



SEMIANNUAL REPORT TO THE CONGRESS



OFFICE OF INSPECTOR GENERAL

U.S. GENERAL SERVICES ADMINISTRATION

April 1, 2019 – September 30, 2019

CONTENTS

1	OIG PROFILE
2	OIG Profile
4	OIG Organization Chart
5	Fiscal Year 2019 Results
6	GSA's Management Challenges
7	SIGNIFICANT AUDITS
8	Significant Audits
19	Summary of Contract Audit Reports
20	FAR Disclosure Program
21	Statistical Summary of OIG Audits
25	SIGNIFICANT INSPECTIONS
26	Significant Inspections
29	SIGNIFICANT INVESTIGATIONS
31	Significant Investigations
31	Criminal Investigations
38	Civil Settlements
41	Administrative Misconduct
42	Fleet Card Fraud
43	WPA Art Investigations
44	Other Significant Work
46	Statistical Summary of OIG Investigations
49	GOVERNMENT-WIDE POLICY ACTIVITIES
50	Government-wide Policy Activities
53	APPENDIXES
54	APPENDIX I Acronyms and Abbreviations
55	APPENDIX II Significant Recommendations From Prior Reports
59	APPENDIX III Audit and Inspection Report Register
61	APPENDIX IV OIG Reports over 12 Months Old, Final Agency Action Pending
64	APPENDIX V OIG Reports Without Management Decision
66	APPENDIX VI Management Decisions Revised or With Which the Inspector General is in Disagreement
68	APPENDIX VII Peer Review Results
69	APPENDIX VIII Government Contractor Significant Audit Findings
70	APPENDIX IX Unimplemented Recommendations
72	APPENDIX X Reporting Requirements

MESSAGE FROM THE IG



I am pleased to submit the Semiannual Report to Congress for the period of April 1, 2019 through September 30, 2019.

This report closes out another year in which our office, funded with an appropriation of \$65 million, continued to provide several multiples of that amount in return on investment to the American people. During Fiscal Year 2019, our audit and investigative work identified \$219 million in potential cost savings and recovered \$122 million for the federal government

Highlights during this six-month reporting period include our audit of the pricing and negotiation of GSA's multiple award schedule contract with McKinsey & Company for professional services, which found that the GSA negotiator used invalid price comparisons, relied on unsupported information, and performed insufficient analyses to justify excessive pricing which may cost the federal government an estimated \$69 million. The audit report recommended that GSA cancel two contracts with the company and take other steps to protect the taxpayers. Our audits and inspections also continued to identify weaknesses in important GSA information systems and security breaches by GSA employees. Consequently, we again identified cybersecurity as an area that needs leadership focus in our report on the most significant management challenges facing GSA.

Our investigative efforts bolstered the integrity of federal government acquisitions by achieving significant recoveries from contractors who have defrauded or otherwise overcharged the United States. For example, in a recent criminal case, a manufacturer will forfeit \$20 million in fraudulent proceeds and pay an additional \$694,000 to the United States after being convicted of participating in a scheme in which the contractor sold to the U.S. government counterfeit military uniforms and equipment promoted as made in America but which had actually been made in China and Pakistan. In another significant case, two senior executives of ADS, Inc. agreed to pay a total of more than \$20.2 million to resolve claims that the company and its affiliates falsely represented that they qualified as small businesses, improperly bid for and secured set-aside federal contracts for which they were not eligible, and participated in illegal bid rigging schemes. Similarly, in a civil settlement, United Parcel Service, Inc. (UPS), agreed to pay \$8.4 million to resolve allegations under the False Claims Act that UPS failed to follow the Price Reductions Clause of their GSA Multiple Award Schedule package delivery contract, which resulted in overcharges and potential false claims to GSA customers.

The GSA OIG remains committed to its mission to deter waste, fraud, abuse, and misconduct related to GSA programs, and to promote economy and efficiency in those programs. I applaud this office's exemplary team of dedicated professionals for their work in providing independent and objective oversight of the GSA, and thank the Agency and Congress for their support of our mission.

A handwritten signature in black ink that reads "Carol F. Ochoa".

Carol F. Ochoa
Inspector General
October 31, 2019



Photo: The Internal Revenue Service Building, located in Washington, D.C.

OIG PROFILE

OIG PROFILE

ORGANIZATION

The General Services Administration (GSA) Office of Inspector General (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 mission mandated by Congress.

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

- **THE OFFICE OF AUDITS**, an evaluative organization staffed with auditors and analysts that provides comprehensive coverage of GSA operations through program, financial, regulatory, and system audits and assessments of internal controls. The office conducts attestation engagements to assist GSA contracting officials in obtaining the best value for federal customers and American taxpayers. The office also provides other services to assist management in evaluating and improving its programs.
- **THE OFFICE OF ADMINISTRATION**, a professional support staff that provides budget and financial management, contracting, facilities and support services, human resources, and Information Technology (IT) services, and administers the OIG's records management program.
- **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 and regulatory review.
- **THE OFFICE OF INSPECTIONS**, a multi-disciplinary organization that analyzes and evaluates GSA's programs and operations through management and programmatic inspections and evaluations that are intended to provide insight into issues of concern to GSA, Congress, and the American public. The office also coordinates quality assurance for the OIG, and analyzes potentially fraudulent or otherwise criminal activities in coordination with other OIG components.
- **THE OFFICE OF INVESTIGATIONS**, a statutory federal law enforcement organization that conducts nationwide criminal, civil, and administrative investigations of illegal or improper activities involving GSA programs, operations, and personnel.

OFFICE LOCATIONS

Headquarters:

Washington, D.C.

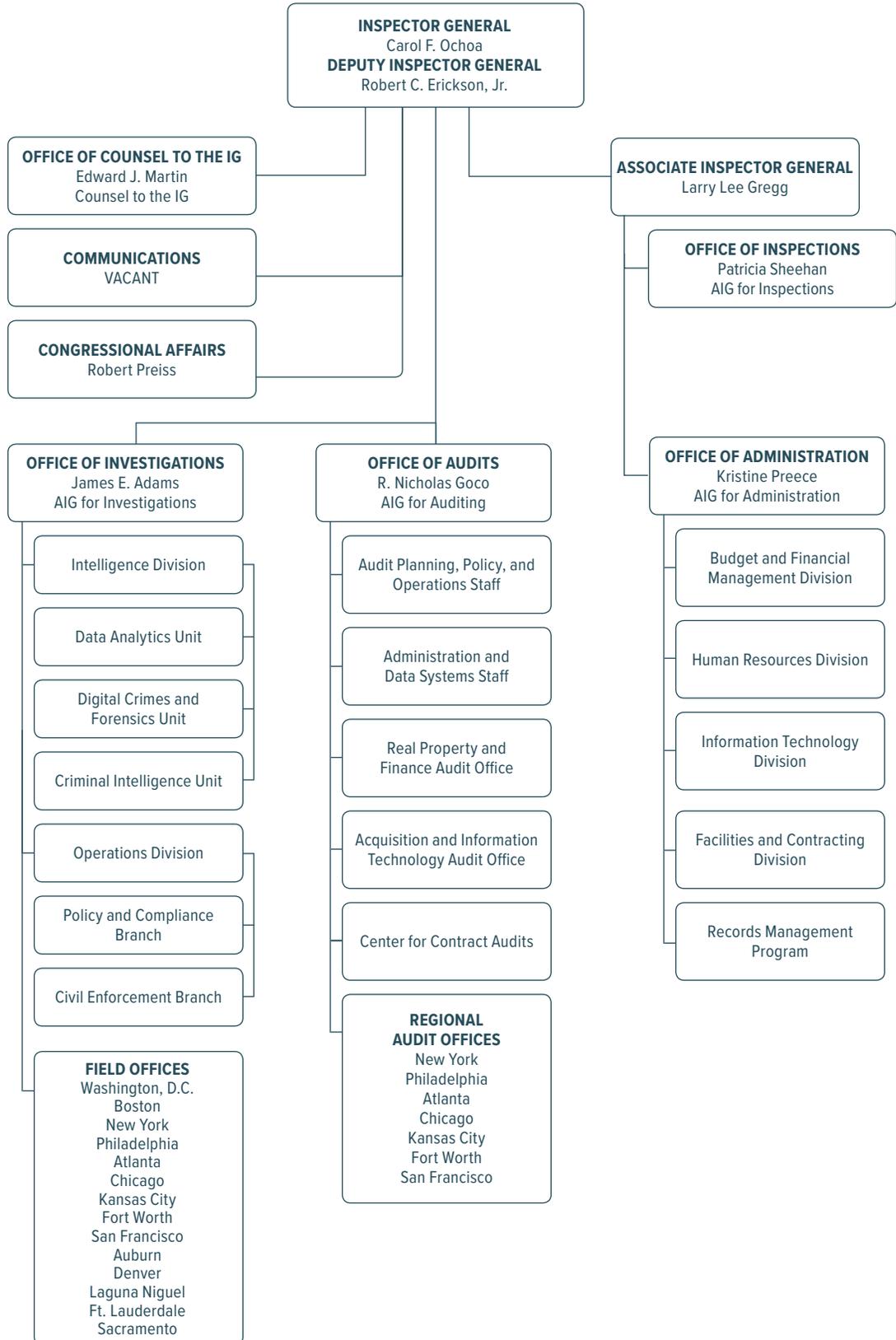
Field and Regional Offices:

Atlanta, Georgia; Auburn, Washington; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Fort Lauderdale, Florida; Fort Worth, Texas; Kansas City, Missouri; Laguna Niguel, California; New York, New York; Philadelphia, Pennsylvania; Sacramento, California; and San Francisco, California.

STAFFING AND BUDGET

As of September 30, 2019, our on-board staffing level was 303 employees. The OIG's Fiscal Year 2019 budget was \$65 million in annual appropriated funds plus \$600 thousand in reimbursable authority.

OIG ORGANIZATION CHART



FISCAL YEAR 2019 RESULTS

During Fiscal Year 2019, OIG activities resulted in:

- Over \$219.4 million in recommendations that funds be put to better use and questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- Over \$122 million in criminal, civil, administrative, and other investigative recoveries.
- 65 audit and evaluation reports and 8 memoranda that assisted management in improving the efficiency and effectiveness of Agency operations
- 116 new investigations opened and 110 cases closed.
- 94 subjects accepted for criminal prosecution and 35 subjects accepted for civil litigation.
- 54 criminal indictments/informations and 52 successful prosecutions on criminal matters previously referred.
- 24 civil settlements.
- 31 employee actions taken on administrative referrals involving government employees.
- 226 contractors/individuals suspended and debarred.
- 5 lost pieces of Works Progress Administration artwork recovered.
- 1,304 hotline contacts received. Of these, 152 were referred to GSA program officials for review and appropriate action, 30 were referred to other federal agencies, 23 were referred to the OIG Office of Audits, and 127 were referred internally for investigation or further review.

GSA’S MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000, Public Law 106–531, requires the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. The following table briefly describes the challenges we have identified for GSA for Fiscal Year 2019.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE
Enhancing and Maintaining an Effective Internal Control Environment Across GSA	GSA faces a significant challenge in establishing a comprehensive and effective system of internal control. Although GSA is required to establish and maintain internal controls, our audit reports have repeatedly pointed out that GSA lacks effective internal controls, or has internal controls in place but does not follow them. Without an effective internal control environment, GSA risks noncompliance with laws and regulations, improper reporting of information, inefficiencies, and misuse or poor use of government resources.
Enhancing Government Procurement	GSA has a strategic goal of establishing itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, FAS has significant responsibility in meeting this goal. According to FAS, it leverages the buying power of the federal government to obtain necessary products and services at the best value possible. As FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its customers' needs. FAS's initiatives, both previous and new, significantly change FAS's processes and programs, affecting both its employees and its customers.
Maximizing the Performance of GSA's Real Property Inventory	GSA must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, GSA should plan the best approach to reducing and consolidating space, disposing of and exchanging federal property, reducing leasing costs, effectively administering its leased portfolio, meeting the operations and maintenance needs of aging buildings, and ensuring effective management of energy and utility contracts.
Prioritizing Agency Cybersecurity	GSA is responsible for providing stable and secure technical solutions and services to meet the business needs of its customers, while ensuring compliance with information technology security-related laws, regulations, and guidance. GSA is challenged with an environment of competing priorities and increasingly sophisticated cyber-attacks in high-risk areas. GSA management must improve its overall IT security program to ensure that the Agency protects its IT systems as well as sensitive information within.
Managing Human Capital Efficiently to Accomplish GSA's Mission	GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories that make up 43 percent of GSA's workforce. GSA faces the loss of veteran expertise through retirements, as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.
Safeguarding Federal Facilities and Providing a Secure Work Environment	GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on Critical Infrastructure Security and Resilience, GSA is responsible for assisting with the development of contracts for compliant implementation of Physical Access Control systems and coordination with the Federal Protective Service to ensure building occupant security. However, we have found GSA's security clearance process for contractors needs improvement, GSA-managed facilities are at risk for unauthorized access, and facility-specific building badges at GSA-managed facilities are unsecured and unregulated.
Managing Revolving Funds Effectively	Effective financial management is extremely important for GSA given that most of GSA's operations are funded through revolving funds established by law to finance continuing operations. GSA must adhere to legislative mandates for the funds to recover costs and provide for the cost and capital requirements of the funds. As a result, GSA must properly manage these funds to ensure it can continue its operations and serve its federal agency customers.
Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch	GSA faces major challenges with the reorganization and transfer of several core functions currently performed by U.S. Office of Personnel Management (OPM) to GSA. Centralizing operational functions in a single entity could attain considerable operational efficiencies; however, GSA and OPM will face challenges in transitioning the government's human resources services with minimal disruption and without compromising the services provided. GSA must ensure all staff are properly and effectively trained in applicable systems, laws, and regulations that support the services integration. Similarly, OPM staff must become accustomed to and knowledgeable of GSA systems, policies, and processes.

