



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2012 – September 30, 2012

# 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.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>ACQUISITION PROGRAMS</b>	GSA's procurement organization awards and administers government-wide contracts worth hundreds of billions of dollars. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals such as ensuring competition, meaningful price analysis, and implementation of statutory and regulatory compliance-type requirements has diminished.	1
<b>INFORMATION TECHNOLOGY</b>	Improved planning, development, and implementation of Information Technology systems and services are needed to ensure quality data and to support business decisions. GSA also needs to improve the protection of sensitive information and address emerging risks associated with cloud computing.	3
<b>FINANCIAL REPORTING</b>	GSA's systems, including its financial system of record (Pegasys), continue to have deficiencies in interoperability and interfaces. As a consequence, GSA management continues to rely heavily on manual workarounds and significant adjusting entries to prepare the financial statements and related note disclosures.	No Reports This Period
<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>GREENING INITIATIVE—SUSTAINABLE ENVIRONMENTAL STEWARDSHIP</b>	With its major role in federal building construction and operations, GSA faces challenges to lead change in achieving its goals for sustainability and a Zero Environmental Footprint.	No Reports This Period
<b>FEDERAL BUILDINGS FUND</b>	Faced with an aging, deteriorating inventory, and significant reductions to its budget, GSA is challenged in making the best use of available funds to deliver high performance workplaces on schedule and within budget.	4
<b>AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009</b>	Mandated to obligate \$5.5 billion for many building projects within a 20-month period, GSA's shortened planning and contracting phases will likely result in continual challenges as Recovery Act-funded projects move into the construction phase.	5

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## Foreword

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*During this semiannual reporting period, much attention was focused on our report detailing spending abuses and excesses of GSA's 2010 Western Regions Conference. During this time, our office continued its important work in other areas as well, such as:*

- We issued 54 audit reports and recommended over \$347 million in funds put to better use and questioned costs;*
- We made 620 referrals for criminal prosecution, civil litigation, and administrative action;*
- Management agreed with almost \$423 million of our recent audit findings, while civil settlements of court-ordered investigative recoveries totaled over \$80 million; and*
- For the entire fiscal year 2012, the OIG recommended that \$663 million in funds put to better use and questioned costs and assisted in criminal, civil, and administrative recoveries of \$298.5 million.*

*Our Office of Audits has continued to focus on GSA's Multiple Award Schedule program with a concentration in preaward audits, and projects focusing on GSA's Federal Buildings Fund, Information Technology, and the American Recovery and Reinvestment Act of 2009. Our Office of Forensic Auditing continued its proactive data analysis to uncover potentially fraudulent activities. Our Office of Investigations continued to focus on major procurement and construction fraud. Chief among our achievements was a \$5 million settlement by ReadyOne Industries Inc., to settle claims that it intentionally misrepresented the true costs of storage boxes purchased by the government and falsely represented that 75% of labor for the boxes' manufactured was performed by individuals with disabilities.*

*On behalf of the President's Financial Fraud Enforcement Task Force, I continued to reach out to both the public and private sectors as part of a collaborative effort to prevent and detect fraud in government contracts and procurement activities. Last June, the Comptroller General presented me with an award for my work with state and local auditors, among others.*

*I want to express my appreciation to our OIG employees for their continued dedication to public service that made this semiannual period and fiscal year successful. I also thank the Members of Congress, the Office of Management and Budget, and employees throughout GSA for their continued support.*



Brian D. Miller  
Inspector General  
October 31, 2012





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### Organization

*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.*

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, financial, regulatory, and system audits and assessment of internal controls. The office conducts attestation engagements in support of GSA contracting officials to carry out their procurement responsibilities and obtain the best value for federal customers and the American taxpayers. The office also provides other services to assist management in evaluating and improving its programs;
- The Office of Investigations, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal 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 and regulatory review;
- The Office of Forensic Auditing, Evaluation, and Analysis, a multidisciplinary staff that employs innovative auditing and investigative techniques to

conduct investigations and reviews of potentially fraudulent, improper, wasteful, or abusive activities within selected Agency operations and programs. The evaluation and analysis program conducts operational assessments of the OIG's central and field offices and other operating components, implements the OIG's Federal Managers' Financial Integrity Act program, and undertakes special projects and analyses as required by the Inspector General; and

- The Office of Administration, a professional staff that provides information technology, budgetary, administrative, executive resources, and personnel support services to all OIG offices.

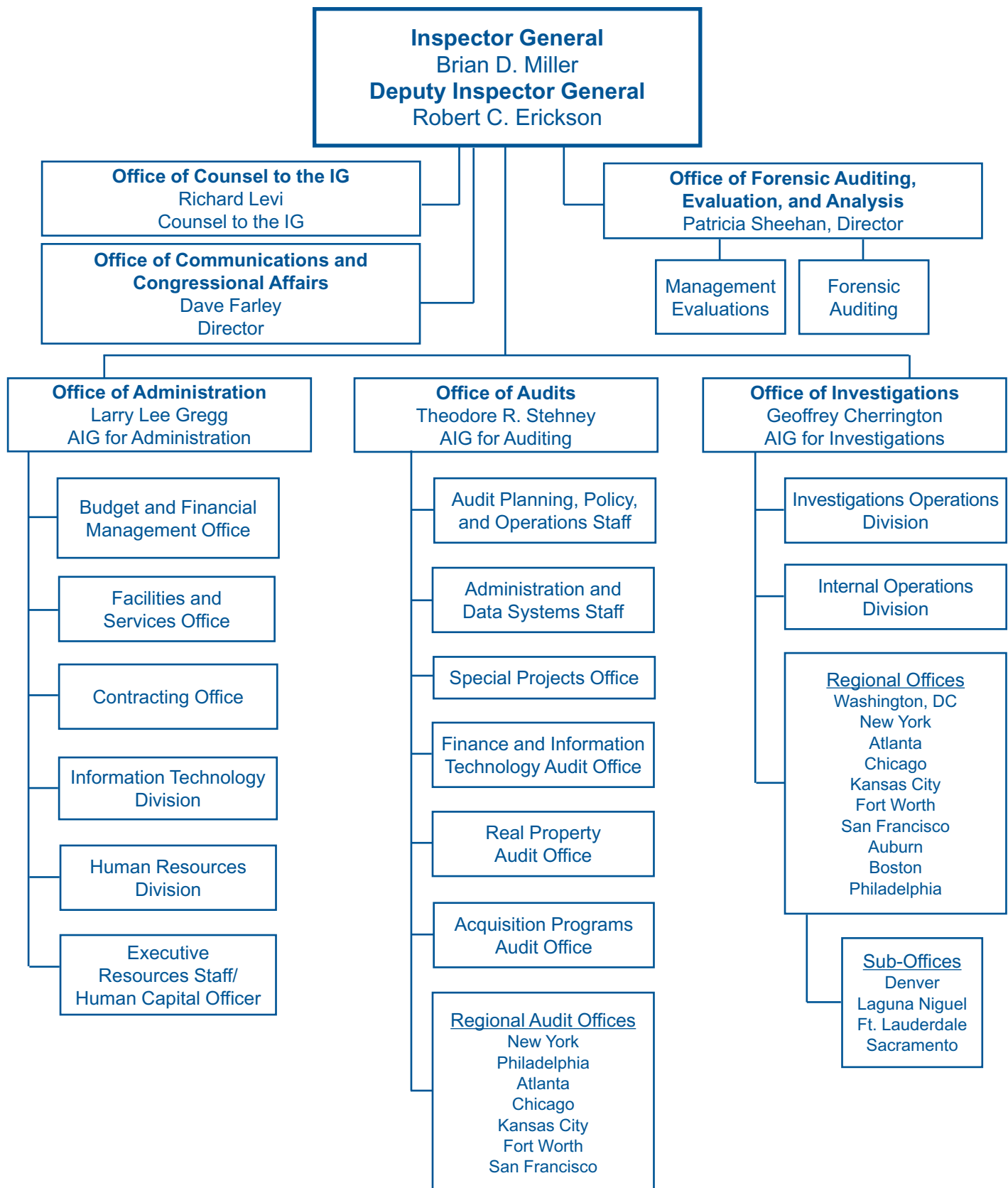
### Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office Building. Field and regional offices are maintained in Atlanta, GA; Auburn, WA; Boston, MA; Chicago, IL; Denver, CO; Fort Lauderdale, FL; Fort Worth, TX; Kansas City, MO; Laguna Niguel, CA; New York, NY; Philadelphia, PA; Sacramento, CA; San Francisco, CA; and the Washington, DC area. A contact list of OIG offices and key officials is provided in Appendix VIII.

### Staffing and Budget

As of September 30, 2012, our on-board staffing level was 283 employees. The OIG's fiscal year 2012 budget was \$58 million with an additional \$2.3 million in funds appropriated under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

## OIG Organization Chart



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## Summary of OIG Performance

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April 1, 2012 – September 30, 2012

### OIG Accomplishments

<b>Total financial recommendations</b>	<b>\$347,420,026</b>
These include:	
• Recommendations that funds be put to better use	\$343,834,488
• Questioned costs	\$3,585,538
Audit reports issued	54
Audit memoranda provided to GSA	8
<b>Management decisions agreeing with audit recommendations</b>	<b>\$422,968,208</b>

### Results Attained

Referrals for criminal prosecution, civil litigation, & administrative action	620
Indictments and informations on criminal referrals	28
Cases accepted for criminal prosecution	36
Cases accepted for civil action	9
Successful criminal prosecutions	36
Civil settlements	7
Contractors/individuals suspended and debarred	185
Employee actions taken on administrative referrals involving GSA employees	35
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$80,015,717</b>



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## ***Fiscal Year 2012 Results***

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### ***During Fiscal Year 2012, OIG activities resulted in:***

- Over **\$663** million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- **99** audit reports and **24** audit memoranda that assisted management in improving the efficiency and effectiveness of Agency operations.
- Over **\$547** million in management decisions agreeing with audit recommendations; **\$298.5** million in criminal, civil, administrative, and other recoveries.
- **339** new investigations opened and **305** cases closed.
- **71** case referrals (**110** subjects) accepted for criminal prosecution and **14** case referrals (**17** subjects) accepted for civil litigation.
- **70** criminal indictments/informations and **67** successful prosecutions on criminal matters previously referred.
- **10** civil settlements.
- **44** employee actions taken on administrative referrals involving GSA employees.
- **207** contractor/individual suspensions and **77** contractor/individual debarments.
- **2,812** Hotline calls and letters received of which **228** were referred for criminal or civil investigations, **85** were referred to other agencies for follow up, and **228** were submitted to GSA for review and appropriate administrative actions.

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## Executive Summary

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### Summary of Results

During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what it has identified as the major management challenges facing the Agency. Since April 1, 2012, the OIG has issued 54 audit reports and referred 620 subjects for criminal prosecution, civil litigation, or administrative action. Between April 1 and September 30, 2012, the OIG made over \$347 million in recommendations that funds be put to better use and in questioned costs, and its efforts led to civil settlements and court-ordered and investigative recoveries of over \$80 million.

For the entire fiscal year 2012, the GSA OIG made over \$663 million in recommendations that funds be put to better use and in questioned costs; over \$547 million in management decisions agreeing with our audit recommendations; and over \$298 million in criminal, civil, administrative, and other recoveries.

In its effort to promote economy and efficiency throughout Agency programs, the OIG focused specifically on audits of GSA's acquisition programs, information technology (IT), Federal Buildings Fund, and American Recovery and Reinvestment Act of 2009 (Recovery Act) initiatives. The OIG investigated fraud, waste, and abuse by GSA employees and contractors and provided litigation support for civil fraud actions and criminal prosecutions. Below are some of the highlights from this semiannual period.

### Management Challenges Highlights

The OIG continued to provide high quality audit recommendations and advice so that GSA can lead the government in economical contracting and procurement. The focus this semiannual period was on acquisition programs, information technology, the Federal Buildings Fund, and Recovery Act projects. Here are a few select audits and memoranda that identify major challenges facing GSA.

**Acquisition Programs.** GSA provides federal agencies with billions of dollars of products and services through various types of contracts. During this reporting period, the Office of Audits performed preaward audits of 34 contracts with an estimated value of over \$4.3 billion.

Because of their pre-decisional, advisory nature, preaward audits play a crucial role in improving the government's negotiating position and in realizing millions of dollars in savings government-wide. Management decisions were made on 25 preaward audit reports, which recommended over \$407 million of funds be put to better use. Four of our more significant audits were of Multiple Award Schedule (MAS) contracts with combined projected sales of more than \$1.8 billion. These audits resulted in recommendations of approximately \$189 million in funds put to better use.

Our audit of Recovery Act-funded task orders for IT infrastructure projects for the consolidation of the Department of Homeland Security's headquarters found that the task orders violated the *bona fide* needs rule and the Antideficiency Act (ADA). Management in the National Capital Region (NCR) disagreed with the majority of our findings, so we recommended that they request an opinion from the Department of Justice's Office of Legal Counsel. We noted our concern with the Client Support Center's contracting practices and internal processes, and as such, will consider this area as part of our annual audit planning process (page 1). Our audit of 12 Blanket Purchase Agreements (BPA), intended to help federal agencies transition to cloud-based services, revealed that the Federal Acquisition Service (FAS) Office of Integrated Technology Services violated the Federal Acquisition Regulation (FAR) and the General Services Administration Acquisition Manual (GSAM) (page 2). Additionally, we found that the government overpaid for tool kits because the BPA was not awarded and administered in accordance with FAR requirements (page 2).

**Information Technology.** Challenges in GSA's IT infrastructure exist because systems do not integrate with each other. This results in a duplication of business processes, cost inefficiencies, and customer dissatisfaction. Our Federal Information Security Management Act (FISMA) audit of GSA's IT Security Program revealed that additional steps are needed to strengthen the program in three main areas: timely patching, contingency plan testing for newly deployed systems within the Public Buildings Service (PBS), and policies for mobile application development (page 3). The audit found that the Office of the Chief Information Officer (OCIO) has not established adequate

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## Executive Summary

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performance measures to track and monitor the progress of GSA's transition from Lotus Notes to the Cloud. Furthermore, our audit found that projected savings could not be verified because the OCIO has not updated and maintained documentation supporting the cost analysis (page 4).

