems security review, described above.

***GSA does not have a cohesive Agency-wide IT security program, but is working on it.***

GSA's CIO has issued an IT security policy aimed at: (1) assigning responsibilities for implementing, managing, and maintaining the GSA IT Security Program; (2) ensuring the availability, integrity, and confidentiality of IT resources and information processed; and (3) achieving appropriate levels of protection against threats and vulnerabilities. The policy states that the CIO is responsible for preparing, approving, and promulgating Agency-wide IT security policies that require coordination with the Agency's CFO and the Critical Infrastructure Assurance Officer. However, GSA's IT Security Program has not provided a process for the three management officials to work together to develop specific measures of performance to ensure that Agency-wide IT security goals are being met.

The recently formed IT Security Center of Expertise, within the Office of the CIO, is leading efforts within the Agency to plan, develop, and maintain an Agency-wide IT security program. It has recently begun to track the IT security status of 42 major systems across GSA. However, processes to ensure that the CIO's recommended security procedures and control techniques are followed have not yet been established in an Agency-wide IT Security Plan for GSA. For the seven EC systems that we reviewed, we evaluated progress for key security tasks, including risk assessments, certification and accreditation, security plans, and system testing and evaluation. We found that only two systems had an approved risk assessment, only one of the systems had an approved security plan, and two of the systems had not begun any of these key security tasks.

We also analyzed IT security information captured in the Information Technology Investment Portfolio System (I-TIPS), which provides an automated format for GSA's Services and Staff Offices to provide capital planning and IT investment information. Our analysis of GSA's FY 2002 data showed that 36 of the 108 IT initiatives listed in I-TIPS were considered mission critical; however, only 16 of these initiatives identified specific funding allocated to IT systems security.

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## Management Challenges

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

The Center of Expertise has launched an effort to create an Agency-wide security awareness, training, and education program based on guidance developed by the National Institute of Standards and Technology (NIST). GSA should conduct a comprehensive assessment of the knowledge, skills, and abilities of information systems security professionals within the Agency and establish a formal training curriculum.

Our review is included as part of the Agency's budget submission to the Office of Management and Budget. As the review was required under GISRA, our September 18, 2001 report contained no formal recommendations and is not subject to the audit resolution process.

### **Metropolitan Area Acquisition Program**

GSA's Federal Technology Service (FTS) provides local voice and data telecommunications services to Federal agencies nationwide and strives to create better value services for its customers through aggregate purchasing power and innovative procurements. One of the innovations was the Metropolitan Area Acquisition (MAA) Program, conceived as a means to take advantage of the benefits created by the Telecommunications Act of 1996.

FTS's strategy was to open a series of metropolitan or city-based competitive procurements that ideally would result in contract awards to more than one vendor per city to ensure ongoing, task-order competition over the life of the contract. The Phase I pilot included the cities of New York, Chicago, and San Francisco, each with a number of service providers who could compete for contract awards. The procurement yielded multiple offers, but the winning variance was so great that FTS chose to make a single award in each city. The winning vendor was offering potential savings of as much as 80 percent over the existing government rates. Transition of phone service from the incumbent local exchange carrier to the vendor proceeded slowly, and management asked us to assess the factors influencing implementation speed.

We found that although FTS had established a 9-month transition goal, 17 months after Notice to Proceed, the conversion of FTS's users to the MAA Program ranged from only 7 to 38 percent. The experience in the Phase II cities we examined (Philadelphia, Buffalo, and Boston) was similar.

Our review also found that the expectations of FTS, the contractors, and customers, as reflected in the transition plans, might have been overly ambitious. A 9-month transition goal was perhaps not appropriate as the

***FTS's plan to convert users to the MAA Program within 9 months may have been overly ambitious.***

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## Management Challenges

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

measure of program implementation success, and falling short of that goal should not be looked upon as a program failure. The newly deregulated environment is complex and unsettled. FTS could not have foreseen all influences impacting the Program's implementation speed. However, there are factors over which FTS has influence. We provided suggestions for improvement in a number of areas, including:

*Customer service.* Customers asked for a wider array of contract choices. Customer preferences ranged from some who would like to deal directly with the vendors to some who would like FTS to provide services from the earliest stage of defining the contract requirements all the way through complete implementation. Several customers also expressed their interest in having FTS personnel communicate with them more often regarding project status.

*Contractor relations.* FTS can temper implementation inefficiencies by improving aggregate purchasing and communication. Our review suggested it would be beneficial to solicit for additional contractors in single award cities, allocate minimum revenue guarantees program-wide, specify roles and responsibilities for each task, negotiate service delivery intervals by task, assign local FTS project coordinators, require transition plan updates, and consolidate orders by location. FTS has taken steps to increase the number of vendors vying for awards.

We were able to provide FTS a number of suggested improvements to the MAA Program for its consideration. Our April 11, 2001 report contained no formal recommendations and is not subject to the audit resolution process.

### ***Management Controls***

*Multiple management controls have been replaced, through reinvention initiatives, by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.*

### **Property Management Center**

GSA has the responsibility to provide fully-serviced space to house government agencies in Federally-owned and leased buildings. Property Management Centers (PMCs), located throughout the country, fulfill the needs and requests of tenant government agencies. In general, PMC activities include procurement, asset management, and contract and lease administration.

This period, we completed our review of the PMC located in Springfield, Illinois, where we noted several deficiencies. As further detailed below,

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## Management Challenges

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**Property Management Center needs to improve its procurement and contract administration functions.**

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

the PMC needs to improve its procurement and contract administration functions.

- *Service Contracts.* No evidence or documentation was found to indicate that building elevators received 5-year load tests or independently prepared semiannual safety inspections. Service contractors did not develop and implement the required quality control programs for 16 of the 17 performance-based service contracts included in our audit sample. Finally, the government did not receive the quality of cleaning required by the eight janitorial contracts we reviewed.
- *Construction Contracts.* Over 25 percent of the construction projects reviewed were delivered at least a month late. PMC personnel often did not perform thorough and accurate final inspections of construction work before authorizing payment. In some cases, the PMC allowed construction to begin before having a contract in place, and two final inspection reports showed the work had been completed before the contracts were awarded.
- *Temporary Duty Travel Expenses.* Travel regulations were breached when the PMC employees were not reimbursed for travel expenses. PMC employees stayed in leased apartments for periods exceeding 12 months, contrary to Federal Travel Regulations and possibly causing them to incur income tax liabilities.
- *Personal Services Contracts.* The PMC has entered into personal services contracts between the government and a contractor for temporary labor services. In general, Federal Acquisition Regulation provisions prohibit personal services contracts.

Our September 5, 2001 report offered recommendations to strengthen the management controls over the procurement and contract administration functions.

The Regional Administrator generally agreed with the recommendations in the report. The audit is still in the resolution process.

### **Pegasys Contract Administration**

GSA's Office of the Chief Financial Officer (CFO) is currently in the process of replacing the Agency's aging core financial management system, the National Electronic Accounting and Reporting (NEAR) system. NEAR is mainframe-based, expensive to maintain, and not easily adapted to change. Additionally, it does not support the United States Government's Standard General Ledger or provide other capabilities required by mandated financial standards.

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## Management Challenges

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

The initial modernization plan called for a 3-year implementation process at a cost of around \$35 million. As the Agency began to recognize that many other major financially-related systems were also in need of modernization, these were brought under the umbrella of the Pegasys upgrade program. Growth of requirements and associated costs were so extensive that by the time we issued our first Alert Report, in September 2000, implementation plans had stretched to 6 years and cost estimates had climbed to over \$130 million. Subsequently, the Pegasys project has been re-scoped and again is refocused on implementing a new core accounting system. The current major implementation objective is to have the Standard General Ledger operational by October 2002.

A commercial-off-the-shelf (COTS) financial management product is the foundation of the new system. Purchase of the basic software was through a fixed price contract. No system readily meets all of GSA's needs or the newer governmentwide financial standards. Accordingly, GSA has had to contract with the systems software vendor to provide extensive technical support and modifications under specific task requests.

Payment to the vendor for support services is based on hours worked by the contract personnel to fulfill a request, at established hourly rates contained in the contract, rather than for having provided a specific service or completed a defined task that meets established performance quality standards for a specific fee. There are no incentives in the contract to control the number of hours used or to expedite completion of tasks. Adopting performance-based contracting methods would provide the means to ensure that the appropriate performance quality level is achieved and that payment is made only for services that meet contract standards.

The CFO is working with the Office of Acquisition Policy to determine ways of introducing performance-based contracting methods into the Pegasys contracting process, and is committed to incorporating positive and negative incentives, where possible, into the FY 2002 task orders with the contractor.

The CFO has taken positive steps to gain better control over the development and implementation process. The CFO has engaged government consultants and commercial sources to assist in the identification of steps that can be taken to gain better control over the cost and timeliness of the project.

In our July 31, 2001 report, we offered recommendations to the CFO regarding performance-based contracting and incorporating positive and

***While Pegasys has experienced significant delays, the CFO has taken positive steps to gain better control over the development and implementation process.***

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## **Management Challenges**

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

negative incentives into the task orders with the contractor. A responsive management action plan was provided for implementing the report's recommendations.

### **Government Charge Card Abuse**

The GSA SmartPay program is the principal vehicle for Federal agencies to acquire charge card services. These charge cards are used by agencies to facilitate the procurement of goods and services for government offices, travelers, and fleet vehicles. As of August 2001, there were nearly 3 million cardholders throughout the Federal Government.

During this reporting period, the OIG conducted 51 investigations involving alleged abuses of the GSA SmartPay charge card program. These investigations are being conducted cooperatively with card issuers, Federal agencies (including the Secret Service and FBI), as well as state and local law enforcement agencies. In an effort to help prevent abuses, we have also made presentations to government and industry representatives and GSA employees related to the SmartPay program and its potential vulnerabilities.

The allegations in these administrative and criminal investigations include employees not complying with card usage guidelines and making personal purchases, as well as other fraudulent activity by government employees and others. Two-thirds of the complaints were received from Agency employees or managers; the rest were reported through the OIG Hotline or developed proactively by the OIG.

Our investigations have resulted in two administrative actions against employees, four arrests, two convictions, and restitution of nearly \$150,000. Our investigations indicate that access to and regular supervisory review of specific transactions would minimize Agency and card issuer risk and losses. We have presented our findings to GSA management and continue to work with them to develop methods to address concerns. The OIG has shared its experience with other Offices of Inspector General to help initiate similar programs and investigations.

### ***Human Capital***

Like many Federal agencies, GSA has an aging workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. The Agency workforce was reduced

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## **Management Challenges**

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

from 20,000 to 14,000 between 1993 and 1999. Much of the downsizing was accomplished through early retirement and buyout authority, and by filling job vacancies sparingly.

Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA. Additionally, Congress and the General Accounting Office (GAO) have identified human capital management policies as a missing link in the government's performance management framework. GAO added this issue to its list of major management challenges facing Federal agencies. Human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills were identified as key areas needing attention. GAO suggested that each Federal agency perform a self-assessment of its workforce planning strategies to identify current and future human capital needs to pursue its mission.

To establish a benchmark regarding whether GSA's efforts are enough to acquire the skills and talent needed to respond to a rapidly changing, increasingly competitive business environment, we looked at other Federal agencies' assessment reports and at private and public sector information concerning human capital management. We reported that GSA has begun the process of ensuring an adequate workforce, and the individual Services and Staff Offices have taken a number of separate steps to address their human capital requirements. While the actions of the Services and Staff Offices advance the workforce planning process within GSA, the Agency needs a unified strategy to ensure that it has highly talented professionals to meet the challenges needed for the 21st century.