SIGNIFICANT AUDITS

SIGNIFICANT AUDITS

The Office of Audits conducts independent and objective audits to improve the effectiveness and efficiency of GSA's management and operations. These audits focus on GSA's programs, internal controls, IT infrastructure, and compliance with federal laws and regulations. Audits are also performed to assist GSA contracting personnel in obtaining the best value for federal customers. During this reporting period, we issued 30 audit reports, including 20 contract audits. Our contract audit work identified over \$79 million in potential cost savings and recoveries for the federal government.

PREAWARD AUDITS

GSA provides federal agencies with products and services through various contract types. Under GSA's procurement program, there are over 13,700 Multiple Award Schedule (Schedule) contracts, which generate more than \$32.5 billion in annual sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in savings from lower prices or more favorable contract terms and conditions for the benefit of the taxpayer.

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. Preaward audits provide vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts.

Three of our more significant preaward audits were of Schedule contracts with combined projected government sales exceeding \$668 million. Through these audits, we identified potential savings of more than \$55 million. We also found, among other things, that the contractors' proposed labor rates were overstated, price reduction provisions were ineffective, and other direct costs were not supported.

INTERNAL AUDITS

IMPROPER PRICING ON THE MCKINSEY PROFESSIONAL SERVICES CONTRACT MAY COST THE UNITED STATES AN ESTIMATED \$69 MILLION

Report Number A170118/Q/6/P19004, dated July 23, 2019

We performed this audit as a follow-up to a preaward audit of the proposal for the option to renew Contract Number GS-10F-0118S with McKinsey & Company, Inc. (McKinsey). During the preaward audit, McKinsey refused to provide the required records, and we advised the contracting officer to obtain the necessary information or cancel the contract. However, instead of addressing the contractor's lack of cooperation during the preaward audit, the Federal Acquisition Service (FAS) Division Director removed the contracting officer from the contract negotiations and awarded the contract with rates that were at least 10 percent higher than those originally proposed. As a result, we had concerns as to how the contract pricing was awarded and how FAS determined the contract pricing to be fair and reasonable. Our objective was to determine whether FAS administered Contract Number GS-10F-0118S in accordance with applicable laws, regulations, and policies.

We found that FAS did not administer Contract Number GS-10F-0118S in accordance with applicable laws, regulations, and policies. The Division Director used invalid price comparisons, relied on unsupported information, and performed insufficient analyses to justify the awarded contract pricing. In addition, the Division Director violated standards of conduct by advocating for McKinsey to other procurement officials. At McKinsey's request, the Division Director acted on behalf of the contractor to help it obtain a separate contract with FAS's Schedule 70 for IT professional services. Finally, the Division Director impeded the audit by failing to take appropriate action as required by the Federal Acquisition Regulation (FAR) to obtain required data to complete the preaward audit.

Based on our findings, we made eight recommendations to the FAS Commissioner. These included that the FAS Commissioner: (1) cancel McKinsey's Contract Number GS-10F-0118S; (2) cancel McKinsey's Schedule 70 Contract Number GS-35F-646GA; (3) review all FAS contracts with team-based pricing to ensure they comply with FAR requirements; (4) establish additional controls to ensure contracting staff obtain required audit records to perform audits prior to awarding contract actions; (5) assess whether the Division Director should be involved in future McKinsey contact or contract actions; (6) establish additional controls to ensure that FAS contracting staff maintain independent and impartial relationships with FAS contractors in accordance with federal regulations; (7) take appropriate action to address the Division Director's use of invalid price comparisons, reliance on unsupported information, and violation of standards of ethical conduct; and (8) take appropriate action to address the Washington Branch Chief's actions on the McKinsey Schedule 70 contract award and this audit.

The FAS Commissioner agreed with the concerns outlined in our report findings and partially agreed with our report recommendations.

INSUFFICIENT MANAGEMENT OF TRANSITION SUPPORT MAY IMPEDE GOVERNMENT-WIDE TRANSITION TO ENTERPRISE INFRASTRUCTURE SOLUTIONS

Report Number A170103/Q/T/P19003, dated June 28, 2019

In response to a hotline complaint, we audited FAS's administration of the Transition Ordering Assistance (TOA) task order. FAS awarded the TOA task order to support federal agencies transitioning mission-critical telecommunications and IT infrastructure services from the expiring Networx contracts to the new Enterprise Infrastructure Solutions (EIS) contract. TOA is intended to provide consulting services in procurement decisions and EIS ordering to customer agencies that lack telecommunications and acquisition expertise, which contributed to delays during the transition to the Networx contracts. Our objective was to determine whether FAS's TOA task order was administered in accordance with the FAR and other applicable regulations, policies, and provisions to ensure the task order fulfills its intended purpose.

We found that FAS did not ensure that the TOA task order fulfilled its intended purpose of supporting customer agencies' transitions to the new EIS contract. FAS's ineffective administration of the TOA task order resulted in high rates of spending with minimal transition progress. We identified deficiencies in FAS's planning and management, as well as in its oversight of the contractor's performance and invoicing. These deficiencies likely contributed to the need to extend the transition deadline, resulting in missed cost savings and repeating similar problems from the prior telecommunications transition.

Based on our audit findings, we made six recommendations to the FAS Commissioner. These included: (1) establishing a measurement to align budget consumed to work completed; (2) developing standard operating procedures to guide the performance of the TOA task order; (3) modifying and enforcing interagency agreements to ensure the contracting officer's representative receives the information necessary to monitor contractor performance and enforce the Quality Assurance Surveillance Plan; (4) determining whether modifications to the task order are necessary to address key personnel in the performance of the TOA task order and circumstances under which the TOA contractor must charge onsite rates; (5) seeking monetary recoveries associated with unqualified contract employees and improperly approved travel claims and strengthen controls to ensure future compliance with task order provisions; and (6) establishing a standard invoice review process to ensure invoices are reviewed in a comprehensive and consistent manner and contracting personnel only approve invoices for payment that are supported by appropriate documentation.

The FAS Commissioner agreed with our report findings and recommendations.

SIGNIFICANT SECURITY WEAKNESSES IN AN INFORMATION SYSTEM

Memorandum Number A190067-2, dated June 20, 2019

In response to a referral from the GSA OIG Office of Investigations, we initiated an audit of GSA's management of a contract. During the course of our audit, we identified significant weaknesses in information system security controls that required immediate management attention. We issued an alert memorandum to inform FAS management of these weaknesses.

Due to security concerns regarding the information system and the weaknesses found, this alert memorandum is restricted from public release.

GSA'S NORTHEAST AND CARIBBEAN REGION LACKS POLICIES AND PROCEDURES FOR EMERGENCIES AND EVACUATIONS IN PUERTO RICO

Report Number A180073/P/2/R19006, dated June 19, 2019

We performed this audit based on a concern expressed by GSA management in the Northeast and Caribbean Region (Region 2) over the accountability of \$770,537 in funds expended by GSA in 2017 in the wake of Hurricanes Irma and Maria. GSA used these funds to purchase supplies and equipment for affected employees and provide travel and subsistence payments when it decided to evacuate GSA employees and their dependents to safe havens on the island. Our objectives were to determine whether Region 2 has policies and procedures in place to effectively respond to disasters in Puerto Rico and if all supply and equipment distributions for travel and subsistence payments made to and on behalf of GSA employees are accounted for, supported, and justified.

We found that Region 2 properly justified and supported supply and equipment purchases for travel and subsistence payments to its employees in Puerto Rico who were affected by Hurricane Maria. However, Region 2 lacks policies and procedures for emergencies and evacuations in Puerto Rico, which led to delays in purchasing supplies for and evacuating GSA employees and their dependents.

We also found that Region 2 did not effectively account for all travel and subsistence payments due to a lack of oversight of government purchase card charges, inadequate reconciliation of all lodging charges, and a misinterpretation and miscommunication of applicable federal travel regulations.

Based on our audit findings, we made one recommendation to the Office of Mission Assurance (OMA) and three recommendations to the Public Buildings Service (PBS) Regional Commissioner for the Northeast and Caribbean Region. First, we recommended that OMA coordinate the development of policies and procedures for emergencies and evacuations in all areas where GSA has a presence based on lessons learned and applicable federal regulations. Additionally, we recommended that the PBS Regional Commissioner for the Northeast and Caribbean Region: (1) recoup \$9,062 for hotel overcharges and billing errors; (2) inform affected evacuees that they can seek reimbursement of a total of \$806 of underpaid meals and incidental expenses due to errors identified on the travel vouchers; and (3) attempt to recover the \$2,868 in lodging tax paid and issue a reminder to cardholders and approving officials of their responsibility to provide effective oversight of government charge card transactions.

OMA and PBS agreed with our report findings and recommendations.

GSA DID NOT COMPLY WITH THE IMPROPER PAYMENTS ACTS IN FISCAL YEAR 2018

Report Number A180103/B/3/F19002, dated May 31, 2019

As required by the Improper Payments Acts, GSA's Office of the Chief Financial Officer manages agency efforts to eliminate future improper payments and recover past improper payments. GSA's Office of the Chief Financial Officer is also tasked with evaluating and reporting GSA's improper payments. GSA reported in its Fiscal Year 2018 Agency Financial Report, an estimated \$16.7 million in improper payments for its programs susceptible to significant improper payments. GSA further reported that, in Fiscal Year 2018, its payment recapture audit program identified \$7.97 million in improper payments and recovered \$11.01 million. Our objective was to determine whether GSA complied with the Improper Payments Acts in Fiscal Year 2018.

We determined that GSA did not comply with two of the six requirements of the Improper Payments Acts. GSA did not publish an accurate improper payment estimate or accurate and complete improper payments data in its Fiscal Year 2018 Agency Financial Report. In addition, GSA's risk assessment process is flawed and its procedures for the Do Not Pay initiative contain significant deficiencies and are ineffective.

Based on our audit findings, we made eight recommendations to GSA’s Chief Financial Officer. These recommendations included: (1) submitting a plan addressing its noncompliance within 90 days, as required by Office of Management and Budget (OMB) guidance; (2) proposing statutory changes necessary to bring the Rental of Space program into compliance within 30 days in accordance with the Improper Payments Acts; (3) improving controls over the payment process for the Rental of Space program to ensure the contract requirements for vendor registration in the System for Award Management are followed for vendor payment pursuant to FAR 52.204-7 and 52.204-13; (4) improving improper payment testing criteria to include vendor eligibility based on compliance with the contract requirements for vendor registration in the System for Award Management; (5) updating the Leasing Desk Guide to include appropriate procedures for vendor verification of the System for Award Management registration in accordance with FAR 52.204-7 and 52.204-13; (6) improving internal controls over the Agency Financial Report review process to ensure the data included in the Agency Financial Report tables is accurate and complete; (7) improving internal controls over the development and implementation of risk assessment procedures to ensure that assessors accurately evaluate and base their conclusions on all risk factors; and (8) developing procedures and improving internal controls over the use of Do Not Pay matching to ensure proper matching of vendors registered in the System for Award Management against database information in the Excluded Parties List System.

The GSA Chief Financial Officer disagreed with our report findings, but generally agreed with our recommendations.

AUDIT OF THE PBS PACIFIC RIM REGION’S LEASE FINANCIAL PERFORMANCE

Report Number A170047/P/9/R19005, dated June 13, 2019

As part of PBS’s mission to provide effective workplace solutions for federal agencies at best value, PBS leases space from the private sector. The leasing program strives to generate sufficient revenue to break even after covering all administrative costs. Our objectives were to determine whether PBS Pacific Rim Region (PBS Region 9) leases met the goals of the PBS pricing policy and GSA’s annual performance plans and to determine the reasons for any excessive variance in lease funds from operation (FFO).

PBS Region 9 met its overall FFO performance goal for Fiscal Year 2016; however, we found a wide range of excessive gains and losses on individual leases caused by lease administration and billing errors. PBS Region 9 retained refunds for overpayments by tenant agencies, made rental payments after lease agreements were terminated, and did not recover operating costs under non-fully serviced leases. We also found that PBS Region 9 failed to collect past due rent from several tenant agencies between Fiscal Years 2009 and 2016 resulting in FFO losses totaling more than \$500,000.

Based on our audit findings, we made two recommendations to the PBS Commissioner, in conjunction with the GSA Office of the Chief Financial Officer, and four recommendations to the Regional Commissioner for PBS Region 9. We recommended that the PBS Commissioner: (1) return refunds of overpayments to the appropriate tenant agencies and (2) develop and implement a process to refund recoveries of overpayments to tenant agencies as required. We recommended the Regional Commissioner for PBS Region 9: (1) strengthen management controls to ensure standard lease terms are enforced and communicated effectively and in a timely manner to lease administrative personnel; (2) strengthen oversight reporting with the Office of the Chief Financial Officer to ensure that current PBS processes stop payments timely for terminated leases; (3) strengthen its internal controls to prevent billing errors, discrepancies in its collections, and improper retention of tenant funds; and (4) work with the Office of the Chief Financial Officer to monitor and collect unpaid rent from tenant agencies.

PBS generally agreed with our report findings and recommendations.

**IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN:
PBS FAILED TO ENFORCE KRESS BUILDING LEASE PROVISIONS
AND MAY HAVE EXPOSED TENANTS TO HEALTH RISKS,
REPORT NUMBER A160019/P/4/R17003, JANUARY 27, 2017**

Assignment Number A190023, dated July 31, 2019

On January 27, 2017, we issued an audit report, *PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks* to the Southeast Sunbelt Region PBS Regional Commissioner. We found that PBS's failure to enforce the terms of the full service lease resulted in inadequate maintenance and repair of the facility, and PBS did not notify the tenants about the presence of black mold in a timely manner, possibly exposing them to health risks. Based on our audit findings, we made two recommendations to the PBS Regional Commissioner.