**Federal Buildings Fund.** One of GSA's main functions is to serve as the landlord for the civilian federal government, and in so doing, make the best use of available funds to deliver high performance workplaces on schedule and within budget. Our audit of the lease administration practices of the Southeast Sunbelt Region of PBS revealed that its emphasis on computing Funds from Operations on an aggregate basis presented a misleading picture of the Region's financial performance. The profits and losses on individual properties offset one another and give a false impression that the Region operates efficiently within its lease fee structure (page 4).

**American Recovery and Reinvestment Act Impact.** The Recovery Act of 2009 provided GSA with a \$5.55 billion appropriation for its Federal Buildings Fund. GSA's PBS is using the funds to convert federal buildings into High-Performance Green Buildings and to construct federal buildings, courthouses, and land ports of entry. Due to the mandate that funds be obligated by September 30, 2011, GSA faced challenges in planning and contracting in short time frames. The OIG conducted oversight of these projects. During this semiannual period, our Office of Audits issued Recovery Act reports or memoranda on the Mariposa Land Port of Entry Expansion project (page 5); Region 5 Construction Manager as Constructor Contracts (page 6); the Southeast Sunbelt Region Construction Manager as Constructor Contracts (page 6); Contract Administration for the Group 10 Review of PBS's Limited Scope and Small Construction Projects (page 7); Procurement of Design Build Air Handler Unit/ Photovoltaic Roof Project at the Byrne Courthouse and Green Federal Building (page 7); and Contract Administration for Construction Services at the Federal Building and U.S. Post Office in Wenatchee, Washington (page 7).

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

The OIG continued to combat fraud, waste, and abuse through civil and administrative recoveries and criminal investigations during this semiannual period. When systemic issues are identified through investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled over \$80 million.

**Civil Recoveries.** During this semiannual period, ReadyOne Industries, Inc., agreed to settle claims that it intentionally misrepresented the true costs of storage boxes purchased by the government and falsely represented that 75% of labor for the boxes' manufacture was performed by individuals with disabilities. ReadyOne agreed to pay the United States \$5 million plus interest (page 9). Ward Diesel Filter Company agreed to pay \$628,000 to the United States to resolve claims of defective pricing and violation of the price reduction clause of its MAS contract (page 9). To follow up on an item in the OIG's previous Semiannual Report, an ambulance company agreed to pay \$285,000 to settle a complaint alleging that the company falsely billed for ambulances provided during relief efforts for hurricanes Katrina and Rita (page 9). Direct Resource, Inc., agreed to pay \$450,000 for violations of the civil False Claims Act in that it knowingly misrepresented that the products it sold under government contracts were manufactured in the United States, when in fact many were manufactured in China, Malaysia, or Thailand, in violation of the Trade Agreements Act (page 9).

**Criminal Investigations.** Chief among our criminal investigations this semiannual period was the issuance of our Management Deficiency Report on the 2010 Western Regions Conference. The report concluded that many of the expenditures for the conference were wasteful or impermissible. The report became the subject of significant media and Congressional attention, resulting in multiple hearings, changes in the management and structure of GSA through an ongoing Top to Bottom Review, and various pieces of legislation designed to prevent excessive conference spending government-wide (page 10). Also during this semiannual period, Bovis Lend Lease LMB, Inc., executed a deferred prosecution agreement with the U.S. Attorney's Office

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## Executive Summary

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for the Eastern District of New York, admitting to over 10 years of fraudulently billing government clients. The agreement requires Bovis to pay \$51 million in penalties to the federal government and restitution to victims (page 10). A GSA Air Conditioning Equipment Mechanical Leader for the White House complex pled guilty to stalking and theft of government property (page 10). The U.S. District Court for the District of Maryland sentenced an individual to five months of imprisonment and five months of home confinement after a jury found him guilty of impeding a federal agent and assaulting, resisting, or impeding federal officers (page 10). Two Army sergeants pled guilty to theft of government property after an undercover investigation revealed they were selling U.S. Army Marathon watches on eBay (page 11). A GSA contractor pled guilty to wire fraud after an investigation revealed that the company had falsely represented to the government that it was a minority-owned and service-disabled veteran-owned business in order to obtain federal government contracts (page 11). Two separate investigations uncovered the theft of GSA vehicles (page 11), a former GSA employee was arrested following a Grand Jury indictment (page 11), and three others were indicted in an ongoing bribery

investigation in Southern California (page 11). Three individuals were sentenced for a million dollar payphone scam that was reported in the OIG's previous Semiannual Report (page 12). Other GSA OIG investigations revealed various instances of fleet card fraud and misuse (pages 13-14).

**WPA Artwork.** The GSA OIG continued its collaborative effort to recover artwork commissioned in the New Deal Era to the United States. During this semiannual period, 18 pieces of art were recovered (page 15).

**Suspension and Debarment.** During this reporting period, the OIG made 326 referrals for consideration of suspension or debarment to GSA, and GSA issued 185 suspension and debarment actions based on current and previous OIG referrals (page 15).

**Hotline.** The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. The OIG received 1,681 Hotline contacts from which 455 Hotline cases were initiated (page 16).

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## Management Challenges

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*Since 1998, we have identified and shared with Congress and senior GSA management those areas and issues we believe to be the major challenges facing the Agency. This year's list is summarized on the front inside cover of this report. During this reporting period, we continued our work addressing these challenges by recommending corrective actions and working with management to improve Agency operations. The following highlights some of our activities.*

### Acquisition Programs

*GSA provides Federal agencies with billions of dollars of products and services through various types of contracts. As of September 30, 2012, there were over 19,800 Multiple Award Schedule (MAS) contracts under GSA's procurement program with over \$38.7 billion in total sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in lower prices or more favorable contract terms and conditions for the benefit of the government and the taxpayer.*

#### Significant Preaward Audits

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. This program provides vital current information enabling contracting officers to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. During this period, we performed preaward audits of 34 contracts with an estimated value of over \$4.3 billion. We recommended that more than \$343 million in funds be put to better use. Management decisions were made on 25 preaward audit reports, which recommended that over \$407 million of funds be put to better use. Management agreed with 99.9 percent of our recommended savings.

Four of our more significant audits were of MAS contracts with combined projected government sales of more than \$1.8 billion. These audits resulted in recommendations of approximately \$189 million in funds be put to better use. All four audits showed that the Price Reductions clause was either not being monitored or was ineffective because the contractor had no or limited commercial sales. Three of these audits determined that the commercial sales practice (CSP) information submitted by the contractor was not current, accurate, or complete. One of these audits found those commercial customers received greater discounts than that offered to GSA, although the CSP stated no customers received

discounts. In the other two, the contractors had to submit cost build-up data to support the proposed pricing because they lacked comparable commercial sales. The fourth audit also required the submission of cost build-up data. In the latter three cases, our evaluation of the cost build-up data resulted in audit adjustments. We found that the contractors included indirect employees in the base hourly rates for direct employees and/or applied an inappropriate or excessive burden (fringe benefit and overhead) rate. Three of the audits indicated problems with GSA sales reporting, resulting in both over- and under-payment of the Industrial Funding Fee. Two of the audits determined the contractors overbilled the government by invoicing at a higher contractor site rate when the work was performed at a lower government site rate, or that the contractor failed to pass on price reductions.

#### Limited Scope Audit of Task Orders Funded by the American Recovery and Reinvestment Act of 2009

*Report Numbers A110024/Q/A/P12006 and A110024/Q/A/P12007, dated May 2, 2012*

At the end of fiscal year (FY) 2010, the Client Support Center (CSC) in GSA's National Capital Region (NCR) awarded Task Order NP4700101050 for \$4,969,916 to establish a Project Management Office to support the information technology (IT) infrastructure during the consolidation of the Department of Homeland Security's headquarters. It also awarded Task Order NP4700101051 for \$6,679,433 to obtain an Independent Verification and Validation of the products, services, and systems that will be installed for the IT infrastructure. Both task orders were funded by Recovery Act funds that expired in FY 2010.

Both task orders violated the *bona fide* needs rule and the Antideficiency Act (ADA). In addition, the CSC cannot ensure that the government received the best price for these task orders because it: (1) hindered competition by accepting funds late in the fiscal year; (2) relied solely on a flawed independent government cost estimate to evaluate pricing; and (3) shared the task



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## Management Challenges

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### Acquisition Programs (continued)

order's not-to-exceed amount with the contractor. We also found that the file documentation for Task Order NP4700101050 was inconsistent, which contributed to the ADA violation. CSC also did not obtain a legal review prior to awarding Task Order NP4700101051, as required.

NCR management disagreed with the majority of our findings, including the ADA violation. Accordingly, we recommended that the Federal Acquisition Service (FAS) request an opinion about this from the Department of Justice's Office of Legal Counsel.

Management's overall comments regarding the controls over the CSC's contracting practices and internal processes are a concern to us. However, as these audits were limited in nature, we are making no additional recommendations at this time. Nonetheless, we will consider this area as part of our annual audit planning process.

### Audit of the Infrastructure-as-a-Service Blanket Purchase Agreements

*Report Number A110172/Q/A/P12008, dated June 4, 2012*

In 2010, GSA's FAS awarded 12 Blanket Purchase Agreements (BPAs) to Schedule 70 contract holders for Infrastructure-as-a-Service offerings at or below the contractors' Schedule 70 prices. These BPAs were established to help federal agencies transition to cloud-based services in order to create a more agile federal enterprise using on-demand services.

This audit found that FAS's Office of Integrated Technology Services did not fully plan, award, and document these BPAs in accordance with the Federal Acquisition Regulation (FAR) and the General Services Administration Acquisition Manual (GSAM). In addition, the BPAs were not subjected to an Integrated Technology Services Contract Review as required by Acquisition Notice QTA-2008-07, Revision 4. Specifically, we noted that: (1) the contracting officer did not base the number of BPAs to award on a strategy to maximize their effectiveness, (2) a BPA was awarded to an offeror that did not meet the technical requirements of the solicitation, and (3) the price

evaluation team did not perform a reliable price analysis and did not work effectively with the technical evaluation team to ensure the awards represented the best value for the customer. We also noted that the contract file was not documented in accordance with the requirements of FAR 4.801(b).

We recommended that the FAS Commissioner:

- Strengthen the Integrated Technology Services' Contract Review Board process for high-dollar, complex, and/or highly visible acquisitions;
- Review the BPA award to the offeror that did not meet the technical requirements to ensure compliance with applicable procurement regulations; and
- Structure future acquisition teams to encourage collaboration and leverage the expertise of all team members.

The FAS Commissioner agreed with the report recommendations.

### Review of Blanket Purchase Agreement Number GS-06F-04123: Kipper Tool Company

*Report Number A110163/Q/6/P12011, dated September 27, 2012*

This review found that the government overpaid for items purchased under the subject BPA by as much as \$6.5 million because the FAS's Heartland Supply Operations Center (HSOC) did not award and administer the BPA in accordance with FAR requirements.

The HSOC limited competition without adequate justification and approval. The BPA was for tool kits, including tool kit sourcing and assembly, but the sole source justification did not describe the tool kits and components to be purchased. With an estimated value of \$35 million, sole-sourcing this procurement should have been approved at the Senior Executive level; however, it was approved at a lower level. In addition, the HSOC added items at higher prices than stipulated in the agreement without valid determinations that prices were fair and reasonable. Finally, the HSOC did not publicize this contracting action within the required time frames.

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## Management Challenges

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### Acquisition Programs (continued)

Combined with management's failure to take prompt corrective action in response to questions raised about the BPA, these deficiencies suggest a desire to limit the visibility of the acquisition.

We recommended that the Director, HSOC, FAS, Heartland Region:

- Implement controls to ensure contracting actions are in compliance with FAR requirements;
- Develop technical descriptions for the required tool kits in conjunction with customer agencies; and
- Implement controls to ensure items are assigned proper descriptions.

We recommended that the Director, Office of Supply Operations, Office of General Supplies and Services, FAS:

- Conduct an internal review, with the assistance of the Office of General Counsel, to determine whether administrative action is required against HSOC officials responsible for the award and administration of this BPA.

We recommended that the Director, Facilities Maintenance and Hardware Acquisition Center, FAS, Heartland Region:

- Conduct an internal review of the underlying contract to determine if the government is receiving fair and reasonable pricing.

FAS management concurred with the report recommendations.

### Information Technology

*Improved planning, development, and implementation of information technology (IT) systems and services are needed to ensure quality data and to support business decisions. GSA management faces challenges in meeting two strategic business goals: (1) providing effective and reliable IT systems and solutions, and (2) providing balanced stewardship of information technology. Challenges exist because GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction.*

#### **FY 2012 Office of Inspector General FISMA Audit of GSA's Information Technology Security Program**

*Report Number A120125/OI/FIF12005, dated September 28, 2012*

This audit found that, while the Office of the Chief Information Officer (OCIO) continues to take steps to improve GSA's IT Security Program, additional steps are needed to strengthen the program in three key areas: (1) timely patching, (2) contingency plan testing for newly deployed systems within the Public Buildings Service (PBS), and (3) policies for mobile application development.

Three of the systems we reviewed this year did not implement system security patches to address vulnerabilities. Timely patching was not completed for two systems because the organizations managing them have developed and implemented patch management processes that exceed GSA requirements. The third system had not completed adequate vulnerability scanning, resulting in multiple database patching-related vulnerabilities dating back to 2009.

PBS lacks procedures to ensure backups are properly written to disks or that other recovery methods are working prior to deployment. Without adequate testing, PBS has to rely on backup methods that have not been tested. If these backup methods fail, administrators would be unable to perform system restoration.

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## Management Challenges

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

Finally, GSA has developed five custom mobile applications that it makes available to the public; however, the GSA OCIO does not have a specific policy or other guidance for the secure development of custom mobile applications. To prevent exploitation, security officials need to understand the additional risks mobile applications introduce into the existing architecture.

Based on our audit findings we recommend the GSA CIO take actions to:

- Conduct additional oversight of patch management implementations to ensure that system officials are addressing vulnerabilities on GSA systems in a timely manner;
- Work with PBS to ensure that PBS develops and implements a process for testing the restoration of system backups before new systems are deployed; and
- Create guidance to assist GSA system officials in securely developing applications for mobile platforms.

The GSA CIO agreed with the report recommendations.