We encouraged GSA to proceed with the human capital assessment suggested by GAO. We advised management of the actions taken by several Federal agencies in conducting their workforce self-assessments. The assessments not only demonstrate senior level commitment, but also map out, in an objective fashion, the agencies' human capital requirements to meet current and future demographic and performance challenges. While the experiences of these organizations suggest that successful examination of human capital may be as difficult as it is important, the assessments take less than a year to complete and they respond to a growing sense that more needs to be done to address human capital needs. Because this was a benchmark review, we made no formal recommendations and our July 31, 2001 report is not a part of the audit resolution process.

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## Other Procurement and Related Activities

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*GSA is responsible for providing working space for almost 1 million Federal employees. GSA, therefore, acquires buildings and sites, constructs facilities, leases space, and also contracts for repairs, alterations, maintenance, and protection of government-controlled space. GSA also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas of activity to ensure that the taxpayers' interests are protected.*

### **Significant OIG Accomplishments**

#### **Nearly \$1 Million in Civil Recoveries**

During this period, the government entered into 3 settlement agreements in which companies agreed to pay a total of nearly \$1 million to resolve their potential civil liabilities under the False Claims Act. These agreements, negotiated by representatives of the Department of Justice and the GSA OIG, reflect the ongoing efforts of the OIG to pursue cases involving procurement fraud and other practices that threaten the integrity of the government's procurement process. Highlights of cases follow:

#### **Civil Settlements**

- On April 4, 2001, Savin Corporation and Ricoh Corporation, which owns Savin, paid a total of \$400,000 to resolve their potential liability under the civil False Claims Act for violating the Trade Agreements Act. In 1997, Ricoh and Savin voluntarily disclosed to the government that, contrary to what they had disclosed to GSA during negotiations of two Multiple Award Schedule (MAS) contracts and one basic ordering agreement for the sale of copying machines, they were providing some copiers to Federal customers that were made by prohibited sources. An OIG investigation confirmed that some of the copiers sold to the government were manufactured in the People's Republic of China, and others were manufactured in the Republic of Korea. At the time the relevant sales occurred, those nations were not approved sources under the Trade Agreements Act.
- On September 27, 2001, Presidio Corporation (Presidio), a Florida corporation located in Lanham, Maryland and a dealer of computer hardware and software, agreed to pay \$273,000 to settle the government's allegation that it violated the False Claims Act in the course of its performance of an MAS contract to provide computers, equipment, and software produced by a variety of manufacturers. The OIG investigation and audit was initiated as the result of an OIG

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## ***Other Procurement and Related Activities***

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Hotline complaint. A former employee alleged that Presidio had misrepresented the cost of the products that it was selling to the government. The OIG determined that the company had failed to disclose accurately the prices it paid for products and that the company had not disclosed credits it had received from one of its manufacturers.

- In an agreement signed on August 28, 2001, Commercial Moving and Rigging, Inc. (CMR) agreed to pay \$250,000 to settle its potential civil False Claims Act liability. The government alleged that CMR overbilled GSA for installation of systems furniture and telephone and computer cabling under two blanket purchase agreements (BPAs) and two time-and-materials contracts. An OIG investigation found that CMR had billed GSA for the services of an administrative employee at the much higher hourly rates of a cabler, billed GSA for unnecessary computer aided design drawings, and falsely inflated the number of hours it charged GSA for employee services. The BPAs and the contracts had been sole-sourced to CMR with the assistance of a high-ranking GSA official, who pled guilty in August 2000 to one count of bribery for receiving a \$17,000 payment from CMR for construction work on the official's home, in exchange for directing work to CMR.

### ***SCAT, Inc. and Its President Sentenced for Submitting Fraudulent Claims***

An investigation determined that SCAT, Inc., a fuel tank supplier, was paid \$545,161 based on duplicate invoices and shipping documents. The invoices were based on a requisition to provide 12 large fuel storage tanks to the Arkansas Army National Guard. Resubmission of the requisition by SCAT to GSA caused a second set of false purchase orders to be generated. The president of the company invoiced GSA for two sets of storage tanks and was paid based on false invoices and shipping documents submitted to GSA.

On September 26, 2001, SCAT and its president were sentenced in U.S. District Court for submitting false claims to the U.S. Government and converting payments for the company's own use. The president was sentenced to 15 months in prison without parole, to be followed by 3 years supervised release. He and his company were ordered to pay restitution of \$545,161 for their role in submitting false claims to the government. The company was placed on 5 years corporate probation. Debarment referrals are pending.

***Corporate officer given prison sentence for submitting false invoices to GSA.***

### ***Computer Company Owner Sentenced for Conspiracy***

A joint GSA and U.S. Postal Inspection Service undercover operation documented that a computer equipment company accepted fictitious orders for goods and services never provided. An undercover agent arranged payment for these orders with a government charge card. The government payments to the company were then split with the undercover agent.

On October 18, 2000, both owners of the company pled guilty to conspiracy to commit mail fraud. On June 13, 2001, one of the owners was sentenced in U.S. District Court to 12 months incarceration, given 3 years supervisory probation, and ordered to pay \$120,000 in restitution. A sentencing date has not been set for the other owner.

### ***Job Corps Employee Imprisoned for Credit Card Fraud***

On March 1, 2001, GSA Fleet Management reported possible credit card fraud to the OIG. A joint investigation by GSA, the U.S. Department of Labor, the local police department, and the State's Attorney's Office disclosed that a Job Corps employee used a government credit card to purchase gas debit cards. The employee either sold the debit cards for 50 percent of their face value or returned the cards for a cash refund.

On September 4, 2001, the employee was sentenced in U.S. District Court to 6 years imprisonment and ordered to pay restitution for unlawful use of a government credit card. It was agreed that restitution would be made on all counts of the underlying indictment. The employee was a convicted felon and was ruled in violation of parole for a prior arson conviction. Based on this criminal conduct, he was also sentenced to serve the remaining 2 years of that conviction.

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## Other Reviews of GSA Programs

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*GSA is a central management agency that sets policy in such areas as Federal procurement, real property management, and telecommunications. GSA also manages diversified government operations involving buildings management, supply facilities, real and personal property disposal and sales, data processing, and motor vehicle and travel management. Our audits examine the efficiency, effectiveness, and integrity of GSA programs and operations, and result in reports to management. Our internal audits program is designed to facilitate management's evaluation and improvement of control systems by identifying areas of vulnerability and providing informational and advisory services.*

### Significant OIG Accomplishments

***More detailed information on customer buying habits could lead to new opportunities.***

### **FSS's Marketing Program**

The Federal Supply Service (FSS) has developed a marketing program designed to consistently and efficiently identify markets and customer opportunities, understand what influences its customers, raise Federal employees' awareness of FSS, and establish customer relationships to develop long term sales commitments. The marketing program includes a network of regional marketing managers, customer service directors, the National Customer Service Center, and personnel in FSS's acquisition centers and business lines.

Under the Multiple Award Schedules (MAS) Program, which had sales of over \$13 billion in FY 2000, FSS enters into contracts with commercial firms to provide supplies and services at stated prices for given periods of time. Customer agencies place orders with the contractor and deliveries are made directly to the customer. FSS Marketing has been promoting the MAS program through customer education, mass marketing, and other initiatives.

To enhance its effectiveness, the FSS marketing network has been transforming itself into a customer-oriented organization that collects and analyzes customer information in order to market within the Federal community. However, a primary obstacle in reaching this goal has been the lack of information regarding customers and sales of products and services through the MAS program. FSS surveys customers and collects data from other sources, but because FSS is not involved in the order, sale, delivery, or billing under these contracts, its ability to capture information about its customers' buying habits or the products and services these customers purchase is limited. To obtain a more comprehensive view of its customers, FSS needs to obtain transactional data on MAS customers and sales and develop a system to store, maintain, and analyze this information.

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## Other Reviews of GSA Programs

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A project by FSS's Office of Contract Management may provide the most accurate and complete data on MAS customers. A study to improve the reviews of contractors' practices for reporting sales and paying the Industrial Funding Fee recommends that FSS obtain sales transaction data in electronic format. If FSS can overcome resistance from contractors to provide this data, it will be better able to identify its current customers and their needs.

In our September 13, 2001 report to the Commissioner, Federal Supply Service, our recommendations included that FSS Marketing work to obtain electronic sales data and other customer information from MAS contractors.

The Commissioner generally agreed with our recommendations in the report. The audit is still in the resolution process.

### ***Utility Procurements-Natural Gas Program***

Approximately 190 Federal facilities nationwide participated in GSA's Natural Gas Program as of January 2001. The Program, administered by the Agency's National Center for Utilities Management (NCUM) located in Vancouver, Washington, offers Federal facilities an opportunity to realize cost savings by purchasing utilities from independent contractors rather than the local utility company. Currently, natural gas is provided by two suppliers having NCUM contracts. PBS awards contracts to independent suppliers, who transport the gas to a local utility company over various interstate pipelines. The local utility company delivers it through its own distribution system to an end-user facility. GSA reported savings of over \$16 million for FY 2000. The Program provides other benefits to participants, such as reviewing contractor invoices to ensure that quantities and rates are correct, assuring that proper amounts of gas are purchased on behalf of the facilities to avoid penalties for storage of excess gas, and advising customers when it is economically advantageous to switch to another form of energy. The Program funds its operations through an administrative fee added to the rates charged to customers by the contractors.

Our review showed that while NCUM is doing an adequate job in seeking competition and ensuring that suppliers are invoicing for the correct volume of gas, improvements are needed in the following areas:

- Agreements are negotiated monthly; however, factors such as specific pipelines, and delivery and receipt zones are not identified and agreed to prior to gas delivery, even though these impact the rates billed. These additional customer costs need to be identified and established in advance of delivery.

***GSA's Natural Gas Program produced savings of over \$16 million in FY 2000.***

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## Other Reviews of GSA Programs

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- In our sample verification of billed rates, we found a number of errors, both overcharges and undercharges. In one case, the customer was overcharged about \$150,000. NCUM relies on the supplier to bill accurately and only spot-check rates. A more effective review process is needed.
- The administrative fee is included in the rates charged to the facilities and collected by the contractors. NCUM must calculate the total amount of fees collected by the contractor and request GSA's Finance Office to bill the contractor for those fees. As of April 2001, NCUM had not taken steps to initiate the billing for the administrative fees due from one of the suppliers for deliveries made from August 2000 through March 2001. These fees totaled \$392,000. The second supplier had not been billed for approximately \$33,000 because the contractor did not submit the invoices necessary to calculate the fee.
- NCUM relies on unverified savings data submitted by the suppliers. NCUM needs to verify program savings independently of the supplier.

In our September 27, 2001 report to the Director, Energy Center of Expertise, we offered recommendations to improve the billing and collecting processes of the Natural Gas Program.

Management generally agreed with the recommendations in the report. The audit is still in the resolution process.

### ***PBS Accounting for Costs***

GSA's Public Buildings Service (PBS) provides fully-serviced space to house approximately 1.1 million employees of more than 100 Federal organizations. The financing mechanism for PBS activities is the Federal Buildings Fund, which is replenished by rental income and reimbursements. The added focus on linking budget to performance measures and standards has increased the need for reliable cost accounting data to effectively manage PBS's operations.

In order to make sound business decisions, PBS management needs accurate information regarding the revenues and expenses incurred for each property in its care. Previous audits had found that PBS historically was inconsistent in its ability to properly assign costs to specific individual properties. PBS management requested that we retest their allocation methods to assess whether improvements had been effected.

For FY 2000, PBS had direct expenses of \$4.6 billion. Payments to lessors for leased space accounted for \$2.9 billion of that amount. The

***While prior audits have shown that PBS did not consistently assign costs, PBS management is committed to reducing costs and improving the accuracy of cost data.***

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## *Other Reviews of GSA Programs*

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remaining \$1.7 billion was made up of several cost categories, including operations and maintenance, and protection. Our review encompassed the direct costs in these two categories in each of five regions, totaling approximately \$340 million.

