



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

October 1, 2006 - March 31, 2007

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

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

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>ACQUISITION PROGRAMS</b>	Merging GSA's procurement organizations will yield a single acquisition service that will award and administer governmentwide contracts worth \$40 to \$50 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals, such as ensuring competition and meaningful price analysis, has diminished.	2 – 5
<b>CONTRACT MANAGEMENT</b>	GSA's multibillion dollar acquisition programs have expanded rapidly in terms of sales, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.	5 – 9
<b>INFORMATION TECHNOLOGY</b>	Technology applications have increased exponentially as "E-Gov" is used to better manage operations and interface with the public, but complex integration and security issues exist.	9 – 11
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The need for strong internal controls underlies several of the other management challenges.	11 – 14
<b>HUMAN CAPITAL</b>	GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21 <sup>st</sup> century workforce.	14 – 15
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.	No Reports This Period
<b>AGING FEDERAL BUILDINGS</b>	GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.	No Reports This Period

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## Foreword

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*I am pleased to report to the people of the United States and their elected representatives in Congress that the Office of Inspector General (OIG) at GSA has been successfully working on your behalf to identify waste, fraud, and abuse in programs managed by GSA. For the period covered by this semiannual report (SAR), over \$256 million has been identified as funds recommended for better use and questioned costs. The OIG has issued 73 audit reports. It has also made 400 referrals for criminal prosecution, civil litigation, and/or administrative action—activities valuable in their own right, as well as for their deterrent effect. This SAR includes the \$98.5 million settlement with Oracle, Inc. for PeopleSoft's defective pricing. This settlement is the largest civil settlement ever under the False Claims Act involving GSA's Multiple Award Schedule—the result of GSA OIG's audit, investigative, and legal work over many months, in cooperation with the Department of Justice. All of these results provide to the American taxpayer a return of many times the cost of OIG operations.*

*On October 10, 2006, the Deputy Attorney General established the National Procurement Fraud Task Force, which makes procurement fraud a national priority. I am honored to serve as its Vice Chair. As part of the task force, we are working closely with the Department of Justice, other Inspectors General, and law enforcement to prevent and combat procurement fraud throughout the Federal Government. Working together with GSA, we hope to assist GSA in accomplishing its crucial mission by maximizing results and upholding the public trust placed in us by the taxpayers of our great nation. After all, we all must make sure the American public is getting the most from their hard earned tax dollars.*

*I want to express my appreciation for the accomplishments of all the OIG employees and commend them for their continued professionalism, dedication, and willingness to accept new challenges. I also wish to express my appreciation to Congress, OMB, and the many employees of GSA for their continued support.*



*Brian D. Miller  
Inspector General  
April 30, 2007*



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**This semiannual report may be accessed on the Internet at the following address: <http://www.gsa.gov/inspectorgeneral>**



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## Summary of OIG Performance

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October 1, 2006 – March 31, 2007

### ***OIG Accomplishments***

Total financial recommendations \$256,200,173

These include:

- Recommendations that funds be put to better use \$249,827,444

- Questioned costs \$6,372,729

Audit reports issued 73

Referrals for criminal prosecution, civil litigation, and administrative action 400

### ***Results Attained***

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$430,988,751

Indictments and informations on criminal referrals 57

Cases accepted for criminal prosecution 45

Cases accepted for civil action 22

Successful criminal prosecutions 32

Civil settlements 5

Contractors/individuals suspended and debarred 108

Employee actions taken on administrative referrals involving GSA employees 13



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## *Executive Summary*

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During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what we have identified as the major management challenges facing GSA. We conduct audits, reviews, and investigations to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. The OIG also continued to initiate actions to prevent fraud, waste, and abuse, and to promote economy and efficiency throughout GSA. Specifically, the OIG's resources have been directed toward conducting preaward reviews; financial and programmatic audits; management control assessments; contract reviews; investigations on a myriad of fraud and abuse related actions by GSA employees and government contractors; as well as litigation support in civil fraud and enforcement actions, criminal prosecutions, contract claims, and administrative actions all in an effort to maintain the integrity of GSA programs and management.

### ***Management Challenges***

The following are significant reviews and cases that we have identified as major issues facing GSA. The OIG continued to strive to provide the high level of quality in our reviews and recommendations that we are known for and which we believe necessary in order for GSA to continue leading the government in contracts and procurements. During this semiannual period, the focus has been on preaward contract reviews, acquisition programs, contract management, information technology (IT), management controls, human capital, civil settlements, criminal actions, and the integrity of Agency management.

### ***Acquisition Programs***

The OIG received reimbursable funding from the Agency for its preaward review program that provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. For this semiannual period, the OIG performed preaward reviews of 49 contracts valued at an estimated \$4.8 billion. We recommended that more than \$249 million of taxpayer funds be put to better use. There are now more than 10,000 vendors doing over \$35 billion in business annually under GSA's rapidly expanding procurement programs. History has shown that for every dollar invested in preaward contract reviews the government and taxpayers receive the benefit of at least \$10 in lower prices, or more favorable terms and conditions (page 2).

Contract preaward  
review program

STARS Contract

The Federal Acquisition Service's Streamlined Technology Acquisition Resources for Services (STARS) Governmentwide Acquisition Contract (GWAC) is a small disadvantaged 8(a) business set-aside contract for technology solutions. The STARS GWAC Center (Center) is responsible for

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## Executive Summary

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STARS program development, contract awards, and contract administration. The Center awarded the STARS contract to 413 vendors in June 2004 as indefinite delivery, indefinite quantity contracts which have a base period of 3 years and two 2-year options. The overall program ceiling is \$15 billion. As of November 2005, 159 vendors had performed under the program with a total task order value of \$273 million. We found that the Center has taken a proactive approach to developing and maintaining controls and that controls related to the accuracy of Office of Management and Budget (OMB) data, fair opportunity, split procurements, and other direct costs were reasonable, and that with minor adjustments, the Center could enhance assurance of program compliance in those areas. Relative to controls over other direct costs, we determined that controls could be enhanced if the Center modified the STARS contract to clearly explain the conditions under which users can deviate from the other direct cost limitations set forth in the contract. We also found that, despite the Center's ambitious attempt to monitor every task order, there were out of scope task orders and disproportionate subcontracting. In their response to our report, management responded that the Center implemented all five of the audit recommendations (page 3).

### Western Distribution Center

The objectives of our review of the Western Distribution Center (WDC) were to ascertain if the costs and savings identified in a Federal Supply Service (FSS) study were valid and whether the study's savings should be used as a basis for similar modernizations at the Eastern Distribution Center (EDC). We generally agreed with the study's assessment of costs and savings; however, there were significant factors not addressed in the study that should be considered in making decisions about modernizing the EDC. Our findings provided the following recommendations that received concurrence by the Commissioner, Federal Acquisition Service:

- Conduct a business model evaluation or cost/benefit analysis of the EDC operating requirements.
- Address the issue of increasing labor costs relative to declining sales at the WDC.
- Continue efforts in reducing transportation costs at the WDC, in light of declining revenues (page 4).

### Contract Management

The OIG, as part of the President's Council for Integrity and Efficiency Katrina Working Group, assessed GSA's effectiveness in its response to Hurricane Katrina. The Agency's involvement in the Hurricane Katrina disaster response is derived from the National Response Plan (NRP) which designates GSA as the primary and coordinating agency for Emergency Support Function (ESF) #7—Resource Support Annex. GSA's mission under ESF #7 is to provide resources in support of the Federal Emergency Management Agency (FEMA) disaster relief efforts and GSA is reimbursed

### Hurricane Katrina

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## Executive Summary

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by FEMA for salaries and travel related to this work. For Hurricane Katrina, GSA contracting professionals awarded approximately \$1 billion in contracts on FEMA's behalf. We found that, while GSA generally fulfilled its ESF #7 mission, the magnitude of Hurricane Katrina and GSA's multi-regional response underscored the need for improvements in the Agency's emergency contracting and management programs that support FEMA. A primary concern is that GSA's procurement role and relationship with FEMA are not clearly defined. In our review of over 200 contracts and orders with an aggregate value of \$741 million, we found that contracting personnel did not always award contracts that adequately protected government interests. We also found contracts with poorly defined scopes of work and inadequate pricing information (page 6).

### Information Technology

#### eOffer and eMod

GSA launched eOffer and eMod as the paperless means to streamline the contract award and modifications process during 2004. eOffer/eMod are Web-based applications that allow companies to electronically prepare and submit contract proposals (offers) and current Multiple Award Schedules (MAS) contract holders to prepare and submit contract modifications. Though the number of electronic offers and modifications submitted by vendors has increased over the last 3 years, overall utilization rates for these two important Web applications remain low. On average, electronic offers comprise only 9 percent of all offers received through the eOffer and electronic modifications comprise only 4.5 percent of all modifications received through eMod. In addition, although a primary goal for eOffer is to reduce the amount of time involved in making contract awards, awards based on electronic offers are taking longer to process than awards based on paper offers (page 9).

#### IT Security Program

Our FY 2006 review of GSA's IT Security Program, as required by the Federal Information Security Management Act (FISMA), assessed how well controls had been implemented for ten selected Agency systems. GSA's IT Security Program has improved; however, additional management actions are needed. Our system analyses found instances where system security officials did not ensure that systems were properly secured. An analysis of technical security controls for Web applications and Voice Over Internet Protocol (VOIP) implementations found that GSA's IT Security Program would benefit from a more proactive approach to addressing emerging IT security risks. As in previous years, weaknesses were found with implementation of GSA's Certification and Accreditation process, and contractor background investigations. Shortfalls in these key areas demonstrate the need for improved accountability for individuals who currently do not report to GSA's Chief Information Officer but have key IT security responsibilities for specific systems. Because effective implementation of the IT Security Program at the system level is dependent

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## Executive Summary

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upon improved accountability for these individuals, there is a need for improved policy and procedures to establish standardized performance goals and measures (page 11).

### Management Controls

GSA provides space for Federal agencies in over 8,000 buildings across the nation, and bills client-agencies over \$7 billion each year for rental costs. In April 2005, the Public Buildings Service (PBS) migrated from using the System for Tracking and Administering Real Property as the primary billing source to a new rent billing process—Occupancy Agreement (OA) Billing. The main focus of the audit was to determine whether the OA Billing process resulted in more accurate, easier to understand customer bills and, if not, what improvements are needed. We administered a March 2006 customer satisfaction survey that received over 250 responses. The results found customer service issues with: a lack of detailed information on the customers' rent bills regarding rate changes (43 percent dissatisfied); PBS not responding to customer calls or resolving questions in a timely manner (70 percent dissatisfied); and, inaccurate GSA points of contact listed on the rent bill (43 percent dissatisfied) (page 12).

### Occupancy Agreement Billings

Under full service agreements for its vehicles, GSA Fleet provides its customers with Voyager charge cards to purchase fuel, oil, and related services. Fleet in turn pays these charges that, in FY 2006, amounted to 8.7 million purchases totaling approximately \$405 million. The Fleet card has the inherent vulnerabilities of credit card misuse. GSA management requested this audit to help assess whether its loss prevention procedures were working effectively, especially in monitoring Voyager Fleet card transactions. Fleet is in the process of establishing a national loss prevention program that should enhance its ability to detect misuse and abuse, and correct a number of the weaknesses we noted. We found that the decentralized program that was operating at the time of our audit was applied unevenly, the detection criteria the field locations used for identifying suspect charges varied, and the criteria identified high numbers of valid transactions (or false positives) along with improper ones, weakening the program's effectiveness (page 13).

### Fleet's loss prevention program

In response to a tenant agency's request, we reviewed the overtime utility and engineering billings to determine whether GSA properly billed two tenant agencies. The review found that GSA's billings for these offices had been inaccurate, resulting in both over and underbillings for FY's 2004 through 2006. Taken as a whole these represent net underbillings of approximately \$118,185 for the U.S. Attorney's Office and \$13,309 for the District Court. The net overbillings for the engineering usage (\$4,844) resulted because the cost of the engineer was not properly allocated between the two agencies. The net underbillings for utility usage (\$136,338) resulted from input errors in the automated tool used to estimate the usage and over adjustments for the overlapping hours (page 13).

### Overtime billings

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## Executive Summary

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### GSA's Telework Program

#### Human Capital

Telework provides GSA associates the opportunity to work from home or at a telecommuting center on an occasional or recurring basis. In FY 2001, the Department of Transportation and Related Agencies Appropriation Act included a provision directing that, "Each executive agency shall establish a policy under which eligible employees of the agency may participate in telecommuting to the maximum extent possible without diminished employee performance." In response to this Act, GSA established a goal to be a leader in the development and overall use of flexible workplace programs, including telework. Our review of the Telework Program found issues with its implementation in two of the three regions selected for testing, such as insufficient training to ensure proper use of teleworking. Furthermore, the monitoring controls put in place to track the number of employees participating in the program are not sufficient to ensure the accuracy of externally reported data. Finally, GSA's telework guidance has not been updated in 10 years and is inconsistent with the Federal telework guidelines published in the Federal Register, including determination of the duty station for correct pay computations (page 14).

#### Promoting and Protecting Integrity

This period we obtained criminal, civil, and other monetary recoveries totaling more than \$103.2 million. Our work involved a wide variety of criminal and civil investigations and reviews, and participation in joint task forces with other Federal law enforcement agencies (page 16).

#### Civil Settlements—Highlights

Oracle, Inc. agreed to pay \$98.5 million to settle its potential civil False Claims Act liability arising from a *qui tam* complaint filed against PeopleSoft, Inc. Oracle purchased PeopleSoft in 2005, and succeeded to PeopleSoft's MAS contract for software and maintenance. The investigation substantiated that PeopleSoft had grossly misrepresented its commercial pricing to GSA in three sets of negotiations under that MAS contract (page 16).

GovConnection, Inc., formerly ComTeq Federal, Inc., agreed to pay \$2.55 million to settle its potential civil False Claims Act liability relating to its GSA MAS contract for the sale of information technology items to Federal agencies (page 16).

#### Criminal Actions—Highlights

A joint investigation with the U.S. Naval Criminal Investigative Service and the Defense Contract Audit Agency was initiated when it was alleged that a technical services company submitted false and fraudulent invoices to the U.S. Navy for work done under various task orders issued under a GSA MAS contract. The president of the company pled guilty on behalf of his

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## Executive Summary

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company to making false claims and entered into a plea agreement to pay restitution in the amount of \$642,000 to the government (page 17).