### **Audit of GSA's Transition From Lotus Notes to the Cloud**

*Report Number A120131/O/F/F12004, dated September 28, 2012*

This audit found that, although GSA's OCIO has stated goals for transitioning email and collaboration tools to the Cloud, it has not established adequate performance measures to track and monitor the progress of this effort. In addition, we were unable to verify that projected savings are being achieved because the OCIO has not updated and maintained the supporting cost analysis. Finally, the OCIO and the Services and Staff Offices have plans in place to continue migrating their applications from the Lotus Notes collaboration environment to other platforms using an enterprise-wide governance structure for increased oversight. However, this control was not in place across the agency to ensure that duplicate applications were not migrated at the onset of the transition project.

We recommended that the GSA CIO:

- Prepare an updated analysis/justification regarding the email and collaboration tools;
- Develop and implement a comprehensive performance measurement program; and
- Assess the current cloud environment to identify duplicate applications.

The GSA CIO agreed with the report recommendations.

### **Federal Buildings Fund**

*As the landlord for the civilian federal government, GSA is being challenged to provide quality space to agencies using an aging, deteriorating inventory of buildings. GSA needs a comprehensive strategy to enable an evaluation of its building projects nationwide to make the best use of available funds to deliver high performance workplaces on schedule and within budget.*

### **Audit of the Public Buildings Service, Southeast Sunbelt Region's Lease Administration Practices**

*Report Number A120023/PI/4/R12011, dated September 27, 2012*

This audit found that the Public Buildings Service's (PBS) emphasis on computing Funds from Operations (FFO) on an aggregate basis presented a misleading picture of the Region's financial performance. The profits and losses on individual properties offset one another and give a false impression that the Region operates efficiently within its lease fee structure. In FY 2011, 344 out of 1,535 properties had negative FFO totaling \$17.7 million, while 219 properties generated returns that exceeded the maximum 7 percent fee charged to tenants.

Further, a review of 44 leases from 39 properties identified a number of billing and payment errors, including: (1) untimely adjustments to rental rates for tenant improvements and step increases and decreases; (2) mishandled lease holdovers; (3) delayed processing of occupancy agreements; and (4) comingling of the revenues and expenses of multiple properties.

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## Management Challenges

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### **Federal Buildings Fund (continued)**

We recommended that the Regional Commissioner of PBS:

- Assess the efficiency of its operations by identifying and adopting a metric that addresses the performance of each lease or property, instead of focusing solely on the aggregate FFO of its portfolio; and
- Implement processes to ensure that changes to the lease, rent payments, and occupancy agreements are processed timely, accurately, and in accordance with PBS lease administration policy.

The Regional Commissioner agreed with the report recommendations.

### **American Recovery and Reinvestment Act Impact**

*The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided GSA with a \$5.55 billion appropriation for its Federal Buildings Fund, and in accordance with the Act, GSA's PBS is using the funds to convert federal buildings into High-Performance Green Buildings as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandated \$5 billion of the funds were to be obligated by September 30, 2010, and that the remaining funds were to be obligated by September 30, 2011. Under this mandate GSA's project teams have had to plan and contract for projects within extremely short timeframes. Even with the addition of new employees and contract support staff, meeting these deadlines has strained the capabilities of the project teams even before the beginning of actual construction for these projects. The GSA OIG is conducting oversight activities including internal audits, attestation engagements, and memoranda of construction and modernization projects funded by the Recovery Act.*

### **Recovery Act Report - Mariposa Land Port of Entry Expansion Project, Construction Management Services for Phases 2-4 Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090172/PIR/R12010, dated September 28, 2012*

This audit disclosed improper pricing of a task order awarded for Construction Manager (CM) services related to the expansion of the Mariposa Land Port of Entry Expansion Project. PBS did not verify that correct labor rates and discounts were used to price the task order and subsequent modifications at the time they were awarded. As a result, PBS overpaid \$261,936 for these services.

PBS awarded a task order for the CM Services against a BPA that contained labor rates from the contractor's underlying Schedule contract. There were two sets of rates in the contract; the contractor applied the wrong set in pricing the task order. In addition, the contractor did not extend a previously negotiated discount. This pricing error resulted in overcharges for the base and option periods of the order as well as certain modifications.

We recommended that the Acting PBS Regional Commissioner for the Pacific Rim Region:

- Review the construction management task order labor rates to ensure they reflect the negotiated discounts and recover any overpayments related to the Mariposa project; and
- Ensure that PBS contracting officials verify that all pricing is accurate before awarding task orders based on schedule contract labor rates.

PBS agreed with our determination that the contractor had used incorrect labor rates to price the initial task order and modifications. However, PBS disagreed with our position that the additional discount should apply to subsequent modifications. PBS has not provided any documentation to support this position.



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## Management Challenges

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### ***American Recovery and Reinvestment Act Impact (continued)***

#### **Recovery Act Report – Region 5 Construction Manager as Constructor Contracts Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090172/PIR/R12007, dated May 10, 2012*

This audit noted two significant concerns with regard to Construction Manager as Constructor (CMc) contracting. First, PBS violated both Federal Acquisition Regulation (FAR) and Competition in Contracting Act (CICA) requirements by providing bidders with pricing information during the solicitation process. PBS disclosed the government's estimated Guaranteed Maximum Price (GMP) for construction phase services, effectively eliminating price competition. Even though PBS received multiple bids for each project, the proposed pricing was virtually identical because the bidders had been given this information.

PBS also failed to make adequate determinations of price reasonableness. While the contracting officers performed some price evaluation for the initial contract awards based on the bids received and comparisons to the independent government estimates, there was no meaningful price competition for the majority of the work.

As PBS had been developing and implementing management controls for CMc contracts in response to prior audit reports, we made no additional recommendations.

#### **Recovery Act Report – Southeast Sunbelt Region Construction Manager as Constructor Contracts Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090172/PIR/R12009, dated September 28, 2012*

As part of our ongoing oversight of GSA's implementation of the Recovery Act, the OIG reviews major modernization and new construction projects to determine whether PBS plans, awards, and administers these contracts in accordance with prescribed criteria and Recovery Act mandates.

As part of this audit, we reviewed the CMc contracts for three major projects in the Southeast Sunbelt Region: the Dr. A.H. McCoy, Robert Smith Vance, and George C. Young federal buildings. The initial CMc award amounts for these projects were \$60 million, \$32 million, and \$35 million, respectively.

This audit disclosed that PBS effectively eliminated price competition and violated both FAR and CICA requirements by including its GMP in the solicitations for the construction contracts. As a result, all of the bidders proposed identical prices (i.e. the government's GMP) rather than developing and proposing independent prices.

In addition, GSA exercised the construction options prior to the award of the design contracts on two of the projects. Because the designs had not been developed, specific construction requirements could not be known. Consequently, the construction options were not enforceable contracts and their associated funding obligations were improper and invalid.

We recommended that the PBS Commissioner:

- Obtain a legal review to address problems related to the inadequate scopes of work in the base contracts for the Vance and Young projects; and
- Determine what actions should be taken to ensure that these contracts are valid.



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## Management Challenges

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### **American Recovery and Reinvestment Act Impact (continued)**

PBS management acknowledged the audit findings and obtained a legal review as recommended in the report.

#### **Recovery Act Report – Contract Administration for Group 10 Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009**

*Report Number A090184/PIR/R12008, dated June 13, 2012*

This review of the administration of a \$6 million design-build contract in GSA's NCR disclosed that PBS did not ensure all contractor employees had proper security clearances, and that a subcontractor did not pay prevailing wage rates, thereby violating the Davis-Bacon Act.

We recommended that the PBS NCR Regional Commissioner:

- Strengthen policies and procedures to ensure that all contract employees accessing GSA facilities have proper clearances;
- Secure physical access at the job site; and
- Review contractor compliance with the Davis-Bacon Act.

The PBS NCR Regional Commissioner agreed with the report recommendations.

#### **Procurement of Design Build Air Handler Unit/ Photovoltaic Roof/Green Roof Project at the Byrne Courthouse and Green Federal Building – A Limited Scope Construction Project Funded by the American Recovery and Reinvestment Act of 2009**

*Memorandum Number A090184-56, dated April 26, 2012*

This review determined that the payback periods for installing a vegetative roof and replacing the Air Handler Units (AHU) at the Green Federal Building and installing a rooftop crystalline photovoltaic system at the Byrne Courthouse, both located in Philadelphia, Pennsylvania, did not represent a significant return on investment for the taxpayer. The preconstruction payback analyses estimated payback periods of 502.7 years for a vegetative roof, 32 years for AHUs, and 207.3 years for

the photovoltaic system. In November 2011, PBS revised the payback periods to 87.1 years for the vegetative roof, 20.91 years for the AHUs, and 61.2 years for the photovoltaic system. However, only the initial payback periods were known at the time of award and even these revised payback periods do not represent a significant return on investment.

In addition, we noted the contracting officer could not rely on the Independent Government Estimate (IGE); as a result, the award amount of \$7,517,254 was approximately 46 percent higher than the IGE.

#### **Contract Administration for Construction Services at the Federal Building and U.S. Post Office in Wenatchee, Washington**

*Memorandum Number A090184-58, dated May 24, 2012*

GSA's PBS awarded a \$370,000 contract to Randolph Construction Services, Inc. (Randolph), to install new boilers and associated equipment at the Wenatchee Federal Building and U.S. Post Office under the Recovery Act.

This review determined that PBS did not incorporate the Recovery Act's "Buy American" provisions into the contract at the time of award. Consequently, none of the remedies afforded by the FAR could be applied when the contractor installed foreign-manufactured construction materials.

PBS agreed that the installed items violated "Buy American" requirements and obtained a bilateral credit from Randolph for the cost of materials and associated labor. PBS stated that in the haste to make an award it inadvertently failed to include the appropriate contract clauses.

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## *Management Challenges*

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### ***Other Initiatives***

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

#### **FAR Rule for Contractor Disclosure**

Effective December 12, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on a final rule amending the FAR. The final rule implements the Close the Contractor Fraud Loophole Act, Public Law 110–252, Title VI Chapter 1. Under the rule, a contractor must disclose, to the relevant OIG credible evidence of a violation of federal criminal law including fraud, conflicts of interest, bribery, or the offering or acceptance of gratuities connected to the award, performance, or closeout of a government contract performed by the contractor or a subcontractor. The rule provides for suspension or debarment of a contractor when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

As disclosures are made, the OIG's Office of Audits, Office of Investigations, and Office of Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received 21 new disclosures. These disclosures were connected to allegations of employee fraud and inappropriate behavior, as well as failures to comply with contract requirements related to commercial sales practices disclosures, billings, price reduction monitoring, calculation and payment of the Industrial Funding Fee, and the Trade Agreements Act. We concluded our evaluation of three existing disclosures that resulted in \$1,730,024 in settlements and recoveries to the government, and assisted on seven disclosures that were referred by another agency because of their potential impact on GSA's operations. Finally, we continued to evaluate 23 existing disclosures during the reporting period.

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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 government-wide 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 and inspections 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 action. **During this period, civil, criminal, and other monetary recoveries totaled over \$80 million** (see Tables 5 and 6).*

### Civil Recoveries

The Office of Investigations consolidated investigative efforts related to civil recoveries involving qui tam filings, FAR disclosures, and Trade Agreements Act (TAA) violations in its Washington, D.C. field office. In recognition of the need to expand civil recovery efforts throughout its field offices, the GSA OIG formalized this initiative as a separate unit to make use of the expertise the organization has gained through previous successful investigations. The unit serves as a one-stop shop for expert information and advice that is necessary to conduct civil investigations, and which contributed to the successes outlined below.

#### ReadyOne Industries, Inc., Agrees to Pay Government \$5 Million to Settle Qui Tam

On September 25, 2012, ReadyOne Industries, Inc., formerly National Center for the Employment of the Disabled (NCED), agreed to settle claims and pay the United States \$5 million, plus interest. This settlement stems from a qui tam complaint alleging that NCED and its former president, Robert Jones, intentionally misrepresented the true costs of storage boxes purchased by the government, and represented that 75% of the direct labor for the boxes' manufacture was performed by individuals with disabilities, when it was as low as 0%. Jones and two other former executives have already received prison sentences for their roles in the fraud.

#### Ward Diesel Filter Company Agrees to Settle Claims with \$628,000 Payment

On June 13, 2012, Ward Diesel Filter Company agreed to pay \$628,000 to the United States to resolve claims of defective pricing and violation of the price reduction clause of its GSA Multiple Award Schedule contract. Under this contract, Ward Diesel sold federal agencies its diesel exhaust removal system for fire trucks. This

settlement follows a joint investigation conducted by the GSA OIG, Defense Criminal Investigative Service (DCIS), Air Force Office of Special Investigation (AFOSI), Army Criminal Investigative Command (CID), and Naval Criminal Investigative Service (NCIS) into a qui tam alleging that Ward Diesel misrepresented commercial pricing information during contract negotiations with GSA and that it failed to comply with the contract's price reduction clause, which required the company to extend to federal purchasers the same discounts provided to city government customers.

#### Ambulance Company Agrees to Pay \$285,000 to Settle Overbilling Claims

On September 17, 2012, a consent judgment in the amount of \$285,000 was entered against Richard Bell, former Executive Vice President of C. Henderson Consulting, Inc. The judgment settled the government's civil complaint alleging that the company falsely billed the Federal Emergency Management Agency \$1,971,600 for ambulances provided during relief efforts related to hurricanes Katrina and Rita. An investigation conducted by the GSA OIG and Department of Homeland Security (DHS) OIG determined that the billing equated to providing the government with 60 to 70 ambulances per day when the company only had 50 ambulances available.

#### Direct Resource Agrees to Settle False Claims Act Allegations for \$450,000

On April 25, 2012, Direct Resource, Inc., agreed to pay \$450,000 to the United States for violations of the civil False Claims Act. The U.S. Department of Justice's Civil Division and the Office of the U.S. Attorney for the District of Columbia worked with the GSA OIG to investigate qui tam allegations that Direct Resource, Inc., knowingly misrepresented that the products it sold under government contracts were manufactured in the

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## *Promoting and Protecting Integrity*

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### ***Civil Recoveries and Criminal Investigations (continued)***

United States, when in fact many were manufactured in the People's Republic of China, Malaysia, or Thailand, in violation of the Trade Agreements Act.