We performed this implementation review of the corrective actions taken in response to the two recommendations in our 2017 audit report. We found that PBS did not fully implement the corrective actions for either audit recommendation. We found that PBS did not enforce the terms of the lease or take measures to ensure that all necessary maintenance and repair issues were addressed in a timely manner. Additionally, we found that PBS did not pursue strategies included in its corrective action plan to keep the lease procurement on schedule and move the tenant by the 2018 lease expiration date. Finally, we found that PBS did not provide training that addressed the communication of environmental concerns and test results to affected building tenants.

As a result of our findings, PBS must submit a revised corrective action plan addressing these recommendations.

AUDIT OF GSA'S FISCAL YEAR 2018 TRAVEL CARD PROGRAM

Report Number A190030/O/5/F19003, dated September 20, 2019

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, requires audits of travel card programs with \$10 million dollars in prior year travel spending. In Fiscal Year 2018, GSA's travel card spending totaled approximately \$10.8 million dollars. Our objectives were to determine if, in Fiscal Year 2018, GSA's travel card program had controls in place to ensure compliance with GSA, OMB, and federal guidelines; and GSA travel card transactions were properly and fully supported, reported, and approved.

We did not find any travel card transactions in our sample that were not properly and fully supported, reported, and approved; however, we found that GSA's Office of Administrative Services (OAS) has opportunities to strengthen its controls over the program to ensure compliance with GSA, OMB, and federal guidelines.

OAS's process to review questionable travel card charges was not timely or reliable. In addition, OAS's process to review delinquent travel card accounts was not timely and did not ensure that delinquencies were resolved. We also found that GSA was not using travel voucher data to identify potential travel card policy violations and overpayments. Finally, OAS did not verify travel card refunds as required by the *Government Charge Card Abuse Prevention Act of 2012*.

Based on our audit findings, we made five recommendations to the OAS Chief Administrative Services Officer. These included that the OAS Chief Administrative Services Officer: (1) strengthen controls to improve the timeliness and reliability of OAS's process to review questionable travel card charges; (2) strengthen controls to improve the timeliness and effectiveness of OAS's process to resolve delinquencies; (3) use travel voucher data to identify travel card policy violations and establish controls to address the violations identified; (4) perform voucher audits to identify travel card policy violations and address recurring issues; and (5) implement controls to verify travel card refunds as required by the *Government Charge Card Abuse Prevention Act of 2012*.

The OAS Chief Administrative Services Officer agreed with our report findings and recommendations.

GSA OFFICE OF INSPECTOR GENERAL'S FISCAL YEAR 2018 RISK ASSESSMENT OF GSA'S CHARGE CARD PROGRAM

Memorandum Number A190041, dated September 27, 2019

We conducted a risk assessment of GSA's charge card program to identify and analyze risks of illegal, improper, or erroneous purchases related to GSA's purchase and travel cards. We based our risk assessment on limited purchase card testing and our *Audit of GSA's Fiscal Year 2018 Travel Card Program*.

Through our limited purchase card testing, we noted OAS's improvement in its follow-up rate for high-risk transactions that it previously deemed questionable (e.g., purchases containing the words casino, hotel, or party). However, we also found that OAS should improve its purchase card controls to ensure that cardholders upload supporting documentation into GSA's system of record. Our assessment based on the travel card audit found that cardholders continue to perform well in loading supporting documentation into GSA's travel card system of record. However, opportunities for improvement were identified and recommendations to strengthen controls over the travel card program to ensure compliance with GSA, OMB, and federal guidelines were provided.

Based on our limited purchase card testing and the results of our travel card audit, we assessed the risks related to purchase and travel cards as moderate and low, respectively.

A GSA EMPLOYEE HAS AN IMPARTIALITY IMPAIRMENT REGARDING AN OPERATIONS AND MAINTENANCE CONTRACT FOR THE GREATER SOUTHWEST REGION

Interim Memorandum Number A190054-2, dated September 11, 2019

The purpose of the interim memorandum was to notify GSA that an employee had an impartiality impairment regarding an operations and maintenance contract with a former employer. We identified the issue during our ongoing audit of PBS Greater Southwest Region (Region 7). We found that a PBS Region 7 employee participated in the award of task orders totaling \$143,803.06 to their former employer's active GSA contract and did not take the appropriate steps necessary to avoid an appearance of loss of impartiality in the performance of their official duties.

The GSA employee started on February 17, 2019, and supported operations and maintenance service contracts in Fort Worth, Texas. Before joining GSA, the employee was a project manager for the active operations and maintenance contract holder for the same Fort Worth, Texas facilities. The employee assisted with the development of the Existing Deficiency Lists (EDLs) for each of the three buildings. The EDLs are contract deliverables that identify building equipment and systems deficiencies that existed at the start of the former employer's operations and maintenance contract. The employee also assisted with the cost proposals to correct items on the EDLs. PBS awarded several task orders to repair items on the EDLs. As a GSA employee, the individual performed pre-award tasks for these task orders, such as creating independent government estimates and scopes of work, and analyzing the technical and cost components of the former employer's proposals.

The GSA employee had a covered relationship with the former employer as having served as an employee within the last year. It is GSA's practice that the supervisor, in consultation with legal counsel, can make a determination that the employee could support a former employer's contract. We learned that the employee's supervisor neither consulted with legal counsel nor made a determination that it was appropriate for the individual to support the former employer's contract. As a result, the GSA employee should not have been involved with decisions for the former employer's contract. We advised PBS to take immediate action to address the impartiality impairment resulting from involvement with the former employer's operations and maintenance contract.

AUDIT OF GSA'S USE OF THE NASA SOLUTIONS FOR ENTERPRISE-WIDE PROCUREMENT CONTRACT

Report Number A170122/Q/6/P19005, dated August 22, 2019

We performed this audit because we identified that GSA acquisition personnel were placing large IT orders under the NASA Solutions for Enterprise-Wide Procurement (SEWP) contract instead of through GSA contract sources. Our objective was to determine why GSA used the SEWP contract instead of GSA contract vehicles and if these procurements complied with applicable laws, regulations, and policies.

GSA primarily used the SEWP contract for the sampled orders because the required items were either not available through GSA's Schedules Program, or items could not be provided within the customer's requested timeframe. GSA awarded orders under the SEWP contract vehicle in accordance with applicable regulations and GSA policies; accordingly, we have no reportable audit findings.

However, we identified an observation for management’s attention. One third of the GSA orders received only the minimally required one quote. While FAR 16.505 ordering procedures do not require multiple quotes as long as GSA complies with fair opportunity requirements, it is concerning that the GSA orders generated only limited or no competition. Without adequate price competition, GSA and its customers are at risk of overpaying for contract items under SEWP. GSA contracting officers told us that they rely on SEWP contract level pricing when limited or no competition occurs. However, SEWP officials told us that the program does not emphasize contract level pricing because they expect customers to receive multiple quotes at the order level to drive competitive pricing. As such, the SEWP program’s reliance on price competition at the task order level places GSA at risk of overpaying when orders do not generate adequate competition. To strengthen competition, GSA may consider requiring contracting officers to obtain three or more quotes from qualified contractors for competitive task orders.

The FAS Commissioner acknowledged our observation.

SUMMARY OF CONTRACT AUDIT REPORTS

The Office of Audits issues contract audit reports to provide assistance to contracting officials in awarding and administering GSA contracts. The two primary types of contract audits include:

- Preaward audits provide GSA contracting officials with information to use when negotiating fair and reasonable GSA contract prices.
- Postaward audits examine GSA contractor’s adherence to contract terms and conditions.

During the period April 1, 2019, to September 30, 2019, we issued 20 contract audit reports. In these reports, we found:

- 11 contractors did not comply with price reduction provisions.
- 10 contractors did not submit accurate, current, and complete information.
- 6 contractors assigned employees who were unqualified for their billable positions to work on GSA schedule task orders.
- 5 contractors overcharged GSA customers.
- 2 contractors did not adequately accumulate and report schedule sales for Industrial Funding Fee (IFF) payment purposes and/or did not correctly calculate and submit their IFF payments.
- 2 contractors did not adequately segregate and accumulate labor hours, material costs, and other direct costs on time-and-material task orders.

We also recommended over \$79 million in cost savings. This includes funds that could be put to better use, which is the amount the government could save if our audit findings are implemented. It also includes questioned costs, which is money that should not have been spent such as overbillings and unreported price reductions.

April 1, 2019 – September 30, 2019

CONTRACT AUDIT REPORTS	
Recommendations that funds be put to better use	\$66,223,710
Questioned Costs	\$13,149,519

FAR DISCLOSURE PROGRAM

The FAR requires government contractors to disclose credible evidence of violations of federal criminal law under Title 18 of the United States Code (18 U.S.C.) and the False Claims Act to agencies' OIGs. To facilitate implementation of this requirement, we developed internal procedures to process, evaluate, and act on these disclosures and created a website for contractor self-reporting.

FAR RULE FOR CONTRACTOR DISCLOSURE

FAR 52.203-13(b) implements the Close the Contractor Fraud Loophole Act, Public Law 110–252, Title VI, and Chapter 1. Under the rule, a contractor must disclose, to the relevant agency's OIG, certain violations of federal criminal law (within 18 U.S.C.), or a violation of the civil False Claims Act, connected to the award, performance, or closeout of a government contract performed by the government contractor or subcontractor. The rule provides for suspension or debarment of a contractor when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received eight new disclosures. The matters disclosed include indictments against former employees, violations of pricing provisions, prohibited recruitment and onboarding fees, Trade Agreements Act violations, and defective services. We concluded our evaluation of nine disclosures that resulted in more than \$2.6 million in settlements and recoveries to the government. We also assisted on nine disclosures referred by another agency because of the potential impact on GSA operations and continued to evaluate 11 pending disclosures.

STATISTICAL SUMMARY OF OIG AUDITS

April 1, 2019 – September 30, 2019

OFFICE OF AUDITS	
Total financial recommendations	\$84,875,971
These include:	
Recommendations that funds be put to better use	\$71,512,741
Questioned costs	\$13,363,230
Audit reports issued	30
Audit memoranda provided to GSA	3
GSA Management decisions agreeing with audit recommendations	\$88,329,869

Audit Reports Issued

The OIG issued 30 audit reports. These reports contained financial recommendations totaling nearly \$84.9 million, including more than \$71.5 million in recommendations that funds be put to better use and over \$13.3 million in questioned costs. Due to GSA's mission of negotiating contracts for government-wide 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 OIG Audit Reports

Table 1 summarizes the status of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2019. There were three reports more than 6-months old awaiting management decision as of September 30, 2019. Table 1 does not include two implementation reviews that were issued during this period because they were excluded from the management decision process. Table 1 also does not include three reports excluded from the management decision process.

Table 1. GSA Management Decisions on OIG Reports

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 04/01/2019			
Less than 6 months old	19	12	\$ 70,011,985
Six or more months old	6	3	\$191,266,697
Reports issued this period	28	19	\$84,875,971
TOTAL	53	34	\$346,154,653
For which a management decision was made during the reporting period			
Issued prior periods	22	12	\$61,374,483
Issued current period	15	12	\$26,955,386
TOTAL	37	24	\$88,329,869
For which no management decision had been made as of 09/30/2019			
Less than 6 months old	13	7	\$57,920,585
Six or more months	3	3	\$199,904,199
TOTAL	16	10	\$257,824,784

* These totals include audit reports issued with both recommendations that funds be put to better use and questioned costs.

GSA Management Decisions on OIG Reports with Financial Recommendations

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

Table 2. GSA Management Decisions on OIG Reports with Recommendations that Funds Be Put to Better Use

	NUMBER OF REPORTS	FUNDS BE PUT TO BETTER USE
For which no management decision had been made as of 04/01/2019		
Less than 6 months old	8	\$67,825,795
Six or more months	3	\$190,922,034
Reports issued this period	9	\$71,512,741
TOTAL	20	\$330,260,570
For which a management decision was made during the reporting period		
Recommendations agreed to by management	13	\$75,024,285
Recommendations not agreed to by management	0	\$0
TOTAL	13	\$75,024,285
For which no management decision had been made as of 09/30/2019		
Less than 6 months old	4	\$56,509,162
Six or more months old	3	\$198,727,123
TOTAL	7	\$255,236,285

GSA Management Decisions on OIG Reports with Questioned Costs

Table 3. GSA Management Decisions on OIG Audit Reports with Questioned Costs

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 04/01/2019		
Less than 6 months old	9	\$2,186,190
Six or more months old	2	\$344,663
Reports issued this period	14	\$13,363,230
TOTAL	25	\$15,894,083
For which a management decision was made during the reporting period		
Disallowed costs	18	\$13,305,584
Costs not disallowed	0	\$0
TOTAL	18	\$13,305,584
For which no management decision had been made as of 09/30/2019		
Less than 6 months old	5	\$1,411,423
Six or more months old	2	\$1,177,076
TOTAL	7	\$2,588,499

SIGNIFICANT INSPECTIONS

SIGNIFICANT INSPECTIONS

The Office of Inspections conducts systematic and independent assessments of the Agency's operations, programs, and policies, and makes recommendations for improvement. Reviews involve on-site inspections, analyses, and evaluations to provide information that is timely, credible, and useful for Agency managers, policymakers, and others. Inspections may include an assessment of efficiency, effectiveness, impact, and sustainability of any Agency operation, program, or policy. Inspections are performed in accordance with the Council of the Inspectors General for Integrity and Efficiency *Quality Standards for Inspection and Evaluation*.