We found that the operations and maintenance costs and the protection costs were properly classified, consistently recorded, and charged to the appropriate buildings in the regions we reviewed. Variations in both organization and practices from region to region appeared to have no significant impact on the reliability of data reported. Finally, we noted a management commitment to reducing costs and improving the accuracy of cost data as part of PBS's efforts to meet its performance measures.

Our September 26, 2001 report contained no formal recommendations and the audit is not subject to the resolution process.

### *Leasing of Temporary Archival Space*

In response to a Hotline complaint, we performed a limited review of a leasing action to obtain specialized archival storage space for former President Clinton's papers. It was alleged that GSA was paying annual rent far in excess of the going market rate in that particular area and that the cost of the tenant improvements to the property was high.

Our review indicated that GSA determined that the only potential government facility in that area had significantly less rentable square footage than was required. Also, this building is on the National Historic Register, which limits tenant renovations and correction of known fire safety deficiencies.

GSA obtained sufficient responses from the business community to have reasonable competition and selected the low bidder. The basic rental rate for this leased property compared favorably with the local market rate, and includes the cost of the tenant improvements, amortized over the first 3 years of the lease term. The cost of the enhancements was higher than normal due to construction crews working overtime to meet the short timeframe for completion.

We noted no major discrepancies in the leasing process. As such, our report of September 26, 2001 contained no recommendations.

### *Overseas Supply Activities*

In a collaborative effort with the Department of Defense (DoD), FSS administers 21 Express Stores operating on military installations in Europe and Asia. These stores are walk-in facilities that offer a wide range of office supplies, computer accessories, tools, and household

*Leasing action for former President Clinton's archival space was proper.*

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## Other Reviews of GSA Programs

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***Express Stores meet a supply need, but could be administered more effectively.***

products. FSS in two regions, independent of each other, acted upon opportunities to increase GSA's presence and potential sales growth, while providing DoD with an experienced government supplier. While DoD provides the space, personnel, and freight expenses, GSA is responsible for the inventory, the point-of-sale system, and providing expertise in marketing and inventory management. GSA's Mid-Atlantic Region supplies 10 European stores and the Pacific Rim Region supplies 11 Pacific stores. Express Store sales were approximately \$25 million in FY 2000, and were expected to reach about \$35 million in FY 2001.

Business Case Analyses (BCAs) are generally prepared by supply depot personnel as a prerequisite for approval and opening of a store, and must be reviewed by FSS's Finance Office. The BCAs justify the need for the store based on sales projections and available cost estimates. We found that BCAs were not done for three stores and were only partially completed for several others. While a store may not prove to be profitable, which a BCA might have indicated, we believe that it might still be a good business proposition for other program or strategic reasons. However, FSS should follow standard procedures and proceed with cautious deliberation when opening a new store.

While our review focused on the establishment of Express Stores, we also noted concerns over some basic control issues regarding inventory counting. The Pacific Rim Region is deviating from traditional double-count inventory counting procedures by using an electronic scanner and a single count. Unless individual items are out of tolerance by more than \$400, a second count is not performed. In addition, store employees are counting their own inventory, contrary to GSA policy and the widely accepted internal control of segregation of duties. While we took no exception to the use of the electronic scanner/single count approach, we felt that out-of-tolerance levels were too high and that an independent party should conduct the counts.

Finally, we noted that sensitive items in one store needed to be properly secured. Highly desirable items such as Palm Pilots, digital cameras, pocketknives, film, etc., were only separated from a contractor's space by a tarp.

In our September 27, 2001 report, we offered recommendations to improve control over the Express Stores' inventories. Management concurred with the recommendations in the report. The audit is still in the resolution process.

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## *Partnering with GSA Management*

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### ***Professional Assistance Services***

We continued to offer a variety of professional services to GSA management, including consulting services and advisory reviews. We also continued our participation on Agency improvement task forces, committees, and working groups. Our efforts help the Agency become more efficient and effective by providing management with timely information, often at its request, to improve decision-making, program outputs, and mission accomplishment. These services are provided in addition to our more traditional services.

**Consulting Services.** These OIG efforts are initiated by Agency officials and are designed to provide management with quick responses to specific program concerns. Requesting officials both define and limit the scope of the consulting project. Information objectively developed by the OIG is provided for the interpretation and discretionary use of the requesting official in a true partnering relationship with management. Consulting service products are distributed directly only to the requesting official and contain observations and alternatives for consideration in lieu of formal audit recommendations. Some recent efforts are highlighted below:

- **Procuring Repair Services for Vehicles.** GSA's Fleet Management Center operates a national Accident Management Program located in two regions. Agency management in one of those regions requested our assistance to determine whether their procurements of repair services for vehicles involved in accidents were in accordance with applicable Federal Acquisition Regulation guidelines. We found that the procurements were generally in compliance with guidelines and that the files were appropriately documented. We noted, however, that GSA was relying on vendors to provide the scope and estimates for repair work that will cost under \$2,500, and those vendors were frequently selected to perform the repairs. We provided this information to program management in our July 26, 2001 report.
- **RWA Program Initiatives.** In an effort to improve its business practices, management introduced the Reimbursable Work Authorization (RWA) Tracker system as a tool for standardizing RWA record keeping. The regional pilot was designed to provide a common tracking vehicle for reimbursable agreements, a consistent reporting format to customer agencies, and a more efficient reconciliation process with GSA's National Electronic Accounting and Reporting system. Management asked for our assessment of the performance of the new database system to help it decide whether to adopt Tracker as the preferred regional tracking system.

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## Partnering with GSA Management

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We reported to management on July 16, 2001 that Tracker has the potential to offer a consistent regional reporting system, and to provide end users reliable and reconcilable processing for RWA administration. However, enhancements to the current software version are needed to resolve issues identified by users. Regional information technology support personnel stated that these modifications can be accomplished if adequate resources become available.

**Advisory Reviews.** These OIG services are designed to develop information useful to Agency managers who are responsible for making decisions and initiating program improvements. Typically, we identify benchmarks and analyze best practices used in both private industry and government agencies to determine if GSA is delivering comparable products and services as effectively as other provider entities. Advisory reviews are usually initiated by the OIG, although management may request them as well. Our reports provide observations and conclusions, without recommending corrective actions. The following highlights one such review accomplished during this period:

- **General Management and Administration (GM&A) Overhead Costs.** Prior to FY 1991, GSA's overhead costs were funded by Congressional appropriations. Now, most of the overhead costs are included in GSA's Working Capital Fund and are allocated to internal GSA customers, who recover these costs as part of the prices charged for the products and services provided to the Agency's external customers.

GSA's internal organizations obtain administrative support services through the Agency's Staff Offices. They are precluded from obtaining the services from other sources and do not have the means to value the effectiveness and efficiency of these services. We compared GSA's approach to controlling its overhead costs to methodologies used in five other Federal agencies. We selected these five Federal organizations because of their participation in the Franchise Fund Pilot Project, an initiative under the Government Management and Reform Act of 1994.

Our benchmark agencies were found to incorporate greater use of fiscal discipline. This was particularly true for those programs that had to compete for customers and recover all costs. In addition, we found the other organizations use performance measures, including customer satisfaction surveys, and activity-based costing to help managers improve the efficiency and effectiveness of operations.

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## *Partnering with GSA Management*

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The Chief Financial Officer is currently working to link administrative support performance measures with the budget and plans to incorporate them into the budget cycle.

Our observations and suggestions were presented to management in our report of September 25, 2001.

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

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

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

- **Charge Card Usage Work Group.** During the reporting period, the OIG has worked with CFO representatives to develop an audit guide to evaluate cardholders' and authorizing officials' compliance with purchase and travel card requirements. One audit was completed and two others are in progress, following this guide. In addition, our office, GSA components of the work group, and Citibank representatives recently met to identify concerns and develop program, audit, and investigative methods for addressing the concerns.
- **Fleet Users Work Group.** The OIG continued to help facilitate the fuel tax refund process for Federal agencies. As a result of the combined efforts of Agency and OIG staff, GSA received approximately \$600,000 in refunds for the period November 1998 through March 2001. This initiative should continue through FY 2002.
- **RWA Committee in the National Capital Region.** The OIG participates in periodic meetings of this committee, which assesses national and regional issues impacting financial or operational aspects of Reimbursable Work Authorizations.

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## Partnering with GSA Management

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- **PBS Building Delegation Program.** Under the Delegation Program, Federal agencies can request authority to manage and operate their own space, including maintenance, protection, and recurring repairs and alterations. PBS has been providing the OIG information on policy changes and we have participated in meetings regarding proposed changes.
- **GSA/DoD Billing and Collection Solutions Team.** This team was initially assembled to address a cash shortage in FTS's Information Technology Fund and provide solutions to FTS billing and collection problems between GSA and DoD. In anticipation of the team's expansion into PBS billing and collection issues, the OIG sought the assistance of the DoD OIG in developing a resolution strategy to reduce the more than \$80 million in extremely delinquent debt of one DoD organization for rent balances owed to GSA. The OIG has been coordinating with the Agency to facilitate sharing of information and identifying potential improvements in billing and collection practices. Problems have also been noted in both the General Supply Fund and Fleet Services. The OIG will continue its involvement in this initiative in FY 2002.
- **FSS Performance Measures Task Force.** The OIG continues to provide input to the task force established to develop performance measures for the Federal Supply Service's Office of Acquisition.
- **The Information Technology (IT) Council.** The Council monitors policies and programs to ensure information technology (IT) consistency throughout the Agency. It is comprised of the Chief Information Officers of the various GSA Services and Staff Offices. Representatives of our office participate in the meetings at the request of the Agency.

The OIG participates in a number of interagency committees and working groups that directly affect our ability to better add value to the Agency. For example:

- The President's Council on Integrity and Efficiency (PCIE) IT Roundtable discusses various IT audit activities throughout the Inspector General community.
- Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the PricewaterhouseCoopers TeamMate Users Group to discuss concerns or new challenges facing TeamMate users. TeamMate is an audit management system that is moving us toward a paperless environment and should make the audit process more efficient.

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## *Partnering with GSA Management*

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- Our Assistant Inspector General for Auditing represents all civilian government agencies on the Cost Accounting Standards Board, which promulgates, amends, and revises Cost Accounting Standards designed to achieve uniformity and consistency in cost accounting practices by individual government contractors.
- Our Assistant Inspector General for Investigations serves as the Chair of the Assistant Inspectors General for Investigations Subcommittee. This subcommittee reports to the PCIE Investigative Committee. The subcommittee deals with investigative issues that affect all OIG Offices of Investigations, such as statutory law enforcement, peer review, and the role of the OIG in workplace violence.

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## Prevention Activities

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*In addition to detecting problems in GSA operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency.*

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

The OIG's preaward audit program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward audits distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward audits of 35 contracts with an estimated value of nearly \$446 million. The audit reports contained over \$23 million in financial recommendations.

This period, three of the more significant Multiple Award Schedule contracts we audited had projected governmentwide sales totaling \$184 million. The audit findings recommended that \$11.6 million in funds be put to better use. The audits disclosed that these vendors offered prices to GSA that were not as favorable as the prices other customers receive from these vendors.

We also audited several claims for increased costs. Three of the more significant audits contained proposed prices totaling \$2.6 million and recommended adjustments of \$1.9 million. In an audit of a claim for increased design costs, we found that actual labor costs were not used and a subcontractor's costs were questioned because the attorney for the prime contractor could not contact the subcontractor or find any of its records related to the claim. In an audit of a claim for increased costs due to alleged delays caused by the government, we advised the contracting officer that overhead costs were overstated and other costs were either calculated incorrectly or were not supported by the contractor's records. In another audit of a delay claim, we adjusted the overhead and labor costs claimed by the contractor.