A complaint was filed against a state senator and former mayor of Minnewaukan, North Dakota, for theft of government property and for fraudulently applying for vehicle title certificates. The investigation disclosed that he instructed the treasurer to issue a city check to the North Dakota State Agency for Surplus Property so that the purchase of the first truck had the appearance of a legitimate city purchase, and converted the truck for his personal use by having it titled in his name. This ongoing investigation is being prosecuted by the State's Attorney's Office, County of Burleigh, North Dakota (page 18).

An investigation was initiated based on a proactive project developed through the Electronic Crimes Task Force, U.S. Secret Service, Baltimore Field Office, MD. Merchandise with an estimated value of \$329,000 was purchased with fictitious documents, unlawful access to checking accounts, and government/corporate credit cards, and then was returned for cash. Eight individuals were arrested for committing theft and fraud through the use and manipulation of electronic media (page 19).

The OIG continues to be a principal participant in the New York Electronic Crimes Task Force (NYECTF), which has been investigating telecommunications fraud primarily involving Federal facilities within the New York City metropolitan area.

- Several individuals were making unauthorized wire transfers out of bank accounts maintained for several United Nations (UN) Missions into various other bank accounts located throughout New York City. A facsimile transmission would be sent to Chase Manhattan Bank (Chase) requesting a wire transfer that purported to originate from bank accounts maintained for several UN Missions. Chase executed these requests and the scheme has resulted in a loss of approximately \$240,000. Four individuals have been arrested and subsequently indicted on charges of conspiracy to commit bank fraud (page 21).
- An individual hacked into the bank account of Penton Learning Systems LLC, New York City and illegally wire transferred over \$81,000 into his personal bank account. He has been remanded to the custody of the New York State Department of Correction (page 21).

### **Fleet Charge Card Abuse—Highlights**

The OIG has an ongoing proactive investigative project to identify and investigate fraud associated with the misuse of GSA issued Fleet charge cards. During this semiannual period, 13 individuals pled guilty in connection with cases arising out of Fleet charge card investigations (page 21).

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## ***Executive Summary***

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### **Suspension and Debarment Initiative—Highlights**

During this reporting period, the OIG made 80 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 108 suspension and debarment actions based on current and previous OIG referrals (page 23).

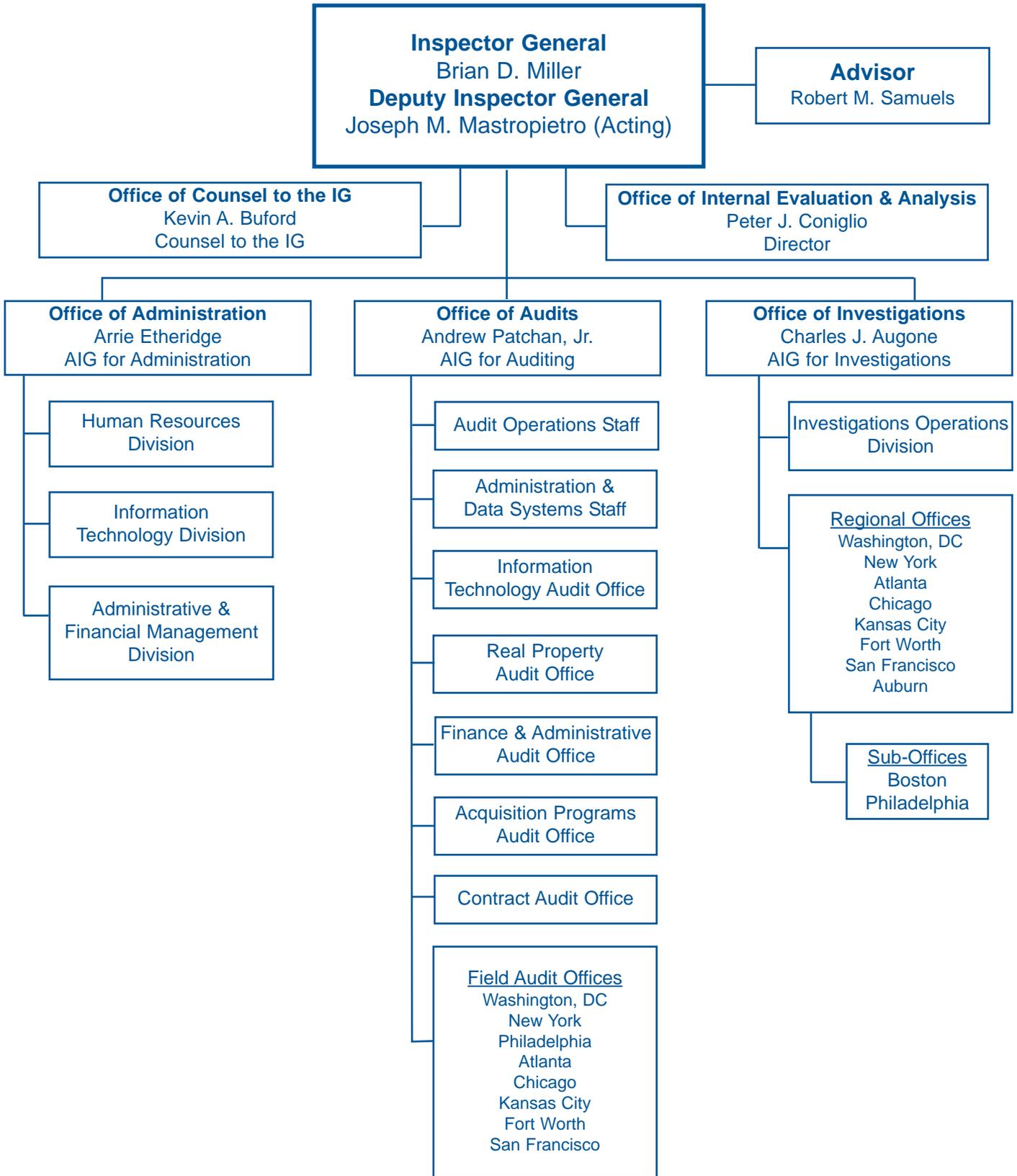
### **OIG Hotline—Highlights**

The OIG received 1,235 Hotline contacts during this reporting period. Of these contacts, 165 Hotline cases were initiated. In 70 of these cases, referrals were made to GSA program officials for review and action; 42 cases were referred to other Federal agencies for follow up; and, 36 were referred for OIG criminal/civil investigations or audits (page 24).

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

The OIG made over \$256 million in financial recommendations to better use government funds; made 400 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 162 legislative and regulatory actions; and received 1,235 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$430.9 million. (See page v for a summary of this period's performance.)

# OIG Organization Chart



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## OIG Profile

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

### Organization

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

- **The Office of Audits**, an evaluative organization staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office additionally provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review.
- **The Office of Internal Evaluation and Analysis**, a quality control staff that provides management assessments of OIG operations and conducts internal investigations and reviews at the direction of the Inspector General.
- **The Office of Administration**, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, Auburn, and Washington, DC. (A contact list of OIG offices and key officials is provided in Appendix VII.)

### Staffing and Budget

As of March 31, 2007, our on-board strength was 298 employees. The OIG's Fiscal Year (FY) 2007 budget was \$58.07 million.

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## Management Challenges

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*Each year since 1998, we have identified and shared with Congress and senior GSA management what we believe to be the major challenges facing the Agency. (The current list is summarized on the front inside cover.) This period we continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. The following sections highlight our activities in these areas.*

### Acquisition Programs

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

### Significant Contract Preaward Reviews

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts.

This period, the OIG performed preaward reviews of 49 contracts with an estimated value of \$4.8 billion. We recommended that more than \$249 million of funds be put to better use.

Three of the more significant Multiple Award Schedule (MAS) contracts we reviewed had projected governmentwide sales totaling \$676 million. The review findings recommended that \$113 million in funds be put to better use. The reviews disclosed that these vendors offered prices and labor rates to GSA that were not as favorable as the prices and rates other customers received from these vendors. For example, contrary to one company's disclosure, the offer to GSA was not reflective of the company's most favored customer pricing. Another company did not disclose its commercial sales practices for some classes of customers, and did not disclose its prevalent discount practice to its largest class of customers. The third company proposed discounts that are significantly less favorable than those currently being offered under the existing GSA contract. According to the company, the rationale is to build in the flexibility to reduce its prices if the company has to bid competitively for Federal procurements. This pricing strategy is only applied to GSA and not the company's commercial customers.

There are now more than 10,000 vendors doing over \$35 billion in business annually under GSA's rapidly expanding procurement programs. History has shown that for every dollar invested in preaward contract reviews, at least \$10 in lower prices or more favorable terms and conditions are attained for the benefit of the government and the taxpayer. The Office of Management

**Over \$249 million in savings can be achieved through lower contract prices.**

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## Management Challenges

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### **Acquisition Programs (continued)**

and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Through the Federal Supply Service (FSS) and Federal Technology Service (FTS) contract program revenues, now combined into the Federal Acquisition Service, OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an increase in preaward contract reviews as well as more contract performance reviews that evaluate contractors' compliance with pricing, billing, and terms of their contracts, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities.

During this 6-month period, management decisions were made on 33 of the preaward reports issued during the last year, which recommended that more than \$324 million of funds be put to better use. Management agreed with 99 percent of the recommended savings.

### **FAS' Streamlined Acquisition Resources for Services (STARS) Governmentwide Acquisition Contract (GWAC)**

The Federal Acquisition Service's STARS GWAC is a small disadvantaged 8(a) business set-aside contract for technology services in eight technology service-related functional areas. The STARS contract was awarded to 413 vendors in June 2004 as indefinite delivery, indefinite quantity contracts that have a base period of 3 years and two 2-year options. The overall program ceiling cost is \$15 billion. As of November 2005, 159 vendors had performed under the program with a total task order value of \$273 million. The STARS GWAC Center is responsible for STARS program development, contract awards, and contract administration. These responsibilities include ensuring fair opportunity for STARS vendors, reporting accurate program data to OMB, and prohibiting split procurements, out of scope task orders, and disproportionate subcontracting, and other direct costs. Our review objective was to determine if the Center's controls over the administration of the STARS contracts were adequate to provide reasonable assurance that the contracts were properly utilized.

***Risk based approach needed to improve oversight of \$15 billion small disadvantaged 8(a) business set-aside contract.***

We found that the Center has taken a proactive approach to developing and maintaining controls to ensure ordering contracting officers and STARS vendors use the GWAC properly. We found that controls related to the accuracy of OMB data, fair opportunity, split procurements, and other direct costs were reasonable and, with minor adjustments, the Center could enhance assurance of program compliance in those areas. Control initiatives include conducting training for contracting officers and vendors, reviewing task order information, and tracking task orders through completion. Relative to controls over other direct costs, we determined that controls could be enhanced if the Center modified the STARS contract to

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## **Management Challenges**

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### **Acquisition Programs (continued)**

clearly explain the conditions under which users can deviate from the other direct cost limitations set forth in the contract.

We also found that, despite the Center's attempts to monitor task orders, out of scope task orders and disproportionate subcontracting occurred. Two of the ten task orders in our sample appeared out of scope and the Center did not question them. The statements of work for both indicated that, in addition to functional activities covered in the STARS program, other work was included that appeared outside the program. More specifically, call centers were to be staffed by key personnel with special areas of expertise or experience, such as real estate or government program regulations. These requirements are not IT services and not within the intended purpose of the program.

We also identified task orders in which the subcontractor performed a significant portion of the work. Highly disproportionate subcontracting levels impair the vendor's ability to develop its own staff and expertise, and is contrary to the purpose of the 8(a) program. The Center advised that, at the time of review, personnel turnover had contributed to the lack of attention to disproportionate subcontracting issues.

We recommended that the Center take corrective action to address out of scope task orders, focus its task orders review efforts on the highest risk orders, develop standardized procedures for its reviews of subcontracting and task order statements of work, and clarify the contract language regarding limitations on other direct costs.

In its response to our report, management stated that the Center has implemented all five of the audit recommendations.

### **Operational Savings at the Western Distribution Center**

In 2003 and 2004 GSA's Federal Supply Service (FSS), now a part of the Federal Acquisition Service (FAS), relocated the Western Distribution Center (WDC) from Rough and Ready Island, Stockton, California, to the Sharpe Depot at French Camp, California, a more modern facility. Following that move, FSS's Office of Global Supply did a study (the study) of the operations of the Sharpe Depot WDC to identify operational costs and savings associated with the move to the Sharpe Depot in five major categories: labor, transportation, information technology support, operating supplies, and rent.

We reviewed the study to ascertain if we could validate its findings of costs and savings, and to determine if we believe that those findings should be used as a basis for deciding if, and how, FAS should modernize the Eastern Distribution Center (EDC) in Burlington, New Jersey. In conducting our

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## Management Challenges

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### **Acquisition Programs (continued)**

review, we compared the costs of operating the WDC in its old Rough and Ready Island location in 2002, with the costs of operating it at the Sharpe Depot in 2005. Our analysis adjusted the costs to account for inflation.

In general, while we had some differences with the study's assessment of the costs and savings associated with the move, we agreed with its findings. We also found, however, that there are significant factors not addressed in the study, that should be addressed in making decisions about the modernization of the EDC. For example, the move to the Sharpe Depot was expected to save on labor costs. It did not. Instead, we found that since the move the WDC has seen increasing labor costs coupled with decreasing sales revenues. We also found that significant operational differences between the WDC and the EDC make it difficult to conclude that the transportation savings realized by the WDC's move could be expected to yield the same savings if the EDC is modernized. While the WDC's move did result in savings in rent, those savings were site-specific and are not necessarily applicable in an analysis of the costs and benefits of a modernization of the EDC.

In our report, we recommended that the Commissioner of FAS:

- Conduct a business model evaluation or cost/benefit analysis of the EDC operating requirements, rather than relying on the study of the WDC and extrapolating from those findings.
- Address the issue of the rising labor costs relative to declining sales at the WDC.
- Continue efforts to reduce transportation costs at the WDC, in light of declining revenues.

The Commissioner agreed with the report's recommendations.