During this reporting period, the office issued four nonpublic reports and one alert report. The alert report provided two recommendations affecting GSA's continuity plans during or after a disaster or emergency.

AGENCY MANAGEMENT ALERT: GSA'S CONTINUITY PLAN IS OUTDATED AND INSUFFICIENT

Report Number JE19-006, dated September 26, 2019

During the course of an ongoing evaluation, the Office of Inspections identified a significant deficiency in the GSA's continuity program that warranted immediate attention by GSA management. Federal policy requires GSA (1) to have a continuity plan approved and signed by the Organization Head or their designee, (2) to review the continuity plan annually, and (3) to update the plan as required.

We found that the GSA OMA does not have an updated and approved agency-wide continuity plan that includes plans for the reconstitution of the agency and for supporting the physical reconstitution of the Executive Branch, which is GSA's primary mission essential function during a catastrophic emergency. Specifically, OMA has not reviewed and updated the agency's national continuity plan since February 2012, when it was last approved and signed. We also found that the 2012 plan does not address GSA's primary mission essential function for supporting the physical reconstitution of the Executive Branch.

It is critical to the agency's business operations that GSA maintain national continuity and reconstitution plans to enable GSA to resume its essential functions, and support the reconstitution of the Executive Branch. Without a current and accurate national continuity plan, GSA may not be able to continue business operations, and may fail in its primary mission essential function of helping reconstitute the Executive Branch during or after a disaster or emergency.

To address these findings, we recommended the following actions to the Office of Mission Assurance Associate Administrator:

1. Review, update, and obtain approval for the agency-wide GSA national continuity plan that reflects current business operations, meets federal requirements, provides for reconstituting GSA's operations, and supports the physical reconstitution efforts of the Executive Office of the President and the executive departments and agencies.
2. Establish a formal, annual process for reviewing GSA's national continuity plan, making adjustments and revisions as appropriate, and securing formal approval for any adjustments and revisions.

IDENTIFICATION OF SENSITIVE GSA BUSINESS INFORMATION SENT OUTSIDE THE GSA NETWORK

While conducting ongoing evaluations, the Office of Inspections identified numerous instances of GSA employees sending sensitive GSA business information from their government email accounts to their private email accounts outside the GSA network. We provided the GSA Chief Information Security Officer with four nonpublic Management Alert reports on suspected security violations and security incidents. Agency officials stated they are investigating these violations and have not yet reached a final determination due to the scope and complexity of the incidents.



Photo: John Minor Wisdom U.S. Court of Appeals Building, New Orleans, LA

SIGNIFICANT INVESTIGATIONS



Photo: Fresco paintings surrounding doorway to room 5138, Department of Justice, Washington, D.C.

SIGNIFICANT INVESTIGATIONS

The Office of Investigations conducts independent and objective investigations relating to GSA programs, operations, and personnel. The office consists of special agents with full statutory law enforcement authority to make arrests, execute search warrants, serve subpoenas, and carry concealed weapons. Special agents conduct investigations that may be criminal, civil, or administrative in nature and often involve complex fraud schemes. Investigations can also involve theft, false statements, extortion, embezzlement, bribery, anti-trust violations, credit card fraud, diversion of excess government property, and digital crimes. During this reporting period, the office opened 64 investigative cases, closed 57 investigative cases, referred 81 subjects for criminal prosecution, and helped obtain 30 convictions. Civil, criminal, and other monetary recoveries resulting from our investigations totaled over \$68 million.

CRIMINAL INVESTIGATIONS

MANUFACTURER CONVICTED OF COUNTERFEIT PRODUCTS SCHEME

A GSA OIG investigation found that Ramin Kohanbash, owner of California Surplus, Inc., FR-HQ LLC, and Gan Eden LLC, conspired with a GSA contractor and others to manufacture counterfeit military uniforms and gear in China and Pakistan. The GSA contractor then sold the counterfeit goods to the Department of Defense (DoD), and through the GSA Advantage online ordering system, in violation of both the Berry Amendment and Trade Agreements Act. On June 12, 2019, Kohanbash pleaded guilty to trafficking counterfeit goods and conspiracy to commit wire fraud pursuant to an information filed in the District of Rhode Island. As part of the plea, Kohanbash agreed to forfeit \$20 million in assets that were the proceeds of the fraud scheme, which occurred from 2013 through 2018. In addition, Kohanbash will pay \$694,398 to settle a claim under the False Claims Act. Kohanbash and his businesses were indefinitely suspended from federal procurements. GSA OIG investigated the case with the Defense Criminal Investigative Service (DCIS), Homeland Security Investigations (HSI), and U.S. Air Force Office of Special Investigations (AFOSI).

THREE CONTRACTORS PLEADED GUILTY AND TWO WERE INDICTED FOR THEIR INVOLVEMENT IN SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS AND 8(A) FRAUD SCHEME

A GSA OIG investigation determined that Stephon Ziegler, owner, Zieson Construction Company (Zieson), acted as a figurehead and lent his name and service disabled veteran status to a scheme that allowed Matthew McPherson and his co-conspirators to run the business and perform almost all of its daily functions. This allowed the company to fraudulently obtain \$317.4 million in federal contracts set aside for veteran and disadvantaged businesses but which Zieson was actually ineligible to receive. On May 21, 2019, Ziegler pleaded guilty to false statements. On June 3, 2019, McPherson pleaded guilty to conspiracy to commit wire fraud and major program fraud and agreed to forfeit more than \$5.5 million to the government. The investigation also found that Rusty Simon, owner, Simcon Corp., whose company was eligible for Small Business Administration (SBA) 8(a) disadvantaged business set-aside contracts, received payments from Michael Dingle to allow Dingle, McPherson, and Matt Torgeson to use Simcon's name and status to fraudulently obtain \$12.5 million in 8(a) set aside contracts. On June 19, 2019, Simon pleaded guilty to false statements made to SBA. On June 26, 2019, Dingle and McPherson were indicted on conspiracy to commit wire fraud; wire fraud, and money laundering for their roles in the service-disabled veteran-owned small business (SDVOSB) and 8(a) fraud scheme. GSA OIG investigated this case with DCIS, Veterans Affairs (VA) OIG, SBA OIG, Internal Revenue Service (IRS) Criminal Investigation Division (CID), U.S. Department of Agriculture (USDA) OIG, United States Secret Service, Department of Labor OIG, Army CID, AFOSI, and Naval Criminal Investigative Service (NCIS).

ARKANSAS BUSINESS OWNER SENTENCED FOR HIS ROLE IN EXPLOITING THE FEDERAL SURPLUS PROPERTY DONATION PROGRAM

Mark Jackson, Jimmy Winemiller, and Don Stephens, Jr., each from Little Rock, Arkansas, participated in a scheme to exploit GSA's Federal Surplus Property Donation Program. The donation program was designed to assist qualifying businesses, municipal agencies, disadvantaged businesses, and non-profit organizations. The three men conspired to use false pretenses to acquire and sell surplus government property that was otherwise unavailable to the public. Over the course of the scheme, Jackson acquired hundreds of pieces of equipment through Kingridge Enterprises, Inc., a company he owned and operated. Jackson, Winemiller, and Stephens then sold the equipment for more than \$2.5 million. They each pleaded guilty to conspiring to commit wire fraud. Stephens was sentenced to 30 days' imprisonment followed by two years' supervised release and was required to pay a monetary judgment of approximately \$125,700. Winemiller was sentenced to 20 months' imprisonment followed by two years' supervised release and was required to pay a monetary judgment of \$250,000. On August 26, 2019, Jackson was sentenced to 60 months' imprisonment and was required to pay a monetary judgment of over \$1 million. GSA OIG investigated this case with the Federal Bureau of Investigation (FBI) and SBA OIG.

GSA CONTRACTOR SENTENCED FOR OPERATING A MULTI-MILLION DOLLAR FRAUD SCHEME

Brian Brundage, former president of Intercon Solutions, operated a multi-million dollar fraud scheme involving the illegal landfilling, stockpiling, and re-selling of potentially hazardous waste. Brundage had fraudulently misrepresented to the government and commercial customers that materials were being disassembled and recycled. On April 12, 2019, Brundage was sentenced to three years' imprisonment and ordered to pay more than \$1.2 million in restitution to his victims. GSA OIG investigated this case with the Environmental Protection Agency CID, IRS CID, and HSI.

DEFENDANT PLEADED GUILTY TO FRAUD AND MONEY LAUNDERING SCHEME INVOLVING OVER \$200 MILLION IN SMALL BUSINESS CONSTRUCTION CONTRACTS

Brian Ganos, the president of Sonag Company, Inc., and vice president of Nuvo Construction Company, Inc., conspired with others to make false representations in order to obtain over \$200 million worth of government contracts in the Milwaukee area. The contracts were issued under SBA 8(a), Department of Transportation (DOT) Disadvantaged Business Enterprise (DBE), and the VA SDVOSB set-aside programs. Ganos was previously indicted for money laundering and conspiracy to commit mail and wire fraud. On June 3, 2019, Ganos pleaded guilty to wire fraud and mail fraud and is currently awaiting sentencing. GSA OIG investigated this case with the FBI, VA OIG, DOT OIG, SBA OIG, DCIS, Army CID, and the Defense Contract Audit Agency.

GSA CONTRACTOR PLEADED GUILTY TO HIS INVOLVEMENT IN FRAUD SCHEME

A GSA OIG investigation found that Dennis Pomante, owner of Denn-Co Construction, Inc., and co-conspirators falsely represented to federal agencies that US Builders Group, Inc., an affiliated business of Denn-Co, was an SDVOSB. Pomante and the co-conspirators knew that US Builders Group was not owned and controlled by a service-disabled veteran and did not qualify as a small business; however, they falsely certified that it was in order to obtain set-aside federal construction contracts valued in excess of \$100 million. This scheme involved major fraud, money laundering, wire fraud, false statements, and conspiracy. On June 11, 2019, Pomante pleaded guilty to conspiracy to defraud the United States and is currently awaiting sentencing. GSA OIG investigated this case with VA OIG, SBA OIG, and DCIS.

CONTRACTOR SENTENCED FOR SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD

Joseph “David” Dial, owner, United Medical Design Builders, acted as a figurehead who received payments to fraudulently allow another contractor to use the name and status of his SDVOSB to obtain a \$45.7 million U.S. Army Corps of Engineers SDVOSB set-aside construction contract that they were not eligible to receive. On September 25, 2019, Dial was sentenced to 26 months’ incarceration, 24 months’ supervised release, and was ordered to pay a forfeiture money judgment of \$25,000. Dial previously pleaded guilty to major program fraud and wire fraud. GSA OIG investigated this case with DCIS, Army CID Major Procurement Fraud Unit (MPFU), and SBA OIG.

MULTIPLE AWARD SCHEDULE CONTRACTOR SENTENCED FOR PRODUCT SUBSTITUTION SCHEME

Jim A. Meron, owner of WOW Imaging Products, LLC, used the GSA Advantage online ordering system to sell the U.S. Government toner cartridges marketed as new, genuine, original manufacturer equipment but which were, in fact, merely compatible. On June 17, 2019, Meron was sentenced to 33 months' confinement, followed by 36 months' supervised release, and was ordered to pay \$1.6 million in restitution. Meron previously pleaded guilty to wire fraud. GSA OIG investigated this case with DCIS.

EXECUTIVES SENTENCED IN LARGE SCALE FRAUD SCHEME

Karda Systems, LLC, SEK Solutions, LLC, and officers of both companies agreed to settle alleged False Claims Act violations related to bidding and performing on federal contracts for tactical equipment and IT equipment and services. On July 2, 2019, SEK vice president Ron Villanueva was sentenced to 30 months' confinement, three years' supervised release, and ordered to pay \$524,533 in restitution. Further, on July 11, 2019, Samuel Carrigan, nominal owner of Karda Systems, was sentenced to six months' home confinement, followed by three and a half years of probation, and was ordered to pay \$242,035 in restitution for his role in the conspiracy. Finally, on July 12, 2019, Khalil Naim, executive vice president of SEK Solutions, was sentenced to one month of incarceration and ordered to pay \$479,641 in restitution. During previous reporting periods, Villanueva pleaded guilty to conspiring to defraud the U.S. Government, Carrigan pleaded guilty to making a false statement to SBA, and Naim pleaded guilty to aiding and abetting a false statement in conjunction with their roles in the fraud scheme. GSA OIG investigated this case with the FBI, SBA OIG, DCIS, and NCIS.

GSA CONTRACTORS PLEADED GUILTY TO FELONY CHARGES ASSOCIATED WITH A \$50 MILLION HUBZONE FRAUD SCHEME AND A GSA CONTRACTOR AGREED TO A \$500,000 SETTLEMENT

A GSA OIG investigation determined that from 2009 to 2012, GSA contractor MASS Service and Supply (MASS) submitted false statements to GSA and DoD in order to obtain approximately \$50 million in set-aside HUBZone contracts that it would not otherwise have been eligible to receive. On July 9, 2019, in the District of Colorado, MASS Owner Catherine Grasmick was charged with a criminal information for falsifying records with intent to obstruct a federal investigation. On September 5, 2019, she pleaded guilty to obstruction of justice and is currently awaiting sentencing. In addition, as part of a global resolution involving parallel proceedings with the United States Attorney's Office's Criminal Division, Grasmick agreed to pay \$500,000 to avoid civil prosecution. On September 27, 2019, MASS Office Manager Angela Petersen pleaded guilty to misprision of a felony and is also awaiting sentencing. GSA OIG investigated this case with DCIS, Army CID MPFU, and AFOSI.