### **Integrity Awareness**

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

This period, we presented 16 briefings attended by 478 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

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## ***Prevention Activities***

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### ***Employee Misconduct***

#### ***Contractors and GSA Employee Sentenced for Bribery and Accepting Gratuities***

On April 13, 2001, a former GSA building management specialist was sentenced in U.S. District Court for soliciting a bribe from a GSA construction contractor in exchange for the award of PBS repair and renovation contracts and for accepting gratuities. He was sentenced to 3 years supervised probation, fined \$3,000, and ordered to pay restitution of \$3,500. Five additional GSA employees are still awaiting court action.

Also during this reporting period, four contractors pled guilty in U.S. District Court to bribing a GSA employee; another contractor pled guilty to giving gratuities to a GSA official. Sentencing has not been scheduled. Five additional contractors, previously arrested, are still awaiting court action.

These 16 arrests were the culmination of a 2-year investigation into allegations of bribery and kickback schemes related to GSA maintenance and construction projects at various Federal buildings and offices.

#### ***Two GSA Employees Convicted for Abusive Sexual Contact***

An investigation revealed that a GSA maintenance work inspector was engaging in inappropriate behavior. The investigation disclosed that the GSA employee was using contract cleaning personnel to run errands for him and to watch his infant child in a Federal building. Further investigation revealed that he was having unwanted sexual contact with various female contractor employees who worked at his assigned locations. His employment has been terminated by GSA. On August 24, 2001, the employee pled guilty in U.S. District Court to a one-count information charging him with abusive sexual contact. Sentencing is scheduled for November 20, 2001.

Another similar investigation was initiated after a GSA employee reported that a maintenance mechanic might have assaulted a female co-worker. The investigation revealed that for over 2 years the mechanic had committed numerous acts of abusive sexual contact against a female co-worker at various limited access areas within a Federal building and a United States Courthouse. His employment has been terminated by GSA. On April 2, 2001, the employee was sentenced in U.S. District Court to 14 days in jail and 2 years probation after being convicted of 4 counts of abusive sexual contact.

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## *Prevention Activities*

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### ***Hotline***

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings, as well as brochures, encourage employees to use the Hotline. We also developed and use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,074 Hotline reports. Of these, 133 complaints warranted further GSA action, 27 warranted other agency action, and 914 did not warrant action.

### ***Implementation Reviews***

Responsibility for implementing appropriate corrective action as the result of audit report recommendations rests with Agency management. The OIG performs, on a selective basis, independent reviews of the implementation actions to ensure that management is carrying out this responsibility according to established milestones. This period, the OIG performed two implementation reviews. In both of these reviews, all of the recommendations had been implemented.

### ***Financial Statements Audit***

The annual audit of the GSA consolidated financial statements was performed by an independent public accounting (IPA) firm, with oversight and guidance from the OIG, as required by the Chief Financial Officers Act of 1990. Unqualified opinions on the Agency's financial statements and on its system of internal accounting controls were issued and were highlighted in our October 1, 2000 – March 31, 2001 report.

This period, the IPA issued its FY 2000 Management Letter Report, in which it identified three reportable conditions. Improvements are needed in:

- GSA entity-wide system security management and oversight;
- the development, implementation, and change of controls over GSA's system environment; and
- controls over the integrity of rent and leasing data.

All of these conditions were identified by the IPA as reportable conditions in previous years. However, none is considered to be a material weakness.

We conducted limited risk assessments for three performance measures and reported that in some cases the internal controls would not provide reasonable assurance that the data supporting the performance measure were in place, or that the data were materially complete.

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## *Prevention Activities*

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Finally, we reviewed the internal controls over financial reporting for the Federal Systems Integration and Management Center (FEDSIM). FEDSIM is a national Client Support Center, located within the Federal Technology Service, that assists Federal agencies to acquire and utilize information systems and information technology. FEDSIM operates on a reimbursable basis and generated revenues of \$977 million in FY 2000. We found that the controls over the revenue and disbursement cycles of the FEDSIM program appear to effectively and efficiently meet the desired control objectives.

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## Review of Legislation and Regulations

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*The Inspector General Act of 1978 requires the OIG to review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement.*

During this period, the OIG reviewed 215 legislative matters and 23 proposed regulations and directives. The OIG addressed the following legislative items:

- *Draft Bill #19 – Full Funding for Federal Retiree Costs Act of 2001.* We provided comments to GSA concerning the potential impact of this draft bill on the operating budgets of small offices and agencies such as the OIG. The draft bill is aimed at making budgeting more performance-oriented by charging agencies the full government share of retirement benefits for their employees and retired employees. We support the goal of increasing agency accountability for these costs but noted our concern that the increased costs may be substantial relative to the more limited and inflexible operating budgets of smaller agencies.
- *H.R. 2547, Erroneous Payments Recovery Act of 2001.* We provided comments to GSA and the Office of Management and Budget (OMB) on H.R. 2547, the proposed Erroneous Payments Recovery Act of 2001. The bill would require agencies to establish programs to identify and recover overpayments made under contracts, and would authorize agencies either to conduct recovery audits and activities in-house or to contract out such services to private sector firms. We noted our support for the bill and strongly endorsed its intent. We also noted our support of the bill's inclusion of language to preserve any OIG authorities that may fall within the ambit of recovery audits, which we believe will serve to promote coordination between agencies or their recovery audit contractors and OIGs, as well as to reduce any duplicative audit activity. One concern that we raised was that in issuing guidance governing the activities of recovery audit contractors, OMB should require that contractors contact the OIG if they note any overpayments that may involve criminal or fraudulent activity, or overpayments or erroneous payments that relate to other agencies or that may be beyond the scope of the contract. We also urged that OMB require recovery auditors to provide periodic reports to the agency and to the OIG regarding any conditions giving rise to detected overpayments or erroneous payments.
- *Draft Bill #24 – Federal Government Water and Sanitary Sewer Billing and Collection Improvement Act of 2001.* We provided comments to GSA and OMB on Draft Bill #24, the proposed Federal Government Water and Sanitary Sewer Billing and Collection Improvement Act of 2001. The bill would alter and streamline the current process through

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## *Review of Legislation and Regulations*

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which Federal agencies are billed and pay for water and sewer services provided by the District of Columbia Water and Sewer Authority (DCWASA), by eliminating the Department of the Treasury's Financial Management Service (FMS) as an intermediary. As currently structured, FMS distributes bills to individual agencies and arranges to collect the requisite quarterly payments. We supported the bill's intent to streamline the process by eliminating FMS as an intermediary, and expressed our belief that individual agencies would be able to deal more efficiently with DCWASA directly.

We noted our concern, though, with a related statutory requirement, included in Pub. L. No. 106-554, Consolidated Appropriations Act, FY 2001, that OIGs provide quarterly reports on the promptness of payments by their agencies for water and sewer services. We recommended that the OIG reporting requirement be refined to exclude agencies residing in GSA-leased or managed space because many agencies residing in such space do not pay for water and sewer services; rather, GSA pays for these services on the agencies' behalf. We also recommended that the reporting requirement be set to terminate or sunset after a designated date, because, after an initial reporting period, perhaps a year or two, Congress would be able to identify and focus on those agencies with late payment or billing issues.

In addition, the OIG provided comments on the following proposed regulations:

- *Draft GSA Procedures for Providing Reasonable Accommodation.* The OIG commented on GSA's draft regulations governing the procedures Agency managers would be required to follow when employees ask for accommodation of a disability. We recommended that the wording of the proposed order be changed to reflect that the case-by-case determination of the essential functions of the position in which an employee is seeking accommodation take into account the mission needs of the organization involved. In addition, we urged that the draft be modified to limit the dissemination of confidential medical information that is normally included in the accommodation file. We also suggested several changes to reflect the independence of the OIG in personnel matters.
- *Draft Acquisition Letter on Implementation of Corporate Contracting.* We provided comments to FSS on a draft acquisition letter that would implement "Corporate Contracting" for any vendors desiring to participate by merging a vendor's individual contracts; these merged contracts would then be negotiated and administered in a team fashion, with a lead acquisition center acting as the principal negotiator.

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## *Review of Legislation and Regulations*

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We expressed our concerns that, while administrative savings might in fact be achieved from negotiating a Corporate Contract on a consolidated basis, additional burdens might be imposed in the administration of such a contract. We also questioned whether effecting this type of new contract would in fact result in better Multiple Award Schedule (MAS) pricing on products or in aggregate discounts for vendors' entire product lines. We noted our concern that moving to Corporate Contracting might have unintended negative effects on competition at the MAS buyer level because ordering agencies may be more likely to brand-name shop, rather than shopping by price, as a result of the organization of corporate schedules by vendor name. Such brand name purchasing might also have the unintended consequence of decreasing orders to small business MAS vendors. We suggested that FSS consider implementing the Corporate Contracting initiative on a pilot basis, and that the acquisition letter be modified to emphasize the goal of achieving better up-front discounts.

- *Draft Acquisition Letter on Pricing of MAS Services.* We provided comments to FSS on a revised draft acquisition letter relating to the pricing of MAS services. We expressed our concerns that, in negotiating fair and reasonable MAS services prices, as opposed to commercial products, vendor price lists and catalogs reflecting services do not reflect actual commercial sales prices. Our experience has shown that vendors seldom publish price lists and catalogs reflecting services pricing, because such services are priced on a task order or bottom line basis in the commercial world. To reflect this reality, we recommended that the acquisition letter emphasize that contracting officers may have to request cost-type information from vendors in order to evaluate pricing.

We expressed our concern that the acquisition letter more clearly emphasize that contracting officers should be particularly diligent when negotiating other direct costs to ensure that any such costs are not already captured in burdened hourly labor-rates. We also recommended that the acquisition letter establish a \$25 million expected sales threshold for contracting officials to request audit assistance in evaluating cost data for services proposals and when basing pricing on other government contracts. Finally, we recommended that the acquisition letter provide more guidance on negotiating price reductions, by adding language to explain how basis of award customers are identified and how pricing relationships are defined specifically in the context of services contracts.

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## *Review of Legislation and Regulations*

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- *Draft Acquisition Letter on Negotiations Quality Measurement and Improvement.* We provided comments to FSS on a draft acquisition letter relating to negotiations quality measurement and improvement. While we strongly supported the prenegotiation clearance (PNC) procedures set forth in the acquisition letter and endorsed the application of the PNC procedures both to contract awards and negotiations, we recommended that some kind of PNC review should take place. We also recommended that the acquisition letter be amended to provide that acquisition centers and FSS Acquisition Management Center select for postaward review all large value contracts over a certain dollar threshold, with perhaps a random sample of contracts below that threshold. We also suggested that language be specifically included in the acquisition letter to apply PNC procedures to sensitive or controversial acquisition actions, including contract actions with vendors who have past performance problems, problems with sales reporting or industrial funding, or poor audit and/or investigative histories. We recommended that information on the proposed basis of award customer or class of customers for purposes of triggering the price reduction clause be included in the information that the contracting officer should present to the PNC panel for MAS contracts, as well as information supporting the pricing objectives, including price analyses and verification of pricing information.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 83 audit reports during this reporting period. The 83 reports contained financial recommendations totaling \$24,670,418, including \$23,584,287 in recommendations that funds be put to better use and \$1,086,131 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

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

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2001. Three reports more than 6 months old were awaiting management decisions as of September 30, 2001; two of them were preaward audits, issued before February 10, 1996, which are not subject to the 6-month management decision requirement. Table 1 does not include 1 report issued to another agency this period. Table 1 also does not include 6 reports excluded from the management decision process because they pertain to ongoing investigations.