### **Contract Management**

*GSA increasingly accomplishes its mission by using contractors to provide client services and products. Its multibillion dollar acquisition programs have expanded rapidly in terms of size, variety, and complexity of the procurements performed. While many GSA contracts are well crafted and properly administered, we continue to find a significant number of weaknesses. Our audit work in recent years has revealed a growing list of warning signs throughout the acquisition process that suggest that training and improved technical and management skills are needed for the procurement workforce to operate in this more sophisticated arena and keep pace with new demands.*

**Validated savings at the Western Distribution Center do not justify modernization of the Eastern Distribution Center due to operational differences.**

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## Management Challenges

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### ***Contract Management (continued)***

#### **Hurricane Katrina**

The OIG, as part of the President's Council for Integrity and Efficiency Katrina Working Group, assessed GSA's effectiveness in its response to Hurricane Katrina. GSA's involvement in the Hurricane Katrina disaster response is derived from the National Response Plan (NRP), the Federal Government's all-hazards plan that provides the structure and mechanisms for national-level policy and operational coordination for domestic management of Incidents of National Significance. The NRP designates GSA as the primary and coordinating agency for Emergency Support Function (ESF) #7—Resource Support Annex. GSA's mission under ESF #7 is to provide resources in support of the Federal Emergency Management Agency (FEMA) disaster relief efforts and is reimbursed by FEMA for salaries and travel related to this work. Under ESF #7, GSA contracting officers place orders and award contracts to meet FEMA requirements and handle related contract administrative functions, such as processing contract modifications and closeouts. FEMA provides Contracting Officer Technical Representatives to oversee contractor performance, and FEMA also pays the contractors directly for these supplies and services. For Hurricane Katrina, GSA contracting professionals awarded approximately \$1 billion in contracts on FEMA's behalf.

***Improvements  
needed in  
emergency  
contracting for  
more effective  
disaster response  
and to ensure  
better pricing.***

We found that, while GSA generally fulfilled its ESF #7 mission, the magnitude of Hurricane Katrina and GSA's multi-regional response underscored the need for improvements in the Agency's emergency contracting and management programs that support FEMA. A primary concern is that GSA's procurement roles and its relationship with FEMA are not clearly defined. Neither the NRP nor a Memorandum of Understanding (MOU) between GSA and FEMA clearly enumerate these roles and responsibilities. In fact, the MOU was signed in 1989 and has not been updated to reflect the NRP that was issued in 2004. This issue, along with inadequate communication between GSA and FEMA, contributed to problems with contract administration and oversight. Additionally, contracting personnel faced a number of obstacles, including the need for comprehensive guidance and training for emergency contracting, improved rotation scheduling, and additional supervision. Further, contracting officers, in many cases, had limited familiarity with the items they were procuring and were expected to expedite the contracting process for these life-sustaining goods and services. These shortcomings impacted the effectiveness of GSA's contracting efforts and exposed the government to unnecessary risks.

In our review of over 200 contracts and orders with an aggregate value of \$741 million, we found that contracting personnel did not always award contracts that adequately protected government interests. Sixty-one of the contracts reviewed (29 percent) did not contain evidence of any form of

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## **Management Challenges**

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### **Contract Management (continued)**

contractor responsibility determination. Further, contracting personnel failed to perform adequate price reasonableness determinations for nearly half (46 percent) of the contract actions reviewed. As a result, GSA awarded some contracts that did not provide fair and reasonable pricing. For instance, contract pricing for a mobile shower procurement was 164 percent higher than that for a U.S. Forest Service contract offering similar products and services. In another instance, GSA awarded two contracts to one vendor for the same product and services, but pricing for one contract was nearly triple that of the other. We also found contracts with poorly defined scopes of work and inadequate pricing information. In one case, GSA issued an Order for Supplies or Services with a not-to-exceed value of \$50 million with a vague, one-paragraph scope of work containing no specific line item pricing information. GSA also issued a Blanket Purchase Agreement with a \$12 million not-to-exceed threshold with similar deficiencies.

Further, some of the administrative aspects of carrying out GSA's functions under ESF #7 are dealt with inconsistently among regions. The regional emergency management teams, which serve as the lead support, have developed their own practices for managing mission assignments and for processing procurement requests. This can be problematic for tracking or reconciling data when, such as with Hurricane Katrina, several different regions are called upon to provide support. Additionally, controls over the process to identify and charge reimbursable labor and travel costs were unclear, causing GSA to underbill FEMA for Hurricane Katrina-related support costs by approximately \$180,000.

To improve its response to future disaster situations, we recommended that GSA:

- Collaborate with FEMA to update the 1989 Memorandum of Understanding.
- Establish national emergency contracting guidance, standard operating procedures, and training for its emergency management program to address contracting requirements and processes related to ESF #7 emergency contracting.
- Ensure the proper supervision and oversight of contracting personnel supporting FEMA under ESF #7.
- Develop alternative contracting methods that would mitigate the risks of limited availability of contractor responsibility information and limited sourcing capabilities during disaster situations.

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## Management Challenges

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### **Contract Management (continued)**

- Coordinate with FEMA to explore the use of a centralized information system to automatically capture ESF #7 procurement data.
- Ensure consistent regional emergency management program practices.
- Examine the current billing methodology to ensure that costs incurred by GSA to support FEMA can be accurately and completely identified and billed to FEMA.

The GSA Chief of Staff concurred with the report recommendations.

### **Disaster Reporting Through the Federal Procurement Data System—Next Generation**

The Federal Procurement Data System—Next Generation (FPDS—NG) provides a searchable repository of information about Federal Government contracts. It is a Web-based system that is administered by GSA on behalf of OMB. Under the Federal Acquisition Regulation, executive agencies and departments are responsible for collecting and reporting the information to FPDS—NG, making it available to the general public. This is a particularly valuable tool in helping to oversee the hundreds of billions of dollars that Federal agencies spend annually. The reliability of the data, which was criticized in the past by both our office and the Government Accountability Office, takes on even more importance now that the data will likely be used to meet the Federal Funding Accountability and Transparency Act of 2006. The goal of this new legislation is to expand the public's ability to review Federal spending by forming a single searchable database.

The magnitude of spending in response to Hurricane Katrina highlighted the importance of timely, accurate, and reliable data in FPDS—NG. We performed a limited scope review that focused on determining if FPDS—NG accurately reported Federal procurements related to response and recovery efforts for Hurricane Katrina. We found that, until recently, the data was not timely and that some of the data was inaccurate or incomplete. For example, FEMA contracting records showed that as of October 21, 2005, \$3.7 billion in contracts had been awarded to support the Federal response to Hurricane Katrina; however, FPDS—NG showed only \$608 million on October 24, 2005, for the entire Federal Government response to Hurricane Katrina. Generally, we found two issues that affected the timeliness and accuracy of data:

- Initially there was no way to track Hurricane Katrina-related procurements in the system. National Interest Action codes have since been instituted to specifically identify disaster related procurements.

***Data on billions of dollars in Hurricane Katrina disaster relief spending was not accurately and promptly recorded in FPDS-NG.***

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## Management Challenges

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### **Contract Management (continued)**

- Data from agencies playing a large role in the response and recovery effort was not being downloaded directly into FPDS–NG, but instead recorded on various spreadsheets for later input into FPDS–NG. This caused errors and omissions of Hurricane Katrina contract data in the FPDS–NG database resulting in a significant understatement of contract costs related to the recovery effort. Expenditures by the Department of Homeland Security, the Department of Defense, and the General Services Administration initially made up the majority of the spending for Hurricane Katrina.

On March 9, 2007, OMB issued guidelines to agencies that established a requirement to verify and validate data being entered into FPDS–NG. Therefore, our report made no recommendations.

### **Information Technology**

*GSA is in the process of replacing or upgrading a number of its legacy information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new IT projects are intended to go beyond automating current business functions and to create real change in the way that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **GSA's Electronic Contract Proposal and Modification System**

GSA launched eOffer and eMod as the paperless means to streamline the contract award and modification process in May and July of 2004, respectively. eOffer/eMod are Web-based applications that allow companies to electronically prepare and submit contract proposals (offers) and current MAS contract holders to prepare and submit contract modifications. The E-Government Act of 2002 requires Federal agencies to implement electronic signature capability for secure electronic transactions with the government using the E-Authentication initiative, and eOffer/eMod is the first system within GSA to implement E-Authentication capabilities. Vendors submitting electronic offers and/or modifications are able to sign using digital certificates to create a legally binding electronic contract. Our overall objective for this review was to determine whether eOffer/eMod are realizing expected benefits, including delivery of functional, managerial, and user requirements for the system and if sufficient security controls have been designed and implemented.

**Overall utilization rates for eOffer/e/Mod applications remain low and security controls need strengthening.**

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## Management Challenges

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

While eOffer/eMod were intended to streamline the contract award and modification process as part of a paperless environment, most offers and modification requests are still being submitted on paper rather than electronically through these important Web applications as was expected. Though the number of electronic offers and modifications submitted by vendors has increased over the last 3 years, overall utilization rates for these two Web applications remain low. On average, electronic offers comprise only 9 percent of all offers received through eOffer and electronic modifications comprise only 4.5 percent of all modifications received through eMod. In addition, although a primary goal for eOffer is to reduce the amount of time involved in making contract awards, awards based on electronic offers are taking longer to process than awards based on paper offers. Contracting officials have indicated that issues with system functionality have hindered their ability to process electronic offers in a timely manner. Further, GSA has not established specific performance measures needed to assess customer satisfaction or overall system performance.

We also found that GSA did not adequately consider specific Web application security risks prior to system deployment. While specific technical security controls have improved, security management for eOffer/eMod needs to be strengthened in response to reported security vulnerabilities. Specifically, a comprehensive Certification and Accreditation process to verify the adequacy of system security controls for eOffer/eMod and E-Authentication risk assessment activities has not been completed.

In our March 6, 2007 report, we recommended that the Commissioner, Federal Acquisition Service:

- Closely analyze eOffer/eMod usage rates and develop strategies to address the causes of low usage and address system and process concerns raised by contracting officials to improve electronic offer processing times and ensure that the system addresses evolving Agency needs and requirements.
- Develop an eOffer/eMod business case or an update to the Federal Supply Service–19 business case to include system specific performance goals and measures for monitoring actual performance compared to expected results.
- Ensure that system security controls include: (1) completion of the eOffer/eMod Certification and Accreditation in accordance with GSA Chief Information Officer IT Security Policy and procedures, (2) documentation for key security decisions and processes related to the system, and (3) development of a proactive approach for identifying and addressing Web application security weaknesses.

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## Management Challenges

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

The Commissioner concurred with our findings and identified actions underway to address these issues.

### **Summary of IT Controls in 10 Systems**

Our FY 2006 review of GSA's Information Technology (IT) Security Program, as required by the Federal Information Security Management Act (FISMA), assessed the program and how well program controls had been implemented for 10 selected Agency systems. We reported the results of that review in our last semiannual report. In January 2007, we issued 10 restricted letters to the system owners and the GSA Chief Information Officer detailing the results of our system specific security control assessments, including results from technical vulnerability scanning. The letters formally conveyed specific security information, that was discussed with security officials during our FISMA audit, to assist GSA management with ongoing corrective actions.

**Standardized performance goals and measures needed to ensure security of individual systems.**

GSA's IT Security Program continues to improve but additional management focus is needed. Sample systems scanned in 2006 demonstrated a decrease in the number of critical vulnerabilities from 140 in 2005 to 19 in 2006. However, our system analyses found instances where system security officials did not ensure that systems were properly secured. An analysis of technical security controls for Web applications and Voice Over Internet Protocol (VOIP) implementations found that GSA's IT Security Program would benefit from a more proactive approach to addressing emerging IT security risks. As in previous years, we again found weaknesses with implementation of GSA's Certification and Accreditation process, contractor background investigations, and contractor provided security solutions. Shortfalls in these key areas demonstrate the need for improved accountability for individuals who currently do not report to GSA's Chief Information Officer but have key IT security responsibilities for specific systems. Because effective implementation of the IT Security Program at the system level is dependent upon improved accountability for these individuals, there is a need for improved policy and procedures to establish standardized performance goals and measures.

### **Management Controls**

*Multiple management controls and extensive supervisory reviews have been replaced, through streamlining efforts, by fewer and broader controls, making it essential that the remaining control processes be emphasized and consistently followed. Streamlined processes have helped GSA achieve its goal of serving customers more quickly and efficiently; however, the Agency is exposed to the risk of mismanagement and abuse if program officials do not ensure the faithful application of existing safeguards.*

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## Management Challenges

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### *Management Controls (continued)*

#### **PBS's Use of Occupancy Agreements as a Billing Source**

GSA provides space for Federal agencies in over 8,000 buildings across the nation, and bills client agencies over \$7 billion each year for rental costs. In April 2005, the Public Buildings Service (PBS) migrated from using the System for Tracking and Administering Real Property as the primary billing source to a new rent billing process—Occupancy Agreement (OA) Billing. This new billing process extracts billing data directly from the current OA that PBS has with a client agency. Anticipated advantages from OA billing included stabilizing the bill by isolating the individual rent bill from the effect of changes that occur elsewhere in the building and improving the accuracy of the bill corresponding to the current OA. The main focus of the audit was to determine whether the OA Billing process resulted in more accurate, easier to understand customer bills and, if not, what improvements are needed.

**Further improvements are needed in processes for billing client agencies \$7 billion annually for rent.**

According to rent bill customers, and PBS employees, the OA Billing process has resulted in improvements in the accuracy and consistency of rent bill data, but further improvements in meeting customer expectations are needed. PBS is taking action to address rent bill accuracy and consistency through its Rent Bill Management Program (RBMP). However, the RBMP will not necessarily address continuing dissatisfaction with customer service issues previously identified. We administered a March 2006 customer satisfaction survey, receiving over 250 responses, and found customer service issues with: a lack of detailed information on the customers' rent bills regarding rate changes (43 percent dissatisfied); PBS not responding to customer calls or resolving questions in a timely manner (70 percent dissatisfied); and inaccurate GSA points of contact listed on the rent bill (43 percent dissatisfied). We performed audit field work, including a review of 50 client billing records and contacts with PBS employees and contractors to obtain additional detail on these problem areas.

We recommended to the Commissioner that PBS:

- Provide additional information on the rent bills regarding rate changes and miscellaneous billing adjustments.
- Implement a methodology to ensure timely resolution of customer rent bill questions.
- Implement management controls to ensure accurate rent bill points of contact.

The Commissioner concurred with our recommendations.

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## Management Challenges

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### *Management Controls (continued)*

#### **GSA Fleet's Loss Prevention Program**

Under full service agreements for its vehicles, GSA Fleet (Fleet) provides its customers with Voyager charge cards to purchase fuel, oil, and related services. Fleet in turn pays these charges that, in FY 2006, amounted to 8.7 million purchases totaling approximately \$405 million.