FORMER U.S. ARMY RESERVIST SENTENCED FOR GOVERNMENT PURCHASE CARD FRAUD

A GSA OIG investigation determined that Ramon Torry, former U.S. Army Reserve (USAR) employee, used a government purchase card and contract to fund kickbacks to his personal bank account. The USAR contracted with a film production company to produce a public service announcement movie. The contract was a firm-fixed price contract for \$18,000. The investigation disclosed that from December 2015 to October 2017, at the direction of Torry, the USAR made payments in excess of \$414,000 to the film company, largely by GPC, for services that were not provided or were significantly inflated. The film company then kicked back over \$300,000 to Torry. On September 24, 2019, Torry was sentenced to 18 months' incarceration, three years' supervised release, and 40 hours' community service. Torry was ordered to forfeit \$302,982 and pay restitution in the same amount. Torry previously pleaded guilty to wire fraud and theft of government property. GSA OIG investigated the case with Army CID.

VIRGINIA MAN SENTENCED FOR DEFRAUDING THE COMPUTERS FOR LEARNING PROGRAM

A GSA OIG investigation determined that Terrence Mann fraudulently acquired federal excess property through GSA's Computers for Learning (CFL) Program. Federal agencies use the CFL program to distribute, to schools and educational nonprofit organizations, useful IT equipment no longer needed by the U.S. Government. Mann falsely represented himself to GSA as the administrator of a nonprofit organization and then proceeded to acquire more than \$150,000 in computer equipment through the CFL program. On April 2, 2019, Mann pleaded guilty to theft and was sentenced to two years' probation and ordered to pay \$2,200 in restitution.

COMPANY PRESIDENT SENTENCED FOR WIRE FRAUD

Michael Modrich, President of Med-Tech Resources, LLC, fraudulently used and advertised the GSA contract of a woman-owned small business in connection with a scheme to generate sales to the U.S. Government. In addition, some of the sales involved emergency supplies for first responders imported from China in violation of U.S. import laws. Modrich pleaded guilty to wire fraud, and, on May 1, 2019, he was sentenced to 18 months' imprisonment, three years' probation, and was ordered to pay \$144,680 in restitution and a \$26,340 fine. GSA OIG investigated this case with HSI.

TWO INDIVIDUALS PLEADED GUILTY TO CONSPIRACY TO RIG GOVERNMENT AUCTION BIDS

A GSA OIG investigation revealed a conspiracy amongst Marshall Holland, Igor Yurkovetsky, and others to substantially suppress the market price of computers and eliminate competition at GSA Auctions. The conspirators colluded and used various schemes and methods to obtain the auctioned computers at suppressed prices. On April 10, 2019, Holland pleaded guilty to conspiracy to restrain trade in violation of the Sherman Act. On September 24, 2019, Yurkovetsky pleaded guilty to conspiracy to restrain trade in violation of the Sherman Act.

INDIVIDUAL PLEADED GUILTY TO POSSESSION OF CHILD PORNOGRAPHY

During a GSA OIG unrelated investigation a co-conspirator was interviewed and voluntarily provided their personal cell phone to agents for forensic analysis. The analysis revealed two images of child pornography. On November 6, 2017, a criminal complaint was filed charging the co-conspirator with possession of child pornography and attempted possession of child pornography film/ videotape. On August 27, 2019, the co-conspirator pleaded guilty to attempted possession of child pornography film/videotape and sentenced to 62 days in the Jackson County Jail. The co-conspirator was granted credit for time served, ordered to register as a sex offender and comply with the state and federal requirements for sex offenders, and to pay a fine to the Missouri Crime Victims' Compensation Fund.

FORMER GSA BUILDING MANAGER PLEADED GUILTY TO HARASSING FEMALE EMPLOYEES

A former GSA building manager, who retired during our investigation, anonymously sent harassing mailings containing Victoria's Secret coupons to hundreds of women employed by government agencies or having business with government agencies. The former GSA employee was subsequently charged with a New Jersey state stalking violation and on June 13, 2019, pleaded guilty to a lesser charge of harassment. Upon acceptance of the plea, the former GSA employee was sentenced to one year of probation.

FORMER PBS EMPLOYEE SENTENCED FOR THEFT AND LYING TO GSA OIG AGENTS

Jon Berts, a former PBS employee, falsified military documents and VA medical letters and lied to GSA OIG special agents regarding government property he claimed had been lost. On May 3, 2019, Berts was sentenced to five years' probation with special warrantless search provisions and ordered to pay \$1,303 in restitution. He previously pleaded guilty to false statements and theft of government property. GSA OIG investigated this case with NCIS and VA OIG.

FORMER GSA EMPLOYEE SENTENCED FOR MAKING FALSE STATEMENTS TO FEDERAL AGENTS

James Wheeler, a former GSA Construction Control Representative, had work performed on his residence by a GSA subcontractor. During the course of this investigation, Wheeler was interviewed on two occasions. In both interviews, Wheeler denied having work performed on his residence by the subcontractor or anyone from the subcontractor's companies. These statements were material misrepresentations of fact. Wheeler was arrested on February 7, 2019. Wheeler pleaded guilty to false statements and was sentenced on September 6, 2019, to time served. The Court determined the felony conviction to be sufficient punishment for the offense charged given Wheeler's lack of criminal history, his public service, and his two combat tours in Vietnam as a U.S. Marine.

CIVIL SETTLEMENTS

ADS, INC. EXECUTIVES AGREE TO PAY OVER \$20 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS

ADS, Inc., and its affiliated companies falsely represented that they qualified as small businesses, improperly bid for and secured set-aside federal contracts for which they were not eligible, and participated in illegal bid rigging schemes that inflated or distorted prices. On June 28, 2019, Charles Salle, former general counsel and chief legal officer of ADS, agreed to pay the government \$225,000 plus interest to resolve claims against him. Following that agreement, on August 5, 2019, Luke Hillier, owner and chairman of ADS, agreed to pay the government \$20 million plus interest to resolve similar claims against him. GSA OIG investigated this case with SBA OIG.

UPS AGREED TO PAY \$8.4 MILLION TO SETTLE FALSE CLAIMS ALLEGATIONS

On September 9, 2019, United Parcel Service, Inc. (UPS), agreed to pay \$8.4 million to resolve allegations under the False Claims Act that UPS failed to follow the Price Reductions Clause of their GSA Multiple Award Schedule package delivery contract, which resulted in overcharges and potential false claims to GSA customers. GSA OIG investigated this case with the U.S. Department of Justice (DOJ), Civil Division.

FISHER SCIENTIFIC AGREED TO PAY GSA \$1.7 MILLION TO RESOLVE CLAIMS RELATED TO PRICE REDUCTION

On September 19, 2019, Fisher Scientific Company, LLC, agreed to pay a global settlement of \$1.7 million to resolve allegations under the False Claims Act, the Contract Disputes Act, the Program Fraud Civil Remedies Act, and common law theories of breach of contract, payment by mistake, or unjust enrichment. The global settlement resolves allegations that Fisher failed to follow the Price Reductions Clause of its GSA Multiple Award Schedule scientific equipment contract, which resulted in overcharges and potential false claims to GSA customers.

CLASSIC SITE SOLUTIONS INC. AGREED TO A \$1.3 MILLION SETTLEMENT

On August 8, 2019, Classic Site Solutions, Inc., and its owner agreed to pay \$1.3 million to resolve allegations that they violated the False Claims Act by making false statements to the SBA to obtain certification as a HUBZone, which they used to obtain GSA contracts in connection with the SBA's HUBZone Program.

SESOLINC GROUP AGREED TO \$2.4 MILLION SETTLEMENT

On July 12, 2019, the Sesolinc Group agreed to pay approximately \$2.4 million to settle allegations that they supplied defective products and submitted false claims to the Army, Department of Veterans Affairs, and GSA. Sesolinc allegedly violated the False Claims Act when it sold products to the U.S. Government that did not comply with required electrical and structural standards. GSA investigated this case with DCIS, Army CID, and VA OIG.

ALPHAPORT AGREED TO A \$981,000 SETTLEMENT

On August 8, 2019, Alphaport, Inc., agreed to pay \$981,000 to resolve allegations under the False Claims Act. Between 2006 and 2015, Alphaport, Inc., allegedly misrepresented to the federal government that it met all of SBA's eligibility requirements to participate in the HUBZone minority set-aside program in order to obtain contracts with the National Aeronautics and Space Administration (NASA). GSA OIG investigated this case with NASA OIG and SBA OIG.

FORTINET, INC. AGREES TO A \$545,000 SETTLEMENT

On April 8, 2019, GSA Contractor Fortinet, Inc., an information technology company that sells products directly to the U.S. Government and to distributors with GSA contracts, agreed to pay \$400,000 and provide the United States Marine Corps with additional equipment valued at \$145,000 to resolve allegations it violated the False Claims Act by falsely representing its products were in compliance with the Trade Agreements Act. Between 2009 and 2016, a Fortinet employee responsible for supply chain management directed the alteration of labels on certain products to make the products appear compliant with the Trade Agreements Act. GSA OIG investigated the case with DCIS.

COMPANY EXECUTIVE AGREED TO PAY \$350,000 TO RESOLVE FALSE CLAIM ALLEGATIONS

On June 28, 2019, John O'Donnell, Executive Officer, AGS Enterprises, Inc., and its subsidiaries KLN Steel Products Co., LLC, Furniture by Thurston, Inc., and Dehler Manufacturing, Inc., agreed to pay \$350,000 to resolve allegations under the False Claims Act that the companies violated laws related to bidding for and performing under federal contracts. The settlement resolves allegations that between 2009 and 2016, O'Donnell made false certifications regarding the companies' sales of goods that were not compliant with the Trade Agreements Act and the Buy American Act; made false certifications related to place of manufacture of products in connection with its GSA contracts; and submitted false invoices for freight charges. GSA OIG investigated this case with Army CID MPFU.

\$300,000 CONSENT JUDGMENT ORDERED AGAINST SUPPORT OF MICROCOMPUTERS ASSOCIATES

On July 17, 2019, a consent judgment was granted in the Eastern District of Pennsylvania in favor of the United States against Support of Microcomputers Associates (SOMA). SOMA, a GSA Multiple Award Schedule contract holder, was ordered to pay the U.S. Government \$300,000 to resolve allegations that SOMA violated the False Claims Act by selling to government agencies products that were not compliant with the Trade Agreement Act.

MEMPHIS GOODWILL AGREES TO \$150,000 SETTLEMENT RELATING TO LABOR MISCHARGES

On May 20, 2019, Memphis Goodwill Industries, Inc. (MGII), a Tennessee non-profit corporation, agreed to pay the U.S. Government \$150,000 to resolve allegations under the False Claims Act and the Program Fraud Civil Remedies Act. MGII operates as a participating non-profit agency with contracts awarded through the AbilityOne Program to provide services to government agencies while employing disabled individuals. The agreement resolves allegations that MGII misrepresented the amount of disabled labor used to execute the requirements outlined in its AbilityOne contracts with government agencies.

ADMINISTRATIVE MISCONDUCT

GSA PBS EMPLOYEE TERMINATED FOR FALSE STATEMENTS ON EMPLOYMENT APPLICATION

A GSA OIG investigation determined that a PBS building manager submitted information during the application process for his position with PBS that was misleading, incomplete, and false. On May 31, 2019, he was fired from his position.

GSA PBS PROGRAM ANALYST SUSPENDED FOR TWO DAYS FOR THE SALE OF EDIBLE MARIJUANA IN A GOVERNMENT LEASED SPACE

A GSA OIG investigation determined that a GSA PBS program analyst purchased edible marijuana in Colorado on official government business and again while on vacation. The program analyst sold a portion of the edible marijuana to a PBS realty specialist inside of a GSA regional office. The program analyst received a two-day suspension for inappropriate conduct and possession of illegal drugs on government owned or leased property while on duty. The realty specialist received an official reprimand for possession of illegal drugs on government-owned or leased premises while on duty.

FLEET CARD FRAUD

During this reporting period, we continued to investigate Fleet card cases. Notable cases include:

- Carlos Espinola, Don Wright, and Emmanuel Alvarado—all current or former members of the Texas Army National Guard—were indicted, arrested, and pleaded guilty to conspiracy to defraud the United States for their respective roles in a scheme to steal GSA Fleet credit card credentials and sell counterfeit cards. On June 5, 2019, Espinola pleaded guilty to conspiracy to steal government money. On June 19, 2019, Wright pleaded guilty to conspiracy to defraud the United States, and on September 13, 2019, Alvarado pleaded guilty to theft of government money. The estimated loss to the U.S. Government was approximately \$124,000.
- Kyle Sidney Freedman Flournoy, a former VA employee, pleaded guilty to conspiracy to steal and retain government property. Flournoy allowed other co-conspirators to use government vehicles in exchange for cash and used the government credit cards to purchase gas for himself and others, who then paid him in cash. On September 30, 2019, Flournoy pleaded guilty and admitted to his role in the scheme involving the theft of at least 11 government credit cards and two government vehicles belonging to the VA. The loss to the government was approximately \$23,411. GSA OIG investigated this case with VA OIG.
- Christopher Fuller, former U.S. Navy sailor stationed at Naval Station Norfolk, Virginia, and Carl Vann, civilian, Hampton, Virginia, fraudulently used two GSA Fleet credit cards to purchase fuel for personal vehicles. Both Fuller and Vann previously pleaded guilty to conspiracy to commit wire fraud in the Eastern District of Virginia. On July 2, 2019, Fuller was sentenced to five months' incarceration, five months' home detention, and three years' supervised release. On July 25, 2019, Vann was sentenced to five months' home detention and three years' probation. In addition, both Fuller and Vann were ordered to pay \$12,748 jointly in restitution.
- Darrell Coleman, a former USDA employee and former U.S. Air Force Reservist, used numerous GSA Fleet credit cards to fuel his personal vehicles from approximately October 2013 through December 2017. Coleman resigned from his position and pleaded guilty to theft of government property. On June 14, 2019, he was sentenced to 60 days' imprisonment and three years' supervised release. Coleman was ordered to pay a \$2,000 fine, \$1,436 in restitution, and required to complete 100 hours of community service. GSA OIG investigated this case with USDA OIG.