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

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 4/1/01			
Less than six months old	36	27	\$59,631,705
Six or more months old	3	2	373,884
Reports issued this period	<u>82</u>	<u>42</u>	<u>24,670,418</u>
<b>TOTAL</b>	<b>121</b>	<b>71</b>	<b>\$84,676,007</b>
For which a management decision was made during the reporting period			
Issued prior periods	36	27	\$18,742,171
Issued current period	<u>43</u>	<u>16</u>	<u>6,529,910</u>
<b>TOTAL</b>	<b>79</b>	<b>43</b>	<b>\$25,272,081</b>
For which no management decision had been made as of 9/30/01			
Less than six months old	39	26	\$18,140,508
Six or more months old	<u>3</u>	<u>2</u>	<u>41,263,418</u>
<b>TOTAL</b>	<b>42</b>	<b>28</b>	<b>\$59,403,926</b>

## Statistical Summary of OIG Accomplishments

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

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

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

	<u>No. of Reports</u>	<u>Financial Recommendations</u>
For which no management decision had been made as of 4/1/01		
Less than six months old	23	\$58,077,626
Six or more months old	2	373,884
Reports issued this period	31	23,584,287
<b>TOTAL</b>	<b>56</b>	<b>\$82,035,797</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management based on proposed		
•management action	—	\$22,980,914
•legislative action	—	—
Recommendations not agreed to by management	—	0
<b>TOTAL</b>	<b>34</b>	<b>\$22,980,914</b>
For which no management decision had been made as of 9/30/01		
Less than six months old	20	\$17,791,465
Six or more months old	2	41,263,418
<b>TOTAL</b>	<b>22</b>	<b>\$59,054,883</b>

## Statistical Summary of OIG Accomplishments

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

	No. of Reports	Questioned Costs
For which no management decision had been made as of 4/1/01		
Less than six months old	4	\$1,554,079
Six or more months old	0	0
Reports issued this period	<u>11</u>	<u>1,086,131</u>
<b>TOTAL</b>	<b>15</b>	<b>\$2,640,210</b>
For which a management decision was made during the reporting period		
Disallowed costs	—	\$2,241,213
Costs not disallowed	—	49,954
<b>TOTAL</b>	<b>9</b>	<b>\$2,291,167</b>
For which no management decision had been made as of 9/30/01		
Less than six months old	6	\$ 349,043
Six or more months old	0	0
<b>TOTAL</b>	<b>6</b>	<b>\$ 349,043</b>

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## Statistical Summary of OIG Accomplishments

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### ***Investigative Workload***

The OIG opened 119 investigative cases and closed 127 cases during this period. In addition, the OIG received and evaluated 79 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### ***Referrals***

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

**Table 4. Summary of OIG Referrals**

<b>Type of Referral</b>	<b>Cases</b>	<b>Subjects</b>
Criminal	46	88
Civil	7	13
Administrative	116	221
<b>TOTAL</b>	<b>169</b>	<b>322</b>

In addition, the OIG made 39 referrals to GSA officials for information purposes only.

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

Based on these and prior referrals, 23 cases (46 subjects) were accepted for criminal prosecution and 4 cases (7 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 23 indictments/informations and 20 successful prosecutions. OIG civil referrals resulted in 3 case settlements. Based on OIG administrative referrals, management debarred 22 contractors/individuals, suspended 44 contractors/individuals, and took 23 personnel actions against employees.

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## Statistical Summary of OIG Accomplishments

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### **Monetary Results**

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

In addition, the OIG had administrative recoveries of \$176,009 during the course of its investigations and recovered property with a fair market value of \$4,905,157.

**Table 5. Criminal and Civil Recoveries**

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$206,128	\$ —
Settlements and Judgments	—	923,000
Restitutions	697,461	—
<b>TOTAL</b>	<b>\$903,589</b>	<b>\$923,000</b>

# ***APPENDICES***



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## Appendix I—Significant Audits from Prior Reports

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

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

### **Minimizing Cost Increases on Repair and Alteration Projects**

*Period First Reported: October 1, 2000 to March 31, 2001*

The review evaluated 10 repair and alteration projects. The report contained three recommendations; two have been implemented.

The remaining recommendation includes evaluating and developing program initiatives for the Construction Excellence Program. It is scheduled for completion by January 15, 2002.

### **Interagency Agreement**

*Period First Reported: October 1, 2000 to March 31, 2001*

The review assessed an interagency agreement to purchase electricity. The report contained five recommendations; one has been implemented.

The remaining recommendations include developing a plan to competitively procure electricity, providing a reference list of utility taxes and surcharges, including provisions citing specific tax exemptions, and initiating recovery action for taxes and surcharges inappropriately paid. The recommendations are scheduled for completion by October 15, 2001.

### **Controls over Smart Cards**

*Period First Reported: October 1, 2000 to March 31, 2001*

The review examined management controls over smart cards at a regional office building. The report contained three recommendations; one has been implemented.

The remaining recommendations include maintaining a list of authorized officials for smart card applications and amending procedures to include GSA employees and occupants of GSA-controlled space. The recommendations are scheduled for completion by October 15, 2001.

### **FPS Intelligence Sharing Program**

*Period First Reported: October 1, 2000 to March 31, 2001*

The review assessed the Federal Protective Service's Intelligence Sharing Program. The report contained three recommendations; one has been implemented.

The remaining recommendations include conducting follow-up training at the academy and conducting a presentation on actual GSA-related case experience. The recommendations are scheduled for completion by November 15, 2001.

### **Operating Equipment Inventories**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review focused on equipment maintenance maintained by contractors. The report contained two recommendations; they have not been implemented.

The recommendations include identifying the responsibility for maintenance programs to contractors and monitoring quality control plans. They are scheduled for completion between October 15, 2001 and October 15, 2003.

### **Information Security Support Services**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review focused on information security support services provided by GSA to Federal agencies. The report contained eight recommendations; six have been implemented.

The remaining recommendations involve reconciling overspent orders and identifying orders that are inactive and have excess funds. They are scheduled for completion by November 15, 2001.

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

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### **Controls over Proceeds from Real Property Sales**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review focused on management controls over proceeds from real property sales. The report contained three recommendations; one has been implemented.

The remaining recommendations include testing compliance with controls and providing better guidelines to zonal offices. They are scheduled for completion between October 15, 2001 and September 15, 2002.

### **PBS Task and Delivery Order Contracts**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review assessed PBS' use of multiple award task and delivery order contracts. The report contained two recommendations; one has been implemented.

The remaining recommendation involves phasing out the use of single award indefinite delivery indefinite quantity construction contracts. It is scheduled for completion on December 15, 2001.

### **National Real Estate Services Contracts**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review evaluated national real estate services contracts. The report contained four recommendations; they have not been implemented.

The recommendations include developing a cost accounting system and controls, estimating revenues, developing performance measures, and providing training. They are scheduled for completion between October 15 and November 15, 2001.

### **Information Tracking Process**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review assessed FTS' Integrated Task Order Management System. The report contained two recommendations; one has been implemented.

The remaining recommendation involves continuing current procurement methods and using FTS Chief

Information Office resources. It is scheduled for completion by February 15, 2002.

### **FTS Task and Delivery Order Contracts**

*Period First Reported: April 1, 2000 to September 30, 2000*

The review assessed FTS' use of multiple award task and delivery order contracts. The report contained five recommendations; one has been implemented.

The remaining recommendations involve enhancing procurement practices, promoting meaningful competition, strengthening controls, and developing a transition plan. They are scheduled for completion by November 15, 2001.

### **Environmental Management System**

*Period First Reported: October 1, 1999 to March 31, 2000*

The review focused on the management of the environmental program. The report contained three recommendations; one has been implemented.

The remaining recommendations include establishing a framework to evaluate and coordinate regional activities, and expanding the focus of the program. They are scheduled for completion by October 15, 2001.

### **Contract Security Guard Program**

*Period First Reported: October 1, 1999 to March 31, 2000*

The review assessed the Contract Security Guard Program. The report contained eight recommendations; six have been implemented.

The remaining recommendations include developing a national training program, witnessing firearm qualification sessions, and tracking qualification status of contract guards. They are scheduled for completion by June 15, 2002.

### **Real Property Management Information System**

*Period First Reported: October 1, 1999 to March 31, 2000*

The review evaluated the System for Tracking and Administering Real Property (STAR). The report

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## Appendix I—Significant Audits from Prior Reports

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contained four recommendations; one has been implemented.

The remaining recommendations include identifying capabilities needed in STAR, developing a project plan, and establishing a project management team. They are scheduled for completion by November 15, 2001.

### **Controls over RWA Expenditures**

*Period First Reported: April 1, 1999 to September 30, 1999*

The review assessed the controls over GSA's Reimbursable Work Authorization process. The report contained two recommendations; they have not been implemented.

The recommendations involve reviewing financial data; and adjusting controls, updating policies, and providing training. They are scheduled for completion by January 15, 2002.

### **Local Area Network Security Risks**

*Period First Reported: April 1, 1999 to September 30, 1999*

The review focused on the local area network (LAN) security. The report contained four recommendations; one has been implemented.

The remaining recommendations include developing LAN security plans, establishing processes for managing accounts and contingency plans, and identifying controls for remote access to LANs. They are scheduled for completion between October 15, 2001 and January 15, 2002.

### **Security Standards for New Buildings**

*Period First Reported: October 1, 1998 to March 31, 1999*

The review evaluated security standards for new and renovated Federal buildings. The report contained two recommendations; they have not been implemented.

The recommendations include defining roles and responsibilities of individuals involved in building standards, and creating security standards for newly acquired leased space. They are scheduled for completion between August 15, 2002 and January 15, 2003.

### **Security Enhancements in Federal Buildings**

*Period First Reported: April 1, 1998 to September 30, 1998*

The review evaluated GSA's program for upgrading security in Federal buildings. The report contained six recommendations; five have been implemented.

The remaining recommendation involves reporting cost data for future countermeasures. It is scheduled for completion by April 15, 2002.

### **Information Systems Security**

*Period First Reported: April 1, 1998 to September 30, 1998*

The review assessed the security measures of six major Internet and Intranet GSA applications. The report contained four recommendations; three have been implemented.

The remaining recommendation involves specifying roles and responsibilities to ensure security. It is scheduled for completion by October 15, 2001.

### **Megacenter Dispatch Services**

*Period First Reported: October 1, 1997 to March 31, 1998*

The review focused on GSA's plans to consolidate security control centers into four megacenters. The report contained four recommendations; two have been implemented.

The recommendations include developing alternate access procedures and implementing a preventive alarm maintenance program. They are scheduled for completion by September 15, 2002.

### **Contract Workload Management**

*Period First Reported: October 1, 1997 to March 31, 1998*

The review identified opportunities for improving workload management. The report contained one recommendation; it has not yet been implemented.

The recommendation involves the need to automate key activities of the contracting process. It is scheduled for completion by June 15, 2002.

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

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### ***Federal Protective Service Investigation Office***

*Period First Reported: April 1, 1997 to September 30, 1997*

The evaluation focused on a review of the Federal Protective Service's criminal investigation activities. The report contained five recommendations; four have been implemented.

The remaining recommendation involves establishing measurable criminal investigations program performance standards. It is scheduled for completion by October 15, 2001.

## Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
<i>(Note: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations to these reports are not listed in this Appendix.)</i>				
<b>PBS Internal Audits</b>				
04/19/01	A001097	Limited Audit of the Public Buildings Service Performance Measures: “Funds from Operations” for Government-Owned Operations and “Funds from Operations” for Leasing Operations		
04/19/01	A001097	Limited Audit of the Public Buildings Service Performance Measure: “Cycle Time on New Leases”		
07/16/01	A010156	Management Assistance Review of the Public Buildings Service’s Initiatives for the Reimbursable Work Authorization Program - National Capital Region		
09/05/01	A001053	Audit of the Public Buildings Service, Property Management Center in Springfield, Illinois		
09/06/01	A010091	Audit of PBS’ Asbestos Management Program in the National Capital Region		
09/18/01	A001112	Audit of PBS’s Fire Safety Activities		
09/18/01	A010007	Audit of the Public Buildings Service Procurement Workforce Education Requirements and Workforce Information System		
09/26/01	A010113	Review of Cost Accounting in the Public Buildings Service		
09/26/01	A010213	Review of Clinton Archival Storage Facility Lease in Little Rock, Arkansas, Lease Number GS-07B-14868		
09/27/01	A010110	Review of GSA’s Natural Gas Program, Public Buildings Service		\$158,100

## Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
09/28/01	A010044	Audit of the Public Buildings Service's Asset Business Plans		
09/28/01	A010044	Audit of the Public Buildings Service's Asset Business Plans - Observations		
<b>PBS Contract Audits</b>				
04/05/01	A010080	Postaward Audit of Fleet Maintenance Contract: Serco Management Services, Inc., Contract Number GS00M99MVC0001		
04/16/01	A010166	Preaward Audit of Architect and Engineering Services Contract: Syska & Hennessy, Inc., Solicitation Number GS-05P99GBC0020		
04/23/01	A010162	Preaward Audit of Architect and Engineering Services Contract: HDR Architecture, Inc., Contract Number GS05P99GBC0020		
04/30/01	A010127	Audit of Billings under Contract Number GS06P99GZC0315: DKW Construction, Inc.		\$303,193
05/11/01	A010128	Preaward Audit of a Change Order Proposal: D.A.G. Floors, Inc., Subcontractor to J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N		
05/17/01	A010170	Preaward Audit of Architect and Engineering Services Contract: RMF Engineering, Inc., Solicitation Number A/E CHESAPEAKE-00-0010		
05/18/01	A010157	Preaward Audit of a Claim: Owen, Melbye & Rohlff Building Partnership, Lease Number GS-09B-97243		
05/22/01	A010179	Preaward Audit of Architect and Engineering Services Contract: Quinn Evans Architects, Solicitation Number GS05P00GBC0043		
05/23/01	A010160	Preaward Audit of Cost or Pricing Data: John Milner Associates, Inc., Solicitation Number 2PCB-CM-010174		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
05/30/01	A010176	Preaward Audit of a Lease Alteration Proposal: Rost Enterprises, L.P., Subcontractor to LCOR, Incorporated, Lease Number GS-03B-40073		
05/31/01	A010118	Preaward Audit of a Claim for Increased Costs: Amelco Construction, Roybal Federal Building & Courthouse, Los Angeles, California, Contract Number GS-09P-98-KTC-0020		
05/31/01	A010181	Preaward Audit of Architect and Engineering Services Contract: Aerosol Monitoring & Analysis, Inc., Consultant to RMF Engineering, Inc., Solicitation Number A/E CHESAPEAKE-00-0010		
06/06/01	A010185	Limited Scope Audit of Change Order Proposal: Delaware Cornerstone Builders, Inc., Contract Number GS-11P-99YTC0087		
06/07/01	A010164	Audit of Claim for Increased Costs: Applewhite & Associates, Inc., Contract Number GS-04P-96-EXC-0020		
06/08/01	A010167	Audit of Claim for Increased Costs: Intrepid Enterprises, Inc., Contract Number GS-04P-96-EXC-0020		
06/12/01	A010028	Audit of Billings under Contract Number GS06P97GYD0025: NCS/ICS Joint Venture, Subcontractor to Novack/Hof Joint Venture		\$42,926
06/13/01	A010131	Preaward Audit of Change Order Proposal: Erector Specialist, Inc., Contract Number GS-02P-98-DTC-0056N		
06/21/01	A010189	Preaward Audit of Change Order Proposal: URS/O'Brien Kreitzberg, Joint Venture, Contract Number GS-02P-96-DTC-0018		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
06/27/01	A010182	Audit of Claim for Increased Costs: Acousti Engineering Company of Florida, Contract Number GS-04P-96-EXC-0020		
07/03/01	A010168	Audit of Claim for Increased Costs: C.W. Fentress J.H. Bradburn and Associates, P.C., Contract Number GS-07P-91-JXC-0062		
07/05/01	A000989	Postaward Audit of Construction Management Contract: Gilbane Building Company, Contract Number GS-11P-97-MKC-0020		
07/25/01	A010218	Audit of Claim for Increased Costs: Triple "A" Fire Protection, Inc., Contract Number GS-04P-96-EXC-0020		
07/31/01	A001055	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014		
08/14/01	A010222	Preaward Audit of Architect and Engineering Proposal: Perkins and Will, Inc., Solicitation Number GS-09P-00-KTC-0088		
08/22/01	A010234	Postaward Audit of Architect and Engineering Services Contract: Van Dijk, Pace, Westlake, Ltd., Contract Number GS05P00GBC0052		
08/22/01	A010233	Postaward Audit of Architect and Engineering Services Contract: Van Dijk, Pace, Westlake, Ltd., Contract Number GS05P00GBC0049		
08/23/01	A010217	Audit of Overtime Utility Billings under Lease Number GS-06P-39062: Star City/Federal, Inc.		\$136,981
08/23/01	A010237	Limited Scope Preaward Audit of Change Order Proposal: Iacoboni Site Specialists, Inc., Contract Number GS-11P00YTC0239		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
09/05/01	A010193	Audit of Claim for Increased Costs: Woodcraft Manufacturing, Inc., Contract Number GS-04P-96-EXC-0020		
09/07/01	A010183	Audit of Claim for Increased Costs: Avalotis Corporation, Contract Number GS-04P-96-EXC-0020		
09/27/01	A010206	Audit of Actual Cost Incurred to Determine Shared Savings Under Phase I of Contract Number GS-04P-97-EXC-0005: Whiting-Turner Contracting Company		
09/28/01	A010254	Audit of Payments: Paragon Systems, Contract Number GS-04P-98-EYC-0117		
<b><i>FSS Internal Audits</i></b>				
05/31/01	A001105	Review of General Services Administration's Personal Property Program		
07/26/01	A010244	Review of Procurements Made by GSA's Accident Management Center in the Heartland Region		
07/31/01	A010186	Limited Review of the Award and Administration of Contract Number GS-25F-6072D, Eastman Kodak Company		
09/13/01	A010008	Audit of the Federal Supply Service's Marketing Program		
09/27/01	A010155	Review of Federal Supply Service Overseas Supply Activities		
09/28/01	A001097	Limited Audit of the Federal Supply Service's Performance Measure: "Percent Savings Saved Compared to Black Book Price"		
09/28/01	A010088	Follow-up Review of Operations of FSS' Hardware Superstore		

## Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
<b><i>FSS Contract Audits</i></b>				
04/25/01	A010158	Preaward Audit of Multiple Award Schedule Contract: Polaroid Corporation, Solicitation Number FCGE-C100-0001-B		
05/10/01	A010159	Limited Postaward Audit of Task Order Number OJP-2000-129-F under GSA Contract Number GS-35F-0216K: Crunchy Technologies, Inc.		
05/22/01	A010151	Preaward Audit of Multiple Award Schedule Contract: Pitney Bowes, Inc., Solicitation Number FCGE-C1-00-0001-B		
05/30/01	A010175	Preaward Audit of Cost or Pricing Data: Caswell International Corporation, Contract Number GS-02F-0434D		
06/06/01	A000965	Limited Scope Postaward Audit of Multiple Award Schedule Contract for the Period July 1, 1999 Through December 31, 1999: Franklin Covey, Contract Number GS-14F-9729C		\$1,483
06/19/01	A001113	Limited Scope Postaward Audit: Voyager Fleet Systems, Inc., Contract Number GS-23F-98006 for the Interim Period November 30, 1998 Through December 31, 2000		\$161,834
06/27/01	A010227	Preaward Audit of Multiple Award Schedule Contract: LDV, Inc., Solicitation Number FFAH-C2-99-0235B		
07/10/01	A010201	Preaward Audit of Multiple Award Schedule Contract: ABM Federal Sales, Solicitation Number FCGE-C1-00-0001-B		
07/12/01	A81537	Postaward Audit of Multiple Award Schedule Contract: Honeywell, Inc., Home and Building Control, Contract Number GS-07F-8806D for the Period December 29, 1995 Through May 17, 1999		\$226,798

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
07/23/01	A010211	Postaward Audit of Multiple Award Schedule Contract: LDV, Inc., Contract Number GS-30F-1030D		\$2,337
08/03/01	A010178	Preaward Audit of Multiple Award Schedule for Corporate Contracts Program: Ricoh Corporation, Solicitation Number FCO-00-CORP-0000C		
08/10/01	A010191	Preaward Audit of Multiple Award Schedule for Corporate Contracts Program for the Period October 1, 2001 Through September 30, 2005, Savin Corporation, Solicitation Number FCO-00-CORP-0000C		
08/16/01	A010122	Interim Postaward Audit of Multiple Award Schedule Contract: ABM, Inc., Contract Number GS-26F-1002B		\$43,444
08/30/01	A010192	Postaward Audit of Industrial Funding Fee: Broadway Sporting Goods Co., Inc., Contract Numbers GS-07F-9870H and GS-07F-8552C		\$7,155
09/17/01	A010221	Preaward Audit of Multiple Award Schedule Contract: Konica Business Technologies, Inc., Solicitation Number FCGE-C100-0001-B		
09/26/01	A010224	Preaward Audit of Multiple Award Schedule Contract: Océ Office Systems, Solicitation Number FCGE-C1-00-0001-B		
09/26/01	A010253	Price Adjustments on Multiple Award Schedule Contract: TransUnion Corporation, Contract Number GS-22F-9602D for the Interim Period November 1, 2001 Through April 30, 2005		
09/28/01	A010252	Limited Scope Postaward Audit Review of Industrial Funding Fee Remittances: ABM, Inc., Various GSA Multiple Award Schedule Contract Numbers		\$1,880

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put To Better Use	Questioned (Unsupported) Costs
<b><i>FTS Internal Audits</i></b>				
04/11/01	A001084	FTS Implementation of the Metropolitan Area Acquisition Program		
06/05/01	A010123	Survey of Region 2 Telecommunications Systems Controls, Federal Technology Service		
08/21/01	A010109	Review of GSA's Millennia Program, Federal Technology Service		
09/21/01	A010079	Review of the Transition to FTS2001 Contracts, Federal Technology Service		
09/27/01	A010219	Audit of Federal Technology Service Financial Controls Over Information Technology Solutions		
<b><i>Other Internal Audits</i></b>				
05/29/01	A001012	PricewaterhouseCoopers LLP Fiscal Year 2000 Interim and Year-End Management Letters		
06/12/01	A010152	Review of Controls over Heartland Region Employees' Use of Purchase and Travel Cards		
06/21/01	A000811	GSA's Increasing Use of Electronic Commerce Systems Requires Improved Security		
07/31/01	A001066	Advisory Report on GSA's Human Capital Management		
07/31/01	A010050	Interim Report: Audit of the Contract Administration of the Pegasys Project by the Office of the Chief Financial Officer		
09/18/01	A010173	Government Information Security Reform Act, GSA OIG Annual Report for FY 2001		

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## *Appendix II–Audit Report Register*

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>	<b>Financial Recommendations</b>	
			<b>Funds to Be Put To Better Use</b>	<b>Questioned (Unsupported) Costs</b>
09/25/01	A000830	Review of General Services Administration's National GM&A Overhead Costs		
09/26/01	A010049	Audit of the Mid-Atlantic Region's Control Over and Use of Credit Cards		

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

07/23/01	A010194	Audit Assist to the National Capital Planning Commission		
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## ***Appendix III—Audit Reports over 12 Months Old with Final Action Pending***

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Pursuant to Section 810, Prompt Resolution of Audit Recommendations, of the National Defense Authorization Act, (Public Law 104-106), 5 U.S.C. App. 3, § 5 note, this appendix identifies those audit reports where final actions remain open 12 months after the report issuance date. The GSA Office of the Chief Financial Officer, Office of the Controller, furnished the following information.