While the card is a convenience for its customers and simplifies payment procedures for Fleet, the card also has the inherent vulnerabilities of credit cards for misuse. GSA management requested this audit to help assess whether its loss prevention procedures were working effectively, especially in monitoring Voyager charge card transactions. Our audit objectives were to determine whether Fleet has established effective loss prevention procedures, and whether the procedures assure all Voyager charges are subject to review.

***Fleet's loss prevention program needs to be strengthened to effectively monitor charge card usage.***

Fleet is in the process of establishing a national loss prevention program that should enhance its ability to detect misuse and abuse and correct a number of the weaknesses we noted. We found that the decentralized program that was operating at the time of our audit was applied unevenly, the detection criteria the field locations used for identifying suspect charges varied, and the criteria identified high numbers of valid transactions (or false positives) along with improper ones, weakening the program's effectiveness. We also found that, while Fleet had established a database to record Voyager charges and ensure they were subject to review, the process for ensuring the database was complete needed strengthening.

We recommended to the Commissioner, Federal Acquisition Service that GSA Fleet:

- Continue development of a centrally coordinated loss prevention program that includes identification of, and focus on: the most critical loss and abuse detection methods, cognizant field personnel in the resolution of questionable transactions, and an effective method for tracking and recording resolution activity.
- Strengthen its procedures for assuring all Voyager charges are subject to review.

The Commissioner concurred with our recommendations.

#### **Overtime Utilities/Engineering Billings at the Alfonse M. D'Amato Courthouse**

In response to a tenant agency's request, we reviewed the overtime utility and engineering billings at the Alfonse M. D'Amato Courthouse in Central Islip, NY. Our focus was to determine whether GSA properly billed the two tenant agencies for their respective overtime utility and engineering usage.

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## Management Challenges

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

In general, when agencies in government-owned space work beyond their building's normal work hours they reimburse GSA for the utility costs associated with the extra usage. Depending on the building, GSA's property manager may also require that an engineer be present. Over the last several years, the two tenants, the U.S. Attorney's Office and the District Court, have typically both kept Saturday hours.

Our review found that GSA's overtime utility and overtime engineering billings to these offices have been inaccurate resulting in both over and underbillings for FYs 2004 through 2006. Taken as a whole these represent net underbillings of approximately \$118,185 for the U.S. Attorney's Office and \$13,309 for the District Court. The net overbillings for engineering usage (\$4,844) resulted because the cost of the engineer was not properly allocated between the two agencies. The net underbillings for utility usage (\$136,338) resulted from input errors in the automated tool used to estimate the usage and adjustments for the overlapping hours.

We recommended that the region perform a full analysis of this area for the courthouse and reconcile any billing errors with the tenants. We also recommended that the issue of overlapping overtime hours be included in the training for the staff that prepare the estimates.

The Regional Administrator agreed with the report recommendations.

### **Human Capital**

*Like many Federal agencies, GSA has an aging workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. Much of the downsizing was accomplished through early retirement and buyout authority, and by filling job vacancies sparingly.*

*Congress and the Government Accountability Office (GAO) have identified human capital management policies as a missing link in the government's performance management framework. GAO identified human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills as key areas needing attention.*

### **GSA's Telework Program**

Telework provides GSA associates the opportunity to work from home or at a telecommuting center on an occasional or recurring basis. Telework programs have become increasingly widespread in the Federal Government since the Federal Flexible Workplace Pilot Project, co-directed by GSA and the Office of Personnel Management (OPM), identified a number of benefits

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## Management Challenges

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**Improvements are needed in training, monitoring, and guidance to ensure proper use of teleworking.**

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

to teleworking, including improvement in employee productivity and retention, reduced transportation costs and traffic congestion, and improved air quality. In FY 2001, the Department of Transportation and Related Agencies Appropriation Act included a provision that, “Each executive agency shall establish a policy under which eligible employees of the agency may participate in telecommuting to the maximum extent possible without diminished employee performance.” In response to this Act, GSA established a goal to be a leader in the development and overall use of flexible workplace programs, including telework. We reviewed GSA’s Telework Program to determine whether GSA had developed adequate procedures for the implementation of the Telework Program, if those procedures are operating effectively, and whether there is proper management and monitoring in place to oversee the program.

Our review of the Telework Program found issues with its implementation in two of the three regions selected for testing, such as insufficient training to ensure proper use of teleworking. Furthermore, the monitoring controls put into place to track the number of associates participating in the Telework Program are not sufficient to ensure the accuracy of externally reported data. Finally, GSA’s telework guidance has not been updated in 10 years and is inconsistent with the Federal telework guidelines published in the Federal Register, including determination of the duty station for correct pay computations.

We recommended that the Chief Human Capital Officer take the following steps to help ensure GSA effectively implements, monitors, and manages the Telework Program:

- Implement an Agency-wide training program, outlining telework expectations, procedures, and policies for regional coordinators, telework supervisors, and teleworkers to create a Telework Program that is administered consistently throughout the organization.
- Implement monitoring controls by developing an Agency-wide tracking system or database to identify associates who are participating in the Telework Program.
- Review current telework guidance and update as necessary in accordance with recent guidance issued by OPM.
- Review the official duty station of full-time teleworkers to ensure the associates are receiving the correct locality pay.

The Chief Human Capital Officer agreed to and has started implementing the four recommendations.

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## Promoting and Protecting Integrity

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GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled more than \$103.2 million.

### Significant Civil Actions

#### Oracle Pays \$98.5 Million to Settle Defective Pricing Allegations

In October, Oracle, Inc. agreed to pay \$98.5 million to settle its potential civil False Claims Act liability arising from a *qui tam* complaint filed against PeopleSoft, Inc. Oracle purchased PeopleSoft, Inc. in 2005, and succeeded to PeopleSoft's Multiple Award Schedule (MAS) contract for software and maintenance. The complaint, filed by an individual (the Relator) who was formerly a consultant and employee at PeopleSoft, alleged that PeopleSoft had engaged in defective pricing and had overcharged Federal agencies for travel costs under its contract. The government's investigation substantiated that PeopleSoft had grossly misrepresented its commercial pricing to GSA in three sets of negotiations under the MAS contract. The Relator who brought the action on behalf of the United States received a percentage of the settlement.

**Oracle pays \$98.5 million in largest GSA False Claims Act recovery.**

#### GovConnection, Inc. Pays \$2.55 Million Dollars for Overcharging Government Customers

In December, GovConnection, Inc. (GovConnection), formerly ComTeq Federal, Inc., agreed to pay \$2.55 million to settle its potential civil False Claims Act liability relating to its GSA MAS contract for the sale of information technology items to Federal agencies. The government had alleged that GovConnection overcharged Federal agencies that purchased under the MAS contract, and failed to pay GSA the full industrial funding fee due in connection with sales made under the contract.

#### Audio/Visual Equipment Supplier Settles Civil Suit

An investigation was initiated when a Hotline complaint alleged that Visual Innovations Company, Inc. (VICI) was selling used products as new to the government. VICI has a GSA MAS contract to provide audio/video equipment and related services to the government. The investigation

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## *Promoting and Protecting Integrity*

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revealed that VICI did not: provide all of the audio/video equipment billed to the government, fulfill all aspects of the preventive maintenance agreements, and pay all of its associated industrial funding fees. This investigation was conducted in conjunction with the Defense Criminal Investigative Service and required the cooperation of the Drug Enforcement Administration, National Park Service, National Weather Service, Department of the Army, and GSA Public Buildings Service, Federal Supply Service, Federal Technology Service, and Office of the Chief Financial Officer.

On December 7, 2006, VICI signed a settlement agreement with the U.S. Attorney's Office, Western District of Texas, to pay and provide products and services worth \$30,267 to the United States.

### **Contractor That Charged for Services Never Provided Agrees to Pay \$25,000 to the Government**

In November 2006, a principal of a company that contracted to provide maintenance and repair services on government vehicles agreed to pay \$25,000 to settle his potential civil False Claims Act liability in connection with contract overcharges. The government alleged that the company billed GSA for repairs that were never actually performed. The government is continuing to pursue other principals in this matter on a civil fraud basis.

### **Significant Criminal Actions**

#### **Technical Services Company Pleads Guilty to Making False Claims**

A joint investigation with the U.S. Naval Criminal Investigative Service and the Defense Contract Audit Agency was initiated when it was alleged that a technical services company submitted false and fraudulent invoices to the U.S. Navy for work done under various task orders issued under a GSA MAS contract. The investigation revealed that the president, senior vice president, and chief financial officer of the company were involved in a scheme to inflate labor hours and labor charges on several task orders by over billing, double billing, cross charging, and inflating expense reports. On March 26, 2007, the president of the company pled guilty on behalf of his company to making false claims and entered into a plea agreement to pay restitution in the amount of \$642,000 to the government.

#### **Retired GSA Employee Pleads Guilty to Conspiracy**

An investigation was initiated when it was alleged that a retired GSA contracting officer was performing contract work for the government and subcontracting with businesses that provided work on government contracts. The investigation revealed that, before her retirement, while acting on behalf of the government, she assisted a contractor with statements of work, solicitations, evaluations, and other matters associated with conducting procurements to award contracts for goods and services for Federal agencies. Additionally, she provided procurement-sensitive information in

**GSA MAS  
contractor guilty of  
fraud.**

**Former GSA  
contracting officer  
guilty of violating  
the Procurement  
Integrity Act.**

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## Promoting and Protecting Integrity

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which she was to receive 10 percent of the subcontract work that was awarded to the prime contractor.

After retiring from GSA, the contracting officer became the president of Quality Management & Acquisition Consulting (QMAC), and provided contract services to GSA through QMAC. The investigation revealed that she knowingly conspired, and agreed with others, to defraud the United States, the GSA, and the Marine Corps. During the award of a blanket purchase agreement between GSA and QMAC, she deprived the government of exclusive use and control over contractor proposal and source selection information. She pled guilty to conspiracy to defraud the United States and to violating the Procurement Integrity Act. She was sentenced to 4 months incarceration, 2 years supervised probation, 50 hours of community service, and ordered to pay a monetary fine of \$4,000.

### State Senator Indicted for Theft of Government Property

On November 13, 2006, a criminal complaint was filed against a state senator and former mayor of Minnewaukan, North Dakota, for theft of government property and for fraudulently applying for vehicle title certificates. An investigation was initiated when it was alleged that the senator obtained two pickup trucks from the North Dakota State Agency for Surplus Property (Agency) by claiming that they were for the city's use. The investigation disclosed that he instructed the treasurer to issue a city check to the Agency so that the purchase of the first truck had the appearance of a legitimate city purchase, and converted the truck for his personal use by having it titled in his name. In obtaining title for the second truck, he provided false information to the state regarding the amount paid and origin of the truck. This ongoing investigation is being prosecuted by the State Attorney's Office, County of Burleigh, North Dakota.

**State senator  
charged in  
government  
surplus property  
scheme.**

### GSA Employee Pleads Guilty to Theft of Government Property

An investigation was initiated when it was reported that a GSA employee had improperly used his government purchase card. The investigation revealed that the employee purchased toner cartridges with his government purchase card. He returned the toner cartridges to the supplier, and received refunds by having the supplier credit his personal Visa card. Records obtained from the supplier and the employee's bank statements confirmed the receipt of four refunds totaling \$3,140. The employee also admitted selling toner cartridges over the Internet to the general manager of Applied Data Resources (ADR). He purchased toner cartridges from the supplier using his purchase card, stole toner cartridges from his office, and sold them to ADR. Records obtained from ADR indicated that the employee sold 70 toner cartridges valued at \$14,397 to ADR.

**GSA employee  
guilty of theft.**

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## ***Promoting and Protecting Integrity***

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The former GSA employee pled guilty to theft of public property and was sentenced to 5 years probation, and ordered to pay restitution in the amount of \$17,799 and a fine in the amount of \$1,500.

### **Army National Guardsman Pleads Guilty to Theft of Property**

A joint investigation by the OIG and a local government revealed that a stolen GSA Fleet vehicle was being refueled using an assigned GSA Fleet charge card. The investigation determined that a member of the Army National Guard had stolen the vehicle for his personal use. He pled guilty to theft of property and was sentenced to 18 months incarceration, 2 years supervised probation, and ordered to pay a fine.

### **Theft and Improper Storage of Fuel in South Florida**

The OIG participated in a joint task force with the Florida Department of Transportation, Office of Motor Carrier Compliance, the Broward County Sheriff's Office, the Domestic Security Task Force, and the Miami Tech Group. The task force was created to counter illegal and dangerous schemes involving the theft and unauthorized storage of hazardous fuel, sale of stolen fuel, and theft of government credit cards.

The investigation determined that a fuel transport company, who had access to Port Everglades, was diverting fuel to a shipping container located on private property between Port Everglades and Fort Lauderdale-Hollywood International Airport. The stolen fuel was used to fill up company trucks, commercial vehicles, and personally-owned vehicles of friends and relatives of the company. The investigation led to the arrest of seven individuals who were charged with conspiring to steal and convert interstate shipments of fuel by embezzling goods, and aiding and abetting.

### **Electronic Crimes Task Force**

An investigation was initiated based on a proactive project developed through the Electronic Crimes Task Force, U.S. Secret Service, Baltimore Field Office, Baltimore, MD. Merchandise valued at \$329,000 was purchased with fictitious documents, unlawful access to checking accounts, and government/corporate credit cards, and then was returned for cash. On December 14, 2006, the task force arrested eight individuals for committing theft and fraud through the use and manipulation of electronic media. These arrests stemmed from an ongoing criminal investigation for electronic crime violations through the unlawful use of fictitious electronic certifications, documents, and corporate credit card accounts impacting the GSA Smart Card Program.

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## Promoting and Protecting Integrity

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### Representative of Nonprofit Organization Pleads Guilty to Theft of Government Property

An investigation was initiated when the Texas Building and Procurement Commission alleged that government surplus property was being stolen by a representative of Haltom City Food Bank. The investigation disclosed that the individual, after obtaining the donated items, sold them on eBay and kept proceeds totaling \$7,749. He pled guilty to theft of government property, and was sentenced to 2 years community supervised deferred adjudication, 80 hours of community service, and ordered to pay a \$1,000 fine and \$5,519 restitution.

### Works Progress Administration Artwork Recovered

GSA is the custodian of the Works Progress Administration (WPA) works of art. The WPA fine arts specialists have coordinated with the Department of Justice and the FBI to develop a list of lost and stolen WPA artwork. Fine arts dealers are required to check this database prior to the sale of any work of art.