- Symone Sherrod, a former employee of the Joliet Job Corps, and Anthony Byrdsong used a stolen GSA Fleet credit card to purchase approximately \$2,900 in fuel for their personal benefit. On June 4, 2019, Sherrod pleaded guilty to unlawful use of another’s credit card and was sentenced to two days’ incarceration, 24 months’ probation, and ordered to pay \$2,800 in restitution. On June 14, 2019, Byrdsong pleaded guilty to unlawful use of another’s credit card and was sentenced to 90 days’ incarceration, 24 months’ probation, and ordered to pay \$2,800 in restitution.
- On June 12, 2019, Darren Taylor, a former civilian Navy employee at the Naval Surface Warfare Center in Bethesda, Maryland, was sentenced to 12 months’ probation, 50 hours’ community service, and ordered to pay \$2,725 in restitution for unlawfully using a GSA Fleet credit card.
- Barry Butler, a volunteer driver for the VA in Detroit, Michigan, fraudulently purchased over \$1,000 in fuel with a GSA Fleet credit card assigned to a VA vehicle. Butler was charged with Michigan state violations related to embezzlement by a public official and identity theft. On April 2, 2019, Butler pleaded guilty to embezzlement by a public official. On May 1, 2019, Butler was sentenced to 24 months’ supervised probation and ordered to pay \$1,049 in restitution. The VA Police assisted in this investigation.

WPA ART INVESTIGATIONS

As a direct result of the cooperative efforts between the OIG and the GSA Office of the Chief Architect’s Fine Arts Program (FAP), four lost pieces of Works Progress Administration (WPA) artwork were reclaimed and inventoried during this reporting period. These pieces of American history are not subject to public sale, but their comparative value totals \$16,000. The FAP will be conserving the pieces before placing them on loan to institutions across the country for display. Since cooperative efforts between the OIG and FAP began in 2001, a total of 768 WPA pieces have been recovered, with a comparative value of \$8,578,350.¹

- On April 11, 2019, GSA OIG Special Agents recovered the WPA painting “La Ville Close, Concarneau,” by Kenneth Dower, after learning the piece was auctioned on a website. The painting has an estimated value of \$5,000.
- On June 12, 2019, GSA OIG special agents recovered WPA painting “Summer Scene,” by Eldora Lorenzini, after learning that it was being auctioned on a website. The painting has an estimated value of \$5,000.
- GSA OIG special agents recovered WPA artwork “Beyond Yonkers,” by Leopold Widlicka, after learning the piece was auctioned on a website. The painting has an estimated value of \$3,000.

¹ This number includes all pieces of artwork recovered through the joint publicity/recovery efforts of the OIG and FAP. Not all recoveries require direct intervention by the OIG; some are “turn-ins” as a result of publicity or internet searches that reveal the government’s ownership.

- GSA OIG special agents recovered WPA artwork “Summer Breeze,” by Joseph Sabalauskas, after learning the piece was auctioned on a website. The painting has an estimated value of \$3,000.

OTHER SIGNIFICANT WORK

SUSPENSION AND DEBARMENT INITIATIVE

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in federally assisted programs and procurements, and that they are not considered “excluded parties.” Excluded parties are declared ineligible to receive contracts by a federal agency. The FAR authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 72 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy or other federal debarment officials. There were 122 actions issued based on current and previous OIG referrals.

INTEGRITY AWARENESS

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse. This period, we presented 80 briefings attended by 1,397 GSA employees, other government employees, and government contractors. 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 investigative information.

HOTLINE

The OIG hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the hotline. Our hotline also allows internet submission of complaints. During the reporting period, we received 651 hotline contacts. Of these, 69 were referred to GSA program officials for review and appropriate action, 17 were referred to other federal agencies, 12 were referred to the OIG Office of Audits, and 79 were referred to investigative field offices for investigation or further review.

STATISTICAL SUMMARY OF OIG INVESTIGATIONS

April 1, 2019 – September 30, 2019

OFFICE OF INVESTIGATIONS	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	233
Indictments and informations on criminal referrals*	28
Subjects accepted for criminal prosecution	49
Subjects accepted for civil action	22
Convictions	30
Civil settlements/judgments	18
Contractors/individuals suspended and debarred	122
Employee actions taken on administrative referrals involving government employees	11
Investigative Reports**	13
Number of subpoenas	44
Civil settlements and court-ordered and investigative recoveries	\$68,175,559

* The total number of criminal indictments and criminal informations include all criminal charging documents resulting from any prior referrals to prosecutive authorities.

** The total number of investigative reports include reports of investigations and letterhead reports, which summarize the results of an official investigation and were referred to GSA officials for a response in consideration of taking administrative action or for information only.

Investigative Workload

The OIG opened 64 investigative cases and closed 57 cases during this period.

Referrals

The OIG makes criminal and civil referrals to the Department of Justice (DOJ) or other authorities for prosecutive and 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.

Actions on OIG Referrals

Based on these and prior referrals, 49 subjects were accepted for criminal prosecution and 22 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 28 indictments or informations and 30 convictions. OIG civil referrals resulted in 18 subject settlements/judgments. Based on OIG administrative referrals, GSA management debarred 37 contractors or individuals, suspended 85 contractors or individuals, and took 11 personnel actions against government employees.

Table 4. Summary of OIG Referrals

TYPE OF REFERRAL	CASES	SUBJECTS
Civil	10	25
Criminal (DOJ)*	42	76
Criminal (State/Local)**	5	5
Administrative Referrals for Action/Response		55
Suspension	10	24
Debarment	19	48
TOTAL	86	233

* The total number of persons referred to DOJ for criminal prosecution includes both individuals and companies which have been referred to DOJ for criminal prosecutorial consideration.

** The total number of persons referred to state and local authorities includes both individuals and companies which have been referred to authorities, other than DOJ, for criminal prosecution. Referrals to military authority for prosecution under the Uniform Code of Military Justice are also included in this metric.

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, recoveries, forfeitures, judgments, and restitutions payable to the U.S. government as a result of criminal and civil actions arising from OIG referrals. Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities. Criminal, civil, and other monetary recoveries arising from our work totaled more than \$68 million.

Table 5. Criminal and Civil Results

	CRIMINAL	CIVIL
Fines and Penalties	\$34,664	
Settlements		\$37,645,818
Recoveries/Forfeitures	\$22,437,756	\$0
Restitutions	\$4,638,899	
TOTAL	\$27,111,319	\$37,645,818

Table 6. Non-Judicial Recoveries*

Administrative Recoveries	\$3,418,422
Forfeitures/Restitution	\$0
TOTAL	\$3,418,422*

* This total includes the FAR disclosures reported on page 20.

GOVERNMENT-WIDE POLICY ACTIVITIES

GOVERNMENT-WIDE POLICY ACTIVITIES

We regularly provide advice and assistance on government-wide policy matters to GSA, as well as to other federal agencies and committees of Congress. On September 25, the Inspector General testified before the House Subcommittee on Economic Development, Public Buildings, and Emergency Management concerning our Evaluation of GSA’s Management and Administration of the Old Post Office Building Lease which we issued to the agency in January of this year. Her statement is part of the hearing record and has been posted to our public website.

In addition, as required by the Inspector General Act of 1978, as amended, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of GSA’s programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of GSA in shaping government-wide policies and programs, most of the legislation and regulations reviewed affect government-wide issues such as procurement, property management, travel, and government management and IT systems.

Interagency and Intra-agency Committees and Working Groups

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is the chair of the Budget Committee and is a member of the Executive Council and Investigations and Legislation Committees. Through CIGIE, we also participate in the following:
 - **Federal Audit Executive Council Information Technology Committee.** The Office of Audits participates in the Federal Audit Executive Council (FAEC) IT Committee. This committee provides a forum to share information and coordinate audits of significant IT issues with the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.
 - **Federal Audit Executive Council Digital Accountability and Transparency Act Working Group.** The Office of Audits participates in the FAEC Digital Accountability and Transparency Act (DATA Act) working group. The working group’s mission is to assist the IG community in understanding and meeting its DATA Act oversight requirements by: (1) serving as a working level liaison with the Department of the Treasury, (2) consulting with the Government Accountability Office, (3) developing a common review approach and methodology, and (4) coordinating key communications with other stakeholders. The Office of Audits participates to stay abreast of the latest DATA Act developments in order to monitor GSA’s implementation of the DATA Act.

- **Federal Audit Executive Council Contracting Committee.** The Office of Audits participates in the FAEC Contracting Committee. The committee is involved with addressing contract, program, and acquisition management issues that have common interest throughout the OIG community. The committee shares information on audit topics, successful audits, and related techniques.
- **Enterprise Risk Management Working Group.** The Office of Audits also participates in CIGIE’s Enterprise Risk Management (ERM) working group. The working group’s charge is to contribute to the promotion and implementation of ERM principles in accordance with OMB Circular A-123 within OIGs and their respective agencies. The Office of Audits participates in the working group as a part of a collaborative effort with other OIGs to oversee the sharing of processes and best practices used to analyze, prioritize, and address risks identified and relevant to implementing ERM in the federal government.
- **Disaster Assistance Working Group.** In response to the damage caused by Hurricanes Harvey, Irma, and Maria, CIGIE reactivated the Disaster Assistance Working Group to coordinate the OIG community’s oversight of the federal response and recovery efforts as well as the resources appropriated by Congress for disaster recovery programs. The Office of Audits participates in the Disaster Assistance Working Group to identify any overlapping issues and coordinate any related work.
- **Data Analytics Working Group.** The Office of Investigations participates in the CIGIE Data Analytics Working Group. The working group’s projects include developing training forums in data analytics, updating a repository of databases and other sources of information used by the OIG community, and identifying cross-cutting initiatives utilizing data analytics to detect fraud.



Photo: East lobby decorative door, EPA East and West, located on 12th and Constitution Avenue, N.W., Washington, D.C.

APPENDIXES

APPENDIX I

ACRONYMS AND ABBREVIATIONS

AFOSI	Air Force Office of Special Investigations
CFL	Computers for Learning
CID	Criminal Investigation Division
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CSP	Commercial Sales Practices
D.C.	District of Columbia
DATA Act	Digital Accountability and Transparency Act of 2014
DCIS	Defense Criminal Investigative Service
DBE	Disadvantaged Business Enterprise
DoD	Department of Defense
DOJ	Department of Justice
DOT	Department of Transportation
EDLs	Existing Deficiency Lists
EPA	Environmental Protection Agency
ERM	Enterprise Risk Management
FAP	Fine Arts Program
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FedRAMP	GSA's Federal Risk and Authorization Management Program
FFO	Funds from Operation
FAEC	Federal Audit Executive Council
GLS	GSA Leasing Support Services
GSA	General Services Administration
GSA IT	Office of General Services Administration's Information Technology
HSI	Homeland Security Investigations
IFF	Industrial Funding Fee
IG	Inspector General
IOA	Industrial Operations Analyst
IRS	Internal Revenue Service
IT	Information Technology
MPFU	Major Procurement Fraud Unit
NASA	National Aeronautics and Space Administration
NCIS	Naval Criminal Investigative Service
OAS	GSA's Office of Administrative Services
OGC	GSA Office of General Counsel
OIG	Office of Inspector General
OMA	Office of Mission Assurance
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBS	Public Buildings Service
SBA	Small Business Administration
Schedule	Multiple Award Schedule
SDVOSB	service-disabled veteran-owned small business
SEWP	Solutions for Enterprise-Wide Procurement
TIGTA	U.S. Treasury Inspector General for Tax Administration
TOA	Transition Ordering Assistance
USAR	U.S. Army Reserve
U.S.C.	United States Code
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veterans Affairs
WPA	Works Progress Administration

APPENDIX II

SIGNIFICANT RECOMMENDATIONS FROM PRIOR REPORTS

The GSA Office of Administrative Services is responsible for tracking the implementation of audit and inspection recommendations after a management decision has been reached, and thus furnished the following status.

Prior Semiannual Reports to the Congress included seven reports with recommendations that have not yet been fully implemented. These recommendations are currently being implemented in accordance with established milestones.

AUDIT OF THE PUBLIC BUILDINGS SERVICE'S USE OF CONTRACT EMPLOYEES IN THE NEW ENGLAND AND NORTHEAST AND CARIBBEAN REGIONS

Period First Reported: October 1, 2018, to March 31, 2019

Our objective was to determine whether PBS offices in the New England and Northeast and Caribbean Regions: (1) are properly awarding and administering contracts for contractor employees in compliance with applicable regulations and guidance, and (2) have appropriate internal controls in place to ensure effective oversight of contract employees. We made two recommendations, which have not been implemented.

These recommendations involve: (1) developing, implementing, and maintaining the management controls and policies and procedures necessary to ensure that PBS is not awarding and administering contracts in a manner that creates prohibited personal services contracts; and (2) ensuring that: (a) controls are strengthened to ensure that personnel in charge of service contracts adhere to and enforce contract requirements, (b) contract time limits are adhered to, contracting officers are aware of schedule timeframe limitations prior to awarding any contracts, (c) the Region recoups the \$2,515 overpayment identified in this audit, (d) contracting officers analyze proposed prices for accuracy prior to award, (e) contracting officers and contracting officer's representatives (CORs) review invoices and supporting documentation prior to making any payments to contractors, and (f) CORs are properly certified and designated prior to being assigned contract oversight responsibilities. The recommendations are scheduled for completion by November 30, 2019.