*Audits with Management Decisions Made after February 10, 1996 for Which No Final Action Has Been Completed*

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
11/01/96	A21882	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-07065 for the Period November 14, 1988 Through September 30, 1991
11/01/96	A31851	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-02598 for the Period August 26, 1988 Through March 31, 1991
11/01/96	A31865	Postaward Audit of Multiple Award Schedule Contract: Hamilton Sorter Company, Inc., Contract Number GS-00F-02046 for the Period December 4, 1987 Through September 30, 1990
12/17/96	A70606	Postaward Audit of Travel Costs: Centel Federal Systems Corporation, Contract Number GS-00K-89AHD0007
01/10/97	A52159	Postaward Audit of Multiple Award Schedule Contract: Austin Computer Systems, Inc., Contract Number GS-00K-91-AGS-5201
03/21/97	A70632	Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)
03/24/97	A72434	Audit of Real Estate Tax Adjustments: WRC Properties, Inc., Lease Number GS-09B-88163, Calendar Years 1990 Through 1996
06/11/97	A61827	Postaward Audit of Multiple Award Schedule Contract: Alexander Manufacturing Company, Contract Number GS-07F-3956A for the Period February 1, 1992 Through October 31, 1995
06/16/97	A70927	Preaward Audit of Cost or Pricing Data: JIL Information Systems, Inc., Proposal No. GSC-TFGD-97-1012
06/24/97	A70928	Preaward Audit of Cost or Pricing Data: Criticom, Inc., Solicitation No. GSC-TFGD-97-1014

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

Date of Report	Audit Number	Title
06/27/97	A71811	Audit of Claim for Increased Costs, Miscellaneous Subcontractors to: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/11/97	A71803	Audit of Claim for Increased Costs: Nicholson Construction Company, Contract Number GS06P94GYC0037
07/22/97	A71804	Audit of Claim for Increased Costs: Rodio/ICOS St. Louis Joint Venture, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P94GYC0037
07/31/97	A71820	Audit of Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS06P94GYC0037
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
08/22/97	A70646	Preaward Audit of a Delay Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
09/22/97	A70649	Preaward Audit of a Delay Claim: Consolidated Electric, Inc., Subcontractor to Beacon/Pro Con, Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
09/24/97	A71526	Price Adjustments on Multiple Award Schedule Contract: Domore Corporation, Contract Number GS-00F-5232A for the Interim Period December 1, 1997 Through January 31, 2001
10/23/97	A70655	Preaward Audit of a Delay Claim: Denron Plumbing and HVAC, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
10/24/97	A70660	Preaward Audit of a Change Order Proposal: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
11/12/97	A70656	Preaward Audit of a Delay Claim: J.C. Higgins Corp., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
11/26/97	A22536	Postaward Audit of Multiple Award Schedule Contract: Ingres Corporation, Contract Number GS00K89AGS5589
11/26/97	A32476	Limited Audit of Government Billings: Ingres Corporation, Contract Number GS00K89AGS5589
12/24/97	A80602	Preaward Audit of a Delay Claim: Dan Lepore and Sons, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
01/12/98	A80604	Preaward Audit of a Delay Claim: Able Finishing, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)

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

Date of Report	Audit Number	Title
01/12/98	A80608	Preaward Audit of a Delay Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
02/05/98	A80609	Preaward Audit of a Delay Claim: The Woodworks Architectural Millwork, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
02/11/98	A80607	Preaward Audit of a Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
03/19/98	A81515	Audit of Claim for Increased Costs: Herman B. Taylor Construction Company, Contract Number GS-07P-92-HUC-0017
04/13/98	A80621	Preaward Audit of a Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070 (N)
04/20/98	A81528	Audit of Real Estate Tax Adjustments: American National Bank, Trustee, Lease Number GS-05B-15448, Calendar Years 1994 Through 1996
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/08/98	A80618	Postaward Audit of Recoverable Costs: Six World Trade Center, New York, NY, Lease Number GS-02B-15370
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
07/17/98	A60934	Postaward Audit of Multiple Award Schedule Contract: Interface Flooring Systems, Inc., Contract Number GS-00F-0002A for the Interim Period October 8, 1992 Through February 28, 1997
09/04/98	A990302	Postaward Audit of Multiple Award Schedule Contract: Westinghouse Furniture Systems, Contract Number GS-00F-76574
09/22/98	A80931	Preaward Review of Multiple Award Schedule Contract For The Extension Period April 1, 1999 Through March 31, 2004: Computer Associates International, Inc., Contract Number GS-35F-5169H
09/24/98	A80934	Preaward Audit of Multiple Award Schedule Contract: Simple Green, a Division of Sunshine Makers, Inc., Solicitation Number TFTP-97-SC-7906B
09/24/98	A82456	Audit of Termination Settlement Proposal: Witherington Construction Corporation, Contract Number GS-07P-95-HUC-0068

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

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
10/13/98	A80636	Preaward Audit of a Claim: Structural Preservation Systems, Inc., Contract Number GS-02P-96-DTC-0033
11/13/98	A82471	Preaward Audit of a Claim for Increased Costs: Hensel Phelps Construction Company, Contract Number GS-08P-96-JFC-0006
11/16/98	A80646	Preaward Audit of a Claim: Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N)
12/15/98	A82472	Preaward Audit of a Claim for Increased Costs: Trautman & Shreve, Inc., Subcontractor to Hensel Phelps Construction Company, Contract Number GS-08P-96-JFC-0006
01/29/99	A995106	Postaward Audit of Overhead Rate: Turner Construction Company, Contract Number GS-05P-94GBC-0051
02/05/99	A995113	Preaward Audit of Supplemental Architect and Engineering Services Contract: Van Deusen & Associates, Solicitation Number GS-02P-98-PLD-0029(N)
02/17/99	A995100	Preaward Audit of a Claim: Chereco Co., Inc., Subcontractor to TGMI/Contractors Inc., Contract Number GS-03P-96-DXC-0021
03/02/99	A995139	Preaward Audit of a Claim: Stromberg Metal Works, Inc., Subcontractor to W.M. Schlosser Company, Inc., Contract Number GS-03P-92-DXC-0021
03/30/99	A995150	Preaward Audit of Supplemental Architect and Engineering Services Contract; Ammann & Whitney Consulting Engineers, P.C., Solicitation Number GS-02P-98-PLD-0015(N)
04/02/99	A995182	Preaward Audit of Architect and Engineering Services Contract: Staunton Chow Engineers, P.C., Solicitation Number GS-02P-98-PLD-0015(N)
04/30/99	A995176	Preaward Audit of a Claim: Honeywell Inc., Subcontractor to Reliable Contracting Inc., Contract Number GS-02P-91-CUC-0045(N)
05/05/99	A995151	Preaward Audit of Supplemental Architect and Engineering Services Contract: Wank Adams Slavin Associates, Solicitation Number GS-02P-98-PLD-0015(N)
05/10/99	A995207	Audit of Recoverable Costs - FY 1997: Six World Trade Center, New York, N.Y., Lease Number GS-02B-15370
06/08/99	A995192	Limited Postaward Audit of Multiple Award Schedule Contract for the Period April 1, 1997 Through February 28, 1999: Danka Office Imaging Company, Contract Number GS-26F-1018B
06/15/99	A42113	Postaward Audit of Multiple Award Schedule Contract: Herman Miller Inc., Contract Number GS-00F-07000

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

Date of Report	Audit Number	Title
06/15/99	A995171	Audit of Incurred Costs: Niagara Mohawk Power Corporation, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036
06/15/99	A995206	Audit of Recoverable Costs - FY 1995: Six World Trade Center, New York, N.Y., Lease Number GS-02B-15370
06/18/99	A995220	Audit of Claim for Increased Costs: PM Realty Group, Ltd., Contract Number GS05P96GAC0187
06/22/99	A995164	Preaward Audit of Multiple Award Schedule Contract: Compaq Computer Corporation, Extension to Contract Number GS-35F-4544G
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
07/07/99	A995249	Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0041(N)
07/07/99	A995209	Audit of Claim for Increased Costs: The Spector Group, Contract Number GS-02P-92CUC0029(N)
07/30/99	A995173	Audit of Incurred Costs: Duke Engineering & Services, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036
08/12/99	A995215	Audit of Incurred Costs: KeySpan Energy, Contract Numbers EMN-1999-MO-2032 & EMN-1999-MO-2036
09/09/99	A995283	Preaward Review of Multiple Award Schedule Contract: National Education Training Group, Inc., Contract Number GS-02B-22885
09/15/99	A52534	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288
09/15/99	A52565	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288 (PS01)
09/15/99	A52566	Postaward Audit of Multiple Award Schedule Contract: Intermec Corporation, Contract Number GS00K91AGS5288 (PS02)
09/23/99	A995296	Preaward Audit of Multiple Award Schedule Contract: TCT Technical Training, Inc., Contract Number GS-02F-9308C for the Period October 1, 1999 to September 30, 2004
10/04/99	A995275	Preaward Audit of Change Order Proposal to Contract Number GS-02P93CUC0071 for the Final Phase of the African Burial Ground Project, Howard University

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

Date of Report	Audit Number	Title
10/13/99	A995262	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract GS-02P-95-DTC-0014(N)
10/22/99	A995298	Postaward Audit of Multiple Award Schedule Contract: Classic Medallics, Inc., Contract Numbers GS-07F-8451C and GS-07F-9862H
10/26/99	A995278	Preaward Audit of a Claim: Midlantic Erectors, Inc., Subcontractor to Metropolitan Steel Industries, Inc., Contract Number GS-02P-95-DTC-0014(N)
10/29/99	A995315	Preaward Audit of Cost or Pricing Data: PerformTech, Inc., Solicitation Number 2FYG-JI-94-0004-B4
11/01/99	A995332	Preaward Audit of Cost or Pricing Data: Cupples Products, Inc., Solicitation Number GS06P99GZC0309
11/04/99	A995272	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014(N)
11/10/99	A995271	Preaward Audit of Architect and Engineering Services Contract: HLW International LLP, Contract Number GS-02P-93-CUC-0062
11/29/99	A995304	Preaward Audit of Multiple Award Schedule Contract for the Extension Period October 1, 1999 Through September 30, 2004: Coastal Video Communications Corp., Contract Number GS-02F-9309C
11/30/99	A995289	Preaward Audit of Architect and Engineering Services Contract: Accu-Cost Construction Consultants, Inc., Subcontractor to HLW International LLP, Contract Number GS-02P-93-CUC-0062
12/08/99	A995330	Preaward Audit of Multiple Award Schedule Contract: Caswell International Corporation, Contract Number GS-02F-0434D
01/07/00	A000821	Preaward Audit of the Extension of Multiple Award Schedule Contract Number GS-02F-1407H: Development Dimensions International, Inc.
01/11/00	A000819	Preaward Audit of Architect and Engineering Services Contract: Gordon H. Smith Corporation, Subcontractor to HLW International LLP, Contract Number GS-02P-93-CUC-0062
02/03/00	A000920	Preaward Audit of Multiple Award Schedule Contract: Sales and Management Training, Inc., Contract Number GS-02F-9319C
02/08/00	A995167	Price Adjustments on Multiple Award Schedule Contract: National Education Training Group, Inc., Contract Number GS-02F-0429D for the Interim Period March 1, 2000 Through March 31, 2000