The OIG continues its proactive investigation by monitoring art sales to identify government-owned art. Through a search of eBay auctions for art commissioned by the WPA, two works of art were recovered during this reporting period.

In the first instance, an H.L. Pierre painting titled Kansas City Waterfront, which is the property of GSA and part of the WPA project, was recovered. The seller was apprised of the WPA recovery efforts, agreed to terminate the sales auction, and maintained possession of the painting until it was returned to the control of the government. The value of the painting is estimated at \$2,000. After final cataloging and appraisal, the painting was sent to the Office of the Chief Architect, PBS, to determine a suitable location for display in the Kansas City area.

**WPA artwork  
recovered.**

In the second instance, a WPA figurine by artist Nils Hanson was recovered and returned to the control of the government. The figurine is valued at approximately \$500. It was sent to the Office of the Chief Architect, PBS, for cataloging and determination of a suitable location for display.

### Telecommunications Fraud

The OIG continues to be a principal participant in the New York Electronic Crimes Task Force (NYECTF) that has been investigating telecommunications fraud primarily involving Federal facilities within the New York City metropolitan area. GSA is the principal provider of telecommunications services for these facilities. NYECTF members include the United States Secret Service, Department of Defense, Department of Justice, New York City Police Department, and telecommunications industry representatives.

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## *Promoting and Protecting Integrity*

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In one instance, J.P. Morgan Chase Manhattan Bank (Chase) revealed to the NYECTF that several individuals were making unauthorized wire transfers out of accounts maintained for several United Nations (UN) Missions into various other bank accounts located throughout New York City. The investigation disclosed that these individuals would send a facsimile transmission to Chase requesting a wire transfer that purported to originate from bank accounts maintained for several UN Missions. The document requested Chase to wire transfer the amount to an account as stated in the letterhead. Chase executed these requests and the scheme has resulted in a loss of approximately \$240,000. As a result of this investigation, four individuals have been arrested and subsequently indicted on charges of conspiracy to commit bank fraud.

In a second instance, an individual hacked into the bank account of Penton Learning Systems LLC, New York City, and illegally wire transferred over \$81,000 into his personal bank account. He has been remanded to the custody of the New York State Department of Correction. Previously, this individual hacked into the bank account of New York Presbyterian Hospital, and illegally wire transferred approximately \$16,000 into his personal bank account. He was arrested and then pled guilty to a misdemeanor for bank robbery and incidental crimes. He was awaiting sentencing when he was arrested for the current charge of grand larceny and identity theft.

In a third instance, the NYECTF had uncovered a scheme in which nine individuals placed telephone calls to Money Gram call centers and falsely represented themselves as authorized Money Gram agents. They tricked the operator into transferring funds to various cashing centers in the New York City area where individuals then picked up the transferred funds. The investigation disclosed that the last individual to plead guilty in this case used a check cashing service in Manhattan with an illegal state identification card to obtain \$2,600 in cash through a Money Gram. Four of the remaining eight individuals previously pled guilty and have been sentenced. The other four individuals have been sentenced to pre-trial diversion programs. This NYECTF case involved fraud through the use of the FTS telephone system.

### **Fleet Charge Card Abuse**

The OIG has an ongoing proactive investigative project, funded in part by GSA's Federal Acquisition Service, to identify and investigate fraud associated with the misuse of GSA-issued Fleet charge cards. During this period, 13 individuals pled guilty in connection with cases arising out of Fleet charge card investigations.

- An undercover operation at a gas station in Washington, DC revealed that the owner of the station was processing GSA Fleet charge cards twice through the credit card machine. Confronted with the evidence, the owner entered into a plea agreement with the U.S. Attorney's Office whereby he pled guilty to wire fraud. On November 21, 2006, he was sentenced to

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## Promoting and Protecting Integrity

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6 months confinement, 30 months of supervised release, 240 hours of community service, and ordered to pay \$120,000 in restitution.

- An investigation was initiated when it was reported that possible unauthorized purchases of gas were being made with Fleet charge cards in the Fort Hood, Texas area. With assistance from the Killeen Police Department and the Army Criminal Investigative Division, agents conducted extensive video surveillance that captured an individual fueling multiple vehicles using several Fleet charge cards. He pled guilty to theft of government property, and was sentenced to 14 months confinement, 36 months probation, and ordered to pay restitution in the amount of \$40,210.
- A civilian contract employee of the U.S. Army stole a Fleet charge card from the Army Transportation unit. He used the card to purchase fuel for his own vehicle and to sell fuel to other unidentified individuals. He pled guilty to theft and fraud and was sentenced to 12 years confinement with 10 years suspended and 10 years active probation, and ordered to pay restitution.
- An investigation determined that a reservist with the Georgia Army National Guard stole a Fleet charge card and used the charge card to purchase fuel for his vehicle and the vehicles of several acquaintances. On December 11, 2006, he pled guilty to financial transaction theft and financial transaction card fraud and was sentenced to 3 years active probation, and ordered to pay a fine and restitution.
- A joint investigation by the OIG and the AMTRAK Police Department determined that an AMTRAK employee was making unauthorized fuel charges using a Fleet charge card. The investigation determined that he used two stolen Fleet charge cards to purchase fuel. He pled guilty to theft and was sentenced to 3 years supervised probation, and ordered to pay restitution in the amount of \$7,615.
- Fleet Fraud Detection Unit reported that a Fleet charge card was being used to make multiple fuel purchases on the same day. An investigation determined the individual was using the card to fuel his vehicle and his friends and families vehicles. On November 16, 2006, he pled guilty to theft of government property and was sentenced to 3 years supervised probation, and ordered to pay restitution.
- A former National Guard recruiter used his government assigned Fleet charge card to purchase fuel for his personal vehicles. He pled guilty to theft of government property and was sentenced to 2 years of supervised probation, and ordered to pay restitution. In addition, the Missouri National Guard discharged him with no chance of reinstatement.

**Charge card fraud  
leads to multiple  
arrests.**

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## ***Promoting and Protecting Integrity***

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- A joint investigation with the U.S. Postal Service (USPS), Office of Inspector General, revealed that a GSA leased vehicle assigned to the USPS showed multiple same-day fuel purchases minutes apart from each other at various gas stations in New York. The USPS employee admitted to fraudulently using a Fleet charge card to refuel his personal vehicle. On February 6, 2007, he pled guilty to larceny and was sentenced to 1 year conditional discharge, and ordered to pay restitution.
- An investigation revealed that an employee of the Bureau of Engraving and Printing used a Fleet charge card to fuel a privately-owned vehicle and lent the card to an acquaintance to use. The employee pled guilty to theft of government property and was sentenced to 1 year supervised probation, and ordered to complete community service and pay restitution. His acquaintance also pled guilty to theft of government property, and was sentenced to 1 year supervised probation, ordered to pay restitution, and was fined \$500.
- An investigation was initiated when a GSA vehicle leased to the Rosebud Sioux Tribe's Community Health Representative Program was identified as incurring Fleet charge card charges without any reported mileage. An inquiry with the customer agency revealed that the GSA vehicle had been wrecked and was inoperable. The investigation revealed that the assigned driver used the card to purchase gas, food, and beer for his personal use both before and after the accident. He pled guilty and was sentenced to 18 months confinement in the South Dakota State Prison System. The execution of that sentence was suspended subject to his successful completion of 3 years probation, the payment of a fine and restitution, and his performance of 100 hours of community service.
- An investigation was initiated when the Fleet Fraud Detection Unit reported that multiple same day fuel purchases within a short period of time were being made on a vehicle assigned to the Department of the Navy. An electronic surveillance conducted jointly with the Illinois State Police confirmed that an individual was unlawfully using a Fleet charge card to fill vehicles of several customers at a gas station. He pled guilty to identity theft, wire fraud, and prohibited uses of a charge card. He was sentenced to 5 years confinement.

### ***Suspension and Debarment Initiative***

GSA has a responsibility to ascertain whether the people or companies they do business with are eligible to participate in federally-assisted programs and procurements, and that they are not considered "excluded parties." Excluded parties are individuals and companies debarred, suspended, proposed for debarment, or declared ineligible to receive contracts by a Federal agency. The Federal Acquisition Regulation authorizes an agency to suspend or debar individuals or companies for the commission of any

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## ***Promoting and Protecting Integrity***

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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 timely 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 80 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 108 suspension and debarment actions 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 and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

This period, we presented 22 briefings attended by 250 regional and Central Office employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

### ***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. We also use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,235 Hotline contacts. Of these contacts, 165 Hotline cases were initiated. In 70 of these cases, referrals were made to GSA program officials for review and action as appropriate, 42 cases were referred to other Federal agencies for follow up, 36 were referred for OIG criminal/civil investigations or audits, and 17 did not warrant further review.

### ***Federal Managers' Financial Integrity Act Review***

The Federal Managers' Financial Integrity Act (FMFIA), Section 2, requires GSA management to provide assurance to the President and the Congress that Agency resources are protected from fraud, waste, mismanagement,

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## ***Promoting and Protecting Integrity***

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and misappropriation. FMFIA, Section 4 relates to the CFO's disclosure of nonconformances with Federal financial management system policies and standards.

GSA's Management Control and Oversight Council uses assurance statement questionnaires submitted by Regional Administrators and Heads of Services and Staff Offices as a basis for developing the Administrator's assurance statement.

Each year, we review the Agency's FMFIA process to determine whether management adequately disclosed all known control weaknesses and nonconformances in the Agency's programs, operations, and systems of management's reporting of known significant weaknesses and deficiencies. In reviewing the FMFIA assurance statement questionnaires submitted by management for FY 2006, we noted weaknesses reported for compliance with Federal financial system requirements, human capital management, and internal control issues at the Ft. Worth Office of Finance. In addition, our review of audits performed by the OIG and other external organizations identified issues relating to the implementation of the Federal Information Security Management Act and the required background investigations not completed for contractors.

### ***Financial Statement Audit and Related Reviews***

With the passage of the Chief Financial Officer's Act of 1990, Congress and the Office of Management and Budget (OMB) have established a framework for financial audits and reviews designed to enhance the Federal Government's financial management and reporting practices. Summarized below are the results of our financial and financial-related reviews.

As in past years, GSA's Financial Statement Audit was performed by an independent public accounting firm, with oversight, support work, and guidance provided by the OIG. The firm issued an unqualified opinion on the balance sheets of GSA, the General Supply Fund (GSF), and the Information Technology Fund (ITF) as of September 30, 2006 and 2005, and the related consolidated and individual statements of net cost, and of changes in net position for the years then ended, and the statement of budgetary resources and the statement of financing for the year ending September 30, 2006. The firm was unable to express an opinion on the combined and individual statements of budgetary resources, and the consolidated and individual statements of financing of GSA, the GSF, and the ITF for the year ended September 30, 2005. The firm also issued an unqualified opinion on GSA's FYs 2006 and 2005 balance sheets and the related statements of net cost, of changes in net position and of financing, and the statements of budgetary resources for the Federal Buildings Fund (FBF).

GSA, GSF, ITF, and FBF had no material weaknesses in internal controls over financial reporting or instances of noncompliance with applicable laws

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## ***Promoting and Protecting Integrity***

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and regulations. The firm did, however, identify the following reportable conditions concerning the Agency's need to:

- Improve controls over monitoring, accounting, and reporting of budgetary transactions.
- Strengthen system access, separation of duties, and monitoring controls.
- Continue to improve controls over accounting, reporting, and monitoring of construction in process projects.

### ***Testing Controls Over Performance Measures***

The OIG conducted the portion of GSA's Fiscal Year 2006 Financial Statement Audit related to internal controls over performance measures. Our report noted that the internal controls designed by the Office of the Chief Financial Officer (OCFO) over GSA's performance measures data are operating effectively. Specifically, we found that, in accordance with GSA policy, the OCFO performed and documented the required review of Agency performance measure data, and that the conclusions therein were adequately supported.

### ***Agreed-Upon Procedures Reviews***

In support of GSA's Financial Statement Audit, we performed agreed-upon procedures reviews over GSA's FY 2006 environmental liabilities and legal loss contingencies.

We reconciled the Office of General Counsel's environmental liability letter and supporting spreadsheets to PBS' summary schedules based on documents prepared by regional offices. In our review of legal loss contingencies, we tested 100 percent of claims for \$10 million or more to determine the Agency's planned response to the litigation and, if a possible loss was perceived, whether Office of General Counsel personnel could provide explanations of the estimates.

We provided the relevant information on the procedures we performed to the independent public accounting firm on November 7, 2006.

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## Governmentwide Policy Activities

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*We regularly provide advice and assistance on governmentwide policy matters to the Agency, as well as to other Federal agencies and to committees of Congress. In addition, as required by the Inspector General Act of 1978, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of the Agency in shaping governmentwide policies and programs, most of the legislation and regulations reviewed invariably affect governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.*

### **Interagency Committees and Working Groups**

This period, we provided advice and assistance to the Office of Management and Budget (OMB) on various procurement policy issues. In addition, we participated on a number of interagency committees and working groups that deal with cross-cutting and governmentwide issues:

- The Inspector General (IG) is the vice-chair of the National Procurement Fraud Task Force established by the Department of Justice (DOJ). In addition to DOJ, OIGs and other Federal law enforcement agencies are full participants. The purpose of the task force is to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The task force will focus resources to increase criminal enforcement in areas of procurement fraud having the most substantial impact, such as defective pricing or other irregularities in pricing and formation of contracts, product substitution, false claims, labor mischarging, and accounting fraud. The task force's priority efforts include: identification and prosecution of procurement fraud cases through coordination with U.S. Attorneys' Offices and OIG offices; better coordination between agency auditors and investigators to ensure that indicators of fraud are promptly reported to criminal investigators; improved identification and resolution of investigative and coordination issues; and, specialized training for OIG agents and auditors on the development and prosecution of procurement fraud cases.
- The IG is a participating member of the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE) Homeland Security Roundtable, headed by the IG of the Department of Homeland Security. The Homeland Security focus of the Roundtable was a springboard for a review of the Federal Government's response to Hurricanes Katrina and Rita. The Roundtable meets quarterly to help coordinate efforts of the IG community, to ensure accountability of the Federal money being spent in those response efforts, and to deter waste, fraud, and abuse. Further, the Assistant Inspector General for Auditing (AIGA) participates in the Disaster Recovery Working Group in response to the Hurricane Katrina disaster, under the same Roundtable.