### ***Criminal Investigations***

#### **Deferred Prosecution Agreement Results in Largest Settlement in NYC History**

On April 24, 2012, Bovis Lend Lease LMB, Inc., executed a deferred prosecution agreement with the U.S. Attorney's Office for the Eastern District of New York and the New York County District Attorney's Office, admitting to over 10 years of fraudulently overbilling government clients. Previous investigation conducted by the GSA OIG, Department of Labor OIG, FBI, New York/New Jersey Port Authority OIG, and the New York City (NYC) Department of Investigations revealed the company intentionally inflated the billable work hours of its employees assigned to federal and state funded construction projects, and misrepresented the work performed by its minority business enterprise partners. The agreement requires Bovis to pay \$51 million in penalties to the federal government and restitution to victims and institute corporate reforms to prevent future such practices.

In conjunction with this agreement, James Abadie, former Principal in Charge of the company's NYC office, and John Hyers Sr., the former General Superintendent for Bovis' NYC office, pled guilty to federal conspiracy to commit mail and wire fraud. Both face 121- to 141-month prison terms for their roles in this scheme. During a press conference announcing the results of the investigation, U.S. Attorney Loretta Lynch noted this was the largest construction fraud settlement in NYC history.

#### **2010 Western Regions Conference Investigation Uncovers Excessive Spending**

On April 2, 2012, the Office of Inspector General issued a management deficiency report on excessive costs associated with the 2010 Western Regions Conference held by the Public Buildings Service in Henderson, Nevada. In sum, the report concluded that many of the expenditures for the conference were wasteful and in

some cases impermissible, and that in many instances, GSA followed neither federal procurement laws nor its own policies on conference spending. Conference expenses included eight off-site planning meetings and significant food and beverage costs. The report garnered considerable attention from Congress and the media, and resulted in five Congressional hearings. Administrator Johnson resigned her appointment, and the agency removed several senior executives and employees involved with planning the event. The agency has since initiated numerous reforms intended to prevent future abuses. The matter has also been referred to the Department of Justice for criminal prosecution.

#### **White House Maintenance Worker Pleads Guilty to Harassment and Theft**

On September 13, 2012, Donald Davis, a GSA Air Conditioning Equipment Mechanical Leader, pled guilty to stalking and theft of government property in the U.S. District Court for the Eastern District of Virginia. Davis was previously responsible for maintaining the air conditioning units in the White House complex. The GSA OIG investigation revealed that Davis threatened his former girlfriend and her friend (who was employed as a Pennsylvania Correctional Officer). Davis harassed the victims by sending hundreds of unwanted text messages and phone calls at all hours of the night. The investigation also revealed Davis had stolen GSA property valued in excess of \$10,000. GSA OIG special agents recovered a portion of the stolen items when a search warrant was executed at Davis's residence.

#### **Assault on Agent Results in Stiff Sentence**

On June 19, 2012, the U.S. District Court for the District of Maryland sentenced Darrell Hardie to five months of imprisonment, five months of home confinement, and one year of supervised release, and ordered him to pay a \$5,000 fine and a \$25 special assessment. The sentence followed a two-day jury trial that found Hardie guilty of impeding a federal agent and assaulting, resisting, or impeding federal officers or employees. As previously reported, GSA OIG special agents arrested Hardie after he assaulted a GSA OIG special agent while the agent was performing his official duties.



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## *Promoting and Protecting Integrity*

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### ***Civil Recoveries and Criminal Investigations (continued)***

#### **Two Army Sergeants Plead Guilty After GSA OIG Undercover Investigation**

On June 18, 2012, U.S. Army First Sergeants Edwin Cordero and Tracy Alexander pled guilty to theft of government property. Cordero and Alexander had been indicted (along with two other conspirators) on October 19, 2011, following a GSA OIG undercover investigation which revealed the group was selling U.S. Army Marathon watches on eBay. They obtained the watches by altering entries in the Army's ordering system to hide the additional purchases from unit commanders. Agents determined that the group used the scheme to obtain 175 watches at an approximate loss of \$265,000.00 to the government. The OIG conducted the investigation in cooperation with the Army CID's Major Procurement Fraud Unit.

#### **Company Owner Pleads Guilty to Wire Fraud After False Certification as SDVOB**

On August 7, 2012, Tyrone Jones, a GSA contractor and vice president of B&J Multi Service Corporation, pled guilty to wire fraud. On September 27, 2012, Brian Bauman, president of the company, also pled guilty to wire fraud. Investigation had revealed that Jones and Bauman falsely represented to GSA, the Small Business Administration, and other government agencies that B&J was a minority-owned and Service-Disabled Veteran-Owned business in order to obtain federal government contracts that were set aside for such businesses.

#### **VA Employee Sentenced for Auto Theft**

On May 1, 2012, David Cantagallo, a former Veterans Affairs (VA) Medical Center employee in Providence, Rhode Island, was sentenced to two years of incarceration and three years of probation for the theft of a GSA leased vehicle. This sentence followed a joint GSA OIG and VA OIG investigation that revealed a GSA leased vehicle had been stolen from the VA Medical Center and used in the burglary of a bar located in Providence.

#### **GSA OIG Investigation Leads to Conviction for Auto Theft**

On August 1, 2012, Ronald Starling was sentenced to

three years of incarceration and ordered to pay a court assessment fee of \$4,773.60 after being convicted of the theft of two GSA vehicles that were leased to the U.S. Army recruiting station in Philadelphia, Pennsylvania. The sentence follows a joint investigation conducted with the Philadelphia Police Department that yielded Starling's admission that he broke into the recruiting station specifically to obtain the vehicle keys and steal the vehicles from the parking lot. Both vehicles were recovered during the investigation.

#### **Former GSA Employee Arrested Following a Grand Jury Indictment in U.S. District Court**

On August 16, 2012, GSA OIG agents arrested a former GSA employee following the employee's indictment for federal false statement and witness tampering violations. The arrest stems from a joint investigation conducted with the VA OIG and Las Vegas Police Department into alleged misconduct. The former employee pled not guilty to the charges.

#### **Three Indicted in an Ongoing Bribery Investigation in Southern California**

On August 9, 2012, the owners of two Poway, California, defense contractors were indicted for bribery, wire fraud, and money laundering involving U.S. Navy personnel and GSA contractors at the Naval Air Station North Island in Coronado, California. The indictments resulted from an ongoing multi-agency investigation into irregularities at that facility.

#### **U.S. Department of Veterans Affairs Employee Convicted for Grand Theft and Sentenced**

On July 30, 2012, VA employee Andre Patrick Guyton pled nolo contendere (no contest) to one charge of grand theft in violation of California law, stemming from his unauthorized use of a fleet credit card. Guyton was sentenced to two days of incarceration, three years of probation, a \$240.00 fine, and 60 days of community service. He was also ordered to pay \$3,430.31 in restitution to GSA and an \$80.00 special assessment. The investigation leading to this conviction began after the GSA Fleet Management Loss Prevention Team observed potential fraudulent transactions on a fleet card assigned to the VA Medical Center in West Los



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## *Promoting and Protecting Integrity*

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### ***Civil Recoveries and Criminal Investigations (continued)***

Angeles, California. During an interview, Guyton admitted to OIG agents that he used the card, plus a second Fleet card assigned to a vehicle in his unit, to purchase approximately \$3,430.31 in fuel in exchange for cash and free transportation. The Los Angeles County District Attorney's Office prosecuted this case.

#### **Three Sentenced to Prison for Million Dollar Payphone Scam**

On April 26, 2012, Colin Nordstrom, former Vice President of Sales for Mid-America Payphones, Inc., was sentenced to three months of incarceration and three years of supervised release for making false statements. On May 1, 2012, August Schober, former Vice President of Mid-America, was sentenced to one year and one day of incarceration and three years of supervised release for conspiracy to commit wire fraud. Finally, on May 18, 2012, Jeff Frost, former President of Mid-America, was sentenced to 54 months of incarceration and three years of supervised release, and ordered to pay \$1,078,967 in restitution for money laundering. These sentences stem from a GSA OIG investigation that began after an alert GSA employee noticed suspicious calls from pay telephones to GSA toll-free numbers. Working with the Internal Revenue Service Criminal Investigation, the GSA OIG learned that the individuals schemed to defraud the federal government, state agencies, and private businesses of \$1,078,967 by programming hundreds of payphones owned by their company to exploit federal regulations providing payphone service providers with \$0.49 for each toll-free call completed from their payphones. Victims of this "dial around compensation" scheme included GSA, a number of other federal agencies, and private businesses.

#### **Auto Repair Shop Owner Pleads Guilty to Unnecessary Repairs**

On June 15, 2012, Robert Horton, owner of Over the Hill Auto Repair in Calicum, New York, pled guilty to making false claims in the U.S. District Court for the Northern District of New York. Previous investigation had revealed that Horton submitted approximately \$30,000 in fraudulent claims for repairs to GSA vehicles that either had not been performed or were unnecessary. The OIG collaborated in this investigation with the Army CID; the

investigation began after GSA Region 2 fleet management personnel notified the OIG of an apparent irregularity in Over the Hill's claims.

#### **Abuse of the Federal Surplus Property Program Results in Pre-Trial Diversion**

On April 11, 2012, Jeffrey Jewell entered into a pre-trial agreement diverting criminal penalties for the making of false statements. Per the agreement, Jewell must pay restitution in the amount of \$1,000 and return items valued in excess of \$25,000 to the CMS Surplus Property Warehouse. A joint investigation conducted by the GSA OIG and FBI had revealed that Jewell was using another identity to obtain items from the federal surplus property program.

#### **Three Sentenced Following Investigation into SDVOSB Scheme**

On May 8, 2012, Joe Madlinger, co-owner of CJMS Contracting, was sentenced to two years in prison and ordered to pay a \$50,000 fine and \$1.5 million in restitution to the government. On May 15, Mike Woodling, owner of Gateway Contractors, was sentenced to three years in prison and a \$60,000 fine, and ordered to pay \$1.55 million in restitution; and on June 25, 2012, Russell Todd, a former engineer for the VA, was sentenced to 15 months of incarceration and one year of supervised release. These sentences follow a joint GSA OIG, VA OIG, and Small Business Administration (SBA) OIG investigation that revealed that Todd instructed a friend to find a service-disabled veteran to start a Service-Disabled Veteran-Owned Small Business (SDVOSB) to gain an advantage in winning contracts. The friend did so, and the company (CJMS) operated as a pass-through, funneling all the work on its federal contracts to Gateway. CJMS made false certifications of its status as an SDVOSB, which would have required CJMS to perform the majority of the contract work itself, and to have a service-disabled veteran in charge of its daily business, neither of which was true. Todd was paid bribes in the form of cash, entertainment, baseball tickets, lunches, drinks, and dinners in exchange for his recommendation of CJMS for construction work, which assisted CJMS and Gateway in securing \$3.4 million in federal contracts (including a Recovery Act contract in the amount of \$654,095).

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## *Promoting and Protecting Integrity*

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### ***Civil Recoveries and Criminal Investigations (continued)***

#### **Fleet Card Fraud Leads to 12 Year Sentence for State Violations**

On May 21, 2012, Anthony E. Duncan, Jr., pled guilty to credit card theft and fraud charges under Virginia law for his unlawful use of a GSA fleet credit card assigned to the Norfolk Naval Shipyard in Portsmouth, Virginia. Duncan also pled guilty to unrelated assault offenses. For all these offenses, Duncan was sentenced to 12 years in prison (11 years of which were suspended) and supervised probation upon release, and ordered to pay \$5,951 in restitution to the Navy. The OIG conducted this investigation jointly with the Virginia Beach Police Department.

#### **Air Force Sergeant Sentenced After Court Martial for Fleet Card Fraud**

On April 30, 2012, U.S. Air Force Staff Sergeant Kristopher Thornton pled guilty to Uniform Code of Military Justice theft violations stemming from his fraudulent use of various GSA fleet credit cards belonging to the Dover Air Force Base (AFB). Thornton was reduced in rank from E5 to E3, sentenced to three months of hard labor without confinement, fined \$3,500, and ordered to forfeit \$1,000 of his pay each month for three months. The OIG began this investigation after the GSA Fleet Loss Prevention Team reported that several GSA fleet credit cards assigned to Dover AFB had suspicious transactions associated with them. The OIG collaborated with the Security Forces Squadron at Dover AFB on this investigation.

#### **VA Volunteer Pleads Guilty to Theft After Misusing Fleet Card**

On June 25, 2012, Seth Garman pled guilty to theft for his fraudulent use of a GSA fleet credit card assigned to the VA in Lebanon, Pennsylvania. The GSA Fleet Loss Prevention Team first alerted the GSA OIG of suspicious transactions being made with a GSA fleet credit card. Through surveillance and analysis of gas station surveillance video, agents determined that Garman was responsible for the unauthorized transactions. Investigation revealed Garman gained access to the credit card through his position as a volunteer for the VA hospital. The OIG worked on this investigation jointly with the VA OIG.

#### **Fleet Card Fraud - Avila Pleads Guilty to Theft**

On August 29, 2012, Jose Alberto Avila pled guilty to four charges of theft related to his unauthorized use of four GSA fleet credit cards assigned to the U.S. Marines Recruiting Station in Miami, Florida. The GSA OIG and the U.S. Secret Service initiated this joint investigation after multiple suspicious fuel purchases were identified as having occurred in the South Florida area. The investigation revealed that Avila and two other individuals had made approximately \$67,392.19 in fraudulent charges using GSA fleet credit cards.

#### **Former Coast Guard Employee Sentenced to 22 Months' Imprisonment**

On August 22, 2012, Vincent Collins, a former U.S. Coast Guard employee, was sentenced to 22 months of incarceration and three years of supervised release, and ordered to pay \$77,085.88 in restitution. The sentence follows his May 2012 guilty plea to one count of trafficking in counterfeit access devices. A joint investigation conducted by GSA OIG, DHS OIG and the U.S. Secret Service had revealed that Collins used a GSA fleet credit card to make fraudulent purchases while employed by the Coast Guard, and that he sold the credit card information to another individual, who also used the information to make fraudulent purchases.

#### **Fleet Card Fraud Sentenced to One Year of Incarceration**

On September 6, 2012, Eugene Wallace was sentenced to one year of incarceration, three years of supervised release, 200 hours of community service, and restitution in the amount of \$7,693. Wallace pled guilty to access device fraud on February 1, 2012, after a joint investigation conducted by GSA OIG and the Fort Polk Military Police revealed that Wallace, along with Beth Cantrell and Robert Holiday (who were previously convicted), made fraudulent fleet card charges on vehicles that had been taken out of service for repairs or body work. Video surveillance identified the subjects making fuel purchases with the fleet cards. The three subjects later confessed and surrendered the fleet cards they had in their possession.