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
02/15/00	A40910	Postaward Audit of Multiple Award Schedule Contract: McNaughton Book Service, Contract Number GS-02F-52166 for the Period February 24, 1989 to July 31, 1992
02/17/00	A000923	Preaward Audit of Multiple Award Schedule Contract: Shamrock Scientific Specialty Systems, Inc., Contract Number GS-14F-9732C
02/18/00	A000799	Postaward Audit of Cost or Pricing Data: Montgomery KONE, Inc., Contract Number GS06P99GZC0306
02/23/00	A000937	Audit of Termination Claim: CJP Contractors, Inc., Contract Number GS-11P93MKC0081
03/02/00	A000934	Preaward Audit of Multiple Award Schedule Contract: TimeMed Labeling Systems, Inc., Contract Number GS-14F-0150D
03/06/00	A000948	Preaward Audit of Multiple Award Schedule Contract: 3M Company, Contract Number GS-14F-0161D
03/06/00	A000963	Preaward Audit of a Claim: Trataros Construction, Inc., Contract Number GS-02P-96-DTC-0033
03/09/00	A000911	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: Adams Marketing Associates, Inc., Contract Number GS-14F-9734C
03/10/00	A000936	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: George W. Allen Co., Inc., Contract Number GS-14F-0177D
03/29/00	A81830	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Period March 8, 1991 Through February 29, 1996
03/29/00	A995122	Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Interim Period March 1, 1996 Through April 30, 1998
03/31/00	A000955	Review of Productivity Refund for the Voyager Fleet Services Card
04/04/00	A000943	Preaward Audit of a Claim for Increased Costs: Cali-U.S.A. Acoustics, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
04/05/00	A995244	Interim Postaward Audit of Multiple Award Schedule Contract: Corporate Systems Centre of Torrance, Contract Number GS-35F-4188D

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

Date of Report	Audit Number	Title
04/13/00	A000972	Preaward Audit of Multiple Award Schedule Contract: Medical Plastics Laboratory, Inc., Contract Number GS-02F-9315C
04/17/00	A000889	Preaward Audit of a Claim for Increased Costs: Italian Marble and Tile Company, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
04/25/00	A000975	Preaward Audit of Multiple Award Schedule Contract: Day Runner, Incorporated, Contract Number GS-14F-0193D
05/02/00	A000918	Preaward Audit of a Claim for Increased Costs: Morrow-Meadows Corporation, Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
05/08/00	A000944	Preaward Audit of a Claim for Increased Costs: Columbia Fabricating Company, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
05/11/00	A000950	Preaward Audit of a Claim for Increased Costs: Moon and Crockett Plumbing Corporation, Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
05/11/00	A000993	Preaward Audit of a Claim: Trataros Construction, Inc., Contract Number GS-02P-96-DTC-0033
05/16/00	A000982	Preaward Audit of Multiple Award Schedule Contract: C & E Services, Inc., Solicitation Number 7FXG-W7-99-6813-B
05/16/00	A001007	Preaward Audit of Multiple Award Schedule Contract for the Extension Period February 29, 2000 Through February 28, 2005: Franklin Covey, Contract Number GS-14F-9729C
05/18/00	A000961	Preaward Audit of a Claim for Increased Costs: Washington Iron Works, Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
05/18/00	A001009	Limited Postaward Audit of Multiple Award Schedule Contract: Day Runner, Incorporated, Contract Number GS-14F-0193D
05/18/00	A42123	Postaward Audit of Multiple Award Schedule Contract: Coulter Source, Inc., Contract Number GS-00F-2383A
05/26/00	A000853	Preaward Audit of a Claim for Increased Costs: Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012

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

Date of Report	Audit Number	Title
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
06/27/00	A000860	Interim Postaward Audit: Voyager Fleet Systems, Inc.'s Compliance with Fuel Tax Requirements under Contract Number GS-23F-98006
06/30/00	A001000	Limited Scope Postaward Audit: AOC Solutions, Inc., Contract Number GS-23F-98006
07/10/00	A000886	Preaward Audit of a Claim: Reliable Contracting Inc., Contract Number GS-02P-91-CUC-0045
07/19/00	A000940	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
07/27/00	A001028	Limited Review of Contract Extension Claim: International Services, Inc., Contract Number GS-02P-94-CTD-0141
07/28/00	A000916	Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems, Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
08/01/00	A001001	Preaward Audit of a Claim for Increased Costs: Aztec Fire Protection, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
08/03/00	A001057	Preaward Audit of Architect-Engineer Design Services Contract: Bargmann Hendrie + Archetype, Inc., Solicitation Number GS-01P-99-BZC-0020
08/22/00	A001042	Audit of Billings Under Contract Number GS06P99GZC0305: Corrigan Company Mechanical Contractors
08/22/00	A001074	Preaward Audit of Engineering Services Contract: Shooshanian Engineering, Inc., Solicitation Number GS-01P-99-BZC-0020
08/23/00	A001018	Preaward Audit of a Claim for Increased Costs: Borbon, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012
08/24/00	A000941	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
08/28/00	A001023	Preaward Audit of a Claim for Increased Costs: Cali-U.S.A. Acoustics, Inc., Subcontractor to Ray Wilson Company, Ronald Reagan Federal Building & U.S. Courthouse, Santa Ana, California, Contract Number GS-09P-95-KTC-0012

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
08/31/00	A001044	Audit of Billings Under Contract Number GS06P99GZC0304: Fire Assurance, Inc.
09/26/00	A001080	Preaward Audit of Multiple Award Service Contract: West Group, Contract Number GS-02F-0105D
09/27/00	A001107	Preaward Audit of Architect and Engineering Services Contract: Prad Group, Inc., Solicitation Number GS-04P-00-CXD-0032
09/28/00	A001051	Preaward Audit of Multiple Award Schedule Contract: Motorola, Inc., Solicitation Number FCIS-JB-980001B-03-23-98

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

Date of Report	Audit Number	Title	Projected Final Action Date
<b>Internal Audits</b>			
03/29/96	A42720	Audit of Accounting and Billing Controls Over the Public Buildings Service, National Capital Region's Reimbursable Work Authorizations	11/15/01
12/02/96	A63019	Audit of the PAPCAP Price Adjustments	12/15/01
07/11/97	A60645	Audit of the Federal Protective Service's Criminal Investigation Program	10/15/01
01/30/98	A72443	Audit of the Megacenter Program, Federal Protective Service, Public Buildings Service	09/15/02
03/30/98	A83007	Follow-up Review of the Contract Workload Management	12/15/01
09/14/98	A70642	Audit of the Federal Protective Service's Program for Upgrading Security at Federal Facilities	04/15/02
09/24/99	A83602	GSA's Information Systems Security Has Not Kept Pace With Increasing Internet and Intranet Risks	10/15/01
09/30/98	A72705	Arthur Andersen LLP, Fiscal Year 1997 Comments and Suggestions for Consideration (Management letter)	11/15/01
03/24/99	A995025	Audit of Security Measures for New and Renovated Federal Facilities	01/15/03
07/15/99	A82706	PricewaterhouseCoopers LLP Management Letter, Fiscal Year 1998 Financial Statement Audit	04/15/02
09/28/99	A995021	Audit of Management Controls for Non-Recurring Reimbursable Work Authorizations	01/15/02
09/30/99	A995016	Security Weaknesses Place GSA's Local Area Networks at Undue Risk	01/15/02
02/16/00	A995196	Audit of PBS's Environmental Management Program	10/15/01
03/28/00	A995175	Audit of the Federal Protective Service's Contract Guard Program	06/15/02
03/31/00	A995010	PBS Needs to Complete STAR Development and Implement Management and System Controls to Fully Realize Improved Capabilities	11/15/01
08/02/00	A995201	PricewaterhouseCoopers LLP Management Letter Fiscal Year 1999 Financial Statement Audit	05/15/03

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>	<b>Projected Final Action Date</b>
08/21/00	A000913	Management Control Review: Public Buildings Service, Office of Property Disposal, Controls Over The Proceeds From Sale Of Surplus Real Property	09/15/02
09/18/00	A000815	Systems Audit of Integrated Task Order Management System, Federal Technology Service	02/15/02
09/19/00	A995288	Audit of Federal Technology Service's Use of Multiple Award, Indefinite Delivery Indefinite Quantity Contracts	11/15/01
09/27/00	A995309	Audit of Orders Placed by the Public Buildings Service Against Multiple-Award Construction Contracts	Reviewing documents for possible closure
09/28/00	A000810	Audit of the Public Buildings Service's National Real Estate Services Contracts	11/15/01

## Appendix IV—Delinquent Debts

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

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

During the period April 1, 2001 through September 30, 2001, GSA efforts to improve debt collection and reduce the amount of debt written off as uncollectible focused on upgrading the collection function and enhancing debt management. These activities included the following:

- From April 1, 2001 through September 30, 2001, GSA Finance Centers referred over \$1 million of delinquent non-Federal claims to the U.S. Department of the Treasury (Treasury) for cross-servicing collection activities. FY 2001 collections on these claims, to date, exceed \$2.1 million. Administrative offsets have resulted in an additional collection of \$500,000. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). From April 1, 2001 to September 30, 2001, 14 PADs totaling \$5,802 were issued.
- GSA also successfully negotiated a settlement and collected approximately \$128,000 in delinquent billings from NIB/NISH contractors running DoD's Base Supply Centers.
- Persistent claims coordination among regional contracting officers, Treasury, and our Finance Centers continues to strengthen our claims collection efforts.
- Coordination of bankruptcy notification efforts has improved between our Finance Centers. Bankruptcy notices received are now routinely reported between the Finance Centers to allow for timely follow-up action.
- Efforts continue to enhance the Accounts Receivable Claims System and the Billing Accounts Receivable Tracking system, making them better tools for collection technicians and enabling them to provide better service to their customers.

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

	<b>As of April 1, 2001</b>	<b>As of September 30, 2001</b>	<b>Difference</b>
Total Amounts Due GSA	\$20,559,020	\$22,807,200	(\$2,248,180)
Amount Delinquent	\$12,249,865	\$15,603,271	(\$3,353,406)
Total Amount Written Off as Uncollectible Between 4/1/01 and 9/30/01	\$565,839		

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## Appendix V—Report over 6 Months Old with No Management Decision

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Date of Report	Audit Number	Title
03/30/01	A010073	Preaward Audit of Multiple Award Schedule Contract: Canon U.S.A., Inc., Solicitation Number FCGE-C1-00-0001-B

Pursuant to Section 5(a)(10) of the Inspector General Act of 1978, the OIG must summarize each audit report over 6 months old for which no management decision has been made. During this period, management decision was not achieved on one preaward audit of Canon U.S.A., Inc.

The purpose of this audit was to evaluate Canon's sales and pricing data for copier equipment and supplies in response to the company's request for a corporate GSA contract. However, Canon withdrew its corporate contract proposal, and instead, prepared a new offer, limited to product lines covered only by Federal Supply Schedule (FSS) 36 – office imaging and document solutions. Our report presents the audit results assessing the acceptability of Canon's sales and pricing data as a basis for negotiating fair and reasonable prices. Despite the contractor's decision to forego a corporate contract and instead elect to use Schedule

36 as the contract vehicle for selling its products and services to the government, we issued our report because the contracting officer could still benefit from the information. Canon's estimated sales for the initial 5-year period under Schedule 36 are approximately \$420 million.

Several OIG attempts to achieve management decision were made. Although the FSS has acknowledged that a management decision is required for this audit report and is past due, the contracting officer has not provided documents necessary to achieve management decision. Established Agency policy requires that a management decision on the audit finding should be achieved before proceeding with negotiations. However, FSS procurement officials have informed the OIG that management decision documents will be forwarded after negotiations have been concluded and a contract has been awarded.

## Appendix VI—Reporting Requirements

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

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

Requirement	Page
<b>Inspector General Act</b>	
Section 4(a)(2) - Review of Legislation and Regulations . . . . .	36
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies. . . . .	2, 19, 22
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .	2, 19, 22
Section 5(a)(3) - Prior Recommendations Not Yet Implemented . . . . .	47
Section 5(a)(4) - Matters Referred to Prosecutive Authorities. . . . .	43
Sections 5(a)(5) and 6(b)(2) - Summary of Instances Where Information Was Refused. . . . .	None
Section 5(a)(6) - List of Audit Reports. . . . .	51
Section 5(a)(7) - Summary of Each Particularly Significant Report. . . . .	2, 19, 22
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs . . . . .	42
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	41
Section 5(a)(10) - Summary of Each Audit Report over 6 Months Old for Which No Management Decision Has Been Made . . . . .	73
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision . . . . .	None
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees. . . . .	None
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## *Notes*

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## *Notes*

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