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## ***Governmentwide Policy Activities***

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- The AIGA co-chairs the IT Committee under the PCIE Federal Audit Executive Council. This Committee is responsible for leading discussion and reaching consensus among all of the OIGs regarding a myriad of IT issues, including proposed legislation and regulations, OMB questions and reporting requirements, and IT audit approaches and best practices. Further, audit representatives participate in this Committee to develop approaches and techniques for conducting IT security audits under the Federal Information Security Management Act (FISMA). Additionally, audit representatives participate in the PCIE IT Roundtable, a group that facilitates effective IT audits, evaluations, and investigations by OIGs and provides an OIG perspective on governmentwide IT operations.
- Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the PricewaterhouseCoopers TeamMate Users Group to discuss concerns or new challenges facing TeamMate users. TeamMate is an automated audit paperwork management system that should make the audit process more efficient.

### ***Legislation and Regulations***

During this reporting period, the OIG reviewed 148 legislative matters and 14 proposed regulations.

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## Professional Assistance Services

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*Government Auditing Standards prohibit Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. To maintain our independence when working closely with GSA management, we carefully assess our services to ensure compliance with the standards. As allowed under the standards, we are continuing our participation on Agency improvement task forces, committees, and working groups in an observer or advisory capacity.*

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

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

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

- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The Working Group is primarily comprised of members of the Federal Acquisition Service (FAS) and the OIG, with representation also from the Office of the Chief Acquisition Officer. The Working Group has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or reviews.

The Working Group has had several areas of focus, including preaward contract reviews and MAS negotiations issues. The Working Group has developed guidance to MAS contracting officers (COs) regarding the performance and use of preaward MAS contract reviews. Further, the Working Group has reinvigorated the process by which FAS and the OIG collaboratively select and commence preaward reviews of vendors, and has built into this process specific mechanisms for COs to request reviews of particular vendors. The Working Group has focused on issuing guidance to COs regarding negotiation objectives and discrete negotiation issues for MAS contract awards. The Working Group also provided input

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## *Professional Assistance Services*

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to FAS in its efforts to upgrade or enhance pricing performance measures on MAS contracts.

- **GSA IT Governance Groups.** Audit representatives participate as nonvoting members on three of GSA's major IT governance teams and attend all meetings. The Information Technology Architecture Planning Committee defines the standards for GSA's information technology in support of business goals and at the direction of the Information Technology Council (ITC). The ITC is comprised of senior IT staff members from the Office of the Chief Information Officer and GSA services, staff offices, and regions to collaboratively explore and determine actions needed to ensure that IT decisions have a sound business and IT investment basis. Senior audit representatives also participate in meetings of the Business Systems Council, a senior management forum chaired by the Deputy Administrator, which make decisions regarding major IT investments in conjunction with GSA's Performance Management process, the Human Capital Planning process, the IT Capital Planning and Investment process, and ongoing business process changes for the Agency.
- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 73 audit reports during this reporting period. The 73 reports contained financial recommendations totaling \$256,200,173 including, \$249,827,444 in recommendations that funds be put to better use and \$6,372,729 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

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

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2007. There was one report more than 6 months old awaiting management decision as of March 31, 2007. Table 1 does not include three reports issued to other agencies this period. Table 1 also does not include five reports excluded from the management decision process because they pertain to ongoing investigations.

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

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 10/1/06			
Less than six months old	25	19	\$ 216,717,741
Six or more months old	0	0	0
Reports issued this period	<u>70</u>	<u>41</u>	<u>256,200,173</u>
<b>TOTAL</b>	<b>95</b>	<b>60</b>	<b>\$ 472,917,914</b>
For which a management decision was made during the reporting period			
Issued prior periods	24	19	\$ 216,717,741
Issued current period	<u>36</u>	<u>17</u>	<u>113,502,471</u>
<b>TOTAL</b>	<b>60</b>	<b>36</b>	<b>\$ 330,220,212</b>
For which no management decision had been made as of 3/31/07			
Less than six months old	34	24	\$ 142,697,702
Six or more months old	<u>1</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>35</b>	<b>24</b>	<b>\$ 142,697,702</b>

## Statistical Summary of OIG Accomplishments

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

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

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

	No. of Reports	Financial Recommendations
For which no management decision had been made as of 10/1/06		
Less than six months old	19	\$ 216,717,741
Six or more months old	0	0
Reports issued this period	36	249,827,444
<b>TOTAL</b>	<b>55</b>	<b>\$ 466,545,185</b>
For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>33</b>	<b>\$324,645,309*</b>
For which no management decision had been made as of 3/31/07		
Less than six months old	22	\$ 141,899,876
Six or more months old	0	0
<b>TOTAL</b>	<b>22</b>	<b>\$ 141,899,876</b>
<i>*Management did not agree with \$2,452,255 in recommendations.</i>		

## Statistical Summary of OIG Accomplishments

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

	No. of Reports	Questioned Costs
For which no management decision had been made as of 10/1/06		
Less than six months old	0	\$ 0
Six or more months old	0	0
Reports issued this period	<u>5</u>	<u>6,372,729</u>
<b>TOTAL</b>	<b>5</b>	<b>\$6,372,729</b>
For which a management decision was made during the reporting period		
<b>TOTAL</b>	<b>3</b>	<b>\$5,574,903</b>
For which no management decision had been made as of 3/31/07		
Less than six months old	2	\$ 797,826
Six or more months old	0	0
<b>TOTAL</b>	<u>2</u>	<u>\$ 797,826</u>

## Statistical Summary of OIG Accomplishments

### *Investigative Workload*

The OIG opened 159 investigative cases and closed 156 cases during this period. In addition, the OIG received and evaluated 30 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### *Referrals*

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

**Table 4. Summary of OIG Referrals**

<b>Type of Referral</b>	<b>Cases</b>	<b>Subjects</b>
Criminal	70	185
Civil	34	53
Administrative	76	162
<b>TOTAL</b>	<b>180</b>	<b>400</b>

In addition, the OIG made 32 referrals to GSA officials for information purposes only.

### *Actions on OIG Referrals*

Based on these and prior referrals, 45 cases (115 subjects) were accepted for criminal prosecution and 22 cases (35 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 57 indictments/informations and 32 successful prosecutions. OIG civil referrals resulted in 5 case settlements. Based on OIG administrative referrals, management debarred 69 contractors/individuals, suspended 39 contractors/individuals, and took 13 personnel actions against employees.

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## Statistical Summary of OIG Accomplishments

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### Monetary Results

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

<b>Table 5. Criminal and Civil Recoveries</b>		
	<b>Criminal</b>	<b>Civil</b>
Fines and Penalties	\$ 13,405	\$ —
Settlements	—	101,160,268
Restitutions	1,963,114	—
<b>TOTAL</b>	<b>\$1,976,519</b>	<b>\$101,160,268</b>

Table 6 presents the amount of administrative recoveries, cost avoidance, and management commitment as a result of investigative activities.

<b>Table 6. Other Monetary Results</b>	
Administrative Recoveries	\$69,970
Cost Avoidance	14,037
Management Commitment	1,958
<b>TOTAL</b>	<b>\$85,965</b>



# ***APPENDICES***



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## Appendix I—Significant Audits from Prior Reports

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

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

### **Overtime Management**

*Period First Reported: April 1, 2006, to September 30, 2006*

The review focused on the management control environment for building operations that frequently incur overtime costs. The report contained three recommendations; two have been implemented.

The remaining recommendation involves redesigning GSA Form 544 as a standard mandatory electronic version with e-signature capabilities. It is scheduled for completion on May 15, 2007.

### **GSA's University for People**

*Period First Reported: April 1, 2006, to September 30, 2006*

The review focused on GSA's University for People's procurement practice and contract administration. The report contained four recommendations; three have been implemented.

The remaining recommendation involves obtaining appropriate procurement support and instituting controls necessary to administer the resulting contracts. It is scheduled for completion on June 15, 2007.

### **GSA's IT Security Program**

*Period First Reported: April 1, 2006, to September 30, 2006*

The review focused on reviewing GSA's IT Security Program. The report contained four recommendations; one has been implemented.

The remaining recommendations involve implementing improved accountability for employees and contractors, strengthening policy and procedures, and developing and implementing guides for securing Web applications and Voice Over Internet Protocol. They are scheduled for completion between June 15, 2007 and August 15, 2007.

### **PBS Environment Program Management**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review found that the scope of the Environment Management Program needs to be expanded, and the database needs several application controls. The report contained ten recommendations; seven have been implemented.

One remaining recommendation involves improving the Environmental Risk Index by expanding its scope to include leased facilities with terms that exceed an appropriate number of years. Another recommendation involves ensuring that PBS management supervises the environmental liability report. The third recommendation involves applying a risk-based approach to identify tenants whose activities pose a greater risk to the environment and execute a written agreement with them. They are scheduled for completion on June 15, 2007.

### **Using Facility Management Schedules**

*Period First Reported: October 1, 2005, to March 31, 2006*

This review found that PBS was not using the FSS Facilities Maintenance and Management schedules extensively. The report contained four recommendations; two have been implemented.

The remaining recommendations require fostering awareness and compliance with guidelines, and assessing how the MAS schedule can best serve PBS's need for facility maintenance contracting. They are scheduled for completion on May 15, 2007.

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## Appendix I—Significant Audits from Prior Reports

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### **CONNECTIONS Program Contract**

*Period First Reported: October 1, 2005, to March 31, 2006*

This review found that several problems exist in the use of the CONNECTIONS contract at the regional level. The report contained three recommendations; two have been implemented.

The remaining recommendation, which requires establishing a percentage limit for other direct costs to be used by all the regions, is scheduled for completion on April 15, 2007.

### **Federal Procurement Data System—Next Generation**

*Period First Reported: October 1, 2005, to March 31, 2006*

The review disclosed that certain contract and system requirements had not been addressed and discrepancies existed in some elements in the system. The report contained three recommendations; two have been implemented.

The remaining recommendation, which requires resolving all data element discrepancies and data migration issues, is scheduled for completion on June 15, 2007.

### **Contractor Assessment Initiative**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review focused on the Administrative Report Card which was created to assist contracting officers in making decisions about exercising contract options and awarding additional contracts. The report contained six recommendations; three have been implemented.

The remaining recommendations involve ensuring that all significant contractual areas are included on the report card, integrating a rating and weighting system, and providing guidance on formulating the Report Card and follow-up procedures on contractor deficiencies. They are scheduled for completion on May 15, 2007.

### **GSA Advantage!**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review centered on specific shortfalls with GSA Advantage's management funding and planning process. The report contained four recommendations; two have been implemented.

The remaining recommendations involve establishing a management structure with adequate authority and responsibility, and analyzing virtual stores to ensure the benefits of these investments exceed their development and maintenance costs. They are scheduled for completion on June 15, 2007.

### **Comprehensive Human Resources Integrated System**

*Period First Reported: April 1, 2005, to September 30, 2005*

The review of the Comprehensive Human Resources Integrated System identified user reluctance to use the system and the availability of duplicative system functionality provided by other GSA systems. The report contained three recommendations; two have been implemented.

The remaining recommendation involves conducting a post-implementation review. It is scheduled for completion on October 15, 2007.

### **Review of FedBizOpps**

*Period First Reported: April 1, 2004, to September 30, 2004*

The review involved an online survey of FedBizOpps users to gather information on user satisfaction to assess the effectiveness of FedBizOpps. The report contained four recommendations; one has been implemented.

The remaining recommendations involve developing a process to solicit input from vendors on system enhancements, evaluating enhancements to FedBizOpps based on vendor input, and ensuring that memoranda of agreement are in place for FedBizOpps

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

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users. The recommendations are scheduled for completion on June 15, 2007.

### ***Consolidation of Distribution Centers***

*Period First Reported: October 1, 2002, to March 31, 2003*

The review examined the operations of the FSS Stock Program. The report contained two recommendations; one has been implemented.

The remaining recommendation, which requires developing access to reliable data for all delivery methods, is scheduled for completion on August 15, 2007.