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## *Promoting and Protecting Integrity*

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### ***Civil Recoveries and Criminal Investigations (continued)***

#### **U.S. Navy Employee Convicted for Theft of U.S. Government Funds**

On July 20, 2012, U.S. Navy employee Steven Vanzant was convicted of theft. He was sentenced to six months of probation, a \$500 fine, and a \$100 special assessment, and ordered to pay \$3,169.66 in restitution to GSA. The conviction and sentencing follow a GSA OIG investigation that began with the GSA Fleet Management Loss Prevention Team's observation of apparently fraudulent transactions made with a fleet card assigned to a Naval Air Facility in El Centro, California. During an interview, Vanzant admitted that he used the card to purchase approximately \$3,169.66 in fuel for his personal vehicles.

#### **Two California Residents and a California Business Debarred**

On July 13, 2012, the GSA Suspension and Debarment Official (SDO) debarred Mohsen Saeedy and Mina Sharifi from doing business with the government. On August 16, 2012, the SDO also debarred Saeedy's business, Fleshtone Color Labs. The debarments followed a GSA OIG investigation that revealed the pair attempted to defraud GSA of \$29,301 by purchasing three government surplus vehicles and then canceling payment to GSA after taking possession of the vehicles. Saeedy voluntarily made payment for the vehicles to GSA and no criminal charges were filed against either individual. The investigation revealed the scheme was intended to benefit Fleshtone Color Labs.

#### **Former U.S. Department of Veterans Affairs (VA) Employee and Nevada Resident Debarred**

On May 10 and 25, 2012, the GSA SDO debarred former VA employee Neal Fowler and Nevada resident Tatina Kyles after both were convicted and sentenced for conspiracy and theft. As previously reported, the pair was convicted in late 2011 as the result of a joint GSA OIG and VA OIG investigation that revealed they misused a GSA fleet credit card, defrauding the government of approximately \$28,000. Their debarments will end on January 23, 2015.

#### **Credit Card Fraud Gets 24 Months of Supervised Release**

On May 16, 2012, Natalia Johnson was sentenced to 24 months of supervised release and ordered to pay \$2,457.52 in restitution along with a \$25 special assessment fee by the U.S. District Court for the District of Maryland. As previously reported, GSA OIG special agents arrested Johnson for purchasing gasoline with a stolen GSA-issued fleet credit card assigned to the U.S. Agency for International Development. The investigation revealed Johnson made multiple same-day purchases to fuel her personal vehicle and her friends' personal vehicles, and to purchase food and beverages. Her credit card fraud totaled approximately \$2,500.

#### **Court Martial Follows Unlawful Use of Credit Card**

On July 20, 2012, Airman First Class (E-3) Don Watkins was found guilty of violating Article 92 (dereliction of duty) and Article 121 (theft of U.S. Air Force property) of the Uniform Code of Military Justice in conjunction with his fraudulent use of up to ten GSA Fleet credit cards. Following conviction, Watkins was ordered to 45 days of confinement, 90 days of hard labor without confinement, two months of restriction to Langley Air Force Base, and a reduction in grade to E-1. He was also fined \$781. The investigation was initiated after a GSA loss prevention specialist observed anomalies in a fleet credit card's sales pattern and referred the matter to the GSA OIG for investigation. GSA OIG special agents worked with the Air Force Office of Special Investigations and local law enforcement to identify Watkins, and ultimately determined he was responsible for \$5,579 in fraud. Watkins was charged in May 2012.

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## Promoting and Protecting Integrity

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### **Works Progress Administration (WPA) Art Recovery Project**

#### **Works Progress Administration (WPA) Art Recovery Project**

GSA is the custodian of the many works of art produced through the Works Progress Administration (WPA). Since the United States commissioned countless pieces of art during the New Deal era, many precious historical pieces have unlawfully made their way into the marketplace and collectors' hands. The OIG has continued to work closely with the Public Buildings Service and the Fine Arts Program Office, to identify and recover lost and stolen American cultural property produced at government expense during the New Deal era.

As a result of these cooperative efforts, a total of eighteen lost pieces were recovered during this reporting period. During this reporting period, one piece of WPA artwork required intervention of the U.S. Courts to facilitate its recovery. This is the first time since 2001 that such intervention was required.

In April 2011, GSA OIG received information that a WPA painting was being offered for auction by an art gallery in Louisiana. The painting was a WPA artwork called *Life Along the Mississippi* by Clarence Millet, as evidenced by a brass plate that read, "WPA Federal Art Project," affixed to the painting's frame. GSA OIG special agents subsequently contacted the art gallery and the possessor and requested that the painting be withdrawn from auction to permit authentication. The art gallery complied with the request and returned it to the possessor. However, the possessor claimed the painting had been in her family for years, that she believed it had been re-framed, and that it was not actually a WPA painting.

Special agents sought assistance from the U.S. Attorney's Office for the Eastern District of Virginia to arrange for an inspection of the painting. However, the possessor moved to Arizona before the inspection could be arranged. Agents then contacted the U.S. Attorney's Office in the District of Arizona for assistance and made arrangements through the possessor's counsel for the government to have the painting professionally inspected.

The inspector determined that the painting was in its original frame and had not been re-framed or re-stretched. However, he noted that the WPA plate had been removed having found discoloration on the back of the painting consistent with a standard WPA label having been affixed to the painting. The results of the inspection were provided to the possessor. However, she refused to return the painting to the government.

On August 24, 2012, the U.S. Attorney's Office in Arizona filed a civil complaint alleging conversion, trespass to chattels, and unjust enrichment under federal common law and Arizona law. The complaint sought a declaratory judgment that the painting belonged to the United States and an order to return it. After receiving notice of the civil action, the possessor voluntarily surrendered the painting in exchange for dismissal of the civil suit. The painting, valued between \$14,000 and \$18,000, has been returned to GSA's Fine Arts Program Office.

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

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in federally-assisted programs and procurements, and that they are not considered "excluded parties." Excluded parties are 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 offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 326 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 185 suspension and debarment actions based on current and previous OIG referrals.

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## *Promoting and Protecting Integrity*

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### ***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 38 briefings attended by 3,933 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 1,681 Hotline contacts. From these contacts, 455 Hotline cases were initiated. In 152 of these cases, referrals were made to GSA program officials for review and action as appropriate, 36 were referred to other federal agencies for follow-up, 136 were referred for OIG criminal/civil investigations or audits, and 137 did not warrant further review.



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## ***Forensic Auditing, Evaluation, and Analysis***

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### ***Forensic Auditing***

The Forensic Auditing function employs innovative auditing and investigative techniques to detect fraudulent or abusive conduct within Agency operations and programs. It develops evidence that meets the admissibility standards for prosecution in federal courts.

During this reporting period, Forensic Auditing played an integral role in the detection and exposure of fraud, waste, and abuse incurred by GSA management's excessive conference spending. The office commenced one proactive fraud project focusing on data-mining and data analysis of potentially fraudulent activity, initiated a review of GSA's Executive Compensation Practices to evaluate the control structure of the SES performance recognition and award program, and performed a review of virtual employee travel expenses. Forensic Auditing is providing continuous data analysis and analytical provision on five Office of Investigation cases.

Forensic Auditing operations this quarter led to the completion of 19 projects. The office conducted six proactive data-mining examinations, which resulted in three referrals to the Office of Investigations for further review, and concluded forensic analysis on ten investigative case assists and three hotline referrals for the Office of Investigations.

### ***Evaluation and Analysis***

The Evaluation and Analysis function plans, directs, and conducts operational assessments of OIG field offices and other operating components, leads the OIG's Federal Managers Financial Integrity Act Program, and undertakes special projects as required by the Inspector General.

During this reporting period, the office initiated two operational assessments of OIG component offices, and launched a project to update the unified OIG records management policy. Evaluation and Analysis completed the Federal Managers Financial Integrity Act Annual Assurance statement, concluded an operational assessment of an OIG field office and completed a records management project to revise OIG record retention schedules.

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## Government-Wide Policy Activities

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*We regularly provide advice and assistance on government-wide 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 government-wide policies and programs, most of the legislation and regulations reviewed invariably affect government-wide issues in areas such as procurement, property management, travel, and government management and information technology systems. To ensure the auditor's independence when performing subsequent audit work, we participate in Agency task forces, committees, and working groups in an observer or advisor capacity.*

### Interagency Committees and Working Groups

We participated in a number of interagency committees and working groups that address issues that cut across agency lines:

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The Inspector General (IG) is a member of the Investigations Committee, Professional Development Committee, and Homeland Security Roundtable. The IG is also the liaison between CIGIE and the federal Chief Acquisition Officers Council.
- **Federal Audit Executive Council Contracting Committee.** The Assistant Inspector General for Auditing and the Deputy Assistant Inspector General for Auditing, Acquisition Programs Audit Office, participate in the Federal Audit Executive Council Contracting Committee, created in December 2007. This Committee provides a forum to share information about, and coordinate audits of, significant contracting and procurement issues of interest to the OIG community and the federal government as a whole. The Committee also develops and recommends best practices to be used by OIGs in addressing contracting issues.
- **Financial Fraud Enforcement Task Force's Recovery Act, Procurement, and Grant Fraud Working Group: Public and Private Sector Outreach Committee.** During this reporting period, the IG continued to reach out to both the public and private sectors as part of an effort to prevent, detect, and deter procurement fraud. This outreach has promoted communication, coordination, and cooperation among accountability professionals to

foster effectiveness and efficiency of government oversight. Organizations that the IG made presentations to or had discussions with include: the Coalition for Government Procurement, Defense Industry Initiative on Business Ethics and Conduct, American Bar Association Section of Public Contract Law, and several regional Intergovernmental Audit Forums, which are organized by the U.S. Government Accountability Office for accountability professionals from all levels of government.

The OIG also continued to share information with federal, state, and local partners through a report containing criminal convictions and civil settlements as well as an interactive map linking state and local websites that contain information on individuals and companies that have been deemed non-responsible. The OIG, working with the Agency, had the interactive map added to the procurement process evaluation section of the Acquisition Central website, which is designed for all members of the federal acquisition community.

- **Naval Postgraduate School Partnership.** During this reporting period, the IG chaired a panel at the Naval Postgraduate School's 9th Annual Acquisition Research Symposium, "Acquisition Research: Creating Synergy for Informed Change." The IG also continued to work with acquisition faculty at the Naval Postgraduate School to determine the most effective way federal inspectors general can work with the federal acquisition community to achieve savings of taxpayer dollars.

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## Government-Wide Policy Activities

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### *Interagency Committees and Working Groups (continued)*

- **Government Infrastructure Protection Initiative (GIPI).** The GSA OIG's Office of Investigations initiated the Government Infrastructure Protection Initiative (GIPI) to combat the proliferation of counterfeit software, information technology products and other business products in the federal supply chain, which could pose a significant vulnerability to the government's infrastructure. GSA OIG partnered with the Intellectual Property Rights Center operated by Immigration and Customs Enforcement, Homeland Security Investigations.
- **Recovery Accountability and Transparency Board Working Group (Recovery Working Group).** Comprised of all OIGs, the Recovery Working Group is responsible for overseeing the use of Recovery Act funds, providing advice, and making recommendations to the Recovery Funds Working Group Committee on how best to coordinate oversight efforts of federal, state, and local governments. As a member, the GSA OIG also participated in the American Recovery and Reinvestment Act Lessons Learned Survey this reporting period.
- **Regional Procurement Fraud Working Group.** The goal of the Regional Procurement Fraud Working Group is to detect, prevent, and prosecute procurement fraud. In addition to increasing contact and improving communication between agencies and the U.S. Attorney's Offices, this group has developed innovative methods to identify and prosecute fraud and develop collaborative cases among different government agencies. The Special Agent in Charge and the Regional Inspector General for Audits in our Heartland Region Office participate in quarterly group meetings of the Western District of Missouri and Kansas. The meetings are chaired by the Chief of the Fraud and Corruption Unit of the U.S. Attorney's Office for the Western District of Missouri. Members of the group include representatives from the Department of Justice, the Regional Field Office of the Federal Bureau of Investigation, and the region's OIGs. Meetings are attended by attorneys, agents and auditors from various federal government agencies.
- **TeamMate Technical Support Group.** As part of our mission to address some of the complex integration and security issues surrounding E-Gov and the use of information technology, the TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the Commerce Clearing House TeamMate Users Group to discuss concerns and challenges facing TeamMate users. TeamMate is an automated audit workpaper management system that strengthens the audit process, increases the efficiency and effectiveness of our auditors and audits and ultimately leads to more robust, quality audit products.
- **Interagency Fraud and Risk Data Mining Group (IFRDMG).** The Office of Forensic Auditing, Evaluation, and Analysis, is a participating member of the IFRDMG, and holds an executive committee board member position in guiding the future of this group. The IFRDMG collaborates the efforts of investigators and auditors across the federal Inspector General community for the purpose of sharing best practices and evaluating the latest data mining and risk modeling tools and techniques to detect emerging risks and patterns.

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## Government-Wide Policy Activities

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### ***Legislation, Regulations, and Subpoenas***

During this reporting period, the OIG reviewed numerous legislative matters and proposed regulations. We also responded to requests from Congressional members on behalf of their constituents. Additionally, we issued 33 subpoenas in support of our audit, inspection, evaluative, and investigative work. The OIG also made substantive comments on several proposed laws and regulations.

### ***Testimonies***

During this reporting period, the Inspector General (IG) testified before Congress on seven occasions. In April 2012, he testified on the facts related to the GSA OIG's Management Deficiency Report on the 2010 Western Regions Conference (WRC) before the House Committee on Oversight and Government Reform; the House Subcommittee on Economic Development, Public Buildings, and Emergency Management; the Senate Subcommittee on Financial Services; and the Senate Committee on Environment and Public Works. In May 2012, the IG testified again before the House Committee on Oversight and Government Reform on his experience as an IG in a hearing focused on IG vacancies across the government. The House Subcommittee on Economic Development, Public Buildings, and Emergency held a hearing titled "GSA: A Review of Agency Mismanagement and Wasteful Spending," at which the IG testified on the available facts on the 2010 Federal Acquisition Service awards ceremony as well as the parameters of our ongoing review of other GSA conferences as a means of determining whether systemic control weaknesses exist in the Agency (other than those identified in the WRC report). Finally, in September 2012, the IG testified in front of the Senate Committee on Homeland Security and Government Affairs about the progress of our ongoing conference review, as well as whether the OIG had any further recommendations stemming from the Management Deficiency Report on the 2010 WRC.