AUDIT OF ENVIRONMENTAL ISSUES AT THE GOODFELLOW FEDERAL COMPLEX IN ST. LOUIS, MISSOURI

Period First Reported: October 1, 2018, to March 31, 2019

Our objectives were to determine whether: (1) PBS informed building tenants, contractors, and visitors about identified environmental hazards at the Goodfellow complex; and (2) PBS's response to the identified environmental hazards accorded with applicable laws, regulations, and policies. We made six recommendations; four have not been implemented.

The remaining recommendations involve: (1) conducting a comprehensive assessment of the PBS Occupational Safety and Health Program, focusing on the program's ability to ensure compliance with applicable occupational safety and health requirements and taking corrective action to address any weaknesses identified through the assessment; and instituting controls to ensure that: (2) PBS has a complete and publicly accessible repository for all environmental studies conducted on any and all of its properties in the Heartland Region; (3) all health, safety, and environmental studies are distributed upon completion of the occupants of any Heartland Region property where studies are performed; and (4) corrective action is taken and publicly disclosed in response to all health, safety, and environmental studies performed within the Heartland Region. The recommendations are scheduled for completion by October 31, 2019.

AUDIT OF IT SECURITY REQUIREMENTS IN GSA LEASING SUPPORT SERVICES CONTRACTS

Period First Reported: October 1, 2018, to March 31, 2019

Our objective was to determine if GSA's award and administration of the GSA Leasing Support Services (GLS) contracts sufficiently protected government data. In particular, we focused on GSA's changes to the IT security requirements for the GLS contracts. We made two recommendations, which have not been implemented.

The recommendations involve: (1) coordinating with GSA IT to ensure that the IT requirements and solutions for the pending GLS Plus real estate broker solicitation accurately reflect the actual IT security requirements for contractor performance; and (2) identifying other PBS contracts through which contractors access government data through GSA Google or Virtual Desktop Interface accounts to ensure: (a) the contracts include terms and conditions necessary to protect the data and (b) guidance is in place defining roles and responsibilities governing compliance with applicable IT security requirements. The recommendations are scheduled for completion by January 31, 2020.

LIMITED SCOPE AUDIT OF THE TECHNICAL SECURITY CONTROLS FOR AN INFORMATION SYSTEM

Period First Reported: October 1, 2018, to March 31, 2019

We performed a limited scope audit of the technical security controls for an information system. We made two recommendations, which have not been implemented. Due to the vulnerabilities addressed, this report is restricted from public release.

The recommendations are scheduled for completion by December 31, 2019.

GSA'S PUBLIC BUILDINGS SERVICE DOES NOT TRACK AND REPORT ALL UNUSED LEASED SPACE AS REQUIRED

Period First Reported: April 1, 2018, to September 30, 2018

Our objectives were to determine whether: (1) GSA's PBS accurately reports the amount of vacant and unused leased space and (2) PBS's controls for managing unused leased space are effective in preventing and reducing undue costs to the government. We made two recommendations, which have not been implemented.

The recommendations involve: (1) developing and implementing a process to ensure that PBS reports and mitigates all unused space for all non-cancelable occupancy agreements in its lease portfolio and (2) taking action to ensure that existing and future non-cancelable occupancy agreements comply with PBS's policy. The recommendations are scheduled for completion by November 30, 2020.

REPORTS THAT HAVE BEEN REOPENED AS A RESULT OF OUR IMPLEMENTATION REVIEWS

AUDIT OF FAS'S CONTRACTOR ASSESSMENTS PROGRAM

Period First Reported: April 1, 2016, to September 30, 2016

Our objectives were to determine if FAS's Supplier Management Division's: (1) Contractor Assessments are effective to determine contractors' compliance with Multiple Award Schedule contract terms and conditions, (2) Industrial Operations Analysts (IOAs) are conducting their assessments in accordance with FAS guidance, (3) IOAs are communicating those results timely and in the appropriate format, and (4) IOAs are completing training in accordance with program requirements. We made three recommendations, which were closed.

We completed an implementation review to determine whether FAS fully completed the corrective action steps to resolve the original audit report recommendations. We found that while FAS fully implemented the corrective actions, the actions taken have not resulted in consistent documentation in the IOA assessment reports or fully addressed parity in IOA knowledge and skills. As a result, FAS reopened the three recommendations and submitted a revised Corrective Action Plan to remedy these deficiencies. One recommendation has still not been implemented.

The recommendation involves establishing and implementing a formal, national training curriculum for experienced IOAs to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills. The recommendation is scheduled for completion by November 29, 2019.

PBS FAILED TO ENFORCE KRESS BUILDING LEASE PROVISIONS AND MAY HAVE EXPOSED TENANTS TO HEALTH RISKS

Period First Reported: October 1, 2016, to March 31, 2017

Our objectives were to determine if: (1) PBS enforces the health, safety, and security terms of the full service lease at the Kress Building in Tampa, Florida; and (2) PBS's approach to handling mold and other environmental issues exposed tenants to health risks. We made two recommendations, which were closed.

We completed an implementation review to determine whether PBS fully completed the corrective action steps to resolve the original audit report recommendations. We found that PBS did not fully implement several corrective actions. PBS did not: (1) enforce the terms of the lease and take measures to ensure that all necessary maintenance and repair issues were addressed in a timely manner, (2) pursue the strategies included in the corrective action plan to keep the lease procurement on schedule and move the tenant by the 2018 lease expiration date, and (3) provide training that addressed the communication of environmental concerns and test results to affected building tenants. As a result, PBS reopened the recommendations and submitted a revised Corrective Action Plan to remedy these deficiencies. The recommendations have not been implemented.

The recommendations involve: (1) enforcing the terms of the lease and taking measures to ensure that all necessary maintenance and repair issues are addressed in a timely manner and (2) developing and distributing guidance that ensures the immediate communication of environmental concerns and test results to affected building tenants. The recommendations are scheduled for completion by June 30, 2020.

APPENDIX III

AUDIT AND INSPECTION REPORT REGISTER

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED COSTS
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
PBS INTERNAL AUDITS				
06/13/2019	A170047	Audit of the PBS Pacific Rim Region's Lease Financial Performance		
06/19/2019	A180073	GSA's Northeast and Caribbean Region Lacks Policies and Procedures for Emergencies and Evacuations in Puerto Rico		\$11,930
07/31/2019	A190023	Implementation Review of Corrective Action Plan: PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks Report Number A160019/P/4/R17003, January 27, 2017		
08/23/2019	A170047	Audit of the PBS Great Lakes Region's Lease Financial Performance		
PBS CONTRACT AUDITS				
06/03/2019	A190061	Examination of an Architect/Engineer Proposal: MGA Partners, LLC, Solicitation Number 47PF0018R0157		
FAS INTERNAL AUDITS				
05/20/2019	A190046	Implementation Review of Corrective Action Plan: IT Reseller Contracts Present Significant Challenges for GSA's Schedules Program, Report Number A120026/Q/6/P16003, July 22, 2016		
06/28/2019	A170103	Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions		\$201,781
07/23/2019	A170118	Improper Pricing on the McKinsey Professional Services Contract May Cost the United States an Estimated \$69 Million		
08/22/2019	A170122	Audit of GSA's Use of the NASA Solutions for Enterprise-Wide Procurement Contract		
FAS CONTRACT AUDITS				
04/04/2019	A180102	Preaward Examination of Multiple Award Schedule Contract Extension: TrueTandem, LLC, Contract Number GS-35F-0577V		\$1,058
04/09/2019	A180019	Limited Scope Postaward Examination of Multiple Award Schedule Contract: Agilent Technologies, Incorporated, Contract Number GS-07F-0564X		\$11,033,524
04/10/2019	A180075	Preaward Examination of Multiple Award Schedule Contract Extension: CollabraLink Technologies, Inc., Contract Number GS-35F-0398V		\$8,255
04/16/2019	A180065	Preaward Examination of Multiple Award Schedule Contract Extension: Eagle Hill Consulting, LLC, Contract Number GS-10F-0083V		\$3,073
06/13/2019	A180070	Preaward Examination of Multiple Award Schedule Contract Extension: Java Productions, Inc., Contract Number GS-10F-0132V		\$7,308
06/19/2019	A170031	Limited Scope Postaward Examination of Multiple Award Schedule Contract: EC America, Inc., Contract Number GS-35F-0511T		\$496,824
06/28/2019	A170045	Preaward Examination of Multiple Award Schedule Contract Extension: 22nd Century Technologies, Inc., Contract Number GS-35F-0579T		
07/01/2019	A190015	Preaward Examination of Multiple Award Schedule Contract Extension: WHR Group, Inc., Contract Number GS-33F-0002W		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED COSTS
07/02/2019	A160103	Limited Scope Postaward Examination of Multiple Award Schedule Contract: Unistar-Sparco Computers, Inc., Contract Number GS-35F-0218M		\$294,660
07/03/2019	A180059	Preaward Examination of Multiple Award Schedule Contract Extension: Incentive Technology Group, LLC, Contract Number GS-35F-0164V		\$186,965
07/11/2019	A180091	Preaward Examination of Multiple Award Schedule Contract Extension: The Boston Consulting Group, Inc., Contract Number GS-10F-0253V		
07/11/2019	A180021	Limited Scope Postaward Examination of Multiple Award Schedule Contract: T-Rex Solutions, LLC, Contract Number GS-35F-022BA		\$1,015,347
07/12/2019	A180072	Preaward Examination of Multiple Award Schedule Contract Extension: The Rand Corporation, Contract Number GS-10F-0275P		\$53,667
07/12/2019	A190018	Preaward Examination of Multiple Award Schedule Contract Extension: GMMB, Inc., Contract Number GS-07F-0336V		\$44,581
08/02/2019	A180056	Preaward Examination of Multiple Award Schedule Contract Extension: Steelcase, Inc., Contract Number GS-27F-0014V		
08/16/2019	A180092	Preaward Examination of Multiple Award Schedule Contract Extension: Future Skies, Inc., Contract Number GS-35F-374BA		\$4,257
09/16/2019	A190050	Preaward Examination of Multiple Award Schedule Contract Extension: Danya International, LLC, Contract Number GS-00F-062CA		
09/24/2019	A190058	Preaward Examination of a Multiple Award Schedule Contract Extension: Managed Care Advisors, Inc., Contract Number GS-02F-0128W		
09/25/2019	A190044	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Incorporated, LLC, Contract Number GS-00F-010CA		
OTHER INTERNAL AUDITS				
05/31/2019	A180103	GSA Did Not Comply with the Improper Payments Acts in Fiscal Year 2018		
09/20/2019	A190030	Audit of GSA's Fiscal Year 2018 Travel Card Program		
INSPECTION REPORTS				
09/26/2019	JE 19-006	Agency Management Alert: GSA's Continuity Plan is Outdated and Insufficient		

APPENDIX IV OIG REPORTS OVER 12 MONTHS OLD, FINAL AGENCY ACTION PENDING

Section 6009 of the Federal Acquisition Streamlining Act of 1994, Public Law 103-55, as amended by Section 810 of Public Law 104-106, requires the head of a federal agency to complete final action on each management decision required with regard to a recommendation in an Inspector General’s report within 12 months after the date of the report. If the head of the agency fails to complete final action within the 12-month period, the Inspector General shall identify the matter in the semiannual report until final action is complete.

The Office of Administrative Services provided the following list of reports with action items open beyond 12 months:

DATE OF REPORT	REPORT NUMBER	TITLE
CONTRACT AUDITS		
11/10/2014	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
01/30/2015	A140116	Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
06/10/2015	A140074	Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K
11/10/2015	A150083	Preaward Examination of Multiple Award Schedule Contract Extension: LCG Systems LLC, Contract Number GS-35F-0047L
11/13/2015	A140118	Examination of a Claim: N.B. Kenney Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
11/20/2015	A150113	Examination of a Claim: Matsuo Engineering Centerre Construction, a Joint Venture, Contract Number GS-08P-10-JB-C-0007
08/08/2016	A160039	Preaward Examination of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0119Y
09/08/2016	A160027	Preaward Examination of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-07F-0564X
10/13/2016	A150083	Limited Scope Postaward Examination of Multiple Award Schedule Contract: LCG Systems, LLC, Contract Number GS-35F-0047L
10/27/2016	A140133	Postaward Examination of Multiple Award Schedule Contract: ARES Corporation, Contract Number GS-23F-0113L
12/29/2016	A120149	Postaward Examination of Multiple Award Schedule Contract: Lockheed Martin Integrated Systems, Incorporated, Contract Number GS-10F-0150N
01/26/2017	A160074	Examination of Requests for Equitable Adjustment: ARRIBA Corporation, Contract Number GS-11P-12-YT-C-0201