## Appendix II—Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
<i>(Note: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)</i>				
<b>PBS Internal Audits</b>				
12/12/06	A060167	Review of Overtime Utility/Engineer Billings at the Alfonse M. D'Amato Courthouse in Central Islip, NY		
12/28/06	A050263	Audit of PBS's Use of Occupancy Agreements as a Billing Source		
<b>PBS Contract Audits</b>				
10/04/06	A070001	Preaward Review of Architect Engineering Services Contract: Kieran Timberlake Associates, Solicitation Number GS-01P-05-BZC-0004		
11/03/06	A060207	Review of a Termination Settlement Proposal: Sheen & Shine, Inc., Contract Number GS-02P-06-DTC-0002(N)		
01/10/07	A070074	Preaward Review of Cost or Pricing Data: Monument Construction Corporation, Solicitation Number GS-11P06MKC0081		
01/30/07	A070080	Preaward Review of Architect Engineer Proposal: Weidlinger Associates, Inc., Contract Number GS-11P-05-MKC-0095		
01/31/07	A070078	Preaward Review of Architect Engineer Proposal: Westlake Reed Leskosky, Contract Number GS-11P-05-MKC-0095		
01/31/07	A070086	Preaward Review of Architect Engineer Proposal: Cini-Little International, Inc., Solicitation Number GS-11P05MKC0095		
02/05/07	A070079	Preaward Review of Architect Engineer Proposal: The Protection Engineering Group, PC, Solicitation Number GS-11P-05-MKC-0095		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
03/13/07	A070087	Preaward Review of Change Order Proposal: Bette & Cring, LLC, Contract Number GS-02P-04-DTC-0041(N)		
03/23/07	A070135	Preaward Review of Architect and Engineering Services Contract: Hammond Beeby Rupert Ainge, Inc., Solicitation Number GS-04P-06-EX-C-0137		
<b><i>FSS Internal Audits</i></b>				
12/04/06	A060176	Validation of Operational Savings at the Western Distribution Center, Federal Supply Service		
02/08/07	A060116	Audit of GSA Fleet's Loss Prevention Program, Federal Acquisition Service		
<b><i>FSS Contract Audits</i></b>				
10/04/06	A060146	Limited Scope Review of Multiple Award Schedule Contract: Xiotech Corporation, Contract Number GS-35F-0244L		\$9,404
10/11/06	A060120	Preaward Review of Multiple Award Schedule Contract Extension: J. Walter Thompson U.S.A., Inc., Contract Number GS-23F-0265L		
10/17/06	A060172	Preaward Review of Multiple Award Schedule Contract Extension: Foster-Miller, Inc., Contract Number GS-07F-0040M		
10/17/06	A060204	Preaward Review of Multiple Award Schedule Contract Extension: Terrapin Systems, LLC., Contract Number GS-35F-0562L		
10/19/06	A060112	Preaward Review of Multiple Award Schedule Contract Extension: Securitas Security Services USA, Inc., Contract Number GS-07F-0314L		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
10/24/06	A060148	Preaward Review of Multiple Award Schedule Contract Extension: Kimball International, Inc., Contract Number GS-29F-0177G		
10/25/06	A060193	Limited Scope Postaward Review of Multiple Award Schedule Contract: Data Solutions and Technology, Inc. (DST), Contract Number GS-10F-0352L		\$2,455
10/25/06	A060171	Preaward Review of Multiple Award Schedule Contract Extension: Data Solutions and Technology, Inc. (DST), Contract Number GS-10F-0352L		
10/27/06	A060189	Preaward Review of Multiple Award Schedule Contract Extension: AKAL Security, Incorporated, Contract Number GS-07F-0061M		
10/27/06	A060227	Limited Scope Postaward Review of Multiple Award Schedule Contract Extension: Network Equipment Technologies Federal, Inc., Contract Number GS-35F-0205K		\$795,371
11/01/06	A050252	Review of Multiple Award Schedule Contract Number GS-35F-4044D for the Interim Period January 1, 2002 Through August 31, 2005: Insight Public Sector, Incorporated		
11/08/06	A060129	Preaward Review of Multiple Award Schedule Contract Extension: Scientific Research Corporation, Contract Number GS-23F-0125L		
11/08/06	A060226	Preaward Review of Multiple Award Schedule Contract Extension: Concentric Security, LLC, Contract Number GS-07F-0100M		
11/15/06	A060160	Preaward Review of Multiple Award Schedule Contract Extension: Xerox Corporation, Contract Number GS-25F-0062L		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
11/16/06	A060159	Preaward Review of Multiple Award Schedule Contract Extension: Government Scientific Source, Inc., Contract Number GS-24F-1181B		
11/16/06	A060187	Preaward Review of Multiple Award Schedule Contract Extension: CSC Applied Technologies, LLC., Contract Number GS-10F-0068M		
11/21/06	A050179	Preaward Review of Multiple Award Schedule Contract Extension: ADT Security Services, Inc., Contract Number GS-07F-8854D		
11/30/06	A060230	Preaward Review of Multiple Award Schedule Contract Extension: General Security Services Corporation, Contract Number GS-07F-0305M		
12/06/06	A060184	Preaward Review of Multiple Award Schedule Contract: Ricoh Corporation, Solicitation Number 3FNJ-C1-00-0001-B		
12/06/06	A060131	Preaward Review of Multiple Award Schedule Contract Extension: Gill Marketing Company, Contract Number GS-07F-9252G		
12/06/06	A060173	Preaward Review of Multiple Award Schedule Contract Extension: International Resources Group, LTD., Contract Number GS-10F-0076M		
12/08/06	A060115	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-35F-0553L		
12/21/06	A060244	Preaward Review of Multiple Award Schedule Contract Extension: Wright Line, Incorporated, Contract Number GS-29F-0100G		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
12/21/06	A060202	Preaward Review of Multiple Award Schedule Contract Extension: Raba Technologies, LLC, Contract Number GS-35F-0063M		
12/27/06	A060156	Preaward Review of Multiple Award Schedule Contract Extension: Dynamic Access Systems, LLC, Contract Number GS-23F-0280L		
01/03/07	A060222	Preaward Review of Multiple Award Schedule Contract Extension: Appian Corporation, Contract Number GS-35F-0092M		
01/08/07	A060098	Preaward Review of Multiple Award Schedule Contract Extension: National Research Corporation, Contract Number GS-10F-0332L		
01/12/07	A030052	Review of Multiple Award Schedule Contract Number GS-35F-4572G for the Interim Period May 1, 1997 Through March 31, 2002: GovConnection, Incorporated		\$1,539,212
01/30/07	A060218	Preaward Review of Multiple Award Schedule Contract Extension: Square D Company, Contract Number GS-07F-9462G		
02/01/07	A060220	Preaward Review of Multiple Award Schedule Contract Extension: Touchstone Consulting Group, Inc., Contract Number GS-10F-0018M		
02/02/07	A060201	Preaward Review of Multiple Award Schedule Contract Extension: Life Fitness, a division of Brunswick Corporation, Contract Number GS-07F-9380G		
02/05/07	A060180	Preaward Review of Multiple Award Schedule Contract Extension: BIT Systems, Inc., Contract Number GS-35F-0170M		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
02/15/07	A070045	Preaward Review of Multiple Award Schedule Contract Extension: Fontaine Trailer Company, Contract Number GS-30F-0011M		
02/20/07	A060212	Preaward Review of Multiple Award Schedule Contract Extension: Information Management Consultants, Inc., Contract Number GS-35F-4406G		
02/21/07	A060188	Preaward Review of Multiple Award Schedule Contract Extension: Sharp Electronics Corporation, Contract Number GS-25F-0037M		
03/05/07	A060238	Preaward Review of Multiple Award Schedule Contract Extension: JB Management, Inc., Contract Number GS-35F-0106M		
03/06/07	A060237	Preaward Review of Multiple Award Schedule Contract Extension: RWC Consulting Group, LLC, Contract Number GS-23F-0089M		
03/06/07	A070065	Preaward Review of Multiple Award Schedule Contract: Peter Le Bas International Air Division, Incorporated, Solicitation Number 7FCI-L3-03-0084-B		
03/07/07	A070011	Preaward Review of Multiple Award Schedule Contract Extension: Black & Veatch Special Projects Corporation, Contract Number GS-10F-0291M		
03/08/07	A060233	Preaward Review of Multiple Award Schedule Contract: Precor, Incorporated, Solicitation Number 3FNG-MG-06-0002-N		
03/08/07	A070048	Preaward Review of Multiple Award Schedule Contract Extension: The MIL Corporation, Contract Number GS-35F-4670G		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
03/14/07	A070047	Preaward Review of Multiple Award Schedule Contract Extension: Draeger Safety, Inc., Contract Number GS-07F-9510G		
03/22/07	A070093	Preaward Review of Multiple Award Schedule Contract Extension: Cexec, Inc., Contract Number GS-35F-4453G		
03/26/07	A060216	Preaward Review of Multiple Award Schedule Contract Extension: JHM Research & Development, Inc., Contract Number GS-25F-0020M		
<b><i>FTS Contract Audits</i></b>				
10/31/06	A060206	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-99-BHD-0006		\$4,026,287
<b><i>FAS Internal Audits</i></b>				
12/27/06	A050213	Review of Award for Streamlined Technology Acquisition Resources for Services (STARS) Government-wide Acquisition Contract (GWAC)		
03/06/07	A060149	Review of eOffer/eMod, GSA's Electronic Contract Proposal and Modification System		
03/30/07	A070101	Limited Scope Audit of Disaster Reporting Through the Federal Procurement Data System - Next Generation		
<b><i>Other Internal Audits</i></b>				
10/11/06	A060135	General Services Administration Office of Inspector General's AUP Report Re: Payroll Information Submitted to OPM		
10/19/06	A060135	Review of Internal Controls Over Payroll - FY2006		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
11/01/06	A060224	Limited Audit of the Fiscal Year 2006 Federal Managers' Financial Integrity Act Section 2 and Section 4 Assurance Statements		
11/02/06	A070007	Report on Internal Controls Over Performance Measures		
11/14/06	A050197	Review of GSA's Telework Program		
01/03/07	A060169	Review of Pegasys Account Balance and Transaction Analysis - Unfilled Customer Orders		
01/31/07	A060134	Audit of the General Services Administration's Fiscal Year 2006 and 2005 Financial Statements		
01/31/07	A060134	PricewaterhouseCoopers LLP Fiscal Year 2006 EDP Management Recommendation Letter		
02/26/07	A060055	Audit of GSA's Response to Hurricane Katrina		
<b><i>Non-GSA Internal Audits</i></b>				
10/06/06	A060134	Report on Applying Agreed-Upon Procedures Re: FY 2006 Fund Balance with Treasury		
11/07/06	A060134	Report on Applying Agreed-Upon Procedures Re: FY 2006 Loss Contingencies		
11/07/06	A060134	Report on Applying Agreed-Upon Procedures Re: FY 2006 Environmental Liabilities		

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## Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

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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.

In GSA, the Office of the Chief Financial Officer (OCFO) is responsible for monitoring and tracking open recommendations. While we continue to assist the Agency in resolving these open items, various litigative proceedings, continuing negotiations of contract proposals, and corrective actions needed to undertake complex and often phased-in implementing actions often delay timely completion of the final action.

*The OCFO provided the following list of reports with action items open beyond 12 months:*

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
<b>Contract Audits</b>		
03/21/97	A70632	Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)
08/05/97	A73617	Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511
05/27/98	A42146	Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010
06/17/98	A82441	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010
02/05/99	A995113	Preaward Audit of Supplemental Architect and Engineering Services Contract: Van Deusen & Associates, Solicitation Number GS-02P-98-PLD-0029(N)
03/24/99	A995128	Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P95GZC0501
06/24/99	A995231	Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)
07/07/99	A995249	Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0041(N)
10/13/99	A995262	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract GS-02P-95-DTC-0014(N)
10/26/99	A995278	Preaward Audit of a Claim: Midlantic Erectors, Inc., Subcontractor to Metropolitan Steel Industries, Inc., Contract Number GS-02P-95-DTC-0014(N)
11/04/99	A995272	Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014(N)
11/10/99	A995271	Preaward Audit of Architect and Engineering Services Contract: HLW International LLP, Contract Number GS-02P-93-CUC-0062

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
06/01/00	A000971	Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
07/19/00	A000940	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
08/24/00	A000941	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/17/00	A001024	Preaward Audit of a Claim: Cannon Fabrication Corp., Second-Tier Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/30/00	A000942	Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
01/29/01	A000909	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
02/08/01	A010089	Audit of a Claim for Increased Costs: Palafox Street Associates, L.P., Federal Courthouse, Pensacola, FL, Lease Number GS-04B-35055
04/30/01	A010127	Audit of Billings under Contract Number GS06P99GZC0315: DKW Construction, Inc.
07/31/01	A001055	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/18/01	A63630	Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996
10/31/01	A010265	Preaward Audit of Architect and Engineering Services Contract: HNTB District of Columbia Architecture, P.C., Solicitation Number GS-11P-00-MQC-0041
01/11/02	A010281	Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
02/20/02	A010138	Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/03/02	A010263	Preaward Audit of a Claim: Island ADC, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/18/02	A010248	Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014

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## Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

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Date of Report	Audit Number	Title
04/26/02	A010262	Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
04/30/02	A020101	Preaward Audit of a Claim, Additional Change Items: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
05/16/02	A020115	Limited Scope Audit of a Termination Claim: Patriot Group Contractors, Inc., Contract Number GS-11P-99-MAC-0006
05/29/02	A020124	Preaward Audit of a Claim for Increased Costs: Res-Com Insulation, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/29/02	A020109	Preaward Audit of a Claim: Schindler Elevator Corporation, Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
06/12/02	A020097	Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/27/02	A010239	Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014
07/16/02	A020191	Preaward Audit of Supplemental Architect and Engineering Contract: McMullan & Associates, Inc., Solicitation Number GS-11P-01-YTD-0319
07/30/02	A020086	Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems North, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
09/04/02	A020180	Preaward Audit of Architect and Engineering Services Contract: Adtek Engineering, Inc., Solicitation Number GS-11P-01-YTD-0319
09/24/02	A020196	Preaward Audit of Architect and Engineering Services Contract: BEI Structural Engineers, Inc., Solicitation Number GS-11P-01-YTD-0319
09/26/02	A020201	Preaward Audit of a Claim: Almar Plumbing and Heating Corp., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
10/02/02	A020178	Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L
11/14/02	A020223	Preaward Audit of a Claim: Fine Painting Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
11/20/02	A010279	Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032

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## ***Appendix III–Audit Reports over 12 Months Old, Final Agency Action Pending***

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
01/30/03	A020248	Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012
03/14/03	A020197	Preaward Audit of a Claim: Rael Automatic Sprinkler Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014
03/21/03	A020133	Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159
05/02/03	A030106	Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
05/29/03	A020230	Preaward Audit of a Claim for Increased Costs: C. E. Toland & Son, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032
06/02/03	A030138	Audit of Claim for Increased Costs: Hunt Construction Group, Inc., Contract Number GS-05P-96-GBC-0015
07/02/03	A030163	Preaward Audit of Multiple Award Schedule Contract Extension: Information Network Systems, Inc., Contract Number GS-35F-5002H
08/08/03	A030177	Review of Incurred Costs: Jacobs Facilities, Inc., Contract Number GS-11P-98-MYD-0015
12/17/03	A030168	Preaward Audit of Multiple Award Schedule Contract: Dynamic Systems, Inc., Solicitation Number FCIS-JB-980001B
12/17/03	A040001	Preaward Audit of Multiple Award Schedule Contract: Concord Communications, Incorporated, Solicitation Number FCIS-JB-980001B
01/12/04	A040098	Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072
01/13/04	A030265	Interim Audit of Multiple Award Schedule Contract: BearingPoint, LLC, Contract GS-23F-9796H
02/03/04	A040119	Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Contract Period December 12, 1996 Through October 31, 2003
06/03/04	A040091	Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Hirschfeld Steel Co., Inc., Contract Number GS-05P-97-GBC-0011
06/08/04	A040165	Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Ajay Glass & Mirror Co., Inc., Contract Number GS-05P-97-GBC-0011
06/09/04	A040095	Preaward Audit of a Termination Settlement Proposal: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/15/04	A040095	Audit of Final Contract Payment: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024
06/28/04	A040085	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J
07/01/04	A040143	Review of Claim for Increased Costs: SimplexGrinnell, LP, GS-05P-99-GBC-0015
07/12/04	A040125	Attestation Engagement Review of A/E Services Contract: Cannon Design, Inc., Solicitation Number GS-02P-03-DTC-0003
10/29/04	A040211	Preaward Review of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS-28F-0010J
12/30/04	A050083	Attestation Engagement Review of Claim for Increased Costs: LDI Metalworks, Inc., Subcontractor to Mitchell Enterprises, Inc., Contract Number GS-07P-00-UJC-0007
04/06/05	A050059	Preaward Review of Multiple Award Schedule Contract: Cort Business Services, Solicitation Number 3FNO-M1-010001-B
05/10/05	A050112	Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K
06/17/05	A050100	Preaward Review of Multiple Award Schedule Contract Extension: Technical and Management Services Corporation, Contract Number GS-00F-0020L
06/24/05	A050077	Preaward Audit of Cost or Pricing Data: DPRA, Inc., Contract Number GS-00F-0030L
07/08/05	A050007	Preaward Review of Multiple Award Schedule Contract Extension: Network Equipment Technologies Federal, Inc., Contract Number GS-35F-0205K