### ***Intra-agency Task Forces, Committees, and Working Groups***

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

Our participation with the Agency on task forces, committees, and working groups, typically as nonvoting advisory members, allows us to contribute our expertise and advice, while improving our familiarity with the Agency's rapidly changing systems. However, we are careful to ensure that the nature of our involvement does not preclude our ability to independently audit Agency programs.

During this period we were involved with:

- **The Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group issues guidance on negotiating contracts and discusses consistency in the application of FAS policy with contracting officers and its acquisition staff. It serves as an effective communication channel for both broad policy issues and discrete issues related to specific contracts or audits. The group was established as a result of an August 2001 OIG report on MAS contract pricing practices. It is primarily comprised of representatives from the FAS and the OIG, along with ad hoc members from other branches of the Agency.

## Statistical Summary of OIG Accomplishments

### Reports Issued

The OIG issued 54 reports, containing financial recommendations totaling \$347,420,026, including \$343,834,488 in recommendations that funds be put to better use and \$3,585,538 in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

### Management Decisions on Reports

Table 1 summarizes the status of the universe of reports requiring management decisions during this period, as well as the status of those reports as of September 30, 2012. Table 1 does not include three implementation reviews issued during this period because they were excluded from the management decision process. Table 1 also excludes two additional reports from the management decision process because they pertain to ongoing investigations.

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

	Number of Reports	Reports with Financial Recommendations*	Total Financial Recommendations
<i>For which no management decision had been made as of 04/01/2012</i>			
Less than six months old	22	12	\$241,880,131
Six or more months old	0	0	\$0
Reports issued this period	51	33	\$347,420,026
<b>TOTAL</b>	<b>73</b>	<b>45</b>	<b>\$589,300,157</b>
<i>For which a management decision was made during the reporting period</i>			
Issued prior periods	22	12	\$241,880,131
Issued current period	33	20	\$181,242,635
<b>TOTAL</b>	<b>55</b>	<b>32</b>	<b>\$423,122,766</b>
<i>For which no management decision had been made as of 09/30/2012</i>			
Less than six months old	18	13	\$166,177,391
Six or more months old	0	0	\$0
<b>TOTAL</b>	<b>18</b>	<b>13</b>	<b>\$166,177,391</b>

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



## Statistical Summary of OIG Accomplishments

### Management Decisions on Reports with Financial Recommendations

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

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

	Number of Reports	Financial Recommendations
<i>For which no management decision had been made as of 04/01/2012</i>		
Less than six months old	8	\$227,292,490
Six or more months old	0	\$0
Reports issued this period	28	\$343,834,488
<b>TOTAL</b>	<b>36</b>	<b>\$571,126,978</b>
<i>For which a management decision was made during the reporting period</i>		
Recommendations agreed to by management	25	\$407,397,425
Recommendations not agreed to by management	1*	\$154,558
<b>TOTAL</b>	<b>25</b>	<b>\$407,551,983</b>
<i>For which no management decision had been made as of 09/30/2012</i>		
Less than six months old	11	\$163,574,995
Six or more months old	0	\$0
<b>TOTAL</b>	<b>11</b>	<b>\$163,574,995</b>

\* With the exception of one audit, all the audits' recommendations were agreed to by management, in their entirety. This represents the portion of the one audit's recommendation that was not agreed to by management; however, the audit's "agreed to" portion is included in the above 25.

## Statistical Summary of OIG Accomplishments

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

	Number of Reports	Questioned Costs
<i>For which no management decision had been made as of 04/01/2012</i>		
Less than six months old	7	\$14,587,641
Six or more months old	0	\$0
Reports issued this period	16	\$3,585,538
<b>TOTAL</b>	<b>23</b>	<b>\$18,173,179</b>
<i>For which a management decision was made during the reporting period</i>		
Disallowed costs	17	\$15,570,783
Cost not disallowed	0	\$0
<b>TOTAL</b>	<b>17</b>	<b>\$15,570,783</b>
<i>For which no management decision had been made as of 09/30/2012</i>		
Less than six months old	6	\$2,602,396
Six or more months old	0	\$0
<b>TOTAL</b>	<b>6</b>	<b>\$2,602,396</b>

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## Statistical Summary of OIG Accomplishments

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### Investigative Workload

The OIG opened 135 investigative cases and closed 139 cases during this period. In addition, the OIG received and evaluated 60 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 to 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.

During this period, the OIG also made 7 referrals to GSA officials for information purposes only.

### Actions on OIG Referrals

Based on these and prior referrals, 36 cases (57 subjects) were accepted for criminal prosecution and 9 cases (11 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 28 indictments/informations and 36 successful prosecutions. OIG civil referrals resulted in 7 case settlements. Based on OIG administrative referrals, management debarred 78 contractors/individuals, suspended 107 contractors/individuals, and took 35 personnel actions against employees.

**Table 4. Summary of OIG Referrals**

Type of Referral	Cases	Subjects
Criminal	61	100
Civil	32	90
Administrative	84	104
Suspension	43	119
Debarment	43	207
<b>TOTAL</b>	<b>263</b>	<b>620</b>

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## Statistical Summary of OIG Accomplishments

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### Monetary Results

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

Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities.

**Table 5. Criminal and Civil Recoveries**

	Criminal	Civil
Fines and Penalties	\$200,295	
Settlements		\$11,208,284
Recoveries		\$18,000
Forfeitures	\$1,587,123	
Seizures	\$50	
Restitutions	\$57,989,587	
<b>TOTAL</b>	<b>\$59,777,055</b>	<b>\$11,226,284</b>

**Table 6. Other Monetary Results**

Administrative Recoveries	\$9,003,608
Forfeitures	\$8,770
<b>TOTAL</b>	<b>\$9,012,378</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 Offices of Administrative Services and the Chief Financial Officer are responsible for tracking the implementation of audit recommendations after a management decision has been reached. These offices furnished the following status information.

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

### ***Audit of the Multiple Award Schedule Program Industrial Funding Fee***

Period First Reported: October 1, 2011, to March 31, 2012

The objectives of the audit were to determine whether the Industrial Funding Fee (IFF) is appropriately structured and set at a level that provides a reasonable amount of revenue for the Federal Acquisition Service (FAS) to recover Multiple Award Schedule (MAS) Program costs, make appropriate investments, and maintain a risk mitigating buffer; and whether controls for the IFF collection process promote accurate and timely payment of these fees. The report contained five recommendations; one has not been implemented.

The remaining recommendation involves evaluating the current Acquisition Services Fund reserves, determining whether funds should be returned to the U.S. Treasury, and making any returns deemed appropriate. It is scheduled for completion by January 15, 2013.

### ***Audit of Personal Property Donation Program: New Jersey State Agency for Surplus Property***

Period First Reported: October 1, 2011, to March 31, 2012

The objectives of the audit were to determine whether donated properties only go to eligible recipients, and whether these properties are accounted for and used by the New Jersey State Agency for Surplus Property (NJ SASP). The report contained three recommendations which have not been implemented.

The recommendations involve enforcing proper recordkeeping standards on the NJ SASP; reconciling the quarterly donation activity received from the SASPs to another data source and requiring supervisory review of the data entered into the GSA system; and reviewing the NJ SASP in a more timely fashion, carefully documenting these reviews, disseminating the results to the SASP, and following up on outstanding issues. They are scheduled for completion by April 15, 2014.

### ***Audit of the General Services Administration's FY 2011 Financial Statements***

Period First Reported: October 1, 2011, to March 31, 2012

The objective was to conduct an audit of GSA's consolidated balance sheet, the individual balance sheets of the Federal Buildings Fund and the Acquisition Services Fund, the related consolidated and individual statement of net cost, the changes in net position, and the combined and individual statements of budgetary resources for fiscal year 2011. The report contained 146 recommendations; 21 have not been implemented.

The remaining recommendations involve GSA management strengthening controls over: budget and transactions; accounting and reporting of general property and equipment; accounting and reporting of environmental liabilities; revenue and expense recognition policies in the Acquisition Services Fund; and financial management systems. They are scheduled for completion by May 15, 2013.

### ***Audit of GSA's Improper Payments Performance***

Period First Reported: October 1, 2011, to March 31, 2012

The objective of the audit was to determine whether GSA is in compliance with the Improper Payments Information Act of 2002 as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) regarding the improper payments GSA reported in fiscal year 2011. The report contained six recommendations; three have not been implemented.

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

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The remaining recommendations involve including all GSA programs and activities in the payment recapture audit program; complying with requirements by ensuring the proper source of funds is used to reimburse the recapture audit contractor; and issuing official policy providing guidance to Agency personnel regarding the reporting of improper payments and implementation of the IPERA. They are scheduled for completion by December 15, 2012.

### ***Audit of Small Project American Recovery and Reinvestment Act of 2009 Funding Used for Move Costs***

Period First Reported: October 1, 2011, to March 31, 2012

The objective of the audit was to determine if GSA is transparent in its use of High-Performance Green Buildings (HPGB) Small project Recovery Act funding for the move costs of HPGB Full and Partial Building Modernization and Limited Scope projects. The report contained one recommendation which has not been implemented.

The recommendation involves improving transparency by providing supplemental reporting that lists the amount of funds obligated by project under the small project category. It is scheduled for completion by January 15, 2013.

### ***FY 2011 FISMA Audit of GSA's Information Technology Security Program***

Period First Reported: April 1, 2011, to September 30, 2011

The objective of the audit was to determine whether GSA has developed, documented, and implemented an Agency-wide information security program. The report contained five recommendations; two have not been implemented.

The remaining recommendations involve the Office of the Chief Information Officer clarifying labeling requirements for GSA's sensitive security documentation and ensuring that appropriate warning banners are displayed. They are scheduled for completion by October 15, 2012.

### ***Information Technology Solution Shop System Performance and Functionality***

Period First Reported: April 1, 2011, to September 30, 2011

The objective of the audit was to assess the performance and functionality of the Information Technology Solution Shop system in meeting system users' needs. The report contained two recommendations; one has not been implemented.

The remaining recommendation involves designing a fully-functional procurement system for the Assisted Acquisition Service that incorporates a standardized procurement process. It is scheduled for completion by December 15, 2012.

### ***GSA's Fleet Monitoring of Alternative Fuel Vehicle Surcharge Payments***

Period First Reported: April 1, 2011, to September 30, 2011

The objectives of the audit were to determine whether GSA Fleet appropriately monitors Alternative Fuel Vehicle (AFV) monthly surcharges collected from customer agencies, and if material weaknesses are identified with GSA Fleet's monitoring processes, what actions should be taken. The report contained two recommendations; one has not been implemented.

The remaining recommendation involves modifying AFV surcharge payment monitoring practices to ensure compliance with federal regulations. It is scheduled for completion by November 15, 2012.

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

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### ***Recovery Act Report – Improper Obligation of Construction Contingency Funds***

Period First Reported: April 1, 2011, to September 30, 2011

The objective of the audit was to determine whether GSA is planning, awarding, and administering contracts for major construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates. The report contained one recommendation which has not been implemented.

The recommendation involves PBS developing and implementing methodology to review GSA contract modifications to ensure that obligations are valid. It is scheduled for completion by November 15, 2012.

### ***Consistency in Implementing Policy Across Acquisition Centers – Temporary Extensions***

Period First Reported: October 1, 2010, to March 31, 2011

The objective of the audit was to determine whether FAS acquisition centers are consistently implementing and adhering to regulations, policies, and procedures regarding temporary extensions. The report contained three recommendations; one has not been implemented.

The remaining recommendation involves improving FAS's ability to manage and reduce the need for temporary extensions within the MAS program by developing an automated method of accumulating and reporting data regarding the use of temporary extensions. It is scheduled for completion by November 15, 2012.

### ***Information Technology Security Audit of the Information Technology Solution Shop System***

Period First Reported: October 1, 2010, to March 31, 2011

The objective of the audit was to determine whether FAS has implemented management, operational, and technical security controls to effectively manage risks inherent with a "moderate" risk system, in accordance with FISMA and GSA's Information Technology Security Program. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves FAS implementing two-factor authentication for remote access by the system administrators. It is scheduled for completion by October 15, 2012.

### ***Audit of the General Services Administration's Fiscal Year 2010 Financial Statements***

Period First Reported: October 1, 2010, to March 31, 2011

The objective was to conduct an audit of GSA's consolidated balance sheet, the individual balance sheet of the Federal Buildings Fund and the Acquisition Services Fund, the related consolidated and individual statement of net cost, the changes in net position and the combined and individual statements of budgetary resources for fiscal year 2010. The report contained 117 recommendations; three have not been implemented.

The remaining recommendations involve the Office of the Chief Financial Officer working with Agency officials to adjust or implement automated application controls to ensure that the corresponding feeder systems have the capability to capture all necessary data to report financial transactions; reviewing GSA policies and procedures regarding the use of encryption during the user authentication process; and implementing encryption for the OA Tool, OA Billing, and RETA. They are scheduled for completion by January 15, 2013.