DATE OF REPORT	REPORT NUMBER	TITLE
02/22/2017	A160104	Examination of a Claim: M. A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
03/30/2017	A150001	Preaward Examination of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
05/17/2017	A160088	Preaward Examination of Multiple Award Schedule Contract Extension: CSRA, Inc., Contract Number GS-15F-0018M
06/20/2017	A160117	Preaward Examination of Multiple Award Schedule Contract Extension: StrategicHealthSolutions, LLC, Contract Number GS-10F-0231T
09/13/2017	A160106	Examination of a Claim: RK Mechanical, Inc., Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
09/28/2017	A160056	Preaward Examination of Multiple Award Schedule Contract Extension: Omniplex World Services Corporation, Contract Number GS-15F-0051L
11/16/2017	A160136	Preaward Examination of Multiple Award Schedule Contract Extension: Insight Public Sector, Inc., Contract Number GS-35F-0009U
12/14/2017	A170058	Preaward Examination of Multiple Award Schedule Contract Extension: August Schell Enterprises, Inc., Contract Number GS-35F-0794M
12/21/2017	A170108	Examination of a Claim: RK Mechanical, Incorporated, Subcontractor to Matsuo Engineering Centerre Construction, a Joint Venture, Contract Number GS-08P-10-JB-C-0007
02/22/2018	A160105	Examination of a Claim: NCES-Nuprecon JV, Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
03/08/2018	A160052	Examination of a Claim: Concentric Security, LLC, Contract Number GS-07F-0100M
03/23/2018	A170099	Preaward Examination of Multiple Award Schedule Contract Extension: DHA Group, Inc., Contract Number GS-00F-0003W
04/20/2018	A170046	Preaward Examination of Multiple Award Schedule Contract Extension: Enlightened, Inc., Contract Number GS-35F-0703M
05/09/2018	A170038	Preaward Examination of Multiple Award Schedule Contract Extension: Lexis Nexis, a division of RELX, Inc., Contract Number GS-02F-0048M
05/11/2018	A170115	Preaward Examination of Multiple Award Schedule Contract Extension: Cognosante, LLC., Contract Number GS-10F-0579N
06/07/2018	A170086	Preaward Examination of Multiple Award Schedule Contract Extension: VT Aepco, Inc., Contract Number GS-23F-0191N
06/11/2018	A180033	Preaward Examination of Multiple Award Schedule Contract Extension: Sea Box, Inc., Contract Number GS-02F-0024P
06/12/2018	A180035	Preaward Examination of Multiple Award Schedule Contract Extension: Millennium Systems Services, Inc., Contract Number GS-10F-0594N
09/07/2018	A180021	Preaward Examination of Multiple Award Schedule Contract Extension: T-Rex Solutions, LLC, Contract Number GS-35F-022BA

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
INTERNAL AUDITS			
09/21/2016	A150131	Audit of FAS's Contractor Assessments Program	11/29/2019*
01/27/2017	A160019	PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks	06/30/2020*
08/10/2018	A160133	GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required	11/30/2020

*These audits were reopened as a result of an implementation reviews.

APPENDIX V

OIG REPORTS WITHOUT MANAGEMENT DECISION

Section 5(a)(10)(A) of the Inspector General Act of 1978, as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. There are three OIG reports that meet this requirement this reporting period.

PREAWARD EXAMINATION OF A TECHNOLOGY CONTRACTOR

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the Commercial Sales Practices (CSP); maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; and adequately accumulates and reports schedule sales for Industrial Funding Fee (IFF) payment purposes.

We concluded that the contractor's CSP is not accurate, current, or complete; the price reduction provisions of the contract are ineffective because the contractor lacks sales to the basis of award customer; and the contractor does not have adequate controls to properly accumulate and report schedule sales for IFF purposes.

GSA has reopened negotiations with the contractor.

PREAWARD EXAMINATION OF INFORMATION TECHNOLOGY SERVICES CONTRACTOR

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the CSP; maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; adequately accumulates and reports schedule sales for IFF payment purposes; assigns employees to work on GSA schedule task orders who are qualified for their billable positions; and adequately segregates and accumulates labor hours, material costs, and other direct costs on time-and-material task orders.

We concluded that the contractor's CSP is current but not accurate or complete, and most proposed labor rates are unsupported or overstated. In addition, the contractor's current price reduction provisions are ineffective, the contractor did not accurately report GSA schedule sales, and the contractor lacks procedures to ensure qualified employees work on GSA schedule task orders.

We are working with GSA officials to resolve the examination.

PREAWARD EXAMINATION OF A TRAVEL SERVICES CONTRACTOR

We performed this examination to determine whether the contractor disclosed and submitted accurate, current, and complete information in the CSP; maintains sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; and adequately accumulates and reports schedule sales for IFF payment purposes.

We concluded that the contractor did not submit a proposal or updated CSP information for its upcoming option, collected and remitted IFF on non-contract items, and overbilled GSA customers.

We are working with GSA officials to resolve the examination.

APPENDIX VI MANAGEMENT DECISIONS REVISED OR WITH WHICH THE INSPECTOR GENERAL IS IN DISAGREEMENT

Section 5(a)(11) of the Inspector General Act of 1978, as amended, requires a description and explanation of the reasons for any significant revised management decision made during the reporting period. Section 5(a)(12) of the Act requires information concerning any significant management decision with which the Inspector General is in disagreement.

EVALUATION OF GSA'S MANAGEMENT AND ADMINISTRATION OF THE OLD POST OFFICE BUILDING LEASE

Report Number JE19-002, dated January 16, 2019

As reported in our previous Semiannual Report to Congress, on January 16, 2019, the Office of Inspections issued report JE19-002 *Evaluation of GSA's Management and Administration of the Old Post Office Building Lease*. Our evaluation found that GSA recognized that the President's business interest in the Old Post Office lease raised issues under the Constitution's Emoluments Clauses that might cause a breach of the lease, but decided not to address those issues in connection with the management of the lease. We also found that GSA's Office of General Counsel (OGC) improperly ignored the Constitution's Emoluments Clauses, even though the lease itself requires compliance with the laws of the United States, including the Constitution. In addition, we found that GSA's unwillingness to address the constitutional issues affected its analysis of Section 37.19 and the decision to grant Tenant an Estoppel Certificate. To address these findings, we recommended that before continuing to use the language, GSA should determine the purpose of the Interested Parties provision, conduct a formal legal review by OGC that includes consideration of the Foreign and Presidential Emoluments Clauses, and revise the language to avoid ambiguity.

In March 2019, the PBS Commissioner submitted the management decision record that agreed with the report recommendation and provided a corrective action plan. However, the OIG determined that the corrective action plan was nonresponsive to the report recommendation. The agency plan included no determination of the purpose of the Interested Parties provision, no legal review of it, and no plan for its revision prior to continued use. In July 2019, the OIG provided a Decision Paper for Resolution Action to the GSA Deputy Administrator, GSA's Audit Follow-Up Official, requesting a resolution of the disagreement.

In August 2019, the GSA Deputy Administrator suggested, "...that the OIG issue an amended recommendation pertaining to the Report, and that it state, in full and complete detail, the specific measures it recommends the agency take." However, in September 2019, the OIG declined to amend the report's recommendation as suggested, stating that the GSA Deputy Administrator did not address the substantive issues outlined in the disagreement. Additionally, the OIG stated that the agency's proposed corrective action plan is not responsive to the recommendation and therefore considers it an outstanding recommendation.

APPENDIX VII

PEER REVIEW RESULTS

Section 5(a) (14)-(16) of the Inspector General Act of 1978, as amended, requires each Inspector General to submit an appendix containing the results of any peer review conducted by another Office of Inspector General (OIG) during the reporting period or, if no peer review was conducted, a statement identifying the date of the last peer review conducted; a list of any outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented, the status of the recommendation, and an explanation why the recommendation is not complete; and a list of any peer reviews conducted by the OIG of another Office of Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review that have not been fully implemented.

The Office of Investigations received a compliance rating from its last peer review, which was conducted by National Aeronautics and Space Administration OIG in 2016. On June 11, 2018, the Office of Investigations concluded a peer review of the Environmental Protection Agency (EPA) OIG. The peer review team found EPA OIG's system of internal safeguards and management procedures complied with the standards established for investigations by the Attorney General Guidelines and CIGIE.

In FY 2018, the GSA OIG Office of Audits underwent a peer review by the U.S. Department of Agriculture (USDA) OIG. On September 26, 2018, the Office of Audits received a peer review rating of "pass." The peer review team found that the Office of Audits' system of quality control is suitably designed and complied with to provide it with reasonable assurance of performing and reporting in conformity with the quality standards established by CIGIE in all material aspects. No outstanding recommendations exist from any peer review conducted by another OIG.

In addition, the GSA OIG Office of Audits completed an external peer review of U.S. Inspector General for Tax Administration (TIGTA). TIGTA has no outstanding recommendations issued by any previous peer review that have not been fully implemented.

The Office of Inspections is scheduled to be peer reviewed in 2020. The Office of Inspections conducted an external peer review of the inspections and evaluations performed by Department of Commerce OIG based on the CIGIE Quality Standards for Inspection and Evaluation. The report issued two recommendations and the Department of Commerce OIG agreed to our recommendations.

APPENDIX VIII

GOVERNMENT CONTRACTOR SIGNIFICANT AUDIT FINDINGS

The National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, Section 845, requires each IG appointed under the Inspector General Act of 1978, as amended, to submit an annex on final, completed contract audit reports issued to the contracting activity as part of its Semiannual Report to the Congress. The annex addresses significant audit findings—unsupported, questioned, or disallowed costs in excess of \$10 million—or other significant contracting issues. During this reporting period, there was one audit report that met these requirements.

We initiated a limited scope postaward examination of a manufacturer of laboratory instruments and systems contractor based on a finding identified in our 2016 preaward examination of the contractor’s extension proposal for a GSA contract. The preaward examination disclosed that the contractor did not comply with price reduction provisions of its schedule contract. Our limited scope postaward examination objectives were to determine the extent of contractor’s noncompliance with GSA’s price reduction provisions and to quantify any refund due the government for the period June 1, 2011, through September 30, 2017.

Our postaward examination found that the contractor owes the government a refund due to noncompliance with the price reduction provision.

APPENDIX IX UNIMPLEMENTED RECOMMENDATIONS

UNIMPLEMENTED RECOMMENDATIONS FROM REPORTS ISSUED BEFORE THE COMMENCEMENT OF THIS SEMIANNUAL REPORTING PERIOD

The table below provides a summary of each audit, inspection, or evaluation report issued before the commencement of the reporting period for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.

RECOMMENDATIONS UNIMPLEMENTED THAT ARE IN PROCESS			
FISCAL YEAR	TITLE	NUMBER OF UNIMPLEMENTED RECOMMENDATIONS	POTENTIAL COST SAVINGS
2016	Audit of FAS's Contractor Assessments Program	1	\$0
2017	PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks	2	\$0
2018	GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required	2	\$0
2019	Audit of the Public Buildings Service's Use of Contract Employees in the New England and Northeast and Caribbean Regions	2	\$0
2019	Limited Scope Audit of the Technical Security Controls for an Information System	2	\$0
2019	Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri	4	\$0
2019	Audit of IT Security Requirements in GSA Leasing Support Services Contracts	2	\$0
Totals:	7	15	\$0

* In Appendix VI of the GSA OIG Semiannual Report for the period ending September 30, 2018, the GSA management decision regarding this recommendation was reported as a significant one with which the Inspector General is in disagreement, as required under Section 5(a)(12) of the Inspector General Act of 1978, as amended.

RECOMMENDATIONS UNIMPLEMENTED DUE TO AGENCY MANAGEMENT DISAGREEMENT

The table below provides a summary of each audit, inspection, or evaluation report for which there are any outstanding unimplemented recommendations due to an Agency management decision with which the Inspector General is in disagreement.

RECOMMENDATIONS UNIMPLEMENTED DUE TO DISAGREEMENT			
FISCAL YEAR	TITLE	NUMBER OF UNIMPLEMENTED RECOMMENDATIONS	POTENTIAL COST SAVINGS
2017	GSA's Decisions to Vacate And Renovate the Leased Federal Courthouse in Pensacola Are Based on Faulty Premises	2	\$0
2017	PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy	3	\$0
2018	Evaluation of GSA Nondisclosure Policy	1	\$0
Totals:	3	6	\$0

APPENDIX X

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 required by the National Defense Authorization Act for Fiscal Year 2008 and the Federal Acquisition Streamlining Act of 1994, as amended, are also cross-referenced to the appropriate pages of the report.

REQUIREMENTS INSPECTOR GENERAL ACT OF 1978, AS AMENDED		PAGE
SECTION		
4(a)(2)	Review of Legislation and Regulations	50
5(a)(1)	Significant Problems, Abuses, and Deficiencies	6
5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	8-27
5(a)(3)	Prior Recommendations Not Yet Implemented	55-58
5(a)(4)	Matters Referred to Prosecutive Authorities	46-47
5(a)(5) and 6(c)(2)	Summary of Instances Where Information Was Refused	none
5(a)(6)	List of OIG Reports	59-60
5(a)(7)	Summary of Each Particularly Significant Report	8-18, 26-27
5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	22
5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	21
5(a)(10) (A)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Management Decision Has Been Made	64-65
5(a)(10) (B)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Agency Comment was Returned within 60 Days	none
5(a)(10) (C)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which there are Unimplemented Recommendations	70-71
5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	none
5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	66-67
5(a)(13)	Compliance with Federal Financial Management Improvement Act	none
5(a)(14)-(16)	Peer Review Results	68
5(a)(17)	Statistical Tables of Investigation Metrics	46-48
5(a)(18)	Description of Investigation Metrics	46-47
5(a)(19)	Investigations of Senior Employees where Misconduct was Substantiated	none
5(a)(20)	Description of any Instance of Whistleblower Retaliation	none
5(a)(21)	Description of any Attempt by the Agency to Interfere with OIG Independence	none
5(a)(22)(A)	Description of each Inspection, Evaluation and Audit Not Publicly Disclosed	57
OTHERS		
PL 103-355, Sec 6009	Management Decisions and Implementation of Audit Recommendations	61
PL 110-181, Sec. 845	Government Contractor Significant Findings	69



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Photo: Staircase alcove in former General Post Office, Tariff Building; now the Monaco Hotel, Washington, D.C.



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