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
07/08/05	A050138	Review of Claim: Nason and Cullen, Inc., Contract Number GS-03B-02301
08/04/05	A050203	Preaward Review of Architect Engineer Proposal: Skidmore, Owings and Merrill, LLP, Contract Number GS-05P-04-GBC-0057
08/15/05	A050157	Review of Termination Settlement Proposal: CompuCom Federal Systems, Inc., Contract Number GS00K97AFD2226
09/07/05	A050125	Preaward Review of Multiple Award Schedule Contract Extension: Steelcase, Incorporated, Contract Number GS-28F-8021H
09/12/05	A050151	Preaward Review of Multiple Award Schedule Contract Extension: Global Computer Enterprises, Inc., Contract Number GS-35F-0426K
10/07/05	A050089	Limited Scope Review of Multiple Award Schedule Contract: Hill-Rom Company, Inc., Contract Number GS-27F-3002D
10/12/05	A050105	Preaward Review of Multiple Award Schedule Contract Extension: BCOP Federal, Contract Number GS-14F-0035K
11/30/05	A050147	Limited Scope Review of Task Order F11623-02-F-A425 Multiple Award Schedule Contract: Herman Miller, Inc., Contract GS-28F-8049H
12/12/05	A050243	Preaward Review of Multiple Award Schedule Contract Extension: Community Research Associates, Inc., Contract Number GS-10F-0088L
12/30/05	A050176	Preaward Review of Multiple Award Schedule Contract Extension: E.F. Johnson Company, Contract Number GS-35F-0675K
01/05/06	A050247	Preaward Review of Price Adjustment Claim: Lockheed Martin Information Technology, Task Order Number 103BK0034, Contract Number GS-35F-4039G
01/18/06	A060058	Limited Review of Payroll Burden & Overhead Rates: Volmar Construction, Inc., Contract Number GS-02P-04-DTC-0029(N)
01/26/06	A050122	Preaward Review of Multiple Award Schedule Contract Extension: Fastenal Company, Contract Number GS-06F-0039K
01/30/06	A050241	Preaward Review of Multiple Award Schedule Contract Extension: National Security Research, Inc., Contract Number GS-23F-0416K
03/06/06	A050257	Preaward Review of Multiple Award Schedule Contract Extension: Innovative Emergency Management, Inc., Contract Number GS-10F-0178L
03/07/06	A060128	Preaward Review of Architect and Engineering Contract: William H. Gordon Associates, Inc., Solicitation Number GS-11P-05-MKC-0045

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

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
03/16/06	A050233	Preaward Review of Multiple Award Schedule Contract Extension: Nortel Networks, Inc., Contract Number GS-35F-0140L
03/16/06	A060078	Interim Postaward Review of Multiple Award Schedule Contract: State Industrial Products, Contract Number GS-06F-0004L
03/28/06	A050255	Preaward Review of Multiple Award Schedule Contract Extension: Advanced Information Engineering Services, Inc., Contract Number GS-10F-0237L
03/30/06	A050248	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Incorporated, Contract Number GS-09K-BHD-0006

## Appendix III–Audit Reports over 12 Months Old, Final Agency Action Pending

Date of Report	Audit Number	Title	Projected Final Action Date
<b>Internal Audits</b>			
03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times	08/15/2007
08/05/04	A020245	Review of FedBizOpps	06/15/2007
03/28/05	A040132	Audit of FTS Working Capital/Reserve Fund Levels	Open
05/03/05	A040109	Audit of the General Services Administration's Fiscal Years 2004 and 2003 Financial Statements	07/15/2007
09/29/05	A040252	Audit of FSS's Contractor Assessment Initiative (CasI)	05/15/2007
09/29/05	A040246	Review of the GSA Advantage! System	06/15/2007
09/30/05	A040142	Strategic Challenges for GSA's Comprehensive Human Resources Integrated System (CHRIS )	10/15/2007
01/23/06	A050008	Review of CONNECTIONS Program Contract, Federal Acquisition Service	04/15/2007
02/28/06	A050192	PricewaterhouseCoopers LLP Fiscal Year 2005 EDP Management Recommendation Letter	Open
03/28/06	A050040	Review of the PBS Environment Program Management	06/15/2007
03/30/06	A040127	Review of the Federal Procurement Data System–Next Generation (FPDS–NG)	06/15/2007
03/31/06	A050063	Audit of PBS's Tenant Improvement Process	04/15/2007
03/31/06	A050135	Audit of the Usage of Facility Management Schedules	05/15/2007

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## Appendix IV—Delinquent Debts

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

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

During the period October 1, 2006 through March 31, 2007, the following activities were undertaken by GSA in an effort to improve debt collection and reduce the amount of debt written off as uncollectible.

- From October 1, 2006 to March 31, 2007, the GSA Finance Centers referred approximately \$1.4 million of delinquent non-Federal claims to the U.S. Department of the Treasury (Treasury) for cross-servicing collection activities. Collections on non-Federal claims exceeded \$50.7 million. Administrative offsets have resulted in additional collections of \$5.2 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD). From October 1, 2006 to March 31, 2007, 125 PADs totaling \$48,089 were processed.
- To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to Treasury, Financial Management Service (FMS) for collection.
- Claims procedures have been revised to improve claims management and control. A new claims database was established for use by the Greater Southwest Finance Center that will aid in the aging and monitoring of claims activity. We also implemented a new procedure that includes monthly distribution of claims information to Federal Acquisition Service (FAS) Business Managers.
- Our collections for the District of Columbia (DC) Government have significantly improved. As of March 31, 2007, the DC Government owed GSA \$73 for one supply bill over 200 days old. All other supply bills are under 180 days old.
- Several claims have been transferred from the Billings Unit to the Claims Unit after the Billings Unit had been unsuccessful in collecting the outstanding balance. The Claims Unit will reestablish contact with the debtor and forward delinquency notices in order to collect the debt. If the debt is not collected in 2 years, then GSA will write off the uncollected claims in accordance with the Office of Management and Budget (OMB) Circular A-129, Managing Federal Credit Programs; however, claims which are written off from debtors for which Treasury has a Taxpayer Identification Number (TIN) or Social Security Number will remain in the Treasury Offset Program for up to 10 years.
- The Fleet Accident Management Center (AMC) has two new procedures intended to increase collection and reduce the number of claims written off. The first procedure is to review and verify that all the information about the debtor is correct, and that a valid legal claim exists. The goal is to reduce the number of vehicle accident claims returned uncollected from Treasury and written off because they are invalid. The second procedure is to review all uncollected vehicle claims returned by Treasury. If the insurance information on the debtor is available, the AMC will call the debtor insurance company and attempt to collect the claim. This procedure has allowed the AMC to collect several old vehicle claims.
- Management has continued to place a high priority on resolving delinquent accounts. Communications have increased between GSA client agencies and the service representative to resolve questions and to increase collections.

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## *Appendix IV—Delinquent Debts*

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

### *Non-Federal Accounts Receivable*

	<b>As of October 1, 2006</b>	<b>As of March 31, 2007</b>	<b>Difference</b>
Total Amounts Due GSA	\$159,520,284	\$142,226,646	(\$17,293,638)
Amounts Delinquent	\$16,633,579	\$11,400,858	(\$5,232,721)
Total Amount Written Off as Uncollectible Between 10/1/06 and 3/31/07	\$840,955		

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

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Date of Report	Audit Number	Title
09/29/06	A050078	Review of Federal Systems Integration and Management Center (FEDSIM)

Pursuant to Section 5(a)(10) of the Inspector General Act of 1978, the OIG must summarize each audit report over 6 months old for which no management decision has been made. During the period, management decision was not achieved on the Review of Federal Systems Integration and Management Center (FEDSIM), which, at the time of the audit, was part of the former Federal Technology Service (FTS).

FEDSIM provides information technology (IT) solutions for Federal agencies by contracting with private sector vendors. FEDSIM uses a variety of contract vehicles to provide the larger, often complex, IT solutions to the Federal agencies it serves. FEDSIM provides the acquisition services and project management throughout a project's life on a reimbursable basis. In 2004, FEDSIM generated about \$1.4 billion in revenue with DoD clients representing approximately 60 percent of the business.

The OIG initiated a review and found that FEDSIM was generally complying with the Federal Acquisition Regulation but there were opportunities for improving task order management and increasing price competition. Specifically, the terms and conditions of task orders were not always enforced. There were problems with contractor invoicing, contractor travel, unexplained costs, and security clearances which we believe were caused by an over reliance on outside parties to supply information and support. Some invoices were approved without adequate support and

as a result the Government accepted substandard services and, in some cases, did not receive all services. Additionally, we found that business practices can be improved to increase price competition. FEDSIM publishes fairly narrow cost ranges derived from government estimates in its solicitations. We found that the published cost ranges and hours drove the contractor proposals rather than the contractors proposing innovative solutions predicated on the tasks to be performed.

Several attempts to achieve management decision were made by the OIG. FEDSIM requested time extensions to respond to the audit in order to develop the audit resolution action plan. It cited, as a cause for the additional time, the ongoing GSA reorganization that abolished the FTS and integrated it into a new Federal Acquisition Service (FAS), and the subsequent loss of continuity resulting from reassignment and relocation of FTS personnel into the new organization. When the action plan was eventually submitted, it was rejected by the OIG because it did not address in sufficient detail some recommendations and did not address others. FAS management has informed the OIG that management decision documents have been prepared and will be forwarded as soon as senior management has an opportunity to review them.

## Appendix VI—Reporting Requirements

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

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

Requirement	Page
<b>Inspector General Act</b>	
Section 4(a)(2) – Review of Legislation and Regulations .....	28
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. ....	2, 16
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies .....	2, 16
Section 5(a)(3) – Prior Recommendations Not Yet Implemented .....	39
Section 5(a)(4) – Matters Referred to Prosecutive Authorities. ....	34
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused. ....	None
Section 5(a)(6) – List of Audit Reports. ....	42
Section 5(a)(7) – Summary of Each Particularly Significant Report. ....	2, 16
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs .....	33
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	32
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision .....	None
Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees. ....	None
<b>Senate Report No. 96-829</b>	
Resolution of Audits .....	31
Delinquent Debts .....	58
<b>National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note</b> .....	<b>50</b>

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## Appendix VII—OIG Offices and Key Officials

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### Office of the Inspector General

Inspector General, Brian D. Miller (J) .....(202) 501-0450  
Deputy Inspector General, Joseph M. Mastropietro (Acting) (JD) .....(202) 501-0450  
Advisor, Robert M. Samuels (JX) .....(202) 501-0450

### Office of Counsel to the Inspector General

Counsel to the IG, Kevin A. Buford (JC) .....(202) 501-1932  
Deputy Counsel to the IG, Virginia S. Grebasch (JCD) .....(202) 501-1932

### Office of Internal Evaluation and Analysis

Director, Peter J. Coniglio (JE) .....(202) 501-2460

### Office of Audits

Assistant IG for Auditing, Andrew Patchan, Jr. (JA) .....(202) 501-0374  
Principal Deputy Assistant IG for Auditing, Vacant (JAD) .....(202) 501-0374

### Deputy Assistant Inspectors General for Auditing

Information Technology Audit Office, Gwendolyn A. McGowan (JA-T) .....(703) 308-1223  
Real Property Audit Office, Rolando N. Goco (JA-R) .....(202) 219-0088  
Finance & Administrative Audit Office, Jeffrey C. Womack (JA-F) .....(202) 501-0006  
Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A) .....(703) 603-0189  
Contract Audit Office, James M. Corcoran (JA-C) .....(617) 565-6795

### Regional Inspectors General for Auditing

National Capital Region Field Office, Paul J. Malatino (JA-W) .....(202) 708-5340  
Northeast and Caribbean Field Office, Howard R. Schenker (Acting) (JA-2) .....(212) 264-8620  
Mid-Atlantic Field Office, Glenn D. Merski (JA-3) .....(215) 446-4840  
Southeast Sunbelt Field Office, James D. Duerre (JA-4) .....(404) 331-5125  
Great Lakes Field Office, David K. Stone (JA-5) .....(312) 353-7781

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## Appendix VII—OIG Offices and Key Officials

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### Regional Inspectors General for Auditing (continued)

The Heartland Field Office, Arthur L. Elkin (JA-6) . . . . .	(816) 926-7052
Greater Southwest Field Office, Rodney J. Hansen (JA-7) . . . . .	(817) 978-2572
Pacific Rim Field Office, James P. Hayes (JA-9) . . . . .	(415) 522-2744

### Office of Investigations

Assistant IG for Investigations, Charles J. Augone (JI) . . . . .	(202) 501-1397
Deputy Assistant IG for Investigations, Gregory G. Rowe (Acting) (JID) . . . . .	(202) 501-1397

### Special Agents in Charge (SAC)

National Capital Regional Office, SAC Randal A. Stewart (JI-W) . . . . .	(202) 252-0008
Philadelphia Resident Office, Assistant SAC James E. Adams (JI-3) . . . . .	(215) 446-4830
Northeast and Caribbean Regional Office, SAC Daniel J. Walsh (JI-2) . . . . .	(212) 264-7300
Boston Resident Office, Assistant SAC Luis A. Hernandez (JI-1) . . . . .	(617) 565-6820
Southeast Regional Office, SAC Lee P. Quintyne (JI-4) . . . . .	(404) 331-5126
Great Lakes Regional Office, SAC Harvey G. Florian (JI-5) . . . . .	(312) 353-7779
Heartland Regional Office, SAC John F. Kolze (JI-6) . . . . .	(816) 926-7214
Southwest Regional Office, SAC Paul W. Walton (JI-7) . . . . .	(817) 978-2589
Pacific Rim Regional Office, SAC Liza Shovar (JI-9) . . . . .	(415) 522-2755
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10) . . . . .	(253) 931-7654

### Office of Administration

Assistant IG for Administration, Arrie Etheridge (JP) . . . . .	(202) 501-2319
Human Resources Division, Director Arrie Etheridge (JPH) . . . . .	(202) 501-0360
Information Technology Division, Director Margaret A. Hamilton (JPM) . . . . .	(202) 501-3134
Administrative and Financial Management Division, Director Marta M. Viera (JPF) . . . . .	(202) 501-2887

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