## Appendix II—Audit Report Register

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
<b>PBS Internal Audits</b>				
05/02/12	A120115	Implementation Review of Corrective Action Plan for the: FY 2009 Office of Inspector General Information Technology Security Audit of eLease Report Number A090126/P/T/R09005, Dated September 30, 2009		
05/03/12	A120079	Implementation Review of Corrective Action Plan, Audit of PBS's Controls Over Security of Building Information Report Number A070216/P/R/R08005, Dated September 30, 2008		
05/10/12	A090172	Recovery Act Report - Region 5 Construction Manager as Constructor Contracts Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		
06/13/12	A090184	Recovery Act Report - Contract Administration for Group 10 Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009		
09/27/12	A120023	Audit of the Public Buildings Service, Southeast Sunbelt Region's Lease Administration Practices		
09/28/12	A090172	Recovery Act Report - Southeast Sunbelt Region Construction Manager as Constructor Contracts Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		
09/28/12	A090172	Recovery Act Report - Mariposa Land Port of Entry Expansion Project Construction Management Services for Phases 2-4 Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009		\$261,936

## Appendix II—Audit Report Register

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
<b><i>PBS Attestation Engagements</i></b>				
05/04/12	A110208	Preaward Examination of Supplemental Architect and Engineering Services Contract: McCullough-Dominguez Architects, PSC, Solicitation Number GS-02P-06-PC-D-3111		
05/09/12	A120069	Examination of a Claim: Cleveland Construction, Inc., Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003		
05/17/12	A120092	Audit of Proposed Rental Rate Increase, Lease Number GS-06P-40004, Internal Revenue Service Center, 315 West Pershing Road, Kansas City, Missouri		\$475,490
05/23/12	A090120	Review of Change Order Proposals: Mascaro Construction Company, L.P., Contract Number GS-02P-03-DTC-0010, Change Order Request Numbers 41 and 49		
05/30/12	A120112	Limited Scope Attestation Engagement: Examination of Labor Rates at the JFK Federal Building, Contract Number GS-01P-09-BW-D-0009		
06/19/12	A120118	Examination of Accounting System: Swinerton Builders, Contract Number GS-09P-09-KT-C-0103		
07/17/12	A120136	Examination of a Claim: Lenex Steel Company, Subcontractor to Caddell Construction Company, Contract Number GS-05P-02-GB-C-0089		
08/08/12	A120063	Examination of a Claim: Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003		
08/21/12	A120083	Examination of a Change Order Proposal: M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010		
09/18/12	A120121	Examination of a Termination Settlement Proposal: Alutiiq International Solutions, LLC, Contract Number GS-08P-08-JF-C-0005		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
09/20/12	A120141	Examination of a Claim: Turner Construction Company, Contract Number GS-07P-11-HH-C-0003		
09/28/12	A120157	Examination of Cost Accounting Standards Board Disclosure Statement: Grunley Construction Company, Inc., Contract Number GS-11P-12-MK-C-0037		

### *FAS Internal Audits*

05/02/12	A110024	Limited Scope Audit of Task Order NP4700101050 Funded by the American Recovery and Reinvestment Act of 2009		
05/02/12	A110024	Limited Scope Audit of Task Order NP4700101051 Funded by the American Recovery and Reinvestment Act of 2009		
05/30/12	A110100	Audit of Management Controls Within the Network Services Division Pacific Rim Region, Federal Acquisition Service		
06/04/12	A110172	Audit of the Infrastructure as a Service Blanket Purchase Agreements		
08/02/12	A120116	Implementation Review of Corrective Action Plan for the: FY 2009 Office of Inspector General Information Technology Security Audit of USAccess GSA's Homeland Security Presidential Directive 12 System, Report Number A080173/Q/T/P09001, Dated March 26, 2009		
09/26/12	A120028	Audit of the Digitization of the Federal Acquisition Service's Multiple Award Schedule Contract Files		
09/27/12	A110163	Review of Blanket Purchase Agreement Number GS-06F-04123: Kipper Tool Company		

## Appendix II–Audit Report Register

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
<b><i>FAS Attestation Engagements</i></b>				
04/04/12	A110202	Preaward Examination of Multiple Award Schedule Contract Extension: George W. Allen Company, Inc., Contract Number GS-14F-0177D		\$8,089
04/09/12	A110210	Postaward Examination of Multiple Award Schedule Contract: Logistics Management Institute, Contract Number GS-00F-0026M		
04/10/12	A110212	Preaward Examination of Multiple Award Schedule Contract Extension: Global Knowledge Training, LLC, Contract Number GS-35F-4390G		
04/10/12	A120090	Preaward Examination of Multiple Award Schedule Contract Extension: Mine Safety Appliances Company, Contract Number GS-07F-9628G		\$1,511
04/12/12	A110143	Preaward Examination of Multiple Award Schedule Contract Extension: The J. Diamond Group, Inc., Contract Number GS-07F-0305L		\$8,555
04/23/12	A120086	Preaward Examination of Multiple Award Schedule Contract Extension: The Analysis Corporation, Contract Number GS-35F-0344L		\$103,238
05/01/12	A110213	Preaward Examination of Multiple Award Schedule Contract Extension: Miami Air International, Incorporated, Contract Number GS-33F-0016T		\$8,428
05/02/12	A110216	Preaward Audit of Multiple Award Schedule Contract Extension: Learning Tree International USA, Inc., Contract Number GS-35F-4414G		\$43,996
05/10/12	A120082	Preaward Examination of Multiple Award Schedule Contract Extension: Kalman & Company, Incorporated, Contract Number GS-10F-0289M		
05/17/12	A110207	Preaward Examination of Multiple Award Schedule Contract Extension: Analytical Graphics, Inc., Contract Number GS-35F-4022D		

## *Appendix II—Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
05/18/12	A120056	Preaward Examination of Multiple Award Schedule Contract Extension: Systems Research and Applications Corporation, Contract Number GS-35F-4594G		\$30,922
05/31/12	A120059	Preaward Examination of Multiple Award Schedule Contract Extension: The MIL Corporation, Contract Number GS-35F-4670G		\$77,733
06/29/12	A110169	Postaward Examination of Multiple Award Schedule Contract: Oce North America, Inc., Contact Number GS-25F-0060M for the Period Oct. 1, 2006 Through March 31, 2011		\$225,180
07/05/12	A110166	Preaward Examination of Multiple Award Schedule Contract Extension: Pitney Bowes, Inc., Contract Number GS-25F-0010M		
07/06/12	A120126	Preaward Examination of Multiple Award Schedule Contract: Hamilton Products Group, Inc., Solicitation Number 3QSA-JB-100001-B		
07/12/12	A120146	Examination of a Claim: Settles Associates, Inc. (DBA Matrix Settles PC), Task Order GS-P-11-10-YL-0049 Under Contract Number GS-29F-0022N		
07/13/12	A110204	Preaward Examination of Multiple Award Schedule Contract Extension: Noblis, Inc. Contract Number GS-10F-0189T		
07/31/12	A120081	Preaward Examination of Multiple Award Schedule Contract Extension: Gleason Research Associates, Incorporated, Contract number GS-23F-0253M		
08/09/12	A120084	Preaward Examination of Multiple Award Schedule Contract Extension: Raytheon Company, Contract Number GS-35F-4097G		
08/15/12	A110209	Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M		\$2,063,375



## *Appendix II–Audit Report Register*

Date of Report	Report Number	Title	Financial Recommendations	
			Funds Put to Better Use	Questioned (Unsupported) Costs
08/17/12	A120119	Preaward Examination of Multiple Award Schedule Contract Extension: Spectrum Systems, Inc., Contract Number GS-35F-5192G		\$38,840
08/23/12	A120061	Preaward Examination of Multiple Award Schedule Contract Extension: Schneider Electric USA, Inc., Contract Number GS-07F-9462G		\$110,209
09/12/12	A120103	Preaward Examination of Multiple Award Schedule Contract Extension: ManTech Advanced Systems International, Inc., Contract Number GS-35F-4660G		\$3,230
09/12/12	A120129	Preaward Examination of Multiple Award Schedule Contract Extension: Brookfield Relocation Inc., Contract Number GS-23F-9734H		
09/28/12	A120091	Preaward Examination of Multiple Award Schedule Contract Extension: PRO-telligent, LLC, Contract Number GS-10F-0417M		\$124,806

### *Other Internal Audits*

09/28/12	A120125	FY 2012 Office of Inspector General FISMA Audit of GSA's Information Technology Security Program
09/28/12	A120131	Audit of GSA's Transition from Lotus Notes to the Cloud
09/28/12	A120132	Audit of GSA's Implementation of the Federal Data Center Consolidation Initiative

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## Appendix III—OIG 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 Administrative Services and the Chief Financial Officer are 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 phased-in implementing actions often delay timely completion of the final action.

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

Date of Report	Report Number	Title
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### Attestation Engagements

08/28/07	A060196	Preaward Review of Request for Equitable Adjustment: Tigard Electric, Incorporated, Solicitation Number GS-10P-02-LTC-0025
08/21/09	A080030	Preaward Review of Multiple Award Schedule: Hewlett-Packard Company, Solicitation Number FCIS-JB-980001
11/16/10	A080057	Preaward Review of Multiple Award Schedule Contract Extension: The Sherwin-Williams Company, Contract Number GS-1OF-0004J
07/06/10	A080070	Preaward Review of Multiple Award Schedule Contract Extension: Accenture, LLP, Contract Number GS-35F-4692G
09/15/10	A080124	Limited Scope Postaward Review for the Period July 1, 2003 to December 29, 2008: ASAP Software Express, Inc., Contract Number GS-35F-4027D
01/20/09	A080136	Preaward Review of Multiple Award Schedule Contract Extension: Dynamic Decisions, Inc., Contract Number GS-35F-5879H
11/17/09	A080144	Preaward Review of Multiple Award Schedule Contract Proposal: BMC Software, Inc., Solicitation Number FCIS-JB-980001-B
12/12/08	A080177	Preaward Review of Multiple Award Schedule Contract Extension: Tecolote Research, Incorporated, Contract Number GS-35F-5115H
07/22/11	A080188	Review of a Claim: Dynalectric Company, Subcontractor to Dick Corporation, Solicitation Number GS-04P-01-EXC-0044
04/27/09	A080210	Preaward Review of Multiple Award Schedule Contract Extension: ImmixTechnology, Inc., Contract Number GS-35F-033J
12/29/08	A090042	Postaward Audit Report on Direct Costs Incurred on Trilogy Project: Computer Sciences Corporation, Solicitation Number GS-00T-99-ALD204
06/30/11	A090045	Limited Scope Postaward Review of Multiple Award Schedule for the Period January 1, 2005 to July 31, 2007: C-Tech Industries, Inc., Contract Number GS-07F-0496T
09/04/09	A090074	Preaward Review of Multiple Award Schedule Contract Extension: Tech Flow, Inc., Contract Number GS-35F-0210J

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

Date of Report	Report Number	Title
09/03/09	A090089	Preaward Review of Multiple Award Schedule Contract Extension: Mohawk Carpet Corporation, Less Carpets Division, Contract Number GS-27F-0031N
08/21/09	A090090	Preaward Review of Multiple Award Schedule Contract Extension: Ezenia!, Inc., Contract Number GS-35F-0475P
08/19/09	A090106	Preaward Review of Multiple Award Schedule Contract Extension: Perot Systems Government Services, Inc., Contract Number GS-00F-0049M
06/24/10	A090108	Preaward Review of Multiple Award Schedule Contract Extension: Integrated Data Services, Inc., Contract Number GS-35F-0372J
06/07/11	A090112	Postaward Review of Multiple Award Schedule Contract for the Period March 20, 1998 through April 30, 2008: ITS Services, Inc., Contract Number GS-35F-5518H
08/16/10	A090130	Limited Review of Multiple Award Schedule for the Period January 8, 2002 to November 7, 2005: Cort Business Furniture, Contract Number GS-28F-7018G
10/27/10	A090133	Limited Scope Postaward Review of Multiple Award Schedule for the Period July 29, 2002 to September 9, 2008: SeaArk Marine, Inc., Contract Number GS-07F-0012J
08/24/10	A090140	Postaward Review of Multiple Award Schedule Contract: Systems Research and Applications Corporation, Contract Number GS-35F-0735J
08/06/09	A090145	Preaward Review of Multiple Award Schedule Contract Extension: BTAS, Inc., Contract Number GS-35F-0546J
12/10/09	A090159	Preaward Review of Multiple Award Schedule Contract Extension: RCF Information Systems, Inc., Contract Number GS-35F-0613J
11/24/10	A090192	Preaward Review of Multiple Award Schedule Contract Extension: SHI International Corporation, Contract Number GS-35F-0111K
08/22/11	A090196	Review of Construction Management Services Contract: Bovis Lend Lease LMB, Inc., Solicitation Number GS-02P-04-DTC-0028
02/24/10	A090198	Preaward Review of Multiple Award Schedule Contract Extension: IBIS Tek, LLC, Contract Number GS-07F-5505R
11/09/09	A090202	Preaward Review of Multiple Award Schedule Contract Extension: Computech, Inc., Contract Number GS-35F-0108K
06/23/10	A090222	Preaward Review of Multiple Award Schedule Contract Extension: Force 3, Inc., Contract Number GS-35F-0785J
08/27/09	A090228	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS-11P-08-MKC-0079

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

Date of Report	Report Number	Title
09/09/09	A090232	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the United States Department of Homeland Security Headquarters and Consolidated National Operations Center in Washington, DC: Haley & Aldrich, Inc., Solicitation Number GS-11P-08-MKC-0079
09/10/09	A090234	Report on Audit of Direct Labor Rates, Indirect Rates, and Other Direct Costs Portion of a Subcontract Proposal: HDR Architecture, Inc., Solicitation Number GS-11P-08-MKC-0079
09/04/09	A090254	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the New St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS-11P-08-MKC-0080
02/24/11	A100003	Preaward Review of Multiple Award Schedule Contract Extension: McLane Advanced Technologies, LLC, Contract Number GS-35F-0901P
03/10/11	A100062	Preaward Review of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0131R
01/27/11	A100075	Preaward Review of Multiple Award Schedule Contract Extension: Cort Business Services Corporation, Contract Number GS-28F-7018G
09/28/11	A100108	Review of Construction Management Services Contract: Bovis Lend Lease LMB, Inc., Solicitation Number GS-02P-07-DTC-0009
03/29/11	A100114	Preaward Review of Multiple Award Schedule Contract Extension: Ahura Scientific, Inc., Contract Number GS-07F-6099R
10/07/10	A100117	Preaward Examination of Multiple Award Contract Extension: Dun & Bradstreet, Inc., Contract Number GS-22F-9614D
08/03/11	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
07/07/11	A100140	Preaward Review of Multiple Award Schedule Contract Extension: Veterans Imaging Products, Inc., Contract Number GS-14F-0005L
09/16/10	A100148	Examination of a Change Order Proposal: Alutiq International Solutions, LLC, Solicitation Number GS-08P-08-JF-C-0005
10/12/10	A100156	Examination of a Claim: Acousti Engineering Company of Florida, Subcontractor to Dick Corporation, Solicitation Number GS-04P-01-EXC-0044
11/02/10	A100167	Preaward Examination of Multiple Award Schedule Contract Extension: Affordable Interior Systems, Inc., Contract Number GS-29F-0006K
03/16/11	A100168	Preaward Examination of Multiple Award Schedule Contract Extension: Johnson Controls, Inc., Contract Number GS-07F-7823C
07/27/11	A100170	Examination of a Claim: Caddell Construction Company, Incorporated, Solicitation Number GS-07P-05-UEC-3003

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

Date of Report	Report Number	Title
02/02/11	A100171	Examination of a Claim: Layton Construction Company, Inc., Solicitation Number GS-08P-07-JFC-0016
12/27/10	A100172	Preaward Examination of Multiple Award Schedule Contract Extension: New England Woodcraft, Inc., Contract Number GS-27F-0005
07/25/11	A100174	Examination of a Claim: Leon D. Dematteis Construction Corporation, Solicitation Number GS-02P-04-DTC-0032
01/31/11	A100178	Examination of Construction Management Services Contract: Bovis Lend Lease LMB, Inc., Contract Number GS-02P-04-DTC-0048
02/18/11	A100181	Preaward Examination of Multiple Award Schedule Contract Extension: L.N. Curtis & Sons, Contract Number GS-07F-0043L
08/03/11	A100182	Preaward Examination of O&M Services Contract: Security Construction Services, Inc., Solicitation Number GS-01P-10-BW-C-0026
05/17/11	A100183	Examination of a Claim: Moshe Safdie and Associates, Inc., Contract Number GS-01P-99-BWC-0016
11/24/10	A100193	Postaward Audit of Multiple Award Schedule Contract Extension: The Stratix Corporation, Contract Number GS-3SF-080SR
11/22/10	A100195	Preaward Examination of Multiple Award Schedule Contract Extension: Knight Protective Service, Inc., Contract Number GS-07F-0266K
12/14/10	A100201	Preaward Examination of Multiple Award Schedule Contract Extension: Government-Buys, Incorporated, Contract Number GS-3SF-0122S
01/27/11	A100213	Examination of a Claim: Cobb Mechanical Contractors, Subcontractor to Caddell Construction Company Incorporated, Contract Number GS-07P-05-UEC-3003
05/12/11	A100221	Preaward Examination of Multiple Award Schedule Contract Extension: Mainline Information Systems, Inc., Contract Number GS-35F-0216L
09/08/11	A110021	Examination of a claim: Myrex industries, Subcontractor to Caddell Construction Company, incorporated, Contract Number GS-07P-05-UEC-3003
01/31/11	A110022	Preaward Examination of Multiple Award Schedule Contract Extension: Cooper Notification, Inc., Contract Number GS-07F-0167L
05/12/11	A110044	Preaward Examination of Multiple Award Schedule Contract Extension: Vaisala, Inc., Contract Number GS-25F-6029D
07/26/11	A110062	Preaward Examination of Multiple Award Schedule Contract Extension: Premier & Companies, Inc., Contract Number GS-02F-0132S
05/16/11	A110063	Postaward Examination of Multiple Award Schedule for the period January 1, 2008 to December 31, 2010: IntelliDyne, LLC, Contract Number GS-35F-0554K
09/09/11	A110067	Preaward Examination of Multiple Award Schedule Contract Extension: Clifton Gunderson, LLP, Contract Number GS-23F-0135L

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

Date of Report	Report Number	Title
06/01/11	A110070	Examination of a Claim: Berg Electric Corporation, Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
05/10/11	A110073	Preaward Examination of Multiple Award Schedule Contract Extension: PPS Infotech, LLC, Contract Number GS-35F-0372L
09/29/11	A110073	Limited Scope Postaward Review of Multiple Award Schedule Contract: PPS Infotech, LLC, Contract Number GS-35F-0372L
06/01/11	A110087	Preaward Examination of Multiple Award Schedule Contract Extension: National Interest Security Company, LLC, Contract Number GS-25F-0032IL
07/28/11	A110088	Postaward Examination of Multiple Award Schedule Contract Number for the Period January 1, 2009 to December 31, 2010: Global Protection USA, Inc., Contract Number GS-07F-6028P
07/06/11	A110098	Examination of a Claim: Kenmor Electric Company, L.P., Subcontractor to W.G. Yates & Sons Construction Company, Contract Number GS-07P-05-URC-5007
08/10/11	A110102	Examination of a Claim: W.G. Yates & Sons Construction Company, Contract Number GS-07P-05-URC-5007
06/13/11	A110108	Preaward Examination of Multiple Award Schedule Contract Extension: Protective Products Enterprises, Contract Number GS-07F-9029D
07/27/11	A110109	Preaward Examination of Multiple Award Contract Extension: Security Consultants Group Incorporated, Contract Number GS-07F-0267L
08/19/11	A110111	Preaward Examinations of Multiple Award Schedule Contract Extension: Thermo Electron North America, LLC, Contract Number GS-24F-0026L
05/13/11	A110113	Preaward Examination of Multiple Award Schedule Contract Extension: Smiths Detection, Inc., Contract Number GS-07F-9597G
06/10/11	A110115	Preaward Examination of Multiple Award Schedule Contract Extension: Pacific Star Communications, Inc., Contract Number GS-35F-0031L
09/14/11	A110122	Preaward Examination of Multiple Award Schedule Contract: Agilent Technologies, Incorporated, Contract Number GS-26F-5944A
07/08/11	A110132	Preaward Examination of Architect and Engineering Proposal: R.A. Heintges & Associates, Subcontractor to Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS-11P-10-MKC-0050
07/08/11	A110132	Preaward Examination of Architect and Engineering Proposal: Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS-11P-10-MKC-0050
08/04/11	A110133	Preaward Examination of Architect and Engineering Proposal: Arup USA, Inc., Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS-11P-10-MKC-0050
08/25/11	A110136	Preaward Examination of Multiple Award Schedule Contract Extension: Konica Minolta Business Solutions U.S.A., Inc., Contract Number GS-25F-0030M



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

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<b>Date of Report</b>	<b>Report Number</b>	<b>Title</b>
07/14/11	A110140	Preaward Examination of Architect and Engineering Proposal: Lehman Smith McLeish, PLLC, Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS-11P-10-MKC-0050
09/12/11	A110146	Examination of Conversion Proposal: White Construction Company, Solicitation Number GS-07P-06-UEC-0059
09/15/11	A110174	Postaward Examination of Multiple Award Schedule for the Period March 5, 2010 to July 31, 2011: Protective Products Enterprises, Contract Number GS-07F-9029D
08/15/11	A110180	Examination of Architect and Engineering Services Contract: RTKL Associates, Inc., Solicitation Number GS-11P-11-MKC-0045
09/01/11	A110182	Examination of a Termination Settlement Proposal: Hensel Phelps Construction Company, Solicitation Number GS-04P-10-BVC-0065
08/17/11	A110195	Report on Independent Audit (Adequacy Review) of Initial Disclosure Statement Effective January 1, 2010: J.E. Dunn Construction Co., Solicitation Number GS-06P-08-GZC-0011

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

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<b>Date of Report</b>	<b>Report Number</b>	<b>Title</b>	<b>Projected Final Action Date</b>
<b><i>Internal Audits</i></b>			
11/09/10	A100123	FY 2010 Office of Inspector General Information Technology Security Audit of the Information Technology Solution Shop System	10/15/2012
12/23/10	A100078	Audit of the General Services Administration's Fiscal Year 2010 Financial Statements	01/15/2013
03/31/11	A100204	Review of Consistency in Implementing Policy Across Acquisition Centers – Temporary Extensions	11/15/2012
03/31/11	A110072	Review of the Federal Acquisition Service's National Customer Service Center	01/15/2013
05/18/11	A100123	Audit of the Information Technology Solution Shop System Performance and Functionality	12/15/2012
06/09/11	A100188	Review of GSA Fleet's Monitoring of Alternative Fuel Vehicle Surcharge Payments	11/15/2012

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## ***Appendix IV–Government Contractor Significant Report Findings***

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The *National Defense Authorization Act for Fiscal Year 2008*, P. L. 110-181, requires each Inspector General appointed under the Inspector General Act of 1978 to submit an annex on final, completed contract audit reports issued to the contracting activity as part of its Semiannual Report to the Congress. The annex addresses significant audit findings – unsupported, questioned, or disallowed costs in excess of \$10 million – or other significant contracting issues. During this reporting period, there were no audit reports that met these requirements.

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## ***Appendix V–OIG Reports Without Management Decision***

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Section 5(a)(10) of the Inspector General Act as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. GSA has a system in place to track reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by the OIG and agreed to by management are addressed as efficiently and expeditiously as possible. During this reporting period, there were no reports that met this requirement.

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## ***Appendix VI—Peer Review Results***

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The *Dodd-Frank Wall Street Reform and Consumer Protection Act* requires each Inspector General to submit an appendix containing: the results of any peer review conducted by another OIG during the reporting period or, if no peer review was conducted, a statement identifying the date of the last peer review conducted; a list of any outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented, the status of the recommendation, and an explanation why the recommendation is not complete; and a list of any peer reviews conducted by the OIG of another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that have not been fully implemented.

The Department of Justice Office of Inspector General started their peer review of the Office of Audits in April 2012. The review is currently on-going. In addition, we conducted a peer review of the United States Treasury Inspector General for Tax Administration (TIGTA) during this reporting period. TIGTA has no outstanding recommendations made from any previous peer review that have not been fully implemented. The Office of Investigations' last peer review (2010) was conducted by the Department of Energy OIG, which resulted in an opinion that the Office of Investigations' system of internal safeguards and management procedures were in compliance with the quality standards established by CIGIE and applicable U. S. Attorney General guidelines.

## Appendix VII—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, the National Defense Authorization Act, and the Dodd-Frank Wall Street Reform Act are 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 . . . . .	20
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies . . . . .	1–8
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .	1–8
Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .	29
Section 5(a)(4) – Matters Referred to Prosecutive Authorities . . . . .	24
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused . . . . .	none
Section 5(a)(6) – List of OIG Reports . . . . .	32
Section 5(a)(7) – Summary of Each Particularly Significant Report . . . . .	1–8
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs . . . . .	23
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	22
Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made . . . . .	46
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision. . . . .	none
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## Appendix VIII—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, Robert C. Erickson (JD).....(202) 501-0450  
Director of Communications and Congressional Affairs, Dave Farley (JX) .....(202) 219-1062

### Office of Counsel to the Inspector General

Counsel to the IG, Richard Levi (JC).....(202) 501-1932

### Office of Forensic Auditing, Evaluation, and Analysis

Director, Patricia D. Sheehan (JE).....(202) 273-4989

### Office of Audits

Assistant IG for Auditing, Theodore R. Stehney (JA).....(202) 501-0374  
Principal Deputy Assistant IG for Auditing, Kenneth L. Crompton, (Acting) (JAD) .....(202) 501-0374  
Director, Audit Planning, Policy, and Operations Staff, Lisa L. Blanchard (JAO) .....(202) 273-7271  
Director, Administration and Data Systems Staff, Thomas P. Short (JAS) .....(202) 501-1366  
Director, Office of Special Projects, Paul J. Malatino (JA-P) .....(202) 208-0021

### Deputy Assistant Inspectors General for Auditing

Finance and Information Technology Audit Office, Carolyn Presley-Doss (JA-F) .....(202) 357-3620  
Real Property Audit Office, Rolando N. Goco (JA-R).....(202) 219-0088  
Acquisition Programs Audit Office, Barbara E. Bouldin, (Acting) (JA-A) .....(703) 603-0189

### Regional Inspectors General for Auditing

Northeast and Caribbean Region Audit Office, Steven D. Jurysta (JA-2) .....(212) 264-8620  
Mid-Atlantic Region Audit Office, James M. Corcoran (JA-3) .....(215) 446-4840  
Southeast Sunbelt Region Audit Office, Nicholas V. Painter (JA-4) .....(404) 331-5125  
Great Lakes Region Audit Office, Adam R. Gooch (JA-5) .....(312) 353-7781  
The Heartland Region Audit Office, John F. Walsh (JA-6) .....(816) 926-7052  
Greater Southwest Region Audit Office, Paula N. Denman (JA-7).....(817) 978-2571  
Pacific Rim Region Audit Office, James P. Hayes (JA-9).....(415) 522-2744

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## Appendix VIII—OIG Offices and Key Officials

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### Office of Investigations

Assistant IG for Investigations, Geoffrey Cherrington (JI).....	(202) 501-1397
Deputy Assistant IG for Investigations, Lee Quintyne (JID).....	(202) 501-1397
Director, Investigations Operations Division, Gerald R. Garren (JIB).....	(202) 501-4583
Director, Internal Operations Division, Bruce S. McLean (JII) .....	(202) 208-2384

### Special Agents in Charge (SAC)

Mid-Atlantic Regional Office, SAC Christopher P. Cherry (JI-W).....	(202) 252-0008
Philadelphia Regional Office, SAC James E. Adams (JI-3).....	(215) 861-3550
Northeast and Caribbean Regional Office, SAC James E. Adams (JI-2) .....	(215) 861-3550
Boston Regional Office, SAC Luis A. Hernandez (JI-1).....	(617) 565-6820
Southeast Regional Office, SAC James Taylor (JI-4).....	(404) 331-3084
Ft. Lauderdale Resident Office, SA Dietrich Bohmer (JI-4M) .....	(954) 356-6993
Central Regional Office, SAC Stuart G. Berman (JI-5) .....	(312) 353-7779
Mid-West Regional Office, SAC John F. Kolze (JI-6) .....	(816) 926-7214
Denver Resident Office, SA Christopher C. Hamblen (JI-8).....	(303) 236-5072
Southwest Regional Office, SAC Paul W. Walton (JI-7) .....	(817) 978-2589
Western Regional Office, SAC Bryan D. Denny (JI-9) .....	(415) 522-2755
Laguna Niguel Resident Office, SA Theresa Quellhorst (JI-9L) .....	(949) 360-2214
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10).....	(253) 931-7654

### Office of Administration

Assistant IG for Administration, Larry Lee Gregg (JP).....	(202) 219-1041
Deputy Assistant IG for Administration, Stephanie Burgoyne (JP) .....	(202) 273-5006
Budget and Financial Management Office, Director Stephanie Burgoyne (JPB).....	(202) 273-5006
Executive Resources Staff/Human Capital Officer, Jack Mossop (JPE).....	(202) 501-0821
Human Resources Division, Director Denise McGann (JPH) .....	(202) 501-1734
Information Technology Division, Director Rickey Eaton (JPM) .....	(703) 603-2323
Facilities and Services Office, Supervisor Carol Mulvaney (JPF).....	(202) 501-3119
Contracting Office, Team Leader Myra R. Hayes (JPC) .....	(202) 501-2887

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